SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-07-08** | Period of Report: **1993-12-31**
SEC Accession No. 0000826329-94-000004

(HTML Version on secdatabase.com)

FILER

PIONEER FINANCIAL CORP

CIK:**826329**| IRS No.: **541439439** | State of Incorp.:**VA** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **000-17103** | Film No.: **94538273**
SIC: **6035** Savings institution, federally chartered

Mailing Address
5601 IRONBRIDGE PARKWAY
CHESTER VA 23831

Business Address
5601 IRONBRIDGE PKWY
CHESTER VA 23831-900
8047489733

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF the SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1993

OR

[ ] TRANSITION REPORT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 0-17103

Pioneer Financial Corporation
(Exact name of registrant as specified in its charter)

Virginia	54-1439439
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5601 Ironbridge Parkway, Chester, VA	23831
(Address of principal executive office)	Zip Code

Registrant's telephone number, including area code: (804) 748-9733

Common Stock ($1.00 par value per share)
(Title and Class)

Indicate by using an X whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

subject to such filing requirements for the past 90 days.

Yes X No

As of December 31, 1993 and February 10, 1993 there were issued and outstanding 2,343,799 shares and 2,346,799 shares, respectively, of the common stock of Pioneer Financial Corporation.

PIONEER FINANCIAL CORPORATION AND SUBSIDIARIES

INDEX

<TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statement of Financial Condition
<CAPTION>
Dollars in Thousands - Except Per Share Amounts

Assets	(Unaudited) Dec. 31, 1993	Sept. 30, 1993
<S>	<C>	<C>
Cash	3,461	2,309
Interest bearing deposits	8,480	22,640
Federal funds sold	765	197
Securities		
Held to maturity (estimated market value of $486 and $488)	486	488
Available for sale (cost of $131,225 and $135,294)	131,725	136,403
Loans receivable, net	218,237	210,399
Investment in Federal Home Loan Bank stock	6,848	6,763
Real estate, net:		
Acquired in settlement of loans	407	506
In-substance foreclosure	3,281	3,277
Held for development or resale	14,826	14,319
Properties and equipment, net	4,334	4,327
Accrued interest receivable :		
Loans	1,811	2,249
Securities and other interest-earning assets	1,248	945
Prepaid expenses and other assets	1,746	3,826
Total Assets	397,655	408,648
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	314,758	313,674
Securities sold under agreements to repurchase and other borrowings	9,775	10,300
Advances from Federal Home Loan Bank	20,000	30,000
Advance payments by borrowers for taxes and insurance	746	1,013
Other liabilities	1,514	3,525
Total Liabilities	346,793	358,512
Stockholders' Equity:		
Common stock	2,344	2,342
Additional capital	5,821	5,811
Retained earnings	42,387	41,423
Net unrealized gain on marketable equity securities	310	560
Total Stockholders' Equity	50,862	50,136
Total Liabilities and Stockholders' Equity	397,655	408,648
Book value, per share	21.70	21.40

</TABLE>

<TABLE>
Consolidated Statements of Operations (Unaudited)
<CAPTION>
Dollars in Thousands - Except Per Share Amounts

Three Months Ended

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Dec. 31, 1993	Dec. 31, 1992
Interest income		
Loans receivable		
<S>	<C>	<C>
Real estate loans	4,517	4,161
Other loans	381	395
Securities		
Held to maturity	102	1,261
Available for sale	1,438	1,160
Other interest-earning assets	347	849
Total interest income	6,785	7,826
Interest expense		
Deposits	3,234	3,524
Short term borrowings	267	817
Long term borrowings	-	901
Total interest expense	3,501	5,242
Net Interest Income	3,284	2,584
Provision for loan losses	22	135
Net interest income after provision for loan losses	3,262	2,449
Noninterest income		
Gain (loss) from securities		
Held to maturity	-	176
Available for sale	81	(18)
Trading	6	(45)
Gain on sale of loans	214	233
Loan servicing fees	280	383
Income (loss) from real estate operations	(231)	110
Deposit servicing fees	119	110
Other	31	55
Total noninterest income	500	1,004
Noninterest expense		
Compensation and employee benefits	1,141	1,139
Occupancy	464	533
Advertising	132	144
Data processing services	27	36
Insurance	258	261
Other	308	688
Total noninterest expense	2,330	2,801
Income before income taxes	1,432	652
Income taxes	350	173
Net income	1,082	479
Earnings per common share - assuming no dilution:	0.44	0.19
Dividends paid per common share	0.05	-
Average shares outstanding - assuming no dilution	2,438,954	2,457,768

</TABLE>

<TABLE>
Consolidated Statement Of Stockholders' Equity (Unaudited)
<CAPTION>
(Dollars in Thousands)
As of December 31, 1993

	Common Stock	Additional Capital	Retained Earnings	Net Unrealized Gain (Loss) on Securities Available for Sale	Total Stockholders Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at					

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

September 30, 1993	2,342	5,811	41,422	560	50,135
Net income for the three months ended December 31, 1993	-	-	1,082	-	1,082
Cash Dividends - Common Stock, $0.10 per share	-	-	(117)	-	(117)
Stock options exercised	2	10	-	-	12
Net unrealized gain (loss) on securities available for sale	-	-	-	(250)	(250)
Balance at December 31, 1993	2,344	5,821	42,387	310	50,862

</TABLE>

<TABLE>
Consolidated Statements of Cash Flow
<CAPTION>

(Dollars in Thousands)	Three Months Ended December 31, 1993	Three Months Ended December 31, 1992
Operating Activities		
<S>	<C>	<C>
Net income	1,082	479
Adjustments		
Purchase of trading account securities	-	-
Proceeds from sale of trading account securities	6	(45)
Provision for losses	23	212
Gain on sale of assets	(293)	(348)
Amortization and depreciation	127	167
(Increase) decrease in accrued interest receivable	(245)	(857)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other	(231)	600
Net Cash Provided (Absorbed) By Operating Activities	469	208
Investing Activities		
Purchase of securities		
Investment	-	(121,183)
Held for sale	(120,619)	(161)
Proceeds from sale of securities		
Investment	-	176
Held for sale	121,966	2,991
Proceeds from principal payments and maturities of securities		
Investment	1	1,733
Held for sale	3,276	16,351
Proceeds from sale of loans	12,289	14,071
Loan originations and principal payments on loans	(19,461)	(29,617)
Proceeds from sale of real estate	512	182
Proceeds from sale (purchase) of Federal Home Loan Bank stock	(85)	(96)
Other	(974)	(854)
Net Cash Provided (Absorbed) By Investing Activities	(3,095)	(116,407)
Financing Activities		
Net increase in deposits	1,083	5,702
Repurchase of common and preferred stock	-	-
Cash dividends paid on common stock	(117)	(246)
Repayments of Federal Home Loan Bank advances	(10,000)	-
Proceeds from securities sold under agreements to repurchase and from other borrowings	70,544	-
Payments on securities sold under agreements to repurchase and other borrowings	(71,069)	-
Decrease in escrow deposits	(267)	(390)
Other	12	
Net Cash Absorbed By Financing Activities	(9,814)	5,066
Increase in Cash and Cash Equivalents	(12,440)	(111,133)
Cash and Cash Equivalents - beginning of year	25,146	122,776
Cash and Cash Equivalents - end of year	12,706	11,643

</TABLE>

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

The condensed consolidated financial statements included herein have been prepared by Pioneer Financial Corporation (the "Corporation" or "Pioneer Financial"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Pioneer Financial is the Holding company of Pioneer Federal Savings Bank (the "Bank" or "Pioneer Federal"), and Pioneer Properties Inc. (an inactive real estate brokerage company). The majority of the earnings and performance figures herein reflect the results of Pioneer Federal. Pioneer Federal is a federally chartered savings bank with executive and administrative offices in Chester, Virginia, which conducts business through a total of 11 full service retail banking offices located in central Virginia in the cities of Richmond, Colonial Heights, Petersburg and Hopewell, Virginia; the counties of Chesterfield and Henrico; and the town of Chase City, Virginia. The Savings Bank, through a wholly owned subsidiary also has a separate mortgage loan production office in Henrico county.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the applicable periods have been made. All significant intercompany

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

balances and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto in the Company's Annual Report to Stockholders for the year ended September 30, 1993, filed with the SEC on or about December 28, 1993. The results for the period covered hereby will not necessarily be indicative of the operating results for the full year ending September 30, 1994.

PIONEER FINANCIAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A--Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Pioneer Financial Corp., all adjustments necessary for a fair presentation of the financial statements have been included. The results of operations for the three month period ended December 31, 1993 are not necessarily indicative of the results which may be expected for the entire year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended September 30, 1993.

Note B--Per Share Data

Earnings per share are computed by dividing earnings by the weighted average number of shares outstanding during the period. For the quarter ended December 31, 1993, the weighted average number of shares of common stock was adjusted for the effects of existing stock options, which are considered common stock equivalents. The calculation of earnings per share for the quarter ended December 31, 1992 did not include the existing stock options as their dilutive effect was less than three percent. The weighted average number of shares of common stock outstanding were 2,438,954 and 2,457,768 for the quarters ended December 31, 1993 and 1992, respectivly.

Note C--Transfers from loans to real estate acquired through foreclosure amounted to approximately $0 and $61,000 for the three months ended December 31, 1993 and 1992 respectively. Real estate in-substance foreclosed transferred to real estate acquired through foreclosure amounted to approximately $89,000 and $6,385,000 for the three months ended December 31, 1993 and 1992, respectively.

Note D--Cash and Equivalents

For the purpose of reporting cash flows, the Corporation considers all highly liquid debt instruments, such as federal funds and overnight deposits, to be cash equivalents.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis should be read in conjunction with the Management's Discussion and Analysis contained in the company's Annual Report to Stockholders, which focuses upon relevant matters occurring during the year commencing October 1, 1992 and ending September 30, 1993. Accordingly, the ensuing discussion focuses upon material matters at and for the three months ended December 31, 1993.

General.

Pioneer Financial was incorporated in Virginia in November 1987 and became the sole shareholder of Pioneer Federal Savings Bank ("Pioneer Federal"). Presently, the primary business of Pioneer Financial is the business of Pioneer Federal. Pioneer Financial also owns Pioneer Properties Inc. (an inactive real estate brokerage company). At December 31, 1993, the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Corporation had assets of $397.7 million, total deposits of $314.8 million and stockholders' equity of $50.9 million.

Management estimates that Pioneer Federal has approximately 45.2% (approximately $115.1 million) of the total financial institution deposits in the city of Hopewell, Virginia, where it operates its main office and a branch office. The Savings Bank was chartered as a mutual association in 1933, and became a member of the Federal Home Loan Bank System in 1934. In July 1984 Pioneer Federal converted to a federal capital stock savings and loan association and in June 1988 changed its name to Pioneer Federal Savings Bank upon conversion to a federal capital stock savings bank.

Changes in Financial Condition

Although total assets have decreased over $10.0 million for the three month period ended December 31, 1993, there have been no significant increases or decrease in any one category. Cash and cash equivalents (down $12.4 million for the quarter) combined with proceeds from the sale of and principal repayments on securities were used to fund new loans (net increase of $7.8 million) and to repay $10.0 million of Federal Home Loan Bank ("FHLB") advances.

Stockholders' Equity increased ($726,000 or 1.5%) as net income for the three month period of $1,082,000 was only slightly offset by a regular quarterly $0.05 per share common stock dividend totalling $117,000, which was paid in December, 1993 as well as an adjustment for the net unrealized gain (loss) on securities available for sale.

Results of Operation

The Association's results of operations are dependent to a large extent on its net interest income, which is the difference between the interest and dividend income it receives on its interest-earning assets (principally loans and securities) and the interest expense, or cost of funds, of its interest-bearing liabilities (principally deposits and, to a lesser extent, FHLB
advances and other borrowings). Banking fees, service charges, and other income; gains or losses on the sale of loans and other assets, and the level of general and operating expenses (non-interest expense) also have significant effects on the Association's results of operations.

Three Months Ended December 31, 1993 Compared to December 31, 1992

Interest Income. Interest income on all interest earning assets for the three months ended December 31, 1993 was $6.8 million, a decrease of approximately $1.0 million or 13.3% over the same period in 1992. Although there was a 53 basis point increase in the average yield on interest earning assets, a 15.7% decrease in the average outstanding balance of these assets resulted in the decrease in total interest income. For the three months ended December 31, 1993 the average balance of all interest earning assets was $380.7 millon yielding 7.1%, compared to $451.5 million yielding 6.5% in the previous year.

For the three month period ended December 31, 1993 interest income on loans increased by approximately $342,000 or 7.5% for the current year. While average loans outstanding increased 14.2% for the three month period, the average yield on these loans decreased only 2.5%. For the same two periods, interest on securities decreased $880,000, the direct result of a 30.0% decrease in the average outstanding balance as well as a 5.7% decrease in average yield. Interest income on other interest earning assets (FHLB stock, federal funds sold, and cash) decreased approximately $502,000 or 59.1% due mainly to a 49.8% decrease in the average outstanding balance of these assets.

Interest Expense. Interest expense for the three months ended December 31, 1993 decreased approximately $1.7 million or 33.2% over the similar period in 1992. A 9.8% decrease in average cost of deposits, partially offset by a $4.7 million increase in average outstanding balance resulted in total interest expense on deposits decreasing by approximately $290,000 or 8.2%. For the three months ended December 31, 1993, deposits averaged $314.7 million at an average cost of 4.1%, compared to an average balance of $309.9 million and an average cost of 4.5% for the comparable period in 1992. Total interest on borrowings decreased by over $1.5 million or 84.5%, the direct result of prepaying $45.5 million of FHLB in June, 1993 at an after tax penalty of $2.2 million as well as repaying, upon maturity, $47.5 million in additional debt with the FHLB. With the exception of $10.0 million of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

this debt paid in October, 1993, all of this debt was repaid during the year ended September 30, 1993.

Net Interest Margin. Although decreases were experienced for the quarter ended December 31, 1993 in both interest income and interest expense, net interest margin increased by almost $700,000 or 27.1%. Net interest spread has increased from 1.6% for the quarter ended December 31, 1992 to 3.1% for the quarter ended December 31, 1993.

<TABLE>
The following table sets forth information concerning the yields earned on interest earning assets, the rates paid on interest bearing liabilities and the resultant net interest rate spread for the three month period ended December 31, 1993 and 1992. The yields earned and rates paid are based on average balances.
<CAPTION>

	Three Months Ended December 31	
	1993	1992
Interest-earning assets:		
<S>	<C>	<C>
Real estate loans	8.84%	9.03%
Other loans	8.98%	9.76%
Mortgage-backed securities	6.21%	7.72%
Securities held to maturity	-	7.57%
Securities available for sale	4.77%	4.33%
Other investments	3.35%	3.33%
Total interest-earning assets	7.06%	6.53%
Interest-bearing liabilities		
Deposits	4.09%	4.54%
Borrowings	2.71%	6.05%
Total interest-bearing liabilities	3.97%	4.94%
Net interest rate spread	3.08%	1.59%

</TABLE>

Provision for Possible Loan Losses and Other Asset Valuation Allowances. Due to an overall improvement in the status of the Savings Bank's classified assets, additional provisions for possible loan losses were minimal ($23,000) for the three months ended December 31, 1993 as compared to $135,000 for the same period last year. Through the Corporation's Asset Classification Policy, management will continue to monitor the loan portfolio as well as other assets on a monthly basis and evaluate the adequacy of total valuation allowances. (See Provision for Possible Loan Losses).

Other Income. Other income was $500,000 for the three months ended December 31, 1993, a decrease of approximately $503,000 from the three months ended December 31, 1992. The majority of this decrease is related to expenses incurred in the day to day operations of Real Estate Held, both for development and acquired in settlement of loans (income (loss) from real estate operations has decreased over $341,000 for the three month period). Other decreases included loan servicing fees (down $102,000 for the three month period), the result of the payoffs of loans serviced for others.

Other Expenses. Other expenses decreased approximately $471,000 for the three months ended December 31, 1993. The majority of this decrease is due to one time charges paid during the quarter ended December 31, 1992 related to the acquisition in November, 1992 of River's Bend on the James, a residential and mixed use development in southern Chesterfield County. With the exception of compensation and employee benefits which increased only slightly, all other categories of noninterest expense have decreased.

Net Income. The Corporation recorded net income of $1,082,000 or $0.44 per share, which compares to a net income for the same period a year earlier of $479,000 or $.19 per share. As previously discussed, this increase was the result of an increase in net interest margin and a significant decrease in operating expenses, which was only slightly offset by a decrease in other non-interest income items.

Securities.
<TABLE>
Securities as of December 31, 1993 were as follows (dollars in thousands):
<CAPTION>

	Unrealized	Estimated

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Amortized Cost	Gains (Losses)	Market Value
<S>	<C>	<C>	<C>
Held to maturity			
Other securities	486	-	486
Total Investments	486	-	486
Available for sale			
Mortgage-backed securities	22,946	(59)	22,887
Corporate notes	2,001	17	2,018
United States Treasury	74,862	(1,088)	73,774
Asset management fund	25,050	(75)	24,975
Other securities	6,366	1,705	8,071
Total - Held for sale	131,225	500	131,725
	131,711	500	132,211

</TABLE>

Asset and Liability Management. Management of the Savings Bank strives to manage the maturity or repricing match between assets and liabilities. The degree to which Pioneer Federal is "mismatched" in its maturities is the primary measure of interest rate risk. In periods when long-term interest rates are higher than short-term interest rates, net interest income can be increased through the financing of long-term assets with short-term deposits and borrowings. Although such a strategy may increase profits in the short run, it increases the risk of exposure to rising interest rates and can result in funds costs rising faster than asset yields.

The Savings Bank's efforts to match the repricing maturities of assets and liabilities are hampered by the lack of demand for mortgages or assets which would re-price often enough to offer protection against rate changes and certificates of deposit with lengthy maturities. The percentage of asset tests imposed by the Internal Revenue code and FIRREA require significant investments in residential loans, thus slowing the Savings Bank's effort to enlarge its portfolios of assets which re-price quickly and offer a reasonable return.

The most common measure of interest rate risk is the gap ratio, i.e., the difference between interest-earning assets and interest-bearing liabilities that reprice or mature within one year expressed as a percent of total assets. Typically the closer the gap ratio is to zero, the less sensitive is a company's earnings to moderate changes in interest rates. Pioneer Federal's one year cumulative gap ratio at December 31, 1993 was - - -12.31%.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE>
The following table provides information as of December 31, 1993, on the maturity and repricing interval of the Savings Bank's assets and liabilities, based on their contractual term to maturity and the interest sensitivity gap of the Savings Bank's assets and liabilities.

<CAPTION>

	MATURITY/REPRICING INTERVAL						
	Less Than 6 Months	6 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Greater Than 10 Years	Total
			(Dollars in Millions)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-Earning Assets							
Mortgage Loans	74.3	28.2	18.2	16.0	5.7	53.6	196.0
Mortgage-Backed Securities	-	-	1.3	-	19.7	2.0	23.0
Other Loans	12.8	0.9	1.9	1.9	0.7	4.0	22.2
Investment Securities/FHLB Stock	20.7	5.4	6.8	78.9	0.5	3.7	116.0
Federal Funds Sold	0.8	-	-	-	-	-	0.8
Other Earning Assets	8.5	-	-	-	-	-	8.5
Total Interest-Earning Assets	117.1	34.5	28.2	96.8	26.6	63.3	366.5
Interest-Bearing Liabilities Deposits							
Deposits							
Demand Deposits	5.2	4.1	8.5	2.3	3.0	2.0	25.1 (1)
Savings Accounts	5.3	4.9	15.7	10.1	14.6	9.7	60.3 (1)
Money Market Demand Accounts	27.8	12.7	5.6	2.6	1.5	1.0	51.2 (1)
Certificates of Deposit	61.0	45.9	40.2	31.0	-	-	178.1
Notes Payable	9.8	-	-	-	-	-	9.8
FHLB Advances	-	20.0	-	-	-	-	20.0
Total Interest-Bearing Liabilities	109.1	87.6	70.0	46.0	19.1	12.7	344.5
Interest Sensitivity Gap	8.0	(53.1)	(41.8)	50.8	7.5	50.6	22.0
Cumulative Gap	8.0	(45.1)	(86.9)	(36.1)	(28.6)	22.0	
Ratio of Interest-Earning Assets to Interest-Bearing Liabilities	1.07	0.39	0.40	2.10	1.39	4.98	1.06
Cumulative Ratio of Interest-Earning Assets to Interest-Bearing Liabilities	1.07	0.77	0.67	0.88	0.91	1.06	
Cumulative GAP as a Percent of Total Earning Assets	2.18%	-12.31%	-23.71%	-9.85%	7.80%	6.00%	

<FN>
(1) Repricing of these three types of deposits (demand, savings and money market demand) are based on repricing assumptions as of September 30, 1993 furnished by the FHLB of Atlanta thru their interest rate risk service.
</TABLE>

Real Estate Investment. The Savings Bank's investment in real estate ventures increased slightly at December 31, 1993 to $14.8 million as compared to $14.3 million at September 30, 1993.

Federal Home Loan Bank System. Pioneer Federal is a member of the FHLB System and, as a member, is required to own capital stock in the FHLB of Atlanta in an amount at least equal to the greater of 1% of the aggregate outstanding balance of its loans secured by residential real property at the close of each year, or 5% of its outstanding advances from the FHLB of Atlanta. As a member of the FHLB System, Pioneer Federal is authorized to borrow funds from the FHLB of Atlanta to meet withdrawals of savings

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

accounts, seasonal requirements, and to expand its loan portfolio. At December 31, 1993, Pioneer Federal owned $6,848,200 of stock and had advances from the FHLB of $20,000,000, which mature in August of 1994.

Asset Classification. Pursuant to applicable regulations, the Savings Bank has adopted a policy concerning the classification of problem assets. Under the policy, problem loans and other assets are classified in three categories: (i) Substandard, (ii) Doubtful, and (iii) Loss.

An asset is classified Substandard if it is determined to involve a distinct possibility that the Savings bank could sustain some loss if deficiencies associated with the loan are not corrected. An asset is classified as Doubtful if full collection is highly questionable or improbable. An asset is classified as Loss if it is considered uncollectible, even if a partial recovery could be expected in the future. All assets classified as loss are 100% reserved. The Savings Bank also evaluates assets deserving "special mention" which, while not necessarily exposing the Savings Bank to loss, do possess credit deficiencies or potential weaknesses deserving management's close attention. If an asset is classified pursuant to the Savings Bank's policies (or by regulatory examiners) general valuation allowances ("GVA's") are then established. (See Valuation Allowances).

<TABLE>

Total classified assets have decreased $4.4 million or 16.5% for the three month period ended December 31 1993, comprised of a $4.7 million decrease in substandard assets and a $291,000 increase in loss assets. The following table details information concerning the Savings Bank's classified assets at December 31, 1993, and the ratio of classified assets to total assets:

<CAPTION>

	Substandard	Doubtful	Loss	Total
		(Dollars in Thousands)		
<S>	<C>	<C>	<C>	<C>
Commercial real estate	8,700	-	-	8,700
Mortgage loans	255		520	775
Construction Loans	-	-	-	-
Other loans	265	-	45	310
Real estate held for development	4,051	-	216	4,267
Real estate owned	7,281	-	890	8,171
Total Classified Assets	20,552	-	1,671	22,223
Ratio of Classified Assets to Total Assets	5.17%	-	0.42%	5.59%

</TABLE>

Non-Performing Assets. Loans are reviewed on a regular basis and are placed on a non-accrual status when, in the opinion of management, the collection of additional interest is doubtful. Residential mortgage loans are placed on non-accrual status when either principal or interest is 90 days or more past due unless collectability is assured in the near future. Consumer loans generally are charged off when the loan becomes over 120 days delinquent. Commercial, business and real estate loans are placed on non-accrual status when the loan is 90 days or more past due, unless circumstances require alternate treatment (a loan can be past due more than 90 days and still be accruing interest). Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income.

<TABLE>

The following table sets forth information with respect to the Savings Bank's non-performing loans at the dates indicated.

<CAPTION>

	12/31/93	09/30/93	09/30/92	09/30/91
<S>	<C>	<C>	<C>	<C>
Loans accounted for on a non-accrual basis:				
Real Estate:				
Residential	94	91	376	1,893

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Commercial	-	-	243	1,545
Commercial Business	-	363	391	1,144
Consumer	34	-	17	21
Total	128	454	1,027	4,603
Accruing loans which are contractually past due 90 days or more:				
Real Estate:				
Residential	161	143	322	582
Commercial	6,761	3,998	-	-
Commercial Business	237	238	849	-
Consumer	-	-	-	-
Total	7,159	4,379	1,171	582
Total of nonaccrual and 90 days past due loans	7,287(1)	4,833	2,198	5,185
Percentage of Total Loans	3.34%	2.30%	1.33%	2.92%

<FN>
(1) Nonperforming loans which are classified assets as well are as follows:

<S>	<C>
Special Mention	6,761
Substandard	490
Doubtful	-
Loss	36
Total	7,287

</TABLE>

Valuation Allowances. It is the Savings Bank's policy to establish specific valuation allowances for loss against specific assets based on current appraisals, discounted cash flow analysis and other factors when possible losses are indicated on the loans or other assets. At December 31, 1993 allowances related to specific assets (loans and real estate) amounted to $1.7 million.

In addition to specific valuation allowances, the Corporation also calculates general valuation allowances ("GVA's") using two methods. The first method applies certain percentages to classified asset balances which have first been reduced for any specific valuation allowances. GVA's of this type totalled $2.6 million at December 31, 1993. In addition to this type of GVA, the Corporation also calculates GVA's on pass and unreviewed assets (all assets that are not classified), based on, among other factors, historical loss experience for each type of loan, trends in connection with portfolio amounts and composition, and current economic conditions relating to the collectibility of loans in the portfolio. GVA's of this type totalled $1.4 million at December 31, 1993. Total valuation allowances, both specific and general, totalled $5.7 million at December 31, 1993.

<TABLE>
The following table sets forth the breakdown of the allowance for losses by category at the dates indicated.
<CAPTION>

	Analysis of Valuation Allowances		
Specific Valuation Allowances	12/31/93	9/30/93	9/30/92
Loans:			
<S>	<C>	<C>	<C>
Residential Mortgage	49	38	356
Commercial Mortgage	521	653	739
Construction	-	-	-
Commercial Business	23	100	146
Consumer	42	73	183
Total Specific Valuation Allowance - Loans	635	864	1,424
Percent of Total Loans	0.3%	0.4%	0.8%
Real Estate			
In-substance Foreclosure	-	-	0
Real Estate Held for Development	890	807	154
Real Estate Owned	216	431	841
Total Specific Valuation Allowance - Real Estate	1,106	1,238	995
Percent of Total Real Estate	6.0%	6.8%	4.3%
Total Specific Valuation Allowance	1,741	2,102	2,419
Percent of Total Loans/Real Estate	0.7%	0.9%	1.3%

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

General Valuation Allowances			
Loans:			
Residential Mortgage	110	112	107
Commercial Mortgage	2,001	2,012	2,614
Construction	467	441	117
Commercial Business	196	191	67
Consumer	22	22	115
Total GVA - Loans	2,796	2,778	3,020
Percent of Total Loans	1.3%	1.3%	1.8%
Real Estate:			
In-substance Foreclosures	365	364	0
Real Estate Held for Development	772	722	0
Real Estate Owned	41	118	0
Total GVA - Total Real Estate	1,178	1,204	0
Percent of Total Real Estate	6.4%	6.7%	0.0%
Total GVA's	3,974	3,982	3,020
Percent of Total Loans/Real Estate and Other	1.6%	1.7%	1.6%
Total Valuation Allowances	5,715	6,084	5,439
Percent of Total Loans/Real Estate and Other	2.3%	2.7%	2.9%

</TABLE>

Real Estate Owned. Real estate owned includes property acquired in settlement of loans and loans classified as insubstance foreclosure. Properties acquired in settlement of loans and loans classified as in-substance foreclosure are initially valued at the lower of cost or fair value based on available appraisals at foreclosure or in consideration of estimated sales price and costs of disposal as well as the estimated cost of holding and maintaining the property. Carrying values are periodically adjusted to the lower of the adjusted cost or net realizable value throughout the remaining holding period. Loans classified as in-substance foreclosures consist of loans accounted for as foreclosed property even though legal foreclosure has not occurred. Although the collateral underlying these loans has not been repossessed, the borrower has no equity in the collateral at its current estimated fair value, proceeds for repayment are expected to come only from the operation or sale of the collateral, and either the borrower has abandoned control of the project or it is doubtful the borrower will rebuild equity in the collateral or repay the loan by other means in the foreseeable future.

During the year ended September 30, 1993, the Corporation determined that seven loans with outstanding balances of $3,767,331 had been insubstance foreclosed, and, although formal foreclosure proceedings had not been initiated, the investment in the loans had been reported in the same manner as collateral that has been formally repossessed, regardless of whether the related loan is formally restructured. Of the seven properties, six were sold during the quarter ended December 31, 1993. The remaining property, at a carrying value of $3.4 million was formally foreclosed upon subsequent to December 31, 1993.

<TABLE>

The following table sets forth the balances in repossessed property (held for sale and in-substance foreclosed) at December 31, 1993, and the allowance for loss by type of property.

<CAPTION>

	Asset Balances	Less: Specific Allowance	Less: General Allowance	Net Carrying Value
		(Dollars in Thousands)		
Real Estate Owned				
<S>	<C>	<C>	<C>	<C>
Single Family Residential	112	5	11	96
Multi-Family Residential	3,627	109	352	3,166
Construction	116	22	0	94
Commercial	412	80	42	290
Total Real Estate Owned	4,267	216	405	3,646

</TABLE>

Liquidity and Capital Resources. Under current regulations the Savings Bank is required to maintain liquid assets at 5% or more of its net

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

withdrawable deposits plus short-term borrowings. With total liquidity of 24.4% at December 31, 1993, the Savings Bank more than met the 5% requirement. At December 31, 1993, the Savings Bank had outstanding loan commitments totalling $7.7 million.

On August 9, 1989, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") was enacted into law to restructure the regulation of the thrift industry. The legislation affects the thrift industry in several ways, including more stringent capital requirements and new investment limitations and restrictions. On November 8, 1989, the OTS published a final rule implementing three new capital standards. The regulation requires institutions to have a minimum regulatory tangible capital of 1.5% of total assets, a minimum core capital ratio of 3.0%, and, as of December 31, 1992, a 8.0% risk-based capital ratio.

<TABLE>
The following table sets forth the capital position of the Savings Bank as calculated under FIRREA as of December 31, 1993, (in thousands):
<CAPTION>

	Actual Amount	% of Assets*	Required Amount	% of Assets*	Excess Amount	% of Assets*
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Core	35,351	8.89%	11,781	3.00%	23,570	5.89%
Tangible	35,351	8.89%	5,890	1.50%	29,461	7.39%
Risk-weighted	38,552	16.47%	18,725	8.00%	19,827	8.47%

<FN>
* Based upon adjusted total assets for the core and tangible capital requirements, and risk-weighted assets for the risk-based capital requirement.
</TABLE>

On September 3, 1992, the OTS issued a proposed rule which would set forth the methodology for calculating an interest rate component that would be incorporated in the OTS regulatory capital rule. This recent proposal replaces an earlier proposal by the OTS to calculate interest rate risk. Under the new proposal, only savings associations with "above normal" interest rate risk exposure (i.e., where an institution's market value portfolio equity would decline in value by more than 2% of assets in the event of a hypothetical 200-basis-point move in interest rates) would be required to maintain additional capital. The additional capital that such an institution would be required to maintain would be equal to one half the difference between its measured interest rate risk and 2%, multiplied by the market value of its assets. That dollar amount of capital would be in addition to an institution's existing risk-based capital requirement. If adopted in final form, this proposal could increase the amount of regulatory capital required to be held by the Corporation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Corporation is a defendent in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position of the Corporation. From time to time, the Savings Bank is a party to legal proceedings wherein it enforces its security interest in mortgage loans made by its loan department.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Report on Form 8-K

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIONEER FINANCIAL CORPORATION
(Registrant)

Date February 14, 1994 By: \s\ G. R. Whittemore
G. R. Whittemore
President and Chief Executive Officer

Date February 14, 1994 By: \s\ H. Lee Rettig
H. Lee Rettig
Chief Accounting Officer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document