

PUBLIC DISCLOSURE

October 30, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pioneer Federal Savings and Loan Association
Certificate Number: 29517

401 Milwaukee Avenue
Deer Lodge, Montana 59722

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREA.....	2
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	8
APPENDICES	9
SMALL BANK PERFORMANCE CRITERIA.....	9
GLOSSARY.....	10

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following factors supports this rating:

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs.
- A majority of loans and other lending related activities are in the institution's AA.
- The AA does not include any low- or moderate-income geographies, and a review of the geographic distribution criterion would not result in a meaningful conclusion. Therefore, this factor was not evaluated.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The institution's investment and service records enhance credit availability in the AA. The institution's qualified investments, donations, and services provide additional support for the institution's overall "Outstanding" CRA rating.

DESCRIPTION OF INSTITUTION

Pioneer Federal Savings and Loan Association (Pioneer) is a state-chartered community association headquartered in Deer Lodge, Montana. The association has one affiliate, Pioneer Federal Community Foundation (PFCF), a non-profit organization focused on charitable donations. The association does not have any subsidiaries or holding companies and is fully owned by its depositors. The Office of the Comptroller of the Currency assigned an "Outstanding" rating at the previous Community Reinvestment Act (CRA) performance evaluation dated January 9, 2017, based on Interagency Small Institution CRA Examination Procedures. Pioneer did not have any branch openings, closings, or merger/acquisition activity since the previous evaluation.

Pioneer offers traditional lending and deposit products to consumer and commercial customers through its two branch offices in Dillon and Deer Lodge, Montana. Deposit products include consumer checking, savings, money market accounts, and certificates of deposit. Pioneer remains focused on residential lending, which has not changed since the previous evaluation. Loan products include Home Equity Lines of Credit, residential real estate, commercial real

estate, construction, and automobile loans. Pioneer offers online, telephone, and mobile banking services. There is an ATM and drive-through available at both locations.

As of the June 30, 2023 Consolidated Reports of Condition and Income (Call Report), Pioneer reported \$103.3 million in total assets, \$85.0 million in total deposits, and \$80.2 million in total loans. As demonstrated below, the loan portfolio substantially consists of 1-4 family residential loans.

Loan Portfolio Distribution as of 06/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	3,253	4.1
Secured by Farmland	129	0.2
Secured by 1-4 Family Residential Properties	69,506	86.7
Secured by Multifamily (5 or more) Residential Properties	-	-
Secured by Nonfarm Nonresidential Properties	3,003	3.7
Total Real Estate Loans	75,891	94.7
Commercial and Industrial Loans	3,296	4.1
Agricultural Production and Other Loans to Farmers	31	0.0
Consumer Loans	915	1.1
Obligations of State and Political Subdivisions in the U.S.	59	0.1
Other Loans	2	0.0
Lease Financing Receivable (net of unearned income)	-	-
Less: Unearned Income	-	-
Total Loans	80,194	100.0
<i>Source: 6/30/2023 Call Report</i>		

Examiners did not identify any financial, legal, or other impediments that affect the association's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of Beaverhead and Powell Counties, located in the Montana non-Metropolitan Statistical Area (non-MSA). As of the 2020 United States Census (2020 U.S. Census), the AA consists of five middle-income census tracts (CTs). There are no low- or moderate-income CTs in the AA. All three middle-income CTs in Beaverhead County were classified as underserved remote rural CTs during the review period.

While there have been no changes to the AA delineation since the prior evaluation, there were census updates provided by the 2020 U.S. Census. At the prior evaluation, the AA consisted of one moderate- and four-middle income CTs.

Pioneer does not arbitrarily exclude low- or moderate-income geographies. Examiners relied on association records, public financial information, demographic data from the 2020 U.S. Census, and information obtained from one community contact.

Economic and Demographic Data

The following table shows select demographic data for Pioneer's AA. As shown in the table, there are a significant number of families living below the poverty level. This indicates that there are challenges for low-income families to qualify for and obtain home mortgage loans.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	16,317	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	8,609	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,243	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	2,475	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,891	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,953	0.0	0.0	100.0	0.0	0.0
Farms by Geography	238	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,068	22.9	18.6	23.1	35.4	0.0
Household Distribution by Income Level	6,718	31.2	16.5	16.8	35.4	0.0
2022 FFIEC-Estimated Median Family Income for Montana non-MSA		\$81,600	Median Housing Value Median Gross Rent Families Below Poverty Level			\$195,617 \$670 7.3%
Source: 2020 U.S. Census Data; 2022 D&B Data; FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification; may not equal 100.0 due to rounding.						

The following table shows the estimated median family income ranges based on the 2022 Federal Financial Institution Examination Council (FFIEC).

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$81,600)	<\$40,880	\$40,880 to <\$65,280	\$65,280 to <\$97,920	≥\$97,920
<i>Source: FFIEC</i>				

As shown in the following table, the unemployment rate in Beaverhead County was lower than the state and national averages and steadily decreased until the COVID-19 pandemic caused significant fluctuations in 2020. Powell County maintained higher unemployment rates than the state and was comparable to the national average prior to the COVID-19 pandemic, and thereafter maintained a lower unemployment rate.

Unemployment Rates						
Area	2017	2018	2019	2020	2021	2022
	%	%	%	%	%	%
Beaverhead County	3.2	3.1	2.9	4.0	2.8	2.3
Powell County	4.4	4.2	3.7	4.6	2.6	2.6
State	4.1	3.7	3.5	5.8	3.4	2.6
National	4.4	3.9	3.7	8.1	5.4	3.7
<i>Source: Bureau of Labor Statistics</i>						

Competition

There is a high level of competition in the AA. According to the June 30, 2023 FDIC Deposit Market Share report, Pioneer ranked 3rd out of 5 institutions operating in the AA, with a market share of 17.7 percent. Pioneer operates two of the six total branches in the market area. Other major deposit shareholders include Stockman Bank of Montana and Bank of Commerce, holding 36.3 and 23.0 percent in the AA, respectively.

Community Contacts

Examiners interviewed a representative from a community development organization that serves Beaverhead and Powell Counties, as well as the state of Montana. The organization serves low- and moderate-income individuals and families by offering credit opportunities for underbanked individuals and businesses. The contact noted that livable wages remain low while housing costs remain high in the area. The contact indicated a need for affordable housing including financing, services, and inventory in the AA.

Credit Needs

Considering the information obtained from the community contact, association management, and demographic and economic data, examiners determined that residential lending is a primary credit need in the AA due to the lack of affordable housing and rural nature of the AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated January 9, 2017, to the current evaluation as of October 30, 2023. Examiners used Interagency Small Institution CRA Examination Procedures to evaluate performance. The appendices include the examination procedures criterion.

In addition, Pioneer requested that examiners review the association's record of CRA qualified investments, donations, and services during the evaluation period. Examiners also considered qualified donations made by PFCF.

Activities Reviewed

Based on the association's business strategy, discussions with bank management, demographic data, and the number and dollar volume of loans originated during the evaluation period, examiners determined that Pioneer's major product line is home mortgage loans. Utilizing the same Call Report noted previously, the loan portfolio distribution shows that 86.7 percent of the dollar volume is 1-4 family residential lending. Although Pioneer is not required to collect or report home mortgage data, the association had loan data readily available for evaluation. No other product types, such as consumer, small business, or small farm loans represented major product lines based on lending volume.

Examiners used full-scope procedures to analyze Pioneer's lending performance in Beaverhead and Powell Counties from January 1, 2022, through December 31, 2022. In 2022, Pioneer's universe of home mortgage loan originations was 51 loans totaling \$15.7 million. This universe was analyzed and presented in this evaluation. In addition, loan originations in 2022 are representative of the association's performance during the entire evaluation period.

Examiners compared the association's home mortgage loans under the borrower profile criterion to the percent of families that are low- and moderate-income within the AA, according to the 2020 U.S. Census. While the evaluation presents both the number and dollar volume of loans, greater weight is given to lending performance by number because it is a better indicator of the number of individuals served in the community.

At the request of management, examiners reviewed the association's qualified investments and community development services; in addition to, donations made through PFCF, since the previous CRA evaluation dated January 9, 2017, to the current evaluation dated October 30, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Pioneer demonstrated an outstanding record for the association as a whole regarding the Lending Test. The reasonable Lending Test performances under each criterion were sufficiently lifted by the association's investment and service records, which enhance credit availability in the AA.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the association's size, financial condition, and credit needs of the AA. Pioneer's net LTD ratio, calculated from Call Report data, averaged 80.1 percent over the previous 26 calendar quarters, from March 31, 2017, to June 30, 2023. The ratio ranged from a low of 73.7 percent as of March 31, 2021, to a high of 92.9 percent as of June 30, 2023. The LTD ratio generally trended upward during the evaluation period, with some slight decreases quarter to quarter throughout the review period.

Pioneer's LTD ratio falls relatively in line with similarly-situated institutions. The following table illustrates Pioneer's average net LTD ratio since the previous CRA evaluation along with similarly-situated institutions considering the asset size, loan portfolios, and product offerings.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2023 (\$000s)	Average Net LTD Ratio (%)
Pioneer Federal Savings and Loan Association	103,294	80.1
Similarly-Situated Institution #1	257,396	64.5
Similarly-Situated Institution #2	88,214	87.3
<i>Source: Call Reports 03/30/2017-06/30/2023</i>		

Assessment Area Concentration

A majority of Pioneer's loans are made in the AA by number and dollar volume. The following table shows the distribution of home mortgage loans by both number and dollar volume during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	33	64.7	18	35.3	51	8,771	55.7	6,976	44.3	15,748
Total	33	64.7	18	35.3	51	8,771	55.7	6,976	44.3	15,748
Source: Association Data.										

Geographic Distribution

The AA does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels.

Pioneer's lending to low-income borrowers was below the demographic comparison. However, the percentage of families by income is not a complete indicator of loan demand. The AA consists of 7.3 percent of families that are below the poverty level, which indicates a reduced capacity to borrow. Conversely, the median housing value in the AA is more than four times the estimated median low-income range for families in the AA, which further constrains opportunities for low-income borrowers to purchase homes. Pioneer's lending to moderate-

income families was comparable to the demographic data. Given these considerations, Pioneer's distribution reflects reasonable penetration.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.9	2	6.1	72	0.8
Moderate	18.6	6	18.2	787	9.0
Middle	23.1	10	30.3	2,243	25.6
Upper	35.4	15	45.5	5,669	64.6
Total	100.0	33	100.0	8,771	100.0
<i>Source: 2020 U.S. Census; Association Data. Due to Rounding, totals may not equal 100.0%</i>					

Response to Complaints

Pioneer did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

QUALIFIED INVESTMENTS AND SERVICES

Pioneer requested to have qualified investments (including donations) and services considered as part of the evaluation. During the evaluation period, the association made qualified investments, including donations, totaling nearly \$1.2 million. Pioneer also provided 200 hours of services that directly benefitted the AA. While there are no low- or moderate-income CTs in the AA, the bank's branch in Beaverhead County is located in an underserved middle-income CT.

Given the remote rural nature of the AA, the bank's branch enhances credit availability in the AA. Overall, Pioneer's record of providing qualified investments, donations, and services contributed to the outstanding rating. The following are notable examples of qualified investments and donations:

- Pioneer purchased three school bonds totaling \$850,000 that revitalized or stabilized underserved nonmetropolitan middle-income geographies. These bond proceeds enhanced and improved the facilities for local schools in the AA.
- Pioneer invested in a bond through the Montana Board of Housing for \$25,000 that enables a low-income borrower to acquire or construct a home as their principal residence.
- Pioneer acquired three revenue bonds (\$100,000 each) from the Montana Board of Housing to assist with the financing by low-income families for the purchase of housing within the state of Montana. The proceeds finance a mix of first lien traditional mortgage loans and second lien down payment assistance.
- PFCF also provided \$59,840 in community development donations that directly benefited low-and moderate-income individuals and families in the AA. Donations included funds to local food pantries, elementary schools, and literacy programs.

Additionally, Pioneer provided 200 service hours of financial expertise or technical assistance to organizations that serve low- and moderate-income individuals during the evaluation period. The following are notable service examples:

- Throughout the evaluation period, a Pioneer director served as the chairperson of a local food pantry. In this role, the individual set the annual budget, reviewed financials, and conducted Board meetings. This individual served an estimated 25 hours in this role per year.
- In 2023, one employee served as the treasurer of a local senior center, providing financial analysis and budgeting for the organization. The organization provides a variety of services to local low- and moderate-income senior citizens. The employee dedicated 25 hours of services to this organization.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The association's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.