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WESCO FINANCIAL CORP

10-K PT 1 & 2

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Wesco Financial Corp. {Del.} Co: W342000000

315 East Colorado Boulevard

Pasadena, Calif. 91109

SEC File No: 1-4720 Exch: NYSE/WSC

IRS No: 95-2109453 CUSIP: 9508177

Fiscal Year Ends: 12/31 SIC No: 671

8-K For: 1/31/73 Rec: 2/13/73

Chairman of Board deceased

¤ Class action; *Loan practices; Prepayment penalties; *Subsidiary defendant

¤ Litigation; Easements; *Registrant defendant; *American Savings & Loan Association

¤ Change in management; *Louis R. Vincenti (Chairman)

¤ Merger and acquisition agreements; *Financial Corporation of Santa Barbara

Exhibits:

¤ Ex: Reorganization agreements; *Merger; *Financial Corporation of Santa Barbara

ARS For: 12/31/72 Rec: 3/5/73

Auditor: Peat, Marwick, Mitchell & Co.

Revenues: $28,116,000 Earnings: $4,336,000/$1.92

Assets: $464,438,000 Net Worth: $64,018,000

Extr. Items: None Shareholders: 4,845

Abstract: Net earnings increased 39%, gross revenues increased 7%. Discontinued residential construction except at one site where 126 units will be started in 1973. Will open four branch banks in 1973. Agreed merger with Financial Corporation of Santa Barbara terminated.

¤ Merger and acquisition cancellation; *Financial corporation of Santa Barbara; Subsequent events

8-K For: 2/28/73 Rec: 3/12/73

Blue Chip Stamps tended notice of intent to purchase excess of 25% registrant's shares.

¤ Merger and acquisition cancellation; *Financial Corporation of Santa Barbara

Exhibits:

¤ Ex: Agreement: *Merger and acquisition cancellation; *Financial Corporation of Santa Barbara

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

APR 5 - 1973
LEASCO INFORMATION PRODUCTS, INC.

REC'D - S.E.C.
MAR 30 1973
(Fee Received)

FORM 10-K

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

APR 1 C 1973

For the fiscal year ended December 31, 1972 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 __________.

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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 seven offices, of which five are in Los Angeles County, one in Orange County, and one in Ventura County opened in March, 1973. Mutual has also received permission to open three additional branch offices in Santa Ana, Vista, and San Clemente/Capistrano Beach, California. 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 and principal payments on loans. The chief 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 $31,490,000 in 1972 compared to an increase of $41,130,000 in 1971. Its loan portfolio increased $16,292,000 in 1972 compared to a decrease of $12,639,000 in 1971. Mutual's assets at December 31, 1972 ranked 58th among the nation's savings and loan associations.

(2) through (5) not applicable.

(6) Registrant and its subsidiaries employed approximately 160 persons at December 31, 1972.

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

(d) through (f) not applicable.

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Item 2. Summary of Operations
(a)

STATEMENT OF OPERATIONS

WESCO FINANCIAL CORPORATION

Five Years Ended December 31, 1972

(Not covered by independent accountants' current report)

	Year ended December 31,				
	1968	1969	1970	1971	1972
Investment income:					
Interest on loans	$ 12,000	11,000	11,000	10,000	10,000
Interest and dividends on investments	184,000	214,000	256,000	279,000	346,000
Total investment income	196,000	225,000	267,000	289,000	356,000
Cost of money:					
Interest on notes payable	232,000	221,000	218,000	205,000	185,000
Total cost of money	232,000	221,000	218,000	205,000	185,000
Margin on investments	(36,000)	4,000	49,000	84,000	171,000
Loan fees and service charges	100,000	54,000	35,000	59,000	73,000
Operation and net gains (losses) from sales of real property	(31,000)	(6,000)	-	-	-
Rental of office premises, net	281,000	283,000	312,000	238,000	261,000
Other income, net	18,000	10,000	11,000	11,000	11,000
	332,000	345,000	407,000	392,000	516,000
General and administrative expenses	204,000	204,000	232,000	244,000	257,000
Earnings before taxes on income	128,000	141,000	175,000	148,000	259,000
Taxes on income:					
Current	51,000	73,000	112,000	144,000	69,000
Deferred	23,000	15,000	(37,000)	(60,000)	(11,000)
	74,000	88,000	75,000	84,000	58,000
	54,000	53,000	100,000	64,000	201,000
Earnings of subsidiaries	3,812,000	3,926,000	2,949,000	3,060,000	4,135,000
Net earnings	$ 3,866,000	3,979,000	3,049,000	3,124,000	4,336,000
Earnings per capital share based on 2,260,256 shares prior to 5% stock dividend	$ 1.71	1.76	1.35	1.38	1.92
Earnings per capital share based on 2,373,269 shares to be outstanding after the stock dividend payable on April 3, 1973	$ 1.63	1.68	1.28	1.32	1.83

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

CONSOLIDATED STATEMENT OF OPERATIONS

WESCO FINANCIAL CORPORATION AND SUBSIDIARIES

Five Years Ended December 31, 1972

(Not covered by independent accountants' current report)

	Year ended December 31,				
	1968	1969	1970	1971	1972
Investment income:					
Interest on loans	$ 23,650,000	25,503,000	25,866,000	25,117,000	25,318,000
Interest and dividends on investments	2,031,000	1,575,000	1,418,000	1,740,000	2,547,000
Interest and dividends on investments required by law	352,000	374,000	469,000	388,000	251,000
Total investment income	26,033,000	27,452,000	27,753,000	27,245,000	28,116,000
Cost of money:					
Interest on savings deposits	17,492,000	16,573,000	15,283,000	17,298,000	19,304,000
Interest on notes payable	2,030,000	3,732,000	6,965,000	3,105,000	611,000
Total cost of money	19,522,000	20,305,000	22,248,000	20,403,000	19,915,000
Margin on investments	6,511,000	7,147,000	5,505,000	6,842,000	8,201,000
Loan fees and service charges	2,019,000	1,767,000	1,169,000	1,684,000	2,662,000
Operation and net gains (losses) from sales of real property	(490,000)	1,059,000	1,166,000	320,000	622,000
Rental of office premises, net	281,000	283,000	312,000	238,000	261,000
Other income, net	149,000	139,000	33,000	162,000	126,000
	8,470,000	10,395,000	8,185,000	9,246,000	11,872,000
General and administrative expenses	2,992,000	3,055,000	3,105,000	3,127,000	3,436,000
Earnings before taxes on income	5,478,000	7,340,000	5,080,000	6,119,000	8,436,000
Taxes on income:					
Current	850,000	1,287,000	994,000	2,530,000	3,018,000
Deferred	762,000	2,074,000	1,037,000	465,000	1,082,000
	1,612,000	3,361,000	2,031,000	2,995,000	4,100,000
Net earnings	$ 3,866,000	3,979,000	3,049,000	3,124,000	4,336,000
Earnings per capital share based on 2,260,256 shares prior to 5% stock dividend	$ 1.71	1.76	1.35	1.38	1.92
Earnings per capital share based on 2,373,269 shares to be outstanding after the stock dividend payable on April 3, 1973	$ 1.63	1.68	1.28	1.32	1.83

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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, 1972

(Not covered by independent accountants' current report)

	Year ended December 31,				
	1968	1969	1970	1971	1972
Common stock:					
Beginning of year	$ 1,771,000	1,860,000	1,952,000	2,050,000	2,153,000
5% stock dividend	89,000	92,000	98,000	103,000	107,000
End of year	1,860,000	1,952,000	2,050,000	2,153,000	2,260,000
Capital surplus:					
Beginning of year	16,361,000	17,999,000	20,637,000	22,419,000	24,623,000
Excess of market value of stock dividend over par value of stock issued	1,638,000	2,638,000	1,782,000	2,204,000	1,776,000
End of year	17,999,000	20,637,000	22,419,000	24,623,000	26,399,000
Retained earnings:					
Appropriated:					
Beginning of year	37,385,000	41,900,000	40,200,000	40,890,000	41,220,000
Allocation of net earnings	4,515,000	(1,700,000)	690,000	330,000	367,000
End of year	41,900,000	40,200,000	40,890,000	41,220,000	41,587,000
Unappropriated:					
Beginning of year	7,079,000	6,430,000	12,109,000	14,468,000	17,262,000
Allocation of net earnings	(649,000)	5,679,000	2,359,000	2,794,000	3,969,000
End of year	6,430,000	12,109,000	14,468,000	17,262,000	21,231,000
Less stock dividends at market value:					
Beginning of year	(16,933,000)	(16,660,000)	(21,390,000)	(23,269,000)	(25,576,000)
Market value of stock dividend	(1,727,000)	(2,730,000)	(1,879,000)	(2,307,000)	(1,883,000)
End of year	(18,660,000)	(21,390,000)	(23,269,000)	(25,576,000)	(27,459,000)
Total retained earnings	29,670,000	30,919,000	32,089,000	32,906,000	35,359,000
Total stockholders' equity	$ 49,529,000	53,508,000	56,558,000	59,682,000	64,018,000

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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 seven 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 to May 31, 1974, 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.

Thousand Oaks office located at 1330 Moorpark Road, Thousand Oaks, California, leased by Mutual under a twenty-year lease to March 31, 1993, with a five-year renewal option. This office opened March 19, 1973.

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.

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Item 5. Pending Legal Proceedings.

The current status of two class action suits reported in registrant's Form 10-K for 1971, in which Mutual was named as a defendant, along with other savings and loan associations, 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 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 elsewhere in California. The lower court has dismissed the case as to Mutual, but an appeal is pending. Mutual and its counsel do not believe there is risk of substance to Mutual.

(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. The lower court has held that the prepayment charges made were legal and valid; an appeal is pending. There does not appear to be substantial risk to Mutual in this matter.

Mutual has been named a defendant in two more class actions which registrant reported to you in its Form 8-K for January, 1973:

(c) U. S. District Court Central District of California, Case No. 72-2991-LTL Jack Goldman et al. vs USLIFE Savings and Loan Association, et al.

This action filed December 26, 1972 involves the prepayment charges on loans paid off before maturity and challenges the alleged practice of waiving the charge if the property is refinanced through the existing lender, claiming that such practice violates the Anti-Trust Laws. In addition to the alleged damages (tripled) and attorney's fees it seeks to enjoin the continuation of the practice.

(d) Los Angeles Superior Court Case No. C 5394 - Howell, et al. vs. California Federal Savings and Loan Association, et al.

This action challenges the practice of computing interest on a 360-day year rather than a 365-day year and alleges damages from all defendants in an aggregate of $25 million. Mutual became involved in this action in 1972 when an amended complaint filed October 27, 1971 was served upon it.

Mutual and its counsel believe that Mutual has meritorious defenses to the legal issues which have been raised in these actions. Additionally, Mutual is a defendant in two recently filed actions involving alleged easement rights:

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Item 5. Pending Legal Proceedings, continued.

(e) Los Angeles Superior Court Case No. NWC 30507 - American Savings and Loan Association vs. Robert R. Stueber, Wesco Financial Corporation, Mutual Savings and Loan Association, et al.

Mutual financed a large tract development called Friendly Valley. After some of the units had been completed and sold the developer defaulted, Mutual acquired the property on foreclosure, and continued the development. American Savings and Loan Association in this action is claiming a 60-ft. easement over a part of the property on which Mutual allegedly constructed and sold residential units. This action filed November 3, 1972 by American against Mutual and those claiming interests in the property covered by the alleged easement seeks to establish easement rights, to eject those who are alleged to be on the easement and seeks alleged actual and punitive damages of approximately $2.7 million. Wesco is named as a defendant only because it is a trustee on several deeds of trust on portions of the property. Most of the individual property owners are being defended by their title insurance carrier, Title Insurance and Trust Company, whom Mutual indemnified.

(f) Los Angeles County Superior Court Case No. C 42824 - American Savings and Loan Association vs. Title Insurance and Trust Company, Mutual Savings and Loan Association.

This action, filed November 8, 1972, arises out of substantially the same alleged factual situation as the previous one, plus the Title Insurance and Trust Company issued policies of title insurance to the individual home owners without referring to American's alleged easement and Mutual indemnified the Title Company in connection with the issuance of such policies. This action seeks alleged actual and punitive damages against the Title Company and Mutual of approximately $8 million, on the theories of breach of contract, slander of title, illegal interference with a business relationship, inducement to breach of contract and unlawful conspiracy.

Item 6. Increases and Decreases in Outstanding Equity Securities.

(a) 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, 1971 as shown on registrant's balance sheet for its previous fiscal year	2,152,624
Number of shares of outstanding capital stock increased by 107,632 shares issued as a stock dividend at the rate of one share for each twenty shares of outstanding capital stock, paid April 4, 1972 to stockholders of record at the close of business on March 1, 1972. 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	107,632
Number of shares of capital stock of registrant outstanding at December 31, 1972	2,260,256

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

The 107,632 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.

(b) None.

Item 7. Approximate Number of Equity Security Holders at December 31, 1972.

(1) Title of class	(2) Number of record holders
Capital (common) par value $1	4,695

Item 8. Executive Officers of the Registrant.

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

1. Louis R. Vincenti, age 67, chairman of the board and president.
2. Marian H. Wiggins, age 62, secretary and treasurer.

Item 9. Indemnification of Directors and Officers.

Registrant previously reported in its Form 10-K for 1970 the provisions for indemnification of directors and officers contained in its Articles of Incorporation at Article 9, Paragraph 6.

Additionally, registrant has, effective November 3, 1972 for a three-year period, a Directors' and Officers' Liability Insurance Policy issued by MGIC Indemnity Corporation. Liability under this policy is limited to $1,000,000 each loss and $1,000,000 aggregate liability each policy year for each director and officer, subject to $5,000 retention (each loss), and insures the directors and officers of registrant and its subsidiaries Mutual Savings and Loan Association, WSC Insurance Agency and Wes-Fin Service Corp.

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, 1972 and 1971

Statement of Earnings - Two years ended December 31, 1972

Statement of Stockholders' Equity - Two years ended December 31, 1972

Statement of Changes in Financial Position - Two years ended December 31, 1972

Notes to Financial Statements

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Item 10. Exhibits, Financial Statements and Schedules, continued.

Schedules:

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

Schedule III - Investments in Equity in Earnings of, and Dividends Received from Affiliates and Other Persons

Schedule V - Property, Plant and Equipment

Schedule VI - Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment

Schedules I, II, IV and VII through XIX 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 28, 1973

By Louis R. Vincenti

Louis R. Vincenti President

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WESCO FINANCIAL CORPORATION

Annual Report for Corporations - Form 10-K
Year ended December 31, 1972

Financial Statements, Supplementary Data,
and
Accountants' Report

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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 at December 31, 1972 and 1971, and the results of its operations, changes in stockholders' equity and in its financial position for the respective years then ended, and the financial position of Wesco Financial Corporation and consolidated subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in their financial position for the respective years then ended, all 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 7, 1973,
except for the last two paragraphs
of note 12 which are as of February 13
and February 23, 1973, respectively.

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Index to Financial Statements and Schedules

Schedules I, II, IV and VII through XIX 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, 1972 and 1971

	1972		1971	
Assets	Company	Consolidated	Company	Consolidated
Cash, including deposits in Mutual Savings $5,983,000 ($5,394,000 in 1971)	$ 5,998,000	1,581,000	5,407,000	1,220,000
Certificates of deposit (note 3)	-	37,511,000	-	25,917,000
United States Government and Agency obligations and other marketable securities, at amortized, identified cost (quoted market, 1972, Company $4,095,000, Consolidated $17,340,000)(note 3)	4,102,000	17,381,000	-	13,222,000
Loans receivable (notes 2, 3 and 11)	130,000	384,760,000	147,000	368,468,000
Accrued interest receivable	-	1,670,000	-	1,612,000
Properties purchased and held for investment, at cost	89,000	506,000	89,000	1,143,000
Properties acquired through foreclosure by Mutual Savings and held for sale, at cost less allowance for losses, $280,000 ($345,000 in 1971) (note 3)	-	6,488,000	-	8,819,000
Investment in subsidiaries, at equity	52,944,000	-	53,309,000	-
Investments required by law:				
Investment in stock of Federal Home Loan Bank, at cost (note 3)	-	3,691,000	-	3,691,000
Prepayments to FSLIC secondary reserve	-	4,462,000	-	4,505,000
Office properties and equipment, net (notes 5 and 15)	4,809,000	5,238,000	4,989,000	5,481,000
Prepaid expenses and sundry assets, at cost	78,000	1,150,000	32,000	621,000
	$ 68,150,000	464,438,000	63,973,000	434,699,000
Liabilities and Stockholders' Equity				
Savings deposits	$ -	361,272,000	-	329,782,000
Notes payable (note 3)	-	12,720,000	-	24,943,000
Loans in process	-	13,346,000	-	7,668,000
Loan payable to Mutual Savings (note 15)	3,220,000	-	3,456,000	-
Advances by borrowers for taxes and insurance	-	912,000	-	891,000
Accounts payable and sundry accrued expenses	859,000	1,153,000	764,000	973,000
Taxes on income (note 4):				
Current	-	694,000	6,000	1,307,000
Deferred	29,000	7,447,000	40,000	6,365,000
Total liabilities	4,108,000	397,544,000	4,266,000	371,929,000
Deferred income:				
Unrealized profit on real property sales	-	1,572,000	-	1,726,000
Deferred loan fees	-	1,280,000	-	1,337,000
Other deferred income	24,000	24,000	25,000	25,000
Total deferred income	24,000	2,876,000	25,000	3,088,000
Stockholders' equity:				
Capital stock of $1 par value per share. Authorized 2,500,000 shares; issued 2,260,256 shares (2,152,624 in 1971) (notes 7 and 8)	2,260,000	2,260,000	2,153,000	2,153,000
Capital surplus arising from stock dividends (note 8)	26,399,000	26,399,000	24,623,000	24,623,000
Retained earnings:				
Appropriated (notes 4 and 9)	41,587,000	41,587,000	41,220,000	41,220,000
Unappropriated	21,231,000	21,231,000	17,262,000	17,262,000
Less stock dividends at market value (note 8)	(27,459,000)	(27,459,000)	(25,576,000)	(25,576,000)
	35,359,000	35,359,000	32,906,000	32,906,000
Total stockholders' equity	64,018,000	64,018,000	59,682,000	59,682,000
Contingent liabilities, commitments and subsequent events (notes 6, 8, 10, 11 and 12).				
	$ 68,150,000	464,438,000	63,973,000	434,699,000

See accompanying notes to financial statements.

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WESCO FINANCIAL CORPORATION
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WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Earnings

Two years ended December 31, 1972

	1972 Company	1972 Consolidated	1971 Company	1971 Consolidated
Investment income:				
Interest on loans	$ 10,000	25,318,000	10,000	25,117,000
Interest and dividends on investments, including interest on deposits in Mutual Savings $161,000 ($250,000 in 1971)	346,000	2,547,000	279,000	1,740,000
Interest and dividends on investments required by law	-	251,000	-	388,000
Total investment income	356,000	28,116,000	289,000	27,245,000
Cost of money:				
Interest on savings deposits	-	19,304,000	-	17,298,000
Interest on notes payable, including interest on loan payable to Mutual Savings $184,000 ($197,000 in 1971)	185,000	611,000	205,000	3,105,000
Total cost of money	185,000	19,915,000	205,000	20,403,000
Margin on investments	171,000	8,201,000	84,000	6,842,000
Loan fees and service charges	73,000	2,662,000	59,000	1,684,000
Operation and net gains from sales of real property (note 13)	-	622,000	-	320,000
Rental of office premises, net	261,000	261,000	238,000	238,000
Other income, net	11,000	126,000	11,000	162,000
	516,000	11,872,000	392,000	9,246,000
General and administrative expenses	257,000	3,436,000	244,000	3,127,000
Earnings before taxes on income	259,000	8,436,000	148,000	6,119,000
Taxes on income (note 4):				
Current	69,000	3,018,000	144,000	2,530,000
Deferred	(11,000)	1,082,000	(60,000)	465,000
	58,000	4,100,000	84,000	2,995,000
	201,000	4,336,000	64,000	3,124,000
Equity in net earnings of subsidiaries	4,135,000	-	3,060,000	-
Net earnings	$ 4,336,000	4,336,000	3,124,000	3,124,000
Earnings per capital share based on 2,260,256 shares (note 8) prior to 5% stock dividend	$ 1.92	1.92	1.38	1.38
Earnings per capital share based on 2,373,269 shares to be outstanding after the stock dividend payable on April 3, 1973 (note 8)	$ 1.83	1.83	1.32	1.32

See accompanying notes to financial statements.

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WESCO FINANCIAL CORPORATION
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Statement of Stockholders' Equity

Two years ended December 31, 1972

	1972 Company and Consolidated	1971 Company and Consolidated
Capital stock (notes 7 and 8):		
Beginning of year	$ 2,153,000	2,050,000
5% stock dividend	107,000	103,000
End of year	2,260,000	2,153,000
Capital surplus (note 8):		
Beginning of year	24,623,000	22,419,000
Excess of market value of stock dividend over par value of stock issued	1,776,000	2,204,000
End of year	26,399,000	24,623,000
Retained earnings:		
Appropriated (notes 4 and 9):		
Beginning of year	41,220,000	40,890,000
Allocation of net earnings	367,000	330,000
End of year	41,587,000	41,220,000
Unappropriated:		
Beginning of year	17,262,000	14,468,000
Allocation of net earnings	3,969,000	2,794,000
End of year	21,231,000	17,262,000
Less stock dividends at market value (note 8):		
Beginning of year	(25,576,000)	(23,269,000)
Market value of stock dividend	(1,883,000)	(2,307,000)
End of year	(27,459,000)	(25,576,000)
	35,359,000	32,906,000
Total stockholders' equity	$ 64,018,000	59,682,000

See accompanying notes to financial statements.

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WESCO FINANCIAL CORPORATION
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Statement of Changes in Financial Position

Two years ended December 31, 1972

	1972 Company	1972 Consolidated	1971 Company	1971 Consolidated
Cash and marketable securities provided:				
Net earnings	$ 4,336,000	4,336,000	3,124,000	3,124,000
Charges (credits) to earnings not requiring (providing) cash and marketable securities:				
Depreciation and amortization	209,000	317,000	196,000	298,000
Interest on savings deposits credited to savings accounts	-	12,981,000	-	11,705,000
Deferred income taxes	(11,000)	1,082,000	(60,000)	465,000
FSLIC primary premium transferred from secondary reserve	-	294,000	-	272,000
Amortization of fees and discounts	-	(377,000)	-	(426,000)
Recognition of unrealized profit on real property	-	(656,000)	-	(709,000)
Interest income from FSLIC secondary reserve	-	(251,000)	-	(245,000)
Equity in net earnings of subsidiary	(4,135,000)	-	(3,060,000)	-
Cash and marketable securities provided from operations	399,000	17,726,000	200,000	14,484,000
Dividend from Mutual Savings	4,500,000	-	1,200,000	-
Increase in savings deposits	-	18,509,000	-	29,425,000
Principal payments on real estate loans	17,000	46,894,000	32,000	39,241,000
Additions to deferred loan fees	-	320,000	-	238,000
Proceeds from sale of real property	-	4,338,000	-	6,797,000
Redemption of FHLB stock	-	-	-	3,251,000
Increase in advances by borrowers for taxes and insurance	-	21,000	-	203,000
Additions to unrealized profit on real property	-	502,000	-	658,000
Increase in loans in process	-	5,678,000	-	5,903,000
Decrease in cash and marketable securities	-	-	296,000	-
Other, net	42,000	-	223,000	179,000
Total cash and marketable securities provided	$ 4,958,000	93,988,000	1,951,000	100,379,000
Cash and marketable securities used:				
Investment in real estate loans	$ -	63,107,000	19,000	26,245,000
Investment in building and other assets	29,000	74,000	372,000	455,000
Additions to real property	-	1,370,000	-	3,277,000
Decrease in notes payable	236,000	12,223,000	1,560,000	56,175,000
Increase in cash and marketable securities	4,693,000	16,114,000	-	14,227,000
Other, net	-	1,100,000	-	-
Total cash and marketable securities used	$ 4,958,000	93,988,000	1,951,000	100,379,000

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 1972

(1) Summary of Significant Accounting Policies

The following items comprise the significant accounting policies which the Company follows in preparing and presenting its financial statements:

(a) 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 undistributed earnings of the subsidiaries from date of acquisition. All material intercompany transactions have been eliminated.

(b) Marketable Securities

Securities are carried at identified cost, adjusted for amortization of premium and accretion of discount over the term of the security. The securities are not carried at the lower of cost or market because it is management's intention to hold them to maturity. Gains or losses on the sale of securities are recognized upon realization.

(c) Loan Fees

Loan fees for originating loans are deferred for amounts in excess of 1% of the loan amount plus $100 for nonconstruction loans and 2% of the loan amount plus $100 for construction loans. Deferred fees are amortized into income by use of the straight-line method over seven years.

(d) Loan Valuation Allowances

Valuation allowances for estimated losses on specific loans are charged to earnings when any significant and permanent decline reduces the market value of the underlying security to less than the loan. Such losses are usually indicated during foreclosure proceedings. No loan valuation allowances were required at December 31, 1972.

(e) Real Property Valuation Allowance

Valuation allowances for estimated losses on real property are charged to earnings when any significant and permanent decline reduces the market value to less than the carrying value. When the Company intends to hold real estate held for sale for a period in excess of 18 months, the estimated valuation allowance provides for future direct holding costs for maintenance, property taxes, insurance, direct selling expenses, costs of completion or improvement and a discount factor to give effect to the cost of money.

(f) Office Properties and Equipment

Office properties and equipment are depreciated by use of the straight-line method 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	4 to 10 years
Leasehold improvements	Life of lease

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Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Office Properties and Equipment, Continued

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.

(g) 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 reserves, undivided profits, and unallocated earnings to savings deposits.

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

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 the sale of foreclosed property are not taxable and because the Company receives an 85% dividend exclusion on dividends received on investments in certain marketable securities.

The investment tax credit, which is insignificant, is recorded by the flow-through method of accounting whereby, in the year available for utilization, it is applied as a reduction of income tax expense.

(h) Profit on the Sale of Real Property

Profit on the sale of real property is recognized when the buyer has made an irrevocable commitment to the sale and has met certain down payment and amortization requirements. In general, the down payment requirements range from 10% to 25% for improved property and from 15% to 30% for unimproved property based on the use of the property and cash flow projections. Amortization requirements include the payment on an annual level payment basis (principal and interest) over a period not to exceed from 15 to 30 years, depending on the type and use of the property, with payments commencing not later than one year from date of sale.

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Notes to Financial Statements, Continued

(2) Loans Receivable

Loans receivable at December 31 are summarized as follows:

	1972 Company	1972 Consolidated	1971 Company	1971 Consolidated
Real estate loans on residential property of:				
One to four units (home loans)	$ 130,000	268,480,000	147,000	281,808,000
More than four units	-	102,787,000	-	73,606,000
Real estate loans on other properties	-	12,610,000	-	12,250,000
	130,000	383,877,000	147,000	367,664,000
Loans on savings deposits	-	883,000	-	804,000
	$ 130,000	384,760,000	147,000	368,468,000

(3) Notes Payable

Notes payable at December 31 are summarized as follows:

	1972 Company	1972 Consolidated	1971 Company	1971 Consolidated
Federal Home Loan Bank advances, secured by Federal Home Loan Bank stock and certain real estate loans:				
Interest at 6-7/8%	$ -	-	-	20,288,000
Interest to 8-1/8% with various maturity dates in 1974	-	4,500,000	-	4,500,000
Bank notes, interest principally at prime, due December 31, 1973, secured by certain certificates of deposit, marketable securities, real estate loans and real property	-	8,220,000	-	155,000
	$ -	12,720,000	-	24,943,000

(4) Income Taxes

Appropriated retained earnings at December 31, 1972 include approximately $42,397,000 (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.

Federal income tax returns of the Company and Mutual Savings for 1970 and subsequent years are subject to examination by the United States Treasury Department.

Income taxes consist of the following:

	1972 Company	1972 Consolidated	1971 Company	1971 Consolidated
Federal income tax	$ 51,000	3,188,000	73,000	2,378,000
California franchise tax	7,000	912,000	11,000	617,000
	$ 58,000	4,100,000	84,000	2,995,000

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WESCO FINANCIAL CORPORATION
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Notes to Financial Statements, Continued

(5) Office Properties and Equipment, Net

Office properties and equipment are summarized as follows:

	1972 Company	1972 Consolidated	1971 Company	1971 Consolidated
Land	$ 1,500,000	1,623,000	1,500,000	1,623,000
Buildings and leasehold improvements	4,999,000	5,505,000	4,970,000	5,484,000
Furniture, fixtures and equipment	6,000	769,000	6,000	763,000
	6,505,000	7,897,000	6,476,000	7,870,000
Accumulated depreciation and amortization	1,696,000	2,659,000	1,487,000	2,389,000
	$ 4,809,000	5,238,000	4,989,000	5,481,000

(6) Retirement Plan

A noncontributory 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 $75,000 ($67,000 in 1971). The actuarially computed value of vested benefits as of December 31, 1972 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."

(7) 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 89,788 shares of the Company's common stock (after adjustments pursuant to the antidilution provisions of the plan to reflect the stock dividend payable April 3, 1973 - see note 8) 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 1,629 shares at a price of $26.70 per share were granted and are exercisable in instalments over a 10-year period. At December 31, 1972, 1,629 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 1973 stock dividends and the cancellation of options for 9,578 shares, of which options for 958 shares became exercisable in 1971:

Options under grant at December 31, 1972 and 1971:

Year of grant	Number of shares under option	Option price and market value at date of grant: Per share	Total
1963	1,629	$ 26.70	43,000

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Notes to Financial Statements, Continued

(7) Stock Option Plan, Continued

Options which became exercisable during 1972 and 1971:

Number of shares for which options became exercisable	Option price Per share	Option price Total	Market value on date options became exercisable Per share	Market value on date options became exercisable Total
326	$ 26.70	9,000	15.00	5,000

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.

(8) Dividends

On January 16, 1973, the Board of Directors declared a 5% stock dividend (113,013 shares) payable April 3, 1973 to stockholders of record on February 28, 1973. Upon payment of the dividend, the fair market value of the stock ($1,780,000) as of January 16, 1973 will be charged to market value of stock dividends, capital stock will be credited with an amount equal to the par value of the shares issued ($113,000), and capital surplus will be credited with an amount representing the excess of the fair market value over par value ($1,667,000).

(9) 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, 1972.

(10) Contingent Liabilities

Mutual Savings has been named, along with other savings and loan associations, as a defendant in a number of class actions which attack the validity of certain savings and lending practices. Among the practices challenged are the acceleration of repayment of loans upon a transfer of property serving as security unless the purchaser borrows from the lender which holds the existing mortgage, prepayment and late charges, the failure to pay interest on amounts advanced by borrowers for the payment of property taxes and insurance, and the computation of interest on the basis of a 360- rather than a 365-day year. Two of the actions have been dismissed but are pending appeals. The Company and its counsel believe that the Company has meritorious defenses to the legal issues which have been raised.

In addition, Mutual Savings is a defendant in two recently filed actions involving alleged easement rights.

In one action, which also is against all those claiming interests in the property covered by the alleged easement, the plaintiff seeks to establish easement rights and to eject those who are alleged to encroach on the easement and seeks alleged, actual and punitive damages of approximately $2.7 million. The Company is named as a defendant in this action

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Notes to Financial Statements, Continued

(10) Contingent Liabilities, Continued

only because it is a trustee on several deeds of trust on portions of the property involved. Most of the individual property owners are being defended by their title insurance carrier, which Mutual Savings had agreed to indemnify.

In the other action brought against Mutual Savings and the title company, the plaintiff claims that the issuance by the title company of policies of title insurance to the owners of residential units without referring to an alleged easement and the action of Mutual Savings in indemnifying the title company in the issuance of said policies constituted a breach of contract, slander of title, illegal interference with business relationships, improper inducement to cause a breach of contract and unlawful conspiracy. By reason thereof, the plaintiff is alleging damages, actual and punitive, of approximately $8 million.

Neither Mutual Savings nor the Company has been required to respond to the pleadings and no discovery has yet been conducted. However, the Company, Mutual Savings and their counsel believe that based upon the information presently available to them, both Mutual Savings and the Company have meritorious defenses to these actions.

The Company has been named in other legal actions wherein plaintiffs seek damages. It is the opinion of the Company's counsel that damages, if any, would not be material in amount.

(11) Loan Commitments

At December 31, 1972, Mutual Savings had loan commitments outstanding in the amount of approximately $39,000,000.

(12) Subsequent Events

On January 30, 1973, the Company and Financial Corporation of Santa Barbara (FSB) agreed to a merger in which the Company would be merged into FSB, with FSB being the surviving corporation. Mutual Savings would subsequently be merged with the savings and loan subsidiaries of FSB. In accordance with the merger agreement, the Company is restricted from declaring any cash dividends in excess of $0.035 per share on its capital stock in any calendar quarter, or making any other distribution of assets to the holders thereof. The merger is subject to several conditions including approval of stockholders of the Company and FSB, approval of various regulatory agencies and receipt of satisfactory tax rulings.

On February 13, 1973, the Board of Directors of Wesco declared a cash dividend in the amount of $0.035 per share for the first quarter of 1973, payable March 30, 1973 to stockholders of record at the close of business on February 28, 1973.

On February 23, 1973, the Boards of Directors of the Company and FSB voted to rescind the agreement of merger as authorized by the terms of the merger agreement.

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WESCO FINANCIAL CORPORATION
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Notes to Financial Statements, Continued

(13) Real Estate Operations

Operations and net gains from sales of real property are summarized as follows:

	1972	1971
Recognized profits on sales	$ 896,000	821,000
Income from rentals	136,000	125,000
	1,032,000	946,000
Less maintenance and sales expense	410,000	626,000
	$ 622,000	320,000

(14) Supplementary Profit and Loss Information

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

	1972		1971	
	Company	Consolidated	Company	Consolidated
Maintenance and repairs	$ 270,000	307,000	248,000	285,000
Depreciation and amortization of office properties and equipment	209,000	317,000	196,000	298,000
Taxes other than taxes on income:				
Payroll taxes	5,000	73,000	4,000	62,000
Property taxes	201,000	420,000	194,000	452,000
Other taxes	-	-	5,000	5,000
Advertising	-	333,000	-	301,000

(15) 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:	
1973	$ 249,000
1974	263,000
1975	278,000
1976	294,000
1977	310,000
Thereafter	1,826,000
	$ 3,220,000

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WESCO FINANCIAL CORPORATION

Investments in, Equity in Earnings of, and
Dividends Received from Affiliates and Other Persons

Two years ended December 31, 1972

Name of issuer and description of investment	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 of $100 par value:								
1971	600(1)	$ 51,449,000	-	$ 3,060,000(2)	-	$ 1,200,000(3)	600(1)	$ 53,309,000
1972	600(1)	$ 53,309,000	-	$ 4,135,000(2)	-	$ 4,500,000(3)	600(1)	$ 52,944,000

(1) 100% of the outstanding shares.

(2) Net earnings of subsidiaries.

(3) Dividend received from Mutual Savings.

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Property, Plant and Equipment

Two years ended December 31, 1972

Classification	Balance at beginning of period	Additions at cost	Retirements or sales	Other changes	Balance at close of period
1971					
Company:					
Land	$ 1,499,000	1,000	-	-	1,500,000
Buildings and leasehold 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 leasehold 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
1972					
Company:					
Land	$ 1,500,000	-	-	-	1,500,000
Buildings and leasehold improvements	4,970,000	29,000	-	-	4,999,000
Furniture, fixtures and equipment	6,000	-	-	-	6,000
	$ 6,476,000	29,000	-	-	6,505,000
Consolidated:					
Land	$ 1,623,000	-	-	-	1,623,000
Buildings and leasehold improvements	5,484,000	29,000	8,000	-	5,505,000
Furniture, fixtures and equipment	763,000	45,000	39,000	-	769,000
	$ 7,870,000	74,000	47,000	-	7,897,000

*Fire insurance recovery.

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Accumulated Depreciation, Depletion and Amortization
of Property, Plant and Equipment

Two years ended December 31, 1972

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
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
1972						
Company:						
Buildings and leasehold improvements	$ 1,483,000	208,000	-	-	-	1,691,000
Furniture, fixtures and equipment	4,000	1,000	-	-	-	5,000
	$ 1,487,000	209,000	-	-	-	1,696,000
Consolidated:						
Buildings and leasehold improvements	$ 1,708,000	242,000	-	8,000	-	1,942,000
Furniture, fixtures and equipment	681,000	75,000	-	39,000	-	717,000
	$ 2,389,000	317,000	-	47,000	-	2,659,000

END

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