SEC FILE NO 1- 4720 03 SIC 671 W 34 20 00 000

WESCO FINANCIAL CORP 10-K

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CARD 1 MICROFICHE BY DISCLOSURE INCORPORATED FOR 12/31/75

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

ARS For: 12/31/74
Auditor: Peat, Marwick, Mitchell & Co.

For the years ended:	12/31/74	12/31/73
Revenues:	$33,172,000	$31,325,000
Earnings:	$3,927,000/$1.65	$4,608,000/$1.94
Extr. Items:	None	None
Assets:	$465,646,000	451,980,000
Net Worth:	$70,291,000	$67,551,000

10-K For: 12/31/74
Shareholders: 3,033
Description of Business: Owns all outstanding Guarantee Stock of Mutual Savings and Loan Association serving southern Calif. Makes loans, principally secured by first liens against real estate. Acts as insurance agent for fire, extended coverage property, and mortgage life insurance.
- One bank holding companies; Savings and loan associations
- Insurance agents

Auditor's Report: Unqualified
Financial Statements and Notes:
- Deferred revenue; Loan origination fees
- Unusual effective tax rate; Real estate sale gains
- Unusual effective tax rate; Dividends received deductions (IRC)

Exhibits: None indexed
Proxy Dated: 3/13/75
Meeting: Annual 4/15/75
Exceptional Subjects: None
Exhibits: None

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10-Q For: 3/31/75
10-Q For: 6/30/75
10-Q For: 9/30/75

W342000

DISCLOSURE INCORPORATED

RECD S.E.C.
MAR 31 1976
(Fees Received)

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-K

38

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

For the fiscal year ended December 31, 1975 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 Stock, Par Value $1	New York Stock Exchange Pacific Stock Exchange

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

Indicate by check mark whether the registrant

(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

Yes X No ____

and

(2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Item 1. Business

(a) Wesco Financial Corporation (Wesco) was incorporated on March 18, 1959. Its principal business is the ownership of all of the outstanding Guarantee Stock of Mutual Savings and Loan Association (Mutual) which serves the Southern California area through sixteen offices, of which six are in Los Angeles County, four in Orange County, two in Ventura County, three in San Diego County and one in San Bernardino County. Mutual invests in marketable securities and is engaged in the business of lending money, principally secured by first liens against real estate to enable borrowers to purchase, construct or refinance real property. Funds are provided largely from savings deposits, principal payments on loans, borrowings from banks and operations. The chief sources of income to Mutual are income from marketable securities, 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.

Wesco acts as trustee under deeds of trust, invests in marketable securities, owns and operates the Pasadena business block in which the head office of its subsidiary Mutual is located and a minor amount of other property.

(b) (1) Mutual's savings deposits increased by $26,953,000 in 1975 and decreased $12,413,000 in 1974. In 1975, Mutual's loan portfolio decreased $16,006,000 compared to a decrease of $519,000 in 1974.

(2) through (6) not applicable.

(7) Compliance with environmental regulations has had no material effect as to Wesco and its subsidiaries.

(8) Wesco and its subsidiaries employed approximately 173 persons at December 31, 1975.

(9) Not applicable.

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

(d) and (e) not applicable.

Item 2. Summary of Operations

(a) The Summary of operations of Wesco Financial Corporation and subsidiaries (consolidated) for the year ended December 31, 1975 and four prior years is incorporated by reference to the annual report included in Item 10.

Dividends declared by Wesco Financial Corporation for the year ended December 31, 1975 and four prior years were as follows:

	Year ended Dec. 31				
Description	1975	1974	1973	1972	1971
Cash dividends	$ 1,424,000	1,187,000	1,075,000	--	--
Stock dividends - market value at declaration date	--	--	1,780,000	1,883,000	2,307.000

(b) Not applicable

Item 3. Properties

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

Head Office located at 315 East Colorado Boulevard, Pasadena, California 91109, leased by Mutual from Wesco, which is its parent company, under lease which expires June 14, 1984. Wesco purchased the property from Mutual under Agreement for Sale of Real Estate dated May 31, 1964.

Glendale Office located at 336 North Brand Boulevard, Glendale, California 91203, owned in fee simple by Mutual.

Covina Office located at 200 North Citrus Avenue, Covina, California 91723, owned in fee simple by Mutual.

West Arcadia Office located at 660 West Duarte Road, Arcadia, California 91006, leased by Mutual under a ten-year lease with two five-year renewal options. The original lease term expired June 30, 1971 and the first renewal option expires June 30, 1976. The second renewal option to June 12, 1981 has been exercised by Mutual.

Corona del Mar Office located at 2867 East Coast Highway, Corona del Mar, California 91615, leased by Mutual for a five-year period which expires July 14, 1979.

Canoga Park-Chatsworth Office located at 8393 Topanga Canyon Boulevard, Canoga Park, California 91304, leased by Mutual under a lease with a term to May 31, 1977, with an option to extend the lease term to May 31, 1980.

Thousand Oaks Office located at 1330 Moorpark Road, Thousand Oaks, California 91360, leased by Mutual under a twenty-year lease to March 31, 1993, with a five-year renewal option.

Capistrano-San Clemente Office located at 530 Camino de Estrella, San Clemente, California 92672, leased by Mutual under a lease with a term to June 1, 1976, with an option to renew to June 1, 1978. Mutual has, however, a new lease for twenty years with options for three additional five-year terms, on an existing building in the same Shopping Center. The building is free standing and located at one of the principal entrances. Remodeling plans are in the process of being completed and Mutual is scheduled to move in the new location May 15, 1976.

Vista Office located at 1020 East Vista Way, Vista, California 92083, leased by Mutual under a lease to May 10, 1976 with six-month options to May 10, 1979.

Santa Ana Office located at 631 North Main Street, Santa Ana, California 92701, leased by Mutual under a lease to November 1, 1978, with three three-year options to November 1, 1987.

Channel Islands Office located at 739 W. Channel Island Boulevard, Port Hueneme, California 93041, leased by Mutual under a lease to August 13, 1990.

Fountain Valley Office located at 17942 Magnolia Street, Fountain Valley, California 92708, leased by Mutual under a lease to August 23, 1976 with an additional one-year option to August 23, 1977. Mutual has a new lease in the same Shopping Center to 1991 with options to 2006. Plans for a new free-standing building are currently being prepared with anticipated completion in July or August, 1976.

Lake San Marcos Office located at 1143-322 San Marino Drive, Lake San Marcos, California 92069, leased by Mutual for a five-year period which expires November 30, 1979, with one five-year option.

Upland Office located at 160 West Foothill, Upland, California 91786, leased by Mutual under a lease to June 1, 2000, with an additional option for ten years.

Cerritos Office located at 13343 Artesia Boulevard, Cerritos, California 90701, leased by Mutual under a lease to May 31, 1978 with an additional option to 1985.

Fallbrook Office located at 119 East Ivy, Fallbrook, California 92101, leased by Mutual under a lease to November 1, 1976 with an additional six six-month options to November 1, 1979.

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 Wesco to its subsidiaries from that previously reported at Item 3 of Wesco's 1966 and 1967 annual reports on Form 10-K.

Item 5. Pending Legal Proceedings

The current status of actions in which Mutual was named as a defendant, follows:

(a) 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-foot 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. Mutual has succeeded in eliminating from this action the cause of action for ejectment, and the sole cause of action which remains is one for damages by reason of trespass on the easement, including the claim for punitive damages. Fidelity Bank has filed a complaint in intervention and Mutual has an open extension to answer that complaint. This case has been consolidated for trial with the case of American Savings and Loan Association vs. Title Insurance and Trust Company, Mutual Savings and Loan Association, et al. (see Item (b)), and has been transferred to the Central District of the Los Angeles Superior Court for trial. The trial setting conference has been vacated. The case is pending.

(b) 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. Mutual's demurrer to the second amended complaint was sustained with leave to amend. As a result of the court's holding, the plaintiff eliminated causes of action with regard to breach of contracts against the defendant Title Insurance and Trust Company, and for illegal interference with contractual relationships as against Mutual. The third amended complaint seeks damages for slander of title as against the Title Company and against Mutual, a cause of action for tortious bad faith and breach of covenant of fair dealing against the Title Company and a conspiracy as against both Mutual and the Title Company. This case has been consolidated with Item (a) above.

(c) Los Angeles County Superior Court Case No. C 66361 - Martin S. Stolzoff dba Westminster Investment Company et al. vs. Mutual Savings and Loan Association.

This action, filed September 5, 1973, challenges the assessment and collection by Mutual of late charges for tardy payment of real estate loan installments. It seeks to have the late charge declared invalid; to have all amounts collected by Mutual as late charges from plaintiff and all members of the class during the past four years, estimated to exceed $1 million, refunded to plaintiff for distribution to all parties entitled; and to secure an accounting of such late charges collected. Motion has been granted to vacate the trial setting conference date and to strike the certificate of readiness on the ground that the plaintiff has not complied with the rules on class actions contained in the Class Action Policy Memorandum. Although the case is at issue, it still is in early stages of proceeding since there has been no determination of the class or whether this is a proper class action, nor no notice given to the class. We do not know whether the plaintiff will proceed with this matter or not.

(d) Kern County Superior Court Case No. 123271 - Gabriel W. Solomon et al. vs. United Savings and Loan Association et al.

Mutual was made a party to this action by amended complaint filed October 3, 1973, bringing the number of savings and loan defendants to all but two in the State of California. The action is based on allegations similar to those in the Westminster vs. Mutual case (listed as Item 5(c) above). The case is pending.

(e) Sylmar Company et al. vs. Robertson's Apartment Builders, Inc., Mutual et al. - Los Angeles Superior Court No. C 87229

This is an action filed by a borrower of Mutual on a large construction loan to build an apartment house claiming damages by reason of defective construction of the apartment house. The action is filed against the contractor of the apartment house and against Mutual. The theory as against Mutual is that Mutual's inspectors discovered the defective workmanship and failed to notify the plaintiffs of the defect. The facts do not justify or support these allegations. There was defective workmanship which caused a delay in the completion and an increase in the cost. However, Mutual was not aware of this until approximately the same time that the plaintiff was aware of it. Mutual cooperated fully with the plaintiff in efforts to correct the situation.

There are eight causes of action in the complaint and only one is directed against Mutual. Damages claimed in the complaint as against Mutual, as alleged "will exceed the sum of $2,000,000." Plaintiffs are also claiming punitive damages in the amount of $1 million against Mutual. However, plaintiffs' lawyer has agreed to eliminate the claim for punitive damages. The case is pending.

As to Items (a) and (b) above, Mutual's counsel believes there are meritorious defenses to these actions and there is a substantial chance the cases can be successfully defended. While there is some risk to Mutual, in management's opinion, any such risk would not be material. As to Items (c), (d) and (e) above, the outcome of these actions cannot be predicted; however, based on the facts presently available, Mutual believes there are substantial defenses to these actions and that losses, if any, would not be material.

Item 6. Increases and Decreases in Outstanding Equity Securities

(a) There has been no change in the number of outstanding shares of Wesco's capital stock from the 2,373,269 shares reported at Item 6(a) of Wesco's Form 10-K for the year ended December 31, 1973.

(b) Not applicable.

Item 7. Approximate Number of Equity Security Holders at December 31, 1975

(1) Title of class	(2) Number of record holders
Capital stock par value $1	2,934

Item 8. Executive Officers of the Registrant

(a) As stated at Item 1(a) of this Form 10-K, Wesco's principal business is the ownership of all the stock of Mutual. Louis R. Vincenti, Chairman of the Board and President, and Bette Deckard, Secretary and Treasurer, are the sole executive officers of Wesco. The other principal officers of Wesco are also listed below. There is no family relationship between any of them. All officers are elected to serve for one year and until their successors shall have been elected and qualified.

Name	Age	Position
Louis R. Vincenti	70	Chairman of the Board since January, 1973; also President since July, 1961.
Bette Deckard	56	Secretary-Treasurer since April, 1975.
John R. Armetta	57	Vice President, Property Development since April, 1973.
T. L. Egloff	64	Vice President, Operations since April, 1969.
P. E. Lynn	63	Vice President, Loan Processing since April, 1969
Robert E. Sahm	48	Vice President, Building Management since July, 1971

Item 9. Indemnification of Directors and Officers

Wesco 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.

Since February, 1975 the directors and officers liability insurance coverage has been on a joint policy with Blue Chip Stamps and See's Candy Shops, Incorporated.

Item 10. Exhibits, Financial Statements and Schedule

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Accountants' Report

Index to Financial Statements and Schedule

Financial Statements:

Consolidated Financial Statements of Wesco Financial Corporation and Subsidiaries, December 31, 1975 and 1974 (with accountants' report thereon). These consolidated financial statements and the accountants' report thereon are incorporated by reference in the annual report (Form 10-K) required to be filed by Wesco Financial Corporation under the Securities Exchange Act of 1934.

Wesco Financial Corporation:
Balance Sheets - December 31, 1975 and 1974
Statements of Earnings - Years ended December 31, 1975 and 1974
Statements of Changes in Financial Position - Years ended December 31, 1975 and 1974

Supplemental Information to Notes to Consolidated Financial Statements

Schedule:

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

Schedules not included have been omitted because they are not applicable or the required information is shown on the financial statements or notes thereto.

SIGNATURE

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

WESCO FINANCIAL CORPORATION

Date March 22, 1976

By Louis R. Vincenti
Louis R. Vincenti, President

WESCO FINANCIAL CORPORATION

Annual report 1975

TO THE STOCKHOLDERS OF WESCO FINANCIAL CORPORATION

Consolidated net earnings of Wesco Financial Corporation and its subsidiaries for 1975 amounted to $4,351,000 ($1.83 per share) compared to $3,927,000 ($1.65 per share) in 1974. Quarterly earnings per share were:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1975	$ .36	.36	.54	.57	1.83
1974	.48	.40	.44	.33	1.65

Total savings in Mutual Savings increased $26,953,000 in 1975 compared with a decrease of $12,413,000 in 1974. Out-of-state savings decreased $5,261,000 in 1975 and $16,257,000 in 1974. Most of the decrease in out-of-state savings in 1975 occurred during the first six months of the year. At December 31, 1975, out-of-state savings totaled $52,313,000 (14.7% of savings) compared with $57,574,000 (17.3% of savings) at December 31, 1974. The amount of out-of-state savings appears to have stabilized.

Savings deposits are summarized at December 31 by interest rates as follows:

	1975	1974	1973
5¼%	38%	36	35
5½	1	2	3
5¾	3	3	6
6	10	23	42
6½	11	8	5
6¾	4	3	1
7	1	1	1
7½	27	22	7
7¾	5	—	—
Over 7¾	—	2	—
	100%	100	100

Cost of savings and cost of funds (savings and borrowings) continued to increase in 1975 as did the yield on the loan portfolio of Mutual Savings.

	1975	1974	1973	1972	1971
Cost of Savings	6.29%	6.00	5.60	5.56	5.51
Cost of all Funds	6.41	6.25	5.69	5.59	5.71
Yield on Loans at year end	7.55	7.36	7.17	7.03	6.82

We expect the cost of savings to rise gradually during 1976 because of the increased funds being converted to and deposited in certificate accounts paying 7½% and 7¾%. Yield on loans will also increase.

Real estate loans made during 1975 totaled $36,317,000 compared with $31,998,000 in 1974. Loans in process and firm loan commitments, which at December 31, 1974 were $3,240,000, have decreased to $1,643,000 at December 31, 1975.

The liquid assets of Wesco were markedly improved during 1975, with cash and marketable securities at year end totaling $77,417,000 compared with $53,065,000 at December 31, 1974. Also notes payable were reduced during 1975 by the sum of $24,765,000 and at year end were $26,210,000.

Mutual Savings and Wesco, which at December 31, 1974 had invested $12,900,000 in public utilities preferred stocks, increased such investments during 1975 and at year end had invested $23,206,000 ($267,000 in Wesco) in such stocks with an annual yield of 10.20%. Mutual Savings, by regulation, is limited to 5% of assets in the amount of preferred stocks of public utilities it may own. Its present investments approximate that amount. During the last quarter of 1975, Mutual Savings purchased municipal bonds and at year end had invested $4,554,000 in such securities with an annual yield of 7.11%.

For several years, Mutual Savings constructed homes at its Friendly Valley development. No homes were constructed during 1975. 91 units of homes previously constructed were sold and, at December 31, 1975, 7 units remained unsold, 6 of which were in escrow. A portion of the land in Friendly Valley was sold in 1975 to a responsible builder, who has completed the construction of 58 residences which are presently being sold. As such residences are sold, Wesco will recognize its profit of $198,000 on the land sale. We expect to dispose of the remaining land at Friendly Valley to builders for development, rather than building for our own account.

We continue to market portions of property owned at Lake San Marcos in San Diego County, having sold in 1975 one parcel of 195 acres for the sum of $614,000 resulting in a profit of $208,000, which is carried as unrealized profit due to the low down payment. We expect to dispose of substantially all of our remaining vacant land at Lake San Marcos during 1976, retaining our one-half interest in a modern shopping center, motel and restaurant.

During 1975 Mutual Savings opened three new branch offices in Upland, Cerritos and Fallbrook, bringing the total number of Mutual Savings offices to sixteen. Four new branch offices were opened in 1974 and three in 1973.

On January 20, 1976 Wesco increased its regular quarterly cash dividend from 15¢ to 17½¢, payable March 11, 1976 to holders of record at the close of business on February 20, 1976.

A "Summary of Operations" for a five-year period is presented on page 2, followed by "Management's Discussion and Analysis" of that Summary. The purpose of the Summary and Discussion is to enable investors to compare periodic results of operations and to assess the source and probability of earnings.

Louis R. Vincenti

LOUIS R. VINCENTI
Chairman of the Board and President

WESCO FINANCIAL CORPORATION AND SUBSIDIARIES

Summary of Operations

Year ended December 31, 1975 and four prior years

	1975	1974	1973	1972	1971
Investment income:					
Interest on loans	**$ 28,438,000**	28,463,000	27,450,000	25,318,000	25,117,000
Interest on marketable securities	**3,171,000**	3,202,000	2,950,000	2,362,000	1,740,000
Dividends on common and preferred stocks	**1,953,000**	974,000	463,000	185,000	—
Interest and dividends on investments required by law	**519,000**	533,000	462,000	251,000	388,000
Total investment income	**34,081,000**	33,172,000	31,325,000	28,116,000	27,245,000
Cost of money:					
Interest on savings deposits	**21,844,000**	20,419,000	20,001,000	19,304,000	17,298,000
Interest on notes payable	**2,628,000**	3,364,000	1,313,000	611,000	3,105,000
Total cost of money	**24,472,000**	23,783,000	21,314,000	19,915,000	20,403,000
Margin on investments	**9,609,000**	9,389,000	10,011,000	8,201,000	6,842,000
Loan fees and service charges	**1,362,000**	1,542,000	1,786,000	2,662,000	1,684,000
Operations and net gains from sales of real property	**909,000**	593,000	831,000	622,000	320,000
Rental of office premises, net	**288,000**	206,000	303,000	261,000	238,000
Net gains or (losses) on sales of marketable securities	**(62,000)**	(429,000)	(72,000)	2,000	51,000
Other income, net	**32,000**	96,000	116,000	124,000	111,000
	12,138,000	11,397,000	12,975,000	11,872,000	9,246,000
General and administrative expenses	**4,710,000**	4,208,000	3,762,000	3,436,000	3,127,000
Earnings before taxes on income	**7,428,000**	7,189,000	9,273,000	8,436,000	6,119,000
Taxes on income:					
Current	**3,735,000**	3,262,000	4,263,000	3,018,000	2,530,000
Deferred	**(658,000)**	—	402,000	1,082,000	465,000
	3,077,000	3,262,000	4,665,000	4,100,000	2,995,000
Net earnings	**$ 4,351,000**	3,927,000	4,608,000	4,336,000	3,124,000
Per share*	**$ 1.83**	1.65	1.94	1.83	1.32
FINANCIAL DATA AT YEAR END					
Total assets	**$470,127,000**	465,646,000	451,980,000	448,240,000	423,969,000
Real estate loans	**$371,041,000**	386,398,000	387,165,000	367,679,000	356,933,000
Savings accounts	**$360,070,000**	333,117,000	345,530,000	361,272,000	329,782,000
Shareholders' equity	**$ 73,218,000**	70,291,000	67,551,000	64,018,000	59,682,000
Book value per share*	**$ 30.85**	29.62	28.46	26.98	25.15

*Per share earnings and book value per share are based on 2,373,269 shares outstanding at December 31, 1975.

Management's Discussion and Analysis of Summary of Operations

The accompanying Summary of Operations covers the five years ended December 31, 1975.

The principal business of Wesco Financial Corporation (Wesco) is the ownership of all of the outstanding stock of Mutual Savings and Loan Association (Mutual Savings), which operates sixteen offices in Southern California. Wesco also owns and operates a Pasadena business block in which its head office and the head office of Mutual Savings are located. This block is fully improved with a 9-story modern office building, a 420-car garage and four retail stores. Wesco invests its cash funds in marketable securities and at December 31, 1975 had so invested the sum of $14,026,000. Mutual Savings' principal business is the lending of money secured by first liens on real estate (principally residential) to enable borrowers to purchase, construct or refinance real property. Funds are provided by savings deposits, principal payments on existing loans, borrowings from banks and operations.

INTEREST ON LOANS. This source of income is dependent upon the amount of loans and the yield thereon. The yields at December 31, 1975, 1974 and 1973 were 7.55%, 7.36% and 7.17% respectively. Total real estate loans outstanding at the end of such years were $371,041,000, $386,398,000 and $387,165,000.

INTEREST ON MARKETABLE SECURITIES. Investments have consisted principally of certificates of deposit of major banks, bankers acceptances, United States Government bonds, notes, bills, agency securities and municipal bonds. The variation in income shown on the accompanying Summary is accounted for by the varying amounts invested and the varying yields obtained in the particular year. The amount invested in marketable securities from time to time is dependent on the cash flow available for investment and the amount committed for investment in real estate loans.

DIVIDENDS ON COMMON AND PREFERRED STOCKS. In May, 1973 $6,785,000 was invested in 271,000 shares of common stock of Crocker National Corporation. The investment at December 31, 1974 was $5,079,000 and at December 31, 1975 was $1,853,000. 70,100 shares were sold in 1974 and 128,000 shares were sold in 1975 at approximate cost. The remaining 72,900 shares were sold in 1976 at a loss of $85,000.

Commencing in April, 1974 Wesco and Mutual Savings purchased public utility preferred stocks, and at December 31, 1974 had invested $12,900,000 ($267,000 by Wesco) with an annual yield of 9.77%. At December 31, 1975 $23,206,000 ($267,000 by Wesco) had been invested with an annual yield of 10.20% and a market value of $23,825,000, which at February 28, 1976 had increased to $25,008,000. The income on common and preferred stocks reflected in the accompanying Summary is that earned in the particular year from the securities held. 85% of the dividend income from stocks is deductible in computing Federal Income Taxes. Mutual Savings, by regulation, may invest in preferred stock of public utilities in an amount up to 5% of its assets. At December 31, 1975 Mutual Savings' investments in preferred stocks approximate that amount.

The market value of preferred stocks varies as interest rates vary. Since interest rates at 1975 year end were somewhat lower than the rates at time of purchase, the market value of our preferred stocks increased above cost. Interest rates continued to decline in 1976 resulting in a further increase of market value.

INTEREST AND DIVIDENDS ON INVESTMENTS REQUIRED BY LAW. This source of income consists of dividends received on stock of the Federal Home Loan Bank of San Francisco and interest received on our secondary reserve held by the Federal Savings and Loan Insurance Corporation. A dividend of $189,000 was declared in 1973, $229,000 in 1974 and

$198,000 in 1975 all in the fourth quarter. The variation in amount of interest on the secondary reserve has been nominal.

INTEREST ON SAVINGS DEPOSITS. Savings at December 31, 1972 which totaled $361,272,000, decreased in 1973 to $345,530,000 and to $333,117,000 at the end of 1974, and increased to $360,070,000 at the end of 1975. Although savings declined during 1973 and 1974, interest paid increased due to higher rates, which became effective July 1, 1973, and to substantial funds being converted from maturing lower-rate certificates to certificates bearing higher interest rates. The substantial increase in the amount of interest paid on savings deposits in 1975 was occasioned by increase in total savings and a continuation of conversion of lower-rate certificates to certificates bearing 7½% and 7¾%.

INTEREST ON NOTES PAYABLE. The variation in interest on notes payable is due to fluctuations in amounts borrowed from time to time and varying rates paid. Rates of interest on borrowings varied in 1975 from 7¼% to 10½%, in 1974 from 7½% to 12% and in 1973 from 7½% to 9¾%.

MARGIN ON INVESTMENTS. Margin on investments is the difference between total investment income and the cost of money, and is made up of the items discussed above. The $622,000 decrease in margin between 1974 and 1973 is the result of an increase in the cost of money by $2,469,000, with investment income increasing by only $1,847,000. The margin increased in 1975 by $220,000, with total investment income increasing $909,000 and total cost of money increasing $689,000.

LOAN FEES AND SERVICE CHARGES. This income was derived from the following sources:

	1975	1974	1973
Loan Fees	$ 721,000	858,000	855,000
Commitment fees	—	89,000	180,000
Escrow and clerical fees	47,000	102,000	139,000
Prepayment charges	314,000	334,000	341,000
Late charges	82,000	59,000	152,000
Other charges	198,000	100,000	119,000
	$1,362,000	1,542,000	1,786,000

OPERATIONS AND NET GAINS FROM SALES OF REAL PROPERTY. Mutual Savings, over a period of years, has acquired foreclosed real property including vacant land. Some vacant land has been disposed of from time to time and, on other occasions, residential units were built thereon and sold. During 1973, 38 residential units were sold, 17 of which had been constructed by it and in 1974, 53 units were sold of which 45 had been constructed by it and in 1975, 96 were sold of which 91 had been constructed by it. Parcels of vacant land were sold in 1973 and 1974 resulting in profits of $495,000 and $215,000. In the fourth quarter of 1975, a profit on vacant land of $256,000 was recognized on a sale that had been made in 1969. The variation in the sale of residences and of vacant land accounts for the variation in the income shown on the accompanying Summary.

RENTAL OF OFFICE PREMISES, NET. Substantially all of this income is derived from the Pasadena business block owned by Wesco in which the head office of Mutual Savings is located. The decrease from $303,000 in 1973 to $206,000 in 1974 is attributable to a $32,000 increase in expenses and the loss, at December 31, 1973, of a tenant occupying 26,000 square feet of space (20% of total rentable space). At 1974 year end, 9,800 square feet of space was vacant compared with 7,900 square feet of vacant space at 1975 year end. Net rental income in 1975 improved by $82,000, to a total of $288,000 by reduction in unrented space and increased rentals obtained, despite an increase in costs of operation of $48,000.

NET GAINS (LOSSES) ON SALES OF MARKETABLE SECURITIES. A loss of $429,000 taken on sale of securities in 1974 is accounted for by two transactions. In order to improve the quality and yield on public utility preferred stocks owned, some sales were made at a loss of $171,000 and the funds reinvested in other preferred stocks considered of better quality and providing a higher yield. Government and agency obligations were sold at a loss of $256,000 and proceeds reinvested so as to reduce the time to maturity. The loss of $62,000 in 1975 is due principally to sales of securities with the proceeds being used to purchase more desirable issues.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $506,000 in 1974 and $502,000 in 1975 as compared to the respective prior years. Business expenses were 12.9% of gross income in 1975, 12% in 1974 and 10.8% in 1973. The increases were occasioned principally by inflation, the expense of opening and operating four additional offices in 1974, three additional offices in 1975 and the cost of computerizing our accounting system.

TAXES ON INCOME. Taxes on income were 41.4% of earnings before taxes on income in 1975, 45.4% in 1974 and 50.3% in 1973. Total tax expense varies with the increase or decrease in pre-tax accounting income adjusted for permanent differences (generally non-taxable revenue or non-deductible expense items). The main reason for the decreasing effective tax rates is the 85% dividends received deduction on common and preferred stock. This deduction has increased as the investment in preferred stock has increased.

A reconciliation of total income tax and the amount computed by applying the U. S. Federal Income Tax rate of 48% to earnings before taxes on income follows:

	1975	1974	1973
Computed "expected" Federal taxes	$3,565,000	3,451,000	4,451,000
Increase (reductions) in taxes resulting from:			
Net gains on sales of foreclosed real property	(278,000)	(219,000)	(386,000)
State franchise tax net of Federal income tax benefit	418,000	422,000	606,000
Dividends received deduction on common and preferred stocks	(796,000)	(397,000)	(189,000)
Other permanent differences	168,000	5,000	183,000
Taxes on income	$3,077,000	3,262,000	4,665,000

Deferred tax expense was $402,000 in 1973, nil in 1974 and ($658,000) in 1975. The decrease in deferred taxes was caused principally by the decrease in loan fees and accrued investment income recognized for financial statement purposes and the increase in loan fees and investment income recognized for tax purposes.

STOCK MARKET DATA. The following table indicates the quarterly high and low prices for Wesco's capital stock on the New York Stock Exchange for the last two years:

1975			1974	
High	Low	Quarter Ended	High	Low
11¾	8⅜	March 31	15	11⅛
12	10⅞	June 30	15	9⅝
11⅞	9	September 30	13½	6¼
10⅛	8⅞	December 31	9¾	7½

A copy of Form 10-K for 1975, filed with the Securities and Exchange Commission, is available without charge upon a stockholder's written request addressed to Mrs. Dolores Henderson, Assistant Secretary, Wesco Financial Corporation, 315 East Colorado Boulevard, Pasadena, California 91109.

Consolidated Balance Sheets

December 31, 1975 and 1974

ASSETS	1975	1974
Cash	$ 3,584,000	1,067,000
Marketable securities (notes 3 and 11)		
Certificates of deposit	40,000	24,010,000
United States Government and agency obligations and other marketable securities, at amortized identified cost (quoted market, $48,923,000 in 1975 and $9,953,000 in 1974)	48,734,000	10,009,000
Investment in common stocks (quoted market, $1,567,000 in 1975 and $3,039,000 in 1974)	1,853,000	5,079,000
Investment in preferred stocks (quoted market, $23,825,000 in 1975 and $11,831,000 in 1974)	23,206,000	12,900,000
Loans receivable, less unearned loan fees, unrealized profit and loans in process (notes 2 and 3)	373,059,000	389,065,000
Accrued interest and dividends receivable	1,581,000	1,935,000
Properties purchased and held for investment, at cost	288,000	661,000
Properties acquired through foreclosure by Mutual Savings and held for sale, at cost less allowance for losses, $251,000 in 1975 and $280,000 in 1974	3,296,000	5,819,000
Investments required by law:		
Investment in stock of Federal Home Loan Bank, at cost (note 3)	3,937,000	3,745,000
Prepayments to FSLIC secondary reserve	4,792,000	4,863,000
Office properties and equipment, net (note 5)	5,080,000	5,140,000
Prepaid expenses and sundry assets, at cost	657,000	1,353,000
	$470,127,000	465,646,000

LIABILITIES AND STOCKHOLDERS' EQUITY		
Cash disbursements to be funded at bank	$ 646,000	1,248,000
Savings deposits	360,070,000	333,117,000
Notes payable (note 3)	26,210,000	50,975,000
Advances by borrowers for taxes and insurance	779,000	1,129,000
Accounts payable and sundry accrued expenses	1,032,000	996,000
Taxes on income (note 4):		
Current	981,000	41,000
Deferred	7,191,000	7,849,000
Total liabilities	396,909,000	395,355,000
Stockholders' equity (notes 4, 7 and 8):		
Capital stock of $1 par value per share. Authorized 2,500,000 shares; issued 2,373,269 shares	2,373,000	2,373,000
Capital surplus arising from stock dividends	28,066,000	28,066,000
Retained earnings	42,779,000	39,852,000
Total stockholders' equity	73,218,000	70,291,000
Commitment and contingent liabilities (notes 6 and 10).		
	$470,127,000	465,646,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

Years ended December 31, 1975 and 1974

	1975	1974
Investment income:		
Interest on loans	$ 28,438,000	28,463,000
Interest on marketable securities	3,171,000	3,202,000
Dividends on common and preferred stocks	1,953,000	974,000
Interest and dividends on investments required by law	519,000	533,000
Total investment income	34,081,000	33,172,000
Cost of money:		
Interest on savings deposits	21,844,000	20,419,000
Interest on notes payable	2,628,000	3,364,000
Total cost of money	24,472,000	23,783,000
Margin on investments	9,609,000	9,389,000
Loan fees and service charges	1,362,000	1,542,000
Operations and net gains from sales of real property (note 9)	909,000	593,000
Rental of office premises, net	288,000	206,000
Net losses on sales of marketable securities	(62,000)	(429,000)
Other income, net	32,000	96,000
	12,138,000	11,397,000
General and administrative expenses	4,710,000	4,208,000
Earnings before taxes on income	7,428,000	7,189,000
Taxes on income (note 4):		
Current	3,735,000	3,262,000
Deferred	(658,000)	—
	3,077,000	3,262,000
Net earnings	$ 4,351,000	3,927,000
Earnings per capital share based on 2,373,269 shares	$ 1.83	1.65

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Years ended December 31, 1975 and 1974

	1975	1974
Capital stock	$ 2,373,000	2,373,000
Capital surplus arising from stock dividends	28,066,000	28,066,000
Retained earnings:		
Appropriated (notes 4 and 8):		
Beginning of year	43,042,000	42,446,000
Allocation of net earnings	1,088,000	596,000
End of year	44,130,000	43,042,000
Unappropriated (note 7):		
Beginning of year	26,049,000	23,905,000
Cash dividends declared and paid	(1,424,000)	(1,187,000)
Allocation of net earnings	3,263,000	3,331,000
End of year	27,888,000	26,049,000
Less stock dividends at market value	(29,239,000)	(29,239,000)
Total retained earnings	42,779,000	39,852,000
Total stockholders' equity	$ 73,218,000	70,291,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended December 31, 1975 and 1974

	1975	1974
Funds provided:		
Net earnings	$ 4,351,000	3,927,000
Charges (credits) to earnings not requiring (providing) funds:		
Depreciation and amortization	335,000	314,000
Interest on savings deposits credited to savings accounts	16,611,000	14,810,000
FSLIC primary premium transferred from secondary reserve	88,000	86,000
Deferred income taxes (note 4)	(658,000)	—
Amortization of fees and discounts	(342,000)	(409,000)
Recognition of unrealized profit on real property	(814,000)	(410,000)
Interest income on FSLIC secondary reserve	(320,000)	(305,000)
Funds provided from operations	19,251,000	18,013,000
Principal payments on real estate loans	51,419,000	35,029,000
Additions to deferred loan fees	79,000	277,000
Sales of real property, net of gains	4,423,000	1,769,000
Increase in notes payable	—	23,270,000
Increase in loans in process	843,000	—
Additions to unrealized profit on real property	489,000	155,000
Increase in savings deposits	10,342,000	—
Decrease in cash	—	1,332,000
Other, net	3,222,000	—
Total funds provided	$ 90,068,000	79,845,000
Funds used:		
Cash dividends declared and paid (note 7)	$ 1,424,000	1,187,000
Decrease in savings deposits	—	27,223,000
Decrease in notes payable	24,765,000	—
Investment in real estate loans	36,317,000	31,998,000
Investment in buildings and other assets	275,000	282,000
Additions to real property	1,626,000	2,219,000
Decrease in loans in process	—	1,883,000
Investment in stock of Federal Home Loan Bank	222,000	54,000
Decrease in advances by borrowers for taxes and insurance	350,000	132,000
Increase in marketable securities	21,970,000	13,037,000
Increase in cash	3,119,000	—
Other, net	—	1,830,000
Total funds used	$ 90,068,000	79,845,000

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements December 31, 1975 and 1974

(1) **Summary of Significant Accounting Policies**

The following items comprise the significant accounting policies which the Company follows:

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). All material intercompany transactions have been eliminated.

Marketable Securities

U.S. Government, agency obligations and other marketable securities are carried at identified cost, adjusted for amortization of premium and accretion of discount over the term of the security and are not carried at the lower of cost or market because it is management's intention to hold them to maturity.

Common and preferred stocks are carried at identified cost. See Note 11 for discussion of marketable equity securities.

Loan Fees

Loan fees for originating loans are deferred for amounts in excess of 1% of the loan amount plus $200 for non-construction loans and 2% of the loan amount plus $200 for construction loans. Deferred fees are amortized into income by use of the straight-line method over seven years.

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.

Real Property Valuation Allowances

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, 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 are considered in determining the amount of required valuation allowances.

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	3 to 25 years

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.

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.

(2) Loans Receivable

Loans receivable are summarized as follows:

	1975	1974
Real estate loans on residential property of:		
One to four units (home loans)	$273,496,000	284,885,000
More than four units	87,250,000	92,786,000
Real estate loans on other properties	13,265,000	11,496,000
	374,011,000	389,167,000
Less:		
Unearned loan fees	(812,000)	(1,075,000)
Unrealized profit on sales of real property	(1,025,000)	(1,404,000)
Loans in process	(1,133,000)	(290,000)
	371,041,000	386,398,000
Loans on savings deposits	2,018,000	2,667,000
	$373,059,000	389,065,000

(3) Notes Payable

The following is a summary of notes payable:

Federal Home Loan Bank advances, secured by certain real estate loans and Federal Home Loan Bank stock, with interest at 7.50% in 1975 and 7.50% to 9.75% in 1974 and with maturity dates as follows:

Year ending Dec. 31,	1975	1974
1975	$ —	17,400,000
1976	343,000	343,000
1977	3,494,000	3,494,000
1978	3,494,000	3,494,000
1979	3,494,000	3,494,000
1980	3,494,000	3,494,000
1981-1984	11,881,000	11,881,000
	26,200,000	43,600,000
Bank notes due on demand with interest principally at prime secured by certain marketable securities and real estate loans	10,000	7,375,000
	$ 26,210,000	50,975,000

(4) Taxes on Income

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 bad debt deduction must be within certain limitations based on outstanding loans and the ratio of reserves and undivided profits to savings deposits. Mutual Savings has reached such limitations which preclude deductions from income in arriving at Federal taxes on income.

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.

Appropriated retained earnings at December 31, 1975 and 1974 include approximately $44,940,000 and $43,852,000, respectively, (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 1972 and 1973 are currently under examination by the Internal Revenue Service. In the opinion of management, additional tax assessments, if any, will not have a material effect on the accompanying consolidated financial statements.

Income taxes for 1975 and 1974 include the following components:

	1975		1974	
	Current	Deferred	Current	Deferred
Federal	$2,867,000	(594,000)	2,451,000	—
State	868,000	(64,000)	811,000	—
Total	$3,735,000	(658,000)	3,262,000	—

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences in 1975 and 1974 and the tax effect of each were as follows:

	1975	1974
Financial statement recognition of loan fees less than tax recognition	$ (290,000)	(156,000)
California franchise tax recognized for financial statement purposes on accrual basis, but on cash basis for tax purposes	(128,000)	156,000
FSLIC secondary reserve interest income recognized on the financial statements, but deferred for tax purposes	45,000	166,000
Investment income recognized for financial statement purposes on accrual basis, but on cash basis for tax purposes	(150,000)	(24,000)
Other timing differences	(135,000)	(142,000)
	$ (658,000)	—

A reconciliation of total income tax and the amount computed by applying the U.S. Federal income tax rate of 48% to earnings before taxes on income follows:

	1975	1974
Computed "expected" Federal taxes	$3,565,000	3,451,000
Increases (reductions) in taxes resulting from:		
Net gains on sales of foreclosed real property	(278,000)	(219,000)
State franchise tax, net of Federal income tax benefit	418,000	422,000
Dividends received deduction on common and preferred stocks	(796,000)	(397,000)
Other permanent differences	168,000	5,000
	$3,077,000	3,262,000

(5) Office Properties and Equipment, Net

Office properties and equipment at cost less accumulated depreciation and amortization consist of the following:

	1975	1974
Land	$1,509,000	1,509,000
Office buildings and leasehold improvements	5,989,000	5,780,000
Furniture, fixtures and equipment	919,000	930,000
	8,417,000	8,219,000
Accumulated depreciation and amortization	3,337,000	3,079,000
	$5,080,000	5,140,000

(6) Retirement Plan

A noncontributory retirement plan is in effect for all eligible employees of the Company and its subsidiaries. Employer contributions are computed utilizing the aggregate cost funding method. The contributions for 1975 and 1974 approximated $87,000 and $94,000, respectively. The actuarially computed value of vested benefits as of December 31, 1975 and 1974 did not exceed the market value of the assets of the retirement fund.

The Employee Retirement Income Security Act of 1974 became law on September 2, 1974 and is principally concerned with participation, vesting, and funding requirements. Pension plans in existence on January 1, 1974 are not subject to those requirements until plan years beginning after December 31, 1975. Some changes to the plan will be required and the effect of such changes on future provisions for pension expense, periodic funding of pension costs or unfunded vested benefits will not be known until revised actuarial computations are made.

(7) Dividends

Quarterly cash dividends of $.15 per share declared and paid during 1975 amounted to $1,424,000. Cash dividends declared and paid during 1974 amounted to $1,187,000.

(8) Reserve Requirements

The Federal Savings and Loan Insurance Corporation, in connection with the insurance of savings deposits, 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, 1975 and 1974.

(9) Real Estate Operations

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

	1975	1974
Recognized net gains from sales	$ 920,000	591,000
Income from rentals	151,000	108,000
	1,071,000	699,000
Less maintenance and sales expense	162,000	106,000
	$ 909,000	593,000

(10) Contingent Liabilities

Mutual Savings is named as one of the defendants in several class actions relating to certain common practices in the mortgage lending field. The outcome of this litigation cannot be predicted; however, based on the facts presently available, the Association believes there are substantial defenses to these actions and that losses, if any, would not be material.

In addition, Mutual Savings is a defendant in two actions involving alleged easement rights. Mutual's counsel believes there are meritorious defenses to these actions and there is a substantial chance the cases can be successfully defended. While there is some risk to Mutual, in management's opinion, any such risk would not be material.

(11) Marketable Equity Securities

The investment in marketable equity securities consists of common stocks of $1,853,000 and preferred stocks of $10,500,000, at cost. At December 31, 1975 the difference between cost and market value representing unrealized gains or losses is not material.

Accountants' Report

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
555 South Flower Street
Los Angeles, California 90071

The Board of Directors
Wesco Financial Corporation:

We have examined the consolidated balance sheets of Wesco Financial Corporation and subsidiaries as of December 31, 1975 and 1974 and the related consolidated statements of earnings, stockholders' equity and changes in financial position for the years then ended. 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 consolidated financial statements present fairly the financial position of Wesco Financial Corporation and subsidiaries at December 31 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.
Los Angeles, California
January 30, 1976

BOARD OF DIRECTORS

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P. E. LYNN
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WANDA G. MOTES
Senior Vice President, Savings

TRANSFER AGENTS AND REGISTRARS

SECURITY PACIFIC NATIONAL BANK
P.O. Box 3546 Terminal Annex, Los Angeles, California 90051

MANUFACTURERS HANOVER TRUST COMPANY
4 New York Plaza, New York, New York 10004

LEGAL COUNSEL

Hahn & Hahn

AUDITORS

Peat, Marwick, Mitchell & Co.

LISTED ON

New York Stock Exchange
Pacific Stock Exchange

315 East Colorado Boulevard, Pasadena, California 91109 • (213) 684-1500

WESCO FINANCIAL CORPORATION

Annual Report for Corporations - Form 10-K
Year ended December 31, 1975

Financial Statements, Supplementary Data
and
Accountants' Report

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Index to Financial Statements and Schedules

Schedules not included have been omitted because they are not applicable or the required information is shown on the financial statements or notes thereto.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT

The Board of Directors
Wesco Financial Corporation:

We have examined the financial statements, supplemental information to notes and related schedule of Wesco Financial Corporation and subsidiaries and Wesco Financial Corporation, 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, such financial statements present fairly the financial position of Wesco Financial Corporation and subsidiaries at December 31, 1975 and 1974, and the results of their operations and the changes in their financial position for the years then ended, and the financial position of Wesco Financial Corporation at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, all in conformity with generally accepted accounting principles applied on a consistent basis; and the supplemental information to notes and the supporting schedule, in our opinion, present fairly the information set forth therein.

Peat, Marwick, Mitchell & Co.

Los Angeles, California
January 30, 1976

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Parent Company Financial Statements

Following are the balance sheets of Wesco Financial Corporation (parent only) at December 31, 1975 and 1974 and the related statements of earnings and changes in financial position for the years then ended:

Balance Sheets

Assets	1975	1974
Cash	$ 698,000	117,000
Marketable securities:		
Certificates of deposit	-	1,000,000
Investment in common stocks (quoted market, $1,567,000 in 1975 and $3,039,000 in 1974)	1,853,000	5,079,000
Investment in preferred stocks (quoted market, $250,000 in 1975 and 1974)	267,000	267,000
Other marketable securities, at amortized identified cost (quoted market, $11,939,000 in 1975 and $6,453,000 in 1974)	11,907,000	6,453,000
Real estate loans receivable	242,000	221,000
Accrued interest and dividends receivable	353,000	93,000
Properties purchased and held for investment, at cost	89,000	89,000
Investments in subsidiaries, at equity	56,731,000	55,918,000
Office properties and equipment, net	4,200,000	4,316,000
Prepaid expenses and sundry assets, at cost	88,000	74,000
	$ 76,428,000	73,627,000

Liabilities and Stock

Loan payable to Mutual Savi
Accounts payable and sundry
expenses

Taxes on income:
Current
Deferred

Total liabi

Stockholders' equity:
Capital stock of $1 par
Authorized 2,500,000 s
2,373,269 shares
Capital surplus arising
dividends

Retained earnings:
Appropriated
Unappropriated
Less stock dividends

Total stock

Commitments and contingent

See accompanying supplemental information and notes to consolidated financial statements of Wesco Financial Corporation and subsidiaries.

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Parent Company Financial Statements

ets of Wesco Financial Corporation (parent only) and the related statements of earnings and changes years then ended:

Balance Sheets

	1975	1974
	$ 698,000	117,000
	-	1,000,000
s (quoted market, ,039,000 in	1,853,000	5,079,000
ocks (quoted and 1974)	267,000	267,000
s, at amortized market, $6,453,000 in	11,907,000	6,453,000
	242,000	221,000
s receivable	353,000	93,000
for invest-	89,000	89,000
at equity	56,731,000	55,918,000
nt, net	4,200,000	4,316,000
ssets,	88,000	74,000
	$ 76,428,000	73,627,000

Liabilities and Stockholders' Equity	1975	1974
Loan payable to Mutual Savings	$ 2,430,000	2,708,000
Accounts payable and sundry accrued expenses	768,000	687,000
Taxes on income:		
Current	134,000	21,000
Deferred	(122,000)	(80,000)
Total liabilities	3,210,000	3,336,000
Stockholders' equity:		
Capital stock of $1 par value per share. Authorized 2,500,000 shares; issued 2,373,269 shares	2,373,000	2,373,000
Capital surplus arising from stock dividends	28,066,000	28,066,000
Retained earnings:		
Appropriated	44,130,000	43,042,000
Unappropriated	27,888,000	26,049,000
Less stock dividends at market value	(29,239,000)	(29,239,000)
	42,779,000	39,852,000
Total stockholders' equity	73,218,000	70,291,000
Commitments and contingent liabilities		
	$ 76,428,000	73,627,000

information and notes to consolidated financial Corporation and subsidiaries.

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Parent Company Financial Statements, Continued

Statements of Earnings

	1975	1974
Investment income:		
Equity in earnings of subsidiaries before taxes on income	$ 6,474,000	6,388,000
Interest on loans	25,000	10,000
Interest on marketable securities, including interest on deposits in Mutual Savings, $37,000 ($17,000 in 1974)	807,000	767,000
Dividends on common and preferred stocks	217,000	376,000
Total investment income	7,523,000	7,541,000
Cost of money - interest on notes payable, including interest on loan payable to Mutual Savings, $142,000 ($157,000 in 1974) and other interest paid to Mutual Savings, $112,000 in 1974	144,000	287,000
	7,379,000	7,254,000
Loan fees and service charges	58,000	39,000
Rental of office premises, net	288,000	206,000
Net gain (loss) on sales of marketable securities	3,000	(14,000)
Other income, net	1,000	-
	7,729,000	7,485,000
General and administrative expenses	301,000	296,000
Earnings before taxes on income	7,428,000	7,189,000
Taxes on income	3,077,000	3,262,000
Net earnings	$ 4,351,000	3,927,000

See accompanying supplemental information and notes to consolidated financial statements of Wesco Financial Corporation and subsidiaries.

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Parent Company Financial Statements, Continued

Statements of Changes in Financial Position

	1975	1974
Funds provided:		
Net earnings	$ 4,351,000	3,927,000
Charges (credits) to earnings not requiring (providing) funds:		
Depreciation and amortization	221,000	214,000
Deferred income taxes	(42,000)	(80,000)
Equity in net earnings of subsidiary	(3,813,000)	(3,383,000)
Funds provided from operations	717,000	678,000
Dividends from Mutual Savings	3,000,000	3,000,000
Principal payments on real estate loans	29,000	8,000
Sale of building and other assets, net of gains	-	124,000
Additions to unrealized profit on real property	-	48,000
Decrease in cash	-	22,000
Total funds provided	$ 3,746,000	3,880,000
Funds used:		
Cash dividends declared and paid	$ 1,424,000	1,187,000
Investment in building and other assets	105,000	30,000
Decrease in loan payable to Mutual Savings	278,000	263,000
Decrease in bank note payable	-	920,000
Investment in real estate loans	50,000	172,000
Increase in cash	581,000	-
Increase in investments in marketable securities	1,228,000	1,012,000
Other, net	80,000	296,000
Total funds used	$ 3,746,000	3,880,000

See accompanying supplemental information and notes to consolidated financial statements of Wesco Financial Corporation and subsidiaries.

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Supplemental Information to Notes to Consolidated Financial Statements

Supplementary Profit and Loss Information

The following amounts have been charged to expenses in the statements of earnings:

	Year ended December 31			
	1975		1974	
	Company	Consolidated	Company	Consolidated
Maintenance and repairs	$ 346,000	378,000	306,000	346,000
Depreciation and amortization of office properties and equipment	221,000	335,000	214,000	314,000
Taxes other than taxes on income:				
Payroll taxes	9,000	105,000	6,000	99,000
Property taxes	199,000	316,000	198,000	327,000
Advertising	-	504,000	-	472,000

Loan Payable to Mutual Savings

The loan payable to Mutual Savings is a 5-1/2% loan, due in 1981 with monthly installments 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	
1976	$ 294,000
1977	310,000
1978	328,000
1979	346,000
1980	366,000
Thereafter	786,000
	$ 2,430,000

WESCO FINANCIAL CORPORATION
AND SUBSIDIARIES

Supplemental Information to Notes to Consolidated
Financial Statements, Continued

Deferred Taxes on Income

Based upon currently anticipated operations, it is expected that the deferred income tax balance will not substantially decrease through 1978.

Office Properties and Equipment, Net

Office properties and equipment at cost, less accumulated depreciation and amortization, consist of the following:

	Parent company only	
	1975	1974
Land	$ 1,386,000	1,386,000
Office buildings and leasehold improvements	5,106,000	5,001,000
Furniture, fixtures and equipment	6,000	6,000
	6,498,000	6,393,000
Accumulated depreciation and amortization	2,298,000	2,077,000
	$ 4,200,000	4,316,000

Total additions amounted to $105,000 in 1975 and $30,000 in 1974. Total sales and retirements amounted to $169,000 in 1974. Neither total additions nor total sales or retirements during 1975 and 1974 amounted to more than 10% of the ending balance for the respective period.

WESCO FINANCIAL CORPORATION

INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES AND

Years ended December 31, 1975 and 1974

COLUMN A	COLUMN B		COLUMN C		COLUMN D	
	BALANCE AT BEGINNING OF PERIOD		ADDITIONS		DEDUCTIONS	
NAME OF ISSUER AND DESCRIPTION OF INVESTMENT	(1) Number of Shares or Units. Principal Amount of Bonds and Notes	(2) Amount in Dollars	(1) Equity Taken Up in Earnings (Losses) of Affiliates and Other Persons For the Period	(2) Other	(1) Distribution of Earnings by Persons In Which Earnings (Losses) Were Taken Up	(2) Other
Mutual Savings and Loan Association:						
Guarantee stock of $100 par value:						
1974	600(1)	$ 55,535,000	3,383,000	-	3,000,000	-
1975	600(1)	$ 55,918,000	3,813,000	-	3,000,000	-

(1) 100% of the outstanding shares.

WESCO FINANCIAL CORPORATION

Schedule III

INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES AND OTHER PERSONS

Years ended December 31, 1975 and 1974

COLUMN B		COLUMN C		COLUMN D		COLUMN E		COLUMN F
BALANCE AT BEGINNING OF PERIOD		ADDITIONS		DEDUCTIONS		BALANCE AT END OF PERIOD		
(1) Number of Shares or Units. Principal Amount of Bonds and Notes	(2) Amount in Dollars	(1) Equity Taken Up in Earnings (Losses) of Affiliates and Other Persons For the Period	(2) Other	(1) Distribution of Earnings by Persons In Which Earnings (Losses) Were Taken Up	(2) Other	(1) Number of Shares or Units. Principal Amount of Bonds and Notes	(2) Amount in Dollars	Dividends Received During the Period From Investments Not Accounted For By the Equity Method
600(1)	$ 55,535,000	3,383,000	-	3,000,000	-	600(1)	$ 55,918,000	
600(1)	$ 55,918,000	3,813,000	-	3,000,000	-	600(1)	$ 56,731,000	

ding shares.