PIONEER SAVINGS BANK

1995 ANNUAL REPORT

Certain people have a profound influence upon the course of future events. On February 9, 1996, we were saddened by the passing of one such individual T. Truman Sanders Jr., who served this Bank with distinction from 1958 to 1988.

We would like to dedicate this Annual Report to the memory of this remarkable individual for the many contributions he made to the Bank.

PIONEER SAVINGS BANK

March 12, 1996

Dear Stockholder:

Pioneer Savings Bank's 1995 operating results reached record levels with net income totalling approximately $3.3 million. Net worth climbed to a record of $14.3 million, which equates to $14.20 per share of stock. Dividends, yielding about 6% payout on recent stock prices, increased to $.60 per share from $.40 in 1994. As a result of these record earnings and dividend payout, return on average stockholder equity was in excess of 27%. The per share price paid by investors of Pioneer stock has accelerated upward since last year, with the most recent trades around $10.50, compared to $8.00 per share at the beginning of 1995.

Our operating results were positively effected by an increase in net interest income after loan loss provision, a reduction in real estate owned, prudent control of operating expenses, and the sale of a servicing package. The improvement in net interest income was due primarily to the growth in assets from $179.9 million as of 12/31/94 to $225.1 million at the end of 1995. Customer deposits in our six savings offices grew approximately $12 million, or nearly 9%. Net interest margin was also greatly enhanced by a reduction in the loan loss provision, compared to 1994. Real estate acquired by foreclosure declined to a very manageable level of approximately $337,000, a reduction of $1.5 million from year-end 1994.

Included in our net income for this past year is approximately $860,000, after taxes, resulting from a servicing sale, the proceeds of which were ear-marked to pay an anticipated one-time Federal Deposit Insurance Corporation (FDIC) assessment. The assessment was expected as a part of Congress' proposed action to fully-capitalize the Savings Association Insurance Fund. However, due to the on-going budget stalemate in Washington, the legislation imposing the FDIC assessment was not passed in 1995. As we expect the legislation to be passed in 1996, our payment for this one-time assessment will likely be paid this year. Consequently, our operating plan projects that net income in 1996 will be decreased by the amount of the assessment when compared to the income produced in 1995. Despite the anticipated payment, we look forward to 1996 as another good operating year for your bank.

PIONEER SAVINGS BANK

Over the past three years we have overcome the difficulties associated with the oil-patch bust and the depressed economic conditions that occurred from the mid-1980's through the early 1990's. Pioneer is now positioned to produce solid future returns for our stockholders and improved customer service. Our operating plan provides that we will continue to act as mortgage bankers, originating and buying loans in New Mexico and Texas and selling them with servicing-retained in the national secondary market. We do not foresee the need to sell additional servicing in 1996. We are optimistic that deposit growth will continue throughout 1996, thus enabling your bank to show moderate growth in assets and net interest margin. This year we plan to install additional drive-up lanes in each of our branch locations, as well as implement other services to benefit our customers.

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 bank and to increase the value of your investment.

Sincerely,

PIONEER SAVINGS BANK

George W. Mitchell

George W. Mitchell
President

GLW/law

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

PIONEER SAVINGS BANK

	December 31, 1995	December 31, 1994
ASSETS:		
Cash and interest bearing deposits - Note B	$ 4,012,652	$ 3,000,275
Investment and mortgage securities - Note C		
Held-to-maturity	17,292,596	78,547,862
Available-for-sale	96,818,452	11,011,377
Loans, net - Notes D and P	79,773,700	65,056,028
Loans held for sale, net - Note D	14,243,523	8,290,523
Accrued interest receivable	1,056,517	844,486
Federal Home Loan Bank stock	2,953,500	1,825,800
Office properties and equipment, net - Note E	4,003,622	3,698,205
Investments in real estate, net - Note F	337,200	1,803,826
Mortgage servicing rights - Note G	1,913,415	3,333,018
Other assets	2,658,532	2,528,549
TOTAL ASSETS	$ 225,063,709	$ 179,939,949
LIABILITIES:		
Deposits - Note H	$ 146,807,779	$ 134,891,178
Federal Home Loan Bank advances and other borrowings - Note I	58,213,760	29,339,056
Official checks	2,395,330	1,909,185
Accrued interest payable	203,063	114,858
Advance payments for taxes and insurance	1,110,314	554,406
Deferred tax liabilities, net - Note J	1,065,722	1,457,333
Accounts payable and other liabilities	950,158	650,433
TOTAL LIABILITIES	210,746,126	168,916,449
COMMITMENTS AND CONTINGENCIES - Notes D, L, M and N		
STOCKHOLDERS' EQUITY - Note K:		
Capital stock, $1 par value, 2,000,000 shares authorized: 1,008,104 and 1,008,102 shares outstanding at December 31, 1995 and 1994, respectively	1,008,104	1,008,102
Additional paid-in capital	37,284	37,276
Unrealized gains (losses) on investment and mortgage securities, net of tax effect - Note C	313,146	(239,899)
Retained earnings	12,959,049	10,218,021
TOTAL STOCKHOLDERS' EQUITY	14,317,583	11,023,500
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 225,063,709	$ 179,939,949

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

CONSOLIDATED STATEMENTS OF INCOME

PIONEER SAVINGS BANK

	Years Ended December 31, 1995	1994
INTEREST INCOME:		
Loans - Note D	$ 7,102,632	$ 6,405,602
Mortgage securities	6,144,918	4,866,970
Investment securities and other	658,604	601,531
	13,906,154	11,874,103
INTEREST EXPENSE:		
Deposits - Note H	5,863,198	4,623,115
Federal Home Loan Bank advances and other borrowings	2,383,288	1,494,929
	8,246,486	6,118,044
NET INTEREST INCOME	5,659,668	5,756,059
LOAN LOSS (BENEFIT) PROVISION - Note D	(100,000)	159,500
NET INTEREST INCOME AFTER LOAN LOSS (BENEFIT) PROVISION	5,759,668	5,596,559
OTHER INCOME:		
Loan administration and service fees	2,179,573	2,031,028
Gain on sale of servicing - Note G	1,965,487	179,344
Gain on sale of loans and securities, net - Notes C and D	794,467	70,602
Gains on sale of investments in real estate	134,404	463,309
Other	471,509	474,116
	5,545,440	3,218,399
OTHER EXPENSES:		
Compensation and employee benefits - Note O	2,981,775	2,901,789
Occupancy	525,059	513,869
Data processing	429,990	356,009
Equipment	415,087	352,494
Deposit insurance premiums	333,419	387,398
Stationary, printing and office supplies	218,478	203,073
Professional and supervisory	200,631	199,394
Telephone	163,214	160,319
Provision for investments in real estate losses - Note F	152,000	83,600
Advertising	113,320	74,807
Other	455,010	309,377
	5,987,983	5,542,129
INCOME BEFORE INCOME TAX EXPENSE	5,317,125	3,272,829
Income tax expense - Note J	1,971,236	1,265,201
NET INCOME	$ 3,345,889	$ 2,007,628
Weighted average number of common shares	1,008,103	1,008,101
Net income per share	$ 3.32	$ 1.99
Dividends per share	$ 0.60	$ 0.40

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

PIONEER SAVINGS BANK

	Years Ended December 31, 1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 3,345,889	$ 2,007,628
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Amortization (accretion) of:		
Mortgage servicing rights	612,462	851,150
Excess servicing	-	47,658
Premiums and discounts on mortgage and other securities	(11,414)	(58,156)
Provision (benefit) for:		
Loan losses	(100,000)	159,500
Investments in real estate losses	152,000	83,600
Net (gain) loss on sales of:		
Loans	(458,605)	15,835
Office properties and equipment	15,299	46
Investments in real estate	(134,404)	(463,309)
Investment securities available-for-sale	(335,862)	(86,437)
Mortgage servicing rights	(1,965,487)	(179,344)
Depreciation of office properties and equipment	282,337	309,044
Origination of mortgage loans held for sale	(26,049,845)	(59,685,799)
Securitization of mortgage loans held for sale and sale of mortgage-backed securities	20,555,450	75,925,336
Changes in operating assets and liabilities:		
Accrued interest receivable	(212,031)	(135,065)
Other assets (less excess servicing amortization)	(129,983)	(1,774,047)
Official checks	486,145	(1,221,858)
Accrued interest payable	88,205	(61,891)
Deferred tax liabilities and accounts payable and other liabilities (net of dividends declared, not paid and tax effect on unrealized losses)	(507,080)	876,665
Total adjustments	(7,712,813)	14,602,928
Net cash (used) provided by operating activities	(4,366,924)	16,610,556
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan originations and principal payments on loans	(14,828,282)	(4,556,024)
Held-to-maturity investment and mortgage securities:		
Purchases	(388,282)	(20,775,321)
Maturities and principal reductions	3,861,260	4,894,013
Available-for-sale investment and mortgage securities:		
Purchases	(45,557,225)	(31,691,283)
Sales	18,489,075	31,555,164
Maturities and principal reductions	258,067	8,157,402
Purchases of office properties and equipment	(407,927)	(250,487)
Proceeds from sales of office properties and equipment	3,084	300
Additions to mortgage loan servicing rights	(411,580)	(1,378,036)
Proceeds from the sale of loan servicing rights	3,184,208	
Purchases of Federal Home Loan Bank (FHLB) stock	(1,127,700)	(693,500)
Redemption of FHLB stock	-	1,409,900
Proceeds from sales of investments in real estate	1,461,430	2,629,216
Net cash used for investing activities	(35,463,872)	(10,698,656)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS -- Continued

PIONEER SAVINGS BANK

	Years Ended December 31, 1995	1994
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in deposits	$ 11,916,601	$ (6,171,144)
Additions to FHLB advances and other borrowings	54,213,760	22,339,056
Payments on FHLB advances and other borrowings	(25,339,056)	(28,375,025)
Increase (decrease) in advance payments for taxes and insurance	555,908	(245,024)
Sales of capital stock	10	4
Payment of cash dividends	(504,050)	(151,215)
Net cash provided (used) by financing activities	40,843,173	(12,603,348)
Increase (decrease) in cash and cash equivalents	1,012,377	(6,691,448)
Cash and cash equivalents beginning of year	3,000,275	9,691,723
Cash and cash equivalents end of year	$ 4,012,652	$ 3,000,275
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 8,158,281	$ 6,179,935
Income taxes	2,655,596	840,500
Income tax refunds	430,995	146,672
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Real estate acquired through, or in lieu of, foreclosure	210,610	234,341
Origination of loans to finance the sale of investments in real estate	-	1,796,350
Dividends declared, not paid	352,836	252,025
Transfer of mortgage securities available-for-sale to held-to-maturity	-	43,184,533
Change in discount on transfer of mortgage securities from available-for-sale to held-to-maturity	234,847	-
Transfer of mortgage securities held-to-maturity to available-for-sale	58,011,897	-
Net change in unrealized gains (losses) on investment securities	632,579	(362,277)
Change in tax effect of net unrealized gains (losses) on investment securities	314,383	(122,378)
Transfer of real estate owned to office properties and equipment	198,210	-

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

PIONEER SAVINGS BANK

	Capital Stock $1 par	Additional Paid-In Capital	Unrealized Gains (Losses) on Securities	Retained Earnings	Total
Balance, December 31, 1993	$ 1,008,101	$ 37,273	$ -	$ 8,613,633	$ 9,659,007
Stock issued	1	3	-	-	4
Net income	-	-	-	2,007,628	2,007,628
Effect of change in accounting for investment securities at January 1, 1994, net of tax effect of $92,192	-	-	146,277	-	146,277
Net change in unrealized gains (losses) on securities, net of tax effect of $214,570	-	-	(386,176)	-	(386,176)
Dividends - $.40 per share	-	-	-	(403,240)	(403,240)
Balance, December 31, 1994	1,008,102	37,276	(239,899)	10,218,021	11,023,500
Stock issued	2	8	-	-	10
Net income	-	-	-	3,345,889	3,345,889
Net change in unrealized gains (losses) on securities, net of tax effect of $314,383	-	-	553,045	-	553,045
Dividends - $.60 per share	-	-	-	(604,861)	(604,861)
Balance, December 31, 1995	$ 1,008,104	$ 37,284	$ 313,146	$ 12,959,049	$ 14,317,583

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PIONEER SAVINGS BANK

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Pioneer Savings Bank, the "Bank" and its wholly owned subsidiary, Pioneer Mortgage Company and its wholly owned subsidiary, Pioneer Property Management Company. Significant intercompany transactions and balances are eliminated in consolidation.

NATURE OF OPERATIONS: The Bank operates six full service branch facilities and three loan production offices in the geographic area of the Southwest region of the United States, primarily New Mexico and Texas. There are no concentrations of credit to any one industry. The institution's primary sources of revenue is from providing loans to customers and servicing mortgage loans for others.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The principal areas involving use of estimates are the allowance for loan losses, real estate owned valuations, the valuation of mortgage servicing rights and fair value estimates of financial instruments. Actual results could differ from those estimates.

INVESTMENT SECURITIES, FEDERAL HOME LOAN BANK STOCK AND MORTGAGE SECURITIES: The Bank adopted the provisions of Statement of Financial Accounting Standards (FAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of January 1, 1994. This standard addresses the accounting and reporting for all investments in debt securities. These investments are 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 as a separate component of stockholders' equity, net of taxes; "trading securities," reported at fair value, with unrealized gains and losses included in earnings. Gains or losses on investment and mortgage securities available-for-sale are recognized as determined by the specific identification basis upon disposition. Management has the ability and intent to hold securities held-to-maturity until maturity.

Investment securities consist of U.S. Treasury obligations. 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 are collateralized mortgage obligations consisting of FNMA and FHLMC real estate mortgage investment conduits. Adjustments made to mortgage security amortization and accretion related to changes in prepayments are recorded on a current basis. At December 31, 1995 and 1994, none of the mortgage securities owned by the Bank were considered "high-risk derivative products," as defined by the Federal Financial Institutions Examination Council.

LOANS: Loans are stated at unpaid principal balances, less the allowances for loan losses, net deferred loan fees, and unearned 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 fair value in the aggregate less net deferred loan fees. 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. In addition, certain regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses for adequacy. Such agencies may require the Bank to change the allowance based on their judgment about information available to them at the time of their examination.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

The Bank adopted FAS No. 114, "Accounting by Creditors for Impairment of a Loan," and FAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures," as of January 1, 1995. FAS No. 114 requires that certain impaired loans be measured based on the present value of future cash flows discounted at the loan's effective interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or fair value of the collateral, if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded balance at the loan, the impairment is recorded through a valuation allowance. The Bank previously measured the allowance for loan losses using methods similar to those prescribed in FAS No. 114. As a result of adopting these statements, no additional allowance for loan losses was required upon adoption. Management believes there are no impaired loans at December 31, 1995 as defined under FAS No. 114.

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. Leasehold improvements are amortized over the life of the asset or the term of the lease, whichever is shorter.

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

MORTGAGE SERVICING RIGHTS: Effective January 1, 1995, the Bank adopted FAS No. 122, "Accounting for Mortgage Servicing Rights--an Amendment of FASB Statement No. 65." This statement amends FAS No. 65 to require that mortgage banking enterprises recognize as separate assets rights to service mortgage loans for others, whether the rights are acquired through purchase or through origination of mortgage loans with the intention to sell or securitize those loans with servicing rights retained. In the case where the mortgage loan is originated, the total cost of the mortgage loan is allocated to the mortgage servicing right and to the loan based on their relative fair values. During 1995, the Bank recorded additional servicing rights of $212,521 as a result of adoption of this new statement (See Note G).

The fair value of capitalized mortgage servicing rights (originated or acquired), excess servicing fees and the amortization thereon, is periodically evaluated in relation to estimated future net servicing revenues. The Bank 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. The Bank stratifies the loan servicing portfolio by certain risk characteristics for purposes of measuring impairment. The Bank has determined that the primary risk characteristic is a loan's observable interest rate.

The carrying value of mortgage servicing rights (originated or acquired) is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interests 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" are amortized over their estimated lives using a method approximating the level-yield method.

PIONEER SAVINGS BANK

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

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, net of 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 loan origination 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 Bank 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 Bank. The calculation of taxes payable is based on Pioneer Mortgage Company's respective contribution to consolidated taxable income.

The Bank's 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, it is not necessary to provide deferred taxes on the portion of the allowance for loan losses for tax purposes that arose in years prior to 1988. Additionally, deferred tax liabilities or assets at the end of each period are determined using the current marginal rate in effect.

ACCOUNTING STANDARD ISSUED, NOT YET ADOPTED: FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," issued March 1995, establishes accounting standards for impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. The Bank is required to adopt this pronouncement effective January 1, 1996. The Bank has determined that implementation of this standard will have no material impact to its financial position or future operating results.

RECLASSIFICATIONS: Certain amounts in the 1994 consolidated financial statements have been reclassified to conform to the 1995 presentation.

NOTE B - CASH AND INTEREST BEARING DEPOSITS

Cash and interest bearing deposits (cash equivalents), not subject to withdrawal or usage restrictions, consisted of the following:

	December 31, 1995	December 31, 1994
Interest bearing deposits	$ 934,077	$ 414,004
Cash and due from banks	3,078,575	2,586,271
	$ 4,012,652	$ 3,000,275

PIONEER SAVINGS BANK

NOTE C - INVESTMENT AND MORTGAGE SECURITIES

The amortized cost and estimated market values of investments in debt securities are as follows. Actual maturities may differ from contractual maturities because borrowers have the right to prepay obligations without prepayment penalties.

	December 31, 1995				
	Contractual Maturity In Years	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Held-to-Maturity Securities					
U.S. Treasury securities	0-1	$ 199,490	$ 90	$ -	$ 199,580
Mortgage-backed securities	1-5	3,658,622	9,227	56,801	3,611,048
	5-10	1,185,356	55,384	-	1,240,740
	10-15	2,412,789	81,171	-	2,493,960
Collateralized mortgage obligations	5-10	2,128,125	5,320	-	2,133,445
	10-15	1,246,024	13,194	-	1,259,218
	15-30	6,462,190	127,653	75,557	6,514,286
		$ 17,292,596	$ 292,039	$ 132,358	$ 17,452,277
Available-for-Sale Securities					
U.S. Treasury securities	0-1	$ 2,997,490	$ 37,198	$ -	$ 3,034,688
	1-5	2,997,485	46,578	-	3,044,063
Mortgage-backed securities	10-15	21,859,738	376,020	11,206	22,224,552
Collateralized mortgage obligations	10-15	22,119,385	11,656	289,214	21,841,827
	15-30	46,313,685	455,411	95,774	46,673,322
		$ 96,287,783	$ 926,863	$ 396,194	$ 96,818,452
Total Investment and Mortgage Securities		$ 113,580,379	$ 1,218,902	$ 528,552	$ 114,270,729

	December 31, 1994				
	Contractual Maturity In Years	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Held-to-Maturity Securities					
U.S. Treasury securities	0-1	$ 199,570	$ -	$ 30	$ 199,540
Mortgage-backed securities	1-5	4,487,458	-	184,328	4,303,130
	5-10	1,557,763	-	33,787	1,523,976
	10-15	26,773,938	-	1,528,659	25,245,279
Collateralized mortgage obligations	5-10	2,128,125	-	120,452	2,007,673
	10-15	14,687,479	-	611,339	14,076,140
	15-30	28,713,529	-	943,350	27,770,179
		$ 78,547,862	$ -	$ 3,421,945	$ 75,125,917
Available-for-Sale Securities					
U.S. Treasury securities	0-1	$ 1,479,582	$ -	$ 18,957	$ 1,460,625
	1-5	4,474,420	-	63,483	4,410,937
Collateralized mortgage obligations	15-30	5,159,285	-	19,470	5,139,815
		$ 11,113,287	$ -	$ 101,910	$ 11,011,377
Total Investment and Mortgage Securities		$ 89,661,149	$ -	$ 3,523,855	$ 86,137,294

NOTE C - INVESTMENT AND MORTGAGE SECURITIES - Continued

The Bank adopted the provisions of FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of January 1, 1994. As a result of adoption, the Bank recorded unrealized gains of $238,469, deferred tax liabilities of $92,192, and an increase to stockholders' equity of $146,277.

During the year ended December 31, 1994, the Bank transferred mortgage-backed securities and collateralized mortgage obligations, with amortized costs of $5,467,295 and $37,717,238, respectively, from available-for-sale to held-to-maturity. The transfer discount and the related deferred tax asset and net unrealized loss on investment and mortgage securities recorded in stockholders' equity are amortized, as an adjustment to income, using the level-yield method. The balance in the transfer discount, deferred tax asset and net unrealized loss on investment and mortgage securities account at December 31, 1995 and 1994 are $25,520, $10,091, $15,429; and $260,367, $87,952 and $172,415, respectively.

On November 15, 1995, the FASB released a special report, "A Guide to Implementation of Statement 115 Investments in Debt and Equity Securities" (the Guide). The Guide permitted a one-time reassessment (allowed during the period from November 15, 1995 to December 31, 1995) of the appropriateness of the classifications of all investments in debt and equity securities held without causing questions about the intent or ability of the Bank to hold securities, classified as held-to-maturity, to their maturity. The reclassifications of the investments were accounted for at fair value. As allowed by the Guide, the Bank reviewed its classifications of securities and transferred securities with an amortized cost of $58,011,897 and unrealized gains of $226,625 from the held-to-maturity classification to the available-for-sale classification.

The investment and mortgage securities which are classified as available-for-sale in the accompanying consolidated statements of financial condition have been adjusted to fair value for unrealized gains of $530,670 at December 31, 1995 and unrealized losses of $101,910 at December 31, 1994. The Bank recorded corresponding deferred tax liabilities of $202,094 and deferred tax assets of $34,426 at December 31, 1995 and 1994, respectively. Further, the Bank recorded directly to stockholders' equity, net unrealized gains of $328,575 at December 31, 1995 and net unrealized losses of $67,484 at December 31, 1994.

At December 31, 1995 and 1994, $16,974,322 and $9,283,429, respectively, of mortgage securities were pledged to secure public unit deposits. At December 31, 1995 and 1994, mortgage securities having a par value of $59,253,390 and $25,735,999, respectively, were pledged to secure borrowings from the Federal Home Loan Bank.

The following table presents components of gains and losses realized on sales of available-for-sale investment securities:

	Years Ended December 31, 1995	1994
Gains	$ 427,497	$ 912,136
Losses	(91,635)	(825,699)
	$ 335,862	$ 86,437

PIONEER SAVINGS BANK

NOTE D - LOANS

Loans consisted of the following:

	December 31, 1995	December 31, 1994
First mortgage loans held for investment:		
Conventional	$ 58,344,545	$ 49,526,814
FHA insured and VA guaranteed	12,945,656	8,879,954
Construction and land	8,163,251	7,313,917
Loans in process	(2,752,111)	(2,568,969)
Total first mortgage loans held for investment	76,701,341	63,151,716
Savings account loans	865,966	936,097
Installment and other loans	2,954,995	1,911,858
Unearned discounts	(18,754)	(17,819)
	80,503,548	65,981,852
Allowance for loan losses	(459,999)	(566,045)
Deferred loan fees, net	(269,849)	(359,779)
	$ 79,773,700	$ 65,056,028
First mortgage loans held for sale:		
Conventional	$ 4,420,099	$ 2,082,484
FHA insured and VA insured	9,905,803	6,295,131
	14,325,902	8,377,615
Deferred loan fees, net	(82,379)	(87,092)
	$ 14,243,523	$ 8,290,523

At December 31, 1995 and 1994, approximately $78,738,000 and $59,921,000, respectively, of mortgage loans were pledged to secure FHLB advances.

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

	Years Ended December 31, 1995	Years Ended December 31, 1994
Balance at beginning of year	$ 566,045	$ 393,009
Recoveries	1,700	18,700
Loan loss (benefit) provision	(100,000)	159,500
Charge-offs	(7,746)	(5,164)
Balance at end of year	$ 459,999	$ 566,045

Nonaccrual loans totaled $622,826 and $863,773 at December 31, 1995 and 1994, respectively. The Bank had no outstanding commitments to lend additional funds to debtors whose loans are on nonaccrual status. Interest income that would have been recorded under the original terms of such loans and the interest income actually recognized are summarized below:

	Years Ended December 31, 1995	Years Ended December 31, 1994
Interest income that would have been recorded	$ 7,045,962	$ 6,390,230
Interest income recognized	7,102,632	6,405,602
Interest income foregone, net of recoveries of interest on loans previously charged-off	$ (56,670)	$ (15,372)

Net gains on whole loan sales were $458,605 in 1995 and losses of $15,835 in 1994.

PIONEER SAVINGS BANK

NOTE E - OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment consisted of the following:

	December 31, 1995	December 31, 1994
Land	$ 1,017,065	$ 818,855
Buildings and leasehold improvements	3,220,427	3,202,351
Furniture, equipment and autos	2,816,781	2,499,279
	7,054,273	6,520,485
Accumulated depreciation	(3,050,651)	(2,822,280)
	$ 4,003,622	$ 3,698,205

NOTE F - INVESTMENTS IN REAL ESTATE

Investments in real estate acquired in settlement of loans and through foreclosure, were $337,200 as of December 31, 1995 and $1,803,826 as of December 31, 1994. An analysis of the activity in the allowance for losses on foreclosed real estate owned is as follows:

	Years Ended December 31, 1995	Years Ended December 31, 1994
Balance at beginning of year	$ -	$ 128,922
Provision	152,000	83,600
Charge-offs	(152,000)	(212,522)
Balance at end of year	$ -	$ -

NOTE G - MORTGAGE SERVICING RIGHTS AND 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, 1995	December 31, 1994
Mortgage loans underlying pass-through securities:		
GNMA	$ 134,506,959	$ 252,444,518
FNMA	21,486,383	19,446,210
FHLMC	5,485,302	6,979,297
	161,478,644	278,870,025
Mortgage loan portfolios serviced for:		
FNMA	111,400,465	113,034,927
FHLMC	143,614,937	161,249,795
Other investors	10,762,765	9,597,247
	265,778,167	283,881,969
	$ 427,256,811	$ 562,751,994

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

	December 31, 1995	December 31, 1994
At Pioneer Savings Bank	$ 12,534,473	$ 10,586,525
At other financial institutions	-	3,645,736
	$ 12,534,473	$ 14,232,261

PIONEER SAVINGS BANK

NOTE G - MORTGAGE SERVICING RIGHTS AND LOAN SERVICING - Continued

The Bank adopted the provisions of FAS No. 122, "Accounting for Mortgage Servicing Rights -- an Amendment of FASB Statement No. 65" as of January 1, 1995. Following is an analysis of the changes in mortgage servicing rights for the years ended December 1995 and 1994:

	Originated	Purchased	Excess Servicing
Balance, December 31, 1993	$ -	$ 2,806,132	$ 47,658
Additions	-	1,378,036	-
Amortization	-	(851,150)	(29,658)
Valuation adjustments due to changes in prepayment assumptions	-	-	(18,000)
Balance, December 31, 1994	-	3,333,018	-
Additions	212,521	199,059	-
Sales	-	(1,218,721)	-
Amortization	(22,085)	(590,377)	-
Balance, December 31, 1995	$ 190,436	$ 1,722,979	$ -

Based on management's evaluation of the fair value of the mortgage servicing rights, a valuation allowance for impairment of the carrying value was not considered necessary as of and for the year ended December 31, 1995.

Net gains on sales of loan servicing rights were $1,965,487 in 1995 and $179,344 in 1994.

NOTE H - DEPOSITS

A comparative summary of deposits follows:

	Average Rate	December 31, 1995	Average Rate	December 31, 1994
Non-interest bearing	0.00%	$ 15,601,135	0.00%	$ 12,786,600
Passbook	2.85%	7,392,487	2.74%	7,478,624
NOW accounts	2.04%	9,754,200	2.00%	9,631,493
Super NOW accounts	2.35%	1,955,646	2.37%	2,364,171
Money market deposit accounts (MMDA)	3.09%	11,360,124	2.77%	12,280,156
Certificates of deposit	5.61%	84,046,793	4.71%	76,936,675
Jumbo certificates of deposit	5.58%	16,697,394	4.99%	13,413,459
		$ 146,807,779		$ 134,891,178

PIONEER SAVINGS BANK

NOTE H - DEPOSITS - Continued

The following is a comparative summary of deposits held by the Bank categorized by interest rates being paid:

	December 31, 1995	December 31, 1994
0.00%	$ 15,701,548	$ 12,887,100
1.00% - 2.00%	8,294,189	9,631,493
2.01% - 3.00%	12,299,797	22,137,505
3.01% - 4.00%	10,651,963	31,586,780
4.01% - 5.00%	14,630,327	26,560,419
5.01% - 6.00%	63,807,566	19,032,838
6.01% - 7.00%	20,519,806	10,106,279
7.01% - 8.00%	900,581	2,376,415
8.01% - 9.00%	2,002	572,349
	$ 146,807,779	$ 134,891,178

A comparative summary of deposits by term to maturity follows:

	December 31, 1995	December 31, 1994
No contractual maturities	$ 46,063,592	$ 44,541,044
Under 12 months	72,074,950	55,623,137
13 months to 24 months	14,768,539	18,499,589
25 months to 36 months	7,584,379	7,461,529
Over 36 months	6,316,319	8,765,879
	$ 146,807,779	$ 134,891,178

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 $11,355,919 and $8,282,758 at December 31, 1995 and 1994, respectively.

Interest expense on deposits was comprised of the following:

	Years Ended December 31, 1995	Years Ended December 31, 1994
Passbook	$ 206,414	$ 202,256
NOW, Super NOW and MMDA's	592,739	624,132
Certificates of Deposit	5,064,045	3,796,727
	$ 5,863,198	$ 4,623,115

NOTE I - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

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, 1995 and 1994, the Bank's advances were secured by a blanket assignment of mortgage loans with a market value greater than the amount of outstanding advances. At December 31, 1995 and 1994 borrowings were secured by mortgage securities having a par value of $59,253,390 and $25,735,999, respectively. A summary of advances and borrowings follows:

	Maturity Date	Rate at December	December 31, 1995	December 31, 1994
Borrowings:	1-06-95	5.94%	$ -	$ 14,250,000
	1-06-95	6.51%	-	1,050,000
	1-23-95	6.09%	-	7,000,000
	1-04-96	5.81%	42,350,000	-
	1-04-96	5.68%	4,400,000	-
	1-02-96	6.00%	7,400,000	-
Advances:	2-06-95	5.73%	-	3,000,000
	2-02-96	6.41%	4,000,000	4,000,000
Treasury, Tax and Loan			63,760	39,056
			$ 58,213,760	$ 29,339,056

NOTE J - INCOME TAXES

The Bank records tax expense equal to the sum of deferred tax expense and income taxes currently payable or refundable. Deferred tax (benefit) expense 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 basis 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, 1995	Years Ended December 31, 1994
Current:		
Federal	$ 2,097,141	$ 349,399
State	375,184	44,290
Deferred:		
Federal	(430,851)	744,033
State	(70,238)	127,479
	$ 1,971,236	$ 1,265,201

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:

	Years Ended December 31, 1995	Years Ended December 31, 1994
Computed "expected" tax expense	$ 1,807,823	$ 1,112,762
Change in base year amount of tax bad debt reserves	(9,577)	13,627
Tax exempt interest	(1,041)	(1,131)
State income taxes, net	184,370	105,912
Other	(10,339)	34,031
	$ 1,971,236	$ 1,265,201

PIONEER SAVINGS BANK

NOTE J - INCOME TAXES - Continued

As of December 31, 1995 and 1994, the Bank has deferred tax assets of $382,008 and $193,794 and deferred tax liabilities of $1,447,730 and $1,651,127, resulting in a net deferred tax liability of $1,065,722 and $1,457,333. The net deferred tax liability is included in other liabilities in the accompanying consolidated statements of financial condition. The Bank 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 Bank's medical and dental benefit plan. Certain unrealized gains and losses on available-for-sale securities, which are deferred under FAS No. 115 for financial statement reporting purposes, are recognized currently for income tax purposes. As a result, the Bank recognized current taxes payable of $204,905 in 1995 and a receivable of $122,378 in 1994.

The Bank 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 Bank 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. Management does not anticipate that any event resulting in the reversal of this difference will occur. However, legislation is pending that will impact such treatment (See Note L). The Bank'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 $613,000, respectively, as of December 31, 1995.

NOTE K - REGULATORY CAPITAL

The Bank is subject to regulation by the Office of Thrift Supervision (OTS). Following is a comparison of the Bank's capital ratios to those required by OTS:

	Unaudited			
	December 31, 1995		December 31, 1994	
	Required	Actual	Required	Actual
Tangible Capital	1.5%	6.2%	1.5%	6.2%
Core Capital	3.0%	6.2%	3.0%	6.2%
Risk-based Capital	8.0%	18.4%	8.0%	17.7%

At December 31, 1995 and 1994, the Bank exceeded all three capital requirements. Risk based assets as of December 31, 1995 and 1994 approximated $77,788,000 and $65,614,000, respectively.

Following is a reconciliation of capital as reflected in the accompanying consolidated financial statements to regulatory capital as of December 31, 1995:

	Unaudited-Regulatory		
	Tangible Capital	Core Capital	Risk-Based Capital
Capital, as reported in the accompanying consolidated financial statements	$ 14,317,583	$ 14,317,583	$ 14,317,583
Allowance for loan losses	-	-	459,999
Allowance for available-for-sale securities	(313,146)	(313,146)	(313,146)
Nonallowable assets - Equity investments	-	-	(185,394)
Regulatory capital	14,004,437	14,004,437	14,279,042
Minimum capital requirement computed	3,375,955	6,751,911	6,223,045
Excess of regulatory capital over minimum requirement	$ 10,628,482	$ 7,252,526	$ 8,055,997

PIONEER SAVINGS BANK

NOTE L - COMMITMENTS AND CONTINGENCIES

OPERATING LEASES: The Bank 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 $201,988 and $182,907 for the years ended December 31, 1995 and 1994, respectively. Future annual minimum lease payments under the Bank's non-cancelable operating leases outstanding as of December 31, 1995, were as follows:

December 31,	
1996	$ 199,421
1997	197,546
1998	184,421
1999	44,638
	$ 626,026

LITIGATION: In the normal course of business, the Bank may become a party to lawsuits in which they defend or settle such actions. When actions are deemed probable of settlement, estimated provisions for losses are provided in the consolidated financial statements. There were no actions in process at December 31, 1995.

PENDING LEGISLATION: Congress has passed legislation that would recapitalize the Savings Association Insurance Fund (SAIF) through a one-time special assessment on the insured deposits of SAIF member institutions. Although Congress has passed such legislation, the President has not signed it into law. The Bank's cost of such assessment is estimated to be between $774,000 and $819,000, net of tax.

Further, in connection with the recapitalization of SAIF, the legislation contains income tax law changes that will impact the Bank's future operations. This legislation would eliminate the Bank's percentage of taxable income bad debt deduction and the Bank's ability to treat loss provisions, income and expenses and gains and losses from certain foreclosed real estate as charge-offs and recoveries for tax purposes. Upon enactment, the Bank's income tax bad debt deduction would be computed under regulations that currently govern commercial banks.

In order for the Bank's allowance for loan loss to be computed under the commercial bank regulations, the Bank would be required to recapture a portion of its income tax bad debt reserve over a period not to exceed six years. Management believes that the Bank has previously recorded the deferred income taxes that would be due under the loan loss reserve recapture provisions contemplated in the legislation. Until such legislation is formally enacted, the Bank cannot determine with any certainty the impact of the above legislation on the institution.

NOTE M - FAIR VALUE OF 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 BANK

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents information for loans:

	December 31, 1995		December 31, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans Held for Investment:				
1-4 Family and participations	$ 64,869,680	$ 63,892,074	$ 49,843,179	$ 48,228,310
Multi-family and participation	6,420,522	6,934,624	8,563,589	8,121,326
Deferred fees and valuation allowance	(617,345)	-	(810,082)	-
	70,672,857	70,826,698	57,596,686	56,349,636
Construction Loans:				
Construction	5,411,139	5,412,485	4,744,948	4,746,233
Deferred fees and valuation allowance	(81,971)	-	(85,549)	-
	5,329,168	5,412,485	4,659,399	4,746,233
Loans held for sale:				
Mortgages held for sale	14,325,902	14,442,067	8,377,615	8,359,530
Deferred fees and valuation allowance	(82,379)	-	(87,092)	-
	14,243,523	14,442,067	8,290,523	8,359,530
Second Mortgages	1,169,898	1,010,477	1,054,905	1,068,761
Deferred fees	(14,795)	-	(21,669)	-
	1,155,103	1,010,477	1,033,236	1,068,761
Savings Account Loans	865,966	867,401	936,097	930,732
Consumer and Commercial:				
Consumer and commercial	1,785,097	1,713,917	856,953	779,430
Deferred fees and valuation allowance	(34,491)	-	(26,343)	-
	1,750,606	1,713,917	830,610	779,430
	$ 94,017,223	$ 94,273,045	$ 73,346,551	$ 72,234,322

PIONEER SAVINGS BANK

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. 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 the estimated fair value of deposits as of:

	December 31, 1995		December 31, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-interest bearing	$ 15,601,135	$ 15,601,134	$ 12,786,600	$ 12,786,600
Passbook	7,392,487	7,392,488	7,478,624	7,478,624
NOW accounts	9,754,200	9,754,201	9,631,493	9,631,493
Super NOW accounts	1,955,646	1,955,648	2,364,171	2,364,171
Money market deposit accounts	11,360,124	11,360,125	12,280,156	12,280,156
Certificates of deposit	84,046,793	83,928,615	76,936,675	75,583,563
Jumbo certificates of deposit	16,697,394	16,722,592	13,413,459	13,276,302
	$ 146,807,779	$ 146,714,803	$ 134,891,178	$ 133,400,909

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, 1995		December 31, 1994	
Maturity Date	Carrying Amount	Fair Value	Carrying Amount	Fair Value
1-06-95	$ -	$ -	$ 14,250,000	$ 14,250,000
1-06-95	-	-	1,050,000	1,050,000
1-23-95	-	-	7,000,000	7,000,000
2-06-95	-	-	3,000,000	2,995,032
1-04-96	42,350,000	42,350,000	-	-
1-04-96	4,400,000	4,400,000	-	-
1-02-96	7,400,000	7,400,000	-	-
2-02-96	4,000,000	4,001,658	4,000,000	3,921,825
Treasury, Tax and Loan	63,760	63,760	39,056	39,056
	$ 58,213,760	$ 58,215,418	$ 29,339,056	$ 29,255,913

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.

INTEREST RATE CAP AGREEMENTS: The operations of the Bank are subject to risk of interest rate fluctuations to the extent there is a difference between the amount of the Bank's interest-earning assets and the amount of interest-bearing liabilities that mature or reprice in specified periods. The principal objective of interest rate risk management is to maintain the net interest income component of earnings and the market value of portfolio equity component of capital. To the extent that the Bank is unable to naturally hedge it's interest-earning assets and interest-bearing liabilities, the Bank, among other strategies, uses interest rate cap agreements. The Bank has entered into interest rate cap agreements to reduce the impact of increases in short-term interest rates effecting deposits and short-term borrowings.

The fair value of interest rate cap agreements is the estimated amount that the Bank would receive to terminate the agreements at the reporting date, considering current interest rates. The carrying amount, which is included in other assets in the accompanying consolidated statements of financial condition, is the unamortized cost of the caps, which are being amortized to expense over the life of the cap agreements.

PIONEER SAVINGS BANK

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following is a summary of the estimated fair value of the interest rate cap as of:

	December 31, 1995			December 31, 1994		
	Notional Amount (millions)	Carrying Amount	Fair Value	Notional Amount (millions)	Carrying Amount	Fair Value
Interest rate cap agreements	$ 15	$ 214,345	$ 42,500	$ 25	$ 327,826	$ 370,000

SERVICING RIGHTS: The fair value of servicing rights based on external appraisals or software are as follows:

	December 31, 1995		December 31, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bulk	$ 1,049,637	$ 2,303,551	$ 1,297,066	$ 2,534,517
Correspondent	673,342	1,233,764	2,035,952	3,465,068
Originated	190,436	216,133	-	2,831,943
	$ 1,913,415	$ 3,753,448	$ 3,333,018	$ 8,831,528
Excess servicing	$ -	$ -	$ -	$ 150,426

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

The Bank 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 secured by first mortgage loans and standby letters of credit. 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 Bank has in particular classes of financial instruments.

The Bank'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 is represented by the contractual notional amount of those instruments. The Bank 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, 1995, is not significant. The contract or notional amount of financial instruments whose contract amounts represent or exceed credit risk at December 31, 1995 are as follows:

Undisbursed portion of construction loans	$ 2,752,111
Commitments to originate loans	633,550
Commitments to purchase loans	2,262,677
Loans sold with recourse	272,458
	$ 5,920,796
Commitments to sell mortgages and mortgage-backed securities	$ 33,500,000

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.

PIONEER SAVINGS BANK

NOTE O - RETIREMENT PLANS

The Bank has a qualified 401(k) retirement savings plan for employees. Matching contributions are optional at the discretion of the Board of Directors. The level of matching contributions of eligible employee compensation and expense, included in compensation and employee benefits in the accompanying consolidated statements of income, were as follows for 1995 and 1994:

Year	Match	Compensation	Expense
1995	100%	3%	$ 44,924
1994	100%	3%	$ 41,176

During 1994, the Bank established a non-qualified defined benefit retirement plan (hereinafter referred to as an Indexed Retirement Plan or "IRP") for certain key executive officers. In conjunction with the establishment of this plan, the Bank purchased single premium life insurance policies having a total face value of $800,000 on the lives of the participants. A death benefit for each executive has also been provided by endorsement of 80% of the non-at-risk insurance proceeds. Benefits are accrued under this plan to the extent that policy earnings exceed a cost of funds index tied to the Bank's cost of funds. During 1995, the Bank recorded accrued benefits of $10,154. No benefits were accrued under the IRP during 1994.

NOTE P - RELATED PARTY TRANSACTIONS

An analysis of loans over $60,000 to directors and executive officers is as follows:

	Years Ended December 31, 1995	1994
Balance at beginning of year	$ 323,146	$ 330,765
Principal repayments	(6,770)	(7,619)
Balance at end of year	$ 316,376	$ 323,146

It is the policy of the Bank 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 Bank 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 features unfavorable to the Bank.

A Director of the Bank is of counsel to a law firm which serves as general counsel for the Bank. This firm received approximately $19,400 and $10,700 for legal services rendered to the Bank in the years ended December 31, 1995 and 1994, respectively.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

PIONEER SAVINGS BANK

To the Board of Directors and Stockholders
Pioneer Savings Bank
Roswell, New Mexico:

We have audited the accompanying consolidated statements of financial condition of Pioneer Savings Bank and subsidiary as of December 31, 1995 and 1994, 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 Bank'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 financial position of Pioneer Savings Bank and subsidiary as of December 31, 1995 and 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note A, the Bank adopted Statements of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994, and No. 122 "Accounting for Mortgage Servicing Rights--an Amendment of FASB Statement No. 65," effective January 1, 1995.

Arthur Andersen LLP

Albuquerque, New Mexico
February 28, 1996

SELECTED FINANCIAL DATA -- Unaudited

PIONEER SAVINGS BANK

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

	1995	1994	1993	1992	1991
Interest income	$ 13,906,154	$ 11,874,103	$ 11,585,168	$ 12,797,024	$ 13,219,387
Interest expense	8,246,486	6,118,044	6,464,224	8,112,659	9,952,915
Net interest income	5,659,668	5,756,059	5,120,944	4,684,365	3,266,472
Net income	3,345,889	2,007,628	1,642,686	1,232,645	216,922
Per share data:					
Net income	3.32	1.99	1.63	1.22	0.22
Dividends	0.60	0.40	0.15	0.11	0.03
Investment and mortgage securities	114,111,048	89,559,239	81,916,898	65,946,836	58,678,912
Loans	94,017,223	73,346,551	85,260,396	81,585,421	85,495,474
Total assets	225,063,709	179,939,949	191,305,030	179,077,713	172,404,417
Deposits	146,807,779	134,891,178	141,062,322	147,633,052	147,026,320
Borrowings	58,213,760	29,339,056	35,375,025	21,750,000	13,750,000
Stockholders' equity	14,317,583	11,023,500	9,659,007	8,167,525	7,045,770
Loans serviced for others	427,257,000	562,752,000	488,407,000	422,470,000	274,878,000
Customer service facilities:					
Full service branch facilities	6	6	6	6	6
Loan production offices	3	3	2	2	2

SELECTED FINANCIAL DATA -- Unaudited

PIONEER SAVINGS BANK

VOLUME AND RATE ANALYSIS
(000's OMITTED)

1995 Compared to 1994:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1995	1994	1995	1994	1995	1994	Interest Variance	Volume	Rate
Interest income:									
Loans	$ 81,845	$ 78,639	8.68%	8.15%	$ 7,102	$ 6,406	$ 696	$ 278	$ 418
Mortgage securities	89,954	79,975	6.83%	6.09%	6,145	4,867	1,278	682	596
Investments	7,094	7,168	9.29%	8.38%	659	601	58	(7)	65
Total interest earning assets	$ 178,893	$ 165,782	7.77%	7.16%	$ 13,906	$ 11,874	$ 2,032	$ 953	$ 1,079
Interest expenses:									
Deposits	$ 139,871	$ 139,505	4.19%	3.31%	$ 5,863	$ 4,623	$ 1,240	$ 15	$ 1,225
Borrowed funds	37,985	28,099	6.27%	5.32%	2,383	1,495	888	620	268
Total interest bearing liabilities	$ 177,856	$ 167,604	4.64%	3.65%	$ 8,246	$ 6,118	$ 2,128	$ 635	$ 1,493
Net interest spread and income			3.14%	3.51%	$ 5,660	$ 5,756			
Ratio of net interest income to average interest earnings assets					3.20%	3.47%			

1994 Compared to 1993:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1994	1993	1994	1993	1994	1993	Interest Variance	Volume	Rate
Interest income:									
Loans	$ 78,639	$ 84,327	8.15%	7.98%	$ 6,406	$ 6,732	$ (326)	$ (463)	$ 137
Mortgage securities	79,975	77,876	6.09%	5.79%	4,867	4,511	356	128	228
Investments	7,168	7,385	8.38%	4.63%	601	342	259	(18)	277
Total interest earning assets	$ 165,782	$ 169,588	7.16%	6.83%	$ 11,874	$ 11,585	$ 289	$ (353)	$ 642
Interest expenses:									
Deposits	$ 139,505	$ 144,496	3.31%	3.36%	$ 4,623	$ 4,861	$ (238)	$ (165)	$ (73)
Borrowed funds	28,099	30,098	5.32%	5.33%	1,495	1,603	(108)	(106)	(2)
Total interest bearing liabilities	$ 167,604	$ 174,594	3.65%	3.70%	$ 6,118	$ 6,464	$ (346)	$ (271)	$ (75)
Net interest spread and income			3.51%	3.13%	$ 5,756	$ 5,121			
Ratio of net interest income to average interest earnings assets					3.47%	3.02%			

CORPORATE INFORMATION

PIONEER SAVINGS BANK

GENERAL INFORMATION

Pioneer Savings Bank is a federally chartered stock savings bank. The Bank's deposits are insured by the Savings Association Insurance Fund, an agency of the FDIC. The principal business of the Bank is to finance the purchase, construction or improvements of residential real estate.

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

CORPORATE OFFICES

Pioneer Savings Bank
306 N. Pennsylvania
P.O. Box 130
Roswell, NM 88202

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
6501 Americas Parkway, NE, Suite 400
Albuquerque, NM 87110

GENERAL COUNSEL

Sanders, Bruin, Coll & Worley, P.A.
400 Penn Plaza
Suite 600
Roswell, NM 88201

REGISTRAR AND TRANSFER AGENT

Pioneer Savings Bank

ANNUAL MEETING

The annual meeting of shareholders of Pioneer Savings Bank will be held at 3:00 P.M. on April 16, 1996 at the Roswell Inn, 1815 N. Main, Roswell, New Mexico.

MARKET FOR COMMON STOCK

The common stock of Pioneer Savings Bank 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 of issued and outstanding stock have ranged from $7.00-$10.55 per share. As of December 31, 1995, there were approximately 360 holders of record of Pioneer common stock. Dividends of $.60 per share were declared in 1995.