PIONEER BANCORP, INC.

ANNUAL REPORT 2015

FINANCIAL HIGHLIGHTS (Unaudited)

(In thousands, except per share amounts)	**2015**	Change	2014	2013	2012	2011
AT YEAR-END						
Assets	$ **737,315**	+ 10%	$ 672,360	$ 645,215	$ 615,313	$ 593,469
Loans	**287,374**	+ 5%	274,251	287,764	278,054	267,116
Securities	**378,304**	+ 15%	327,686	284,116	254,570	254,512
Loans serviced for others	**615,968**	- 7%	664,214	686,638	695,674	685,675
Deposits	**540,723**	+ 6%	511,256	493,308	470,765	430,682
Borrowings	**114,065**	+ 39%	82,135	82,366	65,550	86,987
Stockholders' equity	**67,051**	+ 5%	63,758	58,029	65,792	62,080
FOR THE YEAR						
Interest and dividend income	**19,060**	+ 2%	18,674	18,788	19,397	21,229
Interest expense	**1,546**	- 16%	1,848	2,773	3,565	5,360
Net interest income	**17,514**	+ 4%	16,826	16,015	15,832	15,869
Loan loss provision	**247**	- 10%	275	347	510	515
Noninterest income	**10,666**	- 5%	11,258	11,400	14,101	11,060
Noninterest expense	**23,456**	+ 4%	22,654	22,284	21,801	19,154
Net income	**4,477**	- 13%	5,155	4,784	7,622	7,260
CAPITAL RATIO						
Equity to assets	**9.1%**		9.5%	9.0%	10.7%	10.5%
PER SHARE						
Year-end book value	**70.61**	+ 5%	67.50	63.75	72.47	67.56
Earnings	**4.72**	- 16%	5.59	5.26	8.35	7.85
Distributions	**3.09**	- 29%	4.35	1.66	3.60	4.15
Distribution payout ratio	**65.5%**		77.8%	31.6%	43.1%	52.9%
PERFORMANCE RATIOS						
Return on average stockholders' equity	**6.85%**		8.47%	7.73%	11.92%	12.03%
Return on average assets	**0.64%**		0.78%	0.76%	1.26%	1.24%
Net interest margin	**2.74%**		2.86%	2.76%	2.80%	2.88%
Efficiency ratio	**83.24%**		80.67%	81.28%	72.83%	71.13%
SELECTED INFORMATION						
Average common shares *(in thousands)*	**948**		922	910	912	925
Full-time equivalent employees	**204**		207	215	218	206
Customer service facilities:						
Full-service facilities	**7**		7	7	7	7
Banking branches	**9**		9	9	8	6
Loan production offices	**2**		2	2	2	2
ATMs	**21**		21	21	20	17

PIONEER BANCORP, INC.

Dear Fellow Stockholders, Customers, Associates & Friends:

We are pleased to bring you the results of another successful year for Pioneer Bancorp, Inc. both in earnings and strategic growth.

Total assets increased $65.0 million, or 9.7% in 2015 as we increased our investment in securities and began to retain a larger percentage of our loan production. Loan pay-offs have continued to accelerate as consumers seek to improve the health of their own balance sheets by reducing debt. This in turn has caused us to hold a higher amount of lower yielding U.S. Agency securities to maintain our assets, resulting in margin compression from 2.86% in 2014 to 2.74% in 2015. This transition of retaining more loans in our portfolio, coupled with continued lower loan production, resulted in a 23% reduction in gain on sale of loans in 2015. Net income for the year ended December 31, 2015 was $4.5 million compared to $5.2 million for 2014.

Our core deposit growth continues to be a key metric of our performance. For 2015, deposits increased $29.5 million, or 5.8%, to $540.7 million from $511.3 million at December 31, 2014. We believe our early adoption of mobile banking in 2011 continues to be extremely well received by our depositors and offers greater convenience and access to our services twenty-four hours a day. Monthly mobile-logins have grown from 16,000 in December of 2011 to just over 497,000 in December 2015. We also began offering EMV chipped debit cards this past October which should reduce fraud and offer greater protection to our customers. Due to the importance of debit cards to our customers, we have also begun instant issue of EMV cards to both new customers as well as replacement cards for existing customers. Our growth in deposits generated an increase in fee income of $192 thousand, or 2.8%, in 2015.

The single largest increase in expense in 2015 was from data processing which increased 14.4%. An example of additional burden and expense by Pioneer in this area was the implementation of a new front-end mortgage production system as a result of the Consumer Financial Protection Bureau's integrated disclosure rules, known as "Know Before You Owe" or TRID, under the Truth in Lending Act and Real Estate Settlement Procedures Act.

Stockholders' equity increased $3.3 million, or 5.2%, to $67.1 million at December 31, 2015 from $63.8 million at December 31, 2014. This was the result of a $1.5 million change in accumulated other comprehensive income and a $1.5 million increase in retained earnings. Book value per share increased $3.11, or 4.6%, to $70.61 at December 31, 2015 from $67.50 at December 31, 2014. We can also report that as of December 31, 2015, Pioneer met not only the new Basel III capital rules that took effect January 1, 2015, but also the fully phased-in rules through 2019.

Although we have been preparing for his retirement for several years now, we will nonetheless feel a significant loss when Executive Vice President and Chief Lending Officer Britt Donaldson retires at the end of this month. Mr. Donaldson has had a distinguished career spanning 38 years and we will miss his counsel and leadership.

We remain committed to building shareholder value by delivering quality financial products and superior services to our customers. By succeeding in this effort, we will also succeed in enhancing the value of our shareholders' investment in Pioneer Bancorp, Inc. Thank you for your continued confidence and support.

Sincerely,

Jon E. Hitchcock
President and Chief Executive Officer

Roswell, New Mexico
March 18, 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pioneer Bancorp, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
March 4, 2016

PIONEER BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014
(In thousands, except share amounts)

	Note	2015	2014
ASSETS			
Cash and cash equivalents	B	$ 17,422	$ 15,879
Securities:	C		
Available-for-sale		149,824	189,616
Held-to-maturity (fair value 2015 - $226,932; 2014 - $139,899)		228,480	138,070
Loans held for sale, net	D	5,330	5,085
Loans, net	D	282,044	269,166
Federal Home Loan Bank (FHLB) stock		4,379	3,176
Foreclosed assets	E	918	1,934
Premises and equipment, net	F	30,072	30,699
Mortgage servicing rights, net	G	5,238	5,931
Accrued interest receivable		2,243	1,855
Bank-owned life insurance		9,446	9,098
Other assets		1,919	1,851
Total assets		$ 737,315	$ 672,360
LIABILITIES			
Deposits	H	$ 540,723	$ 511,256
FHLB advances and other borrowings	I	114,065	82,135
Official checks		2,799	2,227
Advance payments for taxes and insurance		2,556	2,325
Accrued interest payable		56	66
Accounts payable and other liabilities		10,065	10,593
Total liabilities		670,264	608,602
Commitments and contingencies	J		
STOCKHOLDERS' EQUITY	K		
Capital stock, $1 par value; 2,000,000 shares authorized; 1,008,923 shares issued		1,009	1,009
Treasury stock (2015 - 59,338 shares; 2014 - 64,299 shares)		(2,385)	(2,482)
Additional paid-in capital		1,452	1,282
Retained earnings		71,504	69,962
Accumulated other comprehensive loss		(4,529)	(6,013)
Total stockholders' equity		67,051	63,758
Total liabilities and stockholders' equity		$ 737,315	$ 672,360

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2015 and 2014
(In thousands, except share amounts)

	Note	2015	2014
Interest and dividend income:			
Loans		$ 12,412	$ 13,393
Mortgage securities		1,027	1,277
Investment securities and other		5,621	4,004
Total		19,060	18,674
Interest expense:			
Deposits		834	1,056
FHLB advances and other borrowings		712	792
Total		1,546	1,848
Net interest income		17,514	16,826
Loan loss provision	D	247	275
Net interest income after loan loss provision		17,267	16,551
Noninterest income:			
Deposit account fees		7,050	6,858
Gain on sale of loans, net	D	1,977	2,577
Loan administration and service fees		1,286	1,607
Other		353	216
Total		10,666	11,258
Noninterest expense:			
Compensation and employee benefits	M/N	11,391	10,952
Equipment		2,019	2,253
Data processing		4,157	3,632
Occupancy		2,066	2,019
Stationery, printing, and office supplies		424	415
Professional and supervisory		773	697
Federal deposit insurance		390	371
Postage and transportation		556	564
Advertising and public relations		823	915
Telephone		208	215
Other		649	621
Total		23,456	22,654
Net income		$ 4,477	$ 5,155

(Continued)

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2015 and 2014
(In thousands, except share amounts)

	Note	2015	2014
Weighted-average number of capital stock shares outstanding:			
Basic		948,454	922,272
Diluted		963,502	936,112
Earnings per share:			
Basic		$ 4.72	$ 5.59
Diluted		4.65	5.51

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2015 and 2014
(In thousands, except share amounts)

	Note	2015	2014
Net income		$ 4,477	$ 5,155
Other comprehensive income:			
Unrealized gains on securities:			
Unrealized holding gain arising during the period		245	2,436
Amortization of unrealized losses on held-to-maturity securities that were formerly available-for-sale		588	732
		833	3,168
Defined benefit pension plan:	M		
Net gain/(loss) arising during the period		397	(687)
Amortization of prior service cost included in net periodic pension cost		254	32
		651	(655)
Total other comprehensive income		1,484	2,513
Comprehensive income		$ 5,961	$ 7,668

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2015 and 2014
(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, 2014	$ 1,009	$ (3,793)	$ 457	$ 68,882	$ (8,526)	$ 58,029
Net income	-	-	-	5,155	-	5,155
Other comprehensive Income	-	-	-	-	2,513	2,513
Purchase of treasury stock (369 shares)	-	(22)	-	-	-	(22)
Sale of treasury stock (31,581 shares)	-	1,215	743	-	-	1,958
Exercise of stock options (3,100 shares)	-	118	21	-	-	139
Stock-based compensation	-	-	61	-	-	61
Distributions - $4.35 per share	-	-	-	(4,075)	-	(4,075)
Balance, December 31, 2014	1,009	(2,482)	1,282	69,962	(6,013)	63,758
Net income	-	-	-	4,477	-	4,477
Other comprehensive income	-	-	-	-	1,484	1,484
Purchase of treasury stock (3,644 shares)	-	(233)	-	-	-	(233)
Sale of treasury stock (5,055 shares)	-	193	126	-	-	319
Exercise of stock options (3,550 shares)	-	137	23	-	-	160
Stock-based compensation	-	-	21	-	-	21
Distributions - $3.09 per share	-	-	-	(2,935)	-	(2,935)
Balance, December 31, 2015	$ 1,009	$ (2,385)	$ 1,452	$ 71,504	$ (4,529)	$ 67,051

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014
(In thousands, except share amounts)

	2015	2014
Cash flows from operating activities:		
Net income	$ 4,477	$ 5,155
Adjustments to reconcile net income to net cash from operating activities:		
Amortization (accretion) of:		
Mortgage servicing rights	1,550	1,430
Premiums and discounts on investments and mortgage securities, net	346	252
Provision for loan losses	247	275
Net (gain)/loss on sales and disposals of:		
Loans	(1,977)	(2,577)
Premises and equipment	8	(3)
Foreclosed assets	47	(20)
Foreclosed assets direct write-down expense	233	137
Stock-based compensation expense	21	61
FHLB stock dividends	(11)	(10)
Depreciation of premises and equipment	1,964	2,058
Origination of mortgage loans held for sale	(55,871)	(72,700)
Proceeds from sales of loans held for sale	56,746	74,933
Earnings on bank-owned life insurance	(348)	(121)
Changes in operating assets and liabilities:		
Accrued interest receivable	(388)	(77)
Other assets	(68)	(362)
Accrued interest payable	(10)	(30)
Accounts payable and other liabilities, net of distributions declared, not paid	793	589
Net cash from operating activities	7,759	8,990
Cash flows from investing activities:		
Loan originations and principal payments on loans, net	(13,686)	7,661
Proceeds from sales of loans held for investment	561	3,662
Securities:		
Available-for-sale:		
Purchases	(64,537)	(47,185)
Sales	-	-
Maturities, prepayments and calls	104,385	23,395
Held-to-maturity:		
Purchases	(116,419)	(24,914)
Maturities, prepayments and calls	26,440	8,050
Additions to premises and equipment, net	(1,345)	(1,219)
Net sales (purchases) of FHLB stock	(1,192)	90
Improvements to foreclosed assets	(24)	(9)
Proceeds from sales of foreclosed assets	760	679
Net cash from investing activities	(65,057)	(29,790)

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PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2015 and 2014
(In thousands, except share amounts)

		2015		2014
Cash flows from financing activities:				
Net change in deposits	$	29,467	$	17,948
Additions to FHLB advances and other borrowings		45,130		18,000
Payments on FHLB advances and other borrowings		(13,200)		(18,231)
Official checks		572		(85)
Net change in advance payments for taxes and insurance		231		20
Sale (purchase) of treasury shares, net		86		1,936
Proceeds from exercise of stock options		160		139
Payment of cash distributions		(3,605)		(1,525)
Net cash from financing activities		58,841		18,202
Net change in cash and cash equivalents		1,543		(2,598)
Cash and cash equivalents at beginning of year		15,879		18,477
Cash and cash equivalents at end of year	$	17,422	$	15,879
Supplemental cash flow information:				
Cash paid during the year for interest	$	1,555	$	1,878
Supplemental noncash disclosures:				
Distributions declared, not paid	$	1,880	$	2,550
Transfer from loans to foreclosed assets		-		1,239

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 engages in mortgage banking activities and 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". Intercompany transactions and balances are eliminated in consolidation. The Company is not a public business entity as defined by accounting standards.

Pioneer provides financial services through seven full customer service facilities, nine banking branches, two loan production offices, and a network of twenty-one ATMs. The Company engages in mortgage banking activities and, as such, originates, 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.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 4, 2016, which is the date the financial statements were available to be issued.

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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 ("OTTI") on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement; and 2) OTTI related to other factors, which is recognized in other comprehensive income. Credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

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 securitizes 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. Management classifies securitized loan pools as loans held for sale. When these securitized loan pools are sold to third party investors, gains or losses are recognized in gain on sale of loans.

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.

Mortgage Banking Derivatives: The Company enters into commitments, known as interest rate locks, with borrowers whereby the interest rate on loans is determined prior to funding. Interest rate locks on mortgage loans that are to be sold into the secondary market are considered to be

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

free standing derivatives and are recorded at fair value with changes in fair value recorded in net gains on sales of loans. The Bank estimates the fair value of the interest rate locks based upon the terms of the underlying mortgage loan and the probability that the loan will fund within the terms of the interest rate lock. The fair value of the underlying mortgage loan is based upon quoted sales commitments prices. Closing ratios derived from the Company's historical data are used to estimate the quantity of mortgage loans that will fund within the terms of the interest rate locks. Interest rate locks expose the Bank to interest rate risk. The Bank sometimes 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 gains on sales of loans.

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 all classes of loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, all classes of loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. 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.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income for all classes of loans. 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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. For all classes of loans, 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.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Commercial, multifamily, construction and land loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers nonimpaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by class and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for the portfolio. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The following portfolio segments have been identified: Loans secured by real estate, commercial and industrial, and consumer. Loans secured by real estate include the following classes: residential construction, nonresidential construction & land, home equity lines of credit, residential, second mortgages, multifamily, and commercial.

The Company considers loan performance and collateral values in assessing risk in the loan portfolio. The primary risk factors that have been identified for each loan segment are as follows:

- Loans secured by real estate are affected by the local real estate market, the local economy, and movement in interest rates. Appraisals are obtained to support the loan amount. For residential real estate, the Company evaluates the borrower's repayment ability through a review of credit scores and debt-to-income ratios. Commercial real estate loans are dependent on the industries tied to these loans. An evaluation of the entity's cash flows is performed to evaluate the borrower's ability to repay the loan.
- Commercial and industrial loans are dependent on the strength of the industries of the related borrowers and the success of their businesses. Commercial loans are advanced for equipment purchases or to provide working capital or meet other financing needs of the business. These loans may be secured by accounts receivable, inventory, equipment or other business assets. Financial information is obtained from the borrower to evaluate the debt service coverage and ability to repay the loans.
- Consumer loans are dependent on the local economy, and are generally secured by consumer assets, but may be unsecured. The Company evaluates the borrower's repayment ability through a review of credit scores and an evaluation of debt-to-income ratios.

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.

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.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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: When mortgage loans are sold with servicing retained, 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.

Servicing rights 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.

Transfers of Financial Assets: 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.

Foreclosed Assets: 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. These assets are subsequently accounted for at the lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a write-down is recorded through expense. Operating costs after acquisition are expensed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Bank-Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives. Bank-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.

Retirement Plans: Defined benefit pension plan expense is the net of service and interest cost and amortization of gains and losses not immediately recognized.

Employee Stock Ownership Plan (ESOP): The Company maintains a non-contributory, non-leveraged ESOP. Contribution expense is based on the market price of shares as they are contributed to participant accounts. Distributions on allocated shares reduce retained earnings.

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 U.S. federal income tax return with its subsidiary, Pioneer Bank, and its subsidiary, Pioneer Mortgage Company. The Bancorp also files consolidated state income tax returns in New Mexico and Colorado and a franchise tax return in Texas. The Company is taxed under Subchapter S of the Internal Revenue Code, whereby the Company's taxable income is reported on the individual stockholders' tax returns.

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 Company recognizes interest and/or penalties related to income tax matters in income tax expense. There were no interest or penalties recorded in the income statement for the years ended December 31, 2015 and 2014. The Company is no longer subject to examination by taxing authorities for years before 2012.

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 which was 15,048 shares at December 31, 2014 and 13,840 shares at December 31, 2014. There were no antidilutive potential common shares.

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 stockholders.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 status of the defined benefit plan which are also recognized as separate components of equity.

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 L. 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. Reclassifications had no effect on prior year net income or stockholders' equity.

New Accounting Standards: In June 2014, the FASB amended existing guidance related to repurchase-to-maturity transactions, repurchase financings, and disclosures (ASU No. 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures). These amendments align the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. These amendments require a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These amendments also require expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. These amendments are effective for annual periods beginning after December 15, 2014 and interim periods beginning after December 15, 2015. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The adoption of the standard did not have a material effect on the Company's operating results or financial condition.

On January 5, 2016, the FASB issued an update (ASU No. 2016-01, Financial Instruments – Recognition and Measurement of Financial Assets and Liabilities). The new guidance is intended to improve the recognition and measurement of financial instruments by requiring: equity investments (other than equity method or consolidation) to be measured at fair value with changes in fair value recognized in net income; public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

the accompanying notes to the financial statements; eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities; eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance is effective for non-public business entities for fiscal years beginning after December 15, 2018. The new guidance permits early adoption of the provision that exempts private companies from having to disclose fair value information about financial instruments measured at amortized cost. Accordingly, the Company has eliminated the disclosure of fair value of financial instruments from these consolidated financial statements.

(In thousands, except share amounts)

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, subject to regulatory reserve requirements of $2.9 million and $1.1 million at December 31, 2015 and 2014, consisted of the following:

	2015	2014
Cash and due from banks	$ 7,327	$ 8,432
Interest-bearing deposits	10,095	7,447
Total cash and cash equivalents	$ 17,422	$ 15,879

(In thousands, except share amounts)

NOTE C - SECURITIES

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2015 and 2014 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income/(loss) and gross unrecognized gains and losses:

2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Government-sponsored agencies	$ 123,596	$ 50	$ (1,123)	$ 122,523
Residential mortgage-backed securities	24,898	1,415	-	26,313
Equity securities	1,000	-	(12)	988
Total available-for-sale	$ 149,494	$ 1,465	$ (1,135)	$ 149,824

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity				
U.S. Government-sponsored agencies	$ 216,166	$ 210	$ (2,187)	$ 214,189
Residential mortgage-backed securities	12,210	429	-	12,639
Collateralized mortgage obligations	59	-	-	59
Private-issue collateralized mortgage obligations	45	-	-	45
Total held-to-maturity	$ 228,480	$ 639	$ (2,187)	$ 226,932

(Continued)

(In thousands, except share amounts)

NOTE C - SECURITIES *(Continued)*

2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Government-sponsored agencies	$ 158,259	$ 71	$ (1,766)	$ 156,564
Residential mortgage-backed securities	30,272	1,787	-	32,059
Equity securities	1,000	-	(7)	993
Total available-for-sale	$ 189,531	$ 1,858	$ (1,773)	$ 189,616

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Gains	Fair Value
Held-to-maturity				
U.S. Government-sponsored agencies	$ 122,246	$ 1,822	$ (77)	$ 123,991
Residential mortgage-backed securities	15,544	104	(19)	15,629
Collateralized mortgage obligations	71	-	(1)	70
Private-issue collateralized mortgage obligations	209	-	-	209
Total held-to-maturity	$ 138,070	$ 1,926	$ (97)	$ 139,899

The amortized cost and fair value of the available-for sale and held-to-maturity 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, 2015			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturity				
Within one year				
One to five years	$ -	$ -	$ 442	$ 459
Five to ten years	75,344	74,946	74,087	73,749
Beyond ten years	56,179	55,934	152,976	151,712
	16,971	17,956	975	1,012
	$ 148,494	$ 148,836	$ 228,480	$ 226,932

Securities pledged to secure public deposits and repurchase agreements at December 31, 2015 and 2014 were approximately $103.1 million and $98.4 million at fair value.

(Continued)

(In thousands, except share amounts)

NOTE C - SECURITIES *(Continued)*

Securities with unrealized losses at December 31, 2015 and 2014, 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	
2015	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. Government-sponsored agencies	$ 111,745	$ (1,123)	$ -	$ -	$ 111,745	$ (1,123)
Equity securities	988	(12)	-	-	988	(12)
Total available-for-sale	$ 112,733	$ (1,135)	$ -	$ -	$ 112,733	$ (1,135)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Held-to-maturity						
U.S. Government-sponsored agencies	$ 170,892	$ (2,187)	$ -	$ -	$ 170,892	$ (2,187)
Total held-to-maturity	$ 170,892	$ (2,187)	$ -	$ -	$ 170,892	$ (2,187)

	Less than 12 Months		12 Months or Longer		Total	
2014	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. Government-sponsored agencies	$ 50,278	$ (156)	$ 94,304	$ (1,610)	$ 144,582	$ (1,766)
Equity securities	993	(7)	-	-	993	(7)
Total available-for-sale	$ 51,271	$ (163)	$ 94,304	$ (1,610)	$ 145,575	$ (1,773)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Held-to-maturity						
U.S. Government-sponsored agencies	$ 13,306	$ (77)	$ -	$ -	$ 13,306	$ (77)
Residential mortgage-backed securities	2,908	(19)	-	-	2,908	(19)
Residential mortgage-backed securities	48	(1)	-	-	48	(1)
Total held-to-maturity	$ 16,262	$ (97)	$ -	$ -	$ 16,262	$ (97)

At December 31, 2015 and 2014, unrealized losses on U.S. Government-sponsored agencies and mortgage-backed securities held by the Company have not been recognized into income because the decline in fair value is attributable to changes in interest rates, not credit quality. The mortgage-backed securities held by the Company were issued by U.S. Government-sponsored entities and agencies, primarily Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC), institutions which the Government has affirmed its commitment to support. Because the Company does not have the intent to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired.

During the fourth quarter of 2013, the Company transferred securities with a fair value of $119.1 million from available-for-sale to held-to-maturity, which is the new cost basis. As of the date of the transfer, the resulting unrealized holding loss continues to be reported as a separate component of stockholders' equity in accumulated other comprehensive loss. The related unrealized loss of $5.2 million will be accreted over the remaining life of the securities as a yield adjustment. Accretion of $588 thousand was recognized in 2015. Accretion of $732 thousand was recognized in 2014.

(Continued)

(In thousands, except share amounts)

NOTE D - LOANS

Loans, including residential real estate loans held for sale of $5.3 million and $5.1 million at December 31, 2015 and 2014, by major category consisted of the following:

	2015	2014
Loans secured by real estate:		
Residential construction	$ 20,629	$ 26,119
Nonresidential construction & land	11,892	7,042
Home equity lines of credit	867	872
Residential	191,840	182,199
Second mortgages	321	479
Multifamily	596	256
Commercial	40,433	37,394
Commercial & industrial	20,638	19,406
Consumer	3,593	3,945
Total loans	290,809	277,712
Allowance for loan losses	(3,435)	(3,461)
Loans, net	$ 287,374	$ 274,251

Loans to executive officers, directors, and their affiliates were $2.7 million and $3.1 million at December 31, 2015 and 2014.

(Continued)

(In thousands, except share amounts)

NOTE D - LOANS *(Continued)*

The following tables present activity in the allowance for loan losses for the years ended December 31, 2015 and 2014:

2015	Beginning Balance	Loan Loss Provision	Charge-offs	Recoveries	Ending Balance
Loans secured by real estate:					
Residential construction	$ 253	$ (62)	$ -	$ -	$ 191
Nonresidential construction & land	60	76	(47)	24	113
Home equity lines of credit	6	-	-	-	6
Residential	2,319	83	-	-	2,402
Second mortgages	2	(1)	-	-	1
Multifamily	1	1	-	-	2
Commercial	300	(96)	-	-	204
Commercial & industrial	212	28	-	-	240
Consumer	308	218	(605)	355	276
Total	$ 3,461	$ 247	$ (652)	$ 379	$ 3,435

2014	Beginning Balance	Loan Loss Provision	Charge-offs	Recoveries	Ending Balance
Loans secured by real estate:					
Residential construction	$ 173	$ 80	$ -	$ -	$ 253
Nonresidential construction & land	62	(26)	-	24	60
Home equity lines of credit	8	(2)	-	-	6
Residential	2,325	(6)	-	-	2,319
Second mortgages	3	(1)	-	-	2
Multifamily	-	1	-	-	1
Commercial	239	61	-	-	300
Commercial & industrial	293	(81)	-	-	212
Consumer	336	249	(772)	495	308
Total	$ 3,439	$ 275	$ (772)	$ 519	$ 3,461

(Continued)

(In thousands, except share amounts)

NOTE D - LOANS *(Continued)*

The following tables represent the balance in the allowance for loan losses and the recorded investment in loans investment in loans based on impairment method as of year-end 2015 and 2014:

	Loan Balances			Allowance for Loan Losses		
2015	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Loans secured by real estate						
Residential construction	$ -	$ 20,629	$ 20,629	$ -	$ 191	$ 191
Nonresidential construction & land	-	11,892	11,892	-	113	113
Home equity lines of credit	-	867	867	-	6	6
Residential	-	191,840	191,840	-	2,402	2,402
Second mortgages	-	321	321	-	1	1
Multifamily	-	596	596	-	2	2
Commercial	-	40,433	40,433	-	204	204
Commercial & industrial	-	20,638	20,638	-	240	240
Consumer	-	3,593	3,593	-	276	276
Total	$ -	$ 290,809	$ 290,809	$ -	$ 3,435	$ 3,435

	Loan Balances			Allowance for Loan Losses		
2014	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Recorded Investment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Loans secured by real estate						
Residential construction	$ -	$ 26,119	$ 26,119	$ -	$ 253	$ 253
Nonresidential construction & land	-	7,042	7,042	-	60	60
Home equity lines of credit	-	872	872	-	6	6
Residential	-	182,199	182,199	-	2,319	2,319
Second mortgages	-	479	479	-	2	2
Multifamily	-	256	256	-	1	1
Commercial	-	37,394	37,394	-	300	300
Commercial & industrial	-	19,406	19,406	-	212	212
Consumer	-	3,945	3,945	-	308	308
Total	$ -	$ 277,712	$ 277,712	$ -	$ 3,461	$ 3,461

(In thousands, except share amounts)

NOTE D - LOANS *(Continued)*

The following tables present the aging of the recorded investment in past due loans as of year-end 2015 and 2014 by class of loans:

2015	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or more Past Due Still on Accrual	Nonaccrual	Loans Not Past Due	Total
Loans secured by real estate:						
Residential construction	$ -	$ -	$ -	$ -	$ 20,629	$ 20,629
Nonresidential construction & land	318	7	-	-	11,567	11,892
Home equity lines of credit	-	-	-	-	867	867
Residential	4,277	1,434	248	3,059	182,822	191,840
Second mortgages	-	-	-	-	321	321
Multifamily	-	-	-	-	596	596
Commercial	-	-	-	-	40,433	40,433
Commercial & industrial	-	-	-	-	20,638	20,638
Consumer	2	9	-	-	3,582	3,593
Total	$ 4,597	$ 1,450	$ 248	$ 3,059	$ 281,455	$ 290,809

2014	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or more Past Due Still on Accrual	Nonaccrual	Loans Not Past Due	Total
Loans secured by real estate:						
Residential construction	$ -	$ -	$ -	$ -	$ 26,119	$ 26,119
Nonresidential construction & land	-	27	-	-	7,015	7,042
Home equity lines of credit	-	-	-	-	872	872
Residential	4,953	1,168	-	3,224	172,854	182,199
Second mortgages	2	-	-	-	477	479
Multifamily	-	-	-	-	256	256
Commercial	-	-	-	235	37,159	37,394
Commercial & industrial	-	-	-	-	19,406	19,406
Consumer	10	-	-	-	3,935	3,945
Total	$ 4,965	$ 1,195	$ -	$ 3,459	$ 268,093	$ 277,712

NOTE D - LOANS *(Continued)*

Credit Quality Indicators:

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes non-homogeneous loans, such as commercial and commercial real estate loans.

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

(Continued)

(In thousands, except share amounts)

NOTE D - LOANS *(Continued)*

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Loans listed as not rated are included in groups of homogeneous loans. Management evaluates the risk category of these unrated loans when a loan becomes delinquent or a borrower requests a concession. Nonaccrual loans guaranteed by the Government are not rated. As of year-end 2015 and 2014, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

2015	Not Rated	Pass	Special Mention	Substandard	Doubtful	Total
Loans secured by real estate:						
Residential construction	$ -	$ 19,767	$ -	$ 862	$ -	$ 20,629
Nonresidential construction & land	-	11,787	-	105	-	11,892
Home equity lines of credit	867	-	-	-	-	867
Residential	190,664	-	-	1,176	-	191,840
Second mortgages	321	-	-	-	-	321
Multifamily	-	576	-	20	-	596
Commercial	-	36,081	96	4,256	-	40,433
Commercial & industrial	-	20,537	72	29	-	20,638
Consumer	3,566	-	4	23	-	3,593
Total	$ 195,418	$ 88,748	$ 172	$ 6,471	$ -	$ 290,809

2014	Not Rated	Pass	Special Mention	Substandard	Doubtful	Total
Loans secured by real estate:						
Residential construction	$ -	$ 26,119	$ -	$ -	$ -	$ 26,119
Nonresidential construction & land	-	6,693	-	349	-	7,042
Home equity lines of credit	814	-	-	58	-	872
Residential	180,860	-	-	1,339	-	182,199
Second mortgages	477	-	-	2	-	479
Multifamily	-	256	-	-	-	256
Commercial	-	31,977	100	5,317	-	37,394
Commercial & industrial	-	19,369	-	37	-	19,406
Consumer	3,883	-	-	61	1	3,945
Total	$ 186,034	$ 84,414	$ 100	$ 7,163	$ 1	$ 277,712

Troubled debt restructurings are not material during any period presented.

(In thousands, except share amounts)

NOTE E - FORECLOSED ASSETS

Foreclosed assets activity was as follows:

	2015	2014
Balance at beginning of year	$ 1,934	$ 1,482
Transfers	-	1,239
Capitalized improvements	24	9
Write-downs	(233)	(137)
Proceeds from sales	(760)	(679)
Gain/(loss) on sale, net	(47)	20
Balance at end of year	$ 918	$ 1,934

Foreclosed assets at year-end 2015 included one parcel of land with a carrying value of $660 and one single-family residence with a carrying value of $258 thousand.

Operating expenses related to foreclosed assets for the years ended December 31, 2015 and 2014 totaled $48 thousand and $96 thousand.

(Continued)

(In thousands, except share amounts)

NOTE F - PREMISES AND EQUIPMENT

Year-end premises and equipment consisted of:

	2015	2014
Land	$ 5,196	$ 5,196
Buildings and leasehold improvements	27,528	27,465
Furniture, equipment, and autos	10,220	9,619
Construction in progress	590	-
	43,534	42,280
Less accumulated depreciation and amortization	13,462	11,581
Premises and equipment, net	$ 30,072	$ 30,699

Depreciation expense was $2.0 million and $2.1 million for 2015 and 2014.

The Company leases office space for certain branch offices under various operating leases with terms expiring through 2018. Lease payments included in occupancy expense totaled $146 thousand and $155 thousand for the years ended December 31, 2015 and 2014. Future lease payments for branch offices through 2018 do not exceed $139 thousand per year.

(In thousands, except share amounts)

NOTE G - MORTGAGE SERVICING RIGHTS AND LOAN SERVICING

Mortgage loan serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans are:

	2015	2014
Mortgage loans underlying pass-through securities:		
GNMA	$ 263,750	$ 286,050
FNMA	131,043	164,256
FHLMC	3	19
	394,796	450,325
Mortgage loan portfolio serviced for:		
FNMA	205,908	195,255
FHLMC	1,010	1,198
Other investors	14,254	17,436
	221,172	213,889
	$ 615,968	$ 664,214

Custodial balances on deposit at the Bank, in connection with the foregoing loan servicing, amounted to $20.1 million and $16.7 million at December 31, 2015 and 2014.

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

	2015	2014
Mortgage servicing rights		
Balance, beginning of year	$ 5,931	$ 6,341
Capitalized	857	1,020
Amortization	(1,550)	(1,430)
Balance, end of year	5,238	5,931
Impairment allowance	-	-
Balance, end of year, net of impairment allowance	$ 5,238	$ 5,931

(Continued)

(In thousands, except share amounts)

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

The estimated fair value of capitalized mortgage servicing rights was $7.8 million at year-end 2015. Fair value was determined using discount rates ranging from 9.75% to 14.25%, prepayment speeds ranging from 5.11% to 33.13% based on individual loan characteristics including gross coupon and age, and a weighted-average default rate of 0.75%.

The estimated fair value of capitalized mortgage servicing rights was $8.5 million at year-end 2014. Fair value was determined using discount rates ranging from 9.50% to 14.00%, prepayment speeds ranging from 5.15% to 38.48% based on individual loan characteristics including gross coupon and age, and a weighted-average default rate of 0.76%.

The weighted-average amortization period is 4.40 years. Estimated amortization expense for each of the next five years follows:

2016	$	753
2017		649
2018		558
2019		481
2020		415

(In thousands, except share amounts)

NOTE H - DEPOSITS

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

	2015	2014
No contractual maturities	$ 427,875	$ 387,698
2015	-	91,498
2016	80,373	13,591
2017	11,416	4,570
2018	6,168	5,748
2019	8,016	8,151
2020	6,875	-
	$ 540,723	$ 511,256

At December 31, 2015 and 2014, approximately $62.6 million and $55.0 million of residential mortgage-backed and U.S. Government-sponsored agency securities were pledged to secure public unit deposits.

Time deposits of $250,000 or more (the federally insured amount) were $19.9 million and $19.6 million at year-end 2015 and 2014.

Deposits from executive officers, directors, and their affiliates at year-end 2015 and 2014 were $6.1 million and $6.9 million.

(In thousands, except share amounts)

NOTE I - FEDERAL HOME LOAN BANK ADVANCES (FHLB) AND OTHER BORROWINGS

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

	2015	2014
Maturities January 2016 through November 2018, at fixed rates from 0.31% to 1.98%, averaging 0.88%	$ 81,800	
Maturities January 2015 through November 2018, at fixed rates from 0.05% to 3.22%, averaging 1.29%		$ 59,000

Each advance is payable at its maturity date or on payment of a prepayment penalty for fixed rate advances. The advances were collateralized by $151.8 million and $151.1 million of eligible loans under a blanket lien arrangement at year-end 2015 and 2014. Based on this collateral, the Company's holdings of FHLB stock and securities held in safekeeping, the Company was eligible to borrow an additional $276.4 million at year-end 2015.

Required payments over the next four years are:

2016	$ 52,800
2017	22,000
2018	7,000
2019	-

Other borrowings consist of customer repurchase sweep accounts with overnight maturities. Balances were $32.3 million and $23.1 million at year-end 2015 and 2014.

The fair value of securities pledged to secure repurchase agreements may decline. The Company manages this risk by having a policy to pledge securities valued at 120% above the gross outstanding balance of repurchase agreements. Securities pledged to secure repurchase agreements were $40.5 and $43.4 at year-end 2015 and 2014 at fair value.

(In thousands, except share amounts)

NOTE J - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may become 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 balance sheets 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.

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:

	2015	2014
Undisbursed lines of credit	$ 24,846	$ 19,637
Commitments to originate loans	8,994	6,573
Recourse on loans sold	2,392	3,788
Standby letters of credit	457	241
Commitments to sell mortgages and mortgage-backed securities	3,148	1,000

(Continued)

NOTE K - REGULATORY MATTERS

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Capital amounts and ratios for December 31, 2014 are calculated using Basel I rules. Management believes as of December 31, 2015, the Bank meet all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2015 and 2014, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

(Continued)

(In thousands, except share amounts)

NOTE K - REGULATORY MATTERS *(Continued)*

The Bank's actual capital amounts and ratios are also presented in the table:

	Actual		Required For Adequate Capital		To Be Well Capitalized	
As of December 31, 2015						
Total capital (to risk-weighted assets)	$ 75,000	23.5%	$ 25,517	8.0%	$ 31,896	10.0%
Tier 1 capital (to risk-weighted assets)	71,346	22.4%	19,138	6.0%	25,517	8.0%
Common equity Tier 1 capital (to risk-weighted assets)	71,346	22.4%	14,353	4.5%	20,733	6.5%
Tier 1 capital (to average assets)	71,346	9.9%	28,713	4.0%	35,891	5.0%

	Actual		Amount Needed to Be Considered Adequately Capitalized		Amount Needed to Be Considered Well Capitalized Under Prompt Corrective Action	
As of December 31, 2014						
Total Risk-Based Capital (to risk-weighted assets)	$ 72,510	24.8%	$ 23,431	8.0%	$ 29,289	10.0%
Tier 1 Risk-Based Capital (to risk-weighted assets)	68,849	23.5%	11,716	4.0%	17,573	6.0%
Core Capital (to adjusted total assets)	68,849	10.2%	27,103	4.0%	33,879	5.0%

The Company's principal source of funds for distribution payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid is limited to the retained net profits of the preceding two years, subject to the capital requirements described above. During 2016, the Bank could, subject to no objection from regulators, declare dividends of approximately $6.3 million plus any 2016 net profits retained to the date of the dividend declaration.

(Continued)

NOTE L - 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).

Mortgage banking derivatives: The fair value of derivatives are based on valuation models using observable market data as of the measurement date (Level 2).

No assets/(liabilities) were measured at fair value on a non-recurring basis as of December 31, 2015 and 2014.

(Continued)

(In thousands, except share amounts)

NOTE L - FAIR VALUE *(Continued)*

Assets/(liabilities) measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2015 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets/(liabilities) measured on a recurring basis:				
Securities available-for-sale:				
U.S. Government-sponsored agencies	$ -	$ 122,523	$ -	$ 122,523
Residential mortgage-backed securities	-	26,313	-	26,313
Equity securities	988	-	-	988
Mortgage banking derivatives	-	79	-	79

	Fair Value Measurements at December 31, 2014 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets/(liabilities) measured on a recurring basis:				
Securities available-for-sale:				
U.S. Government-sponsored agencies	$ -	$ 156,564	$ -	$ 156,564
Residential mortgage-backed securities	-	32,059	-	32,059
Equity securities	993	-	-	993
Mortgage banking derivatives	-	33	-	33

(Continued)

(In thousands, except share amounts)

NOTE M - RETIREMENT PLANS

The Bank has both a qualified 401(k) retirement savings plan and an Employee Stock Ownership Plan (ESOP).

In 2013 stockholders approved the Pioneer Bank Employee Stock Ownership Plan. In 2014 Pioneer transferred approximately $2.0 million of the matching contribution account held in the 401(k) Plan to the ESOP in order to establish the initial ESOP fund. The Bank then applied the amount transferred to the purchase of 31, 581 shares of Pioneer Bancorp, Inc. common stock from Pioneer Bancorp, Inc. treasury shares at $62 per share, the appraised value of the stock on August 15, 2014, the date of the transfer.

Participant stock will be repurchased by the Company at the end of employment. All shares held by the ESOP at December 31, 2015 were allocated to participants. The fair value of allocated shares subject to repurchase obligation at year-end 2015 was $2.4 million.

Contributions to the ESOP 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 2015 and 2014:

Year	Match	Compensation	Expense
2014	100%	5%	$ 245
2015	100%	5%	266

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.

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

	2015	2014
Benefit obligation at beginning of year	$ 6,051	$ 4,949
Service cost	222	183
Interest cost	224	230
Plan amendments	(222)	-
Actuarial (gain)/loss	(252)	738
Benefits paid	(49)	(49)
Benefit obligation at end of year	$ 5,974	$ 6,051

Amounts recognized in accumulated other comprehensive income consist of:

	2015	2014
Net loss	$ 754	$ 1,151
Prior service cost	237	491
Total	$ 991	$ 1,642

(In thousands, except share amounts)

NOTE M - RETIREMENT PLANS *(Continued)*

The net periodic benefit cost was $622 thousand and $497 thousand for the years ended December 31, 2015 and 2014.

The estimated net loss 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, 2016 are $94 thousand and $16 thousand.

Estimated Future Payments

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

2016	$	118
2017		166
2018		296
2019		294
2020		341
Years 2021-2025		2,133

The weighted-average discount rate used to determine benefit obligations and periodic benefit cost was 3.99% and 3.72% and 3.72% and 4.68% at year-end 2015 and 2014.

(In thousands, except share amounts)

NOTE N - 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 $21 thousand and $61 thousand for 2015 and 2014.

The Company's 2007 Stock Option Plan, which is stock-holder 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 4-5 years and have 10-year contractual terms. The Company's policy is to use shares held as treasury shares to satisfy expected stock option exercises.

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. Because the Company's stock is not actively traded, expected volatilities are based on a group of publicly traded peers. 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.

No options were granted in 2015, the fair value of options granted in 2014 was determined using the following weighted-average assumptions as of the grant date:

	2014
Risk-free interest rate	1.99%
Expected term	7.00
Expected stock price volatility	31.24%
Dividend yield	-

(Continued)

(In thousands, except share amounts)

NOTE N - STOCK-BASED COMPENSATION *(Continued)*

A summary of the activity in the stock option plan for 2015 follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	49,775	$ 46	
Granted	-	-	
Exercised	(3,550)	45	
Forfeited or expired	(1,700)	57	
Outstanding at end of year	44,525	$ 46	2.5
Vested or expected to vest	44,525	$ 46	2.5
Exercisable at end of year	43,025	$ 45	2.3

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

	2015	2014
Intrinsic value of options exercised	$ 60	$ 53
Cash received from option exercises	160	139
Intrinsic value of options outstanding	831	789
Weighted average fair value of options granted	-	22.86

As of December 31, 2015, there was $33 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 2.6 years.

(In thousands, except share amounts)

NOTE O - ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Following is a summary of the accumulated other comprehensive income balances:

	December 31,	
	2015	2014
Unrealized gains on securities available-for-sale	$ 330	$ 85
Remaining unrealized (losses) on securities transferred to held-to-maturity	(3,868)	(4,456)
Employee pension plan	(991)	(1,642)
Total accumulated other comprehensive (loss)	$ (4,529)	$ (6,013)

PIONEER BANCORP, INC.
ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE - UNAUDITED
December 31, 2015
(In thousands, except share amounts)

2015 Over 2014

	Average Balance		Interest		Average Rate		Total	Change due to	
	2015	2014	2015	2014	2015	2014	Change	Volume	Rate
Interest and dividend income									
Loans	$ 277,205	$ 292,673	$ 12,412	$ 13,393	4.48%	4.58%	$ (981)	$ (693)	$ (288)
Mortgage securities	44,305	54,073	1,027	1,277	2.32%	2.36%	(250)	(226)	(24)
Investment securities and other	315,626	241,048	5,621	4,004	1.78%	1.66%	1,617	1,328	289
Total interest-earning assets	$ 637,136	$ 587,794	$ 19,060	$ 18,674	2.99%	3.18%	$ 386	$ 409	$ (23)
Interest expense									
Deposits	$ 530,957	$ 511,342	$ 834	$ 1,056	0.16%	0.21%	$ (222)	$ 31	$ (253)
FHLB advances and other borrowings	87,139	68,384	712	792	0.82%	1.16%	(80)	153	(233)
Total interest-bearing liabilities	$ 618,096	$ 579,726	$ 1,546	$ 1,848	0.25%	0.32%	$ (302)	$ 184	$ (486)
Net interest spread and income			$ 17,514	$ 16,826	2.74%	2.86%			
Ratio of net interest income to average interest-earning assets			2.75%	2.86%					

2014 Over 2013

	Average Balance		Interest		Average Rate		Total	Change due to	
	2014	2013	2014	2013	2014	2013	Change	Volume	Rate
Interest and dividend income									
Loans	$ 292,673	$ 287,535	$ 13,393	$ 13,326	4.58%	4.63%	$ 67	$ 235	$ (168)
Mortgage securities	54,073	67,219	1,277	1,664	2.36%	2.48%	(387)	(310)	(77)
Investment securities and other	241,048	226,363	4,004	3,798	1.66%	1.68%	206	244	(38)
Total interest-earnings assets	$ 587,794	$ 581,117	$ 18,674	$ 18,788	3.18%	3.23%	$ (114)	$ 169	$ (283)
Interest expense									
Deposits	$ 511,342	$ 475,367	$ 1,056	$ 1,284	0.21%	0.27%	$ (228)	$ 74	$ (302)
FHLB advances and other borrowings	68,384	100,355	792	1,489	1.16%	1.48%	(697)	(370)	(327)
Total interest-bearing liabilities	$ 579,726	$ 575,722	$ 1,848	$ 2,773	0.32%	0.48%	$ (925)	$ (296)	$ (629)
Net interest spread and income			$ 16,826	$ 16,015	2.86%	2.75%			
Ratio of net interest income to average interest-earning assets			2.86%	2.76%					

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.

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REGISTRAR AND TRANSFER AGENT

Pioneer Bancorp, Inc.

ANNUAL MEETING

The annual meeting of stockholders of Pioneer Bancorp, Inc. will be held at 10:30 a.m. on April 19, 2016 at the Corporate Headquarters, 3000 North Main Street, Roswell, New Mexico.

JAMES L. BRUIN

March 17, 1926—June 7, 2015

IN MEMORIAM

Pioneer Bank dedicates the 2015 Annual Report to the memory of James L. Bruin, who passed away on June 7, 2015. Jim served on the Bank's Board of Directors for 24 years. He will be remembered for his dedication to the Bank and his service to the community. Jim's positive attitude and sense of humor are truly missed.

PIONEER BANCORP, INC.

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

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PIONEER BANK

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