PIONEER SAVINGS BANK

1996 ANNUAL REPORT

PIONEER SAVINGS BANK

February 25, 1997

Dear Stockholders:

Pioneer Savings Bank's 1996 operating results reached record levels, excluding non-recurring transactions. Net worth increased approximately $1 million, to a total of $15.4 million, which equates to $15.27 per share of stock. Dividends were $.85 per share up from $.60 per share in 1995. The price paid by investors for Pioneer stock continued to increase throughout the year with trades of $15.50 per share during 1996 compared to $10.00 to $10.15 per share in December 1995 and January 1996.

Our operating results were positively impacted by increases in net interest income and loan production. Net interest income after loan loss benefit grew approximately 11% primarily due to an increase in assets from $225 million to almost $250 million. Total loan production increased $15.6 million to a total for the year of $110.8 million. Increases in operating expenses were held to 2.4% over 1995, excluding the impact of the one-time FDIC insurance assessment payment of $863,000. The largest component of this expense increase was employee compensation and benefits resulting primarily from the addition of loan origination and savings personnel in most of our offices. Another positive result, which is not reflected in the statement of financial condition, is the increase in the fair value of mortgage servicing rights of more than $5.0 million over the carrying amount.

Our 1996 operating results were negatively affected by the payment of a one-time Federal Deposit Insurance Corporation (FDIC) insurance premium assessed by Congress on all thrift institutions. The assessment was earmarked to fully recapitalize the Savings Association Insurance Fund depleted by the large number of thrift failures in the past 10 to 15 years. The impact of the one-time assessment reduced our net income by over $535,000, after taxes. We initially anticipated that this assessment would be paid during 1995. Accordingly, a mortgage loan servicing package was sold in 1995 which bolstered 1995 income by approximately $860,000, after taxes. The bottom line is that if 1995 net income was adjusted downward to compensate for the servicing sale, and if 1996 income was adjusted upward for the payment of the one-time FDIC insurance premium, income for 1996 would have been approximately $2.8 million, exceeding the adjusted 1995 income by about $363,000.

Our 1997 business plan is based on another growth year. We are optimistic that loan production will exceed those levels experienced in 1996. Our primary lending emphasis will continue to be the origination, sale, and servicing of single-family residential mortgages. However, we will aggressively seek consumer loans from existing and potential customers in those communities where Pioneer has savings offices. With the addition during 1996 of new drive-up lanes and ATMs in our savings branches, we are confident that deposit growth will continue throughout 1997, thus enabling Pioneer to show continued growth in assets.

The Board of Directors and officers appreciate the hard work of our dedicated staff and thank you, our stockholders and customers, for your continued support. We pledge that we will continue every effort to improve the profitability of the Bank and to increase the value of your stock investment.

Sincerely,

PIONEER SAVINGS BANK

George W. Mitchell

George W. Mitchell
President

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

PIONEER SAVINGS BANK

	December 31, 1996	December 31, 1995
ASSETS:		
Cash and cash equivalents - Note B	$ 6,341,937	$ 4,012,652
Investment and mortgage securities - Note C		
Available-for-sale	88,211,519	96,818,452
Held-to-maturity	18,216,527	17,292,596
Loans held for sale, net - Note D	11,167,626	14,243,523
Loans, net - Notes D and P	110,603,241	79,773,700
Federal Home Loan Bank stock	3,902,700	2,953,500
Office properties and equipment, net - Note E	4,510,264	4,003,622
Mortgage servicing rights - Note F	2,937,357	1,913,415
Accrued interest receivable	1,146,946	1,056,517
Investments in real estate - Note G	214,962	337,200
Other assets	2,673,148	2,658,532
TOTAL ASSETS	$ 249,926,227	$ 225,063,709
LIABILITIES:		
Deposits - Note H	$ 149,974,011	$ 146,807,779
Federal Home Loan Bank advances and other borrowings - Note I	77,096,723	58,213,760
Official checks	3,536,340	2,395,330
Deferred tax liabilities, net - Note J	1,705,639	1,065,722
Advance payments for taxes and insurance	977,715	1,110,314
Accrued interest payable	153,666	203,063
Accounts payable and other liabilities	1,085,393	950,158
TOTAL LIABILITIES	234,529,487	210,746,126
COMMITMENTS AND CONTINGENCIES - Notes D, L, M and N		
STOCKHOLDERS' EQUITY - Note K:		
Capital stock, $1 par value, 2,000,000 shares authorized: 1,008,107 and 1,008,104 shares outstanding at December 31, 1996 and 1995, respectively	1,008,107	1,008,104
Additional paid-in capital	37,322	37,284
Unrealized (losses) gains on investment and mortgage securities, net of tax effect - Note C	(66,457)	313,146
Retained earnings	14,417,768	12,959,049
TOTAL STOCKHOLDERS' EQUITY	15,396,740	14,317,583
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 249,926,227	$ 225,063,709

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, 1996	1995
INTEREST INCOME:		
Loans - Note D	$ 9,333,235	$ 7,102,632
Mortgage securities	6,055,989	6,144,918
Investment securities and other	500,390	658,604
	15,889,614	13,906,154
INTEREST EXPENSE:		
Deposits - Note H	6,423,455	5,863,198
Federal Home Loan Bank advances and other borrowings	3,239,858	2,383,288
	9,663,313	8,246,486
NET INTEREST INCOME	6,226,301	5,659,668
LOAN LOSS BENEFIT - Note D	(164,114)	(100,000)
NET INTEREST INCOME AFTER LOAN LOSS BENEFIT	6,390,415	5,759,668
OTHER INCOME:		
Loan administration and service fees	2,020,171	2,179,573
Gain on sale and capitalization of servicing - Note F	1,095,464	1,965,487
Gain on sale of loans and securities, net - Notes C and D	409,463	794,467
Gains on sale of investments in real estate	188,149	134,404
Other	596,178	472,563
	4,309,425	5,546,494
OTHER EXPENSES:		
Compensation and employee benefits - Note O	3,331,514	2,981,775
Deposit insurance premiums - Note H	1,180,871	333,419
Occupancy	515,772	525,059
Data processing	418,392	429,990
Equipment	410,499	415,087
Stationary, printing and office supplies	219,552	218,478
Professional and supervisory	185,529	200,631
Advertising	168,911	113,320
Telephone	146,318	163,214
Provision for investments in real estate losses - Note G	-	152,000
Other	419,889	456,064
	6,997,247	5,989,037
INCOME BEFORE INCOME TAX EXPENSE	3,702,593	5,317,125
Income tax expense - Note J	1,386,984	1,971,236
NET INCOME	$ 2,315,609	$ 3,345,889
Weighted average number of common shares	1,008,106	1,008,103
Net income per share	$ 2.30	$ 3.32
Dividends per share	$ 0.85	$ 0.60

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, 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 2,315,609	$ 3,345,889
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Amortization (accretion) of:		
Mortgage servicing rights	337,740	612,462
Premiums and discounts on mortgage and other securities	(56,904)	(11,414)
(Benefit) provision for:		
Loan losses	(164,114)	(100,000)
Investments in real estate losses	-	152,000
Net (gain) loss on sales of:		
Loans	(118,923)	(458,605)
Office properties and equipment	(3,686)	15,299
Investments in real estate	(188,149)	(134,404)
Investment securities available-for-sale	(290,540)	(335,862)
Mortgage servicing rights	(507,996)	(1,752,966)
Capitalization of mortgage servicing rights	(587,468)	(212,521)
Depreciation of office properties and equipment	325,585	282,337
Origination of mortgage loans held for sale	(29,263,565)	(26,049,845)
Securitization of mortgage loans held for sale and sale of mortgage-backed securities	32,458,385	20,555,450
Changes in operating assets and liabilities:		
Accrued interest receivable	(90,429)	(212,031)
Other assets	(14,616)	(129,983)
Official checks	1,141,010	486,145
Accrued interest payable	(49,397)	88,205
Deferred tax liabilities, accounts payable and other liabilities (net of dividends declared, not paid and tax effect on unrealized losses)	909,804	(507,080)
Total adjustments	3,836,737	(7,712,813)
Net cash provided (used) by operating activities	6,152,346	(4,366,924)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan originations and principal payments on loans	(30,843,074)	(14,828,282)
Held-to-maturity investment and mortgage securities:		
Purchases	(3,892,754)	(388,282)
Maturities and principal reductions	2,967,047	3,861,260
Available-for-sale investment and mortgage securities:		
Purchases	(60,346,432)	(45,557,225)
Sales	63,105,191	18,489,075
Maturities and principal reductions	5,582,327	258,067
Purchases of office properties and equipment	(832,541)	(407,927)
Proceeds from sales of office properties and equipment	4,000	3,084
Additions to mortgage loan servicing rights	(1,403,362)	(411,580)
Proceeds from the sale of loan servicing rights	1,137,144	3,184,208
Purchases of Federal Home Loan Bank (FHLB) stock	(949,200)	(1,127,700)
Proceeds from sales of investments in real estate	488,034	1,461,430
Net cash used for investing activities	(24,983,620)	(35,463,872)

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

PIONEER SAVINGS BANK

	Years Ended December 31, 1996	1995
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits	3,166,232	11,916,601
Additions to FHLB advances and other borrowings	22,882,963	54,213,760
Payments on FHLB advances and other borrowings	(4,000,000)	(25,339,056)
(Decrease) increase in advance payments for taxes and insurance	(132,599)	555,908
Sales of capital stock	41	10
Payment of cash dividends	(756,078)	(504,050)
Net cash provided by financing activities	21,160,559	40,843,173
Increase in cash and cash equivalents	2,329,285	1,012,377
Cash and cash equivalents beginning of year	4,012,652	3,000,275
Cash and cash equivalents end of year	$ 6,341,937	$ 4,012,652
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid (received) during the year for:		
Interest	$ 9,712,710	$ 8,158,281
Income taxes	826,072	2,655,596
Income tax refunds	(23,042)	(430,995)
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Real estate acquired through, or in lieu of, foreclosure	177,647	210,610
Dividends declared, not paid	453,648	352,836
Change in discount on transfer of mortgage securities from available-for-sale to held-to-maturity	(25,418)	234,849
Transfer of mortgage securities held-to-maturity to available-for-sale	-	58,011,899
Net change in unrealized gains (losses) on investment securities	(589,649)	632,579
Change in tax effect of net unrealized gains (losses) on investment securities	(235,464)	314,383
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 (Losses) Gains on Securities	Retained Earnings	Total
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 (losses) gains 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
Stock issued	3	38	-	-	41
Net income	-	-	-	2,315,609	2,315,609
Net change in unrealized (losses) gains on securities, net of tax effect of $235,464	-	-	(379,603)	-	(379,603)
Dividends - $.85 per share	-	-	-	(856,890)	(856,890)
Balance, December 31, 1996	$ 1,008,107	$ 37,322	$ (66,457)	$ 14,417,768	$ 15,396,740

The accompanying notes to consolidated financial statements are an integral part of these 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 are 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 and assumptions are the allowance for loan losses, investments in real estate valuations, the valuation of mortgage servicing rights and fair value estimates of financial instruments. Actual results could differ from those estimates.

INVESTMENT AND MORTGAGE SECURITIES AND FEDERAL HOME LOAN BANK STOCK: The Bank's investments are classified in two 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. Realized gains and 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. Federal Home Loan Bank Stock is carried at cost. At December 31, 1996 and 1995, 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 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 collectibility of loans in the portfolio. Management's assessment of collectibility is based on past loan experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the value of any underlying collateral and current economic conditions. 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.

PIONEER SAVINGS BANK

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

The Bank adopted Financial Accounting Standard (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 of 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, and as a result of adopting these statements, no additional allowance for loan losses was required.

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. Repairs and maintenance that do not extend the useful life of office properties and equipment are expensed.

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. The Bank recorded additional servicing rights of $212,521 during 1995 as a result of adoption of this new statement (See Note F).

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, such as loan type, interest rate and maturity, 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. Any resulting "excess servicing fees" are amortized over their estimated lives using a method approximating the level-yield method.

INVESTMENTS IN REAL ESTATE: Foreclosed real estate is recorded at fair value upon acquisition. After foreclosure, real estate is carried at the lower of carrying amount or estimated fair value, less estimated selling costs, 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.

INTEREST RATE CAP AGREEMENTS: The operations of the Bank are subject to risk of interest rate fluctuations to the extent there are differences between the amount of the Bank's interest-earning assets and interest-bearing liabilities that mature or reprice in specified periods. 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 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 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.

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.

Deferred taxes result 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. 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. Deferred tax liabilities or assets are determined using the current marginal rate in effect at the end of each period.

ACCOUNTING STANDARD ISSUED, NOT YET ADOPTED: In June 1996, the Financial Accounting Standards Board (FASB) issued FAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." FAS No. 125, effective January 1, 1997, provides accounting and reporting standards for transfers and servicing of financial assets and extinguishment of liabilities. In December 1996, the FASB issued FAS No. 127, "Deferral of the Effective Date of Certain Provisions of FAS No. 125," which defers the effective date of certain provisions of FAS No. 125 until after December 31, 1997. Management anticipates that adoption of these statements will have no material impact on financial statement disclosures or operating results.

RECLASSIFICATIONS: Certain amounts in the 1995 consolidated financial statements have been reclassified to conform to the 1996 presentation.

NOTE B - CASH AND CASH EQUIVALENTS

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

	December 31,	
	1996	1995
Interest bearing deposits	$ 852,932	$ 934,077
Cash and due from banks	5,489,005	3,078,575
	$ 6,341,937	$ 4,012,652

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, 1996				
	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	$ 199,528	$ 74	$ -	$ 199,602
Mortgage-backed securities	1-5	2,925,256	41,405	-	2,966,661
	5-10	967,857	31,626	-	999,483
	10-15	2,160,079	-	38,990	2,121,089
Collateralized mortgage obligations	5-10	2,128,125	-	58,523	2,069,602
	10-15	1,243,321	409	26,900	1,216,830
	15-30	8,592,361	4,235	314,037	8,282,559
		$ 18,216,527	$ 77,749	$ 438,450	$ 17,855,826
Available-for-Sale Securities					
U.S. Treasury securities	0-1	$ 2,999,281	$ 11,032	$ -	$ 3,010,313
	1-5	3,997,483	24,392	-	4,021,875
Mortgage-backed securities	10-15	10,765,849	54,483	-	10,820,332
	15-30	17,409,949	19,606	232,272	17,197,283
Collateralized mortgage obligations	10-15	8,615,764	6,703	8,842	8,613,625
	15-30	44,482,173	144,731	78,813	44,548,091
		$ 88,270,499	$ 260,947	$ 319,927	$ 88,211,519
Total Investment and Mortgage Securities		$ 106,487,026	$ 338,696	$ 758,377	$ 106,067,345

	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

PIONEER SAVINGS BANK

NOTE C - INVESTMENT AND MORTGAGE SECURITIES - Continued

Unrealized gains or losses relating to investment and mortgage securities classified as available-for-sale, the corresponding tax effects and amounts recorded directly to stockholders' equity at December 31, 1996 and 1995 are as follows:

	December 31, 1996	December 31, 1995
Net unrealized (loss) gain	$ (58,980)	$ 530,669
Net deferred tax asset (liability)	23,320	(202,094)
Net unrealized (loss) gain recorded to stockholders' equity	$ (35,660)	$ 328,575

On November 15, 1995, the FASB released a special report, "A Guide to Implementation of Statement No. 115 On Accounting for Certain 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, in 1995 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.

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 net transfer discount and the related net 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 net transfer discount, net deferred tax asset and net unrealized loss on investment and mortgage securities account at December 31, 1996 and 1995 are as follows:

	December 31, 1996	December 31, 1995
Net transfer discount	$ (50,938)	$ (25,520)
Net deferred tax asset	20,141	10,091
Net unrealized loss recorded to stockholders' equity	$ (30,797)	$ (15,429)

At December 31, 1996 and 1995, approximately $16,058,000 and $16,974,000, respectively, of mortgage securities were pledged to secure public unit deposits. At December 31, 1996 and 1995, mortgage securities having a par value of approximately $77,457,000 and $59,253,000, respectively, were pledged to secure Federal Home Loan Bank advances and other borrowings.

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

	Years Ended December 31, 1996	Years Ended December 31, 1995
Gains	$ 788,402	$ 427,497
Losses	(497,862)	(91,635)
	$ 290,540	$ 335,862

PIONEER SAVINGS BANK

NOTE D - LOANS

Loans consisted of the following:

	December 31, 1996	December 31, 1995
First mortgage loans held for investment:		
Conventional	$ 74,336,042	$ 58,344,545
FHA insured and VA guaranteed	26,680,009	12,945,656
Construction and land	8,426,984	8,163,251
Loans in process	(2,699,600)	(2,752,111)
Total first mortgage loans held for investment	106,743,435	76,701,341
Savings account loans	691,565	865,966
Installment and other loans	3,791,224	2,954,995
Unearned discounts	(14,486)	(18,754)
	111,211,738	80,503,548
Allowance for loan losses	(283,846)	(459,999)
Deferred loan fees, net	(324,651)	(269,849)
	$ 110,603,241	$ 79,773,700
First mortgage loans held for sale:		
Conventional	$ 4,455,892	$ 4,420,099
FHA insured and VA insured	6,747,402	9,905,803
	11,203,294	14,325,902
Deferred loan fees, net	(35,668)	(82,379)
	$ 11,167,626	$ 14,243,523

At December 31, 1996 and 1995, approximately $105,530,000 and $78,738,000 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, 1996	Years Ended December 31, 1995
Balance at beginning of year	$ 459,999	$ 566,045
Recoveries	6,931	1,700
Loan benefit provision	(164,114)	(100,000)
Charge-offs	(18,970)	(7,746)
Balance at end of year	$ 283,846	$ 459,999

Nonaccrual loans totaled $543,806 and $622,826 at December 31, 1996 and 1995, respectively. Based on management analysis, there were no impaired loans at December 31, 1996 or 1995. 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, 1996	Years Ended December 31, 1995
Interest income that would have been recorded	$ 9,316,783	$ 7,045,962
Interest income recognized	9,333,235	7,102,632
Interest income foregone, net of recoveries of interest on loans previously charged-off	$ (16,452)	$ (56,670)

Net gains on whole loan sales were $118,923 and $458,605 in 1996 and 1995, respectively.

PIONEER SAVINGS BANK

NOTE E - OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment consisted of the following:

	December 31, 1996	December 31, 1995
Land	$ 1,017,065	$ 1,017,065
Buildings and leasehold improvements	3,595,108	3,220,427
Furniture, equipment and autos	3,249,690	2,816,781
	7,861,863	7,054,273
Accumulated depreciation	(3,351,599)	(3,050,651)
	$ 4,510,264	$ 4,003,622

NOTE F - 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, 1996	December 31, 1995
Mortgage loans underlying pass-through securities:		
GNMA	$ 140,609,787	$ 134,506,959
FNMA	29,556,997	21,486,383
FHLMC	4,531,643	5,485,302
	174,698,427	161,478,644
Mortgage loan portfolios serviced for:		
FNMA	154,391,066	111,400,465
FHLMC	123,174,772	143,614,937
Other investors	10,173,001	10,762,765
	287,738,839	265,778,167
	$ 462,437,266	$ 427,256,811

Custodial balances on deposit in connection with the foregoing loan servicing, all on deposit at Pioneer, amounted to $10,225,244 and $ 12,534,473 at December 31, 1996 and 1995, respectively.

An analysis of changes in mortgage servicing rights follow:

	December 31, 1996	December 31, 1995
Balance, beginning of year	$ 1,913,415	$ 3,333,018
Additions, purchased and capitalized	1,403,362	411,580
Sales	(41,680)	(1,218,721)
Amortization	(337,740)	(612,462)
Balance, end of year	$ 2,937,357	$ 1,913,415

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 years ended December 31, 1996 or 1995.

Capitalized mortgage servicing rights were $587,468 and $212,521 in 1996 and 1995, respectively. Net gains on sales of mortgage servicing rights were $507,996 and $1,752,966 in 1996 and 1995, respectively.

PIONEER SAVINGS BANK

NOTE G - INVESTMENTS IN REAL ESTATE

Investments in real estate acquired in settlement of loans and through foreclosure, were $214,962 and $337,200 as of December 31, 1996 and 1995, respectively. There were no allowances for losses on foreclosed real estate as of December 31, 1995 or 1996. There were provisions and charge-offs of $152,000 during the year ended December 31, 1995, and none during the year ended December 31, 1996.

NOTE H - DEPOSITS

A comparative summary of deposits follows:

	Average Rate	December 31, 1996	Average Rate	December 31, 1995
Non-interest bearing	0.00%	$ 13,690,001	0.00%	$ 15,601,135
Passbook	3.00%	7,837,556	2.85%	7,392,487
NOW accounts	1.91%	10,908,930	2.04%	9,754,200
Super NOW accounts	2.22%	2,616,782	2.35%	1,955,646
Money market deposit accounts (MMDA)	3.39%	10,919,140	3.09%	11,360,124
Certificates of deposit	5.45%	87,964,504	5.61%	84,046,793
Jumbo certificates of deposit	5.27%	16,037,098	5.58%	16,697,394
		$ 149,974,011		$ 146,807,779

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

	December 31, 1996	December 31, 1995
0.00%	$ 14,304,160	$ 15,701,548
1.00% - 2.00%	9,936,944	8,294,189
2.01% - 3.00%	9,846,022	12,299,797
3.01% - 4.00%	11,578,606	10,651,963
4.01% - 5.00%	7,572,707	14,630,327
5.01% - 6.00%	85,222,344	63,807,566
6.01% - 7.00%	11,009,007	20,519,806
7.01% - 8.00%	504,221	900,581
8.01% - 9.00%	-	2,002
	$ 149,974,011	$ 146,807,779

The amount of deposit accounts with overdraft balances that have been reclassified as loans were $4,721 and zero at December 31, 1996 and 1995, respectively.

A comparative summary of deposits by term to maturity follows:

	December 31, 1996	December 31, 1995
No contractual maturities	$ 45,972,409	$ 46,063,592
Under 12 months	77,960,926	72,074,950
13 months to 24 months	16,884,017	14,768,539
25 months to 36 months	3,464,711	7,584,379
37 months to 48 months	4,067,439	2,315,346
49 months to 60 months	1,598,324	3,974,913
Over 60 months	26,185	26,060
	$ 149,974,011	$ 146,807,779

PIONEER SAVINGS BANK

NOTE H - DEPOSITS - Continued

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 $12,541,310 and $11,355,919 at December 31, 1996 and 1995, respectively.

Interest expense on deposits was comprised of the following:

	Years Ended December 31, 1996	1995
Passbook	$ 206,721	$ 206,414
NOW, Super NOW and MMDA's	575,970	592,739
Certificates of Deposit	5,640,764	5,064,045
	$ 6,423,455	$ 5,863,198

During 1996, the President signed into law legislation to recapitalize the Savings Association Insurance Fund (SAIF) through a one time special assessment to institutions insured by SAIF. The Bank recorded an expense of approximately $863,000 relating to the special assessment in 1996, which is included in deposit insurance premiums in the accompanying consolidated financial statements.

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, 1996 and 1995, 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, 1996 and 1995, borrowings were secured by mortgage securities having a par value of approximately $77,457,000 and $59,253,000, respectively. A summary of advances and borrowings follows:

	Maturity Date	Rate at December	December 31, 1996	1995
Borrowings:	1-04-96	5.81%	$ -	$ 42,350,000
	1-04-96	5.68%	-	4,400,000
	1-02-96	6.00%	-	7,400,000
	1-03-97	5.80%	25,000,000	-
	1-06-97	5.80%	25,000,000	-
	1-09-97	5.53%	17,000,000	-
Advances:	2-02-96	6.41%	-	4,000,000
	3-01-99	5.47%	10,000,000	-
Treasury, Tax and Loan			96,723	63,760
			$ 77,096,723	$ 58,213,760

PIONEER SAVINGS BANK

NOTE J - INCOME TAXES

The Bank records tax expense equal to the sum of deferred tax expense and income taxes currently payable or refundable. Total income tax expense in the accompanying consolidated statements of income are as follows:

	Years Ended December 31, 1996	1995
Current:		
Federal	$ 518,738	$ 2,097,141
State	77,811	375,184
Deferred:		
Federal	679,639	(430,851)
State	110,796	(70,238)
	$ 1,386,984	$ 1,971,236

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, 1996	1995
Computed "expected" tax expense	$ 1,258,882	$ 1,807,823
Change in base year amount of tax bad debt reserves	(3,160)	(9,577)
State income taxes	114,042	184,370
Other	17,220	(11,380)
	$ 1,386,984	$ 1,971,236

As of December 31, 1996 and 1995, the Bank has deferred tax assets of $293,999 and $382,008 and deferred tax liabilities of $1,999,638 and $1,447,730, resulting in a net deferred tax liability of $1,705,639 and $1,065,722. 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 amount for tax purposes which arose after 1987, 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 costs 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. The Bank recognized current taxes receivable of $33,270 in 1996 and a payable of $117,244 in 1995, related to these unrealized gains and losses on such securities.

As of January 1, 1996, Internal Revenue Code (IRC) Section 593, which allowed thrifts an 8% taxable income deduction for bad debts, was repealed. The Bank is required to recapture, over a six year period, its bad debt reserve into income to the extent its reserve at December 31, 1995 exceeded its reserve recalculated without IRC Section 593. The amount to be recaptured totals $679,379, for which a deferred liability has been recorded. The recapture can be deferred for up to two years contingent upon the Bank's residential loan portfolio continuing to grow. Management anticipates that the Bank will be able to defer the above recapture due to the Bank's growth in the mortgage loan portfolio.

The permanent deferral of bad debt reserves prior to 1988 will not be affected by the repeal of Section 593. 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, 1996. 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 qualifying financial institution 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.

PIONEER SAVINGS BANK

NOTE K - REGULATORY CAPITAL

The Bank is subject to certain restrictions on the amount of dividends it may declare without prior regulatory approval, and is also subject to various regulatory capital requirements administered by the Office of Thrift Supervision (OTS). Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheets items as calculated under regulatory accounting practices. Management believes, as of December 31, 1996 and 1995 that the Bank meets all regulatory capital adequacy requirements to which it is subject.

The most recent notifications from the OTS as of December 31, 1996 and 1995, categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Tier I leverage and Tangible capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios are also presented in the table:

	Actual		Amount Needed To Be Considered Adequately Capitalized		Amount Needed To Be Considered Well Capitalized Under Prompt Corrective Action	
As of December 31, 1996:	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (risk-based) (to Risk Weighted Assets)	$ 15,532,081	17.7%	$ 7,016,612	8.0%	$ 8,770,765	10.0%
Tier 1 Capital (core) (to Risk Weighted Assets)	15,463,197	17.6	$ 3,508,306	4.0	5,262,459	6.0
Tier 1 Capital (leverage) (to Adjusted Assets)	15,463,197	6.2	$ 9,994,840	4.0	12,493,550	5.0
Tangible Capital (to Adjusted Assets)	15,463,197	6.2	$ 9,994,840	4.0	12,493,550	5.0
As of December 31, 1995:						
Total Capital (risk-based) (to Risk Weighted Assets)	$ 14,279,043	18.4%	$ 6,223,045	8.0%	$ 7,778,806	10.0%
Tier 1 Capital (core) (to Risk Weighted Assets)	14,004,437	18.0	3,111,523	4.0	4,667,284	6.0
Tier 1 Capital (leverage) (to Adjusted Assets)	14,004,437	6.2	8,990,360	4.0	11,237,950	5.0
Tangible Capital (to Adjusted Assets)	14,004,437	6.2	8,990,360	4.0	11,237,950	5.0

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 $206,321 and $201,988 for the years ended December 31, 1996 and 1995, respectively. Future annual minimum lease payments under the Bank's non-cancelable operating leases outstanding, which have expirations through 1999, as of December 31, 1996, were as follows:

December 31,	
1997	$ 198,746
1998	184,421
1999	44,638
	$ 427,805

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, 1996 or 1995.

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 INTEREST-BEARING DEPOSITS: For these short-term instruments, their carrying amount is a reasonable estimate of fair value.

INVESTMENT AND MORTGAGE 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 total estimated fair value of the investment securities, at December 31, 1996 and 1995, as presented in Note C, were $106,067,345 and $114,270,729, respectively. The carrying amount of such investments totals $106,428,046 and $114,111,048 at December 31, 1996 and 1995, respectively.

LOANS AND LOANS HELD FOR SALE: 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 allowance for 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, 1996		December 31, 1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans Held for Investment:				
1-4 Family and participations	$ 94,327,116	$ 95,574,927	$ 64,869,680	$ 63,892,074
Multi-family and participation	6,688,935	5,890,085	6,420,521	6,934,624
Deferred fees and valuation allowance	(458,195)	-	(617,345)	-
	100,557,856	101,465,012	70,672,856	70,826,698
Construction Loans:				
Construction	5,727,384	5,724,650	5,411,140	5,412,485
Deferred fees and valuation allowance	(85,064)	-	(81,971)	-
	5,642,320	5,724,650	5,329,169	5,412,485
Loans held for sale:				
Mortgages held for sale	11,203,294	11,243,061	14,325,902	14,442,067
Deferred fees and valuation allowance	(35,668)	-	(82,379)	-
	11,167,626	11,243,061	14,243,523	14,442,067
Second Mortgages	1,361,212	1,423,817	1,169,898	1,224,618
Deferred fees	(18,991)	-	(14,795)	-
	1,342,221	1,423,817	1,155,103	1,224,618
Savings Account Loans	691,565	692,908	865,966	867,401
Consumer and Commercial:				
Consumer and commercial	2,430,012	2,326,656	1,785,097	1,713,917
Deferred fees and valuation allowance	(60,733)	-	(34,491)	-
	2,369,279	2,326,656	1,750,606	1,713,917
	$ 121,770,867	$ 122,876,104	$ 94,017,223	$ 94,487,186

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 deposits, passbook, NOW, super NOW and MMDA accounts is equal to the amount payable on demand. The fair values of certificates of deposit 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, 1996		December 31, 1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-interest bearing	$ 13,690,001	$ 13,690,001	$ 15,601,135	$ 15,601,135
Passbook	7,837,556	7,837,556	7,392,487	7,392,487
NOW accounts	10,908,930	10,908,930	9,754,200	9,754,200
Super NOW accounts	2,616,782	2,616,782	1,955,646	1,955,646
Money market deposit accounts	10,919,140	10,919,140	11,360,124	11,360,124
Certificates of deposit	87,964,504	87,989,665	84,046,793	83,928,615
Jumbo certificates of deposit	16,037,098	16,045,409	16,697,394	16,722,592
	$ 149,974,011	$ 150,007,483	$ 146,807,779	$ 146,714,799

FHLB ADVANCES AND OTHER BORROWINGS: The fair value of FHLB advances and other 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, 1996		December 31, 1995	
Maturity Date	Carrying Amount	Fair Value	Carrying Amount	Fair Value
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
1-03-97	25,000,000	25,000,000	-	-
1-06-97	25,000,000	25,000,000	-	-
1-09-97	17,000,000	17,000,000	-	-
3-01-99	10,000,000	10,000,000	-	-
Treasury, Tax and Loan	96,723	96,723	63,760	63,760
	$ 77,096,723	$ 77,096,723	$ 58,213,760	$ 58,215,418

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 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.

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, 1996			December 31, 1995		
	Notional Amount (millions)	Carrying Amount	Fair Value	Notional Amount (millions)	Carrying Amount	Fair Value
Interest rate cap agreements	$ 15	$ 127,295	$ 14,500	$ 15	$ 214,345	$ 42,500

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

	December 31, 1996		December 31, 1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bulk	$ 1,659,874	$ 3,069,768	$ 1,049,637	$ 2,303,551
Correspondent	833,667	1,654,764	673,342	1,233,764
Originated	443,816	3,231,415	190,436	2,628,339
	$ 2,937,357	$ 7,955,947	$ 1,913,415	$ 6,165,654

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 values of off-balance-sheet financial instruments at December 31, 1996, are not significant due to the short term nature of the commitments. The contract or notional amount of financial instruments whose contract amounts represent credit risk at December 31, 1996 are as follows:

Undisbursed portion of construction loans	$ 2,699,600
Commitments to originate loans	290,233
Commitments to purchase loans	814,023
Loans sold with recourse	196,287
	$ 4,000,143
Commitments to sell mortgages, mortgage-backed securities and collateralized mortgage obligations	$ 8,000,000

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 1996 and 1995:

Year	Match	Compensation	Expense
1996	100%	3.5%	$ 57,219
1995	100%	3.0%	$ 44,924

The Bank maintains a non-qualified defined benefit retirement plan (hereinafter referred to as an Indexed Retirement Plan or "IRP") for certain key executive officers. At the time the IRP was established, 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. The Bank recorded accrued benefits of $25,915 and $10,154 as of December 31, 1996 and 1995, respectively under the IRP.

NOTE P - RELATED PARTY TRANSACTIONS

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

	Years Ended December 31, 1996	1995
Balance at beginning of year	$ 316,376	$ 323,146
Principal repayments	(7,199)	(6,770)
Balance at end of year	$ 309,177	$ 316,376

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 $8,700 and $19,400 for legal services rendered to the Bank in the years ended December 31, 1996 and 1995, respectively.

ARTHUR ANDERSEN LLP

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, 1996 and 1995, 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, 1996 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Albuquerque, New Mexico
February 25, 1997

SELECTED FINANCIAL DATA -- Unaudited

PIONEER SAVINGS BANK

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

	1996	1995	1994	1993	1992
Interest income	$ 15,889,614	$ 13,906,154	$ 11,874,103	$ 11,585,168	$ 12,797,024
Interest expense	9,663,313	8,246,486	6,118,044	6,464,224	8,112,659
Net interest income	6,226,301	5,659,668	5,756,059	5,120,944	4,684,365
Net income	2,315,609	3,345,889	2,007,628	1,642,686	1,232,645
Per share data:					
Net income	2.30	3.32	1.99	1.63	1.22
Dividends	0.85	0.60	0.40	0.15	0.11
Investment and mortgage securities	106,428,046	114,111,048	89,559,239	81,916,898	65,946,836
Loans	121,770,867	94,017,223	73,346,551	85,260,396	81,585,421
Total assets	249,926,227	225,063,709	179,939,949	191,305,030	179,077,713
Deposits	149,974,011	146,807,779	134,891,178	141,062,322	147,633,052
Borrowings	77,096,723	58,213,760	29,339,056	35,375,025	21,750,000
Stockholders' equity	15,396,740	14,317,583	11,023,500	9,659,007	8,167,525
Loans serviced for others (rounded to nearest '000)	462,437,000	427,257,000	562,621,000	488,407,000	422,470,000
Customer service facilities:					
Full service branch facilities	6	6	6	6	6
Loan production offices	3	3	3	2	2

PIONEER SAVINGS BANK

VOLUME AND RATE ANALYSIS
(000's OMITTED)

1996 Compared to 1995:

	Average Volume		Average Rate		Interest			Interest Variance Attributable to:	
	1996	1995	1996	1995	1996	1995	Interest Variance	Volume	Rate
Interest income:									
Loans	$ 111,700	$ 81,845	8.36%	8.68%	$ 9,333	$ 7,102	$ 2,231	$ 2,495	$ (264)
Mortgage securities	92,429	89,954	6.55%	6.83%	6,056	6,145	(89)	162	(251)
Investments	7,860	7,094	6.36%	9.29%	500	659	(159)	49	(208)
Total interest earning assets	$ 211,989	$ 178,893	7.50%	7.77%	$ 15,889	$ 13,906	$ 1,983	$ 2,706	$ (723)
Interest expenses:									
Deposits	$ 149,261	$ 139,871	4.30%	4.19%	$ 6,423	$ 5,863	$ 560	$ 404	$ 156
Borrowed funds	58,071	37,985	5.58%	6.27%	3,240	2,383	857	1,121	(264)
Total interest bearing liabilities	$ 207,332	$ 177,856	4.66%	4.63%	$ 9,663	$ 8,246	$ 1,417	$ 1,525	$ (108)
Net interest spread and income			2.84%	3.14%	$ 6,226	$ 5,660			
Ratio of net interest income to average interest earnings assets					3.19%	3.28%			

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%	7.17%	$ 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	4.63%	3.65%	$ 8,246	$ 6,118	$ 2,128	$ 635	$ 1,493
Net interest spread and income			3.14%	3.52%	$ 5,660	$ 5,756			
Ratio of net interest income to average interest earnings assets					3.28%	3.47%			

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 FDIC through the Savings Association Insurance Fund. 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
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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 2:00 P.M. on April 15, 1997 at the Sally Port Inn, 2000 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 $10.13 - $15.50 per share. As of December 31, 1996, there were approximately 364 holders of record of Pioneer common stock. Dividends of $.85 per share were declared in 1996.

BOARD OF DIRECTORS

PIONEER SAVINGS BANK

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 Bank

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 Bank

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

OFFICERS

Pioneer Savings Bank

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Chairman of the Board
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Vice President
John Dick-Peddie
Suzi K. Glass
Darlene S. Hart
Daniel A. Hostetler
Alan W. Johnson
Susan F. Keohane
Robert W. Mays
Scott E. Mohrhauser
Dee Ann Nunez
Rebecca E. Underation
Debe M. Wagner

Executive Vice President & Treasurer
Jon E. Hitchcock, C.P.A.

Senior Vice President
Britt Donaldson
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Virginia L. Boyer
Charlotte Y. Gipson
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Janie L. Hartwich
Debi W. Rupe
Carolyn S. Shanley
Robert D. Vie
Debra M. Young

Secretary
Barba N. McCampbell

Assistant Secretary
Nancy L. Smith
Paula L. Ridgeway
Lanice A. White

Pioneer Mortgage Company

Vice President
Freida J. Goodrum
Pamela A. Sparks

PIONEER SAVINGS BANK

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(505) 437-9075

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(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

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3000 North Garfield Street, Suite 180, Midland, Texas 79705
(915) 570-0777

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