

Pioneer Bankshares, Inc.

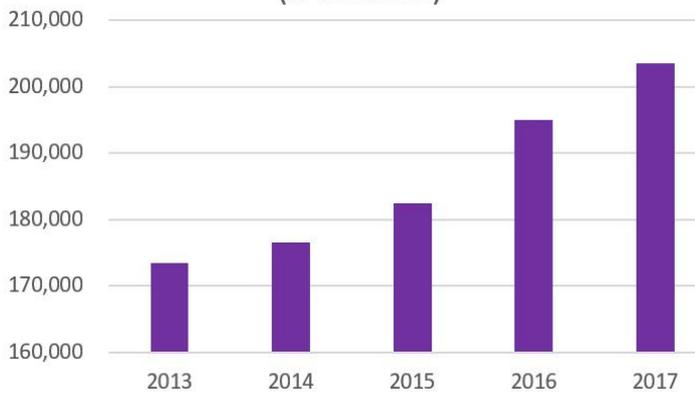
2018 Shareholder Report

with 2017 Financial Results

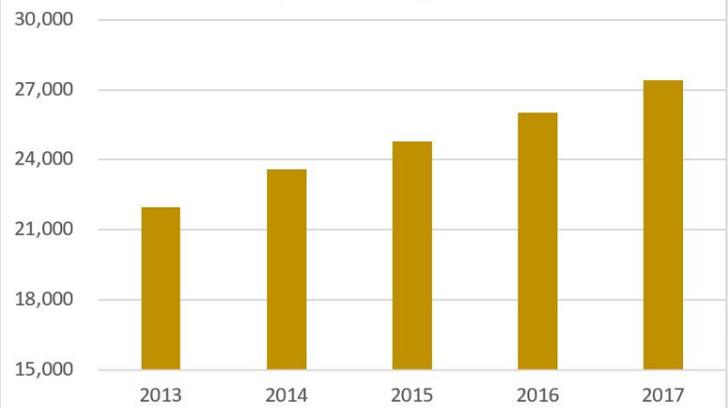


Financial History at a Glance

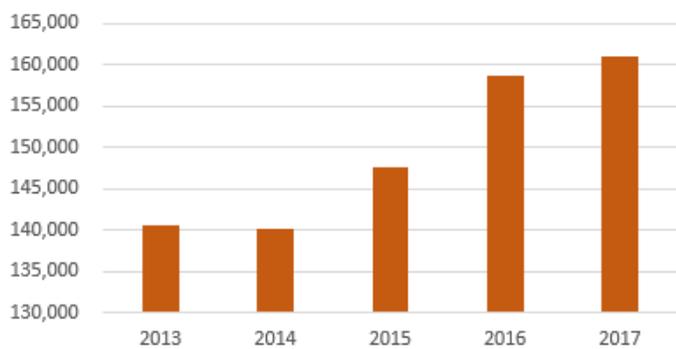
Asset Growth (in thousands)



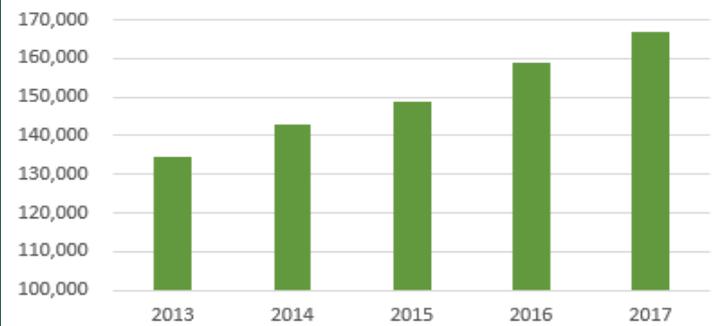
Total Equity Growth (in thousands)



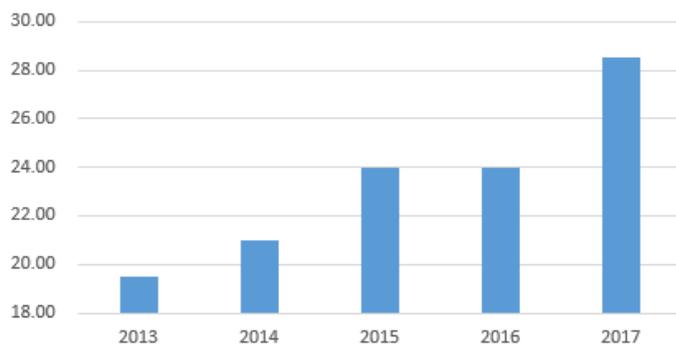
Loan Growth (in thousands)



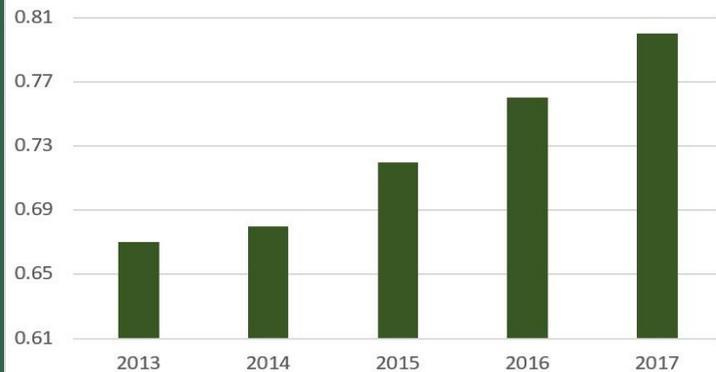
Deposit Growth (in thousands)



PNBI Stock Price - Year End Value (in dollars)



Annual Dividends per Share (in dollars)





Letter to the Shareholders

Dear Fellow Shareholders,

We are pleased to report that 2017 was another successful year for our corporation. For the first time in the corporation's history, we exceeded two hundred million dollars in assets reaching \$203.4 million at year end. As you will see from the financial highlights included in this report, our net earnings for the year were \$2.041 million, with earnings per share of \$2.10. Overall, our institution had a 25.8% increase in earnings as compared to the previous year. Your Board of Directors also increased your dividend in 2017 from 76 cents per share to 80 cents per share, and our stock price rose 19% during the year which compares favorably to the 4% increase in the national average stock price for small U.S. banks during that period. Your corporation also continues to maintain a strong capital position, with our capital increasing approximately \$1.4 million last year to \$27.4 million, which places the corporation in the "well capitalized" category, the regulator's highest capital category.

Management's primary focus last year was reorganizing the bank in order to prepare it for sustained future organic growth, and we believe we are now structured and staffed to start meeting that goal. Starting in July 2018, we will be relocating our Charlottesville Branch to the Pantops area of Charlottesville. This branch will be totally dedicated to our business clients and will deliver a "private bank" level of service. Meanwhile, our retail banking department is expanding our product offerings and working to deepen our relationships with our retail and small business customers in Page, Greene and Rockingham Counties.



Our 2018 Annual Shareholders Meeting as well as the Annual Shareholders Dinner are scheduled for Wednesday, May 16, 2018. I would like to personally invite you to attend these events. The morning business meeting will be held at our main bank office in Stanley, Virginia at 10:00 a.m. and the dinner will be held at the Stanley Fire Hall that evening with the doors opening at 5:30 p.m. and dinner being served at 6:00 p.m. Your formal notice of the meeting, a proxy voting card for the election of directors, and an attendance card for the dinner are enclosed with this report. We have ordered extra oysters, so make sure you bring your appetites!

In closing, we are very excited about the opportunities that lie ahead for our corporation. I look forward to seeing many of you on May 16th, and consider it a privilege to be working with you for the benefit of Pioneer Bankshares, Inc.

Sincerely,

Mark N. Reed
President & CEO

Investing in our Communities



Luray Page County Chamber of Commerce Movie Nights



Presenting a donation of \$125,000 to Lord Fairfax Community College's Page Co. Campus Fund



Stanley's Annual Christmas Parade



Purchase of digital eartag reader for local 4-H chapter



Donation to Page County's Imagination Library



Dan's Steakhouse Veterans Day Dinner



Casey's Backpack



Harrisonburg and Page County Relays for Life



Stanley Homecoming 2017



Financial Highlights

(In thousands, except for per share information)

	<u>2017</u>	<u>2016</u>
Results of Operations		
Interest and dividend income	\$ 9,625	\$ 9,297
Interest expense	<u>834</u>	<u>740</u>
Net interest income	8,791	8,557
Provision for loan losses	<u>384</u>	<u>538</u>
Net interest income after provision for loan losses	8,407	8,019
Noninterest income	1,749	1,136
Noninterest expense	<u>7,121</u>	<u>7,108</u>
Income before income taxes	3,035	2,047
Income tax expense	<u>994</u>	<u>424</u>
Net Income	<u>\$ 2,041</u>	<u>\$ 1,623</u>
Financial Condition, At Year End		
Assets	\$ 203,452	\$ 194,909
Deposits	166,933	158,882
Loans, net of allowance	160,959	158,736
Stockholders' Equity	27,414	26,019
Per Share Data		
Net income per share, basic and diluted	\$ 2.10	\$ 1.68
Dividends per share	.80	.76
Book value per share	28.13	26.83
Performance Ratios		
Return on average assets ¹	1.02%	0.84%
Return on average equity ¹	7.58%	6.36%
Dividend payout ratio	38.10%	45.33%
Average equity to average assets ¹	13.40%	13.25%

¹Ratios above are based primarily on daily average balances

Copies of the Company's Annual Report containing the detailed financial statements for the year ended December 31, 2017 can be accessed at www.edocumentview.com/PNBI. Printed copies may also be obtained free of charge by written request to Pioneer Bankshares, Inc., Attn: President/CEO, 252 East Main Street, P.O. Box 10, Stanley, Virginia 22851



RETIREMENT OF A PIONEER ICON

After 45+ years of dedicated service to Pioneer Bank, our Sr. Vice President, Betty J. Purdham retired on March 31, 2018. Betty started her career in 1972 as a teller in the old Farmers & Merchants of Stanley bank building on Main Street, and since then has worked her way up through almost every department in the bank. In 2017 she was promoted to Chief Lending Officer with responsibility for all the bank's lending operations.

At her retirement dinner which was attended by over 120 people, President Reed said "Betty has been the face of Pioneer Bank, who has helped countless people in Page Co., over the years with their financial needs. She is a skilled professional who could handle any situation with grace. She has impeccable judgment and everyone respects her, and she will be greatly missed. We wish her and her husband, Kenny, the very best."

A Business-Focused Banking Model

An interview with Reid Young, Sr. V.P. Commercial Lending



What new things is Pioneer Bank doing in the Charlottesville Market?

This year, there are many exciting changes to look forward to with the Bank. Here in Charlottesville, we have welcomed new additions to our team and are in preparation of moving to the Pantops area this summer. Our new branch will be unlike any other experience Pioneer Bank has offered – a privatized banking model. Throughout my banking career, the primary mode for business development has revolved around one thing: relationship building. This has remained the foundation of our growth strategy in Charlottesville and we believe that clients are seeking a trusted relationship with their banker. It is this experience that we strive to offer each day. As a result, we believe this offers our Bank a strategic advantage and one that continues to offer new opportunities for our company. With our new model, we are confident this strategy will produce further opportunities for Pioneer Bank and our customers.

How is this new location different from all of our other branches and what new products or services will we offer?

The new business model will offer some unique and custom-tailored products while being located within a Class A office space. The appearance and aesthetics of the new building also make for a more memorable customer experience as well as creating a synergistic environment for our staff. Upon our move, our staff will operate within the same office suite vs. our present structure that has us located on separate floors within our building. As far as services are concerned, we will not offer traditional drive-thru services. Instead, we will continue to offer our convenient, bonded courier service for customers that wish to have their deposits picked up. Initially, our branch will not feature an ATM, however, we will explore the possibility of offering free foreign ATM usage, which will enhance our convenience. Most of all, we will continue to stress our availability for servicing the needs of our clients, which includes the personal accounts for each business owner and their employees.

Officers of Pioneer Bankshares Inc. and Pioneer Bank



Mark Reed

*President
Chief Executive Officer*



Lori Hassett

*Senior Vice President
Chief Financial Officer*



Reid Young

*Senior Vice President
Commercial Lending*



Loretta Lancaster

*Vice President
Chief Information Officer*



Melissa Campbell

*Vice President
Chief Administration Officer*



Michael Kane

*Vice President
Retail Banking*



Donna Pendergast

*Vice President
Senior Loan Officer*



Tim Cash

*Vice President
Business Banking Manager*



Neal Tarbox

*Vice President
Pioneer Financial
Services, LLC*



Wilma Knight

*Assistant Vice President
Credit Administration
Officer*



Elizabeth Cribb

*Assistant Vice President
Human Resources*

Board of Directors

Harry F. Louderback, Chairman
Retired from FBI/Farmer

Thomas R. Rosazza
Former President/CEO of Pioneer Bank

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

James F. Printz
Retired Insurance Agent

David N. Slye
Former President of Slye Insurance Agency

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

Robert E. Long
Retired Merchant/Realtor

Kyle L. Miller
Retired Virginia State Police Investigator

Mark N. Reed
President/CEO Pioneer Bankshares/Pioneer Bank

Shareholder Rewards

We strive to ensure that our operations are not only benefiting our communities, but are also rewarding your commitment to Pioneer Bank. As a valued shareholder, you have access to a variety of products that have been made specifically for your benefit!

Enjoy a premium checking account with

- Above Market Interest Rate
- Unlimited Transactions
- 3 Free Check Orders Per Year
- Bounce Protection

Take advantage of our shareholder credit card with a reduced interest rate*.

In need of a loan? Our shareholders are offered a 1/2% interest rate reduction on consumer loans*.

Whatever stage you may be in on your financial journey, we offer our shareholders a FREE annual review!

*(for qualified applicants - additional terms and conditions apply)