Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Christopher G. Palmer
Name of the Holding Company Director and Official

President/CEO
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

07/30/2021
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- ☒ is included with the FR Y-6 report
- ☐ will be sent under separate cover
- ☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2020
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Pioneer Bancorp, Inc.
Legal Title of Holding Company

PO Box 130
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Roswell	NM	88202-0130

3000 North Main Street, Roswell, NM 88201
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Christopher Palmer	President/CEO

575/624/5255
Area Code / Phone Number / Extension

N/A
Area Code / FAX Number

cpalmer@pioneerbnk.com
E-mail Address

N/A
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? (0=No, 1=Yes) 0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report ☐
2. a letter justifying this request has been provided separately ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

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Physical Location (if different from mailing address)

Report Item 1: Annual Report to Shareholders

Please see attached.

PIONEER BANCORP, INC.

2020 ANNUAL REPORT

FINANCIAL HIGHLIGHTS (Unaudited)

(In thousands, except per share amounts)	**2020**	Change	2019	2018	2017	2016
AT YEAR-END						
Assets	**$ 862,357**	+ 6%	$ 813,601	$ 820,562	$ 817,949	$ 764,574
Loans	**442,601**	+ 19%	371,986	359,292	341,345	315,101
Securities	**235,559**	- 33%	350,882	382,398	387,912	365,578
Loans serviced for others	**29,539**	- 23%	38,349	44,048	543,440	569,098
Deposits	**666,969**	+ 17%	571,281	519,780	537,951	540,782
Borrowings	**91,363**	- 38%	146,509	214,622	190,233	141,187
Stockholders' equity	**89,231**	+ 10%	80,987	72,218	71,758	67,565
FOR THE YEAR						
Interest and dividend income	**24,639**	- 9%	27,115	24,748	22,996	22,116
Interest expense	**1,715**	- 70%	5,703	4,858	2,963	1,847
Net interest income	**22,924**	+ 7%	21,412	19,890	20,033	20,269
Loan loss provision	**1,856**	+ 69%	1,097	712	625	481
Noninterest income	**9,659**	- 5%	10,197	11,285	11,701	10,781
Noninterest expense	**23,064**	+ 2%	22,591	23,725	23,502	23,066
Net income	**7,663**	- 3%	7,921	6,738	7,607	7,503
CAPITAL RATIO						
Equity to assets	**10.3%**		10.0%	8.8%	8.8%	8.8%
PER SHARE						
Year-end book value	**92.17**	+ 10%	83.71	74.75	74.53	70.92
Year-end tangible book value	**90.21**	+ 6%	85.50	82.22	80.99	78.08
Earnings	**7.92**	- 3%	8.19	6.97	7.93	7.88
Distributions	**3.16**	- 35%	4.86	5.70	4.56	4.73
Distribution payout ratio	**39.9%**		59.3%	81.8%	57.5%	60.0%
PERFORMANCE RATIOS						
Return on average stockholders' equity	**9.00%**		10.34%	9.36%	10.92%	11.15%
Return on average assets	**0.91%**		0.97%	0.82%	0.96%	1.00%
Net interest margin	**3.00%**		2.77%	2.64%	2.64%	2.89%
Efficiency ratio	**70.79%**		71.47%	76.10%	74.06%	74.29%
SELECTED INFORMATION						
Average common shares *(in thousands)*	**967**		968	966	959	952
Full-time equivalent employees	**144**		163	158	197	203
Customer service facilities:						
Full-service facilities	**6**		6	6	7	7
Banking branches	**6**		5	5	7	7
ATMs	**22**		21	19	21	22

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Dear Fellow Stockholders,

We are grateful to report that Pioneer Bancorp, Inc. had net income of $7.7 million, down just 3% from 2019, amid a chaotic 2020.

Total assets were $862.3 million at December 31, 2020 compared to $813.6 million at December 31, 2019. Average loans increased $48.8 million to $421.2 million in 2020 from $372.4 million in 2019. Average deposits increased $90.4 million to $634.6 million compared to $544.2 million in 2019. Stockholders' equity increased $8.2 million to $89.2 million at December 31, 2020 from $81.0 million at December 31, 2019. Tangible book value per share increased $4.71 per share, or 5.5%, to $90.21 at December 31, 2020, while book value per share increased $8.46, to $92.17.

Our Las Cruces market was the highlight for Pioneer in 2020 with historical loan production of $112.9 million, a $23.0 million increase from the previous high. This included $50.8 million in commercial real estate loans and $41.2 million in residential construction loans. Deposits in Las Cruces ended the year at $113.6 million, a $27.4 million increase. Our thanks to our Las Cruces Advisory Board for the impact they are having in our increasing success.

We also wish to thank Buddy Ritter, who will conclude his service as an Advisory Board Member and become an Emeritus Member of Pioneer's Board of Directors. Buddy has been an integral part of Pioneer's success over the last 38 years, particularly in Las Cruces. Buddy will continue to serve on Las Cruces' Advisory Board.

For the fourth year in a row, Pioneer Bank was named one of the Top Workplaces in New Mexico by the Albuquerque Journal. We were also named a winner of the Top Workplaces USA Award, issued by Energage. Our Mission is to make a positive difference in the lives of those who work, bank, invest at Pioneer. I am increasingly proud of the work Team Pioneer is doing growing our people.

Our Team also works hard to make a difference for our customers, and we were proud to be named #1 in New Mexico on Forbes' America's Best Banks in Each State 2020 list. The list was based on a survey of nearly 25,000 customers in the U.S. who ranked banks on overall recommendations and satisfaction as well as on five subdimensions (trust, terms and conditions, branch services, digital services, and financial advice). According to Forbes, "Of the 5,117 banks in America, just 2.6% made our list."

One of Pioneer's core principles is "We are Leaders creating Leaders". I am honored to recognize Lanie Smith, a member of the Leadership New Mexico Core Class of 2020, Eric Ehler, who graduated from the 13th Leadership New Mexico's Connect New Mexico "The Next Generation of Leadership" program, and Nathan Brandt, who graduated from Leadership Roswell's Class of 2020.

We will miss Charlotte Gipson, Vice President, who retired after 35 years with Pioneer and Nancy Smith, Senior Vice President, who retired after 30 years with Pioneer.

Our Team also mourned the loss of two team members in 2020, Michele D. Crabtree and Director George W. Mitchell. Please see our dedications on pages 47 and 48.

In February 2021, we celebrated 120 years of building community. Team Pioneer, our philanthropic program, exemplifies who we have been, who we are, and who we strive to be. Although most events and activities were canceled in our markets, we did our best to help support local non-profits so they in turn could help those in need. As featured in our 2020 Community Impact Report Team Pioneer volunteered 2,088 hours, benefiting 84 organizations through 924 activities.

Our lending team went to work when the SBA's Paycheck Protection Program (PPP) became available. In total, Pioneer made 503 1st round PPP loans totaling $51.5 million. As of February 28, 2021, we have made 97 2nd round loans totaling $9.5 million.

We are now well into 2021 and are engaged in getting back to executing our business plan. We have undertaken a total tear down and construction of a new Las Cruces Roadrunner location to take advantage of the growth in that area of Las Cruces. Our architect's rendering of the project is featured in the centerfold.

Please plan to attend our annual meeting of stockholders to be held at 10:30 a.m. on April 22, 2021 at our corporate headquarters, 3000 North Main Street, Roswell, New Mexico and virtually. On behalf of the Board of Directors and Team Pioneer, we thank you for trusting us with your investment in Pioneer Bancorp, Inc.

Sincerely,

Christopher G. Palmer
President and Chief Executive Officer

Roswell, New Mexico
March 19, 2021

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., which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 LLP

Crowe LLP

Oak Brook, Illinois
March 9, 2021

PIONEER BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(In thousands, except share amounts)

	Note	2020	2019
ASSETS			
Cash and cash equivalents	B	$ 129,111	$ 32,498
Interest-bearing deposits in other financial institutions		500	-
Securities:	C		
Available-for-sale		216,845	231,411
Held-to-maturity (fair value 2020 - $18,518; 2019 - $118,594)		17,713	118,491
Equity securities, at fair value		1,001	980
Loans held for sale, net	D	1,344	2,021
Loans, net	D	441,257	369,965
Federal Home Loan Bank (FHLB) stock		1,055	3,973
Other real estate owned		595	595
Premises and equipment, net	E	26,031	26,540
Mortgage servicing rights, net	F	89	330
Accrued interest receivable		2,219	3,066
Bank-owned life insurance		18,593	19,079
Other assets		6,004	4,652
Total assets		$ 862,357	$ 813,601
LIABILITIES			
Deposits	G	$ 666,969	$ 571,281
FHLB advances and other borrowings	H	91,363	146,509
Official checks		2,033	1,375
Accrued interest payable		2	97
Accounts payable and other liabilities		12,759	13,352
Total liabilities		773,126	732,614
Commitments and contingencies	I		
STOCKHOLDERS' EQUITY	J		
Capital stock, $1 par value; 2,000,000 shares authorized; 1,008,923 shares issued		1,009	1,009
Treasury stock (2020 - 40,852 shares; 2019 - 41,452 shares)		(2,448)	(2,453)
Additional paid-in capital		2,044	2,044
Retained earnings		86,723	82,117
Accumulated other comprehensive income (loss)	N	1,903	(1,730)
Total stockholders' equity		89,231	80,987
Total liabilities and stockholders' equity		$ 862,357	$ 813,601

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2020 and 2019
(In thousands, except share amounts)

	Note	2020	2019
Interest and dividend income:			
Loans		$ 20,410	$ 18,982
Mortgage securities		1,946	1,027
Investment securities and other		2,283	7,106
Total		24,639	27,115
Interest expense:			
Deposits		1,134	1,908
FHLB advances and other borrowings		581	3,795
Total		1,715	5,703
Net interest income		22,924	21,412
Loan loss provision	*D*	1,856	1,097
Net interest income after loan loss provision		21,068	20,315
Noninterest income:			
Deposit account fees		7,587	8,324
Gain on sale of loans, net	*D*	649	495
Loan administration and service fees		188	296
Realized gain on equity securities		6	12
Other		1,229	1,070
Total		9,659	10,197
Noninterest expense:			
Compensation and employee benefits	*L/M*	10,942	10,725
Equipment		1,571	1,693
Data processing		5,473	5,059
Occupancy		1,687	1,662
Stationery, printing, and office supplies		413	351
Professional and supervisory		794	809
Federal deposit insurance		209	43
Postage and transportation		333	347
Advertising and public relations		676	950
Telephone		119	165
Other		847	787
Total		23,064	22,591
Net income		$ 7,663	$ 7,921

(Continued)

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2020 and 2019
(In thousands, except share amounts)

	Note	2020	2019
Weighted-average number of capital stock shares outstanding:			
Basic		967,188	967,578
Diluted		967,745	968,465
Earnings per share:			
Basic		$ 7.92	$ 8.19
Diluted		7.92	8.18

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2020 and 2019
(In thousands)

	Note	2020	2019
Net income		$ 7,663	$ 7,921
Other comprehensive income:			
Unrealized gains on securities:			
Unrealized holding gain (loss) arising during the period		3,567	6,432
Amortization of unrealized losses on held-to-maturity securities that were formerly available-for-sale		12	40
		3,579	6,472
Defined benefit pension plan:	L		
Net gain/(loss) arising during the period		(62)	(1,149)
Amortization of prior service cost included in net periodic pension cost		116	116
		54	(1,033)
Total other comprehensive income		3,633	5,439
Comprehensive income		$ 11,296	$ 13,360

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2020 and 2019
(In thousands, except share amounts)

	Capital Stock $1 Par	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Income/(Loss)	Total
Balance, January 1, 2019	$ 1,009	$ (2,503)	$ 1,980	$ 78,948	$ (7,216)	$ 72,218
Net income	-	-	-	7,921	-	7,921
Other comprehensive income	-	-	-	-	5,439	5,439
Reclassification of equity security unrealized gain/(loss)	-	-	-	(47)	47	-
Purchase of treasury stock (1,600 shares)	-	(117)	-	-	-	(117)
Sale of treasury stock (3,000 shares)	-	167	64	-	-	231
Distributions - $4.86 per share	-	-	-	(4,705)	-	(4,705)
Balance, December 31, 2019	1,009	(2,453)	2,044	82,117	(1,730)	80,987
Net income	-	-	-	7,663	-	7,663
Other comprehensive income	-	-	-	-	3,633	3,633
Purchase of treasury stock (800 shares)	-	(58)	-	-	-	(58)
Exercise of stock options (1,400 shares)	-	63	-	-	-	63
Distributions - $3.16 per share	-	-	-	(3,057)	-	(3,057)
Balance, December 31, 2020	$ 1,009	$ (2,448)	$ 2,044	$ 86,723	$ 1,903	$ 89,231

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019
(In thousands, except share amounts)

	2020	2019
Cash flows from operating activities:		
Net income	$ 7,663	$ 7,921
Adjustments to reconcile net income to net cash from operating activities:		
Amortization (accretion) of:		
Mortgage servicing rights	241	98
Premiums and discounts on investments and mortgage securities, net	(4,572)	833
Equity securities fair value adjustment	(21)	(47)
Provision for loan losses	1,856	1,097
Net (gain)/loss on sales and disposals of:		
Loans	154	57
Premises and equipment	28	(29)
FHLB stock dividends	(58)	(257)
Depreciation of premises and equipment	1,605	1,633
Origination of mortgage loans held for sale	(18,373)	(16,167)
Proceeds from sales of loans held for sale	18,896	18,042
Earnings on bank-owned life insurance	(742)	(924)
Changes in operating assets and liabilities:		
Accrued interest receivable	847	55
Other assets	(1,352)	(934)
Accrued interest payable	(95)	(123)
Accounts payable and other liabilities, net of distributions declared, not paid	(93)	1,330
Net cash from operating activities	5,984	12,585
Cash flows from investing activities:		
Loan originations and principal payments on loans, net	(73,148)	(15,723)
Net change in interest-bearing deposits in other financial institutions	(500)	-
Securities:		
Available-for-sale:		
Purchases	(157,787)	(30,152)
Maturities, prepayments and calls	180,548	34,424
Held-to-maturity:		
Maturities, prepayments and calls	100,734	32,929
Additions to premises and equipment	(1,124)	(1,888)
Redemptions of FHLB stock	3,036	5,973
Purchases of FHLB stock	(60)	(764)
Redemptions of bank owned life insurance	1,228	204
Net cash from investing activities	52,927	25,003

(Continued)

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019
(In thousands, except share amounts)

	2020	2019
Cash flows from financing activities:		
Net change in deposits	$ 95,688	$ 51,501
Payments on FHLB advances	(68,000)	(43,000)
Net change in short-term FHLB advances and other borrowings	12,854	(25,113)
Net change in official checks	658	(1,620)
Net change in advance payments for taxes and insurance	8	(39)
Sale (purchase) of treasury shares, net	(58)	114
Proceeds from exercise of stock options	63	-
Payment of cash distributions	(3,511)	(4,404)
Net cash from financing activities	37,702	(22,561)
Net change in cash and cash equivalents	96,613	15,027
Cash and cash equivalents at beginning of year	32,498	17,471
Cash and cash equivalents at end of year	$ 129,111	$ 32,498
Supplemental cash flow information:		
Cash paid during the year for interest	$ 1,811	$ 5,826
Supplemental noncash disclosures:		
Distributions declared, not paid	$ 900	$ 1,354

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) is a Nevada corporation chartered as a thrift holding company. The Bancorp holds all the issued and outstanding shares of Pioneer Bank (the Bank). The Bank is a federal savings bank operating in Southern New Mexico. Deposits in the Bank are insured by the Federal Deposit Insurance Corporation (the FDIC). The Bank has one subsidiary, Pioneer Mortgage Company (PMC), and PMC has one subsidiary, PPM, Inc., both of which are 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 (PBE) as defined by accounting standards.

Pioneer provides financial services through six (6) full customer service facilities, six (6) banking branches, and a network of twenty-two (22) ATMs. The Bank's primary deposit products are checking, savings, and term certificate accounts, and the Bank's primary lending products are commercial, consumer, and residential mortgage loans. Substantially all loans are secured by specific items of collateral including commercial and residential real estate, business assets, and consumer assets. 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. The Company engages in mortgage banking activities and, as such, originates and services one-to-four family residential mortgage loans.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 9, 2021, 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.

A strain of the coronavirus spread around the world with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization. The Company's operating area experienced periodic closures of business, restrictions on personal contact, and requests by government officials to stay in isolation. The operations and business results of the Company could be materially adversely affected. Significant estimates as disclosed in Note A, including the allowance for loan losses and valuation of securities may be materially adversely impacted by national and local events designed to contain the coronavirus.

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 (1) year and are carried at cost.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interest-bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions consist of certificates of deposit with terms over three months.

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. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Individual mortgage loans held for sale may be sold servicing rights retained to FNMA or servicing rights released to whole-loan loan correspondent investors. 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.

Management does not expect to securitize or sell loans in the future.

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 allowance for loan losses. Interest income is accrued on the unpaid principal balance. Mortgage 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. Loans may be placed on nonaccrual sooner based on management judgement. 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 return to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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 uncollectability 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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on loans individually identified as impaired.

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.

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.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

<u>Loan Commitments and Related Financial Instruments</u>: 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.

<u>Federal Home Loan Bank (FHLB) Stock</u>: 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.

<u>Premises and Equipment</u>: 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.

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. The remaining unamortized mortgage service rights at December 31, 2020 is not material and will be fully amortized during 2021. Management does not expect to sell loans with servicing retained in the future.

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. Subservicing expense, which is reported on the income statement as other expense, is recorded for expense paid a third party to service loans.

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.

Other Real Estate Owned: 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. Physical possession of residential real property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. 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. Other real estate owned at year-end 2020 included one parcel of land with a carrying value of $595 thousand.

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, 2020 and 2019. The Company is no longer subject to examination by taxing authorities for years before 2017.

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. ESOP shares are considered outstanding for this calculation unless unearned. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options which was 557 shares at December 31, 2020 and 887 shares at December 31, 2019. There were no antidilutive potential common shares.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 K. 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 That Have Not Yet Been Adopted:

In June 2016, the FASB amended existing guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For debt securities with other-than-temporary impairment, the guidance will be applied prospectively. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. These amendments were initially effective for annual periods beginning after December 15, 2020. During 2019, FASB delayed the effective periods beginning after December 15, 2022. The Bank has created a CECL implementation team and has been working with an external vendor regarding the development of a CECL-compliant model and gathering of the requisite data. At this time, management is still evaluating the impact of the standard.

(In thousands, except share amounts)

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, subject to regulatory reserve requirements of $0 and $0 at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Cash and due from banks	$ 12,210	$ 11,940
Interest-bearing deposits	116,901	20,558
Total cash and cash equivalents	$ 129,111	$ 32,498

(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, 2020 and 2019 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income/(loss) and gross unrecognized gains and losses:

2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Government-sponsored agencies	$ 48,218	$ 1,854	$ -	$ 50,072
Residential mortgage-backed securities	115,303	1,744	(184)	116,863
Commercial mortgage-backed securites	28,880	354	(148)	29,086
Collateralized mortgage obligations	20,877	-	(53)	20,824
Total available-for-sale	$ 213,278	$ 3,952	$ (385)	$ 216,845

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity				
Residential mortgage-backed securities	$ 12,046	$ 404	$ (3)	$ 12,447
Collateralized mortgage obligations	4	-	-	4
State and political subdivision	5,663	404	-	6,067
Total held-to-maturity	$ 17,713	$ 808	$ (3)	$ 18,518

(Continued)

(In thousands, except share amounts)

NOTE C - SECURITIES *(Continued)*

2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Government-sponsored agencies	$ 191,374	$ 204	$ (375)	$ 191,203
Residential mortgage-backed securities	35,409	332	(86)	35,655
Commercial mortgage-backed securites	4,624	-	(71)	4,553
Total available-for-sale	$ 231,407	$ 536	$ (532)	$ 231,411

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity				
U.S. Government-sponsored agencies	$ 95,374	$ 8	$ (318)	$ 95,064
Residential mortgage-backed securities	17,371	182	-	17,553
Collateralized mortgage obligations	12	-	-	12
State and political subdivision	5,734	236	(5)	5,965
Total held-to-maturity	$ 118,491	$ 426	$ (323)	$ 118,594

The amortized cost and fair value of the available-for sale and held-to-maturity securities portfolio by contractual maturity are shown below. 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, 2020			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturity				
Within one year	$ 4,332	$ 4,396	$ 62	$ 62
One to five years	70,634	72,489	3,326	3,470
Five to ten years	7,928	8,288	3,550	3,830
Beyond ten years	130,384	131,672	10,775	11,156
	$ 213,278	$ 216,845	$ 17,713	$ 18,518

Securities pledged to secure public deposits and repurchase agreements at December 31, 2020 and 2019 were approximately $200.1 million and $193.3 million at fair value.

(In thousands, except share amounts)

NOTE C - SECURITIES *(Continued)*

Securities with unrealized losses at December 31, 2020 and 2019, 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	
2020	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
Residential mortgage-backed securities	$ 32,006	$ (184)	$ -	$ -	$ 32,006	$ (184)
Commercial mortgage-backed securities	13,759	(148)	-	-	13,759	(148)
Collateralized mortgage obligations	20,824	(53)	-	-	20,824	(53)
	$ 66,589	$ (385)	$ -	$ -	$ 66,589	$ (385)
Held-to-maturity						
Residential mortgage-backed securities	$ 446	$ (3)	$ -	$ -	$ 446	$ (3)
Collateralized mortgage obligations	-	-	3	-	3	-
	$ 446	$ (3)	$ 3	$ -	$ 449	$ (3)

	Less than 12 Months		12 Months or Longer		Total	
2019	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. Government-sponsored agencies	$ 36,902	$ (76)	$ 82,823	$ (299)	$ 119,725	$ (375)
Residential mortgage-backed securities	25,078	(60)	2,858	(26)	27,936	(86)
Commercial mortgage-backed securities	4,553	(71)	-	-	4,553	(71)
	$ 66,533	$ (207)	$ 85,681	$ (325)	$ 152,214	$ (532)
Held-to-maturity						
U.S. Government-sponsored agencies	$ 62,218	$ (284)	$ 15,419	$ (34)	$ 77,637	$ (318)
State and political subdivision	-	-	946	(5)	946	(5)
	$ 62,218	$ (284)	$ 16,365	$ (39)	$ 78,583	$ (323)

At December 31, 2020 and 2019, 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.

(In thousands, except share amounts)

NOTE D - LOANS

Loans at December 31, 2020 and 2019, by major category consisted of the following:

	2020	2019
Loans secured by real estate:		
Residential construction	$ 42,465	$ 34,971
Nonresidential construction & land	46,530	17,085
Residential	122,204	161,290
Multifamily	10,463	3,319
Commercial	121,893	107,920
Commercial & industrial	90,909	33,911
Consumer	12,424	15,836
Total loans	446,888	374,332
Allowance for loan losses	(5,631)	(4,367)
Loans, net	$ 441,257	$ 369,965

Loans to executive officers, directors, and their affiliates were $1.8 million and $2.0 million at December 31, 2020 and 2019.

Included in commercial & industrial loans are $44.3 million of loans made under the Payroll Protection Program (PPP), which are guaranteed by the Small Business Administration (SBA). The loans have a term of 24 months but are eligible for forgiveness by the SBA. The Company recognized $800.8 thousand of fee income during 2020 on the PPP loan originations.

(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, 2020 and 2019:

2020	Beginning Balance	Loan Loss Provision	Charge-offs	Recoveries	Ending Balance
Loans secured by real estate:					
Residential construction	$ 255	$ 183	$ -	$ -	$ 438
Nonresidential construction & land	138	487	-	-	625
Residential	1,724	200	(60)	44	1,908
Multifamily	11	21	-	-	32
Commercial	1,375	94	-	-	1,469
Commercial & industrial	356	352	-	-	708
Consumer	508	519	(955)	379	451
Total	$ 4,367	$ 1,856	$ (1,015)	$ 423	$ 5,631

2019	Beginning Balance	Loan Loss Provision	Charge-offs	Recoveries	Ending Balance
Loans secured by real estate:					
Residential construction	$ 185	$ 70	$ -	$ -	$ 255
Nonresidential construction & land	150	(12)	-	-	138
Residential	2,056	(337)	(19)	24	1,724
Multifamily	19	(8)	-	-	11
Commercial	521	854	-	-	1,375
Commercial & industrial	389	43	(78)	2	356
Consumer	771	487	(1,057)	307	508
Total	$ 4,091	$ 1,097	$ (1,154)	$ 333	$ 4,367

(Continued)

Rendering of Pioneer's rebuilding of the branch located at 2900 N. Roadrunner

Pkwy, Las Cruces, New Mexico. Construction to be completed by November 2021.

(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 based on impairment method as of year-end 2020 and 2019:

	Loan Balances			Allowance for Loan Losses		
2020	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	$ -	$ 42,465	$ 42,465	$ -	$ 438	$ 438
Nonresidential construction & land	-	46,530	46,530	-	625	625
Residential	-	122,204	122,204	-	1,908	1,908
Multifamily	-	10,463	10,463	-	32	32
Commercial	-	121,893	121,893	-	1,469	1,469
Commercial & industrial	-	90,909	90,909	-	708	708
Consumer	-	12,424	12,424	-	451	451
Total	$ -	$ 446,888	$ 446,888	$ -	$ 5,631	$ 5,631

	Loan Balances			Allowance for Loan Losses		
2019	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	$ -	$ 34,971	$ 34,971	$ -	$ 255	$ 255
Nonresidential construction & land	-	17,085	17,085	-	138	138
Residential	-	161,290	161,290	-	1,724	1,724
Multifamily	-	3,319	3,319	-	11	11
Commercial	616	107,304	107,920	616	759	1,375
Commercial & industrial	-	33,911	33,911	-	356	356
Consumer	-	15,836	15,836	-	508	508
Total	$ 616	$ 373,716	$ 374,332	$ 616	$ 3,751	$ 4,367

(Continued)

(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 2020 and 2019 by class of loans:

2020	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	$ 256	$ -	$ -	$ -	$ 42,209	$ 42,465
Nonresidential construction & land	-	-	-	-	46,530	46,530
Residential	2,817	903	-	8,450	110,034	122,204
Multifamily	-	-	-	-	10,463	10,463
Commercial	668	-	-	9,291	111,934	121,893
Commercial & industrial	924	-	154	240	89,591	90,909
Consumer	207	7	-	-	12,210	12,424
Total	$ 4,872	$ 910	$ 154	$ 17,981	$ 422,971	$ 446,888

2019	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	$ -	$ -	$ -	$ -	$ 34,971	$ 34,971
Nonresidential construction & land	-	-	-	-	17,085	17,085
Residential	3,680	1,614	-	3,065	152,931	161,290
Multifamily	-	-	-	-	3,319	3,319
Commercial	84	-	-	-	107,836	107,920
Commercial & industrial	-	-	-	720	33,191	33,911
Consumer	53	76	-	-	15,707	15,836
Total	$ 3,817	$ 1,690	$ -	$ 3,785	$ 365,040	$ 374,332

NOTE D - LOANS *(Continued)*

Troubled Debt Restructurings:

As of December 31, 2020 and 2019, the Company has a recorded investment in troubled debt restructurings of $649 thousand and $1.5 million, respectively. The company has allocated $0 thousand and $616 thousand of specific allowance for those loans as of December 31, 2020 and 2019 and has committed to lend additional amounts totaling up to $0 and $0. There was no payment default within twelve months following the modification during the year ending December 31, 2020 and 2019.

In 2020 and 2019 there were no modification of loans as troubled debt restructurings.

The Company is working with borrowers impacted by COVID-19 and providing modifications to include deferral of interest and/or principal payments for up to 12 months. These modifications are excluded from trouble debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of federal banking regulators. The Company provided 164 payment deferrals on loans with a total principal balance of $76.8 million, or 17.2% of total loans. As of December 31, 2020, $51.9 million of the deferrals have expired and the borrowers are making payments as agreed and $24.9 million are in active deferral period. No loans whose modification period ended were delinquent at December 31, 2020. The majority of active deferrals expire in the first quarter of 2021.

Certain borrowers were given an extended deferral period, also following CARES Act guidance. These extended deferrals are primarily to hotel and commercial lease space borrowers that have been subject to longer operational disruption. The Company, as a precautionary manner, placed these loans with further deferral of principal and interest on nonaccrual status and classified the loans as special mention. The loans will be returned to accrual status when the deferral period is expired and the borrower resumes making scheduled payments. As of February 28, 2021, $5.2 million of the extended deferrals were returned to accrual status.

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 indivudually 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 2020 and 2019, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

2020	Not Rated	Pass	Special Mention	Substandard	Doubtful	Total
Loans secured by real estate:						
Residential construction	$ -	$ 42,465	$ -	$ -	$ -	$ 42,465
Nonresidential construction & land	-	46,530	-	-	-	46,530
Residential	119,646	1	320	887	1,350	122,204
Multifamily	-	10,463	-	-	-	10,463
Commercial	-	110,975	5,201	5,717	-	121,893
Commercial & industrial	-	90,119	240	550	-	90,909
Consumer	12,368	-	18	38	-	12,424
Total	$ 132,014	$ 300,553	$ 5,779	$ 7,192	$ 1,350	$ 446,888

2019	Not Rated	Pass	Special Mention	Substandard	Doubtful	Total
Loans secured by real estate:						
Residential construction	$ -	$ 34,971	$ -	$ -	$ -	$ 34,971
Nonresidential construction & land	-	17,085	-	-	-	17,085
Residential	158,943	-	151	2,083	113	161,290
Multifamily	-	3,319	-	-	-	3,319
Commercial	-	105,850	700	1,370	-	107,920
Commercial & industrial	-	32,508	-	787	616	33,911
Consumer	15,727	-	-	76	33	15,836
Total	$ 174,670	$ 193,733	$ 851	$ 4,316	$ 762	$ 374,332

Management has identified hotel and restaurant sectors as the most susceptible to immediate increased credit risk from the impact of COVID-19. The Company’s year-end 2020 total loans in the hotel and restaurant sectors totaled $49.0 million, which represents 11.0% of total loans.

(In thousands, except share amounts)

NOTE E - PREMISES AND EQUIPMENT

Year-end premises and equipment consisted of:

	2020	2019
Land	$ 4,992	$ 4,992
Buildings and leasehold improvements	28,627	28,301
Furniture, equipment, and autos	12,449	11,721
Construction in progress	139	103
	46,207	45,117
Less accumulated depreciation and amortization	20,176	18,577
Premises and equipment, net	$ 26,031	$ 26,540

Depreciation expense was $1.6 million for 2020 and 2019.

(In thousands, except share amounts)

NOTE F - MORTGAGE SERVICING RIGHTS AND LOAN SERVICING

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

	2020	2019
Mortgage loans underlying pass-through securities:		
GNMA	$ 5,863	$ 8,262
	5,863	8,262
Mortgage loan portfolio serviced for:		
FNMA	18,139	23,632
FHLMC	200	447
Other investors	5,337	6,008
	23,676	30,087
	$ 29,539	$ 38,349

Custodial balances on deposit at the Bank, in connection with the foregoing loan servicing, amounted to $2.0 million and $2.5 million at December 31, 2020 and 2019.

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

	2020	2019
Mortgage servicing rights		
Balance, beginning of year	$ 330	$ 427
Capitalized	-	1
Amortization	(241)	(98)
Balance, end of year	89	330
Impairment allowance	-	-
Year-end balance, net of impairment allowance	$ 89	$ 330

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

Management expects to sell the remaining loans serviced for others.

Management does not expect to originate loans with the intent to sell with servicing retained in the future.

The estimated fair value of capitalized mortgage servicing rights was $397 thousand at year-end 2019. Fair value was determined using discount rates ranging from 9.25% to 9.83%, prepayment speeds ranging from 5.88% to 26.83% based on individual loan characteristics including gross coupon and age, and a weighted-average default rate of 0.34%.

The weighted-average amortization period is seven months. The remaining capitalized mortgage service rights balance will be fully amortized in 2021.

(Continued)

(In thousands, except share amounts)

NOTE G - DEPOSITS

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

	2020	2019
No contractual maturities	$ 577,914	$ 470,300
2020	-	80,377
2021	62,253	9,294
2022	14,177	3,361
2023	4,723	4,203
2024	3,561	3,746
2025	4,341	-
	$ 666,969	$ 571,281

At December 31, 2020 and 2019, approximately $95.2 million and $105.7 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 $22.6 million and $22.8 million at year-end 2020 and 2019.

Deposits from executive officers, directors, and their affiliates at year-end 2020 and 2019 were $7.2 million and $6.7 million.

(In thousands, except share amounts)

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

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

	2020	2019
	$ -	
Maturities January 2020 through August 2020, at fixed rates from 1.62% to 2.42%, averaging 1.94%		$ 68,000

Each advance is payable at its maturity date or on payment of a prepayment penalty for fixed rate advances. The advances were collateralized by $176.0 million and $202.6 million of eligible loans under a blanket lien arrangement at year-end 2020 and 2019. Based on this collateral, the Company's holdings of FHLB stock and securities held in safekeeping, the Company was eligible to borrow an additional $178.1 million at year-end 2020.

Other borrowings consist of customer repurchase sweep accounts with overnight maturities. Balances were $91.3 million and $78.5 million at year-end 2020 and 2019.

The fair value of securities pledged to secure repurchase agreements may decline. The Company manages this risk by pledging securities, typically valued at between 110% to 120% above the gross outstanding balance of repurchase agreements. Securities pledged to secure repurchase agreements were $95.3 million and $86.6 million at year-end 2020 and 2019 at fair value.

(In thousands, except share amounts)

NOTE I - 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:

	2020	2019
Undisbursed lines of credit	$ 120,410	$ 75,891
Commitments to originate loans	18,594	28,751
Recourse on loans sold	2,392	2,392
Standby letters of credit	314	196
Commitments to sell mortgages and mortgage-backed securities	1,759	786

NOTE J - 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 judgments 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 by January 1, 2019. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020 and 2019, the Bank met 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 2020 and 2019, 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.

The following table provides the capital ratios of the Bank, along with the applicable regulatory capital requirements as of December 31, 2020 and 2019 which were calculated in accordance with the requirements of Basel III, which became effective January 1, 2015. The final rules of Basel III also established a "capital conservation buffer" of 2.5% above new regulatory minimum capital ratios, and became fully effective in 2019, resulting in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 risk-based capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The capital conservation buffer for 2020 and 2019 is 2.50%. An institution is subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such activities. At year-end 2020 and 2019, the Bank's actual capital levels and minimum required levels, including the capital conservation buffer, were as follows:

(In thousands, except share amounts)

NOTE J - REGULATORY MATTERS *(Continued)*

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
As of December 31, 2020						
Total capital						
(to risk-weighted assets)	$ 92,036	18.8%	$ 51,267	10.5%	$ 48,826	10.0%
Tier 1 capital						
(to risk-weighted assets)	86,237	17.7%	41,502	8.5%	39,061	8.0%
Common equity Tier 1 capital						
(to risk-weighted assets)	86,237	17.7%	34,178	7.0%	31,737	6.5%
Tier 1 capital						
(to average assets)	86,237	10.2%	33,702	4.0%	42,128	5.0%

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
As of December 31, 2019						
Total capital						
(to risk-weighted assets)	$ 86,096	19.2%	$ 46,966	10.5%	$ 44,730	10.0%
Tier 1 capital						
(to risk-weighted assets)	81,549	18.2%	38,020	8.5%	35,784	8.0%
Common equity Tier 1 capital						
(to risk-weighted assets)	81,549	18.2%	31,311	7.0%	29,074	6.5%
Tier 1 capital						
(to average assets)	81,549	9.9%	32,990	4.0%	41,238	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 2021, the Bank could, subject to no objection from regulators, declare dividends of approximately $9.6 million plus any 2021 net profits retained to the date of the dividend declaration.

NOTE K - 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).

No assets/(liabilities) were measured at fair value on a non-recurring basis as of December 31, 2020 and 2019.

(In thousands, except share amounts)

NOTE K - FAIR VALUE *(Continued)*

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

	Fair Value Measurements Using			
December 31, 2020	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	$ -	$ 50,072	$ -	$ 50,072
Residential mortgage-backed securities	-	116,863	-	116,863
Commercial mortgage-backed securities	-	29,086	-	29,086
Collateralized mortgage obligations	-	20,824	-	20,824
Equity securities	1,001	-	-	1,001
December 31, 2019				
Assets/(liabilities) measured on a recurring basis:				
Securities available-for-sale:				
U.S. Government-sponsored agencies	$ -	$ 191,203	$ -	$ 191,203
Residential mortgage-backed securities	-	35,655	-	35,655
Commercial mortgage-backed securities	-	4,553	-	4,553
Equity securities	980	-	-	980

(Continued)

(In thousands, except share amounts)

NOTE L - 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, 2020 were allocated to participants. The fair value of allocated shares subject to repurchase obligation at year-end 2019 was $4.4 million. Because there was a decline in capital markets in the first quarter of 2020, we obtained an updated fair value of allocated shares subject to repurchase obligation as of March 31, 2020, that resulted in a repurchase obligation of $3.1 million. The Company is in the process of obtaining a valuation for December 31, 2020, but it has not yet been completed. We expect the value to be higher than March 31, 2020, given the overall improvement in the capital markets through December 31, 2020.

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 2020 and 2019:

Year	Match	Compensation	Expense
2019	100%	5%	$ 269
2020	100%	5%	256

The Company also 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:

	2020	2019
Benefit obligation at beginning of year	$ 7,779	$ 6,590
Service cost	83	76
Interest cost	227	256
Actuarial (gain)/loss	238	1,236
Benefits paid	(385)	(379)
Benefit obligation at end of year	$ 7,942	$ 7,779

Amounts recognized in accumulated other comprehensive income consist of:

	2020	2019
Net loss	$ 1,821	$ 1,759
Prior service cost	(143)	(27)
Total	$ 1,678	$ 1,732

(Continued)

(In thousands, except share amounts)

NOTE L - RETIREMENT PLANS *(Continued)*

The net periodic benefit cost was $603 thousand and $535 thousand for the years ended December 31, 2020 and 2019.

The estimated net loss and prior service cost (credit) for the benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit costs during the year ending December 31, 2021 are $202 thousand and ($16) thousand.

Estimated Future Payments

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

2021	$ 360
2022	358
2023	356
2024	354
2025	352
Years 2026-2030	1,972

The weighted-average discount rate used to determine benefit obligations and periodic benefit cost was 2.20% and 3.00% and 3.00% and 4.00% at year-end 2020 and 2019.

In 2016, the Company created an unfunded noncontributory defined contribution plan that covers certain senior executive officers whose benefits were frozen in the defined benefit plan or are new participants. The plan provides an annual accrual as a percentage of base salary subject to certain performance objectives. Total expense for the plan year ended December 31, 2020, and 2019 was $289 and $316 thousand.

NOTE M - 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 $0 thousand for 2020 and 2019.

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 publically 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 2020 or 2019.

(In thousands, except share amounts)

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

A summary of the activity in the stock option plan for 2020 follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	2,300	$ 50	
Granted	-	-	
Exercised	(1,400)	45	
Forfeited or expired	-	-	
Outstanding at end of year	900	$ 59	2.9
Vested or expected to vest	900	$ 59	2.9
Exercisable at end of year	900	$ 59	2.9

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

	2020	2019
Intrinsic value of options exercised	$ 56	$ -
Cash received from option exercises	63	-
Intrinsic value of options outstanding	24	50
Weighted average fair value of options granted	-	-

As of December 31, 2020, there was no unrecognized compensation cost related to nonvested stock options granted under the plan.

(In thousands, except share amounts)

NOTE N - ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

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

	December 31, 2020	December 31, 2019
Unrealized gains (losses) on securities available-for-sale	$ 3,571	$ 4
Remaining unrealized gains (losses) on securities transferred to held-to-maturity	10	(2)
Employee pension plan	(1,678)	(1,732)
Total accumulated other comprehensive (loss)	$ 1,903	$ (1,730)

(Continued)

PIONEER BANCORP, INC.
ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE - UNAUDITED
December 31, 2020
(In thousands, except share amounts)

2020 Over 2019

	Average Balance		Interest		Average Rate		Total	Change due to	
	2020	2019	2020	2019	2020	2019	Change	Volume	Rate
Interest and dividend income									
Loans	$ 421,185	$ 372,361	$ 20,410	$ 18,982	4.85%	5.10%	$ 1,428	$ 2,366	$ (938)
Mortgage securities	126,419	36,443	1,946	1,027	1.54%	2.82%	919	1,385	(466)
Investment securities and other	216,582	365,157	2,283	7,106	1.05%	1.95%	(4,823)	(1,566)	(3,257)
Total interest-earnings assets	$ 764,186	$ 773,961	$ 24,639	$ 27,115	3.22%	3.50%	$ (2,476)	$ 2,185	$ (4,661)
Interest expense									
Deposits	$ 634,603	$ 544,228	$ 1,134	$ 1,908	0.18%	0.35%	$ (774)	$ 161	$ (935)
FHLB advances and other borrowings	91,636	198,864	581	3,795	0.63%	1.91%	(3,214)	(680)	(2,534)
Total interest-bearing liabilities	$ 726,239	$ 743,092	$ 1,715	$ 5,703	0.24%	0.77%	$ (3,988)	$ (518)	$ (3,470)
Net interest spread and income			$ 22,924	$ 21,412	2.99%	2.74%			
Ratio of net interest income to average interest-earning assets			3.00%	2.77%					

2019 Over 2018

	Average Balance		Interest		Average Rate		Total	Change due to	
	2019	2018	2019	2018	2019	2018	Change	Volume	Rate
Interest and dividend income									
Loans	$ 372,361	$ 343,103	$ 18,982	$ 16,583	5.10%	4.83%	$ 2,399	$ 1,491	$ 908
Mortgage securities	36,443	40,549	1,027	1,136	2.82%	2.80%	(109)	(116)	7
Investment securities and other	365,157	368,923	7,106	7,029	1.95%	1.91%	77	(73)	150
Total interest-earnings assets	$ 773,961	$ 752,575	$ 27,115	$ 24,748	3.50%	3.29%	$ 2,367	$ 1,302	$ 1,065
Interest expense									
Deposits	$ 544,228	$ 531,188	$ 1,908	$ 1,349	0.35%	0.25%	$ 559	$ 46	$ 513
FHLB advances and other borrowings	198,864	204,109	3,795	3,509	1.91%	1.72%	286	(100)	386
Total interest-bearing liabilities	$ 743,092	$ 735,297	$ 5,703	$ 4,858	0.77%	0.66%	$ 845	$ (54)	$ 899
Net interest spread and income			$ 21,412	$ 19,890	2.74%	2.63%			
Ratio of net interest income to average interest-earning assets			2.77%	2.64%					

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 community banking. The Bank is a Federal Savings Bank which provides depository services and originates commercial, residential, and consumer loans primarily in Southern New Mexico.

CORPORATE OFFICES

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3000 North Main Street
PO. Box 130
Roswell, New Mexico 88202-0130

INDEPENDENT AUDITORS

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Oak Brook, Illinois 60522-3697

GENERAL COUNSEL

Sanders, Bruin, Coll & Worley, P.A.
701 West Country Club Road
PO. Box 550
Roswell, New Mexico 88202-0550

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 22, 2021 at the Corporate Headquarters, 3000 North Main Street, Roswell, New Mexico.

MICHELE D. CRABTREE

May 10, 1957 - June 23, 2020

IN MEMORIAM

The Board of Directors and Team Pioneer would like to dedicate the 2020 Annual Report to Team Member Michele D. Crabtree. Michele joined Pioneer in 1988 and went on to have a successful 32-year career with the Bank. Michele was most well-known for her caring spirit and kind heart. Michele had a special place in her heart for animals and spent many hours volunteering with From Forgotten to Forever. Michele had a smile and a kind word for everyone and will forever be a part of Team Pioneer.

GEORGE W. MITCHELL

October 2, 1944 - June 24, 2020

IN MEMORIAM

The Board of Directors and Management of Pioneer Bank would like to dedicate the 2020 Annual Report to Director, George W. Mitchell. Mr. Mitchell served on the Board of Directors from 1980-2020 and as President of Pioneer Bank for 22 years. He remained on the Board of Directors until his death. George was known as an avid outdoors-man who enjoyed fishing, hiking and many other activities. He spent many hours volunteering for the Conquistador Council of the Boy Scouts of America, volunteered with the ski patrol, and as a member of Search and Rescue. Pioneer Bank appreciates his many years of service to the Bank.

PIONEER BANCORP, INC.

BOARD OF DIRECTORS

Christopher C. Bush
Chief Executive Officer
Bush, Inc.

Timothy Z. Jennings
Agribusiness

Christopher G. Palmer, CPA
President and Chief Executive Officer
Pioneer Bank

Martin B. Cooper, CPA
President
Cooper & Amador, CPA's, PC

Ronald L. Miller, CPA
Investments

Stephen P. Puntch
Investments

Jon E. Hitchcock, CPA
Chairman of the Board
Pioneer Bank

Mikell A. Tomlinson
Senior Vice President
TIB - The Independent BankersBank

PIONEER BANK

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Carolyn A. Royster-Bell
Davis E. Bennett
Matthew E. Burke
Melissa A. Cardinuto
Kate L. Davenport, CPA
Eric R. Ehler
Juliana Halvorson
Ericka S. Laney
Darro G. Pannell
Melody E. Parra
Jose Miguel Perez
Susan L. Roe
Ashley R. Ruiz
Alma Salas
Lanie Smith
Rebecca E. Underation
Donna Kaler-Ward
Kimberly Wing

President and Chief Executive Officer
Christopher G. Palmer, CPA

Executive Vice President
Nicole R. Austin
Aaron M. Emmert, CPA
Kiel A. Hoffman

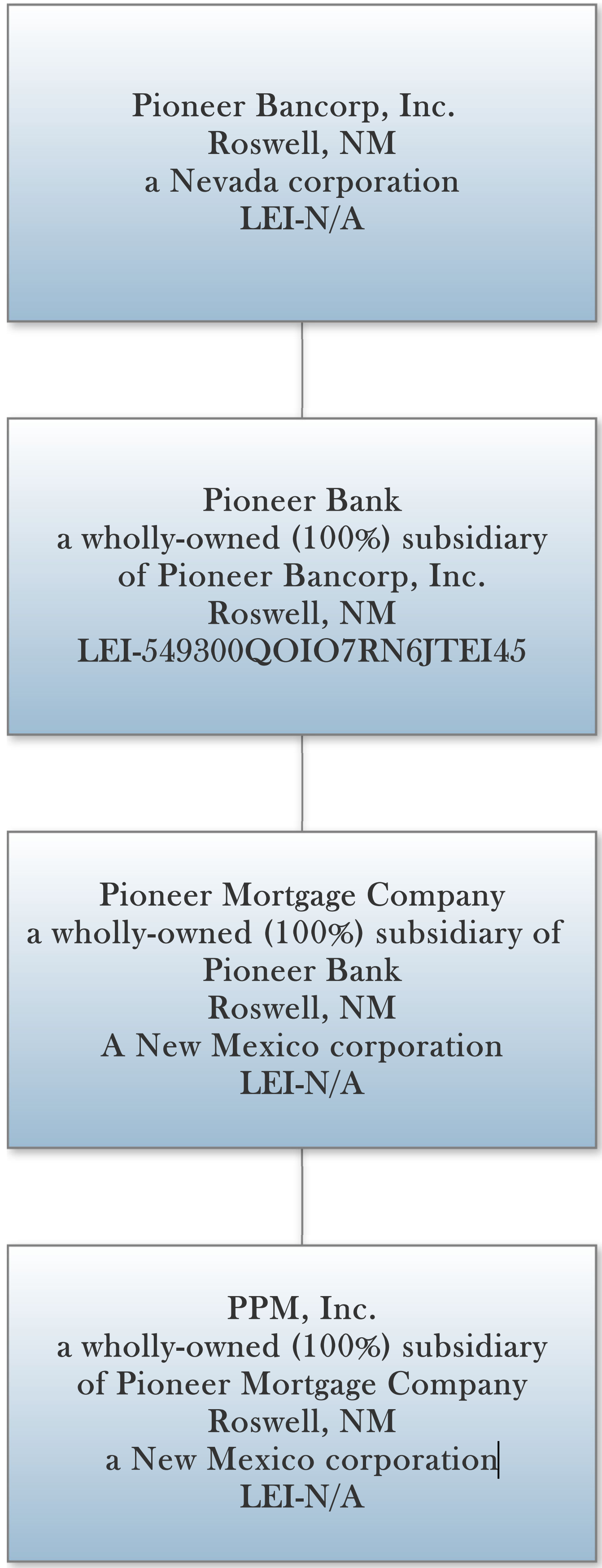
Senior Vice President
Denise L. Gendreau
Scott E. Mohrhauser
Dee Ann Nunez

Corporate Secretary
Melinda A. Shaffer

Assistant Vice President
Nathan C. Brandt
Mitzi T. Calleros
Rose M. Dick
Rebecca F. Dominguez
Leigh A. Humble
Suzanna A. Lujan
Evelyn Renaye Medina
Jerrod M. Myers
Jessica M. Ponce
Mary R. Skinner

Report Item 2a: Organization Chart

Please see attached.


Pioneer Bancorp, Inc.
Roswell, NM
a Nevada corporation
LEI-N/A
Pioneer Bank
a wholly-owned (100%) subsidiary
of Pioneer Bancorp, Inc.
Roswell, NM
LEI-549300QOIO7RN6JTEI45
Pioneer Mortgage Company
a wholly-owned (100%) subsidiary of
Pioneer Bank
Roswell, NM
A New Mexico corporation
LEI-N/A
PPM, Inc.
a wholly-owned (100%) subsidiary
of Pioneer Mortgage Company
Roswell, NM
a New Mexico corporation
LEI-N/A

Report Item 2b: Domestic Branch Listing

Please see attached.

Results: A list of branches for your holding company: PIONEER BANCORP, INC. (3798933) of ROSWELL, NM.
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	606176	PIONEER BANK	3000 NORTH MAIN STREET	ROSWELL	NM	88201	CHAVES	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4167170	ALAMOGORDO BRANCH	1020 10TH STREET	ALAMOGORDO	NM	88310	OTERO	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4167134	CARLSBAD BRANCH	111 NORTH CANAL STREET	CARLSBAD	NM	88220	EDDY	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4167198	HOBBS BRANCH	1020 NORTH TURNER STREET	HOBBS	NM	88240	LEA	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4653927	JOE HARVEY BRANCH	1600 WEST JOE HARVEY BOULEVARD	HOBBS	NM	88240	LEA	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4167200	LOHMAN BRANCH	3831 EAST LOHMAN AVENUE	LAS CRUCES	NM	88011	DONA ANA	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Limited Service	4167219	ROADRUNNER BRANCH	2900 NORTH ROADRUNNER PARKWAY	LAS CRUCES	NM	88011	DONA ANA	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4167116	UNIVERSITY BRANCH	705 EAST UNIVERSITY AVENUE	LAS CRUCES	NM	88001	DONA ANA	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4462875	DOWNTOWN BRANCH	306 NORTH PENNSYLVANIA AVENUE	ROSWELL	NM	88201	CHAVES	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
OK		Full Service	4167228	SOUTH BRANCH	2 SAINT MARY'S PLACE	ROSWELL	NM	88203	CHAVES	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	
ADD	1/2/2020	Limited Service	4167086	SUNSET BRANCH	300 S SUNSET AVE	ROSWELL	NM	88203	CHAVES	UNITED STATES	Not Required	Not Required	PIONEER BANK	606177	
OK		Full Service	4167095	RUIDOSO BRANCH	1095 MECHEM DRIVE	RUIDOSO	NM	88345	LINCOLN	UNITED STATES	Not Required	Not Required	PIONEER BANK	606176	

Report Item 3: Securities Holders

Please see attached.

Item 3

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020

	(1)(a) Name, City, State, Country				(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	
3	Pioneer Bank ESOP James Urbach Trustee	Roswell	New Mexico	USA	USA	52,436	5.42%
3	Ray or Karen Westall	Carlsbad	New Mexico	USA	USA	52,077	5.38%
3	Ronald L. Miller	Roswell	New Mexico	USA	USA	48,940	5.06%

Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020

	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
3	None		

Report Item 4: Insiders

Please see attached.

Item 4

	(1) Name, City, State, Country				(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company		(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
4	Ronald L. Miller	Roswell	New Mexico	USA	CPA Retired	Director	Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	CPA/ABV,CVA; Partner, Accounting & Consulting Group	48,940	5.06%	None	Miller & Associates, CPA, PC (75%) 7M Entertainment, LLC (33.3%)
4	Timothy Z. Jennings	Roswell	New Mexico	USA	Rancher	Director	Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	Manager, Penasco River Ranch	40,354	4.17%	None	New Mexico Drip and Sprinkler (100%)
4	Mikell A. Tomlinson	Irving	Texas	USA	Bond Salesman	Director	Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	Senior Vice President, TIB-The Independent BankersBank	30,750	3.18%	None	N/A
4	Jon E. Hitchcock	Roswell	New Mexico	USA	N/A	Chairman	Chairman - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	N/A	14,000	1.45%	None	N/A
4	Martin B. Cooper	Roswell	New Mexico	USA	CPA	Director	Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	President of Cooper & Amador, CPA's, P.C.	6,000	0.62%	None	Cooper & Amador CPA's PC (50%) Martin B. Cooper CPA PC (100%) Select Properties, Ltd (30%) Rocky Mountain South, Ltd (53.34%) JGM Enterprises, LLC (33.34%)
4	Stephen P. Puntch	Roswell	New Mexico	USA	N/A	Director	Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	N/A	5,100	0.53%	None	N/A
4	Christopher G. Palmer	Roswell	New Mexico	USA	N/A	President/CEO	President/CEO - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	N/A	3,125	0.32%	None	N/A
4	Christopher C. Bush	Las Cruces	New Mexico	USA	Business owner	Director	Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	CEO of Bush, Inc, Owner and Managing Partner Valley Cold Storage & Transportation	2,800	0.29%	None	Bush Inc. (50%)
4	Nicole R. Austin	Roswell	New Mexico	USA	N/A	EVP/CLO	EVP/CLO - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	N/A	1,500	0.15%	None	N/A
4	Kiel A. Hoffman	Las Cruces	New Mexico	USA	N/A	EVP/Market President	EVP/Market President - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	N/A	1,500	0.15%	None	N/A
4	C.W. Ritter	Las Cruces	New Mexico	USA	Business owner	Advisory Director	Advisory Director - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	President of Ritter Enterprises	1,466	0.15%	None	Ritter Enterprises, Inc. (100%) Double Eagle de Mesilla, Inc. (100%) Ritter Publications (100%) Double Eagle Racing (100%)
4	Aaron M. Emmert	Roswell	New Mexico	USA	N/A	EVP/CFO	EVP/CFO - Pioneer Bank, Pioneer Mortgage Company, PPM Inc.	N/A	1,200	0.12%	None	N/A