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WESCO FINANCIAL CORP **10-K PT 1 & 2**

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1971 Commission file number 1-4720

WESCO FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	95-2109453 (I.R.S. Employer Identification No.)
315 East Colorado Boulevard, Pasadena, California (Address of principal executive offices)	91109 (Zip Code)

Registrant's telephone number, including area code (213) 684-1500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Capital (Common) Par Value $1	New York Stock Exchange Pacific Coast Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant has filed all annual, quarterly and other reports required to be filed with the Commission within the past 90 days and in addition has filed the most recent annual report required to be filed. Yes X . No ______ .

Item 1. Business.

(a) Registrant, incorporated in Delaware on March 18, 1959, acts as trustee under deeds of trust, owns and operates the Pasadena business block in which the head office of its subsidiary Mutual Savings and Loan Association ("Mutual") is located and a minor amount of other property, and owns all of the outstanding Guarantee Stock of Mutual which serves the Southern California area through six offices, of which five are in Los Angeles County and one in Orange County. Mutual is engaged in the business of lending money, principally secured by first liens against real estate to enable borrowers to purchase, construct or re-finance real property. Funds are provided largely from increase in savings deposits, principal payments on loans and borrowings from the Federal Home Loan Bank. The principal sources of income to Mutual are the excess of interest received on loans and investments over the interest paid on savings deposits, and loan fees and service charges received. Mutual has a wholly-owned subsidiary which acts as an insurance agent, principally for fire and extended coverage property insurance and mortgage life insurance. Mutual also owns an inactive service corporation.

(b) (1) Mutual's savings deposits increased by $41,130,000 in 1971 compared to a decrease of $15,160,000 in 1970. While more new loans were made in 1971 than in 1970, a great portion of the cash flow generated from increase in savings and payments on existing loan portfolio was used to reduce Federal Home Loan Bank borrowings from $77,584,000 on December 31, 1970 to $24,788,000 on December 31, 1971. Mutual's assets at December 31, 1971 ranked 46th among the nation's savings and loan associations.

(2) through (5) not applicable.

(6) Registrant and its subsidiaries employed 138 persons at December 31, 1971.

(c) Registrant and its subsidiaries are engaged in only one line of business within the definition of this item.

(d) through (f) not applicable.

Item 2. Summary of Operations.
(a)

STATEMENT OF OPERATIONS

WESCO FINANCIAL CORPORATION

Five Years Ended December 31, 1971

(Not covered by independent accountants' current report)

	Year ended December 31,				
	1967	1968	1969	1970	1971
Investment income:					
Interest on loans	$ 11,000	12,000	11,000	11,000	10,000
Interest on investments	168,000	184,000	214,000	256,000	279,000
Total investment income	179,000	196,000	225,000	267,000	289,000
Cost of money:					
Interest on notes payable	209,000	232,000	221,000	218,000	205,000
Total cost of money	209,000	232,000	221,000	218,000	205,000
Margin on investments	(30,000)	(36,000)	4,000	49,000	84,000
Loan fees and service charges	173,000	100,000	54,000	35,000	59,000
Operation and net gains (losses) from sales of real property	-	(31,000)	(6,000)	-	-
Rental of office premises, net	268,000	281,000	283,000	312,000	238,000
Other income, net	150,000	18,000	10,000	11,000	11,000
	561,000	332,000	345,000	407,000	392,000
General and administrative expenses	390,000	204,000	204,000	232,000	244,000
Earnings before taxes on income	171,000	128,000	141,000	175,000	148,000
Taxes on income:					
Current	40,000	51,000	73,000	112,000	144,000
Deferred	47,000	23,000	15,000	(37,000)	(60,000)
	87,000	74,000	88,000	75,000	84,000
	84,000	54,000	53,000	100,000	64,000
Earnings of subsidiaries	768,000	3,812,000	3,926,000	2,949,000	3,060,000
Net earnings	$ 852,000	3,866,000	3,979,000	3,049,000	3,124,000
Per share based on 2,152,624 shares outstanding December 31, 1971, retroactively adjusted for 5% stock dividends in 1967, 1968, 1969, 1970 and 1971	$ 0.40	1.80	1.85	1.42	1.45

Item 2. Summary of Operations, Continued
(a) continued

CONSOLIDATED STATEMENT OF OPERATIONS

WESCO FINANCIAL CORPORATION AND SUBSIDIARIES

Five Years Ended December 31, 1971

(Not covered by independent accountants' current report)

	Year ended December 31, 1967	1968	1969	1970	1971
Investment income:					
Interest on loans	$ 22,675,000	23,650,000	25,503,000	25,866,000	25,117,000
Interest on investments	1,306,000	2,031,000	1,575,000	1,418,000	1,740,000
Interest and dividends on investments required by law	342,000	352,000	374,000	469,000	388,000
Total investment income	24,323,000	26,033,000	27,452,000	27,753,000	27,245,000
Cost of money:					
Interest on savings deposits	18,041,000	17,492,000	16,573,000	15,283,000	17,298,000
Interest on notes payable	1,779,000	2,030,000	3,732,000	6,965,000	3,105,000
Total cost of money	19,820,000	19,522,000	20,305,000	22,248,000	20,403,000
Margin on investments	4,503,000	6,511,000	7,147,000	5,505,000	6,842,000
Loan fees and service charges	1,641,000	2,019,000	1,767,000	1,169,000	1,684,000
Operation and net gains (losses) from sales of real property	(313,000)	(490,000)	1,059,000	1,166,000	320,000
Rental of office premises, net	213,000	281,000	283,000	312,000	238,000
Other income, net	166,000	149,000	139,000	33,000	162,000
	6,210,000	8,470,000	10,395,000	8,185,000	9,246,000
General and administrative expenses	3,080,000	2,992,000	3,055,000	3,105,000	3,127,000
Earnings before taxes on income and loss from sale of United States Government obligations	3,130,000	5,478,000	7,340,000	5,080,000	6,119,000
Taxes on income:					
Current	595,000	850,000	1,287,000	994,000	2,530,000
Deferred	226,000	762,000	2,074,000	1,037,000	465,000
	821,000	1,612,000	3,361,000	2,031,000	2,995,000
Earnings before loss from sale of United States Government obligations	2,309,000	3,866,000	3,979,000	3,049,000	3,124,000
Loss from sale of United States Government obligations, less Federal income tax benefit	1,457,000	-	-	-	-
Net earnings	$ 852,000	3,866,000	3,979,000	3,049,000	3,124,000
Per share based on 2,152,624 shares outstanding December 31, 1971, retroactively adjusted for 5% stock dividends in 1967, 1968, 1969, 1970 and 1971:					
Earnings before loss from sale of United States Government obligations	$ 1.08	1.80	1.85	1.42	1.45
Loss from sale of United States Government obligations, less Federal income tax benefit	.68	-	-	-	-
Net earnings	$ .40	1.80	1.85	1.42	1.45

Item 2. Summary of Operations, Continued
(a) continued

STATEMENT OF STOCKHOLDERS' EQUITY

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Five Years Ended December 31, 1971

(Not covered by independent accountants' current report)

	Year ended December 31,				
	1967	1968	1969	1970	1971
Common stock:					
Beginning of year	$ 1,687,000	1,771,000	1,860,000	1,952,000	2,050,000
5% stock dividend	84,000	89,000	92,000	98,000	103,000
End of year	1,771,000	1,860,000	1,952,000	2,050,000	2,153,000
Capital surplus:					
Beginning of year	14,948,000	16,361,000	17,999,000	20,637,000	22,419,000
Excess of market value of stock dividend over par value of stock issued	1,413,000	1,638,000	2,638,000	1,782,000	2,204,000
End of year	16,361,000	17,999,000	20,637,000	22,419,000	24,623,000
Retained earnings:					
Appropriated:					
Beginning of year	35,877,000	37,385,000	41,900,000	40,200,000	40,890,000
Transfers	1,550,000	2,149,000	(1,700,000)	690,000	330,000
Allocation of net earnings	(42,000)	2,366,000	-	-	-
End of year	37,385,000	41,900,000	40,200,000	40,890,000	41,220,000
Unappropriated:					
Beginning of year	7,735,000	7,079,000	6,430,000	12,109,000	14,468,000
Transfers	(1,550,000)	(2,149,000)	1,700,000	(690,000)	(330,000)
Allocation of net earnings	894,000	1,500,000	3,979,000	3,049,000	3,124,000
End of year	7,079,000	6,430,000	12,109,000	14,468,000	17,262,000
Less stock dividends at market value:					
Beginning of year	(15,435,000)	(16,932,000)	(18,659,000)	(21,390,000)	(23,269,000)
Market value of stock dividend	(1,497,000)	(1,727,000)	(2,731,000)	(1,879,000)	(2,307,000)
End of year	(16,932,000)	(18,659,000)	(21,390,000)	(23,269,000)	(25,576,000)
Total retained earnings	27,532,000	29,671,000	30,919,000	32,089,000	32,906,000
Total stockholders' equity	$ 45,664,000	49,530,000	53,508,000	56,558,000	59,682,000

Item 2. Summary of Operations, continued.

(b) Not applicable.

Item 3. Properties.

For financial data on property, plant and equipment of registrant and its subsidiaries, reference is made to Schedules V and VI of the supplementary data filed with the financial statements as a part of this report.

The occupancy of the six offices of Mutual, all serving Southern California, is as follows:

Head office located at 315 East Colorado Boulevard, Pasadena, California, leased by Mutual from registrant, which is its parent company, under ten-year lease which expires June 14, 1974. Registrant is purchasing the property from its subsidiary Mutual under Agreement for Sale of Real Estate dated May 31, 1964.

Canoga Park--Chatsworth office located at 8393 Topanga Canyon Boulevard, Canoga Park, California, leased by Mutual under a lease with a term of three years and two months with two three-year renewal options.

Corona del Mar office located at 2867 East Coast Highway, Corona del Mar, California, leased by Mutual for a ten-year period which expires July 14, 1974.

Covina office located at 200 North Citrus Avenue, Covina, California, owned in fee simple by Mutual.

Glendale office located at 336 North Brand Boulevard, Glendale, California, owned in fee simple by Mutual.

West Arcadia office located at 660 West Duarte Road, Arcadia, California, leased by Mutual under a ten-year lease which contains two five-year renewal options. The original lease term expired June 30, 1971, and the first renewal option to June 30, 1976 has been exercised by Mutual.

In the opinion of management, all these properties are adequate and suitable for the needs of Mutual.

Item 4. Parents and Subsidiaries.

There has been no change in the relationship of registrant to its subsidiaries from that previously reported at Item 3 of registrant's 1966 and 1967 annual reports on Form 10-K.

Item 5. Pending Legal Proceedings.

During 1971 Mutual was named as a defendant, along with other savings and loan associations, in two class action suits briefly described as follows:

(a) Orange County Superior Court Case No. 181923 - Marjorie A. Petherbridge on behalf of herself and all others similarly situated with respect to certain policies and actions of defendants, vs. Altadena Federal Savings and Loan Association, et al.

This class action based on claims for payment of interest on amounts advanced by borrowers for the payment of property taxes and insurance was filed March 22, 1971 against 39 savings and loan associations, including Mutual, making loans in Orange County. It is similar and in fact identical to actions filed in Sacramento County and in San Diego County. The dollar amount of Mutual's risk has not been estimated. Mutual has filed an Answer and the case is at issue.

(b) Los Angeles Superior Court Case No. C 15911 - Stephen Z. Meyers, et al. vs. Home Savings and Loan Association et al.

This class action based on claims that prepayment charges provided in the notes and deeds of trust of savings and loan associations are improper was filed November 8, 1971 against 29 savings and loan associations, including Mutual, doing business in Los Angeles County. Since Mutual has not yet been served in this matter, it has not appeared.

The outcome of both of these actions cannot be predicted, but Mutual and its counsel believe that Mutual has meritorious defenses to the legal issues which have been raised.

Item 6. Increases and Decreases in Outstanding Equity Securities.

The increase reported herein involves registrant's capital stock, par value $1, which is its only class of stock.

Number of shares of capital stock outstanding at December 31, 1970 as shown on registrant's balance sheet for its previous fiscal year	2,050,118
Number of shares of outstanding capital stock increased by 102,506 shares issued as a stock dividend at the rate of one share for each twenty shares of outstanding capital stock, paid April 6, 1971 to stockholders of record at the close of business on March 3, 1971. No fractional shares were issued to the stockholders, but the aggregate of all fractional interests was issued to Security Pacific National Bank, sold by it on the New York Stock Exchange as agent for the stockholders, and net proceeds disbursed pro rata to the stockholders entitled thereto	102,506
Number of shares of capital stock of registrant outstanding at December 31, 1971	2,152,624

Item 6. Increases and Decreases in Outstanding Equity Securities continued.

The 102,506 shares so issued were not registered under the Securities Act of 1933 because in the opinion of registrant's counsel the issuance of the full shares to the stockholders did not constitute "sales" within the meaning of section 2(3) of the Act, and the issuance of the shares representing fractional interests to the stockholders' agent is exempt under Rule 236 of the General Rules and Regulations issued under the Act.

Item 7. Approximate Number of Equity Security Holders at December 31, 1971.

(1)	(2)
Title of class	Number of record holders
Capital (common) par value $1	5,153

Item 8. Executive Officers of the Registrant.

Listing of registrant's executive officers follows. There is no family relationship between any of them.

1. Richard D. Aston, age 70, chairman of the board of directors.
2. Louis R. Vincenti, age 66, president.
3. Marian H. Wiggins, age 61, secretary and treasurer.

Item 9. Indemnification of Directors and Officers.

No change from information previously reported at Item 9 of registrant's 1970 report on Form 10-K.

Item 10. Exhibits, Financial Statements and Schedules.

Accountants' Report

Index to Financial Statements and Schedules

Financial Statements:

Wesco Financial Corporation and Wesco Financial Corporation and Subsidiaries, Consolidated:

Balance Sheets - December 31, 1971 and 1970

Statement of Earnings - Two years ended December 31, 1971

Statement of Stockholders' Equity - Two years ended December 31, 1971

Statement of Changes in Financial Position - Two years ended December 31, 1971

Notes to Consolidated Financial Statements

Item 10. Exhibits, Financial Statements and Schedules continued.

Schedules:

Wesco Financial Corporation and Wesco Financial Corporation and Subsidiaries, Consolidated:

Schedule III - Investments in Securities of Affiliate

Schedule V - Property, Plant and Equipment

Schedule VI - Reserves for Depreciation and Amortization of Property, Plant and Equipment

Schedule XVII - Income from Dividends - Equity in Net Profit and Loss of Affiliate

Schedules I, II, IV and VII through XVI are omitted because they are not applicable or because the required information is shown in the financial statements or notes to financial statements.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

WESCO FINANCIAL CORPORATION

Date March 24, 1972

By Louis R. Vincenti
Louis R. Vincenti President

WESCO FINANCIAL CORPORATION

Annual Report for Corporations - Form 10-K
Two Years ended December 31, 1971 and 1970

Financial Statements, Supplementary Data,
and
Accountants' Report

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT

The Board of Directors
Wesco Financial Corporation:

We have examined the financial statements and related schedules of Wesco Financial Corporation and Wesco Financial Corporation and subsidiaries, consolidated as listed in the accompanying index. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Wesco Financial Corporation and Wesco Financial Corporation and subsidiaries, consolidated at December 31, 1971 and 1970, and the results of their operations and changes in their financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and the supporting schedules, in our opinion, present fairly the information set forth therein.

Peat, Marwick, Mitchell & Co.

Los Angeles, California
February 4, 1972

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Index to Financial Statements and Schedules

Financial Statements:
- Wesco Financial Corporation and Wesco Financial Corporation and Subsidiaries, Consolidated:
  - Balance Sheets - December 31, 1971 and 1970
  - Statement of Earnings - Two years ended December 31, 1971
  - Statement of Stockholders' Equity - Two years ended December 31, 1971
  - Statement of Changes in Financial Position - Two years ended December 31, 1971
  - Notes to Consolidated Financial Statements

Schedules:
- Wesco Financial Corporation and Wesco Financial Corporation and Subsidiaries, Consolidated:
  - Schedule III - Investments in Securities of Affiliate
  - Schedule V - Property, Plant and Equipment
  - Schedule VI - Reserves for Depreciation and Amortization of Property, Plant and Equipment
  - Schedule XVII - Income from Dividends - Equity in Net Profit and Loss of Affiliate

Schedules I, II, IV and VII through XVI are omitted because they are not applicable or because the required information is shown in the financial statements or notes to financial statements.

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Balance Sheets

December 31, 1971 and 1970

Assets	1971 Company	1971 Consolidated	1970 Company	1970 Consolidated
Cash and certificates of deposit, including deposits in Mutual Savings $5,394,000 ($3,186,000 in 1970)	$ 5,407,000	27,137,000	3,204,000	1,058,000
United States Government and Agency obligations and other marketable securities, at amortized, identified cost (quoted market, 1971, $13,330,000) (note 3)	-	13,222,000	2,499,000	25,074,000
Loans receivable (notes 2 and 3)	147,000	368,468,000	160,000	381,107,000
Accrued interest receivable	-	1,612,000	69,000	1,540,000
Properties purchased and held for investment, at cost	89,000	1,143,000	89,000	3,395,000
Properties acquired through foreclosure by Mutual Savings and held for sale, at cost less allowance for losses, $345,000 ($357,000 in 1970) (note 3)	-	8,819,000	-	10,087,000
Investment in subsidiaries, at equity (note 1)	53,309,000	-	51,449,000	-
Investments required by law:				
Investment in stock of Federal Home Loan Bank, at cost (note 3)	-	3,691,000	-	6,942,000
Prepayments to FSLIC secondary reserve	-	4,505,000	-	4,532,000
Office properties and equipment, net (note 4 and 12)	4,989,000	5,481,000	4,843,000	5,354,000
Prepaid expenses and sundry assets, at cost	32,000	621,000	25,000	423,000
	$ 63,973,000	434,699,000	62,338,000	439,512,000
Liabilities and Stockholders' Equity				
Savings deposits	$ -	329,782,000	-	288,652,000
Notes payable (note 3)	-	24,943,000	1,337,000	81,118,000
Loans in process	-	7,668,000	-	1,765,000
Loan payable to Mutual Savings (note 12)	3,456,000	-	3,679,000	-
Advances by borrowers for taxes and insurance	-	891,000	-	688,000
Accounts payable and sundry accrued expenses	764,000	973,000	635,000	1,045,000
Taxes on income (note 5):				
Current	6,000	1,307,000	4,000	459,000
Deferred	40,000	6,365,000	100,000	5,900,000
Total liabilities	4,266,000	371,929,000	5,755,000	379,627,000
Deferred income:				
Unrealized profit on real property sales	-	1,726,000	-	1,777,000
Deferred loan fees	-	1,337,000	-	1,525,000
Other deferred income	25,000	25,000	25,000	25,000
Total deferred income	25,000	3,088,000	25,000	3,327,000
Stockholders' equity:				
Common stock of $1 par value per share. Authorized 2,500,000 shares; issued 2,152,624 shares (2,050,118 in 1970) (notes 6 and 8)	2,153,000	2,153,000	2,050,000	2,050,000
Capital surplus arising from stock dividends (note 6)	24,623,000	24,623,000	22,419,000	22,419,000
Retained earnings:				
Appropriated (notes 5 and 7)	41,220,000	41,220,000	40,890,000	40,890,000
Unappropriated	17,262,000	17,262,000	14,468,000	14,468,000
Less stock dividends at market value (note 6)	(25,576,000)	(25,576,000)	(23,269,000)	(23,269,000)
	32,906,000	32,906,000	32,089,000	32,089,000
Total stockholders' equity	59,682,000	59,682,000	56,558,000	56,558,000
Contingent liabilities and subsequent events (notes 3, 6 and 10).				
	$ 63,973,000	434,699,000	62,338,000	439,512,000

See accompanying notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Earnings

Two years ended December 31, 1971

	1971 Company	1971 Consolidated	1970 Company	1970 Consolidated
Investment income:				
Interest on loans	$ 10,000	25,117,000	11,000	25,866,000
Interest on investments, including interest on deposit in Mutual Savings $250,000 ($101,000 in 1970)	279,000	1,740,000	256,000	1,418,000
Interest and dividends on investments required by law	-	388,000	-	469,000
Total investment income	289,000	27,245,000	267,000	27,753,000
Cost of money:				
Interest on savings deposits	-	17,298,000	-	15,283,000
Interest on notes payable, including interest on loan payable to Mutual Savings $197,000 ($209,000 in 1970)	205,000	3,105,000	218,000	6,965,000
Total cost of money	205,000	20,403,000	218,000	22,248,000
Margin on investments	84,000	6,842,000	49,000	5,505,000
Loan fees and service charges	59,000	1,684,000	35,000	1,169,000
Operation and net gains from sales of real property	-	320,000	-	1,166,000
Rental of office premises, net	238,000	238,000	312,000	312,000
Other income, net	11,000	162,000	11,000	33,000
	392,000	9,246,000	407,000	8,185,000
General and administrative expenses	244,000	3,127,000	232,000	3,105,000
Earnings before taxes on income	148,000	6,119,000	175,000	5,080,000
Taxes on income (note 5):				
Current	144,000	2,530,000	112,000	994,000
Deferred	(60,000)	465,000	(37,000)	1,037,000
	84,000	2,995,000	75,000	2,031,000
	64,000	3,124,000	100,000	3,049,000
Net earnings of subsidiaries (note 1)	3,060,000	-	2,949,000	-
Net earnings	$ 3,124,000	3,124,000	3,049,000	3,049,000
Per share based on 2,152,624 shares outstanding (1970 earnings per share restated to reflect 1971 stock dividend) (note 6)	$ 1.45	1.45	1.42	1.42

See accompanying notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Stockholders' Equity

Two years ended December 31, 1971

	1971 Company and Consolidated	1970 Company and Consolidated
Common stock (notes 6 and 8):		
Beginning of year	$ 2,050,000	1,952,000
5% stock dividend	103,000	98,000
End of year	2,153,000	2,050,000
Capital surplus (note 6):		
Beginning of year	22,419,000	20,637,000
Excess of market value of stock dividend over par value of stock issued	2,204,000	1,782,000
End of year	24,623,000	22,419,000
Retained earnings:		
Appropriated (notes 5 and 7):		
Beginning of year	40,890,000	40,200,000
Transfers	330,000	690,000
End of year	41,220,000	40,890,000
Unappropriated (note 5):		
Beginning of year	14,468,000	12,109,000
Transfers	(330,000)	(690,000)
Allocation of net earnings	3,124,000	3,049,000
End of year	17,262,000	14,468,000
Less stock dividends at market value (note 6):		
Beginning of year	(23,269,000)	(21,390,000)
Market value of stock dividend	(2,307,000)	(1,879,000)
End of year	(25,576,000)	(23,269,000)
	32,906,000	32,089,000
Total stockholders' equity	$ 59,682,000	56,558,000

See accompanying notes to consolidated financial statements.

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Changes in Financial Position

Two years ended December 31, 1971

	1971		1970	
	Company	Consolidated	Company	Consolidated
Cash and marketable securities provided:				
Net earnings	$ 3,124,000	3,124,000	3,049,000	3,049,000
Charges (credits) to earnings not requiring (providing) cash and marketable securities:				
Depreciation and amortization (note 4)	196,000	298,000	200,000	290,000
Interest on savings deposits credited to savings accounts	-	11,705,000	-	10,396,000
Deferred income taxes (note 5)	(60,000)	465,000	(37,000)	1,037,000
FSLIC primary premium transferred from secondary reserve	-	272,000	-	238,000
Amortization of fees and discounts	-	(426,000)	-	(397,000)
Recognition of unrealized profit on real property	-	(709,000)	-	(1,464,000)
Interest income from FSLIC secondary reserve	-	(245,000)	-	(250,000)
Equity in earnings of subsidiary	(3,060,000)	-	(2,949,000)	-
Cash and marketable securities provided from operations	200,000	14,484,000	263,000	12,899,000
Dividend from Mutual Savings	1,200,000	-	-	-
Increase in savings deposits	-	29,425,000	-	-
Principal payments on real estate loans	32,000	39,241,000	13,000	27,091,000
Additions to deferred loan fees	-	238,000	-	234,000
Proceeds from sale of real property	-	6,797,000	-	8,472,000
Redemption of FHLB stock	-	3,251,000	-	-
Increase in notes payable	-	-	1,125,000	835,000
Increase in advances by borrowers for taxes and insurance	-	203,000	-	-
Additions to unrealzed profit on real property	-	658,000	-	1,140,000
Increase in loans in process	-	5,903,000	-	-
Decrease in cash and marketable securities	296,000	-	-	-
Other, net	223,000	179,000	238,000	303,000
Total cash and marketable securities provided	$ 1,951,000	100,379,000	1,639,000	50,974,000
Cash and marketable securities used:				
Investment in real estate loans	$ 19,000	26,245,000	45,000	14,140,000
Investment in building and other assets	372,000	455,000	5,000	51,000
Additions to real property	-	3,277,000	-	8,402,000
Decrease in notes payable	1,560,000	56,175,000	-	-
Decrease in savings deposits	-	-	-	25,556,000
Investment in FHLB stock	-	-	-	540,000
Decrease in advances by borrowers for taxes and insurance	-	-	-	44,000
Decrease in loans in process	-	-	-	2,162,000
Increase in cash and marketable securities	-	14,227,000	1,589,000	79,000
Total cash and marketable securities used	$ 1,951,000	100,379,000	1,639,000	50,974,000

See accompanying notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements

December 31, 1971

(1) Principles of Consolidation

The consolidated financial statements include the accounts of Wesco Financial Corporation (the Company) and its wholly owned subsidiary, Mutual Savings and Loan Association and its wholly owned subsidiaries (Mutual Savings). The Company's investment in subsidiaries is carried at cost plus the equity in the undistributed earnings of the subsidiaries. All material intercompany transactions have been eliminated.

(2) Loans Receivable

Loans receivable at December 31 are summarized as follows:

	1971		1970	
	Company	Consolidated	Company	Consolidated
Real estate loans on residential property of:				
One to four units (home loans)	$ 147,000	281,808,000	160,000	306,476,000
More than four units	-	73,606,000	-	64,379,000
Real estate loans on other properties	-	12,250,000	-	9,805,000
	147,000	367,664,000	160,000	380,660,000
Loans on savings deposits	-	804,000	-	447,000
	$ 147,000	368,468,000	160,000	381,107,000

(3) Notes Payable

Notes payable at December 31 are summarized as follows:

	1971		1970	
	Company	Consolidated	Company	Consolidated
Federal Home Loan Bank advances, secured by Federal Home Loan Bank stock and certain real estate loans:				
Interest at 6-7/8%, due on August 25, 1980 repayable in quarterly instalments of $1,350,000 (which have been prepaid through April 30, 1977)	$ -	20,288,000	-	73,084,000
Interest to 8-1/8% with various maturity dates in 1974	-	4,500,000	-	4,500,000
Other, secured by certain marketable securities, real estate loans and real property	-	155,000	1,337,000	3,534,000
	$ -	24,943,000	1,337,000	81,118,000

During January 1972, Mutual Savings repaid Federal Home Loan Bank advances in the amount of $7,410,000.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(3) Notes Payable, Continued

Maturities over the next five years are summarized as follows:

Years ending December 31:	
1972	$ 120,000
1973	35,000
1974	4,500,000
1975	-
1976	-
Thereafter	20,288,000
	$ 24,943,000

(4) Office Properties and Equipment, Net

Office properties and equipment is summarized as follows:

	1971		1970	
	Company	Consolidated	Company	Consolidated
Land	$ 1,500,000	1,623,000	1,499,000	1,622,000
Buildings and leasehold improvements	4,970,000	5,484,000	4,629,000	5,106,000
Furniture, fixtures and equipment	6,000	763,000	6,000	719,000
	6,476,000	7,870,000	6,134,000	7,447,000
Accumulated depreciation and amortization	1,487,000	2,389,000	1,291,000	2,093,000
	$ 4,989,000	5,481,000	4,843,000	5,354,000

Office properties and equipment are depreciated on a straight-line basis, over the estimated useful lives of the various classes of assets from the respective dates of acquisition. The useful lives used for the principal classes of assets are:

Buildings and improvements	10 to 45 years
Furniture, fixtures and equipment	10 years
Leasehold improvements	Life of lease

Maintenance and repairs are charged to appropriate expense accounts in the year incurred; renewals and material betterments are charged to property accounts.

Cost and accumulated depreciation and amortization applicable to assets retired or otherwise disposed of are eliminated from the related accounts and the profit or loss on disposition is credited or charged to earnings.

(5) Income Taxes

If certain conditions are met, savings and loan associations, in determining taxable income, are allowed special bad debt deductions based on specified experience formulas or on a percentage of taxable income before such deduction. The Tax Reform Act of 1969 gradually reduces the deduction based on the latter method from 60% of taxable income in 1969 to 40% in 1979. The bad debt deduction must be within certain limitations based on outstanding loans and the ratio of net worth to savings deposits.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(5) Income Taxes, Continued

Mutual Savings has reached such limitations which preclude deductions from income in arriving at Federal taxes on income.

Appropriated retained earnings at December 31, 1971 include approximately $42,030,000 (before elimination of $810,000 in consolidation) of tax reserves for which no provision for Federal income taxes has been made. If in the future these appropriations are used for any purpose other than to absorb bad debt losses, Federal income taxes will be imposed at the then applicable rates.

Deferred income taxes have been provided on income reported for financial statement purposes, but deferred for income tax purposes. Timing differences consist primarily of deferred loan fees, interest on the FSLIC secondary reserve prepayment and accrued interest receivable. The effective tax rate as compared to earnings before taxes is less than the maximum since gains on sale of foreclosed real property and municipal bond interest are not taxable.

Federal income tax returns of the Company and Mutual Savings for 1968 and subsequent years are subject to examination by the United States Treasury Department.

Income taxes consist of the following:

	1971		1970	
	Company	Consolidated	Company	Consolidated
Federal income tax	$ 73,000	2,378,000	62,000	1,609,000
California franchise tax	11,000	617,000	13,000	422,000
	$ 84,000	2,995,000	75,000	2,031,000

(6) Dividends

On January 25, 1972 the Board of Directors declared a 5% stock dividend (107,632 shares) payable April 4, 1972 to stockholders of record on March 1, 1972. Upon payment of the dividend, the fair market value of the stock ($1,884,000) as of January 25, 1972 will be charged to market value of stock dividends, common stock will be credited with an amount equal to the par value of the shares issued ($107,000), and capital surplus will be credited with an amount representing the excess of the fair market value over par value ($1,777,000). Pro forma earnings per share, based on 2,260,256 shares after giving retroactive effect to the 5% stock dividend, would be $1.38 and $1.35 for the years ended December 31, 1971 and 1970, respectively.

(7) Reserve Requirements

The Federal Savings and Loan Insurance Corporation, in connection with the insurance of savings accounts, requires savings and loan associations to maintain certain reserves which may be used only for the purpose of absorbing losses. In addition, associations must maintain certain reserves under California law. Such reserve requirements were met by Mutual Savings as of December 31, 1971 and 1970.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(8) Stock Option Plan

The Company has a Qualified Stock Option Plan (formerly a Restricted Stock Option Plan, amended to conform to the Internal Revenue Code requirements for qualified plans) under which options may be granted to purchase 85,513 shares (81,441 shares in 1970) of the Company's common stock (after adjustments pursuant to the antidilution provisions of the plan to reflect the stock dividend payable April 4, 1972 - see note 6) at a price at least equivalent to the market value of the shares on the date the options are granted. Under former provisions, options to purchase 10,673 shares at prices ranging from $22.86 to $28.04 per share were granted and are exercisable in instalments over a 5-1/2-to 10-year period. At December 31, 1971, 7,471 shares were exercisable. Options granted under the qualified plan must be exercised within 5 years from the date granted, and may not be exercised if an option holder has outstanding options previously granted to him at a higher option price. No options have been granted under the qualified plan.

The following tables have been adjusted for the 1972 stock dividends and the cancellation of 29,076 shares, of which 4,619 shares became exercisable in 1970:

Options under grant at December 31, 1971 and 1970:

Year of grant	Number of shares under option	Average option price and market value at date of grant: Per share	Total
1962	9,122	$ 22.86	$ 209,000
1963	1,551	28.04	43,000
	10,673		$ 252,000

Options which became exercisable during 1971 and 1970:

Number of shares for which options became exercisable	Average option price: Per share	Total	Average market value on date options became exercisable: Per share	Total
1,067	$ 23.61	25,000	17.61	19,000

Upon exercise of the options, capital stock will be credited for the par value of the shares and capital surplus credited for the amount of cash received in excess of par value. No charges will be made against income.

(9) Retirement Plan

A non-contributory retirement plan is in effect for all eligible employees of the Company, Mutual Savings and WSC. Employer contributions are computed utilizing the aggregate cost funding method. The contribution for the current year approximated $67,000 ($62,000 in 1970). The actuarially computed value of vested benefits as of December 31, 1971 did not exceed the value of the retirement fund at that date. The plan may be amended at any time to give effect to a reduction of contributions and provides that the employer "shall have no liability to any employee or participant to make any contributions whatsoever to the trust or to or for any participant."

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(10) Contingent Liabilities

Mutual Savings has been named as a defendant, along with other savings and loan associations, in class action suits. These actions are based on claims for the payment of interest on amounts advanced by borrowers for the payment of property taxes and insurance and claims that prepayment fees charged are improper. The outcome of these suits cannot be predicted, but the Company and its counsel believe that the Company has meritorious defenses to the legal issues which have been raised.

(11) Supplementary Profit and Loss Information

The following amounts have been charged to expenses in the statement of operations:

	1971		1970	
	Company	Consolidated	Company	Consolidated
Maintenance and repairs	$ 248,000	285,000	218,000	248,000
Depreciation and amortization of office properties and equipment	196,000	298,000	200,000	290,000
Taxes other than taxes on income:				
Payroll taxes	4,000	62,000	3,000	58,000
Property taxes	194,000	452,000	179,000	444,000
Other taxes	5,000	5,000	5,000	5,000

Neither the Company nor its subsidiaries paid any management or service contract fees or royalties during the year.

(12) Loan Payable to Mutual Savings

The loan payable to Mutual Savings is a 5-1/2% loan, due in 1981 with monthly instalments of $35,000, including principal and interest, secured by office properties and equipment.

Maturities over the next five years are summarized as follows:

Years ending December 31:	
1972	$ 236,000
1973	249,000
1974	263,000
1975	278,000
1976	294,000
Thereafter	2,136,000
	$ 3,456,000

Schedule III

WESCO FINANCIAL CORPORATION

Investments in Securities of Affiliate

Two years ended December 31, 1971

Name of issuer and title of issue	Balance at beginning of period		Additions		Deductions		Balance at close of period	
	Number of shares	Amount in dollars	Number of shares	Amount in dollars	Number of shares	Amount in dollars	Number of shares	Amount in dollars
Mutual Savings and Loan Association - guarantee stock:								
1970	600	$ 48,500,000	-	$ 2,949,000(1)	-	$ -	600	$ 51,449,000
1971	600	$ 51,449,000	-	$ 3,060,000(1)	-	$ 1,200,000(2)	600	$ 53,309,000

(1) Net earnings of subsidiary.

(2) Dividend received from subsidiary.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIAIRES, CONSOLIDATED

Property, Plant and Equipment

Two years ended December 31, 1971

Classification	Balance at beginning of period	Additions at cost	Retire-ments or sales	Other changes	Balance at close of period
1970					
Company:					
Land	$ 1,499,000	-	-	-	1,499,000
Buildings and lease-hold improvements	4,624,000	5,000	-	-	4,629,000
Furniture, fixtures and equipment	6,000	-	-	-	6,000
	$ 6,129,000	5,000	-	-	6,134,000
Consolidated:					
Land	$ 1,622,000	-	-	-	1,622,000
Buildings and lease-hold improvements	5,101,000	5,000	-	-	5,106,000
Furniture, fixtures and equipment	692,000	46,000	19,000	-	719,000
	$ 7,415,000	51,000	19,000	-	7,447,000
1971					
Company:					
Land	$ 1,499,000	1,000	-	-	1,500,000
Buildings and lease-hold improvements	4,629,000	371,000	-	(30,000)*	4,970,000
Furniture, fixtures and equipment	6,000	-	-	-	6,000
	$ 6,134,000	372,000	-	(30,000)	6,476,000
Consolidated:					
Land	$ 1,622,000	1,000	-	-	1,623,000
Buildings and lease-hold improvements	5,106,000	408,000	-	(30,000)*	5,484,000
Furniture, fixtures and equipment	719,000	46,000	2,000	-	763,000
	$ 7,447,000	455,000	2,000	(30,000)	7,870,000

*Fire insurance recovery.

Schedule VI

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Reserves for Depreciation and Amortization
of Property, Plant and Equipment

Two years ended December 31, 1971

Classification	Balance at beginning of period	Additions: Charged to profit and loss	Additions: Other	Deductions: Retirements, renewals, replacements	Deductions: Other	Balance at close of period
1970						
Company:						
Buildings and leasehold improvements	$ 1,088,000	199,000	-	-	-	1,287,000
Furniture, fixtures and equipment	3,000	1,000	-	-	-	4,000
	$ 1,091,000	200,000	-	-	-	1,291,000
Consolidated:						
Buildings and leasehold improvements	$ 1,257,000	225,000	-	-	-	1,482,000
Furniture, fixtures and equipment	566,000	65,000	-	20,000	-	611,000
	$ 1,823,000	290,000	-	20,000	-	2,093,000
1971						
Company:						
Buildings and leasehold improvements	$ 1,287,000	196,000	-	-	-	1,483,000
Furniture, fixtures and equipment	4,000	-	-	-	-	4,000
	$ 1,291,000	196,000	-	-	-	1,487,000
Consolidated:						
Buildings and leasehold improvements	$ 1,482,000	226,000	-	-	-	1,708,000
Furniture, fixtures and equipment	611,000	72,000	-	2,000	-	681,000
	$ 2,093,000	298,000	-	2,000	-	2,389,000

Schedule XVII

WESCO FINANCIAL CORPORATION

Income from Dividends - Equity in
Net Profit and Loss of Affiliate

Two years ended December 31, 1971

Name of issuer and title of issue	Amount of dividends: Cash	Amount of dividends: Other	Amount of dividends: Total of related captions of profit and loss or income statement	Amount of equity in net profit and loss for the period
Mutual Savings and Loan Association guarantee stock, year ended:				
December 31, 1970	$ -	-	-	2,949,000
December 31, 1971	$ -	-	-	3,060,000

END