



*2025 Annual
Financial Report*

PIONEER BANKSHARES, INC. AND SUBSIDIARY

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PIONEER BANKSHARES, INC. AND SUBSIDIARY

Market Data

The Common Stock of the Company trades on the OTC Bulletin Board under the symbol “PNBI” and transactions generally involve a small number of shares. The Company’s transfer agent is Computershare, Inc. located at 480 Washington Boulevard, 29th Floor, in Jersey City, New Jersey, 07013. The following table shows actual trade prices during the year. Other transactions may have occurred which were not included in the table.

COMMON STOCK TRADE PRICES

<u>2024</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 24.25	\$ 22.00
Second Quarter	23.32	21.00
Third Quarter	23.00	20.50
Fourth Quarter	27.40	22.85
<u>2025</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 27.00	\$ 25.10
Second Quarter	26.78	24.50
Third Quarter	30.50	26.08
Fourth Quarter	32.75	28.98

The Company has declared dividends on its Common Stock as follows:

<u>Declared Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Per Share Amount</u>
2/15/24	3/15/24	3/29/24	\$.25
5/15/24	6/14/24	6/28/24	.25
8/15/24	9/16/24	9/30/24	.25
11/21/24	12/13/24	12/31/24	.25
Total for 2024			<u>\$ 1.00</u>
2/20/25	3/14/25	3/31/25	\$.25
5/14/25	6/13/25	6/30/25	.25
8/21/25	9/12/25	9/30/25	.28
11/20/25	12/12/25	12/31/25	.28
Total for 2025			<u>\$ 1.06</u>

The Company’s ability to pay dividends is subject to certain restrictions imposed by the Federal Reserve and capital requirements of Federal and Virginia banking statutes and regulations. Additionally, the Company intends to follow a policy of retaining sufficient earnings in order to maintain the net worth and reserves of the Bank at adequate levels and to provide for the Company’s growth and ability to compete in its market area.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

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

	<u>2025</u>	<u>2024</u>
Results of Operations		
Interest and dividend income	\$ 19,475	\$ 18,310
Interest expense	<u>5,527</u>	<u>6,524</u>
Net interest income	13,948	11,786
Provision for credit losses	<u>191</u>	<u>345</u>
Net interest income after provision for credit losses	13,757	11,441
Noninterest income	1,495	1,509
Noninterest expense	<u>10,230</u>	<u>9,608</u>
Income before income taxes	5,022	3,342
Income tax expense	<u>1,040</u>	<u>666</u>
Net Income	<u>\$ 3,982</u>	<u>\$ 2,676</u>
Financial Condition, At Year End		
Assets	\$ 354,626	\$ 344,916
Deposits	280,980	271,656
Loans, net of allowance for credit losses	287,703	260,088
Stockholders' equity	41,727	37,163
Per Share Data		
Net income per share, basic and diluted	\$ 3.98	\$ 2.69
Dividends per share	1.06	1.00
Book value per share	41.62	37.18
Performance Ratios		
Return on average assets ¹	1.15%	0.76%
Return on average equity ¹	10.06%	7.51%
Dividend payout ratio	26.67%	37.27%
Average equity to average assets ¹	11.47%	10.18%

¹Ratios are based on daily average balances

PIONEER BANKSHARES, INC. AND SUBSIDIARY

General Business Description

Pioneer Bankshares, Inc. (the “Company”), a Virginia one bank holding company headquartered in Stanley, Virginia, was incorporated under the laws of the Commonwealth of Virginia on November 4, 1983. The Company’s wholly-owned subsidiary, Pioneer Bank, Inc. (the “Bank”) was established as a national bank in 1909. The Bank converted from a national bank to a state chartered bank, effective April 1994, and changed its name to Pioneer Bank, effective April 1999.

Pioneer Bank’s main branch and corporate office are located in Stanley, Virginia, with other branch locations in Shenandoah, Luray, Harrisonburg, Ruckersville, and Charlottesville, Virginia. The Bank also operates a small Business Banking Center in Harrisonburg, Virginia, primarily serving commercial clients.

Pioneer Bank also owns and operates two subsidiaries, one of which is Pioneer Financial Services, LLC. Income received from insurance services and non-banking investment services is handled through Pioneer Financial Services, LLC. The second subsidiary owned by Pioneer Bank is Pioneer Special Assets, LLC, which is generally used in conjunction with foreclosed properties, as a means of minimizing the risk of liability to the Bank.

The assets of the Company consist primarily of all of the stock of the Bank, real estate holdings leased to the Bank, a portfolio of equity investment securities, and minimal cash accounts.

The Bank is engaged in the general commercial banking business, primarily serving the counties of Page, Greene, Rockingham, and Albemarle, Virginia. In addition, the close proximity and mobile nature of individuals and businesses in adjoining Virginia counties and nearby cities places these markets within the Bank’s targeted trade area. The Bank also anticipates serving some individuals and businesses from other areas, including, but not limited to, the counties surrounding Page County.

The Bank offers a full range of banking and related financial services focused primarily towards serving individual consumers, small to medium size commercial businesses, and the professional community. The Bank strives to serve the banking needs of its customers while developing personal, hometown relationships. The Bank’s Board of Directors and management believe that the marketing of customized banking services will enable the Bank to continue its position in the financial services marketplace.

The Bank provides individual consumers, professionals and small and medium size commercial businesses in its market area with responsive and technologically advanced banking services. These services include competitively priced loans that are based on deposit relationships, easy access to the Bank's decision-makers, and quick and innovative action necessary to meet a customer's banking needs. The Bank’s capitalization and lending limit enables it to satisfy the credit needs of a large portion of the targeted market segment. In the event there are customers whose loan requirements exceed the Bank’s lending limit, the Bank will seek to arrange such loans on a participation basis with other financial institutions or private investors. The Board of Directors and management believe the Bank’s present capitalization will support substantial growth in deposits and loans.



Independent Auditor's Report

To the Board of Directors and Stockholders
Pioneer Bankshares, Inc.
Stanley, Virginia

Opinion

We have audited the consolidated financial statements of Pioneer Bankshares, Inc. and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the market data, financial highlights, and general business description but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Yount, Hyde & Barbours, P.C.

Winchester, Virginia
March 31, 2026

PIONEER BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2025 AND 2024

(In Thousands, except share and per share data)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from banks	\$ 2,917	\$ 3,362
Interest-bearing deposits in other banks	10,048	26,679
Federal funds sold	517	1,217
Securities available for sale, at fair value	44,051	43,431
Equity securities, at fair value	32	29
Restricted securities, at cost	1,798	1,996
Loans receivable, net of allowance for credit losses of \$2,544 in 2025 and \$2,551 in 2024	287,703	260,088
Bank premises and equipment, net	3,474	3,546
Accrued interest receivable	1,352	1,168
Other assets	2,734	3,400
Total Assets	<u>\$ 354,626</u>	<u>\$ 344,916</u>
LIABILITIES		
Deposits		
Noninterest bearing:	\$ 91,081	\$ 85,601
Interest bearing:		
Demand	44,584	46,889
Savings	44,635	43,310
Time deposits	<u>100,680</u>	<u>95,856</u>
Total Deposits	280,980	271,656
Accrued expenses and other liabilities	1,919	1,597
Borrowings	30,000	34,500
Total Liabilities	<u>312,899</u>	<u>307,753</u>
STOCKHOLDERS' EQUITY		
Common stock; \$.50 par value, authorized 5,000,000 shares; outstanding – 1,002,461 and 999,470 shares in 2025 and 2024, respectively	501	500
Retained earnings	42,091	39,083
Accumulated other comprehensive loss	<u>(865)</u>	<u>(2,420)</u>
Total Stockholders' Equity	<u>41,727</u>	<u>37,163</u>
Total Liabilities and Stockholders' Equity	<u>\$ 354,626</u>	<u>\$ 344,916</u>

See Notes to Consolidated Financial Statements.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2025 AND 2024

(In Thousands, except per share data)

	<u>2025</u>	<u>2024</u>
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 17,628	\$ 15,426
Interest on securities – taxable	690	700
Interest on securities – nontaxable	33	33
Deposits and federal funds sold	1,005	2,049
Dividends	119	102
Total Interest and Dividend Income	<u>19,475</u>	<u>18,310</u>
INTEREST EXPENSE:		
Deposits	4,405	4,574
Borrowings	1,122	1,950
Total Interest Expense	<u>5,527</u>	<u>6,524</u>
NET INTEREST INCOME	13,948	11,786
PROVISION FOR CREDIT LOSSES	191	345
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>13,757</u>	<u>11,441</u>
NONINTEREST INCOME:		
Service charges on deposit accounts	1,383	1,331
Commission income	107	84
Other income	139	86
Loss on sales of securities available for sale	(137)	---
Change in fair value of equity securities	3	8
Total Noninterest Income	<u>1,495</u>	<u>1,509</u>
NONINTEREST EXPENSES:		
Salaries and employee benefits	5,498	5,204
Occupancy expenses	452	446
Equipment expenses	238	241
ATM expenses	579	558
Sales and franchise tax	267	256
Electronic banking expenses	246	206
Professional and audit fees	387	451
Data processing fees	263	270
Telephone	260	257
Goodwill impairment expense	360	---
Other expenses	1,680	1,719
Total Noninterest Expenses	<u>10,230</u>	<u>9,608</u>
INCOME BEFORE INCOME TAXES	5,022	3,342
INCOME TAX EXPENSE	1,040	666
NET INCOME	<u>\$ 3,982</u>	<u>\$ 2,676</u>
PER SHARE DATA:		
Net income, basic and diluted	<u>\$ 3.98</u>	<u>\$ 2.69</u>
Dividends	<u>\$ 1.06</u>	<u>\$ 1.00</u>

See Notes to Consolidated Financial Statements.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2025 AND 2024

(In Thousands of Dollars)

	<u>2025</u>	<u>2024</u>
Net Income	<u>\$3,982</u>	<u>\$2,676</u>
Other comprehensive income, net of tax:		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during period, (net of tax of \$(385) and \$(307) for 2025 and 2024, respectively)	1,447	1,154
Reclassification adjustments for losses included in net income (net of tax of \$(29) for 2025)	<u>108</u>	<u>---</u>
Other comprehensive income	<u>1,555</u>	<u>1,154</u>
Comprehensive income	<u>\$5,537</u>	<u>\$3,830</u>

See Notes to Consolidated Financial Statements.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2025 AND 2024

(In Thousands of Dollars)

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss)</u>	<u>Total</u>
BALANCE DECEMBER 31, 2023	<u>\$ 496</u>	<u>\$ 37,325</u>	<u>\$ (3,574)</u>	<u>\$ 34,247</u>
Net Income		2,676		2,676
Cumulative change for adoption of new accounting standard		(106)		(106)
Other comprehensive income			1,154	1,154
Cash dividends		(997)		(997)
Stock issued for compensation	<u>4</u>	<u>185</u>	<u> </u>	<u>189</u>
BALANCE DECEMBER 31, 2024	<u>\$ 500</u>	<u>\$ 39,083</u>	<u>\$ (2,420)</u>	<u>\$ 37,163</u>
Net Income		3,982		3,982
Other comprehensive income			1,555	1,555
Cash dividends		(1,062)		(1,062)
Retirement of common stock	(2)	(92)		(94)
Stock issued for compensation	<u>3</u>	<u>180</u>	<u> </u>	<u>183</u>
BALANCE DECEMBER 31, 2025	<u>\$ 501</u>	<u>\$ 42,091</u>	<u>\$ (865)</u>	<u>\$ 41,727</u>

See Notes to Consolidated Financial Statements.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,982	\$ 2,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	191	345
Net amortization on securities	28	83
Fair value adjustment on equity securities	(3)	(8)
Deferred income tax benefit	(138)	(42)
Depreciation	210	246
Amortization of low-income housing investments	138	163
Stock based compensation	183	189
Amortization of right-of-use assets	79	85
Goodwill impairment	360	---
Loss on sale of securities available for sale	137	---
Loss on disposals of premises & equipment, net	1	---
Net change in:		
Accrued interest receivable	(184)	(106)
Other assets	(24)	86
Accrued expenses and other liabilities	166	(38)
	<u>5,126</u>	<u>3,679</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in interest-bearing deposits in other banks	16,631	(7,621)
Net change in federal funds sold	700	(679)
Net change in restricted securities	198	(590)
Proceeds from calls, maturities and principal payments of securities available for sale	27,248	74,217
Proceeds from sale of securities available for sale	3,866	---
Purchase of securities available for sale	(29,931)	(64,950)
Net increase in loans	(27,812)	(22,985)
Purchase of bank premises and equipment	(139)	(75)
	<u>(9,239)</u>	<u>(22,683)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in:		
Demand and savings deposits	4,500	(11,005)
Time deposits	4,824	18,906
Proceeds from borrowings	7,500	48,110
Curtailements of borrowings	(12,000)	(36,110)
Retirement of stock	(94)	---
Dividends paid	(1,062)	(997)
	<u>3,668</u>	<u>18,904</u>
CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(445)	(100)
Cash and cash equivalents, beginning of year	3,362	3,462
Cash and cash equivalents, end of year	<u>\$ 2,917</u>	<u>\$ 3,362</u>
Supplemental Disclosure of Cash Paid During the Year for:		
Interest	\$ 5,451	\$ 6,576
Income taxes	1,045	350
Supplemental Disclosure of non-cash activity:		
Unrealized gain on securities available for sale	\$ 1,969	1,460
Liabilities assumed to acquire right of use assets under operating leases	162	---

See Notes to Consolidated Financial Statements.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting and reporting policies of Pioneer Bankshares, Inc. (“Company”), and its wholly-owned subsidiary Pioneer Bank (“Bank”), conform to accounting principles generally accepted in the United States of America and to accepted practices within the banking industry. A summary of significant accounting policies is as follows:

Consolidation Policy – The consolidated financial statements of the Company include the Bank as well as Pioneer Financial Services, LLC, and Pioneer Special Assets, LLC which are wholly-owned subsidiaries of the Bank. All significant inter-company balances and transactions have been eliminated.

Use of Estimates – In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses on loans.

Reclassifications – Certain reclassifications have been made to prior period balances to conform to the current year presentation. None were of a material nature and had no effect on prior year net income or stockholders’ equity.

Subsequent Events – In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 31, 2026, which is the date the financial statements were available to be issued.

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 which the Company intends to hold for indefinite periods of time, including securities used as part of the Company’s asset/liability management strategy are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax. At December 31, 2025 and 2024, all debt securities were classified as available for sale. There were no transfers between classifications during the years ended December 31, 2025 and 2024.

Interest income includes amortization of purchase premiums and accretion of purchase discounts. Purchase premiums are recognized in interest income using the effective interest rate method over the period from purchase to maturity or, for callable securities, the earliest call date, and purchase discounts are recognized in the same manner from purchase to maturity.

Equity securities with readily determinable fair values are carried at fair value, with changes in fair value reported in net income. Restricted equity securities are comprised primarily of Federal Home Loan Bank stock and Federal Reserve Bank stock. Restricted securities are carried at cost and are periodically evaluated for impairment based on the ultimate recovery of par value. The entirety of any impairment on equity securities is recognized in earnings.

Gains and losses on sales of securities are recorded on the trade date and determined using the specific identification method.

Impairment of debt securities occurs when the fair value of a security is less than its amortized cost. The Company has elected to exclude accrued interest receivable from the amortized cost basis. For debt securities available for sale, impairment is recognized in its entirety in net income if either (i) we intend to sell the security or (ii) it is more-likely-than-not that we will be required to sell the security before recovery of its amortized cost basis. If, however, the Company does not intend to sell the security and it is not more-likely-than-not that the Company will be required to sell the security before recovery, the Company evaluates unrealized losses to determine whether a decline in fair value below amortized cost basis is a result of a credit loss, which occurs when the amortized cost basis of the security exceeds the present value of the cash flows expected to be collected from the security, or other factors such as changes in market interest rates. If a credit loss exists, an allowance for credit losses is recorded that reflects the amount of the impairment related to credit losses, limited by the amount by which the security’s amortized cost basis exceeds its fair value. Changes in the allowance for credit losses are recorded in net income in the period of change and are included in provision for credit losses. Changes in the fair value of debt securities available for sale not resulting from credit losses are recorded in other comprehensive income (loss).

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):*

The Company regularly reviews unrealized losses in its investments in available-for-sale debt securities and cash flows expected to be collected from impaired debt securities based on criteria including the extent to which market value is below amortized cost, the financial health of and specific prospects for the issuer, the Company's intention with regard to holding the security to maturity and the likelihood that the Company would be required to sell the security before recovery.

Loans Receivable - Loans receivable are intended to be held until maturity and are reported at their outstanding principal balance net of any adjustments for charge-offs, unearned income, the allowance for credit losses, and deferred loan fees and costs. The Company has elected to exclude accrued interest receivable from the amortized cost basis of its loans held for investment. Interest on loans is recorded to interest income based on the contractual rate and the amount of outstanding principal on the loans. Interest income is generally not recognized on nonaccrual loans and payments received on such loans are applied as a reduction of the loan principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The Company classifies all loans as past due when the payment of principal and interest based upon contractual terms is 30 or more days delinquent.

The accrual of interest on loans is generally discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection for all loan classes. Commercial non-real estate classes are placed on nonaccrual status when it is probable that principal or interest is not fully collectible, or generally when principal or interest becomes 90 days past due, whichever occurs first. Real estate loans, which includes the residential, commercial, construction and land categories, are generally placed on nonaccrual status when principal and interest becomes 90 days past due. Consumer non-real estate loans, including personal automobile loans and all other individual loans are placed on nonaccrual status at varying intervals, based on the type of product, generally when principal and interest becomes between 90 days and 120 days past due. Revolving consumer credit card loans are not placed on nonaccrual but are generally charged-off if they reach 120 days past due, with unpaid fees and finance charges reversed against interest income. Consumer non-real estate loans are typically charged off between 90 and 120 days past due unless the loan is well secured and in the process of collection and are subject to mandatory charge-off at a specified delinquency date consistent with regulatory guidelines. In most cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All other loan classes are generally charged off within the range of 90 to 180 days, unless there are specific or extenuating circumstances that warrant further collection or legal actions.

Interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Payments received on nonaccrual loans are applied as a reduction to the remaining principal balance as long as concern exists as to the ultimate collection of the principal. Loans are generally removed from nonaccrual status when the concern no longer exists as to the collectability of principal and interest and the borrower has been able to demonstrate a specific period of payment performance.

In the ordinary course of business, the Company has entered into commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Allowance for Credit Losses on Loans – The allowance for credit losses on loans is a valuation allowance which represents management's current estimate of expected credit losses over the terms of loans held for investment considering historical experience, current conditions, and reasonable and supportable forecasts relevant to the collectability of loans. The allowance is established through charges to earnings in the form of a provision for credit losses. The allowance is also increased by recoveries of amounts previously charged-off and is reduced by charge-offs on loans. Loan charge-offs are recognized as the difference between the carrying value of the loan and the estimated net realizable value or fair value of the collateral, if collateral-dependent, when management believes that the collectability of the principal is unlikely. Full or partial charge-offs on collateral-dependent individually evaluated loans are generally recognized when the collateral is deemed to be insufficient to support the carrying value of the loan.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):*

The allowance consists of reserves for loans which are collectively and individually evaluated for credit losses. Loans which share common risk characteristics are collectively evaluated. The collectively evaluated allowance for credit losses includes both quantitative and qualitative components. The quantitative component is determined using an average charge-off method developed using prior historical losses of the Company over an extended period of time. These loss rates are applied to the outstanding balances of loans over their estimated lives, which includes estimated prepayments. The Company adjusts the average charge-off rates within the quantitative calculations for reasonable and supportable forecasts over a period of one year, with immediate reversion to the average charge-off rate for periods beyond one year. Economic forecasting includes projections of the unemployment rate and GDP, which adjust loss rates using a statistical regression analysis. The qualitative component of the collectively evaluated allowance for credit losses is based on an assessment of available information relevant to assessing collectability that is not captured in the loss estimation process. Factors considered by management include economic conditions, concentrations of credit, depth of lending management, collateral valuations, legal and regulatory factors, loan volumes and trends, level and severity of past due and adversely classified loans, lending policies, procedures and underwriting criteria and other extraordinary conditions as necessary. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Loans that do not share common risk characteristics with other loans are evaluated individually and are not included in the collectively evaluated analysis. The allowance for credit losses on loans that are individually evaluated may be estimated based on their expected cash flows, or, in the case of loans for which repayment is expected substantially through the operation or sale of collateral when the borrower is experiencing financial difficulty, may be measured based on the fair value of the collateral or the fair value of collateral less estimated costs to sell the collateral.

No allowance for credit losses is recorded on accrued interest receivable and as discussed under the heading “*Loans receivable*” above, amounts written off are reversed by an adjustment to interest income.

Transfers of Financial Assets – Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) 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 (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Bank Premises and Equipment – Land values are carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to income over estimated useful lives ranging from 3 to 40 years, on a straight-line method. Major improvements are capitalized while maintenance and repairs are charged to expense as incurred.

Other Real Estate Owned- Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from other real estate owned. There were no properties held in other real estate owned or formal foreclosure proceedings in process as of December 31, 2025 and December 31, 2024.

Income Taxes – Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under income tax laws. Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax basis of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):*

Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2025 or December 31, 2024, there were no such liabilities recorded.

Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the Company's Consolidated Statements of Income.

Financial Instruments – In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit-card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments as it does for other loans. Commitments to extend credit are generally made for a period of one year or less and interest rates are determined when funds are disbursed. Collateral and other security for the loans are determined on a case-by-case basis. Since some of the commitments are expected to expire without being drawn upon, the contract or notional amounts do not necessarily represent future cash requirements.

Cash Flow Reporting – For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

Advertising Costs – The Company follows the policy of charging the production costs of advertising to expense as incurred. Advertising expense amounted to \$40,000 and \$42,000, for the years ended December 31, 2025 and 2024, respectively.

Earnings Per Share – Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company, if any, are determined using the treasury stock method.

Stock Compensation – On an annual basis, the Company pays two-thirds of its board of director fees and retainer fees in the form of stock compensation. Additionally, a portion of certain officers' bonuses are periodically paid with stock compensation. The fair market value of the Company's stock at the time of the stock issuance is used as the pricing factor to arrive at the appropriate number of shares issued.

There were no stock options or other unvested stock awards outstanding at December 31, 2025 and 2024.

Comprehensive Income – Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale.

Bank Owned Life Insurance – The Company has purchased life insurance policies on certain individuals. 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. Cash surrender values are included in other assets on the Consolidated Balance Sheets.

Goodwill – Goodwill arises from business combinations and represents the excess of the fair value of the consideration transferred over the fair value of the net assets acquired. Goodwill is tested for impairment at least annually, or more frequently when events or changes in circumstances indicate that an impairment test is warranted. Following the closure of the dealer division, the Bank now originates only a limited volume of finance company-type loans; accordingly management performed an evaluation in 2025 and determined that the goodwill should be written off. The write-off is included in noninterest expense in the consolidated statements of income. Goodwill totaled \$360,000 at December 31, 2024 and was included in other assets on the consolidated balance sheets.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):*

Allowance for Credit Losses on Unfunded Commitments – The Company records a reserve, reported in accrued expenses and other liabilities on the Consolidated Balance Sheets, for expected credit losses on commitments to extend credit that are not unconditionally cancelable by the Company. The reserve for unfunded commitments is measured based on the principles utilized in estimating the allowance for credit losses on loans and an estimate of the amount of unfunded commitments expected to be advanced. Changes in the reserve for unfunded commitments are recorded through the provision for credit losses. The reserve totaled \$11 thousand and \$16 thousand at December 31, 2025 and 2024, respectfully. The provision for credit losses related to unfunded commitments was \$(6) thousand and \$3 thousand during years ended December 31, 2025 and 2024.

Recent Accounting Pronouncements– In November 2024, the Financial Accounting Standards Board (FASB) issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specified information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The FASB subsequently issued ASU 2025-01, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date”, which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in ASU 2024-03 in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. The Company does not expect the adoption of ASU 2024-03 to have a material impact on its consolidated financial statements.

Recently Adopted Accounting Pronouncements- In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity’s applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. ASU 2023-09 was effective for the Company for the annual period beginning January 1, 2025, and the Company elected to apply its provisions retrospectively. The adoption of ASU 2023-09, resulted in updates to the Company’s income tax disclosures included in Note 13 to the consolidated financial statements.

Business Segments— The Company’s financial results are considered to be aggregated into one reportable operating segment with revenue derived from the business of community banking. Through its community banking segment, the Company offers a full range of products and services through various delivery channels. The banking products and services include the acceptance of deposits in checking, savings, time and money market accounts; the origination and servicing of personal/consumer, credit card, commercial, construction and real estate loans; and other services including safe deposit boxes and wire transfers. The community banking segment derives revenues mainly from interest income on loans to customers, investment securities held and fees and income related to the services listed above.

The accounting policies of the community banking segment are the same as those described in the summary of significant accounting policies. The Company’s President/Chief Executive Officer and Senior Vice President/Chief Financial Officer are the Chief Operating Decision Makers (CODMs). The CODMs are responsible for the day-to-day management of the Company, including regularly reviewing the operating and financial performance of the Company on a consolidated basis.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):*

The primary measure of financial performance is consolidated net income which is used to assess performance and make decisions about resource allocation. Net income is used to monitor budget versus actual results as well as comparing prior year's results. The comparative analysis along with the monitoring of budget versus actual results are used in assessing the performance of the segment. The presentation of financial performance to the CODMs is consistent with amounts and financial statement lines shown in the Company's consolidated balance sheets and consolidated statements of income. The Company's significant expenses are segmented by category and amount in the consolidated statements of income to include all significant items including salaries and employee benefits, occupancy expense, equipment expenses, ATM, electronic banking, data processing, professional service fees, telephone, and other general operating expenses.

NOTE 2 *NATURE OF OPERATIONS:*

The Company operates under a charter issued by the Commonwealth of Virginia and provides commercial banking services to its customers through its subsidiary bank. As a state chartered member bank, the Bank is subject to regulation by the Virginia Bureau of Financial Institutions and the Board of Governors of the Federal Reserve Banking System. As of December 31, 2025, the Bank had six branch locations available to customers with 3 being located in Page County, 1 in Greene County, 1 in Rockingham County, and 1 in Albemarle County. The Bank also operates two separate subsidiaries, one being known as Pioneer Financial Services, LLC, which offers a variety of consumer investment and insurance services. The second subsidiary owned by Pioneer Bank is Pioneer Special Assets, LLC, which is generally used in conjunction with certain foreclosed properties. The Bank also operates a small Business Banking Center in Harrisonburg, VA that primarily services commercial clients.

NOTE 3 *CASH AND DUE FROM BANKS:*

Prior to March 2020, The Federal Reserve Bank required banks to maintain reserves at specified levels. Effective March 26, 2020, the reserve requirement was reduced to zero percent. The Bank also maintains required deposit relationships with 4 separate correspondent banks in accordance with their separate and individual Fed Funds Credit Line Agreements. The amount on deposit with these correspondent banks was \$754,000 and \$656,000, as of December 31, 2025 and 2024, respectively.

NOTE 4 *DEPOSITS IN AND FEDERAL FUNDS SOLD TO BANKS:*

The Bank had cash deposited in and federal funds sold to other banks exceeding federally insured limits totaling approximately \$1.1 million and \$2.0 million at December 31, 2025 and 2024, respectively. Management has established acceptable risk tolerances relating to uninsured deposits in other banks and diversifies these funds in accordance with policy guidelines.

NOTE 5 *INVESTMENT SECURITIES:*

On January 1, 2023, the Company adopted ASC 326, which requires credit losses on available for sale debt securities be presented as an allowance, when management does not intend to sell and does not believe that it is more likely than not they will be required to sell a security prior to its maturity. Should the Company classify debt securities as held-to-maturity in future periods, ASC 326 would also require the Company to measure expected credit losses using a methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The amortized cost and fair value of securities available for sale at December 31, 2025 and 2024 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
<u>December 31, 2025</u>				
Available for Sale				
U.S. treasury securities	\$ 100	\$ ---	\$ (1)	\$ 99
Mortgage-backed securities	8,174	26	(172)	8,028
Agency securities	27,011	---	(614)	26,397
State and municipals	6,111	17	(213)	5,915
Corporate securities	<u>3,750</u>	<u>---</u>	<u>(138)</u>	<u>3,612</u>
	<u>\$ 45,146</u>	<u>\$ 43</u>	<u>\$ (1,138)</u>	<u>\$ 44,051</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
<u>December 31, 2024</u>				
Available for Sale				
U.S. treasury securities	\$ 100	\$ ---	\$ (3)	\$ 97
Mortgage-backed securities	1,614	---	(260)	1,354
Agency securities	29,993	---	(1,930)	28,063
State and municipals	11,038	---	(506)	10,532
Corporate securities	<u>3,750</u>	<u>---</u>	<u>(365)</u>	<u>3,385</u>
	<u>\$ 46,495</u>	<u>\$ ---</u>	<u>\$ (3,064)</u>	<u>\$ 43,431</u>

Realized gains and losses on available for sale securities are summarized below:

	2025	2024
	(In Thousands)	
Gains	\$ ---	\$ ---
Losses	<u>(137)</u>	<u>---</u>
Net Losses	<u>\$ (137)</u>	<u>\$ ---</u>

Proceeds on the sale of securities available for sale during 2025 totaled \$3.9 million. There were no sales of securities available for sale during the year ended December 31, 2024.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

Equity securities, with readily determinable fair values, consisted of investments in common stock of certain community banking institutions at December 31, 2025 and 2024. The following table presents information on the change in the fair value of equity securities that was recognized in earnings during the years ended December 31, 2025 and 2024, as well as the portion of those balances which relate to equity securities still held at December 31, 2025 and 2024.

	For the Years Ended December 31, 2025 2024 (in thousands)	
Net gains recognized during the year on equity securities	\$ 3	\$ 8
Net (gains) losses recognized on equity securities sold	---	---
Net unrealized gains (losses) recognized on equity securities still held at the balance sheet date	<u>\$ 3</u>	<u>\$ 8</u>

The amortized cost and fair value of securities available for sale at December 31, 2025, by contractual maturity, are shown in the following schedule. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Securities Available for Sale</u>	
	<u>Amortized</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
	(In Thousands)	
Due within one year	\$ 17,023	\$ 16,773
Due after one year through five years	14,859	14,314
Due after five years through ten years	5,185	5,029
Due after ten years	<u>8,079</u>	<u>7,935</u>
	<u>\$ 45,146</u>	<u>\$ 44,051</u>

Securities available for sale with an amortized cost of \$9.0 million and a fair value of \$8.8 million at December 31, 2025 were pledged for contingency borrowings purposes, to secure public deposits and for other purposes required by law. Securities available for sale with an amortized cost of \$26.0 million and fair value of \$24.3 million at December 31, 2024, were pledged for contingency borrowings purposes, to secure public deposits and for other purposes required by law.

As of December 31, 2025, there were 30 securities available for sale that had unrealized losses. The Company concluded a credit loss did not exist in its securities portfolio at December 31, 2025, and no impairment loss was recognized based on the facts that (1) changes in fair value were caused primarily by fluctuations in interest rates, (2) securities with unrealized losses had generally high credit quality, (3) the Company intends to hold these investments in debt securities to maturity and it is more-likely-than-not that the Company will not be required to sell these investments before a recovery of its investment, and (4) issuers have continued to make timely payments of principal and interest. Additionally, the Company's agency securities and mortgage-backed securities were issued either by U.S. government agencies or U.S. government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The schedule of unrealized losses by category and length of time that each individual security had been in a continuous loss position at December 31, 2025 was as follows (in thousands):

		<u>Corporate Securities</u>	<u>Mortgaged Backed Securities</u>	<u>Agency Securities</u>	<u>State and Municipal Securities</u>	<u>US Treasury Securities</u>	<u>Total</u>
Less than 12 Months	Fair Value	\$---	\$---	\$2,993	\$---	\$---	\$2,993
	Unrealized Losses	---	---	(22)	---	---	(22)
12 or more Months	Fair Value	3,612	1,227	23,404	4,842	99	33,184
	Unrealized Losses	(138)	(172)	(592)	(213)	(1)	(1,116)
Total	Fair Value	3,612	1,227	26,397	4,842	99	36,177
	Unrealized Losses	(138)	(172)	(614)	(213)	(1)	(1,138)

As of December 31, 2024, there were 34 securities available for sale that had unrealized losses. The schedule of unrealized losses by category and length of time that each individual security had been in a continuous loss position at December 31, 2024 was as follows (in thousands):

		<u>Corporate Securities</u>	<u>Mortgaged Backed Securities</u>	<u>Agency Securities</u>	<u>State and Municipal Securities</u>	<u>US Treasury Securities</u>	<u>Total</u>
Less than 12 Months	Fair Value	\$---	\$---	\$---	\$1,054	\$---	\$1,054
	Unrealized Losses	---	---	---	(9)	---	(9)
12 or more Months	Fair Value	3,385	1,354	28,063	9,478	97	42,377
	Unrealized Losses	(365)	(260)	(1,930)	(497)	(3)	(3,055)
Total	Fair Value	3,385	1,354	28,063	10,532	97	43,431
	Unrealized Losses	(365)	(260)	(1,930)	(506)	(3)	(3,064)

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The Bank also holds additional investments in the Federal Home Loan Bank of Atlanta (“FHLB”) in the form of FHLB stock, which is a membership requirement. Loan advances from FHLB are subject to additional stock purchase requirements, which are generally redeemed as outstanding loan balances are repaid, subject to FHLB’s quarterly excess capital evaluation process. FHLB evaluates the excess capital stock of its members on a quarterly basis to determine stock repurchase activities. Additionally, the FHLB generally pays quarterly dividends on the outstanding stock investment of each of its members.

FHLB stock is generally viewed as a long-term investment and is considered to be a restricted security, which is carried at cost, because there is no market for the stock other than FHLB or other member institutions. As of December 31, 2025 and 2024 the Bank’s investment in FHLB stock totaled approximately \$1.67 million and \$1.87 million, respectively, and was included in restricted securities on the consolidated balance sheets.

Management’s evaluation of FHLB stock for possible impairment is based on the ultimate recoverability of par value rather than recognizing temporary declines in value. Management’s evaluation of FHLB stock as of December 31, 2025 and 2024 did not consider this investment to be impaired, and therefore, no impairment has been recognized.

NOTE 6 LOANS:

Loans are stated at their face amount, net of deferred loan fees, and are classified as follows:

	December 31, 2025	December 31, 2024
	(In Thousands)	
Real estate loans		
Construction & land loans	\$ 22,180	\$ 13,611
Residential equity lines of credit	4,397	3,851
Residential 1-4 family	80,883	80,673
Residential second mortgages 1 - 4 family	3,095	3,062
Residential multifamily	14,849	6,015
Commercial agricultural loans	7,173	4,770
Commercial municipal loans	191	226
Commercial owner & non-owner occupied	105,822	93,960
Total real estate loans	<u>238,590</u>	<u>206,168</u>
Commercial non real estate loans	19,101	17,860
Loans to nondepository financial institutions	12,281	7,950
Consumer non real estate loans		
Personal installments	19,659	30,087
Credit cards	616	574
Total consumer installment loans	<u>20,275</u>	<u>30,661</u>
Gross loans ⁽¹⁾	<u>290,247</u>	<u>262,639</u>
Less allowance for credit losses	<u>(2,544)</u>	<u>(2,551)</u>
Net loans receivable	<u>\$ 287,703</u>	<u>\$ 260,088</u>

(1)Gross loans are presented net of deferred loan fees and discounts of \$612,000 and \$351,000, respectively as of December 31, 2025 and 2024.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The Bank grants commercial, real estate and consumer installment loans to its customers. Collateral requirements for loans are determined on a case-by-case basis depending upon the purpose of the loan and the financial condition of the borrower. The ultimate collectability of the Bank's loan portfolio and the ability to realize the value of any underlying collateral, if needed, are influenced by the economic conditions of its market service area.

The Bank's loan portfolio is concentrated in real estate loans, including those secured by residential consumer properties and small business commercial properties. Residential real estate loans, including equity lines of credit, residential 1 – 4 family first and second mortgages, and multifamily loans totaled \$103.2 million as of December 31, 2025, as compared to \$93.6 million at December 31, 2024. Small business commercial real estate loans, including commercial construction and land loans, agricultural/farm loans, and other business properties totaled \$134.0 million as of December 31, 2025, as compared to \$111.2 million at December 31, 2024. Management has established specific lending criteria relating to real estate loans as a means of assessing risk in the portfolio.

Deposit account overdrafts which were classified as loans totaled \$29,000 and \$39,000 as of December 31, 2025 and 2024, respectively.

The following table reflects the amounts of outstanding delinquencies by loan class as of December 31, 2025 (in thousands):

<u>Past Due Loans by Class</u>	<u>30-59 Days</u>	<u>60-89 Days</u>	<u>90 Days or More</u>	<u>Total Past Due</u>	<u>Total Current</u>	<u>Total Loans</u>
Construction & Land						
Residential	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,341	\$ 1,341
Commercial	---	---	---	---	12,545	12,545
Other – Land only	73	---	---	73	8,221	8,294
Residential Real Estate						
Equity Lines of Credit	---	---	---	---	4,397	4,397
1-4 Family Residences	2,461	36	211	2,708	81,270	83,978
Multifamily Dwellings	---	---	---	---	14,849	14,849
Loans to Nondepository Financial Institutions	---	---	---	---	12,281	12,281
Commercial Real Estate						
Owner & non-owner occupied	---	---	---	---	105,822	105,822
Agricultural / Farm	---	---	---	---	7,173	7,173
Municipals	---	---	---	---	191	191
Commercial – Non Real Estate						
Agricultural	---	---	---	---	512	512
Industrial	---	---	---	---	18,138	18,138
Municipals	---	---	---	---	451	451
Consumer – Non Real Estate						
Credit Cards	3	---	---	3	613	616
Automobile	219	13	15	247	13,766	14,013
Other personal	<u>2</u>	---	---	<u>2</u>	<u>5,644</u>	<u>5,646</u>
Totals Gross Loans	<u>\$ 2,758</u>	<u>\$ 49</u>	<u>\$ 226</u>	<u>\$ 3,033</u>	<u>\$ 287,214</u>	<u>\$ 290,247</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table represents loans 90 days delinquent and still accruing interest and loans in a nonaccrual status as of December 31, 2025 by loan class (in thousands):

	90 days past due & still <u>accruing interest</u>	Nonaccrual with No Allowance for <u>Credit Losses</u>	Total Nonaccrual <u>Loans</u>	<u>Interest Income Recognized</u>
Residential Real Estate				
1-4 Family Residences	\$ 211	\$ ---	\$ ---	\$ ---
Consumer – Non Real Estate				
Automobile	<u>15</u>	---	---	---
Totals Gross Loans	<u>\$ 226</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

The following table reflects the amounts of outstanding delinquencies by loan class as of December 31, 2024 (in thousands):

<u>Past Due Loans by Class</u>	<u>30-59 Days</u>	<u>60-89 Days</u>	<u>90 Days or More</u>	<u>Total Past Due</u>	<u>Total Current</u>	<u>Total Loans</u>
Construction & Land						
Residential	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,397	\$ 1,397
Commercial	---	---	---	---	4,005	4,005
Other – Land only	22	---	---	22	8,187	8,209
Residential Real Estate						
Equity Lines of Credit	---	---	---	---	3,851	3,851
1-4 Family Residences	1,995	664	93	2,752	80,983	83,735
Multifamily Dwellings	---	---	---	---	6,015	6,015
Loans to Nondepository Financial Institutions	---	---	---	---	7,950	7,950
Commercial Real Estate						
Owner & non-owner occupied	541	---	---	541	93,419	93,960
Agricultural / Farm	---	---	---	---	4,770	4,770
Municipals	---	---	---	---	226	226
Commercial – Non Real Estate						
Agricultural	---	---	---	---	415	415
Industrial	181	60	---	241	16,290	16,531
Municipals	---	---	---	---	914	914
Consumer – Non Real Estate						
Credit Cards	1	1	---	2	572	574
Automobile	613	82	28	723	22,119	22,842
Other personal	<u>21</u>	---	---	<u>21</u>	<u>7,224</u>	<u>7,245</u>
Totals Gross Loans	<u>\$ 3,374</u>	<u>\$ 807</u>	<u>\$ 121</u>	<u>\$ 4,302</u>	<u>\$ 258,337</u>	<u>\$ 262,639</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table represents loans 90 days delinquent and still accruing interest and loans in a nonaccrual status as of December 31, 2024 by loan class (in thousands):

	90 days past due & still <u>accruing interest</u>	Nonaccrual with No Allowance for <u>Credit Losses</u>	Total Nonaccrual <u>Loans</u>	<u>Interest Income</u> <u>Recognized</u>
Residential Real Estate				
1-4 Family Residences	\$ 93	\$ ---	\$ ---	\$ ---
Consumer – Non Real Estate				
Automobile	<u>28</u>	---	---	---
Totals Gross Loans	<u>\$ 121</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

Loans past due greater than 90 days and still accruing interest at December 31, 2025 and 2024 totaled \$226,000 and \$121,000, respectively. Management continually monitors past due accounts and places these accounts in nonaccrual status if the payment plans are not adhered to. As of December 31, 2025 and 2024, there were no nonaccrual loans.

The loan portfolio is comprised of various categories or segments, each of which have certain risk characteristics that are evaluated at the time of loan origination and periodically thereafter. Construction loans carry risks associated with whether or not the project will be completed according to schedule and within its original budget, as well as valuation risk associated with the overall value of the collateral upon completion. Residential real estate loans carry risks associated with continued credit-worthiness and financial stability of the borrower, as well as potential valuation changes relating to collateral. Commercial real estate loans carry risks associated with the continued operations of the business, as well as sufficient cash flow and profitability to service the debt. Additionally, commercial real estate loans are subject to risks associated with potential collateral valuation changes.

Commercial non-real estate loans, including those in the industrial and agricultural categories, carry similar risks to the commercial real estate loans, as they are dependent upon the continued successful business operations and cash flow. Commercial non-real estate loans also carry a risk associated with collateral being more difficult to assess. Consumer loans carry risks associated with the continued credit-worthiness and financial stability of the borrower, as well as potential for rapid depreciation or reduced value of the collateral, especially in automobile lending.

Loans to nondepository financial institutions include loans made by the Bank through its participation in the Northpointe Bank Mortgage Participation Program ("Northpointe MPP"). The Northpointe MPP provides interim financing to 1-4 family mortgage originators who originate loans for sale in the secondary market. These loans carry risks associated with the successful delivery of the mortgage loans by the originators to their secondary market investors; however, sale commitments are in place at origination which limit these risks. The maximum amount of loans that could be funded at any time through the Northpointe MPP as of December 31, 2025, was \$15 million. The outstanding balance of loans can fluctuate significantly due to the timing of funding and repayments, which varies based on mortgage origination volumes.

Management has developed an internal loan risk rating system as part of its credit analysis process which serves as the credit quality indicator for loans in the portfolio. Non-retail loans (i.e. all loans, excluding loans to consumers for home mortgages or other consumer purposes) are assigned an appropriate risk rating at the time of origination based on specific assessment factors relating to the borrower's ability to meet contractual obligations under the loan agreement. This process includes reviewing borrowers' financial information, historical payment experience, credit documentation, public information, and other information specific to each borrower. Loan rating assessments also include consideration of business cash flow and debt obligations. Risk ratings are generally reviewed on an annual basis for credit relationships with total credit exposure of \$1 million or more, or at any point management becomes aware of information affecting the borrower's ability to fulfill their

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

obligations. Management utilizes both internal and external loan review processes as a means of monitoring the appropriateness of risk ratings across the loan portfolio. Retail credits are assigned a pass rating at the time of their origination. Updates to risk ratings assigned to retail credits are made primarily on the basis of the payment activity.

The Bank's internal rating system includes multiple ratings considered to be indicative of pass rated credits, as well as several non-pass or classified ratings consisting of special mention, substandard, doubtful, and loss. Pass credits generally consist of loans secured by cash or cash equivalents and loans to borrowers with a strong cash flow ratio, stable financial net worth and above average sources of liquidity to meet financial obligations and may also include loans to borrowers that may have minor, yet manageable, weaknesses related to the stability of cash flow and repayment sources and may require periodic monitoring. Special mention credits are loans that have identified weaknesses or adverse trends in the borrower's financial position that could potentially impact the Bank's credit position at some future date if not monitored closely. Substandard credits are those loans that have been identified as having a well-defined, specific, or major weakness in the primary cash flow sources or upon which significant reliance is being placed on secondary sources of repayment due to the borrower's financial difficulties. Potential for losses related to substandard credits is evaluated on a regular basis with specific allocations being made as needed, as well as other corrective actions necessary to protect the institution. Loans categorized as doubtful also have well defined weaknesses with the added characteristic of the likelihood that collection of payment in full is highly questionable or perhaps improbable.

Loans classified as loss are considered to be totally uncollectible or of such little value that their continuance on the Bank's books as an asset is not warranted. Retail credits 90 or more days past due are generally classified as substandard, with residential real estate loans being evaluated for individual impairment on a case by case basis as they become delinquent or are identified as a potential problem credit. The following table presents amortized cost basis of loans by origination year and by credit quality as of December 31, 2025 (in thousands):

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
	2025	2024	2023	2022	2021	Prior			
Residential Construction & Land Loans									
Pass	<u>\$515</u>	<u>\$450</u>	<u>\$376</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$1,341</u>
Total	<u>\$515</u>	<u>\$450</u>	<u>\$376</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$1,341</u>
Commercial Construction & Land Loans									
Pass	\$8,112	\$1,440	\$1,847	\$---	\$---	\$---	\$---	\$---	\$11,399
Substandard	---	1,146	---	---	---	---	---	---	1,146
Total	<u>\$8,112</u>	<u>\$2,586</u>	<u>\$1,847</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$12,545</u>
Land Only									
Pass	\$2,936	\$1,439	\$989	\$965	\$1,250	\$500	\$---	\$---	\$8,079
Substandard	---	182	33	---	---	---	---	---	215
Total	<u>\$2,936</u>	<u>\$1,621</u>	<u>\$1,022</u>	<u>\$965</u>	<u>\$1,250</u>	<u>\$500</u>	<u>\$---</u>	<u>\$---</u>	<u>\$8,294</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
	2025	2024	2023	2022	2021	Prior			
Equity Lines of Credit									
Pass	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$4,172	\$ ---	\$4,172
Substandard	---	---	---	---	---	---	225	---	225
Total	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$4,397	\$ ---	\$4,397
1-4 Family Residences									
Pass	\$11,493	\$13,880	\$7,479	\$14,492	\$9,426	\$24,231	\$46	\$332	\$81,379
Special Mention	---	---	---	228	---	---	---	---	228
Substandard	---	74	16	137	49	2,095	---	---	2,371
Total	\$11,493	\$13,954	\$7,495	\$14,857	\$9,475	\$26,326	\$46	\$332	\$83,978
Multifamily Dwellings									
Pass	\$9,260	\$980	\$ ---	\$2,713	\$438	\$1,188	\$270	\$ ---	\$14,849
Total	\$9,260	\$980	\$ ---	\$2,713	\$438	\$1,188	\$270	\$ ---	\$14,849
Loans to nondepository financial institutions									
Pass	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$12,281	\$ ---	\$12,281
Total	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$12,281	\$ ---	\$12,281
Commercial Real Estate									
Pass	\$17,980	\$25,818	\$11,731	\$8,357	\$6,679	\$29,420	\$2,542	\$124	\$102,651
Special Mention	---	---	---	534	---	418	---	---	952
Substandard	---	---	434	---	---	1,785	---	---	2,219
Total	\$17,980	\$25,818	\$12,165	\$8,891	\$6,679	\$31,623	\$2,542	\$124	\$105,822
Agricultural/Farm Loans									
Pass	\$2,710	\$1,319	\$1,176	\$249	\$279	\$1,077	\$180	\$ ---	\$6,990
Substandard	---	---	---	---	---	183	---	---	183
Total	\$2,710	\$1,319	\$1,176	\$249	\$279	\$1,260	\$180	\$ ---	\$7,173
Municipals									
Pass	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$191	\$ ---	\$ ---	\$191
Total	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$191	\$ ---	\$ ---	\$191

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
	2025	2024	2023	2022	2021	Prior			
Agricultural – Non Real Estate									
Pass	<u>\$48</u>	<u>\$50</u>	<u>\$16</u>	<u>\$35</u>	<u>\$10</u>	<u>\$---</u>	<u>\$305</u>	<u>\$48</u>	<u>\$512</u>
Total	<u>\$48</u>	<u>\$50</u>	<u>\$16</u>	<u>\$35</u>	<u>\$10</u>	<u>\$---</u>	<u>\$305</u>	<u>\$48</u>	<u>\$512</u>
Commercial – Non Real Estate									
Pass	\$3,481	\$4,203	\$2,532	\$978	\$408	\$656	\$4,978	\$127	\$17,363
Special Mention	---	192	---	517	---	---	---	---	709
Substandard	---	66	---	---	---	---	---	---	66
Total	<u>\$3,481</u>	<u>\$4,461</u>	<u>\$2,532</u>	<u>\$1,495</u>	<u>\$408</u>	<u>\$656</u>	<u>\$4,978</u>	<u>\$127</u>	<u>\$18,138</u>
Municipals – Non Real Estate									
Pass	\$63	\$---	\$---	\$---	\$66	\$322	\$---	\$---	\$451
Total	<u>\$63</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$66</u>	<u>\$322</u>	<u>\$---</u>	<u>\$---</u>	<u>\$451</u>
Credit Cards									
Pass	\$---	\$---	\$---	\$---	\$---	\$---	\$613	\$---	\$613
Special Mention	---	---	---	---	---	---	3	---	3
Substandard	---	---	---	---	---	---	---	---	---
Total	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$---</u>	<u>\$616</u>	<u>\$---</u>	<u>\$616</u>
Automobile									
Pass	\$602	\$5,910	\$4,833	\$1,897	\$569	\$63	\$---	\$---	\$13,874
Substandard	---	32	52	30	23	2	---	---	139
Total	<u>\$602</u>	<u>\$5,942</u>	<u>\$4,885</u>	<u>\$1,927</u>	<u>\$592</u>	<u>\$65</u>	<u>\$---</u>	<u>\$---</u>	<u>\$14,013</u>
Other Personal Loans									
Pass	<u>\$1,494</u>	<u>\$1,691</u>	<u>\$638</u>	<u>\$1,759</u>	<u>\$43</u>	<u>\$21</u>	<u>\$---</u>	<u>\$---</u>	<u>\$5,646</u>
Total	<u>\$1,494</u>	<u>\$1,691</u>	<u>\$638</u>	<u>\$1,759</u>	<u>\$43</u>	<u>\$21</u>	<u>\$---</u>	<u>\$---</u>	<u>\$5,646</u>
Totals:									
Pass	\$58,694	\$57,180	\$31,617	\$31,445	\$19,168	\$57,669	\$25,387	\$631	\$281,791
Special Mention	---	192	---	1,279	---	418	3	---	1,892
Substandard	---	1,500	535	167	72	4,065	225	---	6,564
Total	<u>\$58,694</u>	<u>\$58,872</u>	<u>\$32,152</u>	<u>\$32,891</u>	<u>\$19,240</u>	<u>\$62,152</u>	<u>\$25,615</u>	<u>\$631</u>	<u>\$290,247</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table presents amortized cost basis of loans by origination year and credit quality as of December 31, 2024 (in thousands):

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
	2024	2023	2022	2021	Prior			
Residential Construction & Land Loans								
Pass	<u>\$1,151</u>	<u>\$203</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$43</u>	<u>\$ ---</u>	<u>\$1,397</u>
Total	<u>\$1,151</u>	<u>\$203</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$43</u>	<u>\$ ---</u>	<u>\$1,397</u>
Commercial Construction & Land Loans								
Pass	<u>\$3,389</u>	<u>\$616</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$4,005</u>
Total	<u>\$3,389</u>	<u>\$616</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$4,005</u>
Land Only								
Pass	<u>\$2,249</u>	<u>\$3,073</u>	<u>\$1,026</u>	<u>\$1,359</u>	<u>\$502</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$8,209</u>
Total	<u>\$2,249</u>	<u>\$3,073</u>	<u>\$1,026</u>	<u>\$1,359</u>	<u>\$502</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$8,209</u>
Equity Lines of Credit								
Pass	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$3,851</u>	<u>\$ ---</u>	<u>\$3,851</u>
Total	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$3,851</u>	<u>\$ ---</u>	<u>\$3,851</u>
1-4 Family Residences								
Pass	\$15,663	\$10,069	\$16,309	\$11,159	\$29,121	\$123	\$323	\$82,767
Special Mention	---	46	235	---	---	---	---	281
Substandard	---	22	---	58	607	---	---	687
Total	<u>\$15,663</u>	<u>\$10,137</u>	<u>\$16,544</u>	<u>\$11,217</u>	<u>\$29,728</u>	<u>\$123</u>	<u>\$323</u>	<u>\$83,735</u>
Multifamily Dwellings								
Pass	<u>\$980</u>	<u>\$ ---</u>	<u>\$2,786</u>	<u>\$455</u>	<u>\$1,509</u>	<u>\$285</u>	<u>\$ ---</u>	<u>\$6,015</u>
Total	<u>\$980</u>	<u>\$ ---</u>	<u>\$2,786</u>	<u>\$455</u>	<u>\$1,509</u>	<u>\$285</u>	<u>\$ ---</u>	<u>\$6,015</u>
Loans to nondepository financial institutions								
Pass	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$7,950</u>	<u>\$ ---</u>	<u>\$7,950</u>
Total	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$7,950</u>	<u>\$ ---</u>	<u>\$7,950</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
	2024	2023	2022	2021	Prior			
Commercial Real Estate								
Pass	\$24,235	\$11,905	\$13,232	\$7,069	\$31,207	\$2,286	\$174	\$90,108
Special Mention	---	667	1,274	---	624	---	---	2,565
Substandard	---	---	---	---	<u>1,287</u>	---	---	<u>1,287</u>
Total	<u>\$24,235</u>	<u>\$12,572</u>	<u>\$14,506</u>	<u>\$7,069</u>	<u>\$33,118</u>	<u>\$2,286</u>	<u>\$174</u>	<u>\$93,960</u>
Agricultural/Farm Loans								
Pass	\$1,231	\$1,217	\$264	\$298	\$1,395	\$165	\$ ---	\$4,570
Substandard	---	---	---	---	<u>200</u>	---	---	<u>200</u>
Total	<u>\$1,231</u>	<u>\$1,217</u>	<u>\$264</u>	<u>\$298</u>	<u>\$1,595</u>	<u>\$165</u>	<u>\$ ---</u>	<u>\$4,770</u>
Municipals								
Pass	\$ ---	\$ ---	\$ ---	\$ ---	<u>\$226</u>	\$ ---	\$ ---	<u>\$226</u>
Total	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$226</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$226</u>
Agricultural – Non Real Estate								
Pass	<u>\$61</u>	<u>\$48</u>	<u>\$81</u>	<u>\$23</u>	\$ ---	<u>\$202</u>	\$ ---	<u>\$415</u>
Total	<u>\$61</u>	<u>\$48</u>	<u>\$81</u>	<u>\$23</u>	<u>\$ ---</u>	<u>\$202</u>	<u>\$ ---</u>	<u>\$415</u>
Commercial – Non Real Estate								
Pass	\$4,930	\$3,285	\$1,143	\$1,050	\$1,973	\$2,449	\$31	\$14,861
Special Mention	<u>237</u>	---	<u>1,433</u>	---	---	---	---	<u>1,670</u>
Total	<u>\$5,167</u>	<u>\$3,285</u>	<u>\$2,576</u>	<u>\$1,050</u>	<u>\$1,973</u>	<u>\$2,449</u>	<u>\$31</u>	<u>\$16,531</u>
Municipals – Non Real Estate								
Pass	\$ ---	\$ ---	<u>\$410</u>	<u>\$153</u>	<u>\$351</u>	\$ ---	\$ ---	<u>\$914</u>
Total	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$410</u>	<u>\$153</u>	<u>\$351</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$914</u>
Credit Cards								
Pass	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$572	\$ ---	\$572
Special Mention	---	---	---	---	---	1	---	1
Substandard	---	---	---	---	---	<u>1</u>	---	<u>1</u>
Total	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$574</u>	<u>\$ ---</u>	<u>\$574</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
	2024	2023	2022	2021	Prior			
Automobile								
Pass	\$9,032	\$7,635	\$3,800	\$1,653	\$585	\$ ---	\$ ---	\$22,705
Substandard	21	43	15	47	11	---	---	137
Total	<u>\$9,053</u>	<u>\$7,678</u>	<u>\$3,815</u>	<u>\$1,700</u>	<u>\$596</u>	<u>\$---</u>	<u>\$---</u>	<u>\$22,842</u>
Other Personal Loans								
Pass	\$5,277	\$1,329	\$335	\$166	\$138	\$ ---	\$ ---	\$7,245
Total	<u>\$5,277</u>	<u>\$1,329</u>	<u>\$335</u>	<u>\$166</u>	<u>\$138</u>	<u>\$---</u>	<u>\$---</u>	<u>\$7,245</u>
Totals:								
Pass	\$68,198	\$39,380	\$39,386	\$23,385	\$67,007	\$17,926	\$528	\$255,810
Special Mention	237	713	2,942	---	624	1	---	4,517
Substandard	21	65	15	105	2,105	1	---	2,312
Total	<u>\$68,456</u>	<u>\$40,158</u>	<u>\$42,343</u>	<u>\$23,490</u>	<u>\$69,736</u>	<u>\$17,928</u>	<u>\$528</u>	<u>\$262,639</u>

The following table details the current period charge-offs by year of origination for the year ended December 31, 2025 (in thousands).

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total Charge- offs
Land Only	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
1-4 Family Residence	---	---	---	---	---	---	---	---
Credit Cards	---	---	---	---	---	---	7	7
Commercial	---	20	---	---	---	---	---	20
Automobile	---	86	171	79	89	8	---	433
Other Personal Loans	2	8	2	1	---	---	---	13
Total	<u>\$ 2</u>	<u>\$ 114</u>	<u>\$ 173</u>	<u>\$ 80</u>	<u>89</u>	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 473</u>

The following table details the current period charge-offs by year of origination for the year ended December 31, 2024 (in thousands).

	2024	2023	2022	2021	Prior	Revolving Loans	Total Charge- offs
Land Only	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
1-4 Family Residence	---	---	---	---	---	---	---
Credit Cards	---	---	---	---	---	22	22
Commercial	15	---	19	---	---	---	34
Automobile	---	105	94	46	33	---	278
Other Personal Loans	14	19	1	4	3	---	41
Total	<u>\$ 29</u>	<u>\$ 124</u>	<u>\$ 114</u>	<u>50</u>	<u>\$ 36</u>	<u>\$ 22</u>	<u>\$ 375</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025:

	Type of Collateral			<u>Total</u>
	<u>Residential Real Estate</u>	<u>Commercial Real Estate</u>	<u>Automobiles</u>	
Construction& Land Loans				
Commercial	\$ ---	\$ 1,146	\$ ---	\$1,146
Other-Land Only	---	214	---	214
Residential Real Estate				
Equity Lines of Credit	225	---	---	225
1-4 Family Residences	2,035	---	---	2,035
Commercial Real Estate				
Owner Occupied	---	2,220	---	2,220
Commercial Non Real Estate				
Industrial	---	66	---	66
Consumer – Non Real Estate				
Automobile Loans	---	---	<u>15</u>	<u>15</u>
Totals	<u>\$ 2,260</u>	<u>\$ 3,646</u>	<u>\$15</u>	<u>\$5,921</u>

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024:

	Type of Collateral			<u>Total</u>
	<u>Residential Real Estate</u>	<u>Commercial Real Estate</u>	<u>Automobiles</u>	
Residential Real Estate				
1-4 Family Residences	\$ 798	\$ ---	\$ ---	\$798
Commercial Real Estate				
Owner Occupied	---	1,729	---	1,729
Consumer – Non Real Estate				
Automobile Loans	---	---	<u>28</u>	<u>28</u>
Totals	<u>\$ 798</u>	<u>\$ 1,729</u>	<u>\$28</u>	<u>\$2,555</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

Modified Loans for Borrowers Experiencing Financial Difficulty

The Bank occasionally modifies loans to borrowers that may be experiencing financial difficulties by providing principal forgiveness, term extensions, interest rate reductions, or other-than-significant payment delays. The effect of most modifications is included in the allowance for credit losses due to the measurement methodologies used in its estimate, and the allowance is typically not adjusted upon modification. In cases of principal forgiveness, the amount forgiven is charged against the allowance for credit losses. In some cases, multiple types of modifications may be provided on one loan and when multiple types of modifications occur within the same period, the combination of modifications is reported separately.

During 2025, the Bank identified six loans in the residential real estate loan category that were modified and considered to be an other-than-insignificant payment delay. The amortized cost value of these loans as of December 31, 2025, totaled \$1.5 million, which represents 1.43% of the total residential real estate category. Each of these loans modifications had a six-month interest only payment period, which resulted in payment reductions of approximately \$63,000 over the six-month interest only period. There were no payment defaults of more than 90 days during the interest only period for the remainder of 2025. However, four of these modified accounts were 30 days past due at December 31, 2025.

During 2024, the Bank identified one loan in the commercial non real estate category that was modified and considered to be an other-than-insignificant payment delay. The amortized cost value of this loan as of December 31, 2024, was \$96,000, which represents 0.54% of the total commercial non real estate category. This loan modification had a term extension of approximately 5 years, which resulted in payment reductions of approximately \$25,000 annually. There were no payment defaults during the year ended December 31, 2024, for this modified loan account and the loan was not past due at December 31, 2024.

The Bank closely monitors the payment status and performance of modified loans to understand the effectiveness of its modification efforts. Upon the determination that all or a portion of a modified loan becomes uncollectible, that amount is charged against the allowance for credit losses.

NOTE 7: ALLOWANCE FOR CREDIT LOSSES ON LOANS (ACL):

The summary table below includes the balance of the ACL by segment as of December 31, 2025, as well as a roll-forward representation of the activity that occurred in the ACL during the year ended December 31, 2025 (in thousands):

	Construction & Land Loans	Residential Real Estate	Commercial Real Estate	Commercial Non-Real Estate	Consumer Non-Real Estate	Loans to Nondepository Financial Institutions	Total
ACL ending balance 12/31/2024	\$ 33	\$ 591	\$ 669	\$ 197	\$ 1,061	\$ ---	\$ 2,551
Charge-offs	---	---	---	(20)	(453)	---	(473)
Recoveries	---	---	---	18	251	---	269
Provision	181	96	114	54	(249)	1	197
ACL ending balance 12/31/2025	\$ 214	\$ 687	\$ 783	\$ 249	\$ 610	\$ 1	\$ 2,544

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: ALLOWANCE FOR CREDIT LOSSES ON LOANS (ACL): (continued)

The summary table below includes the balance of the ACL by segment as of December 31, 2024, as well as a roll-forward representation of the activity that occurred in the ACL during the year ended December 31, 2024 (in thousands):

	Construction & Land Loans	Residential Real Estate	Commercial Real Estate	Commercial Non-Real Estate	Consumer Non-Real Estate	Total
ACL ending balance 12/31/2023	\$ 27	\$ 628	\$ 596	\$ 203	\$ 894	\$ 2,348
Charge-offs	---	---	(34)	---	(341)	(375)
Recoveries	4	1	20	---	211	236
Provision	2	(38)	87	(6)	297	342
ACL ending balance 12/31/2024	\$ 33	\$ 591	\$ 669	\$ 197	\$ 1,061	\$ 2,551

NOTE 8 BANK PREMISES and EQUIPMENT:

Bank premises, equipment and computer software included in the financial statements at December 31, 2025 and 2024 are as follows:

	2025	2024
	(In Thousands)	
Land	\$ 1,491	\$ 1,491
Land improvements and buildings	5,884	5,850
Furniture and equipment	4,698	4,682
Computer software	1,613	1,640
	13,686	13,663
Less accumulated depreciation	10,212	10,117
Net	\$ 3,474	\$ 3,546

Depreciation and amortization related to bank premises, equipment and software included in operating expense was \$210,000 and \$246,000 for the years ended December 31, 2025 and 2024, respectively.

NOTE 9 LEASES:

The Company leases office property and may, from time to time, lease equipment used in its operations in the normal course of business. Leases greater than 12 months in duration are recorded in the consolidated balance sheets at the lease commencement date and are classified as either operating or finance leases based on the Company's assessment of the underlying agreement.

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 LEASES: (continued)

The Company currently has one long-term lease, a branch location in Charlottesville, Virginia, which is reflected in the tables below. There are no options to renew included in the lease agreement. This lease agreement also does not provide for a residual value guarantee and has no restrictions or covenants that would impact dividends or require incurring additional financial obligations. The right-of-use asset and lease liability are included in other assets and accrued expenses and other liabilities, respectively, in the Consolidated Balance Sheets.

The following tables present information about the Company's operating leases:

(Dollars in thousands)	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Lease Liability	\$ 117	\$ 33
Right-of-use asset	\$ 116	\$ 33
Weighted average remaining lease term	17 months	5 months
Weighted average discount rate	4.01%	4.61%

For the Years Ended

(Dollars in thousands)	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash paid for amounts included in lease liabilities	\$ 82	\$ 89
Operating lease cost	\$ 82	\$ 89

A maturity analysis of operating lease liability and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

For the years ending December 31	Lease Payments Due (in thousands)
2026	\$ 84
2027	36
Total undiscounted cash flows	<u>\$ 120</u>
Discount	(3)
Lease liability	<u>\$ 117</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 DEPOSITS:

The Bank's total deposit portfolio consists primarily of demand checking accounts, savings accounts and time deposit accounts. Total deposits were \$281.0 million and \$271.7 million as of December 31, 2025 and 2024, respectively. Customer time deposit balances that met or exceeded the \$250,000 FDIC insurance limit totaled \$39.3 million and \$36.5 million as of December 31, 2025 and 2024, respectively. At December 31, 2025, time deposit scheduled maturities (in thousands) were as follows:

2026	\$	94,039
2027		5,447
2028		552
2029		322
2030		291
2031 & Beyond		<u>29</u>
Total	\$	<u>100,680</u>

The Bank had one customer with deposit balances exceeding 5% of total deposits as of December 31, 2025. The total deposit balances for this customer as of December 31, 2025, were \$20.8 million or 7.4% of total deposits.

NOTE 11 BORROWINGS:

The Bank has a line of credit with the Federal Home Loan Bank of Atlanta upon which credit advances can be made up to 40% of total Bank assets, subject to certain eligibility requirements. The total credit availability as of December 31, 2025 was \$103.7 million, with outstanding advances and letter of credit balances totaling \$30.0 million and \$7.5 million, respectively. The net remaining availability as of December 31, 2025 was \$66.1 million, subject to collateral requirements. Outstanding FHLB advances at December 31, 2025 consisted of four fixed rate advances in the amount of \$30.0 million with a weighted interest rate of 3.89%. Additionally, the Bank had a letter of credit in the amount of \$7.5 million which was pledged to secure public deposits. Advances totaling \$30.0 million require quarterly interest payments, with principal repayments of \$7.5 million due in 2026 and the remaining \$22.5 million due at maturity in 2028. FHLB advances bear interest at a fixed or floating rate depending on the terms and maturity of each advance and numerous renewal options are available. At December 31, 2025, the Bank had \$74.5 million of first lien 1-4 family residential mortgages, commercial real estate, multi-family and home equity line of credit loans pledged as collateral with \$37.0 million in unused credit availability. On certain fixed rate advances, the FHLB may convert the advance to an indexed floating rate at some set point in time for the remainder of the term. If the advance converts to a floating rate, the Bank may repay all or part of the advance without a prepayment penalty. At December 31, 2024, the Bank had total outstanding advances of \$34.5 million and a letter of credit of \$7.5 million.

The Bank also has available unsecured credit lines with other correspondent banks totaling \$21.0 million, which can be used for short-term liquidity purposes, if necessary. Any funds borrowed on these credit lines are required to be repaid within 7 to 30 business days. The interest rate on such borrowings is set in accordance with the then current daily market rate. There were no outstanding borrowings against these credit facilities as of December 31, 2025 and 2024.

NOTE 12 DIVIDEND LIMITATION ON SUBSIDIARY BANK:

A principal source of funds of the Company is dividend transfers paid by the Bank. The amount of dividends the Bank may pay to the Company is regulated by the Federal Reserve. As of December 31, 2025, the maximum amount of dividends the Bank could pay to the Company was \$6.9 million or 16.6% of the consolidated net assets, without requesting permission from the Federal Reserve Bank. There are additional regulatory guidelines, which establishes further limitations for banks based on quarterly earnings.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 INCOME TAXES:

In its most recently filed tax year, the Company filed income tax returns in the U.S. Federal jurisdiction and the states of Virginia, West Virginia and North Carolina. With few exceptions, the Company is no longer subject to U.S. Federal and State income tax examinations by tax authorities for years prior to 2022.

The following table provides a reconciliation of tax expense computed at the statutory federal tax rate and the recorded tax expense (in dollars and percentages) for the years ended December 31, 2025 and 2024.

(\$ in thousands)	Years Ended December 31,					
	2025			2024		
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Tax at federal statutory rate	\$ 1,055	21.0%	\$ 702	21.0%		
State income taxes, net of federal tax effect ¹	1	0.0	(2)	0.0		
Tax Credits						
Low-income housing	(19)	(0.4)	(24)	(0.7)		
Nontaxable or nondeductible items						
Nontaxable interest income	(13)	(0.3)	(15)	(0.4)		
Other, net	<u>16</u>	<u>0.3</u>	<u>5</u>	<u>0.1</u>		
Total income tax expense	<u>\$ 1,040</u>	<u>20.6%</u>	<u>\$ 666</u>	<u>20.0%</u>		

¹The State of Virginia made up the majority (greater than 50%) of the tax effect in this category.

During the years ended December 31, 2025 and 2024, the Company made payments to tax authorities for income taxes as set forth in the table below.

(\$ in thousands)	Years Ended	
	December 31,	
	<u>2025</u>	<u>2024</u>
Federal	\$ 1,045	\$ 350
State:		
Virginia	---	---
Total taxes paid	<u>\$ 1,045</u>	<u>\$ 350</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 INCOME TAXES: (continued)

The Company's pre-tax earnings are derived solely from domestic sources. The following table provides information on the components of income tax expense for the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Current tax expense:		
Federal	\$ 1,177	\$ 710
State	1	(2)
Deferred income tax benefit:		
Federal	(138)	(42)
State	---	---
	<u>---</u>	<u>---</u>
Income Tax Expense	<u>\$ 1,040</u>	<u>\$ 666</u>

The following table provides information on the significant components of the Company's deferred tax assets and liabilities as of December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Deferred Tax Assets:		
Allowance for credit losses on loans	\$ 470	\$ 470
Lease liability	25	7
Securities available for sale	230	643
Deferred loan fees	129	74
Other	<u>2</u>	<u>8</u>
Total	<u>\$ 856</u>	<u>\$1,202</u>
Deferred Tax Liabilities:		
Depreciation	\$ 30	\$ 33
Right-of-use asset	24	7
Cash surrender value of life insurance	61	59
Goodwill	---	76
Equity securities	2	1
Other	<u>23</u>	<u>35</u>
Total	<u>\$ 140</u>	<u>\$ 211</u>
Net Deferred Tax Assets	<u>\$ 716</u>	<u>\$ 991</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 REGULATORY MATTERS:

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The quantitative measures established by regulation ensure capital adequacy and require the Bank to maintain minimum amounts and ratios as set forth in the table below. In conjunction with the minimum capital requirements, the Bank is also required to maintain a capital conservation buffer which is intended to absorb losses during periods of financial and economic stress. Failure to maintain the minimum ratios, inclusive of the buffer, will result in restrictions on capital distributions and other payments. This buffer was 2.5% for all periods presented and is applicable for all ratios with the exception of the tier 1 leverage ratio. Management believes, as of December 31, 2025 and 2024, the Bank met all capital adequacy requirements to which it was subject. As of December 31, 2025, the most recent notification from the Bank's primary federal regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I, and Tier I leverage ratios as set forth in the table. The Bank's actual capital amounts and ratios are also presented in the following table:

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>Minimum To Be Well Capitalized</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
As of December 31, 2025:						
Total Capital to Risk Weighted Assets:						
Pioneer Bank	\$ 42,416	14.79%	\$ 22,947	≥ 8.0%	\$ 28,684	≥10.0%
Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	\$ 39,893	13.91%	\$ 17,210	≥ 6.0%	\$ 22,947	≥ 8.0%
Common Equity Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	\$ 39,893	13.91%	\$ 12,908	≥ 4.5%	\$ 18,644	≥ 6.5%
Tier I Capital to Average Assets:						
Pioneer Bank	\$ 39,893	11.40%	\$ 13,996	≥ 4.0%	\$ 17,495	≥ 5.0%
As of December 31, 2024:						
Total Capital to Risk Weighted Assets:						
Pioneer Bank	\$ 39,179	15.19%	\$ 20,629	≥ 8.0%	\$ 25,786	≥10.0%
Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	\$ 36,677	14.22%	\$ 15,472	≥ 6.0%	\$ 20,629	≥ 8.0%
Common Equity Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	\$ 36,677	14.22%	\$ 11,604	≥ 4.5%	\$ 16,761	≥ 6.5%
Tier I Capital to Average Assets:						
Pioneer Bank	\$ 36,677	10.70%	\$ 13,713	≥ 4.0%	\$ 17,141	≥ 5.0%

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 EARNINGS PER SHARE:

The following shows the weighted average number of shares used in computing earnings per share for the years ended December 31, 2025 and 2024.

	<u>2025</u>		<u>2024</u>	
	Weighted Average Shares	Per Share Amount	Weighted Average Shares	Per Share Amount
Basic and diluted earnings per share	1,001,603	\$3.98	996,364	\$ 2.69

There were no potentially dilutive securities outstanding during the years ended December 31, 2025 and 2024.

NOTE 16 OFF-BALANCE SHEET COMMITMENTS:

The contract or notional amount of financial instruments with off-balance sheet risks are as follows:

	December 31,	
	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Unfunded lines of credit (commercial and personal)	\$ 16,869	\$ 13,062
Loan commitments and letters of credit (commercial and personal)	12,243	23,272
Credit card unused credit limits	1,796	2,072

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the counter-party.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit generally are un-collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments for which collateral is deemed necessary.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 *TRANSACTIONS WITH RELATED PARTIES:*

During the year, executive officers and directors (and companies controlled by them) were customers of and had transactions with the Company in the normal course of business. These transactions were made on substantially the same terms as those prevailing for other customers and did not involve any abnormal risk. Deposit account balances of executive officers, directors and their related interests totaled \$29.1 million as of December 31, 2025 and \$27.5 million as of December 31, 2024. Loan transactions, including all extensions of credit to such related parties are shown in the following schedule:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Total loans, beginning of year	\$ 4,779	\$ 4,480
New loans	---	1,010
Expiration of loan commitment	(2,000)	---
Payments	<u>(96)</u>	<u>(711)</u>
Total loans, end of year	<u>\$ 2,683</u>	<u>\$ 4,779</u>

NOTE 18 *FAIR VALUE MEASUREMENTS:*

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC, the fair value of a financial instrument is the price (exit price) that would be received to sell an asset or paid to transfer the liability in the principal or most advantageous market for the asset or the liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in the principal or most advantageous market for the asset or the liability and in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

In accordance with this guidance, the Company groups financial assets and financial liabilities generally measured at fair value into three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices in active markets, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2).

Equity securities: Equity securities with readily determinable fair value are recorded at fair value on a recurring basis. Fair values for equity securities are based upon quoted market prices for identical securities in active markets (Level 1) or quoted prices for identical securities in markets not deemed to be active due to the volume of shares transferred and frequency of trades (Level 2).

The following table presents the balances of financial assets measured at fair value on a recurring basis as of December 31, 2025 and December 31, 2024:

Description	Balances Outstanding (In Thousands)	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As of December 31, 2025</i>				
U.S. treasury securities	\$ 99	\$ ---	\$ 99	\$ ---
Mortgage-backed Securities	8,028	---	8,028	---
Agency securities	26,397	---	26,397	---
State & Municipals	5,915	---	5,915	---
Corporate securities	<u>3,612</u>	<u>---</u>	<u>3,612</u>	<u>---</u>
Total Available for sale securities	<u>\$ 44,051</u>	<u>\$ ---</u>	<u>\$ 44,051</u>	<u>\$ ---</u>
Equity Securities	\$ 32	\$ 32	\$ ---	\$ ---
<i>As of December 31, 2024</i>				
U.S. treasury securities	\$ 97	\$ ---	\$ 97	\$ ---
Mortgage-backed Securities	1,354	---	1,354	---
Agency securities	28,063	---	28,063	---
State & Municipals	10,532	---	10,532	---
Corporate securities	<u>3,385</u>	<u>---</u>	<u>3,385</u>	<u>---</u>
Total Available for sale securities	<u>\$ 43,431</u>	<u>\$ ---</u>	<u>\$ 43,431</u>	<u>\$ ---</u>
Equity Securities	\$ 29	\$ 29	\$ ---	\$ ---

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

Certain assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements:

Individually Evaluated Collateral-Dependent Loans: The estimated fair value of individually evaluated collateral-dependent loans is based on the value of the underlying collateral or the value of the underlying collateral, less estimated costs to sell, as appropriate. Collateral is generally real estate; however, collateral may include vehicles, equipment, inventory, accounts receivable, and/or other business assets. The value of real estate collateral is generally determined using a market valuation approach based on a full appraisal conducted by an independent, licensed appraiser or in certain circumstances for smaller properties, internal evaluations, tax assessments or other market value estimates. Estimates of selling costs, where applicable, are derived from the Company's prior experience in selling similar properties. The values of collateral other than real estate may also be based on an appraisal, market quotations, aging schedules, or other sources. Collateral-dependent individually evaluated loans are classified within Level 3 of the fair value hierarchy. Any fair value adjustments are recorded in the period incurred as a provision for credit losses on the Consolidated Statements of Income.

Other Real Estate Owned: Certain assets such as other real estate owned (OREO) are measured at fair market value less selling expenses. Fair value of OREO properties held are generally based on current appraisal values, as previously defined above. There were no properties held in OREO at December 31, 2025 and 2024.

The following table summarizes the Company's assets that were measured at fair value on a nonrecurring basis during the period.

Description of Assets:	Balances Outstanding (In Thousands)	Carrying values		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2025				
Individually evaluated collateral-dependent loans	\$ 223	\$ ---	\$ ---	\$ 223
As of December 31, 2024				
Individually evaluated collateral-dependent loans	\$ 7	\$ ---	\$ ---	\$ 7

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2025 (dollars in thousands):

Assets	Quantitative information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) ⁽¹⁾
Individually evaluated collateral-dependent loans	\$ 223	Discounted appraised value or recent tax assessment values	Selling costs and discounts for age of the valuation and/or lack of marketability	24%

⁽¹⁾ Weighted based on the relative fair values of the instruments.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2024 (dollars in thousands):

	Quantitative information about Level 3 Fair Value Measurements			Range (Weighted Average) ⁽¹⁾
	Fair Value	Valuation Technique(s)	Unobservable Input	
Assets				
Individually evaluated collateral-dependent loans	\$ 7	Discounted appraised value or recent tax assessment values	Selling costs and discounts for age of the valuation and/or lack of marketability	75%

⁽¹⁾Weighted based on the relative fair values of the instruments.

FASB ASC 825, Financial Instruments, requires disclosure about fair value of financial statements, including those financial assets and financial liabilities that are not required to be measured at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts are presented in the following tables whether or not recognized on the Consolidated Balance Sheets at fair value.

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2025 are as follows:

	Carrying Value	Fair Value Measurements at December 31, 2025 using				Total Fair Value Balance
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets						
						(In thousands)
Cash and cash equivalents	\$2,917	\$ 2,917	\$ ---	\$ ---	\$2,917	
Interest bearing deposits in other banks	10,048	9,798	---	249	10,047	
Federal funds sold	517	517	---	---	517	
Securities available for sale	44,051	---	44,051	---	44,051	
Equity securities	32	32	---	---	32	
Loans, net	287,703	---	---	287,203	287,203	
Bank owned life insurance	520	---	520	---	520	
Accrued interest receivable	1,352	---	1,352	---	1,352	
Liabilities						
Non-interest bearing deposits	91,081	---	91,081	---	91,081	
Interest bearing demand deposits	44,584	---	44,584	---	44,584	
Savings deposits	44,635	---	44,635	---	44,635	
Time deposits	100,680	---	---	100,866	100,866	
Borrowings	30,000	---	30,133	---	30,133	
Accrued interest payable	874	---	874	---	874	

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2024 are as follows:

	Carrying Value	Fair Value Measurements at December 31, 2024 using			Total Fair Value Balance
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
(In thousands)					
Cash and cash equivalents	\$3,362	\$ 3,362	\$ ---	\$ ---	\$3,362
Interest bearing deposits in other banks	26,679	26,529	---	148	26,677
Federal funds sold	1,217	1,217	---	---	1,217
Securities available for sale	43,431	---	43,431	---	43,431
Equity securities	29	29	---	---	29
Loans, net	260,088	---	---	257,498	257,498
Bank owned life insurance	506	---	506	---	506
Accrued interest receivable	1,168	---	1,168	---	1,168
Liabilities					
Non-interest bearing deposits	85,601	---	85,601	---	85,601
Interest bearing demand deposits	46,889	---	46,889	---	46,889
Savings deposits	43,310	---	43,310	---	43,310
Time deposits	95,856	---	---	95,607	95,607
Borrowings	34,500	---	34,387	---	34,387
Accrued interest payable	799	---	799	---	799

NOTE 19 BENEFIT PLANS:

The Bank has a 401(k) Plan available to employees at least 18 years of age on the first day of the month following their start date. Employees may contribute compensation subject to certain limits based on federal tax laws. The Bank makes matching contributions up to 4% of an employee's eligible annual compensation, subject to employee contributions. The employer match calculation is 100% match on the first 3% employee contribution, then 50% match on the next 2%, up to 4% maximum. Additional amounts may be contributed, at the option of the Bank's Board of Directors. Prior to January 1, 2021, the Bank's contributions to the 401(k) Plan were in a Profit Sharing Plan. Contributions made on or after January 1, 2021 were in a Safe Harbor Plan. Employer contributions in the Profit Sharing Plan vest to the employee at 100% after six years of service. Employer contributions in the Safe Harbor Plan vest to the employee immediately. Total expense attributable to this 401(k) plan amounted to approximately \$134,000 and \$121,000 for years ending December 31, 2025 and 2024, respectively.

The Bank also provides a cafeteria insurance plan including medical, life, and long-term disability coverage for eligible employees. The net expense attributable to this insurance plan was approximately \$410,000 and \$405,000, for the years ending December 31, 2025 and 2024, respectively.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 *LOW INCOME HOUSING TAX CREDIT INVESTMENTS:*

The Bank has invested in seven separate housing equity funds at December 31, 2025. The general purpose of these funds is to encourage and assist participants in investing in low-income residential rental properties located in the Commonwealth of Virginia, develop and implement strategies to maintain projects as low-income housing, deliver Federal Low Income Housing Credits to investors, allocate tax losses and other possible tax benefits to investors, and to preserve and protect project assets. The investments in these funds were recorded as other assets on the consolidated balance sheets and were \$391,000 and \$529,000 at December 31, 2025 and 2024, respectively. The expected terms of these investments and the related tax benefits run through 2034. Tax credits and other tax benefits recognized as a component of income tax expense during the years ended December 31, 2025 and 2024 were \$156,000 and \$187,000 respectively, related to these investments. During the year ended December 31, 2025 the Company recorded amortization totaling \$138,000 as a component of income tax expense. Subsequent to the adoption of ASU 2023-02 on January 1, 2024 and for the year ended December 31, 2024, the Company recorded amortization totaling \$163,000 as a component of income tax expense. There were no future commitments related to these investments as of December 31, 2025 and 2024.

NOTE 21 *REVENUE RECOGNITION:*

Substantially all of the Company's revenue from contracts with customers that is within the scope of ASC 606, "Revenue from Contracts with Customers" is reported within noninterest income. The recognition of interest income and certain sources of noninterest income (e.g. gains on sales of securities available for sale, change in fair value of equity securities, etc.) are governed by other areas of U.S. GAAP. Significant revenue streams that are within the scope of ASC 606 and included in noninterest income are discussed in the following paragraphs.

Service Charges on Deposit Accounts

The majority of the Company's noninterest income is derived from short term contracts associated with services provided for deposit account holders. These revenue streams are principally comprised of overdrawn account charges, account maintenance charges, ATM and interchange fees, and fees for various services such as stop payments, wire transfers, and cashiers checks. The Company's performance obligations on revenue generated from deposit accounts and other related services are generally satisfied immediately, when the transaction occurs, or by month-end. Typically, the duration of a contract does not extend beyond the services performed. Due to the short duration of most customer contracts which generate these sources of noninterest income, no significant judgments must be made in the determination of the amount and timing of revenue recognized. The Company earns interchange fees from debit and credit cardholder transactions conducted through the Visa and MasterCard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are generally recognized daily, concurrently with the transaction processing services provided to the cardholder.

Commission Income

Commissions are primarily received on the brokerage of investment and insurance services to customers. Brokerage fee commissions are earned when a financial instrument trade is completed or an insurance contract is signed. Revenue from these services is recognized monthly.

Gains and Losses on the Sale of Other Real Estate Owned

The Company records a gain or loss from the sale of other real estate owned ("OREO") when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. No gains or losses were recognized on the sale of other real estate and included in other income in the Consolidated Statements of Income for the years ended December 31, 2025 and 2024.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 REVENUE RECOGNITION (continued):

Noninterest income disaggregated by major source, for the years ended December 31, 2025 and 2024, consisted of the following:

Noninterest income (in thousands):	Years Ended December 31,	
	2025	2024
Service charges on deposit accounts [1]:		
Overdrawn account and nonsufficient funds charges	\$ 258	\$ 294
ATM fees	837	813
Monthly service charges	264	194
Other service charges	24	30
Commission income [1]	106	84
Gain on sale of other investment	39	---
Loss on disposals of fixed assets [1]	(1)	---
Loss on sale of securities available for sale	(137)	---
Change in fair value of equity securities	4	8
Other operating income [2]	101	86
Total noninterest income	<u>\$ 1,495</u>	<u>\$ 1,509</u>

[1] Income within the scope of Topic 606.

[2] For the years ended December 31, 2025 and 2024, includes other income within the scope of Topic 606 amounting to \$97 thousand and \$89 thousand, respectively.

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 PARENT CORPORATION ONLY FINANCIAL STATEMENTS:

BALANCE SHEETS

	December 31,	
	<u>2025</u>	<u>2024</u>
	(In Thousands)	
ASSETS		
Cash and cash equivalents	\$ 2,439	\$ 2,304
Investment in subsidiary	38,994	34,551
Equity securities, at fair value	32	29
Bank premises and equipment, net	268	282
Other assets	<u>15</u>	<u>14</u>
Total Assets	<u>\$ 41,748</u>	<u>\$ 37,180</u>
LIABILITIES		
Accrued expenses and other liabilities	\$ <u>21</u>	\$ <u>17</u>
Total Liabilities	<u>21</u>	<u>17</u>
STOCKHOLDERS' EQUITY		
Common stock	501	500
Retained earnings	42,091	39,083
Accumulated other comprehensive loss	<u>(865)</u>	<u>(2,420)</u>
Total Stockholders' Equity	<u>41,727</u>	<u>37,163</u>
Total Liabilities and Stockholders' Equity	<u>\$ 41,748</u>	<u>\$ 37,180</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 PARENT CORPORATION ONLY FINANCIAL STATEMENTS: (continued)

STATEMENTS OF INCOME

	Years Ended December 31,	
	2025	2024
	(In Thousands)	
INCOME		
Dividends from subsidiary	\$ 1,180	\$ 700
Dividend income	1	1
Change in fair value of equity securities	3	8
Rent income	<u>82</u>	<u>82</u>
Total Income	<u>1,266</u>	<u>791</u>
EXPENSES		
Compensation expense	107	101
Occupancy expenses	24	32
Other operating expenses	<u>52</u>	<u>53</u>
Total Expenses	<u>183</u>	<u>186</u>
Net income before income tax benefit and undistributed income of subsidiary	1,083	605
INCOME TAX BENEFIT	<u>(11)</u>	<u>(18)</u>
Net income before undistributed income of subsidiary	1,094	623
Undistributed income of subsidiary	<u>2,888</u>	<u>2,053</u>
NET INCOME	<u>\$ 3,982</u>	<u>\$ 2,676</u>

PIONEER BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 PARENT CORPORATION ONLY FINANCIAL STATEMENTS: (continued)

STATEMENTS OF CASH FLOWS

	<u>2025</u>	<u>2024</u>
		Years Ended December 31,
		(In Thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,982	\$ 2,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed subsidiary income	(2,888)	(2,053)
Fair value adjustment on equity securities	(3)	(8)
Depreciation	16	23
Net change in:		
Other assets	182	463
Accrued expenses and other liabilities	4	9
Net Cash Provided by Operating Activities	<u>1,293</u>	<u>1,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of premises and equipment	<u>(2)</u>	<u>---</u>
Net Cash Used In Investing Activities	<u>(2)</u>	<u>---</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of stock	(94)	---
Dividends paid	<u>(1,062)</u>	<u>(997)</u>
Net Cash Used in Financing Activities	<u>(1,156)</u>	<u>(997)</u>
Net Increase in Cash and Cash Equivalents	135	113
Cash and Cash Equivalents, Beginning of Year	<u>2,304</u>	<u>2,191</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,439</u>	<u>\$ 2,304</u>