1993 ANNUAL REPORT

PIONEER SAVINGS & TRUST, F.A.

93 YEARS OF SERVICE

PIONEER SAVINGS & TRUST, F.A.

March 8, 1994

Dear Stockholder:

Pioneer Savings experienced record operating results in 1993! Net income after taxes was approximately $1,643,000, a 33% increase over the previous year. These earnings translate to net income per share of $1.63 versus $1.22 in 1992. Stockholders' equity is now at an all-time high of $9,659,000, bringing the book value per share to $9.58. Dividends paid to stockholders were increased to 15¢ per share from 11¢ per share in 1992.

The major factors contributing to the operating results were an increase in net interest margin, a reduction in provision for loan losses and a decrease in total operating expenses. Net interest margin, the difference between the income from loans and securities and the cost of our deposits and borrowings, increased $436,500 before provisions for loan losses. Provisions for loan losses declined $395,000 from 1992, due to declining delinquencies and the stabilized or increasing real estate values throughout our lending area. Thanks to stringent cost controls, operating expenses declined 12.1% due primarily to a $933,000 reduction in provisions for real estate losses.

Other significant operating results contributing to the continued improvement of your association included a 40% reduction in real estate acquired by foreclosure and a 16% increase in servicing volume. During the past year real estate owned declined $2.5 million to $3.8 million at yearend. Loan servicing for investors grew to $488.4 million and we expect that by mid-year 1994 our loan servicing volume will exceed one-half billion dollars. Loan servicing revenues represent a significant portion of our other income and create a natural hedge against rising interest rates, since rising interest rates result in increased servicing values. Based upon an independent appraisal as of December 31, 1993, the net value of our servicing portfolio was approximately $3.3 million, after deduction for acquisition cost. This value is not reported on our balance sheet under current accounting guidelines. However, the Financial Accounting Standards Board is re-evaluating its position which would, if approved, allow Pioneer prospectively to add the value of originated servicing to our assets.

We are very encouraged by the positive net operating revenues produced during the first two months of the year and are confident that 1994 will be another good year for Pioneer. Loan production in our branch offices continues to be strong despite rising mortgage rates. We expect that provisions for loan and real estate owned losses will decrease in 1994 and that any reserves that may be required can be funded by anticipated gains from real estate sold. Based upon increasing property values, investor demand for real estate, and real estate sales made during the first two months of 1994, we are optimistic that by the end of 1994, real estate owned will no longer be an operating burden for Pioneer. Our immediate business plan, as well as our long term strategic plan, calls for us to focus on our primary objective: providing construction and permanent loans to facilitate the purchase of single-family residences. Each of our branches have contributed to our overall improved results in 1993 and we are pleased with their presence in Southeastern New Mexico, El Paso, Midland and Odessa, Texas.

The officers and Board of Directors appreciate the hard work of our dedicated staff and thank our stockholders and customers for their continued support. We pledge our continued effort to improve the profitability of your association and to increase the value of your investment.

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, 1993	December 31, 1992
ASSETS:		
Cash and interest bearing deposits - Note B	$ 9,691,723	$ 14,747,613
Investment securities - Note C	196,790	196,582
Mortgage securities - Note C	81,720,108	65,750,254
Loans, net - Notes D and P	60,893,845	62,327,632
Loans held for sale, net - Note D	24,366,551	19,257,789
Accrued interest receivable	709,421	754,323
Federal Home Loan Bank stock	2,542,200	1,904,700
Office properties and equipment - Note E	3,757,108	3,843,533
Investments in real estate, net - Note F	3,818,992	6,350,728
Purchased mortgage servicing rights - Note G	2,806,132	2,575,856
Other assets - Note G	802,160	1,368,703
TOTAL ASSETS	$191,305,030	$179,077,713
LIABILITIES:		
Deposits - Note H	$141,062,322	$143,633,052
Federal Home Loan Bank advances and other borrowings - Note I	35,250,000	21,750,000
Official checks	3,131,043	3,006,762
Accrued interest payable	176,749	189,969
Advance payments for taxes and insurance	799,430	686,828
Accounts payable and other liabilities - Note J	1,226,479	1,643,577
TOTAL LIABILITIES	181,646,023	170,910,188
COMMITMENTS AND CONTINGENCIES - Notes D, L, M and N		
STOCKHOLDERS' EQUITY - Note K		
Capital stock, $1 par value, 2,000,000 shares authorized: 1,008,101 and 1,008,097 shares outstanding at December 31, 1993 and 1992, respectively	1,008,101	1,008,097
Additional paid-in capital	37,273	37,266
Retained earnings	8,613,633	7,122,162
TOTAL STOCKHOLDERS' EQUITY	9,659,007	8,167,525
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$191,305,030	$179,077,713

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF INCOME

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1993	1992
INTEREST INCOME:		
Loans - Note D	$ 6,732,361	$ 7,435,491
Mortgage securities - Note C	4,510,639	4,904,637
Time, certificates of deposit and investment securities	342,168	456,896
	11,585,168	12,797,024
INTEREST EXPENSE:		
Deposits - Note H	4,861,532	6,687,934
Federal Home Loan Bank advances and other borrowings	1,602,692	1,424,725
	6,464,224	8,112,659
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	5,120,944	4,684,365
Provision for loan losses - Note D	207,500	602,632
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,913,444	4,081,733
OTHER INCOME:		
Gain on sale of loans and securities, net - Notes C and D	1,271,307	2,326,786
Loan administration and service fees	1,820,709	1,854,197
Gain on sale of servicing	101,954	204,504
Other	178,014	181,858
	3,371,984	4,567,345
OTHER EXPENSES:		
Compensation and employee benefits - Note O	2,759,929	2,530,984
Provision for investments in real estate losses - Note F	659,397	1,592,344
Recoveries and gains on sale of investments in real estate	(211,718)	(385,310)
Net rental operations of investments in real estate	(54,198)	(68,604)
Occupancy	482,781	448,191
Deposit insurance premiums	429,632	339,357
Equipment	392,035	346,157
Data processing	368,450	423,518
Professional and supervisory	268,881	258,330
Stationary, printing and office supplies	188,311	191,388
Telephone	157,309	165,397
Advertising	40,488	42,952
Other	427,607	837,429
	5,908,904	6,722,133
Income before income taxes and cumulative effect of change in accounting principle	2,376,524	1,926,945
Income tax expense - Note J	834,341	694,300
Income before cumulative effect of change in accounting principle	1,542,183	1,232,645
Cumulative effect at January 1, 1993, of change in accounting for income taxes - Note J	100,503	-
NET INCOME	$ 1,642,686	$ 1,232,645

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF INCOME -- Continued

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1993	1992
Weighted average number of common shares	1,008,099	1,008,097
Income before cumulative effect of change in accounting principle	$ 1.53	$ 1.22
Cumulative effect of change in accounting principle	.10	-
Net income per share	$ 1.63	$ 1.22
Dividends per share	$ .15	$ .11

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,642,686	$ 1,232,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of:		
Purchased mortgage servicing rights	1,012,027	756,051
Excess servicing	225,651	357,117
Purchases of trading account securities	-	(2,620,074)
Sales of and principal reductions on trading account securities	2,626,389	-
Amortization and accretion of premiums and discounts on mortgage and other securities	(168,686)	69,459
Provision for loan losses	207,500	602,632
Provision for investments in real estate losses	659,397	1,592,344
Net (gain) loss on sales of:		
Loans	(589,456)	(439,550)
Mortgage securities	(681,851)	(1,887,236)
Office properties and equipment	(4,171)	694
Investments in real estate	(221,128)	(280,017)
Mortgage servicing	(101,954)	(204,504)
Depreciation of office properties and equipment	318,413	275,710
Changes in operating assets and liabilities:		
Accrued interest receivable	44,902	123,884
Other assets, net of amortization of excess servicing	340,891	679,600
Official checks	124,281	587,617
Accrued interest payable	(13,220)	(67,020)
Accounts payable and other liabilities, net of dividend declared and not distributed	(517,908)	618,486
Total adjustments	3,261,077	165,193
Net cash provided by operating activities	4,903,763	1,397,838

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS -- Continued

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1993	1992
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net originations and principal payments on loans	(105,530,147)	(81,718,850)
Purchases of investment securities	(393,580)	(392,755)
Proceeds from maturities of investment securities	400,000	300,000
Purchases of mortgage-backed securities held for investment	(7,998,887)	(109,084,440)
Proceeds from sale and principal reductions on mortgage-backed securities held for investment	671,365	88,574,240
Purchases of mortgage-backed securities held for sale	119,949,138	-
Proceeds from sale and principal reductions on mortgage-backed securities held for sale	-	116,754,652
Purchases of collateralized mortgage obligations held for investment	(23,612,662)	(37,036,269)
Proceeds from sale and principal reductions on collateralized mortgage obligations held for investment	42,969,164	23,471,264
Purchases of collateralized mortgage obligations held for sale	(54,048,783)	-
Proceeds from sale and principal reductions on collateralized mortgage obligations held for sale	7,638,187	-
Purchases of office property and equipment	(233,117)	(285,514)
Proceeds from sales of office property and equipment	5,300	360
Additions to purchased mortgage service rights	(1,242,303)	(1,523,645)
Purchases of Federal Home Loan Bank stock	(637,500)	(997,100)
Additions to investments in real estate	-	(72,439)
Proceeds from sales of investments in real estate	1,112,694	1,717,617
Net cash used for investing activities	(20,951,131)	(292,879)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(2,570,730)	(3,393,268)
Net increase in Federal Home Loan Bank advances	16,250,000	-
Proceeds from Federal Home Loan Bank borrowings	-	12,000,000
Payments on Federal Home Loan Bank borrowings	(2,750,000)	(4,000,000)
Increase (decrease) in advance payments for taxes and insurance	112,602	(224,516)
Sales of capital stock	11	-
Payment of cash dividend	(50,405)	(80,648)
Net cash provided by financing activities	10,991,478	4,301,568
(Decrease) increase in cash and cash equivalents	(5,055,890)	5,406,527
Cash and cash equivalents beginning of year	14,747,613	9,341,086
Cash and cash equivalents end of year	$ 9,691,723	$ 14,747,613

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS -- Continued

PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31, 1993	1992
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash (paid) received during the year for:		
Interest	$ (6,477,444)	$ (4,006,130)
Income taxes	(815,169)	(695,500)
Income tax refunds	-	323,629
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Real estate acquired through, or in lieu of, foreclosure	$ 980,773	$ 1,749,953
Origination of loans to finance the sale of investments in real estate	1,188,080	1,496,395
Loans converted to mortgage-backed securities	103,319,856	85,416,766
Dividend declared but not disbursed	100,810	60,486
Property transferred to real estate held for investment	-	198,209
Transfer from mortgage-backed securities held for investment to mortgage-backed securities available for sale	12,758,324	124,487,457
Transfer from collateralized mortgage obligations held for investment to collateralized mortgage obligations available for sale	8,959,231	-

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 1991	$ 1,008,097	$ 37,266	$ 6,000,407	$ 7,045,770
Net income	-	-	1,232,645	1,232,645
Dividends - $.11 per share	-	-	(110,890)	(110,890)
Balance, December 31, 1992	1,008,097	37,266	7,122,162	8,167,525
Stock issued	4	7	-	11
Net income	-	-	1,642,686	1,642,686
Dividends - $.15 per share	-	-	(151,215)	(151,215)
Balance, December 31, 1993	$ 1,008,101	$ 37,273	$ 8,613,633	$ 9,659,007

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

PIONEER SAVINGS & TRUST, F.A.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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 transactions and balances are eliminated in consolidation.

LOANS RECEIVABLE: Loans receivable are stated at unpaid principal balances, less the allowances for loan losses, and net deferred loan-origination fees and discounts.

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.

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.

INVESTMENT SECURITIES AND FEDERAL HOME LOAN BANK STOCK: Investment securities (which consist of U.S. Treasury obligations) and Federal Home Loan Bank stock are carried at amortized cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity. 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.

MORTGAGE SECURITIES: Mortgage securities consist of Government National Mortgage Association (GNMA) mortgage-backed securities, Federal National Mortgage Association (FNMA) pass-through certificates and Federal Home Loan Mortgage Corporation (FHLMC) participation certificates. Also included in this category are collateralized mortgage obligations consisting of FNMA and FHLMC real estate mortgage investment conduits. Mortgage securities which management intends to hold until maturity are valued at amortized cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity. Mortgage securities held for sale are valued at the lower of aggregate amortized cost or market value. Securities held for trading are valued at market value. Adjustments to amortization and accretion related to changes in prepayments are recorded on a current basis. At December 31, 1993, none of the mortgage securities owned by the Association were considered "high-risk derivative products," as defined by the Federal Financial Institutions Examination Council.

OFFICE PROPERTIES AND EQUIPMENT: Office properties and equipment are stated on the basis of historical 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 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 fair value, less selling expenses.

LOAN SERVICING RIGHTS: The cost of purchased mortgage servicing rights acquired is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interest in loans sold have an average contractual interest rate, adjusted for normal servicing fees, that differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. The resulting "excess servicing fees receivable" is amortized over the estimated life using a method approximating the level-yield method.

PIONEER SAVINGS & TRUST, F.A.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

LOAN SERVICING RIGHTS -- continued: The cost of purchased mortgage servicing rights acquired, the excess servicing fees receivable, and the amortization thereon is periodically evaluated in relation to estimated future net servicing revenues. The Association evaluates the carrying value of the servicing portfolio by estimating the discounted present value of future net servicing income of the portfolio based on management's best estimate of remaining loan lives.

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 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.

INCOME TAXES: The Association files a consolidated income tax return with its subsidiary Pioneer Mortgage Company and, as agreed, the income taxes of Pioneer Mortgage Company determined to be currently payable are remitted to the Association. The calculation of taxes payable is based on Pioneer Mortgage Company's respective contribution to consolidated taxable income.

The Association adopted, as of January 1, 1993, the provisions of Statement of Financial Accounting Standards (FAS) No. 109, "Accounting for Income Taxes." The new standard is similar to the standard used previously by the Association in that FAS No. 109 also requires the use of the liability method in accounting for income taxes. However, FAS No. 109 changes the manner in which deferred taxes are computed upon the temporary difference between the allowance for loan losses for tax and financial statement purposes. As explained in Note J, under the new standard, it is not necessary to provide deferred taxes upon the portion of the allowance for loan losses for tax purposes that arose in years prior to 1988. The previous standard required that deferred taxes be computed on the entire difference between the allowance for loan losses for tax and financial statement purposes, less an amount attributable to certain future tax deductions. Additionally, under FAS No. 109, the deferred tax liabilities or assets at the end of each period are determined using the current marginal rate in effect. Previous rules required that deferred taxes be provided using the tax rate which would apply during the period in which the temporary differences were recognized, without consideration of other income and deductions.

ACCOUNTING STANDARDS ISSUED, NOT YET ADOPTED: In May 1993, the Financial Accounting Standards Board (FASB) issued FAS No. 114, "Accounting by Creditors for Impairment of A Loan - an Amendment of FAS No. 5 and 15." This new standard requires that certain impaired loans be measured based on the present value of future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or fair value of the collateral if the loan is collateral dependent. The Association is required to adopt this new standard no later than 1995, although earlier implementation is permitted. The Association has not determined when it will adopt the new standard or what effects, if any, adoption will have on its future financial statements.

In May 1993, FASB also issued FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This new standard addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investment in debt securities. Those investments are to be classified in three categories and accounted for as follows: "held-to-maturity," reported at amortized cost; "available-for-sale," reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholder's equity; "trading securities," reported at fair value, with unrealized gains and losses included in earnings. The effects of adoption of FAS No. 115 are reflected in Note C. The Association will adopt the provisions of this standard as of January 1, 1994.

RECLASSIFICATIONS: Certain amounts in the 1992 financial statements have been reclassified to conform to the 1993 presentation.

PIONEER SAVINGS & TRUST, F.A.

NOTE B - CASH AND INTEREST BEARING DEPOSITS

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

	December 31, 1993	December 31, 1992
Interest bearing deposits	$ 374,002	$ 8,012,310
Cash and due from banks	5,170,721	3,963,303
Certificates of deposit (with an original maturity of three months or less)	4,147,000	2,772,000
	$ 9,691,723	$ 14,747,613

There were no amounts subject to withdrawal or usage restrictions

NOTE C - INVESTMENT AND MORTGAGE SECURITIES

The amortized cost and estimated market values of investments in debt securities at December 31, 1993 and 1992 are as follows:

1993	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment Securities:				
U.S. Treasury securities	$ 196,790	$ 3,210	$ -	$ 200,000
Mortgage Securities:				
Mortgage-backed Securities:				
Held for investment	$ 9,716,431	$ 144,569	$ -	$ 9,861,000
Held for sale	6,743,466	226,534	-	6,970,000
	$16,459,897	$ 371,103	$ -	$16,831,000
Collateralized Mortgage Obligations:				
Held for investment	$ 9,835,146	$ 1,552	$ 2,698	$ 9,834,000
Held for sale	55,425,065	76,322	64,387	55,437,000
	$65,260,211	$ 77,874	$ 67,085	$65,271,000
	$81,720,108	$ 448,977	$ 67,085	$82,102,000

1992	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment Securities:				
U.S. Treasury securities	$ 196,582	$ 3,418	$ -	$ 200,000
Mortgage Securities:				
Mortgage-backed Securities:				
Held for investment	$15,150,210	$ 411,790	$ -	$15,562,000
Held for sale	9,963,567	237,894	84,461	10,117,000
Held for trade	2,620,074	5,926	-	2,626,000
	$27,733,851	$ 655,610	$ 84,461	$28,305,000
Collateralized Mortgage Obligations:				
Held for investment	$38,016,403	$ 1,231	$ 59,634	$37,958,000
	$65,750,254	$ 656,841	$ 144,095	$66,263,000

PIONEER SAVINGS & TRUST, F.A.

NOTE C - INVESTMENT AND MORTGAGE SECURITIES -- Continued

The amortized cost and estimated market value of debt securities at December 31, 1993, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

	Carrying Value	
	Amortized Cost or Carrying Value	Estimated Market Value
Due in one year or less	$ 196,790	$ 200,000
Mortgage securities	81,720,108	82,102,000
	$81,916,898	$82,302,000

At December 31, 1993 and 1992, $8,462,531 and $5,806,679, respectively, of mortgage securities were pledged to secure public unit deposits. At December 31, 1993, mortgage securities having a fair value of $18,423,993 were pledged to secure borrowings from the FHLB.

The following table presents components of gains and losses on sales of securities:

	December 31,	
	1993	1992
Gains	$ 877,720	$ 2,320,863
Losses	(195,869)	(433,627)
	$ 681,851	$ 1,887,236

Adoption of FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of January 1, 1994, will have the following effect on the Association's equity and earnings:

	Carrying Value	
	Prior to Adoption of FAS No. 115	Upon Adoption of FAS No. 115
Investments held-to-maturity	$19,748,367	$19,748,367
Investments available-for-sale	62,168,531	62,407,000
	$81,916,898	$82,155,367
Deferred tax liability, net	$ 585,821	$ 678,013
Stockholders' equity, including mark-to-market valuation, net of taxes	$ 9,659,007	$ 9,805,284

PIONEER SAVINGS & TRUST, F.A.

NOTE D - LOANS

Loans consisted of the following:

	December 31, 1993	December 31, 1992
First mortgage loans held for investment:		
Conventional	$ 48,949,530	$ 51,364,266
FHA insured and VA guaranteed	5,698,721	5,750,500
Construction and land	7,445,878	8,653,461
Loans in process	(3,040,150)	(5,139,591)
	59,053,979	60,628,636
Savings account loans	1,115,142	1,253,539
Installment and other loans	1,427,908	1,041,085
Unearned discounts	(8,733)	(8,529)
	61,588,296	62,914,731
Allowance for loan losses	(393,009)	(439,958)
Deferred loan fees, net	(301,442)	(147,141)
	$ 60,893,845	$ 62,327,632
First mortgage loans held for sale:		
Conventional	$ 5,053,922	$ 6,141,659
FHA insured and VA insured	19,430,194	13,218,221
	24,484,116	19,359,880
Deferred loan fees, net	(117,565)	(102,091)
	$ 24,366,551	$ 19,257,789

At December 31, 1993 and 1992, $78,816,350 and $69,202,000, respectively, of mortgage loans were pledged to secure FHLB advances.

The adoption of FAS No. 115 as of January 1, 1994, will not impact the carrying value of unsecuritized first mortgage loans available for sale of $24,366,551 at December 31, 1993.

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

	December 31, 1993	December 31, 1992
Balance at beginning of year	$ 439,958	$ 454,072
Recoveries	31,500	60,816
Provision	207,500	602,632
	678,958	1,117,520
Charge-offs	(285,949)	(677,562)
Balance at end of year	$ 393,009	$ 439,958

Nonaccrual loans totaled $2,520,042 and $1,912,649 at December 31, 1993 and 1992, respectively. The Association had no outstanding commitments to lend additional funds to debtors whose loans are on nonaccrual status.

PIONEER SAVINGS & TRUST, F.A.

NOTE D - LOANS - Continued

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:

	1993	1992
Interest income that would have been recorded	$ 11,240,730	$ 12,503,093
Interest income recognized	11,243,000	12,340,128
Interest income foregone, net of recoveries of interest on loans previously charged-off	$ (2,270)	$ 162,965

Net gains on whole loan sales were $589,456 and $439,550 in 1993 and 1992, respectively.

NOTE E - OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment consisted of the following:

	December 31, 1993	December 31, 1992
Land	$ 818,855	$ 818,855
Buildings	3,170,010	3,088,155
Furniture and equipment	2,424,867	2,360,993
	6,413,732	6,268,003
Accumulated depreciation	(2,656,624)	(2,424,470)
	$ 3,757,108	$ 3,843,533

NOTE F - INVESTMENTS IN REAL ESTATE

Investments in real estate consisted of the following:

	December 31, 1993	December 31, 1992
Real estate acquired in settlement of loans and through foreclosure	$ 3,947,914	$ 6,396,329
Allowance for losses	(128,922)	(45,601)
	$ 3,818,992	$ 6,350,728

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

	December 31, 1993	December 31, 1992
Balance at beginning of year	$ 45,601	$ 270,248
Provision	659,397	1,592,344
Charge-offs	(576,076)	(1,816,991)
Balance at end of year	$ 128,922	$ 45,601

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 balances of these loans are summarized as follows:

	December 31, 1993	December 31, 1992
Mortgage loans underlying pass through securities:		
GNMA	$199,532,552	$136,632,683
FNMA	30,279,110	29,208,740
FHLMC	10,154,560	18,843,917
	239,966,222	184,685,340
Mortgage loan portfolios serviced for:		
FNMA	103,889,609	86,805,720
FHLMC	137,034,989	143,294,042
Other investors	7,515,738	7,684,735
	248,440,336	237,784,497
	$488,406,558	$422,469,837

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

At Pioneer	$ 10,441,933	$ 6,293,799
At other financial institutions	6,950,929	3,123,054
	$ 17,392,862	$ 9,416,853

Following is an analysis of the changes in loan-servicing rights acquired (purchased) and excess servicing fees receivable (retained) for the years 1993 and 1992:

	Purchased	Excess Servicing
Balance, December 31, 1991	$ 1,808,262	$ 630,426
Additions	1,523,645	-
Amortization	(756,051)	(69,258)
Valuation adjustments due to changes in prepayment assumptions	-	(287,859)
Balance, December 31, 1992	2,575,856	273,309
Additions	1,242,303	-
Amortization	(1,012,027)	(50,745)
Valuation adjustments due to changes in prepayment assumptions	-	(174,906)
Balance, December 31, 1993	$ 2,806,132	$ 47,658

Capitalized excess servicing is 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, 1993	Average Rate %	December 31, 1992
Non-interest bearing commercial	0.00%	$ 13,689,492	0.00%	$ 8,315,372
Passbook	2.57%	7,970,990	2.71%	8,561,273
NOW accounts	2.02%	11,289,713	2.40%	9,589,881
Super NOW accounts	2.27%	2,337,399	2.57%	1,944,902
Money market deposit accounts	2.53%	13,879,747	2.88%	14,711,891
Certificates of deposit	4.10%	91,894,981	4.49%	100,509,733
		$141,062,322		$143,633,052

The following is a comparative summary of deposits held by the Association as of December 31, 1993 and 1992, categorized by interest rates being paid:

	1993	1992
0.00%	$ 13,689,586	$ 8,472,559
2.01% - 3.00%	52,423,164	37,580,590
3.01% - 4.00%	45,074,323	45,706,061
4.01% - 5.00%	8,133,350	25,367,260
5.01% - 6.00%	11,226,183	8,474,897
6.01% - 7.00%	5,091,592	8,149,087
7.01% - 8.00%	2,645,959	5,711,027
8.01% - 9.00%	2,182,986	3,583,439
9.01% - 10.00%	595,179	588,132
	$141,062,322	$143,633,052

A comparative summary of deposits by term to maturity as of December 31, 1993 and 1992, follows:

	1993	1992
No contractual maturities	$ 49,267,341	$ 43,123,319
Under 12 months	67,230,284	79,029,528
13 months to 24 months	9,972,973	9,323,650
25 months to 36 months	3,426,622	5,325,685
Over 36 months	11,165,102	6,830,870
	$141,062,322	$143,633,052

Interest expense on deposits was comprised of the following:

	1993	1992
Passbook	$ 219,685	$ 236,745
Demand	658,557	777,453
Time	3,983,290	5,673,736
	$ 4,861,532	$ 6,687,934

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 $10,477,984 and $9,896,947 at December 31, 1993 and 1992, respectively.

PIONEER SAVINGS & TRUST, F.A.

NOTE I - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Federal Home Loan Bank (FHLB) advances and other borrowings consist of fixed rate, fixed-term advances which must be secured by mortgage loans or other assets acceptable to the FHLB. At December 31, 1993 and 1992, the Association's advances were secured by a blanket assignment of mortgage loans with a market value greater than the amount of outstanding advances. Borrowings were secured by mortgage securities having a fair value of $18,423,993. A summary of advances and borrowings at December 31, follows:

	Maturity Date	Rate at December 31, 1993	1993	1992
Borrowings:	1-04-94	3.16%	$ 5,000,000	$ -
	1-04-94	3.10%	1,250,000	-
	1-07-94	3.15%	10,000,000	-
Advances:	3-01-93	6.29%	-	2,750,000
	4-01-94	5.88%	5,000,000	5,000,000
	10-16-94	6.55%	7,000,000	7,000,000
	2-06-95	5.73%	3,000,000	3,000,000
	2-02-96	6.41%	4,000,000	4,000,000
			$ 35,250,000	$21,750,000

NOTE J - INCOME TAXES

Effective January 1, 1993, the Association adopted the provisions of FAS No. 109, "Accounting for Income Taxes." As permitted by FAS No. 109, prior year's financial statements have not been restated. The cumulative effect of adopting the new standard resulted in an increase in earnings of $100,503 as reflected on the accompanying 1993 consolidated statement of income.

In accordance with FAS No. 109, the Association records tax expense (benefits) equal to the sum of deferred tax expense (benefit) and income taxes currently payable or refundable. Deferred tax expense (benefit) results from changes in deferred tax liabilities and assets. Deferred tax liabilities and assets are recognized for the estimated future tax effects attributable to temporary differences between the bases of assets and liabilities for tax and financial statement purposes. Total income tax expense in the accompanying consolidated statements of income are as follows:

	Years Ended December 31, 1993	1992
CURRENT:		
Federal	$ 546,140	$ 776,003
State	83,542	139,083
DEFERRED:		
Federal	179,340	(174,604)
State	25,319	(46,182)
	$ 834,341	$ 694,300

PIONEER SAVINGS & TRUST, F.A.

NOTE J - INCOME TAXES -- Continued

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

	1993	1992
Computed "expected" tax expense	$ 808,018	$ 655,161
Change in base year amount of tax bad debt reserves	6,215	-
Effect of bad debt deduction	-	(148,156)
Tax exempt interest	(1,216)	(1,127)
State income taxes, net	76,063	51,597
Rate benefit of deferral to future years	-	153,013
Other, net	(1,049)	1,969
Adjustment to prior year's income taxes	(53,690)	(18,157)
Total income tax expense	$ 834,341	$ 694,300

As of December 31, 1993, the Association has deferred tax assets of $345,716, and deferred tax liabilities of $931,535, resulting in a net deferred tax liability of $585,819. The net deferred tax liability is included in other liabilities in the accompanying consolidated statements of financial condition. The Association has not recorded a valuation allowance with respect to the deferred tax assets because it is anticipated that the assets are fully realizable. The deferred taxes are attributable to temporary differences, such as the use of accelerated depreciation methods for tax purposes, the excess of the allowance for loan losses for financial reporting purposes over the portion of the allowance for loan losses for tax purposes which arose after 1987, the prior deductions for tax purposes of losses incurred on previous mortgage pool exchanges, the exclusion from taxable income for certain stock dividends, the recognition of unrealized gains and losses on securities for tax purposes, the deduction of loan origination cost for tax purposes, and the deferral of deductions for accrued liabilities under the Association's medical and dental benefit plan.

In accordance with FAS No. 109, the Association has not recognized deferred tax liabilities for the portion of the allowance for loan losses for tax purposes that arose in years prior to 1988. Deferred tax liabilities are recognized for this temporary difference only if it is apparent that it will reverse and become taxable in the foreseeable future. This difference could become taxable in the future if the Association fails to meet the definition of a savings and loan for tax purposes, or if distributions are made to stockholders in excess of accumulated earnings for tax purposes. It is not anticipated that any event resulting in the reversal of this difference will occur. The Association's allowance for loan losses for tax purposes for which no deferred tax liability has been recognized, and the corresponding unrecognized deferred tax liability, are $1,597,000 and $591,000, respectively, as of December 31, 1993.

PIONEER SAVINGS & TRUST, F.A.

NOTE K - REGULATORY CAPITAL

In accordance with the "Financial Institutions Reform, Recovery and Enforcement Act of 1989," (FIRREA), the Office of Thrift Supervision (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.

	1993		1992	
	Required	Actual	Required	Actual
Tangible	1.5%	5.0%	1.5%	4.6%
Core	3.0	5.0	3.0	4.6
Risk-based	8.0	13.1	8.0	10.3

At December 31, 1993 and 1992, the Association met all three capital requirements. Risk based assets as of December 31, 1993 and 1992 approximated $75,834,000 and $82,313,000, respectively.

Following is a reconciliation of GAAP capital to regulatory capital as of December 31, 1993:

	Unaudited-Regulatory		
	Tangible Capital	Core Capital	Risk-Based Capital
GAAP capital, as reported in the accompanying consolidated statements	$9,659,007	$9,659,007	$9,659,007
Allowance for loan losses	-	-	393,009
Nonallowable assets - Equity investments	-	-	(118,925)
Regulatory capital computed	9,659,007	9,659,007	9,933,091
Minimum capital requirement	2,869,575	5,739,151	6,066,736
Excess of regulatory capital over minimum requirement	$6,789,432	$3,919,856	$3,866,355

During December 1990, the Association entered into a supervisory agreement with the OTS. The agreement required 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. On February 25, 1994, management received notice from the Office of Thrift Supervision (OTS) that this agreement and related requirements had been rescinded and is no longer in effect.

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 1999. Lease payments included in occupancy expense totaled $140,690 and $130,126 for the years ended December 31, 1993 and 1992, respectively. Future minimum lease payments under the Association's non-cancellable operating leases outstanding as of December 31, 1993, were as follows:

1994	$156,019
1995	137,590
1996	137,590
1997	137,590
1998	137,590
Thereafter	11,466
	$717,845

In the normal course of business, the Association becomes a party to various lawsuits in which they defend or settle such actions. When actions are deemed probable of settlement, estimated provisions for losses are provided in the financial statements. With regard to actions in process at December 31, 1993, 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 adverse effect on the Association's consolidated financial position or results of operations.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS

FAS No. 107, "Disclosure about Fair Value of Financial Instruments", requires the Association to disclose the estimated fair value of its financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

CASH AND DUE FROM BANKS, AND INTEREST-BEARING DEPOSITS WITH OTHER BANKS: For these short-term instruments, their carrying amount is a reasonable estimate of fair value.

INVESTMENT SECURITIES: The fair value of investment securities is equal to the estimated quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, adjusted for differences between the quoted instruments and the instruments being valued. The fair value of the investment securities is presented in Note C.

LOANS: The fair value of performing loans is calculated by using a simulated pricing model. The model calculates the fair value of the loans by discounting the scheduled cash flows through maturity using the discount rates that reflect the credit and interest rate risks inherent in the loan portfolio.

Fair value of significant non-performing loans is valued on a loan-by-loan basis. The factors considered in determining an appropriate reserve for possible loan losses are considered in determining the effects of changes in credit risk when estimating fair value. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

PIONEER SAVINGS & TRUST, F.A.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents information for loans:

	December 31, 1993		December 31, 1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans held for investment:				
1-4 Family and Participations	$44,192,211	$46,758,072	$45,895,098	$47,285,525
Multi-family & participation	10,456,040	11,074,384	11,219,668	11,696,743
Deferred fees and valuation allowance	(579,094)	-	(476,918)	-
	54,069,157	57,832,456	56,637,848	58,982,268
Construction loans:				
Construction	4,405,728	4,413,140	3,513,870	3,542,235
Deferred fees and valuation allowance	(88,951)	-	(88,467)	-
	4,316,777	4,413,140	3,425,403	3,542,235
Loans held for sale:				
Mortgages held for sale	24,484,116	24,833,073	19,359,880	19,705,709
Deferred fees and valuation allowance	(117,565)	-	(102,091)	-
	24,366,551	24,833,073	19,257,789	19,705,709
Second mortgages	844,841	895,461	61,579	77,083
Deferred fees	(14,858)	-	-	-
	829,983	895,461	61,579	77,083
Savings account loans	1,115,142	1,119,966	1,253,539	1,256,415
Consumer and Commercial:				
Consumer/commercial	583,066	592,061	979,506	997,658
Deferred fees and valuation allowance	(20,280)	-	(30,243)	-
	562,786	592,061	949,263	997,658
Total net loans	$85,260,396	$89,686,157	$81,585,421	$84,561,368

PIONEER SAVINGS & TRUST, F.A.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

DEPOSITS: The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings and interest-bearing transaction accounts, is equal to the amount payable on demand as of December 31, 1993. The fair values of time deposits are estimated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with similar remaining maturities. The following is a summary of estimated fair value of deposits as of:

	December 31, 1993		December 31, 1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-interest bearing commercial	$ 13,689,492	$ 13,689,492	$ 8,315,372	$ 8,315,372
Passbook	7,970,990	7,970,990	8,561,273	8,561,273
NOW accounts	11,289,713	11,289,713	9,589,881	9,589,881
Super NOW accounts	2,337,399	2,337,399	1,944,902	1,944,902
Money market deposit accounts	13,879,747	13,879,747	14,711,891	14,711,891
Certificates of deposit	91,894,980	92,552,098	100,509,733	101,252,360
	$141,062,321	$141,719,439	$143,633,052	$144,375,679

ADVANCES AND BORROWINGS: The fair value of advances and borrowings is based on the discounted value of contractual cash flows. The following table shows the break down of the total amount by maturity date:

	December 31, 1993		December 31, 1992	
Maturity Date	Carrying Amount	Fair Value	Carrying Amount	Fair Value
03-01-93	$ -	$ -	$ 2,750,000	$ 2,769,139
01-04-94	5,000,000	5,000,000	-	-
01-04-94	1,250,000	1,250,000	-	-
01-07-94	10,000,000	10,000,000	-	-
04-01-94	5,000,000	5,038,574	5,000,000	5,084,570
10-16-94	7,000,000	7,143,718	7,000,000	7,199,636
02-06-95	3,000,000	3,043,921	3,000,000	3,030,735
02-02-96	4,000,000	4,129,764	4,000,000	4,033,316
	$35,250,000	$35,605,977	$21,750,000	$22,117,396

ACCRUED INTEREST RECEIVABLE AND PAYABLE: The fair value of interest receivable and payable approximate the carrying amount because the balance is expected to be collected or paid in 90 days or less.

PIONEER SAVINGS & TRUST, F.A.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

INTEREST RATE CAP AGREEMENT: The fair value of interest rate cap agreements (used for hedging purposes) is the estimated amount that the Association would receive to terminate the agreement at the reporting date, considering current interest rates.

	December 31, 1993		December 31, 1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
$10,000,000 Interest rate cap agreement:	$ 79,297	$ 4,000	$ 132,162	$ 44,000

EXCESS SERVICING: The fair value of excess servicing is based on external appraisals as follows:

	December 31, 1993		December 31, 1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Excess servicing	$ 47,658	$ 146,612	$ 273,309	$ 293,000

PIONEER SAVINGS & TRUST, F.A.

NOTE N - 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. The fair value of commitments to originate or purchase loans at December 31, 1993, in the following table, is not significant.

	Contract or Notional Amount
Financial instruments whose contract amounts represent credit risk:	
Commitments to originate loans	$ 70,000
Commitments to purchase loans	14,072,534
Loans sold with recourse	430,390
Financial instruments the notional or contract amounts of which exceed the amount of credit risk:	
Commitments to purchase securities	$ 2,000,000
Commitments to sell mortgages and mortgage-backed securities	34,064,000

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.

The Association's 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.

PIONEER SAVINGS & TRUST, F.A.

NOTE O - RETIREMENT PLAN

The Association adopted a 401(k) retirement savings plan for employees effective January 1, 1991. Matching contributions are optional at the discretion of the Board of Directors. The level of matching contributions of eligible employee compensation and expense were as follows for 1992 and 1993:

Year	Match	Covered Compensation	Expense
1992	100%	3%	$30,000
1993	100%	3%	35,446

NOTE P - RELATED PARTY TRANSACTIONS

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

	1993	1992
Balance at beginning of year	$ 391,505	$ 421,421
Loans originated	380,100	-
Loan sales and principal repayments	(391,736)	(29,916)
Balance at end of year	$ 379,869	$ 391,505

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.

A Director of the Association is of counsel to a law firm which serves as general counsel for the Association. The firm received approximately $36,000 and $74,000 for legal services rendered to the Association in the years ended December 31, 1993 and 1992, respectively.

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. The following table reflects sales of property during 1992 and 1993.

	Carrying Value	Gain
1992	$181,778	$175,878
1993	-	10,000

Management does not anticipate any losses on the remaining $1,056,644 of 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, 1993 and 1992, and the related consolidated statements of income, 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, 1993 and 1992, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As explained in Notes A and J to the financial statements, in 1993 the Association adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes."

Arthur Andersen & Co.

Albuquerque, New Mexico
February 25, 1994

PIONEER SAVINGS & TRUST, F.A.

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

	Year Ended December 31,				
	1993	1992	1991	1990	1989
Interest income	$ 11,585,168	$ 12,797,024	$ 13,219,387	$ 13,477,807	$ 14,086,870
Interest expense	6,464,224	8,112,659	9,952,915	11,145,394	12,427,269
Net interest income	5,120,944	4,684,365	3,266,472	2,332,413	1,659,601
Net income	1,642,686	1,232,645	216,921	105,571	72,314
Per share data:					
Net income	1.63	1.22	.22	.10	.07
Dividends	.15	.11	.03	-	-
Investment securities	196,790	196,582	99,968	3,469,585	99,895
Mortgage securities	81,720,108	65,750,254	58,578,944	41,921,354	26,354,721
Loans	85,260,396	81,585,421	85,495,474	92,512,732	97,733,299
Total assets	191,305,030	179,077,713	172,404,417	166,894,994	159,740,860
Deposits	141,062,322	143,633,052	147,026,320	149,071,197	139,185,791
FHLB borrowings	35,250,000	21,750,000	13,750,000	7,000,000	10,000,000
Stockholders' equity	9,659,007	8,167,525	7,045,770	6,859,092	6,753,918
Customer service facilities:					
Full service branch facilities	6	6	6	6	6
Loan production offices	2	2	2	2	3
Loans serviced for others	488,407,000	422,470,000	274,878,000	173,716,000	223,178,000

PIONEER SAVINGS & TRUST, F.A.

VOLUME AND RATE ANALYSIS
(000's OMITTED)

1993 COMPARED TO 1992:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1993	1992	1993	1992	1993	1992	Interest Variance	Volume	Rate
Interest income:									
Loans	$ 84,327	$ 84,295	7.98%	8.82%	$ 6,732	$7,435	$ (703)	$ 3	$ (706)
Mortgage securities	77,876	71,881	5.79	6.82	4,511	4,905	(394)	347	(741)
Investments	7,385	10,322	4.63	4.43	342	457	(115)	(136)	21
Total interest earning assets	$169,588	$166,498	6.83%	7.69%	$11,585	$12,797	$(1,212)	$ 214	$(1,426)
Interest expense:									
Deposits	$144,496	$151,794	3.66%	4.41%	$ 4,861	$ 6,688	$(1,827)	$ (246)	$(1,581)
Borrowed funds	30,098	22,541	5.33	6.32	1,603	1,425	178	402	(224)
Total interest bearing liabilities	$174,594	$174,335	3.70%	4.65%	$ 6,464	$ 8,113	$(1,649)	$ 156	$(1,805)
Net interest spread and income			3.13%	3.04%	$ 5,121	$ 4,684			
Ratio of net interest income to average interest earning assets					3.02%	2.81%			

1992 COMPARED TO 1991:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1992	1991	1992	1991	1992	1991	Interest Variance	Volume	Rate
Interest Income:									
Loans	$ 84,295	$ 88,100	8.82%	9.43%	$ 7,435	$ 8,311	$ (876)	$ (335)	$ (541)
Mortgage securities	71,881	50,104	6.82	8.32	4,905	4,168	737	1,486	(749)
Investments	10,322	11,888	4.43	6.22	457	740	(283)	(70)	(213)
Total interest earning assets	$166,498	$150,092	7.69%	8.81%	$12,797	$13,219	$ (422)	$ 1,081	$(1,503)
Interest expense:									
Deposits	$151,794	$149,275	4.41%	6.29%	$ 6,688	$ 9,393	$(2,705)	$ 110	$(2,815)
Borrowed funds	22,541	7,855	6.32	7.13	1,425	560	865	928	(63)
Total interest bearing liabilities	$174,335	$157,130	4.65%	6.33%	$ 8,113	$ 9,953	$(1,840)	$ 1,038	$(2,878)
Net interest spread and income			3.04%	2.48%	$ 4,684	$ 3,266			
Ratio of net interest income to average interest earning assets					2.81%	2.18%			

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, NM 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
Roswell, NM 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 3:00 P.M. on Tuesday, April 19, 1994 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; accordingly, such bid information by quarter is not shown. Recent transactions in the stock have ranged from $5.60-$5.95 per share. As of December 31, 1993, there were approximately 365 holders of record of Pioneer Common Stock. Dividends of $.15 per share were declared in 1993.

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.

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

Vice-President
John Dick-Peddie
Suzi K. Glass
Darlene Hart
Daniel A. Hostetler
Alan Johnson
Susan Keohane
Robert Mays
Scott Mohrhauser
Rebecca Underation
Debe Wagner

Executive Vice-President & Treasurer
Jon E. Hitchcock

Senior Vice-President
Britt Donaldson
Stephen P. Puntch

Assistant Vice President
Janet Asher
Virginia Boyer
Charlotte Gipson
Lee Harrell
Sharon Kirchhofer
Debi Rupe
Carolyn Sturdevant
Robert D. Vie
Debra Young

Secretary
Barba McCampbell

Assistant Secretary
Sara Hill
Lanice A. White

Pioneer Mortgage Company

Vice-President
Freida J. Goodrum
Pamela Sparks

PIONEER SAVINGS & TRUST, F.A.

306 N. Pennsylvania, P.O. Box 130, Roswell, New Mexico 88201
(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 N. Canal, P.O. Box S, Carlsbad, New Mexico 88220
(505) 887-6551

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

1155 S. Telshor - 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 W. Wadley - Suite 130, Midland, Texas 79707
(915) 520-0081

5050 E. University - Suite 7, Odessa, Texas 79762
(915) 367-0063