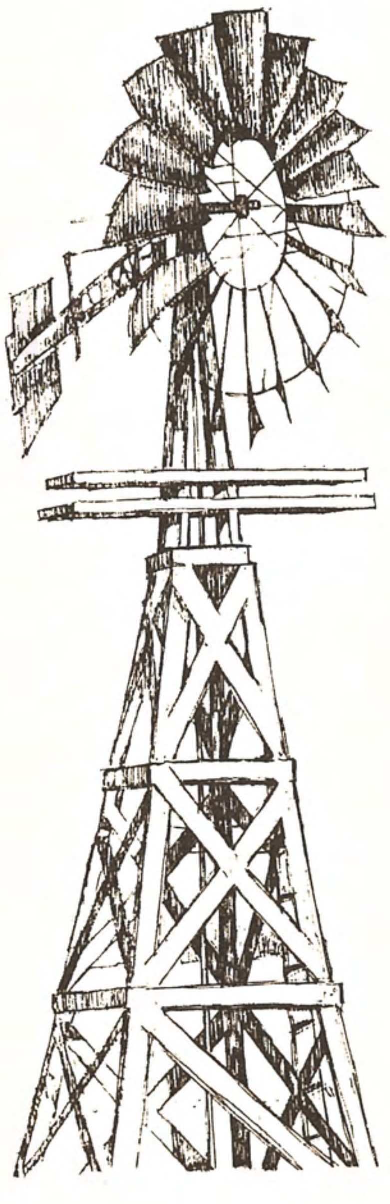
PIONEER SAVINGS & TRUST, F.A.

90 Years of Service



ANNUAL REPORT
1991

PIONEER SAVINGS & TRUST, F.A.

March 27, 1992

Dear Stockholders:

I am pleased to report that Pioneer's 1991 operating results represent a significant improvement over the past five years' performance, possibly indicating the "turning point" in our operations. Net income of $217,000 for 1991 more than doubled 1990's profit. These improved results were obtained after your association conservatively established loan and real estate reserves of more than $1 million.

The largest single factor in our improved operating results was a 40% increase in net interest income before provision for losses, an increase of $934,000, primarily from a decrease in savings expense, resulting from declining interest rates.

Other significant operating results included an increase in stockholders' equity to $7,045,000, up from $6,859,000. Pioneer's servicing portfolio grew to $275 million, up from $174 million at the end of 1991, resulting from our own loan originations along with several bulk purchases of servicing. A recent valuation of the servicing rights acquired from the Resolution Trust Corporation (RTC) indicates their current market value to be well in excess of the purchase price paid. Further, our continued dedication to control operating expense resulted in a 7.66% decline in costs over 1990's.

Operating results for the first two months of 1992 are most encouraging, re-affirming our optimism that 1991 was the turn-around year. Loan origination volume is substantially above the same time period in 1991. Our servicing volume will continue to increase throughout the year as a result of new loan production plus the additional acquisition of approximately $85 million in servicing from the RTC.

All of us here at Pioneer--the Board of Directors, officers and staff--appreciate your continued support and pledge our continued diligent efforts during 1992.

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, 1991	December 31, 1990
ASSETS		
Cash and interest bearing deposits - Note B	$ 9,341,086	$ 10,326,623
Investment securities - Note D	99,968	3,469,585
Loans, net - Notes C and O	71,269,507	79,849,244
Loans held for sale - Note C	14,225,967	12,663,488
Mortgage-backed securities - Note D	58,578,944	41,921,354
Accrued interest receivable	878,207	1,036,756
Federal Home Loan Bank stock	907,600	608,400
Office properties and equipment - Note E	4,032,992	4,357,632
Investments in real estate, net - Note F	8,856,466	8,707,959
Purchased mortgage servicing rights - Note G	1,808,262	248,018
Other assets - Notes G and J	2,405,418	3,705,935
TOTAL ASSETS	$172,404,417	$166,894,994
LIABILITIES		
Deposits - Note H	$147,026,320	$149,071,197
Notes payable to Federal Home Loan Bank - Note I	13,750,000	7,000,000
Official checks	2,419,145	1,769,023
Accrued interest payable	256,989	261,515
Advance payments for taxes and insurance	911,344	784,533
Accounts payable and other liabilities - Note J	994,849	1,149,634
TOTAL LIABILITIES	165,358,647	160,035,902
COMMITMENTS AND CONTINGENCIES - Notes C, L and M		
STOCKHOLDERS' EQUITY - Note K		
Capital stock, $1 par value, 2,000,000 shares authorized; 1,008,097 shares outstanding	1,008,097	1,008,097
Additional paid-in capital	37,266	37,266
Retained earnings	6,000,407	5,813,729
TOTAL STOCKHOLDERS' EQUITY	7,045,770	6,859,092
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$172,404,417	$166,894,994

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1991	1990
INTEREST INCOME:		
Loans and mortgage-backed securities - Note C	$12,479,620	$12,609,177
Time and certificates of deposit.	620,344	797,438
Investment securities	119,423	71,192
TOTAL INTEREST INCOME	13,219,387	13,477,807
INTEREST EXPENSE:		
Deposits - Note H	9,393,041	10,585,885
FHLB advances and other	495,004	558,905
Repurchase agreements	64,870	604
TOTAL INTEREST EXPENSE	9,952,915	11,145,394
NET INTEREST INCOME BEFORE PROVISION FOR LOSSES	3,266,472	2,332,413
Provision for losses on loans - Note C	692,748	525,806
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	2,573,724	1,806,607
OTHER INCOME:		
Loan administration and service fees.	1,055,364	1,284,544
Gain (loss) on sales of equity participations - Note O. .	(1,000)	118,250
Gain on sale of servicing	156,368	1,315,454
Gain on sale of loans and securities - Notes C and D. . .	1,122,788	503,278
Other	428,013	379,119
	2,761,533	3,600,645
OTHER EXPENSES:		
Compensation and employee benefits - Note N	2,214,482	2,361,805
Occupancy	432,840	528,379
Equipment	344,117	384,603
Data processing	391,806	404,028
Deposit insurance premiums.	343,756	296,843
Advertising	70,720	89,609
Provision for losses and operating expenses on real estate owned, net of rental income . .	355,060	476,799
Telephone	153,197	176,022
Other	649,158	647,976
	4,955,136	5,366,064
Income before income taxes	380,121	41,188
Provision (benefit) for income taxes - Note J.	163,200	(64,383)
NET INCOME	$ 216,921	$ 105,571
Weighted average number of common shares	1,008,097	1,008,135
Net income per share	$ .22	$ .10
Dividend per share	$ .03	$ .00

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 216,921	$ 105,571
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	873,267	464,750
Provision for losses on loans	692,748	525,806
Provision for losses on real estate	354,403	365,850
Gain on sale of bulk servicing	0	(1,095,785)
Gain on sale of fixed assets	(20,816)	(12,979)
Interest credited to savings	5,475,059	6,342,021
Decrease (increase) investment securities held for trading	3,369,617	(3,369,690)
Increase in loans held for sale	(1,562,479)	(2,972,983)
Decrease (increase) mortgage-backed securities held for sale or trading	3,832,729	(4,235,576)
Changes in operating assets and liabilities -		
Accrued interest receivable	158,549	31,531
Other assets	1,093,195	(926,060)
Official checks	650,122	227,489
Accrued interest payable	(4,526)	(146,892)
Advance payments for taxes and insurance	126,811	83,989
Accounts payable and other liabilities	(185,028)	(1,032)
Net cash provided by (used for) operating activities	15,070,572	(4,613,990)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Origination of loans held for investment	(12,783,318)	(16,357,890)
Repayment of loans held for investment	18,905,968	25,923,634
Purchase of mortgage-backed securities held for investment	(33,644,000)	(12,677,000)
Sales and repayment of mortgage-backed securities held for investment	13,153,681	1,345,945
Sale (purchase) of FHLB stock	(299,200)	432,000
Purchase of fixed assets	(68,786)	(100,785)
Proceeds from sales of fixed assets	131,966	230,115
Additions to purchased servicing	(1,943,913)	(251,877)
Proceeds from sale of bulk servicing	0	1,216,890
Additions to investments in real estate	(116,441)	(52,950)
Proceeds from foreclosed real estate sold	1,377,870	777,223
Net cash (used for) provided by investing activities	(15,286,173)	485,305

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1991	1990
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits.	(7,519,936)	3,543,385
Proceeds from FHLB advances.	9,750,000	0
Retirement of FHLB advances.	(3,000,000)	(3,000,000)
Redemption of capital stock.	0	(397)
Net cash (used for) provided by financing activities. .	(769,936)	542,988
Decrease in cash and cash equivalents	(985,537)	(3,585,697)
Cash and cash equivalents beginning of year	10,326,623	13,912,320
Cash and cash equivalents end of year.	$ 9,341,086	$ 10,326,623
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash (paid) received during the year for:		
Interest	$ (4,393,239)	$ (4,701,894)
Income taxes	(61,000)	0
Income tax refunds	22,651	645,300
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Transfers from loans to real estate acquired through foreclosures.	$ 4,875,314	$ 1,915,486
Origination of loans to finance the sale of investments in real estate.	1,562,121	2,134,817
Loans converted to mortgage-backed securities.	46,768,781	25,479,376
Dividend declared but not disbursed.	30,243	0

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

PIONEER SAVINGS & TRUST, F.A.

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 1989	$ 1,008,320	$ 37,440	$ 5,708,158	$ 6,753,918
Redemption of Stock	(223)	(174)		(397)
Net income.			105,571	105,571
Balance, December 31, 1990	1,008,097	37,266	5,813,729	6,859,092
Net income.			216,921	216,921
Dividends - $.03 per share. . .			(30,243)	(30,243)
Balance, December 31, 1991. . . .	$ 1,008,097	$ 37,266	$ 6,000,407	$ 7,045,770

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PIONEER SAVINGS & TRUST, F.A.

December 31, 1991

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 wholly owned subsidiary, Pioneer Mortgage Company. All significant intercompany accounts have been eliminated.

LOANS HELD FOR SALE: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

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. Gains or losses are recognized as determined by the specific identification method. It is generally management's ability and intent to hold securities held for investment until maturity. Securities held for trading are valued at lower of amortized cost or market value.

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 based on estimates, and ultimate losses may vary from the current estimates. 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) and Federal National Mortgage Association (FNMA) 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 amortized cost or market value. Securities held for trading are valued at lower of amortized 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.

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.

PIONEER SAVINGS & TRUST, F.A.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

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 1990 financial statements have been reclassified to conform to the 1991 presentation.

NOTE B - CASH AND INTEREST BEARING DEPOSITS

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

	December 31, 1991	December 31, 1990
Interest bearing deposits	$ 2,294,771	$ 5,776,973
Cash and due from banks	2,404,315	2,519,140
Certificates of deposit (with an original maturity of three months or less)	4,642,000	2,030,510
	$ 9,341,086	$ 10,326,623

There were no amounts subject to withdrawal or usage restrictions.

NOTE C - LOANS

Loans consisted of the following:

	December 31, 1991	December 31, 1990
First mortgage loans held for investment:		
Conventional	$ 48,782,598	$ 64,108,246
FHA insured and VA guaranteed	16,744,188	6,400,456
Construction and land	4,834,416	8,572,746
Loans in process	(1,778,603)	(1,546,738)
	68,582,599	77,534,710
Savings account loans	1,737,300	1,617,709
Installment and other loans	1,568,194	1,308,489
	71,888,093	80,460,908
Allowance for loan losses	(454,072)	(483,990)
Deferred loan fees	(164,514)	(127,674)
	$ 71,269,507	$ 79,849,244
First mortgage loans held for sale:		
Conventional	$ 3,492,675	$ 4,991,007
FHA insured and VA insured	10,992,899	7,890,088
	14,485,574	12,881,095
Deferred loan fees	(259,607)	(217,607)
	$ 14,225,967	$ 12,663,488

PIONEER SAVINGS & TRUST, F.A.

NOTE C - LOANS - Continued

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

	December 31, 1991	December 31, 1990
Balance at beginning of year	$ 483,990	$ 272,396
Recoveries	18,930	40,821
Provision	692,748	525,806
	1,195,668	839,023
Charge-offs	(741,596)	(355,033)
Balance at end of year	$ 454,072	$ 483,990

The Association was required to pledge, under a blanket assignment, $23,375,000 and $11,900,000 in loans at December 31, 1991 and 1990, respectively, to secure borrowings from the Federal Home Loan Bank.

The Association had outstanding floating market rate commitments of $865,000 to originate loans at December 31, 1991. The Association had also committed to sell $4,667,000 of loans as of December 31, 1991. Management does not anticipate that the execution of these commitments will have a material adverse effect on the consolidated financial statements.

Nonaccrual and renegotiated loans for which interest has been reduced totaled $2,352,369 and $5,939,523 at December 31, 1991 and 1990, respectively. Interest income that would have been recorded under the original terms of such loans and the interest income actually recognized for the years ended December 31 are summarized below:

	1991	1990
Interest income that would have been recorded	$ 12,828,811	$ 13,096,291
Interest income recognized	12,479,620	12,609,177
Interest income foregone	$ 349,191	$ 487,114

Gains on whole loan sales were $178,702 and $181,309 in 1991 and 1990, respectively.

PIONEER SAVINGS & TRUST, F.A.

NOTE D - INVESTMENT AND MORTGAGE-BACKED SECURITIES

The amortized cost and estimated market values of investments in debt securities at December 31, 1991 and 1990 are as follows:

	1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment Securities:				
U.S. Treasury securities Held for investment:	$ 99,968	$ 32	$ -	$ 100,000
Mortgage-backed Securities:				
Held for investment	58,176,097	1,716,903	-	59,893,000
Held for sale	402,847	28,153	-	431,000
	58,578,944	1,745,056	-	60,324,000
	$58,678,912	$ 1,745,088	$ -	$60,424,000

	1990			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment Securities:				
U.S. Treasury securities:				
Held for investment	$ 1,374,152	$ 211,750	$ -	$ 1,585,902
Held for trade	2,095,433	99,665	-	2,195,098
	3,469,585	311,415	-	3,781,000
Mortgage-backed Securities:				
Held for investment	37,685,778	-	792,778	36,893,000
Held for sale	367,836	9,164	-	377,000
Held for trade	3,867,740	260	-	3,868,000
	41,921,354	9,424	792,778	41,138,000
	$45,390,939	$ 320,839	$ 792,778	$44,919,000

The amortized cost and estimated market value of debt securities at December 31, 1991, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Estimated Market Value
Due in one year or less	$ 99,968	$ 100,000
Mortgage-backed securities	58,578,944	60,324,000
	$58,678,912	$60,424,000

Proceeds from the sale of investments in debt securities (mortgage-backed securities held for sale and investment securities held for trading) during 1991 were $100,350,453. Gross gains of $1,146,019 and gross losses of $201,933 were realized on those sales.

At December 31, 1991, $3,942,664 of securities were pledged to secure public unit deposits.

NOTE E - OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment consisted of the following:

	December 31, 1991	December 31, 1990
Land	$ 1,017,065	$ 1,113,647
Buildings	3,107,438	3,132,526
Furniture and equipment	2,781,349	2,722,384
	6,905,852	6,968,557
Accumulated depreciation	(2,872,860)	(2,610,925)
	$ 4,032,992	$ 4,357,632

NOTE F - INVESTMENTS IN REAL ESTATE

Investments in real estate consisted of the following:

	December 31, 1991	December 31, 1990
Real estate acquired in settlement of loans and through foreclosure	$ 9,126,714	$ 8,885,439
Allowance for losses	(270,248)	(177,480)
	$ 8,856,466	$ 8,707,959

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

	December 31, 1991	December 31, 1990
Balance at beginning of year	$ 177,480	$ 113,870
Recoveries	172,919	33,942
Provision	354,403	365,850
	704,802	513,662
Charge-offs	(434,554)	(336,182)
Balance at end of year	$ 270,248	$ 177,480

PIONEER SAVINGS & TRUST, F.A.

NOTE G - LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balance of these loans are summarized as follows:

	December 31, 1991	1990
Mortgage loans underlying pass through securities:		
GNMA	$ 66,893,280	$ 53,916,770
FNMA	24,383,143	22,844,386
FHLMC	25,785,169	30,452,113
	117,061,592	107,213,269
Mortgage loan portfolios serviced for:		
FNMA	52,444,733	32,246,895
FHLMC	95,289,199	21,519,750
Other investors	10,082,476	12,736,086
	157,816,408	66,502,731
	$274,878,000	$173,716,000

Custodial balances on deposit in connection with the foregoing loan servicing are as follows:

	1991	1990
At Pioneer	$ 5,677,027	$ 2,875,381
At other financial institutions	2,172,624	653,833
	$ 7,849,651	$ 3,529,214

Following is an analysis of the changes in loan-servicing rights acquired (purchased) and excess servicing fees receivable (retained) for the years 1991 and 1990:

	Purchased	Excess Servicing
Balance, December 31, 1989	$ 20,818	$ 1,107,724
Additions	251,877	0
Bulk servicing sales	0	(39,444)
Amortization	(24,677)	(126,033)
Valuation adjustments due to changes in prepayment assumptions	0	(104,500)
Balance, December 31, 1990	248,018	837,747
Additions	1,943,913	0
Amortization	(383,669)	(104,350)
Valuation adjustments due to changes in prepayment assumptions	0	(102,971)
Balance, December 31, 1991	$ 1,808,262	$ 630,426

Excess servicing fees are included as a component of other assets in the Consolidated Statements of Financial Condition.

PIONEER SAVINGS & TRUST, F.A.

NOTE H - DEPOSITS

A comparative summary of deposits follows:

Type	Average Rate %	December 31, 1991	Average Rate %	December 31, 1990
Non-interest bearing commercial		$ 7,226,800		$ 4,509,938
Passbook	4.24%	4,514,989	5.22%	3,562,683
NOW accounts	4.28%	7,975,602	5.18%	6,801,557
Super NOW accounts	4.53%	1,693,659	5.39%	1,414,328
Money market deposit accounts	4.81%	13,452,249	5.99%	12,872,882
Certificates of deposit	6.03%	112,163,021	7.80%	119,909,809
		$147,026,320		$149,071,197

The following is a comparative summary of deposits held by the Association as of December 31, 1991 and 1990, categorized by interest rates being paid:

	1991	1990
0.00%	$ 7,326,814	$ 4,275,794
4.00% - 6.00%	88,212,338	25,060,737
6.01% - 8.00%	44,501,873	88,109,010
8.01% - 10.00%	6,985,295	31,625,656
	$147,026,320	$149,071,197

A comparative summary of deposits by term to maturity as of December 31, 1991 and 1990, follows:

	1991	1990
No contractual maturities	$ 34,863,300	$ 29,161,388
Under 12 months	93,713,704	98,008,433
13 months to 24 months	10,127,421	9,765,536
25 months to 36 months	4,090,753	4,321,554
Over 36 months	4,231,142	7,814,286
	$147,026,320	$149,071,197

Interest expense on deposits was comprised of the following:

	1991	1990
Passbook	$ 200,770	$ 198,112
Demand	1,074,770	1,188,245
Time	8,117,501	9,199,528
	$ 9,393,041	$ 10,585,885

The aggregate amount of jumbo certificates of deposit with a minimum denomination of $100,000 and with an original maturity of one year or less was $9,748,189 and $16,468,961 at December 31, 1991 and 1990, respectively.

PIONEER SAVINGS & TRUST, F.A.

NOTE I - NOTES PAYABLE TO FEDERAL HOME LOAN BANK

Notes payable to the Federal Home Loan Bank (FHLB) consist of fixed rate, fixed-term advances which 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 $23,375,000 and $11,900,000 at December 31, 1991 and 1990, respectively. A summary of advances and borrowings at December 31 follows:

Maturity Date	Rate at December 31, 1991	1991	1990
2-12-91	7.61%	$ 0	$ 3,000,000
2-12-92	7.66%	4,000,000	4,000,000
3-01-93	6.29%	2,750,000	0
10-16-94	6.55%	7,000,000	0
		$ 13,750,000	$ 7,000,000

NOTE J - INCOME TAXES

Income taxes receivable included in other assets for 1991 and 1990, respectively, were $162,000 and $347,000. Deferred income taxes payable included in accounts payable and other liabilities were $702,000 and $763,000 for 1991 and 1990, respectively.

The Association records tax provisions based on income for financial reporting purposes. Total income taxes in the Consolidated Statements of Operations are as follows:

	Years Ended December 31, 1991	1990
CURRENT:		
Federal	$ 194,045	$ (28,080)
State	29,707	2,738
DEFERRED:		
Federal	(43,721)	(39,041)
State	(16,831)	0
	$ 163,200	$ (64,383)

Deferred income taxes result from temporary differences in the 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, 1991	1990
Excess of tax over book depreciation	$ (2,097)	$ 102,729
Income from loan swaps	(14,912)	(92,362)
FHLB stock dividend	(506)	(71,936)
Deferred loan fees and origination costs	(3,038)	(85,411)
Sale of servicing rights	(49,467)	260,256
Partnership/joint venture income	7,631	(65,691)
Real estate valuation adjustments	(737)	(61,560)
Other	2,574	(25,066)
	$ (60,552)	$ (39,041)

PIONEER SAVINGS & TRUST, F.A.

NOTE J - INCOME TAXES - Continued

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:

	1991	1990
Computed "expected" tax provision	$ 129,241	$ 14,004
Effect of bad debt deduction	(24,706)	34,378
Dividend and tax exempt interest	(1,143)	(1,160)
State income taxes, net	4,212	0
Rate benefit of deferral to future years	51,770	(27,801)
Other, net	(12,093)	8,541
Adjustment to prior year's income taxes	15,919	(92,345)
Total income tax provision (benefit)	$ 163,200	$ (64,383)

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, 1991, 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 $1,040,000. 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 $385,000. 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.

On February 10, 1992, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 109, "Accounting for Income Taxes." That Statement supersedes both APB Opinion No. 11, "Accounting for Income Taxes," and FASB Statement No. 96, "Accounting for Income Taxes." Adoption of Statement 109 is required for fiscal years beginning after December 15, 1992, with early adoption permitted. This new standard, when adopted, is not expected to have a significant impact on the tax liability recorded by the Association as of December 31, 1991.

In 1991, the Association filed amended federal and state income tax returns under Pacific First Federal Savings Bank v. Commissioner, 94 TC 101 (1990) for tax years 1971-1989. This case invalidated certain income tax regulation regarding the interplay of the income tax bad debt deduction and tax loss carrybacks. IRS was subsequently successful in overturning the Tax Court decision in Pacific First in the Court of Appeals as well as a similar case, in Peoples Federal Savings and Loan Association of Sidney v. Commissioner, 948 F2d 289 (CA 6 1991); however, the Tax Court subsequently followed the position of Pacific First in Georgia Federal Bank, F.S.B. and Subsidiaries v. Commissioner 98 TC 9 (1992). The amount of the refunds requested are $198,752. The outcome of the refunds are unknown; therefore, no receivable has been recorded at this time.

During 1984, the Internal Revenue Service (IRS) performed an audit of the Association's tax returns for the years 1977 through 1982. As a result of the audit, the IRS 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. The Association challenged the IRS proposed adjustment because management believed the deduction was proper and because other financial institutions had successfully argued this issue in court.

NOTE J - INCOME TAXES - Continued

On April 17, 1991, the U.S. Supreme Court decided a similar case under Cottage Savings Association v. Commissioner of Internal Revenue, No. 89-1965. This decision concluded eleven years of IRS activity and litigation surrounding reciprocal loan sale transactions. On February 25, 1992, the Joint Committee on Taxation issued a "no exception" letter regarding the Association's tax returns which had been audited in this regard and thus, concluded this matter for the Association.

NOTE K - REGULATORY CAPITAL

The Association reports net worth and net income to the Office of Thrift Supervision (OTS) according to generally accepted accounting principles. At December 31, 1991, there were no reconciling differences between what was reported to the OTS and what is reported in these statements.

In accordance with the "Financial Institutions Reform, Recovery and Enforcement Act of 1989," (FIRREA), the OTS issued three capital requirements which became effective December 7, 1989. Following is a comparison of the Association's capital ratios to those required by OTS.

	1991		1990	
	Required	Actual	Required	Actual
Tangible	1.5%	4.0%	1.5%	4.1%
Core	3.0	4.0	3.0	4.1
Risk-based	7.2	8.8	7.2	8.2

The risk-based requirement is subject to a phase-in schedule, whereby the Association must meet the fully phased-in risk-based capital requirement of 8.0% by December 31, 1992.

At December 31, 1991 and 1990, the Association met all three capital requirements and exceeded the risk-based capital requirement by $1.3 million and $.9 million, respectively. The Association expects to meet the risk-based requirement at December 31, 1992 based on projections.

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.

During December 1990, the Association entered into a supervisory agreement with the Office of Thrift Supervision (OTS). The agreement requires the Association to develop classified asset reduction and separate corporate existence plans, to obtain appraisals on real estate upon acquisition, to notify the OTS District Director of the proposed addition or employment of any director or senior executive officer before such addition or employment becomes effective and lastly, not to engage in real estate transactions with an "affiliated person" without the written approval of the District Director. Management believes that the Association is in compliance with the agreement at December 31, 1991 and as of the date of this report.

PIONEER SAVINGS & TRUST, F.A.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Association leases office space for administrative offices and certain branch offices under various operating leases with terms ranging through 1994. Lease payments included in occupancy expense totaled $132,673 and $178,322 for the years ended December 31, 1991 and 1990, respectively. Future minimum lease payments under the Association's non-cancelable operating leases outstanding as of December 31, 1991, were as follows:

1992	$ 106,596
1993	106,596
1994	8,883
	$ 222,075

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 it is their opinion as well as the opinion of legal counsel that the resolution of these matters will not have a material effect on the Association's consolidated financial position.

NOTE M - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Association is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Consolidated Statements of Financial Condition. The contract amounts of those instruments reflect the extent of involvement the Association has in particular classes of financial instruments.

The Association's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The Association uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	Contract or Notional Amount
Financial instruments whose contract amounts represent credit risk:	
Commitments to originate or purchase loans and securities	$6,687,000

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

NOTE M - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK - Continued

The Associations lending area is concentrated in the Southwest region of the United States, primarily New Mexico and Texas. There are no concentrations of credit to any one industry.

NOTE N - RETIREMENT PLAN

Through December 31, 1990, the Association had a non-contributory retirement plan (Plan) covering substantially all employees. The Association recorded pension expense in 1991 and 1990 of $25,704 and $22,917 respectively, for its funding of the Plan.

On October 16, 1990, the Board of Directors terminated the Plan effective December 31, 1990. Participants in the Plan became fully vested as of December 31, 1990. Because the Plan was terminated, the normal disclosures required by FAS No. 87 have not been provided.

During 1991, the Association settled all remaining pension liabilities. Annuities were purchased for all retired participants. All other participants were allowed to choose to either rollover their benefit into a new 401(k) plan, receive a lump sum distribution or to have an annuity purchased.

Costs associated with the Association's new 401(k) plan, which was adopted effective January 1, 1991, were $11,166 during the year ended December 31, 1991.

NOTE O - RELATED PARTY TRANSACTIONS

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

	1991	1990
Balance at beginning of year	$ 428,229	$ 433,409
Loan principal repayments	6,808	5,180
Balance at end of year	$ 421,421	$ 428,229

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. 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 had a loan to a residential and commercial land development company in which the Association was a 25% limited partner. As a limited partner, the Association was at risk only to the extent of its investment of $1,000 and had no obligation to make any additional capital contributions. During 1991, the Association foreclosed its lien on the property and wrote off its investment in the joint venture. An analysis of loans to the partnership is as follows:

	1990
Balance at beginning of year	$2,727,587
Loan principal repayments	768,427
Balance at end of 1990 and at foreclosure	$1,959,160

PIONEER SAVINGS & TRUST, F.A.

NOTE O - RELATED PARTY TRANSACTIONS - Continued

As of the foreclosure date, the property had an appraised value in excess of the carrying value of the loan. Subsequent to the foreclosure and prior to the end of 1991 additional sales of approximately $904,000 were recorded. No losses were recorded on these sales. Based on current appraisal of the collateral, management does not anticipate any losses on the remaining properties.

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 statements of financial condition of Pioneer Savings & Trust, F.A. and subsidiary as of December 31, 1991 and 1990, and the related consolidated statements of operations, cash flows and stockholders' equity for the years 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 audits.

We conducted our audits 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 audits provide 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, 1991 and 1990, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Arthur Andersen & Co

Albuquerque, New Mexico
February 28, 1992

PIONEER SAVINGS & TRUST, F.A.

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

	Year Ended December 31,				
	1991	1990	1989	1988	1987
Interest income	$ 13,219,387	$ 13,477,807	$ 14,086,870	$ 15,573,121	$ 15,737,814
Interest expense	9,952,915	11,145,394	12,427,269	13,707,629	13,804,704
Net interest income	3,266,472	2,332,413	1,659,601	1,865,492	1,933,110
Net income (loss)	216,921	105,571	72,314	109,587	(1,368,035)
Per share data:					
Net income (loss)	.22	.10	.07	.11	(1.36)
Dividends	.03	0	0	0	.03
Loans and mortgage-backed securities	144,074,418	134,434,086	124,088,020	141,862,149	157,872,653
Investments	99,968	3,469,585	99,895	312,245	172,529
Total assets	172,404,417	166,894,994	159,740,860	188,424,640	196,667,421
Deposits	147,026,320	149,071,197	139,185,791	156,162,812	174,502,649
Borrowings	13,750,000	7,000,000	10,000,000	20,771,000	10,000,000
Stockholders' equity	7,045,770	6,859,092	6,753,918	6,681,604	6,572,017
Customer service facilities:					
Full service branch facilities	6	6	6	6	6
Loan production offices	2	2	3	3	4

Pioneer's strategy includes significant mortgage banking activities. Pioneer uses its deposit gathering capabilities to fund both interim and permanent mortgage loans and to purchase conforming mortgage loans from correspondents. The origination or purchase, sale and subsequent servicing of loans generate 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 7.44% and 8.52% at December 31, 1991 and 1990, respectively. The Association's liquidity position will fluctuate depending on borrowing alternatives and lending and investment opportunities.

At December 31, 1991, Pioneer had commitments, less than a year in duration, to purchase or fund loans and securities of approximately $6,687,000. Most commitments made to borrowers to originate loans are matched by commitments from various investors to Pioneer to purchase such loans. At December 31, 1991, the Association had committed to sell $4,667,000 of loans. Loan commitments to borrowers which are not offset with presold commitments to an investor are generally priced at market rates at closing.

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.

At December 31, 1991, the Association met all three capital requirements and exceeded the risk-based capital requirement by $1.3 million. On a pro-forma basis, the Association would exceed the risk-based capital requirement at December 31, 1992 by approximately $1.1 million. Management will continue to pursue strategies for increasing capital to insure future capital compliance. See Note K to the Consolidated Financial Statement for further details.

FINANCIAL CONDITION

During the past year the Association's assets increased 3.3% to $172.4 million at December 31, 1991, primarily as a result of a 40% increase in mortgage-backed securities.

The sale of loans and mortgage-backed securities to other investors continues to be the most significant source of funds to the Association. The Association sells whole loans to FNMA, FHLMC and other institutional purchasers. In addition, the Association securitizes FHA-insured and VA-guaranteed loans into GNMA mortgage-backed securities and sells them in the secondary market. Total sales and securitization of loans totaled $88.3 million and $66.7 million in 1991 and 1990, respectively. Sales increased 32% in 1991 due to an increase in loan purchase activity.

Principal repayments declined due to the decreased volume of loans in Pioneer's portfolio. Loan repayments, exclusive of transfers to real estate, have been $19.1 million and $30.0 million in 1991 and 1990, respectively. As a percentage of the average loan receivable balance, loan repayments were 22% and 31% for 1991 and 1990, respectively. The following table summarizes the loan portfolio activity for the past two years.

	Years Ended December 31,	
	1991	1990
Loans originated	$ 70,474,894	$ 76,599,841
Loans purchased	32,568,619	15,182,845
Loans to finance sale of real estate investments	1,562,121	2,134,817
Total increases	104,605,634	93,917,503
Loans sold	41,519,367	41,205,063
Loan securitization	46,768,781	25,479,376
Loan repayments and payoffs	19,147,639	30,012,339
Loans transferred to real estate investments	3,494,357	1,915,486
Provision for losses	692,748	525,806
Total decreases	111,622,892	99,138,070
Net decrease in loan portfolio	(7,017,258)	(5,220,567)
Total loan portfolio (ending principal balance)	$ 85,495,474	$ 92,512,732
Percentage decrease	(8%)	(4%)

Loans held for sale increased $1.6 million or 12.3% for 1991. Loans held for sale at December 31, 1991, are slightly more 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, increased $149,000 for the year ended December 31, 1991. The provision for possible losses on foreclosed real estate decreased to $354,403 from $365,850 during the years ended December 31, 1991 and 1990, 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.

Deposits decreased $2.0 million or 1.4% in 1991, compared to a $9.9 million or 7.1% increase in 1990. The decrease in 1991 was the result of a reduction in certificates of deposit (CD's) of $100,000 and greater. Specifically, the Association arranged for the early prepayment of a $2,750,000 long term public fund CD with a rate of 9.25%. Management replaced these deposits with an offsetting advance from the Federal Home Loan Bank at a rate of 6.29%. The increase in 1990 was due to deposits received after the closure of two financial institutions that had branches in the Association's market area.

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

	Years Ended December 31,	
	1991	1990
Passbooks	$ 952,306	$ (315,576)
Transaction accounts	1,368,592	561,827
Custodial trust deposits and non-interest bearing commercial accounts	2,801,646	(86,361)
Money market deposit accounts	579,367	(472,059)
Certificates of deposit less than $100,000	(2,890,427)	13,672,433
Certificates of deposit, $100,000 and greater	(4,856,361)	(3,474,858)
Net increase (decrease) in deposits	(2,044,877)	9,885,406
Total deposits	$147,026,320	$149,071,197
Percent increase (decrease)	(1.4%)	7.1%

The Association continues to rely on reverse repurchase agreements secured by its GNMA mortgage-backed securities 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. Although reverse repurchase agreements averaged $1.2 million during the year ended December 31, 1991, none were outstanding at year end.

RESULTS OF OPERATIONS

The Association concluded the year ended December 31, 1991, with net income of $216,921, or $.22 per common share, compared to $105,571, or $.10 per common share, for the year ended December 31, 1990. The increase in profitability in 1991 compared to 1990 was a result of the increase in net interest income and gain on sale of loans and securities for the year.

The Association'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 decreased the rates it pays on interest bearing liabilities more than it has decreased those charged on interest bearing assets. During 1991, the Association continued to reduce the rates offered on deposits. Management's intentions have been to reduce interest expense in an effort to increase net interest income. These actions have resulted in an increase in the net interest spread to 2.48% in 1991 compared to 1.88% in 1990.

Net interest income, before provision for loan losses, was $3,266,472 and $2,332,413 in each of the years ended December 31, 1991 and 1990, respectively. The increase in net interest income is due primarily to the substantial decline in interest rates that occurred during 1991. Since the Association had a maturity gap of (37.4%) as of December 31, 1990, liabilities re-priced much faster than assets. As shown in the following table, the rate variance was responsible for a decline in interest expense of $1,495,000 while the rate variance for interest income declined $438,000 for a net increase in the interest margin due to rates of $1,057,000. The maturity gap at December 31, 1991 was (24.3%).

The overall effect has been to increase the ratio of net interest income to average interest earning assets to 2.18% in 1991 from 1.58% in 1990. The ratio 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)

1991 COMPARED TO 1990:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1991	1990	1991	1990	1991	1990	Interest Variance	Volume	Rate
Interest income:									
Loans	$ 88,100	$ 98,332	9.43%	9.80%	$ 8,311	$ 9,635	$(1,324)	$(1,003)	$ (321)
Mortgage-backed securities	50,104	34,724	8.32	8.56	4,168	2,974	1,194	1,317	(123)
Investments	11,888	14,079	6.22	6.17	740	869	(129)	(135)	6
Total interest earning assets	$150,092	$147,135	8.81%	9.16%	$13,219	$13,478	$ (259)	$ 179	$ (438)
Interest expense:									
Deposits	$149,275	$145,656	6.29%	7.27%	$ 9,393	$10,586	$(1,193)	$ 263	$(1,456)
Borrowed funds	7,855	7,349	7.13	7.62	560	560	0	39	(39)
Total interest bearing liabilities	$157,130	$153,005	6.33%	7.28%	$ 9,953	$11,146	$(1,193)	$ 302	$(1,495)
Net interest spread and income			2.48%	1.88%	$ 3,266	$ 2,332			
Ratio of net interest income to average interest earning assets					2.18%	1.58%			

1990 COMPARED TO 1989:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1990	1989	1990	1989	1990	1989	Interest Variance	Volume	Rate
Interest Income:									
Loans	$ 98,332	$111,556	9.80%	9.72%	$ 9,635	$10,848	$(1,213)	$(1,286)	$ 73
Mortgage-backed securities	34,724	30,815	8.56	8.55	2,974	2,635	339	334	5
Investments	14,079	6,406	6.17	9.43	869	604	265	723	(458)
Total interest earning assets	$147,135	$148,777	9.16%	9.47%	$13,478	$14,087	$ (609)	$ (229)	$ (380)
Interest expense:									
Deposits	$145,656	$143,499	7.27%	7.45%	$10,586	$10,697	$ (111)	$ 161	$ (272)
Borrowed funds	7,349	19,656	7.62	8.80	560	1,730	(1,170)	(1,083)	(87)
Total interest bearing liabilities	$153,005	$163,155	7.28%	7.62%	$11,146	$12,427	$(1,281)	$ (922)	$ (359)
Net interest spread and income			1.88%	1.85%	$ 2,332	$ 1,660			
Ratio of net interest income to average interest earning assets					1.58%	1.12%			

PIONEER SAVINGS & TRUST, F.A.

The provision for losses on loans increased approximately $167,000 in 1991 to $693,000. This increase was due to management's evaluation of the risk of loss associated with Pioneer's loan portfolio.

Other non-interest income has decreased 23% from $3.6 million in 1990 to $2.8 million in 1991. The primary reason for this decline was a $1.2 million decrease in the gain on sale of servicing. In 1990, Pioneer sold $121.6 million of bulk servicing which generated $1.1 million in income in 1990. These bulk sales were made to provide provisions for losses on loans and real estate and to increase capital. There were no bulk sales of servicing in 1991. Loan administration and service fees decreased 17.8% for 1991 as a result of the above described bulk sale. During 1991, the Association purchased $79.0 million in bulk servicing to replace 1990 sales and enhance future servicing revenues.

The most significant increase in other income was the $.6 million increase to $1.1 million in the gain on sale of loans and securities. In anticipation of declining interest rates, the Association had acquired and was holding at the end of 1990, approximately $2.0 million in U.S. Government securities which were held for trading. At key times throughout 1991, the securities held for trading were liquidated. Additionally, a restructuring of portions of securities previously held for investment were sold to protect against prepayment risks. Gains attributable to these sales totaled $.6 million. The restructuring transaction was also responsible for the improvement in the Association's gap position which was previously described.

Other expenses for the Association decreased 7.7% in 1991 compared to a 4.0% increase in 1990. Virtually all expense categories showed declines during 1991 with the most significant decline occurring in compensation and benefits. This category was down 6.2% due to the cost saving effect of the closure of the Albuquerque, NM loan production office in the 4th quarter of 1990. The next largest decline in other expenses was the provision for losses and operating expenses on real estate owned which decreased by 25.5% or $121,739 in 1991. This decline was a result of increased revenues from operations caused by increased occupancy and rental rates. The only significant increase in expenses was an increase in deposit insurance premiums which increased 15.8% or $46,913. This was caused by the FDIC increasing their premium from .208% to .230%.

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 the last couple of years 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

Pioneer Savings & Trust, F.A.
306 N. Pennsylvania
P.O. Box 130
Roswell, New Mexico 88202

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen & Co.
6501 Americas Parkway, NE, Suite 400
Albuquerque, NM 87110

GENERAL COUNSEL

Sanders, Bruin, Coll & Worley, P.A.
United New Mexico Bank Plaza
Suite 600
P.O. Box 550
Roswell, New Mexico 88202

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 23, 1992 at the Roswell Inn, 1815 N. 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. As of December 31, 1991, there were approximately 379 holders of record of Pioneer Common Stock. Dividends of $.03 per share were declared in 1991.

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.

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

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

OFFICERS

Pioneer Savings & Trust, F.A.

President & Chief Executive Officer
Chairman of the Board
George W. Mitchell

Executive Vice-President & Treasurer
Jon E. Hitchcock

Senior Vice-President
Britt Donaldson
Stephen P. Puntch
Dolores Stevens

Vice-President
Samuel K. Collins, Jr.
John Dick-Peddie
Suzi K. Glass
Susan Keohane
Robert Mays
Debe Wagner

Assistant Vice-President
Henry R. Apodaca
Tracy Callaway
Charlotte Gipson
Jackie Glover
Daniel A. Hostetler
Phyllis Quintana
Rebecca Underation
Robert D. Vie
Debra Young

Secretary
Barba McCampbell

Assistant Secretary
Virginia Boyer
Janet Flanagan
Sara Hill
Carolyn Shanley
Lanice White

Pioneer Mortgage Company

Vice-President
Kathleen Marable

Assistant Vice-President
Margie Varela

PIONEER SAVINGS & TRUST, F.A.

306 N. Pennsylvania, P.O. Box 130, Roswell, New Mexico 88202
(505) 624-5200

1095 Mechem, P.O. Box 910, Ruidoso, New Mexico 88345
(505) 258-5858

Porto Rico & 10th, P.O. Box 1707, Alamogordo, New Mexico 88310
(505) 437-9075

111 North Canal, P.O. Box S, Carlsbad, New Mexico 88220
(505) 887-6551

1020 North Turner, P.O. Box 177, Hobbs, New Mexico 88240
(505) 393-2102

1155 South Telshor Blvd. - Suite 100, P.O. Box 609, Las Cruces, New Mexico 88004
(505) 522-3300

PIONEER MORTGAGE COMPANY

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

3325 West Wadley - Suite 140, Midland, Texas 79707
(915) 694-9402

Deposits
Federally Insured
to $100,000
Backed by the
Full Faith and Credit
of the
United States
Government

PIONEER SAVINGS & TRUST, F.A.
P.O. Box 130
Roswell, New Mexico 88202
(505)624-5200