

Pioneer Bankshares, Inc.

2019 Shareholder Report

with 2018 Financial Results



New Charlottesville Banking Center
630 PETER JEFFERSON PARKWAY, SUITE 190





Supporting Our Communities



Page County Fair



Stanardsville Christmas Parade

HUNGER HEROES

Pioneer's Pantry By the Way - Path

JUNE 4TH-24TH

Join us in giving back as we donate food for an amazing cause - feeding our community. All food donations go to the Blue Ridge Area Food Bank, as well as partner pantries, soup kitchens, and shelters in the Shenandoah Valley.

FOOD DRIVE

Drop non-perishable food donations here to help neighbors in need!

Pioneer Bank

www.brafb.org

Blue Ridge Area FOOD BANK

Regional Food Drive

Pioneer Bank

Toy Donations Through Dec 15

Drop Off Locations

Visit Our Branches:

- Charlottesville
- Stanardsville
- Ruckersville

Mason's TOY BOX

Masonstoybox.org | [@MasonstoyBox](https://www.facebook.com/MasonstoyBox) | [@MasonstoyBox](https://www.instagram.com/MasonstoyBox)

Mason's Toy Box



Stanley School Supplies



Stanley Christmas Parade



Greene County Fair



Letter to the Shareholders

Dear Fellow Shareholders,

We are pleased to report that 2018 was another successful year for Pioneer Bank and Pioneer Bankshares, Inc. Net income increased 9.2% and total assets increased by over \$10 million. Furthermore, per share earnings increased to \$2.29 and our book value per share increased 4.97%. Your board of directors in 2018 again increased your dividend payment to 84 cents per share representing a 5% increase over last year. At the same time, your corporation continued to maintain a strong capital position, with capital increasing by \$1.45 million, which places the corporation in the “well capitalized” category, the regulator’s highest capital category.

This past year was the first year of our new Five-Year Plan which emphasizes organic growth, increased operational efficiencies along with continued dividend growth. It also saw the opening of our new branch/business banking center at Pantops in Charlottesville, and the introduction of several new service and product enhancements, including 30-year fixed rate mortgage products, instant issue EMV chip debit cards and our first television advertisements. On the technology front, the corporation invested heavily in upgrading and improving our technology, including new and upgraded software, and the start of construction of a new fiber optics network. Major facility improvements for 2018 included new roofs for the Stanley and Luray branches, enhanced security systems, and branch renovations at the Luray and Stanardsville branches.

Your corporation was also active in community affairs, supporting numerous charities, including Casey’s Back Pack, Red Cross Blood Drive, SPCA, various fire departments, local schools and youth athletic activities. In addition, Pioneer Bank became a United Way partner with volunteer payroll deductions, and was the primary sponsor of the Stanley Homecoming Event. We are especially proud that your bank was named “Business of the Year” by the Town of Stanley in 2018.

In December 2018, Director Robert E. Long retired from the Board of Directors after 29 years of service. Please join me in thanking Robert for his dedication and service to our corporation. His counsel and participation will be greatly missed.

In closing, we continue to be excited about our corporation’s future. I look forward to seeing many of you at the annual shareholder meeting and dinner on May 15th. It is a pleasure and a privilege to be working for you for the benefit of Pioneer Bankshares, Inc.

Sincerely,

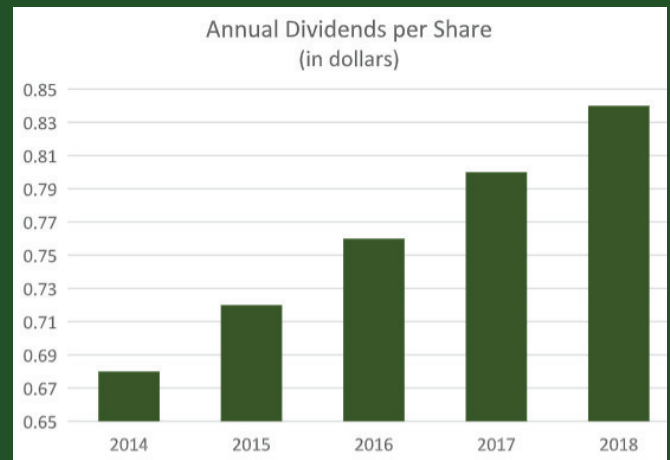
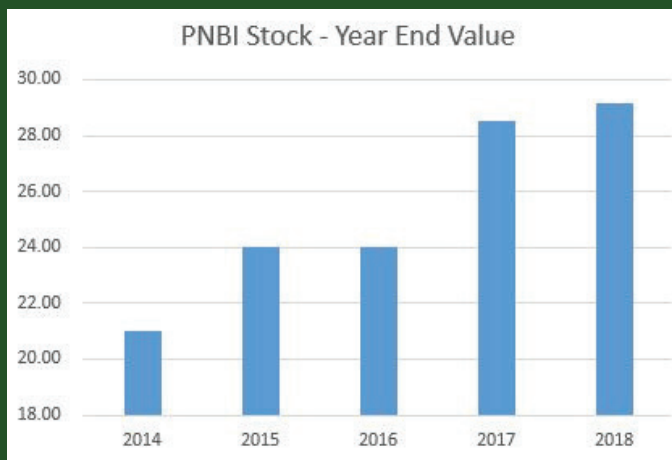
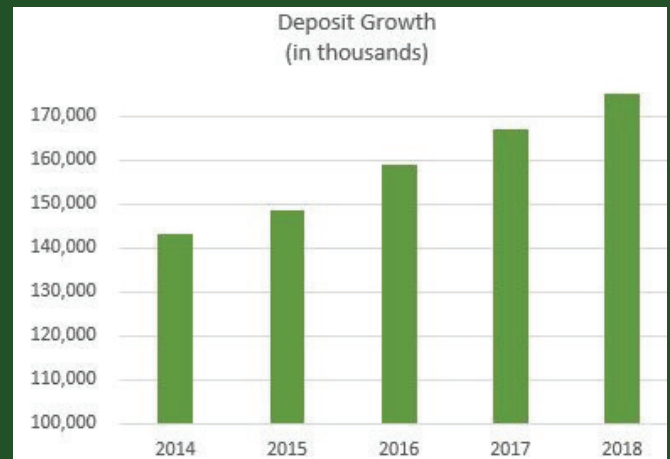
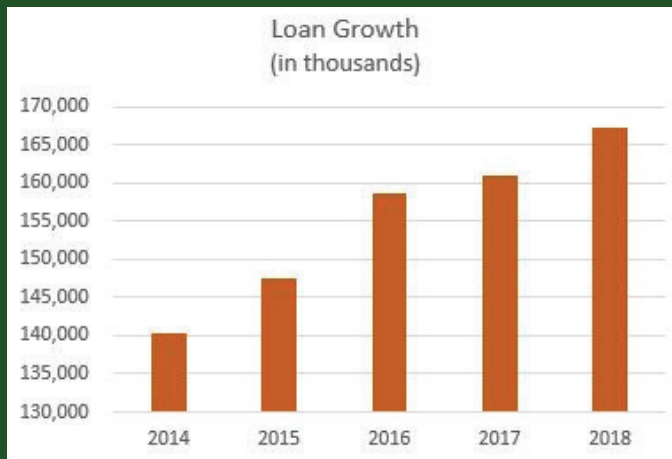
Mark N. Reed

President/CEO



Pioneer's Family Day at National's Stadium

Financial History at a Glance



Financial Highlights

FINANCIAL HIGHLIGHTS (In thousands, except for per share information)

	<u>2018</u>	<u>2017</u>
Results of Operations		
Interest and dividend income	\$ 10,317	\$ 9,625
Interest expense	1,032	834
Net interest income	9,105	8,791
Provision for loan losses	354	384
Net Interest income after provision for loan losses	8,751	8,407
Noninterest income	1,157	1,749
Noninterest expense	7,477	7,121
Income before income taxes	2,431	3,035
Income tax expense	202	994
Net Income	\$ <u>2,229</u>	\$ <u>2,041</u>
Financial Condition, At Year End		
Assets	\$ 213,514	\$ 203,452
Deposits	177,491	166,933
Loans, net of allowance	167,201	160,959
Stockholder's Equity	28,862	27,414
Per Share Data		
Net income per share, basic and diluted	\$ 2.29	\$ 2.10
Dividends per share	.84	.80
Book value per share	29.53	28.13
Performance Ratios		
Return on average assets ¹	1.08%	1.02%
Return on average equity ¹	7.93%	7.58%
Dividend payout ratio	36.78%	38.10%
Average equity to average assets ¹	13.62%	13.40%

¹ Ratios are based primarily on daily average balances



Robert E. Long

Director 1989-2018

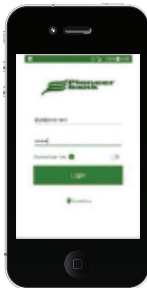
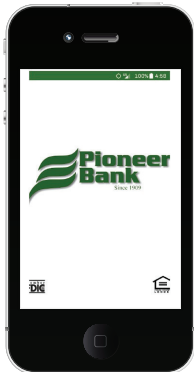
On August 31, 1989, Robert E. Long joined the Board of Directors following in his father's footsteps. During the next 29 years, he served on all the Board's committees as well as serving as both the Chairman and Vice Chairman of the Board.

During his time on the Board the Bank grew substantially, with its assets growing from \$66 million to over \$213 million, and its number of branches growing from 3 to 7.

Robert's knowledge of real estate and local business conditions made him an invaluable member of the Board and his advice was often sought by management on important matters. He was diligent in his attendance and was always promoting the Bank in his many community activities.

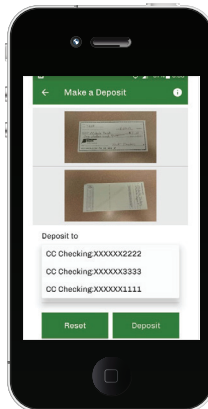
The Board and employees wish him the very best in his retirement and thank him for all that he has done for Pioneer Bank.

MOBILE BANKING



DOWNLOAD OUR APP

Find us on the App Store and on Google Play. Our app is free to download. After getting the app, create your account with your internet banking ID and password.



DEPOSIT CHECKS

We make depositing checks so easy, that you can do it anywhere!

Sign in to your account on our app, go to "make deposits," and then take a picture of the front and back of the check and we'll process it for you!



www.pioneerbks.com



We believe that improving and enhancing our information technology systems and services is key to Pioneer's future success. To that end, in 2018, we upgraded our core processing system with the most advanced system available on the market. This improvement, in turn, has allowed us to introduce a number of new software applications to better serve our customers, such as our Instant Issue Debit Card program. Now, our customers can receive their debit card within minutes, versus waiting for 7 days to receive them in the mail, and the cards can be customized with a variety of images of local landmarks and school mascots. In addition, we now have a multi-functional phone app that allows our customers to conduct numerous banking functions right on their phone, including depositing checks and transferring funds. We are also proud that our website is fully American with Disabilities Act (ADA) compliant, so that our disabled customers can fully access our web-based services. We have also modernized our loan platform so that we can rapidly respond to our customers' lending needs, and we have deployed analytical software that will allow us to offer our customers rewards and help us deepen our relationships with them.

So, what's planned for 2019? For starters, we are installing dedicated fiber optic lines on all our networks. This will give the Bank significantly faster (x10+) network performance and capacity. Our I.T. team is also replacing all of our desktop computers with faster newer models, replacing and upgrading our entire phone system, and upgrading or replacing all of our ATMs. In addition to our new ATMs, we are joining the Allpoint network which will allow our customers to use over 55,000 ATMs nationwide without incurring a fee. We will also be offering this year, an online loan payment system for our auto loans, wherein a customer can make their payment from their smartphone. Another self-service option to be modernized will be our 24-hour automated phone system. Now customers can speak commands to the system, for items such as balance inquiry, transfer of funds, and more. With many projects completed, and even more in the pipeline, your Bank is focused on the future and meeting the needs of our customers.

Sample of some of our Instant Issue Debit Card Designs



Board Members

Harry F. Louderback, Chairman
Retired from FBI/Farmer

Mark N. Reed, President/CEO
Former Attorney at Reed & Reed, P.C.

E. Powell Markowitz
CFO, F.T. Reuter Enterprises, Inc.

James F. Printz
Retired Insurance Agent

David N. Slye
*Former President of
Slye Insurance Agency*

Karen F. Jenkins
*Comptroller, Secretary/Treasurer
General Excavation, Inc.*

Darrell I. Short
*President, Ridgeview
Moulding and Millwork, LLC.*

Kyle L. Miller
*Retired Virginia State Police
Investigator*

Thomas R. Rosazza
*Former President/CEO
of Pioneer Bank*

Officers

Mark N. Reed
*President,
Chief Executive Officer*

Lori G. Hassett
*Senior Vice President,
Chief Financial Officer*

G. Reid Young
*Senior Vice President,
Commercial Lending*

Melissa L. Campbell
*Vice President,
Chief Administration Officer*

Michael R. Kane
*Vice President,
Retail Banking*

Loretta A. Lancaster
*Vice President,
Chief Information Officer*

Donna W. Pendergast
*Vice President,
Senior Loan Officer*

Neal A. Tarbox
*Vice President,
Pioneer Financial Services, LLC*

Elizabeth A. Cribb
*Assistant Vice President,
Executive Operations & Personnel*