ANNUAL REPORT
1989

PIONEER
SAVINGS & TRUST, F.A.

"Pioneering New Financial Services Since 1901"

PIONEER SAVINGS & TRUST, F.A.

March, 1990

Dear Stockholders:

This past year Pioneer Savings & Trust, F.A. made significant progress toward improving its financial condition to ensure the continued safety and soundness of your association, while meeting the new demands imposed by the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Our net worth as a percentage of assets, increased over 1988 and exceeds the strict requirements of the FDIC. I am pleased to report net income was $72,314 for 1989. Although these profits resulted primarily from tax benefits, a 28% reduction in non-interest expense contributed significantly to our performance. This positive net income was achieved after our establishment of approximately $294,000 in additional reserves for losses on loans and real estate.

Throughout 1989, Pioneer continued to focus upon our fundamental business objective of assisting families in their housing finance needs. Our offices in New Mexico and Midland and El Paso, Texas, provided financing in excess of $25.1 million for the construction of 351 single-family residential properties. We closed $66 million in loans to nearly 1,200 families for the purchase of existing or new homes. Throughout the coming year, while we will emphasize residential lending, we will continue to offer a full and innovative line of financial products for our customers and depositors.

Other significant operating results included a decline of deposits and borrowings. A large percentage of the decline in deposits resulted from Pioneer's efforts to reduce the overall cost of funds by not renewing the high-cost State of New Mexico deposits. Our borrowings, primarily from the Federal Home Loan Bank, were reduced $10.8 million.

Pioneer successfully liquidated approximately $5.7 million in real estate acquired through foreclosure, and taking into account the additional real estate acquired, net foreclosed real estate was decreased in excess of $2.3 million. Adequate reserves have been established to assist in the liquidation of these properties. We are optimistic that continued significant reductions in real estate owned and delinquent loans will occur during the remainder of 1990.

We are optimistic that the overall economy of southeastern New Mexico has stabilized and that operating results will continue to improve throughout the year. A further reduction in Pioneer's mortgage loan delinquencies was seen in 1989 and a decline in the number of properties acquired through foreclosures is anticipated in 1990. I am proud of the conduct of our officers and staff as they worked diligently to control expenses. We will continue emphasizing these efforts while, at the same time, striving to improve our products and services. Of course, Pioneer's goal of better operating results depends upon the future course of interest rates as well as the unknown impact of the Resolution Trust Corporation's efforts to dispose of billions of dollars of real estate acquired from insolvent financial institutions.

The Board of Directors, officers and staff appreciate your continued support, and we pledge to continue our diligent efforts in the forthcoming year.

Sincerely,

PIONEER SAVINGS & TRUST, F.A.

George W. Mitchell

George W. Mitchell
President

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

PIONEER SAVINGS & TRUST, F.A.

	December 31, 1989	December 31, 1988
ASSETS		
Cash and interest bearing deposits - Note B	$ 13,912,320	$ 8,190,068
Investment securities (market value of $99,895 and $308,700 as of December 31, 1989 and 1988, respectively)	99,895	312,245
Loans, net - Notes C and N	89,396,881	114,402,619
Loans held for sale	9,910,174	8,369,896
Mortgage-backed securities - Note D	26,354,721	31,160,502
Accrued interest receivable	1,068,287	1,191,588
Federal Home Loan Bank stock	1,040,400	1,791,300
Office properties and equipment - Note E	4,763,349	5,019,829
Investments in real estate, net - Note F	10,341,996	12,684,912
Other assets	2,852,837	5,301,681
TOTAL ASSETS	$159,740,860	$188,424,640
LIABILITIES		
Deposits - Note G	$139,185,791	$156,162,812
Official checks	1,541,534	2,364,331
Notes payable to Federal Home Loan Bank - Note H	10,000,000	18,300,000
Other borrowed money - Note I	0	2,471,000
Accrued interest payable	362,994	358,422
Advance payments for taxes and insurance	700,544	615,575
Accounts payable and other liabilities - Note J	1,196,079	1,470,896
TOTAL LIABILITIES	152,986,942	181,743,036
COMMITMENTS AND CONTINGENCIES - Notes C, J and L		
STOCKHOLDERS' EQUITY - Note K		
Capital stock, $1 par value, 2,000,000 shares authorized, 1,008,320 shares issued and outstanding	1,008,320	1,008,320
Additional paid-in capital	37,440	37,440
Retained earnings	5,708,158	5,635,844
TOTAL STOCKHOLDERS' EQUITY	6,753,918	6,681,604
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$159,740,860	$188,424,640

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1989	1988
INTEREST INCOME:		
Loans and mortgage-backed securities	$13,482,573	$14,996,961
Time and certificates of deposit	591,924	550,945
Investment securities	12,373	25,215
TOTAL INTEREST INCOME	14,086,870	15,573,121
INTEREST EXPENSE:		
Deposits - Note G	10,697,627	11,727,981
FHLB advances and other	1,340,241	1,252,407
Repurchase agreements	389,401	727,241
TOTAL INTEREST EXPENSE	12,427,269	13,707,629
NET INTEREST INCOME BEFORE PROVISION FOR LOSSES	1,659,601	1,865,492
Provision for losses on loans - Note C	103,547	376,339
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	1,556,054	1,489,153
OTHER INCOME:		
Loan administration and service fees	1,565,232	785,451
Sales of equity participations	0	102,051
Gain on sale of servicing	400,130	3,493,016
Gain on sale of loans and securities	358,888	877,794
Other	597,429	593,167
	2,921,679	5,851,479
OTHER EXPENSES:		
Compensation and employee benefits	2,462,517	2,657,250
Occupancy	519,717	509,590
Equipment	446,294	472,701
Data processing	398,061	450,827
Deposit insurance premiums	305,905	363,313
Advertising	110,725	103,496
Provision for losses and operating expenses on real estate owned, net of rental income	40,026	1,723,704
Telephone	192,865	235,751
Other	685,010	677,298
	5,161,120	7,193,930
Income (loss) before income taxes and cumulative effect of change in method of accounting for income taxes	(683,387)	146,702
Provision (benefit) for income taxes - Note J	(481,121)	37,115
Cumulative effect of change in method of accounting for income taxes - Note J	(274,580)	0
NET INCOME	$ 72,314	$ 109,587
Weighted average number of common shares	1,008,320	1,008,320
Net income per share	$ .07	$ .11

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 72,314	$ 109,587
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	461,340	875,176
Accretion of discount	(12,373)	(17,715)
Interest credited to savings	6,814,625	6,728,738
Provision for losses on loans	103,547	376,339
Provision for losses on real estate	190,170	1,667,484
Deferred tax expense	10,783	530,620
Cumulative effect of change in method of accounting for income taxes	(274,580)	0
Gain on sale of loans and securities	(358,888)	(877,794)
Gain on sale of servicing	(400,130)	(3,493,016)
Gain on sale of fixed assets	(17,182)	(17,942)
Changes in operating assets and liabilities -		
Accrued interest receivable	123,301	57,348
Other assets	2,329,359	(753,342)
Official checks	(822,797)	(1,170,489)
Accrued interest payable	4,572	173,283
Advance payments for taxes and insurance	84,969	72,949
Accounts payable and other liabilities	(11,020)	(389,894)
Net cash provided by operating activities	8,298,010	3,871,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment securities	424,723	192,999
Purchases of investment securities	(200,000)	(315,000)
Proceeds from sale of loans and mortgage-backed securities	87,841,492	177,626,226
Loans originated	(94,288,496)	(110,096,777)
Loans purchased	(397,202)	(909,397)
Mortgage-backed securities purchased	(28,700,606)	(109,905,051)
FHA insured & VA guaranteed loans repurchased	(1,404,121)	(30,802,753)
Loan principal repayments	66,056,681	72,841,292
Sales (purchases) of FHLB stock	750,900	(152,300)
Proceeds on sales of property and equipment	23,969	519,638
Purchases of property and equipment	(70,212)	(148,794)
Decrease in real estate joint venture	0	206,944
Proceeds from foreclosed real estate sold	1,634,080	4,912,138
Additions to investments in real estate	(62,500)	(3,096,545)
Increase in purchased servicing	(21,950)	(2,759)
Proceeds from sale of servicing	400,130	7,267,841
Net cash provided by investing activities	31,986,888	8,137,702

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1989	1988
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(23,791,646)	(25,068,575)
FHLB advances	21,900,000	78,101,901
Other borrowings	44,572,000	95,630,796
Borrowings repaid	(77,243,000)	(162,961,697)
Net cash used by financing activities	(34,562,646)	(14,297,575)
Increase (decrease) in cash and cash equivalents	5,722,252	(2,288,541)
Cash and cash equivalents at beginning of year	8,190,068	10,478,609
Cash and cash equivalents at end of year	$ 13,912,320	$ 8,190,068
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash (paid) received during the year for:		
Interest	$ (5,608,072)	$ (6,805,608)
Income taxes	(68,029)	(816,060)
Income tax refunds	1,432,465	390,780

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

PIONEER SAVINGS & TRUST, F.A.

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 1987	$ 1,008,320	$ 37,440	$ 5,526,257	$ 6,572,017
Net income			109,587	109,587
Balance, December 31, 1988	1,008,320	37,440	5,635,844	6,681,604
Net income			72,314	72,314
Balance, December 31, 1989	$ 1,008,320	$ 37,440	$ 5,708,158	$ 6,753,918

See notes to consolidated financial statements.

PIONEER SAVINGS & TRUST, F.A.

December 31, 1989

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Pioneer Savings & Trust, F.A. (the Association) and its subsidiary, Pioneer Mortgage Company. All significant intercompany accounts have been eliminated.

ACCOUNTING CHANGES: Effective January 1, 1989, the Association adopted the provisions of Statement of Financial Accounting Standards (FAS) No. 96, "Accounting for Income Taxes." A requirement of FAS 96 is that deferred tax liabilities or assets at the end of each period will be determined using the enacted tax rate which would apply during the period the taxes are actually paid or recovered. Accordingly, under the new rules, provisions for income tax expense will increase or decrease in the same period in which a change in tax rates is enacted. Previous rules required that deferred taxes be provided using rates in effect when the tax asset or liability was first recorded, without subsequent adjustment solely for tax-rate changes.

The Association adopted a new accounting standard for 1989 and 1988 which permits financial institutions to net certain investing (loan) and financing (deposit) activities in the Statement of Cash Flows.

INVESTMENT SECURITIES AND FEDERAL HOME LOAN BANK STOCK: Investment securities (which consist primarily of U.S. Treasury obligations) and Federal Home Loan Bank stock are carried at amortized cost, as it is generally management's intent and ability to hold these assets until maturity. Gains or losses are recognized as determined by the specific identification method.

ALLOWANCE FOR LOAN LOSSES: An allowance is maintained at a level believed adequate by management to absorb potential losses inherent in the loan portfolio. The allowance is reviewed by management and as losses become known, a provision for loss is charged to operations based upon management's assessment of the collectability of loans in the portfolio. Loans are charged against the allowance when, and to the extent, deemed uncollectible in the ordinary course of business.

MORTGAGE-BACKED SECURITIES: Mortgage-backed securities consist of Government National Mortgage Association (GNMA) pass-through certificates and Federal Home Loan Mortgage Corporation (FHLMC) participation certificates. Mortgage-backed securities which management intends to hold until maturity are valued at amortized cost. Securities held for sale which are not hedged are valued at the lower of aggregate cost or market value.

OFFICE PROPERTIES AND EQUIPMENT: Properties are stated on the basis of cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets which range from 3 to 50 years.

INVESTMENTS IN REAL ESTATE: Foreclosed real estate owned is recorded upon acquisition at the lower of cost (principal balance of former loan plus costs of obtaining title and repairs, if any) or estimated fair market value, which is generally determined by independent appraisal. Subsequent to acquisition, the Association periodically re-evaluates the properties and provides allowances for any difference between carrying value and estimated net realizable value.

INTEREST AND FEES ON LOANS: Interest on loans is accrued and credited to income as earned. A provision is either made against interest income to the extent that accrued but unpaid interest is deemed uncollectible or is automatically provided for if the loan is 90 days or more past due. Loan origination fees and direct origination costs are deferred and amortized over the life of the loan by the interest or level yield method. If the loan is held for sale, the fees are deferred until the loan is sold.

PIONEER SAVINGS & TRUST, F.A.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

GAIN OR LOSS ON SALE OF LOANS AND LOAN PARTICIPATIONS: Gains and losses on sales of mortgage loans and mortgage loan participations are based on the difference between amortized book value of the loans sold and sales proceeds. Premiums paid for acquired servicing rights on loans purchased are netted against any gains on the sale of the related loans. Mortgage loans held for sale are recorded in the financial statements at the lower of aggregate cost or market value.

INCOME TAXES: The Association files a consolidated income tax return with its subsidiary Pioneer Mortgage Company and, as agreed, the calculation of taxes payable is based on Pioneer Mortgage Company's respective contribution to consolidated taxable income. Accordingly, the income taxes of Pioneer Mortgage Company determined to be currently payable are remitted to the Association. Deferred income taxes are recorded to account for temporary differences in the recognition of certain income and expense items for tax and financial statement purposes.

RECLASSIFICATIONS: Certain amounts in the 1988 financial statements have been reclassified to conform to the 1989 presentation.

NOTE B - CASH AND INTEREST BEARING DEPOSITS

Cash and interest-bearing deposits (cash equivalents) consisted of the following:

	December 31, 1989	December 31, 1988
Interest-bearing deposits	$ 8,381,043	$ 558,782
Cash and due from banks	2,791,459	2,878,286
Certificates of deposit (with an original maturity of three months or less)	2,739,818	4,753,000
	$ 13,912,320	$ 8,190,068

There were no amounts subject to withdrawal or usage restrictions.

NOTE C - LOANS

Loans consisted of the following:

	December 31, 1989	December 31, 1988
First mortgage loans:		
Conventional	$ 68,854,038	$ 74,362,715
FHA insured and VA guaranteed	5,590,444	21,750,067
Construction and land	15,615,123	19,681,439
Loans in process	(3,392,034)	(3,462,427)
	86,667,571	112,331,794
Savings account loans	2,012,305	1,865,526
Installment and other loans	1,478,148	1,772,414
	90,158,024	115,969,734
Allowance for loan losses	(428,499)	(836,458)
Deferred loan fee income	(332,644)	(730,657)
	$ 89,396,881	$114,402,619

PIONEER SAVINGS & TRUST, F.A.

NOTE C - LOANS - Continued

An analysis of the activity in the allowance for loan losses is as follows:

	1989	1988
Balance at beginning of year	$ 836,458	$ 712,000
Recoveries	6,194	31,239
Provision	103,547	376,339
	946,199	1,119,578
Less charge-offs	(517,700)	(283,120)
Balance at end of year	$ 428,499	$ 836,458

The Association was required to pledge, under a blanket assignment, $17,000,000 and $31,110,000 in loans at December 31, 1989 and 1988, respectively, to secure borrowings from the Federal Home Loan Bank.

The Association services loans for various investors. Such amounts are not reflected in the accompanying consolidated financial statements. At December 31, 1989 and 1988, the Association was servicing loans having unpaid principal balances of approximately $223,178,000 and $209,433,000, respectively.

The Association had outstanding floating market rate commitments of $252,800 to originate loans at December 31, 1989. The Association had also committed to sell $5,335,000 of loans as of December 31, 1989. Management does not anticipate that the execution of these commitments will have a material adverse effect on the consolidated financial statements.

NOTE D - MORTGAGE-BACKED SECURITIES

Mortgage-backed securities held by the Association are primarily pass-through certificates guaranteed by GNMA which are issued by qualified mortgage lenders and represent pools of qualifying loans with approximately the same maturities (24-29 years). Presented below is a summary of the book and market values:

	December 31,			
	1989		1988	
	Book Value	Market Value	Book Value	Market Value
Securities held for:				
Investment	$26,354,721	$25,213,329	$26,437,810	$23,609,514
Sale (substantially hedged)	0	0	4,722,692	4,679,305
	$26,354,721	$25,213,329	$31,160,502	$28,288,819

At December 31, 1989, $4,110,277 of securities were pledged to secure public unit accounts.

PIONEER SAVINGS & TRUST, F.A.

NOTE E - OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment consisted of the following:

	December 31, 1989	December 31, 1988
Land	$ 1,305,156	$ 1,324,806
Buildings	3,131,982	3,116,819
Furniture and equipment	2,680,517	2,655,325
	7,117,655	7,096,950
Accumulated depreciation	(2,354,306)	(2,077,121)
	$ 4,763,349	$ 5,019,829

NOTE F - INVESTMENTS IN REAL ESTATE

Investments in real estate consisted of the following:

	December 31, 1989	December 31, 1988
Real estate acquired in settlement of loans and through foreclosure	$ 11,534,073	$ 13,900,133
Real estate held for investment	1,515,154	1,438,387
	13,049,227	15,338,520
Allowance for losses	(2,707,231)	(2,653,608)
	$ 10,341,996	$ 12,684,912

An analysis of the activity in the allowance for losses on foreclosed real estate owned is as follows:

	1989	1988
Balance at beginning of year	$ 2,653,608	$ 1,491,955
Recoveries	53,843	111,259
Provision charged to expense	190,170	1,667,484
	2,897,621	3,270,698
Less charge-offs	(190,390)	(617,090)
Balance at end of year	$ 2,707,231	$ 2,653,608

PIONEER SAVINGS & TRUST, F.A.

NOTE G - DEPOSITS

A comparative summary of deposits follows:

Type	Average Rate %	December 31, 1989	Average Rate %	December 31, 1988
Non-interest bearing commercial and custodial trust accounts		$ 4,596,299		$ 4,380,267
Passbook	5.22%	3,878,259	5.21%	4,101,609
NOW accounts	5.15%	6,241,848	5.07%	5,972,430
Super NOW accounts	5.38%	1,412,210	5.42%	1,816,009
Money market deposit accounts	5.99%	13,344,941	5.84%	18,083,679
Certificates of deposit	8.24%	109,712,234	8.09%	121,808,818
		$139,185,791		$156,162,812

The following is a comparative summary of deposits held by the Association as of December 31, 1989 and 1988, categorized by interest rates being paid:

	1989	1988
0.00% - 5.00%	$ 4,900,929	$ 4,380,267
5.01% - 7.00%	25,602,642	38,442,581
7.01% - 9.00%	97,583,859	97,149,607
9.01% - 11.00%	10,451,995	7,224,351
11.01% - 13.00%	646,366	8,966,006
	$139,185,791	$156,162,812

A comparative summary of deposits by maturity as of December 31, 1989 and 1988, follows:

	1989	1988
No contractual maturities	$ 29,473,557	$ 34,353,993
Under 12 months	91,662,690	92,013,716
13 months to 24 months	7,768,659	15,668,256
25 months to 36 months	2,610,547	3,328,752
Over 36 months	7,670,338	10,798,095
	$139,185,791	$156,162,812

Interest expense on deposits was comprised of the following:

	1989	1988
Passbook	$ 202,157	$ 233,881
Demand	1,204,958	1,650,244
Time	9,290,512	9,843,856
	$ 10,697,627	$ 11,727,981

NOTE H - NOTES PAYABLE TO FEDERAL HOME LOAN BANK

Notes payable to the Federal Home Loan Bank (FHLB) consisted of both fixed rate, fixed-term advances and borrowings under a line of credit. At both December 31, 1989 and 1988, Pioneer had arranged a secured $10,000,000 line of credit with the FHLB that is renegotiated on an annual basis. The line of credit requires a commitment fee of 1/2 percent of the commitment amount and has an interest rate which varies daily in relation with the FHLB's cost of funds. As of December 31, 1989 and 1988, balances outstanding on the line of credit and borrowings were $0 and $8,300,000, respectively.

FHLB advances and borrowings must be secured by mortgage loans or other assets acceptable to the FHLB. The Association's advances and borrowings were secured by a blanket assignment of mortgage loans in the amount of $17,000,000 and $31,110,000 at December 31, 1989 and 1988, respectively. A summary of advances and borrowings at December 31 follows:

Maturity Date	Rate at December 31, 1989	1989	1988
1-13-89	9.50%	$ 0	$ 4,800,000
2-25-89	9.50%	0	3,500,000
2-05-90	7.12%	3,000,000	3,000,000
2-12-91	7.61%	3,000,000	3,000,000
2-12-92	7.66%	4,000,000	4,000,000
		$ 10,000,000	$ 18,300,000

NOTE I - OTHER BORROWED MONEY

As of December 31, 1988, other borrowed money consisted of $2,471,000 of securities sold under agreements to repurchase. Securities sold under agreements to repurchase averaged $3,924,027 and $9,385,760 during 1989 and 1988, respectively. The maximum amounts outstanding at any month-end during 1989 and 1988, were $11,990,000 and $17,413,000, respectively. The securities outstanding at December 31, 1988, matured on January 5, 1989. At December 31, 1989, there were no outstanding balances.

NOTE J - INCOME TAXES

As previously discussed in Significant Accounting Policies (Note A), the Association adopted FAS No. 96 as of January 1, 1989. The cumulative effect of this change in accounting for income taxes as of January 1, 1989, increased net income by $274,580 ($.27 per share) and is reported separately in the Consolidated Statements of Operation for 1989. As permitted by FAS No. 96 transition rules, prior years' consolidated financial statements have not been restated.

Income taxes receivable included in other assets for 1989 and 1988, respectively, were $967,000 and $1,839,000. Deferred income taxes payable included in accounts payable and other liabilities were $802,000 and $1,066,000 for 1989 and 1988, respectively.

PIONEER SAVINGS & TRUST, F.A.

NOTE J - INCOME TAXES - Continued

Deferred income taxes result from temporary or timing differences in recognition of income and expense for income tax versus financial statement purposes. The sources of these differences and the tax effects were as follows:

	December 31, 1989	1988
Excess of tax over book depreciation	$ 96,457	$ 76,779
Income from loan swaps	(46,459)	(39,232)
FHLB stock dividend	(39,750)	56,607
Deferred loan fees and origination costs	26,129	(31,392)
Other	(26,007)	(73,972)
Excess of tax over book bad debt deduction	413	541,830
	$ 10,783	$ 530,620

The differences between total tax provision (benefit) and the amount computed by applying the applicable statutory Federal income tax rate of 34% to income (loss) before income taxes were as follows:

	1989	1988
Computed "expected" tax provision (benefit)	$ (232,352)	$ 49,879
Effect of bad debt deduction	(176,668)	0
Dividend and tax exempt interest	(1,198)	(6,719)
State income taxes, net	(38,376)	4,648
Rate benefit of deferral to future years	(34,626)	0
Other, net	2,099	(10,693)
	$ (481,121)	$ 37,115

The Association generally is allowed a special bad debt deduction for income tax purposes equal to the greater of 8% of taxable income before such deduction, actual charge-offs, or an amount computed using the six-year experience method. As of December 31, 1989, the allowance for bad debts generated as a result of the aforementioned deductions exceeded the allowance for loan losses reported in the accompanying financial statements by $1,587,000. In accordance with generally accepted accounting principles, deferred tax liabilities are not recorded for this temporary difference. The amount of unrecognized deferred income tax liability for this difference is $588,000. Distributions from stockholders' equity in excess of the accumulated earnings for tax purposes would be taxable to the Association if such distributions are ever made.

The Internal Revenue Service, during 1984, performed an audit of the Association's tax returns for the years 1977 through 1982. As a result of the audit, the IRS has proposed an adjustment to the Association's tax returns during that period to eliminate a $2,100,000 loss on loan swaps taken for tax purposes. Should the IRS prevail, it would result in the reclassification of about $311,000 from deferred income taxes to current income taxes payable, and a charge to earnings of approximately $745,000 for interest and additional taxes. The Association is challenging the IRS proposed adjustment and has agreed to await the outcome of similar court cases to utilize as a precedent.

Trial courts have decided six cases similar to the Association's dispute with the IRS. Five of the cases were decided in favor of the defendants and one in favor of the IRS. Appellate courts subsequently affirmed one decision in favor of the taxpayer, reversed one previously unfavorable decision and reversed one previously favorable decision. Ultimate determination of the outcome cannot be made until there has been further judicial review of this issue.

PIONEER SAVINGS & TRUST, F.A.

NOTE K - REGULATORY CAPITAL RECONCILIATION

Differences in net worth reported according to generally accepted accounting principles (GAAP) and that reported to the Office of Thrift Supervision (OTS) were as follows:

	December 31, 1989	December 31, 1988
GAAP net worth	$6,753,918	$6,681,604
Appraised equity capital	0	1,033,425
Net worth as reported to the OTS	$6,753,918	$7,715,029

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 eliminated the inclusion of appraised equity capital as a part of net worth.

The Association's net worth exceeded the OTS risk-based capital requirements by $1.0 million at December 31, 1989.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Association leases office space for administrative offices and certain branch offices under various operating leases. Lease payments included in occupancy expense totaled $177,791 and $153,377 for the years ended December 31, 1989 and 1988, respectively. Future minimum lease payments under the Association's non-cancellable operating leases outstanding as of December 31, 1989, for the next five years were as follows:

1990	$ 129,903
1991	131,063
1992	106,596
1993	106,596
1994	8,883
	$ 483,041

The Association has been named as a defendant in various lawsuits arising in the normal course of business. Management of the Association intends to vigorously defend these actions and is of the opinion that their resolution will not have a material effect on the Association's consolidated financial position.

PIONEER SAVINGS & TRUST, F.A.

NOTE M - RETIREMENT PLAN

The Association has a non-contributory retirement plan which covers substantially all employees upon completion of stipulated employment requirements. The benefits are based on years of service and the employee's compensation during the last five years of employment. The Association's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes.

The following unaudited table sets forth the Plan's funded status under FAS No. 87 as of December 31:

	1989	1988
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $313,167 and $283,256 in 1989 and 1988, respectively	$ 350,239	$ 322,498
Projected benefit obligation for service rendered to date	$ 544,357	$ 501,348
Plan assets at fair value, primarily interest bearing deposits	481,388	493,581
Projected benefit obligation in excess of plan assets	62,969	7,767
Unrecognized net assets at January 1, 1989 and 1988 (net of accumulated amortization of $2,970 and $4,455 at December 31, 1989 and 1988, respectively)	17,814	19,299
Unrecognized net gain on assets subsequent to transition	65,373	70,173
Accrued pension cost	$ 146,156	$ 97,239
Net pension cost included the following components:		
Service cost-benefits earned during the period	$ 45,133	37,425
Interest cost on projected benefit obligation	42,830	35,647
Actual return on plan assets	(37,561)	(37,112)
Amortization of net assets at transition	(1,485)	(1,485)
Amort. of net gain on assets subsequent to transition	0	(6,928)
Net periodic pension cost	$ 48,917	$ 27,547

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.75% and 8.0% in 1989, and 9.0% and 7.5% in 1988, respectively.

PIONEER SAVINGS & TRUST, F.A.

NOTE N - RELATED PARTY TRANSACTIONS

An analysis of loans to directors and executive officers is as follows:

	1989	1988
Balance at beginning of year	$ 432,597	$ 604,507
Loan principal repayments	129,636	(171,910)
Balance at end of year	$ 302,961	$ 432,597

It is the policy of the Association to provide mortgage loans to its full-time officers and employees for the purpose of financing their personal residences. The interest rate charged by the Association is determined by the Board of Directors and is related to the Association's cost of funds. Any other loans made by the Association to directors or officers are fully secured and are made in the ordinary course of business. Such loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and none of the loans involve more than normal risk of collection or present other unfavorable features.

The Association has a 25% limited partner's interest with Schaefer Development Company in a long-term residential and commercial land development venture. As a limited partner, the Association is at risk only to the extent of its investment of $1,000 and has no obligation to make any additional capital contributions.

Since 1979, the Association has made loans to Schaefer Development Company to partially finance the development of various phases of the total project. The development includes construction of streets, installation of electric, gas, water and sewage disposal utilities and division into lots.

In 1986, the Association received an equity distribution of $100,000 from Schaefer Development Company. This excess distribution has been deferred and is included in accounts payable and other liabilities.

The Association had loans receivable from Schaefer Development Company in the amount of $2,727,587 as of December 31, 1989. An analysis of activity follows:

Balance at December 31, 1988	$ 3,992,887
Repayments during the year	1,265,300
Balance at December 31, 1989	$ 2,727,587

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

PIONEER SAVINGS & TRUST, F.A.

To the Board of Directors and Shareholders
Pioneer Savings & Trust, F.A.
Roswell, New Mexico:

We have audited the accompanying consolidated statement of financial condition of Pioneer Savings & Trust, F.A. and subsidiary as of December 31, 1989, and the related consolidated statements of operations, cash flows and stockholders' equity for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Pioneer Savings & Trust, F.A. and subsidiary as of December 31, 1988, were audited by other independent public accountants, whose report dated March 10, 1989, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneer Savings & Trust, F.A. and subsidiary as of December 31, 1989, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

As explained in Notes A and J to the financial statements, in 1989 the Association adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes."

Arthur Andersen & Co.

Albuquerque, New Mexico,
February 22, 1990.

PIONEER SAVINGS & TRUST, F.A.

The following table sets forth selected financial data for the last five years.

	Year Ended December 31,				
	1989	1988	1987	1986	1985
Interest income	$ 14,086,870	$ 15,573,121	$ 15,737,814	$ 17,320,436	$ 18,684,520
Interest expense	12,427,269	13,707,629	13,804,704	15,127,111	15,987,075
Net interest income	1,659,601	1,865,492	1,933,110	2,193,325	2,697,445
Net income (loss)	72,314	109,587	(1,368,035)	900,512	1,108,269
Per share data:					
Net income (loss)	.07	.11	(1.36)	.90	1.11
Dividends	0	0	.03	.22	.30
Loans and mortgage-backed securities	125,661,776	153,933,017	157,872,653	162,686,189	159,819,571
Investments	99,895	312,245	172,529	300,000	5,622,358
Total assets	159,740,860	188,424,640	196,667,421	212,503,056	184,937,528
Deposits	139,185,791	156,162,812	174,502,649	188,371,310	169,323,801
Borrowings	10,000,000	20,771,000	10,000,000	7,500,000	711,823
Stockholders' equity	6,753,918	6,681,604	6,572,017	7,924,542	6,643,736
Customer service facilities:					
Full service	6	6	6	7	8
Branch facilities	6	6	6	7	8
Loan production offices	3	3	4	5	4

Pioneer's strategy includes significant mortgage banking activities. Pioneer uses its deposit gathering capabilities to fund both interim and permanent mortgage loans. The origination, sale and subsequent servicing of loans generates fee income to complement net interest income. The sale of loans, through various government agency, mortgage-backed security programs and private investors, recycles funds for additional lending.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of funds for the Association have been customer deposits, sales of loans and mortgage-backed securities in the secondary market, loan principal repayments, advances from the Federal Home Loan Bank (FHLB), and securities sold under agreements to repurchase. While these sources are expected to continue to provide significant amounts of funds in the future, their mix, as well as the use of other sources of funds, will depend upon future economic and market conditions.

The standard measure of liquidity for the savings and loan industry is the ratio of cash and eligible investments to the sum of net withdrawable savings and borrowings due within one year. The minimum required level is currently set by regulation of the Office of Thrift Supervision (OTS) at 5%. The liquidity position of the Association was 8.23% and 5.15% at December 31, 1989 and 1988, respectively. The Association's liquidity position will fluctuate depending on borrowing alternatives and lending and investment opportunities.

At December 31, 1989, Pioneer had commitments, less than a year in duration, to purchase or fund loans of approximately $252,800. At December 31, 1989, Pioneer also had net commitments on loans closed which were not fully funded of $3,392,000. Most commitments made to borrowers to originate loans are matched by commitments from various investors to Pioneer to purchase such loans. At December 31, 1989, the Association had committed to sell $5,335,000 of loans. Loan commitments to borrowers which are not offset with presold commitments to an investor are generally priced at market rates at closing and have typically been covered by financial hedges.

In accordance with the "Financial Institutions Reform, Recovery and Enforcement Act of 1989," (FIRREA), the OTS issued three capital requirements on November 7, 1989, which became effective on December 7, 1989. The three requirements consist of a 1-1/2% tangible capital ratio, a 3% leverage ratio met by core capital, and a risk-based requirement of 8% met by total capital. The risk-based requirement is subject to a phase-in schedule, whereby institutions must meet 80% (6.4%) through December 30, 1990 and 90% (7.2%) on December 31, 1990, through December 30, 1992. As of December 31, 1992, institutions must meet the full 8% requirement.

At December 31, 1989, the Association met all three capital requirements and exceeded the risk-based capital requirement by $1.0 million. On a pro-forma basis, the Association would meet the risk-based requirement at December 31, 1990 by approximately $100,000. In the event the Association experiences operating losses during 1990, the Association may not meet the risk-based capital requirement at December 31, 1990. Accordingly, management will be aggressively pursuing alternative strategies such as raising additional capital, shrinking assets and liquidating REO during 1990 in an effort to meet future capital requirements.

Institutions which fail to meet any of the three capital requirements after December 7, 1989, must submit a capital restoration plan within 60 days from the date of noncompliance. An institution that fails to have its capital plan approved by the OTS, may not (1) make any new loans or investments except with the prior written approval of the OTS; (2) make distributions to stockholders; or (3) increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities.

FINANCIAL CONDITION

During the past year the Association's assets decreased 15% to $159.7 million at December 31, 1989, primarily as a result of a 22% decline in loans held for sale.

The sale of loans to other investors continues to be the most significant source of funds to Pioneer. Pioneer sells whole loans to FNMA, FHLMC and other institutional purchasers. In addition, the Association pools FHA-insured and VA-guaranteed loans into GNMA mortgage-backed securities and sells them in the secondary market. Total sales of loans and mortgage-backed securities totaled $87.8 million and $177.6 million in 1989 and 1988, respectively. Sales declined 51% in 1989 due to a 49% decline in loan origination and purchase activity.

Principal repayments declined due to the decreased volume of loans foreclosed and repurchased. Loan repayments, exclusive of transfers to real estate, have been $65.7 million and $72.0 million in 1989 and 1988, respectively. As a percentage of the average loan receivable and mortgage-backed securities balance, loan repayments were 46% and 43% for 1989 and 1988, respectively. The following table summarizes loan portfolio and mortgage-backed security activity for the past two years.

	Years Ended December 31,	
	1989	1988
FHA-insured and VA-guaranteed loans repurchased	$ 1,404,121	$ 30,802,753
Loans originated	94,288,496	110,096,777
Loan to finance sale of real estate investments	4,059,875	2,640,375
Loans and mortgage-backed securities purchased	29,097,808	110,814,448
Total increases	128,850,300	254,354,353
Loans and mortgage-backed securities sold	87,841,492	177,626,226
Loan repayments and payoffs	65,697,793	71,963,498
Loans transferred to real estate investments	3,478,709	7,655,102
Provision for losses	103,547	376,339
Total decreases	157,121,541	257,621,165
Net decrease in loan and mortgage-backed securities portfolio	(28,271,241)	(3,266,812)
Total loan and mortgage-backed securities portfolio (ending principal balance)	$125,661,776	$153,933,017
Percentage decrease	(18)%	(2)%

First mortgage loans held for sale increased approximately $1,540,278 or 18.4% for 1989. First mortgage loans held for sale at December 31, 1989, is slightly less than the production during November and December, which indicates that Pioneer was delivering loans into the secondary market in an average of 60 days.

Investments in real estate, net of allowance, decreased $2.3 million for the year ended December 31, 1989, primarily due to the sale of properties and a decrease in real estate acquired through foreclosure. The provision for possible losses on foreclosed real estate declined to $.2 million from $1.7 million during the years ended December 31, 1989 and 1988, respectively. The largest components of investments in real estate are multi-family properties, condominiums and townhome properties in West Texas and Southeastern New Mexico. The multi-family projects are substantially leased. Satisfactory disposition of investments in real estate is a key element in Pioneer's plans for improved results of operations. Toward this end, the Association was successful in liquidating its largest property, a 176 unit apartment complex located in El Paso, Texas, with a book value of $3.8 million, at a profit in the fourth quarter of 1989. Efforts toward the timely sale of other foreclosed properties are continuing.

Deposits declined $17.0 million or 10.9% in 1989, compared to a $18.3 million or 10.5% decrease in 1988. The decline in deposits can be attributed in part to a reduction of public funds which was arranged by the Association. The arrangement resulted in $8.0 million in withdrawals of high interest rate deposits in 1989 and $8.9 million in 1988.

Deposits have also continued to decline somewhat due to the September 30, 1987, closure of the Artesia, New Mexico branch. In the Artesia area, deposits showed a decline during 1989 of $.6 million (or 21.4%) compared to a decline during 1988 of $2.5 million (or 47%). Custodial deposits decreased $3.5 million in 1988 due to the sale of a large portion of Pioneer's GNMA servicing portfolio in the fourth quarter of 1988.

The remainder of the decline in deposits may be attributed to the Association's unwillingness to pay what was considered "above market rates of interest" that were being offered by insolvent institutions and brokerage firms in Pioneer's market area.

The table below shows the net change in deposits for each of the past two years.

	Years Ended December 31,	
	1989	1988
Passbooks	$ (223,350)	$ (644,753)
Transaction accounts	(134,381)	179,111
Custodial trust deposits and non-interest bearing commercial accounts	216,032	(3,517,894)
Money market deposit accounts	(4,738,738)	(5,498,981)
Certificates of deposit less than $100,000	(1,577,523)	(940,353)
Certificates of deposit, $100,000 and greater	(10,519,061)	(7,916,967)
Net increase (decrease) in deposits	(16,977,021)	(18,339,837)
Total deposits	$139,185,791	$156,162,812
Percent increase (decrease)	(10.9)%	(10.5)%

A significant source of funds for Pioneer during 1989 was advances from the Federal Home Loan Bank. Pioneer has $10.0 million in fixed-rate advances maturing between 1990 and 1992 that have an average interest rate of 7.48%.

The Association continues to rely on reverse repurchase agreements secured by its GNMA mortgage-backed securities and a line of credit with the FHLB as a short-term source of funds. The amount of short-term borrowings will fluctuate depending on the need to fund loans and the ability to realize yields on short-term investments in excess of the cost of borrowings. As long as positive yield spreads can be achieved, the Association will continue this program of short-term borrowing. Although reverse repurchase agreements averaged $3.9 million and $9.4 million during the years ended December 31, 1989 and 1988, respectively, none were outstanding at year end in 1989 versus $2.5 million in 1988. (See Notes H and I to the Consolidated Financial Statements).

RESULTS OF OPERATIONS

The Association concluded the year ended December 31, 1989, with a net income of $72,314, or $.07 per common share, compared to the profit of $109,587, or $.11 per common share, for the year ended December 31, 1988. The decline in profitability in 1989 compared to 1988 was a result of the decline in other income for the year. The increased profitability in 1988 resulted primarily from the gain on bulk sales of servicing and a lower effective rate for tax purposes.

Pioneer's operating results depend primarily on its net interest income, the difference between interest earned on its loans and investments and interest paid on its deposits and borrowings. Net interest income is affected by the difference between rates of interest earned on assets and rates paid on interest-bearing liabilities (interest rate spread), and the relative amounts of these assets and liabilities. The Association has increased the rates it charges on interest-bearing assets in an effort to compensate for increases in interest-bearing liabilities' rates. In 1988, as the Association raised its rates, but refused to pay the rates offered by some competitors, deposits decreased by 10.9%. During 1989, the Association, at times, offered rates that were below market levels and allowed deposits to contract. At December 31, 1989, deposits were $17.0 million, or 10.9%, less than those held by the Association at December 31, 1988. Management's intentions have been to reduce interest expense in an effort to maintain net interest income. These actions have resulted in an increase in the net interest spread to 1.96% in 1988, and a decline to 1.85% in 1989. The decline in 1989 is attributable primarily to the loss of $3.5 million in non-interest bearing custodial deposits in the fourth quarter of 1988 and a generally higher level of interest rates in 1989.

Net interest income, before provision for loan losses, was $1,659,601 and $1,865,492 in each of the years ended December 31, 1989 and 1988, respectively. The decrease in net interest income for 1989 is due to several factors, the most significant of which is the decrease in interest-earning asset volumes, chiefly loans and mortgage-backed securities. However, the overall effect has been to increase the yield on average interest-earning assets to 1.12% in 1989 from 1.07% in 1988. The yield on average interest-earning assets is defined as the excess of interest income over interest expense, divided by average interest earning assets.

The following tables describe the extent to which changes in interest rates and changes in volume of interest rate-related assets and liabilities have affected the Association's interest income and expense during the years indicated.

VOLUME AND RATE ANALYSIS

(000's OMITTED)

1989 COMPARED TO 1988:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1989	1988	1989	1988	1989	1988	Interest Variance	Volume	Rate
Interest income:									
Loans	$111,556	$125,041	9.72%	8.98%	$10,848	$11,232	$ (384)	$(1,211)	$ 830
Mortgage-backed securities	30,815	41,468	8.55	9.08	2,635	3,765	(1,130)	(967)	(163)
Investments	6,406	7,339	9.43	7.85	604	576	28	(73)	101
Total interest earning assets	$148,777	$173,848	9.47%	8.96%	$14,087	$15,573	$(1,486)	$(2,251)	$ 768
Interest expense:									
Deposits	$143,499	$170,450	7.45%	6.88%	10,697	11,728	(1,031)	$(1,854)	$ 823
Borrowed funds	19,656	25,380	8.80	7.80	1,730	1,980	(250)	(447)	197
Total interest bearing liabilities	$163,155	$195,830	7.62	7.00	12,427	13,708	$(1,281)	$(2,301)	$ 1,020
Spread and net interest income			1.85%	1.96%	$ 1,660	$ 1,865			
Yield on average interest earning assets					1.12%	1.07%			

1988 COMPARED TO 1987:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1988	1987	1988	1987	1988	1987	Interest Variance	Volume	Rate
Interest income:									
Loans	$125,041	$144,988	8.98%	9.05%	$11,232	$13,128	$(1,896)	$(1,806)	$ (90)
Mortgage-backed securities	41,468	19,201	9.08	8.53	3,765	1,638	2,127	1,900	227
Investments	7,339	14,194	7.85	6.85	576	972	(396)	(469)	73
Total interest earning assets	$173,848	$178,383	8.96	8.82	$15,573	$15,738	$ (165)	$ (375)	$ 210
Interest expense:									
Deposits	$170,450	$185,062	6.88	6.98	11,728	12,910	(1,182)	$(1,019)	$ (163)
Borrowed funds	25,380	11,854	7.80	7.55	1,980	895	1,085	1,021	64
Total interest bearing liabilities	$195,830	$196,916	7.00	7.01	13,708	13,805	$ (97)	$ 2	$ (99)
Spread and net interest income			1.96%	1.81%	$ 1,865	$ 1,933			
Yield on average interest earning assets					1.07%	1.08%			

PIONEER SAVINGS & TRUST, F.A.

The provision for losses on loans declined 72% from $376,339 to $103,547 for 1988 and 1989, respectively. This was due to management's estimate of the adequacy of the allowance as well as the 38% reduction in non-performing loans, exclusive of FHA and VA loans, which declined from $7.5 million at December 31, 1988 to $4.6 million at December 31, 1989.

Other non-interest income has decreased from $5.9 million in 1988 to $2.9 million in 1989, or a decrease of 50.1%. Non-interest income includes loan administration and service fee income, gains on the sale of loans, equity participations, securities and servicing and other income.

Loan administration and service fees increased 99.3% due to the $1.2 million decrease in foreclosure related losses on loans serviced for others. These losses are a result of delinquent interest, taxes and insurance on loans in foreclosure that were a part of a pool of mortgage-backed securities. The sale of 64% of the Association's servicing portfolio in 1988 was responsible for this reduction and should eliminate the majority of any future exposure in this area.

The bulk sale of $362.2 million in GNMA servicing in 1988 was responsible for the $3.1 million decrease in the gain on sale of servicing in 1989. In total, Pioneer sold $28.0 million and $400.7 million of bulk servicing and whole loans, servicing released, for the years ending December 31, 1989 and 1988, respectively, which generated $.4 million in 1989 and $3.5 million in 1988. The 1988 sales were made to partially cover the loan loss provisions that were provided and to accommodate investors who wanted both the loans and the accompanying servicing rights.

Gains on sale of loans and securities decreased 59.1% from $877,794 in 1988 to $358,888 in 1989. This decrease was due mainly to a corresponding decrease in loans and mortgage-backed securities sold from $177.6 million in 1988 to $87.8 million in 1989. This decline in sales is a result of a 14% decline in loan production during 1989.

Other expenses for Pioneer decreased 28.3% in 1989 compared to a 9.2% decrease in 1988. As previously discussed, the area most responsible for this decrease was the provision for loss on real estate owned which decreased by 98% to $.2 million in 1989 versus a 46% increase to $1.7 million in 1988. The largest component of other expense is compensation and employee benefits which decreased 7% and 20% in 1989 and 1988, respectively. These decreases are in line with the 8% and 24% declines in the number of employees in 1989 and 1988, respectively, when the number of full-time employees declined from 125 at December 31, 1988, to 115 at December 31, 1989. Deposit insurance premiums declined $57,408 or 15.8% in 1989 and $28,216 or 7.2% in 1988 due to the corresponding decrease in savings deposits. Data processing expense declined 12% in 1989 after a 5% increase in 1988. Additionally, telephone expense declined 18% and 19% in 1989 and 1988, respectively. These reductions were in line with the declines in the servicing portfolio loan production areas.

On January 1, 1989, the Association adopted the provisions of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," which increased net income by $274,580. Discussions of this standard are presented in Notes A and J of the Notes to Consolidated Financial Statements.

EFFECTS OF CHANGING PRICES

The majority of the assets and liabilities of Pioneer are monetary in nature, and therefore differ significantly from those companies that have substantial investments in fixed assets and inventories. Accordingly, management believes that changes in the general level of prices during 1989 had relatively little impact on the results of operations.

CORPORATE INFORMATION

PIONEER SAVINGS & TRUST, F.A.

GENERAL INFORMATION

Pioneer Savings & Trust, F.A. is a federally chartered stock association. The Association's deposits are insured by the Savings Association Insurance Fund, an agency of the federal government. The principal business of the Association is to finance the purchase, construction or improvements of residential real estate.

The Association has one subsidiary, Pioneer Mortgage Company, which is involved in construction and mortgage lending, primarily in Texas.

CORPORATE OFFICES

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306 N. Pennsylvania
P.O. Box 130
Roswell, New Mexico 88202

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SPECIAL COUNSEL

Elias, Matz, Tiernan & Herrick
The Walker Building
734 15th Street, N.W.
Washington, D.C. 20005

REGISTRAR AND TRANSFER AGENT

Pioneer Savings & Trust, F.A.

ANNUAL MEETING

The annual meeting of shareholders of Pioneer Savings & Trust, F.A., will be held at 2:00 P.M. on Thursday, April 19, 1990 at the Sally Port Inn, Colt Regents Room, 2000 North Main, Roswell, New Mexico.

MARKET FOR COMMON STOCK

The Common Stock of Pioneer Savings & Trust, F.A. is not traded on any exchange nor is there a market maker in the stock. The market for the stock is limited and sporadic. There are no accurate quarterly high bid and low bid quotations available. Recent transactions in the stock have been in the range of $1.50 to $2.00 per share. As of December 31, 1989, there were approximately 383 holders of record of Pioneer Common Stock. No dividends were paid in 1989.

BOARD OF DIRECTORS

G. Eugene Bell
Vice President, Bell Gas

James L. Bruin
Attorney

Patricia J. Cooper
Investments

Rexell V. Desmond
Investments

Jon E. Hitchcock
Executive VP & Treasurer,
Pioneer Savings & Trust, F.A.

George H. Hunker, Jr.
Attorney

Timothy Z. Jennings
State Senator & Rancher

Arthur R. McQuiddy
President, McQuiddy Communications & Energy, Inc.
Director, Conventions & Visitors Bureau, Roswell Chamber of Commerce

George W. Mitchell
President, Pioneer Savings & Trust, F.A.

C.W. Ritter
President, Ritter Enterprises, Inc.

Emmett D. White
Oil & Gas Investments

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Chairman of the Board
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Samuel K. Collins, Jr.
Donald Conner
John Dick-Peddie
Suzi K. Glass
Robert Mays
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Anita L. Wood

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Senior Vice-President
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David Gray
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Robert D. Vie
Debe Wagner

Secretary
Barba McCampbell

Assistant Secretary
Charlotte Gipson
Carol Smith

Pioneer Mortgage Company

Vice-President
Grant Gist
Kathleen Marable

Assistant Vice-President
Debra Stolte
Margie Varela

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(505) 393-2102

150 East Lohman, P.O. Box 609, Las Cruces, New Mexico 88004
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PIONEER MORTGAGE COMPANY

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(505) 293-2175

6068 Gateway East, El Paso, Texas 79905
(915) 778-4100

3325 West Wadley - Suite 227, Midland, Texas 79703
(915) 694-9402

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