

WESTCORP /CA/
Form S-3/A
July 01, 2003

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As filed with the Securities and Exchange Commission on July 1, 2003

Registration No. 333-106037

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Westcorp

(Exact name of registrant as specified in its charter)

California

*(State or other jurisdiction of
incorporation or organization)*

51-0308535

*(I.R.S. Employer
Identification Number)*

23 Pasteur

Irvine, California 92618-3816

(949) 727-1002

*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)*

Ernest S. Rady

Chief Executive Officer

Westcorp

23 Pasteur

Irvine, California 92618-3816

(949) 727-1002

*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

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Approximate date of commencement of proposed sale to the public: As promptly as possible following the declaration of effectiveness of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 1, 2003

3,800,000 Shares

Common Stock

We are selling 3,800,000 shares of our common stock in this offering. We will receive all of the net proceeds from the sale of shares of common stock offered hereby.

To the extent that the underwriters sell more than 3,800,000 shares of common stock, the underwriters have the option to purchase up to an additional 570,000 shares from us at the initial price to public less the underwriting discount.

Our common stock is listed on the New York Stock Exchange under the symbol WES. The last reported sale price of our common stock on June 18, 2003 was \$28.98 per share. Ernest Rady, Chairman of the Board of Directors and Chief Executive Officer of Westcorp, is our controlling shareholder. Mr. Rady currently owns, directly or indirectly, and following the completion of this offering will continue to own, in excess of 60% of our outstanding common stock. Following the completion of this offering our total number of shares outstanding will increase approximately 12%, excluding the effect of the shares issuable under the underwriters' option to purchase additional shares.

Investing in our common stock involves risks. See Risk Factors beginning on page 7.

The shares of common stock offered hereby are not savings accounts or deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental authority or agency.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Westcorp
Per Share	\$	\$	\$
Total	\$	\$	\$
Delivery of the shares of common stock will be made on or about	, 2003.		

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Credit Suisse First Boston
Bear, Stearns & Co. Inc.**

**Goldman, Sachs & Co.
JMP Securities**

The date of this prospectus is , 2003.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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FORWARD-LOOKING STATEMENTS

This prospectus includes and incorporates by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These statements are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause actual results to differ materially from those expressed in or implied by these forward-looking statements.

These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, i may, plan, predict, project, will, and similar terms and phrases, including references to assumptions. These statements are contained in sections entitled Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and other sections of this prospectus and in the documents incorporated by reference in this prospectus.

The following factors are among those that may cause actual results to differ materially from the forward-looking statements:

- changes in general economic and business conditions;
- interest rate fluctuations, including hedging activities;
- our financial condition and liquidity, as well as future cash flows and earnings;
- competition;
- our level of operating expenses;
- the effect, interpretation, or application of new or existing laws, regulations and court decisions;
- the availability of sources of funding;
- the level of chargeoffs on the automobile contracts that we originate; and
- significant litigation.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected.

We do not undertake to update our forward-looking statements or risk factors to reflect future events or circumstances.

INDUSTRY DATA

In this prospectus, we rely on and refer to information regarding the automobile lending industry from market research reports, analyst reports and other publicly available information including, without limitation, reports issued or prepared by CNW Marketing/Research. Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of this information, and we have not independently verified any of it.

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PROSPECTUS SUMMARY

This summary highlights certain information found in greater detail elsewhere in this prospectus. It does not contain all the information that may be important to you in making a decision to purchase our common stock. We urge you to read the entire prospectus carefully, including Risk Factors and our consolidated financial statements and related notes, before deciding to invest in our common stock. In this prospectus, the company, we, us and our refer to Westcorp and its subsidiaries, except where it is otherwise noted. Unless we indicate otherwise, all information in this prospectus assumes the underwriters will not exercise their over-allotment option.

Westcorp

Our Company

We are a diversified financial services holding company that provides automobile lending services through our second-tier subsidiary, WFS Financial Inc, which we refer to as WFS, and retail and commercial banking services through our wholly owned subsidiary, Western Financial Bank, which we refer to as the Bank. The Bank currently owns 84% of the capital stock of WFS. We primarily earn income by originating assets, including automobile contracts, that generate a yield in excess of the cost of the liabilities, including deposits, that fund these assets.

We have grown substantially over the past three years. As of March 31, 2003, we had \$13.2 billion in total assets, \$9.7 billion in automobile loans and \$638 million in common equity, representing a three-year compounded annual growth rate of 36.8%, 19.4% and 18.7%, respectively. For the trailing twelve months ended March 31, 2003 we originated \$5.5 billion of automobile contracts and generated \$86.4 million of net income and earnings per share of \$2.19.

Automobile Lending Operations

We are one of the nation's largest independent automobile finance companies with over 30 years of experience in the automobile finance industry. We believe the automobile finance industry is the second largest consumer finance industry in the United States with over \$895 billion of loan and lease originations during 2002. We originate new and pre-owned automobile installment contracts, otherwise known as contracts, through our relationships with approximately 7,900 franchised and independent automobile dealers nationwide. We originated \$1.4 billion of contracts during the first quarter in 2003 and owned a portfolio of \$9.7 billion contracts at March 31, 2003.

For the three months ended March 31, 2003, approximately 28% of our contract originations were for the purchase of new automobiles and approximately 72% of our contract originations were for the purchase of pre-owned automobiles. Approximately 82% of our contract originations were what we refer to as prime contracts and approximately 18% of our contract originations were what we refer to as non-prime contracts. Our determination of whether a contract is categorized as prime, non-prime or other is based on a number of factors including the borrower's credit history and our expectation of credit loss.

We underwrite contracts through a credit approval process that is supported and controlled by a centralized, automated front-end system. This system incorporates proprietary credit scoring models and industry credit scoring models and tools, which enhance our credit analysts ability to tailor each contract's pricing and structure to maximize risk-adjusted returns. We believe that as a result of our sophisticated credit and underwriting systems, we are able to earn attractive risk-adjusted returns on our contracts. For the trailing twelve months ended March 31, 2003, the average net interest spread on our automobile contract originations was 8.39% and the net interest spread on our managed automobile portfolio was 6.76% while net credit losses averaged 2.86% for the same period.

We structure our business to minimize operating costs while providing high quality service to our dealers. Those aspects of our business that require a local market presence are performed on a decentralized basis in our 41 offices. All other operations are centralized. We fund our purchases of

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contracts, on an interim basis, with deposits raised through our banking operations, which are insured by the Federal Deposit Insurance Corporation, also known as the FDIC, and other borrowings. For long-term financing, we issue automobile contract asset-backed securities. Since 1985, we have sold or securitized over \$31 billion of contracts in 59 public offerings of asset-backed securities, making us the fourth largest issuer of such securities in the nation. We have employed a range of securitization structures and our most recent \$1.5 billion issuance of asset-backed securities was structured as a senior/subordinated transaction with a weighted average interest rate of 2.13%.

Banking Operations

The primary focus of our banking operations is to generate diverse, low-cost funds to provide the liquidity needed to fund our acquisition of contracts. The Bank has the ability to raise significant amounts of liquidity by attracting both short-term and long-term deposits from the general public, commercial enterprises and institutions by offering a variety of accounts and rates. These funds are generated through the Bank's retail and commercial banking divisions. The Bank also may raise funds by obtaining advances from the Federal Home Loan Bank, also known as the FHLB, selling securities under agreements to repurchase and utilizing other borrowings. The Bank's retail banking division serves the needs of individuals and small businesses by offering a broad range of products through 18 retail branches located throughout Southern California. The Bank's commercial banking division focuses on medium-sized businesses in Southern California. At March 31, 2003, the total deposits gathered by both the retail and commercial banking divisions were \$2.1 billion. Approximately 86% of these accounts were demand deposits, money market accounts and certificate of deposit accounts under \$100,000 in principal, which we believe represent a stable and attractive source of funding.

The Bank also invests deposits generated by its retail and commercial banking divisions in mortgage-backed securities. Our investment in mortgage-backed securities, together with the cash balances that we maintain, create a significant liquidity portfolio that provides us with additional funding security.

Our Business Strategy

Our business objective is to maximize long-term profitability by efficiently purchasing and servicing prime and non-prime credit quality automobile contracts that generate strong and consistent risk-adjusted returns. We achieve this objective by employing our business strategy, which includes the following key elements:

- produce consistent growth through our strong dealer relationships;
- price automobile contracts to maximize risk-adjusted returns by using advanced technology and experienced underwriters;
- create operating efficiencies through technology and best practices;
- generate low cost liquidity through positive operating cash flows and diverse funding sources; and
- record high quality earnings and maintain a conservative, well-capitalized balance sheet.

Our Address

Our principal executive office and mailing address is 23 Pasteur, Irvine, California 92618-3816, and our telephone number is (949) 727-1002. Our Web site address is <http://www.westcorpinc.com>. The information contained in our Web site does not constitute part of this prospectus.

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The Offering

Issuer	Westcorp
Common stock offered	3,800,000 shares
Underwriters' option to purchase additional shares	570,000 shares
Common stock outstanding after this offering and concurrent placements(1)	43,834,709 shares
Use of proceeds	Substantially all of the proceeds will be used to purchase automobile contracts from WFS or will be contributed or invested in the Bank or WFS. The balance of the proceeds, if any, will be used by us for general corporate purposes.
<u>New York Stock Exchange symbol</u>	WES

(1) The number of total shares outstanding after this offering is based on the number of shares outstanding as of March 31, 2003, and includes:

700,000 shares of common stock being purchased by Mr. Rady and his affiliates; and

130,000 shares of common stock being purchased by our Employee Stock Ownership Plan and Salary Savings Plan.

The price of the shares being purchased by Mr. Rady and his affiliates and our ESOP will be the price to public as set forth on the cover page to this prospectus. Both placements will close concurrently with this offering. In order to fund the ESOP's purchase, Westcorp intends to make a cash contribution to the ESOP in an amount equal to the aggregate purchase price.

The number of total shares outstanding after this offering excludes:

606,420 shares of common stock issuable upon exercise of outstanding options under our stock incentive plan, at a weighted average share price of \$14.85 per share;

2,173,875 shares available for future issuance under our stock incentive plan; and

570,000 shares issuable under the underwriters' over-allotment option.

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Our summary balance sheet and operating data for the years ended December 31, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements. Certain amounts from the prior year consolidated financial statements have been reclassified to conform to the 2003 presentation. The balance sheet data at March 31, 2003 and 2002 and the operating data for the three months ended March 31, 2003 and 2002 have been derived from our unaudited consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all normal recurring adjustments necessary for the fair presentation of financial position and results of operations for those periods.

The summary financial data set forth below should be read in conjunction with our consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included or incorporated by reference elsewhere herein including the impact of changing the structure of our securitizations from sale transactions to secured financings. The financial data is qualified in its entirety by the more detailed financial information contained elsewhere or incorporated by reference herein. Information regarding our compliance with applicable regulatory capital requirements is included in this prospectus under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity Capital Requirements.

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(Dollars in thousands, except per share amounts)					
Consolidated Summary of Operations:					
Interest income	\$ 307,502	\$ 262,196	\$ 1,142,940	\$ 962,627	\$ 583,821
Interest expense	141,212	120,070	530,916	491,944	313,872
Net interest income	166,290	142,126	612,024	470,683	269,949
Provision for credit losses	79,884	65,698	306,233	196,977	82,133
Net interest income after provision for credit losses	86,406	76,428	305,791	273,706	187,816
Noninterest income	27,753	17,159	90,430	78,899	177,884
Noninterest expense	68,439	60,859	251,306	244,871	220,973
Income before income tax	45,720	32,728	144,915	107,734	144,727
Income tax	18,226	12,964	52,044	41,675	58,132
Income before minority interest	27,494	19,764	92,871	66,059	86,595
Minority interest in earnings of subsidiaries	3,945	2,911	13,153	10,369	11,852
Net income	\$ 23,549	\$ 16,853	\$ 79,718	\$ 55,690	\$ 74,743
Weighted average number of shares and common share equivalents diluted	39,452,915	36,980,861	38,922,611	34,485,127	29,525,677
Earnings per common share	\$ 0.60	\$ 0.46	\$ 2.05	\$ 1.61	\$ 2.53
Dividends per common share	\$ 0.12	\$ 0.11	\$ 0.47	\$ 0.44	\$ 0.30
Dividend payout ratio	20.1%	24.1%	22.9%	27.3%	11.9%

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	March 31, 2003		December 31,		
	Actual	As Adjusted(1)	2002	2001	2000
(Dollars in thousands)					
Consolidated Summary of Financial Condition:					
Assets:					
Cash	\$ 46,999	\$ 171,508	\$ 25,211	\$ 68,607	\$ 61,543
Loans:					
Consumer(2)	9,817,459	9,817,459	9,063,755	7,092,959	4,309,317
Mortgage(3)	269,368	269,368	282,930	373,455	507,431
Commercial	93,339	93,339	97,216	85,312	107,586
Mortgage-backed securities	2,790,310	2,790,310	2,649,657	2,092,225	2,230,448
Investments and time deposits	110,502	110,502	115,771	110,667	102,311
Other assets	41,484	41,484	176,336	249,172	549,274
Total assets	\$ 13,169,461	\$ 13,293,970	\$ 12,410,876	\$ 10,072,397	\$ 7,867,910
Liabilities:					
Deposits	\$ 2,084,725	\$ 2,084,725	\$ 1,974,984	\$ 2,329,326	\$ 2,478,487
Notes payable on automobile secured financings	9,265,725	9,265,725	8,422,915	5,886,227	3,473,377
FHLB advances and other borrowings	515,265	515,265	618,766	723,675	616,193
Amounts held on behalf of trustee			177,642	280,496	494,858
Subordinated debentures	397,406	397,406	400,561	147,714	189,962
Other liabilities	162,749	158,982	101,145	85,994	71,221
Total liabilities	12,425,870	12,422,103	11,696,013	9,453,432	7,324,098
Minority interest in equity of subsidiaries	105,798	105,798	101,666	78,261	56,644
Shareholders equity	637,793	766,069	613,197	540,704	487,168
Total liabilities and shareholders equity	\$ 13,169,461	\$ 13,293,970	\$ 12,410,876	\$ 10,072,397	\$ 7,867,910

	At or For the Three Months Ended March 31,		At or For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(Dollars in thousands)					
Operating Statistics Automobile Only:					
Automobile contract originations	\$ 1,352,053	\$ 1,265,526	\$ 5,415,734	\$ 4,863,279	\$ 4,219,227
Percent of prime automobile contracts originated	82.4%	79.4%	80.3%	75.6%	68.8%
Automobile contracts managed at end of period	\$ 9,650,229	\$ 8,405,634	\$ 9,389,974	\$ 8,152,882	\$ 6,818,182
Weighted average coupon on originated automobile contacts	10.6%	11.7%	11.4%	12.7%	14.0%

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Operating expenses as a percentage of average managed automobile contracts	2.5%	2.5%	2.4%	2.7%	3.1%
Automobile contracts delinquent 60 days or greater	0.7%	0.7%	1.0%	1.1%	0.9%
Net chargeoffs as a percent of the average outstanding managed automobile contracts	2.9%	2.8%	2.8%	2.3%	1.9%

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	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(Dollars in thousands)					
Other Selected Financial Data:					
Average assets	\$ 12,932,117	\$ 10,433,517	\$ 11,572,027	\$ 9,280,377	\$ 6,242,668
Return on average assets	0.73%	0.65%	0.69%	0.60%	1.20%
Average shareholders equity(4)	\$ 722,610	\$ 614,157	\$ 654,109	\$ 570,298	\$ 450,323
Return on average shareholders equity(4)	13.04%	10.98%	12.19%	9.77%	16.60%
Equity to assets ratio(4)	5.57%	5.32%	5.76%	5.97%	6.38%
Book value per share(4)	\$ 18.71	\$ 16.98	\$ 18.23	\$ 16.80	\$ 15.72
Originations:					
Consumer loans(2)	\$ 1,353,928	\$ 1,266,189	\$ 5,419,296	\$ 4,869,970	\$ 4,232,115
Mortgage loans(3)	4,314	9,139	23,950	23,001	33,124
Commercial loans(3)	96,684	61,268	354,439	291,944	266,342
Total originations	\$ 1,454,926	\$ 1,336,596	\$ 5,797,685	\$ 5,184,915	\$ 4,531,581
Interest rate spread	5.02%	5.57%	5.29%	4.99%	4.37%

- (1) As adjusted to reflect the offering and the placement of shares with Mr. Rady and his affiliates and our ESOP.
- (2) Net of unearned discounts.
- (3) Net of undisbursed loan proceeds.
- (4) Accumulated other comprehensive income excluded from shareholders equity.

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RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus and the information incorporated by reference before deciding to invest in our common stock. Our business, operating results and financial condition could be adversely affected by any of the following specific risks. The trading price of our common stock could decline due to any of these risks and other industry risks, and you could lose all or part of your investment. In addition to the risks described below, we may encounter risks that are not currently known to us or that we currently deem immaterial, which may also impair our business operations and your investment in our common stock.

Risks Related to the Offering

We have broad discretion in how we use the proceeds from this offering and may use them in ways with which you disagree.

We intend to use substantially all of the proceeds from this offering to finance our growth in automobile contracts and to use the balance of the proceeds, if any, for general corporate purposes. However, our management will have significant flexibility in applying the net proceeds of this offering. The failure of management to use such funds effectively could have a material adverse effect on our financial position, liquidity and results of operations by reducing or eliminating our net income from operations. See Use of Proceeds.

Risks Related to Factors Outside Our Control

Adverse economic conditions may impact our profitability.

Delinquencies, defaults, repossessions and credit losses generally increase during periods of economic slowdown, recession or higher unemployment. These periods also may be accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding contracts, which weakens collateral coverage and increases the amount of loss in the event of default. Significant increases in the inventory of pre-owned automobiles during periods of economic recession also may depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Because a portion of our borrowers are considered non-prime borrowers, the actual rates of delinquencies, defaults, repossessions and credit losses on these contracts are higher than those experienced in the general automobile finance industry for borrowers considered to be prime borrowers and could be more dramatically affected by a general economic downturn. In addition, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in our servicing fee income. While we seek to manage the higher risk inherent in non-prime contracts through the underwriting criteria and collection methods we employ, we cannot assure you that these criteria or methods will afford adequate protection against these risks. Any sustained period of increased delinquencies, defaults, repossessions, credit losses or servicing costs could adversely affect our financial position, liquidity and results of operations and our ability to enter into future securitizations.

Interest rate fluctuations may impact our profitability.

Our profitability may be directly affected by the level of and fluctuations in interest rates, which affects the gross interest rate spread we earn on our contracts. As interest rates change, our gross interest rate spread on new originations may increase or decrease depending upon the interest rate environment. In addition, the rates charged on the contracts originated or purchased from dealers are limited by statutory maximums, restricting our opportunity to pass on increased interest costs. We believe that our profitability and liquidity could be adversely affected during any period of changing interest rates, possibly to a material degree. We monitor the interest rate environment and employ our hedging strategies designed to mitigate the impact of changes in interest rates. We cannot assure you that our hedging strategies will mitigate the impact of changes in interest rates.

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Prepayment of contracts may impact our profitability.

Our contracts may be repaid by borrowers at any time at their option. Early repayment of contracts will limit the amount of earnings we would have otherwise received under those contracts.

Wholesale auction values may impact our profitability.

We sell repossessed automobiles at wholesale auction markets located throughout the United States. Auction proceeds from the sale of repossessed vehicles and other recoveries usually do not cover the outstanding balance of the contracts, and the resulting deficiencies are charged off. Decreased auction proceeds resulting from the depressed prices at which pre-owned automobiles may be sold during periods of economic slowdown or recession will result in higher credit losses for us. Furthermore, depressed wholesale prices for pre-owned automobiles may result from significant liquidations of rental or fleet inventories and from increased volume of trade-ins due to promotional financing programs offered by new vehicle manufacturers. There can be no assurance that our recovery rates will stabilize or improve in the future.

Risks Related to Us

The ownership of our common stock is concentrated, which may result in conflicts of interest and actions that are not in the best interests of other stockholders of the Company.

Ernest S. Rady is the founder, Chairman of the Board of Directors and Chief Executive Officer of Westcorp. Mr. Rady is also the Chairman of the Board of Directors and Chief Executive Officer of the Bank and the Chairman of the Board of Directors of WFS. Immediately after the completion of this offering and the placement of shares with Mr. Rady and his affiliates, Mr. Rady will be the beneficial owner of approximately 62.8% of the outstanding shares of common stock of Westcorp and will be able to exercise significant control over our company. The Westcorp common stock ownership of Mr. Rady enables him to elect all of Westcorp's directors and effectively control the vote on all matters submitted to a vote of Westcorp, including mergers, sales of all or substantially all of our assets, going private transactions, conversions and other corporate restructurings or reorganizations. Because of the significant block of Westcorp common stock controlled by Mr. Rady, decisions may be made that, while in the best interest of Mr. Rady, may not be in the best interest of other stockholders.

We are a holding company with no operations of our own.

The results of our operations and our financial condition are dependent upon the business activities of our two principal consolidated subsidiaries, the Bank and WFS. In addition, our ability to fund our operations and pay dividends on our common stock is dependent upon the earnings from the businesses conducted by our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Any distribution of funds to us from our subsidiaries is subject to statutory, regulatory or contractual restrictions, subsidiaries' earnings and various other business considerations.

A significant portion of our cash flow comes from our second-tier subsidiary WFS. WFS is an 84% owned subsidiary of the Bank. The Bank is subject to limitations upon its ability to pay dividends to us by the terms of the subordinated debentures it has issued and regulations of the Office of Thrift Supervision, also known as the OTS. WFS does not have any obligation to pay amounts to the Bank except pursuant to the senior unsecured intercompany promissory notes issued by WFS to the Bank by which the Bank funds WFS' operations. In addition, the ability of WFS to repay its obligations to the Bank may be impaired by deficiencies in WFS' automobile finance operations. Furthermore, any amounts owed to creditors of WFS, which may have priority over any obligations WFS has to the Bank under the senior promissory notes, may impair the Bank's ability to have funds available for dividend to us.

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We have substantial debt that could limit our ability to declare and pay dividends and reduce the effectiveness of our operations.

Through our subsidiaries, we have substantial debt and debt service requirements. As of March 31, 2003, our total debt, as a percentage of total capitalization, was 95%. This substantial level of debt may have important consequences, including:

limiting our ability to borrow additional amounts for origination of automobile contracts, capital expenditures and debt service requirements;

limiting our ability to use operating cash flows in other areas of our business;

increasing our vulnerability to general adverse economic conditions; and

limiting our ability to capitalize on business opportunities and to react to competitive pressures.

We cannot assure you that we will generate sufficient cash flows from operations, or that we will be able to obtain sufficient funding for our operations or to declare and pay dividends on our common stock. In addition, any future indebtedness would further increase our debt leverage and the associated risks.

The availability of our financing sources may depend on factors outside of our control.

We depend on a significant amount of financing to operate our business. Our business strategy utilizes diverse funding sources to fund our operations. These sources include raising both short-term and long-term deposits from the general public, commercial enterprises and institutions by offering a variety of accounts and rates through our retail and commercial banking operations. In addition, we raise funds through the collection of principal and interest from loans, automobile asset-backed securities, commercial paper, advances from the FHLB, repurchase agreements, subordinated debentures and equity offerings. The sources used vary depending on such factors as rates paid, maturities and the impact on capital.

The availability of these financing sources may depend on factors outside of our control, including regulatory issues such as the capital requirements of the Bank, debt ratings, competition, the market for automobile asset-backed securities and our ability to receive financing from other financial institutions. If we are unable to raise the funds we require at reasonable rates, we will either have to curtail our loan origination activities or incur the effects of increased costs of operation. Reducing our loan origination activities may adversely affect our ability to remain a preferred source of financing for the dealers from whom we purchase automobile contracts. An increase in our costs of operations will have an adverse effect on our financial position, liquidity and results of operations by increasing our interest expense and reducing our net interest income.

We may not be able to generate sufficient operating cash flows to run our automobile finance operations.

Our automobile finance operations require substantial operating cash flows. Operating cash requirements include premiums paid to dealers for acquisition of automobile contracts, expenses incurred in connection with the securitization of automobile contracts, capital expenditures for new technologies and ongoing operating costs. Our primary source of operating cash comes from the excess cash flows received from securitizations and contracts held on the balance sheet. The timing and amount of excess cash flows from contracts varies based on a number of factors, including:

the rates and amounts of loan delinquencies, defaults and net credit losses;

how quickly and at what price repossessed vehicles can be resold;

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the ages of the contracts in the portfolio;

levels of voluntary prepayments; and

the terms of our securitizations, which include performance based triggers requiring higher levels of credit enhancements to the extent credit losses or delinquencies exceed certain thresholds. We have exceeded performance thresholds in the past and may do so again in the future.

Any adverse change in these factors could reduce or eliminate excess cash flows to us. Although we currently have positive operating cash flows, we cannot assure you that we will continue to generate positive cash flows in the future, which could have a material adverse effect on our financial position, liquidity and results of operations.

Changes in our securitization program could adversely affect our liquidity and earnings.

Our business depends on our ability to aggregate and sell automobile contracts in the form of asset-backed securities. These sales generate cash proceeds that allow us to repay amounts borrowed and to purchase additional automobile contracts. Changes in our asset-backed securities program could materially adversely affect our earnings or ability to purchase and resell automobile contracts on a timely basis. Such changes could include:

delay in the completion of a planned securitization;

negative market perception of us; or

failure of the automobile contracts we intend to sell to conform to insurance company and rating agency requirements.

If we are unable to effectively securitize our automobile contracts, we may have to reduce or even curtail our automobile contract purchasing activities, which would have a material adverse effect on our financial position, liquidity and results of operations.

We utilize credit enhancements to maintain favorable interest rates and cash requirements for our automobile asset-backed securitizations.

To date, all but three of our outstanding securitizations have used credit enhancement in the form of financial guaranty insurance policies issued by Financial Security Assurance Inc., also known as FSA, with the others using a senior/ subordinated structure to credit enhance the securitization. An inability to credit enhance our securitizations using either approach could have a material adverse effect on our financial position, liquidity and results of operations by increasing the total costs of our securitization activities and thereby reducing our net income or resulting in our failure to meet regulatory limitations.

If we lose access to the cash produced by securitized automobile contracts, we may not be able to obtain comparable financing.

We have access to the cash flows of the automobile contracts sold in each outstanding securitization credit enhanced by FSA (including the cash held in spread accounts associated with each securitization) through a series of agreements into which the Bank, WFS, WFS Financial Auto Loans 2, Inc., a special purpose subsidiary of WFS also known as WFAL2, and other parties have entered. We are permitted to use that cash as we determine, including in the ordinary business activities of originating automobile contracts.

In each securitization credit enhanced by FSA, the governing agreements require that all cash flows of the relevant trust and the associated spread account be invested in an eligible investment. In connection with each securitization, the relevant trust has entered into a reinvestment contract, also known as a trust reinvestment contract, which is or qualifies as an eligible investment.

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A limited portion of the funds invested in trust reinvestment contracts may be used by WFAL2 and the balance may be used by the Bank. The Bank makes its portion of the invested funds available to WFS through another reinvestment contract, also known as the WFS reinvestment contract. Under the WFS reinvestment contract, WFS receives access to all cash available to the Bank under each trust reinvestment contract. WFS is obligated to repay the Bank as needed by the Bank to meet its obligations under the individual trust reinvestment contracts. The portion of the cash available to WFAL2 under the individual trust reinvestment contracts is used to purchase automobile contracts from WFS according to the terms of sale and servicing agreements entered into with WFS. If the trust reinvestment contracts were no longer deemed an eligible investment, which determination would be made by the rating agencies or FSA, the Bank and WFAL2 would no longer have the ability to use this cash in the ordinary course of business and would need to obtain alternative financing, which may only be available on less attractive terms. If the Bank and WFAL2 were unable to obtain alternative financing, WFS may have to curtail its automobile contract purchasing activities, which would have a material adverse effect on our financial position, liquidity and results of operations.

A loss of contractual servicing rights could have a material effect on our business.

As servicer of all our securitized automobile contracts, WFS is entitled to receive contractual servicing fees. Contractual servicing fees are earned at a rate of 1.25% per annum on the outstanding balance of automobile contracts securitized. FSA, as insurer with respect to those currently outstanding securitizations as to which it has provided credit enhancement, can terminate WFS' right to act as servicer for those transactions upon the occurrence of events defined in the sale and servicing agreements for securitized automobile contracts, such as our bankruptcy or material breach of warranties or covenants contained in the sale and servicing agreement. Any loss of such servicing rights could have a material adverse effect on our financial position, liquidity and results of operations by reducing our net income upon the elimination of that contractual servicing income.

We expect our operating results to continue to fluctuate, which may adversely impact our business.

Our results of operations have fluctuated in the past and are expected to fluctuate in the future. Factors that could affect our quarterly earnings include:

- variations in the volume of automobile contracts originated, which historically tend to be lower in the first and fourth quarters of the year;
- interest rate spreads;
- the effectiveness of our hedging strategies;
- credit losses, which historically tend to be higher in the first and fourth quarters of the year; and
- operating costs.

Competition in the industry may adversely impact our ability to maintain our business at the current level of operations.

The automobile finance business is highly competitive. We compete with captive automobile finance companies owned by major automobile manufacturers, banks, credit unions, savings associations and independent consumer finance companies. Many of these competitors have greater financial and marketing resources than we have. Additionally, from time to time the captive finance companies provide financing on terms significantly more favorable to automobile purchasers than we can offer. For example, captive finance companies can offer special low or no interest loan programs as incentives to purchasers of selected models of automobiles manufactured by their respective parent manufacturers.

Many of our competitors also have longstanding relationships with automobile dealers and may offer dealers or their customers other forms of financing, including dealer floor plan financing and leasing, which we currently do not provide. Providers of automobile financing have traditionally competed on the basis of

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interest rates charged, the quality of credit accepted, the flexibility of loan terms offered and the quality of service provided to dealers and customers. In seeking to establish WFS as one of the principal financing sources of the dealers we serve, we compete predominately on the basis of our high level of dealer service and strong dealer relationships and by offering flexible contract terms to automobile purchasers.

Competition in the retail banking business comes primarily from commercial banks, credit unions, savings and loan associations, mutual funds and issuers of securities. Many of the nation's largest savings and loan associations and other depository institutions have locations in Southern California. We compete for deposits primarily on the basis of interest rates paid and the quality of service provided to our customers.

Our business is subject to litigation.

We are subject to various putative class actions alleging claims under the Equal Credit Opportunity Act or similar state laws, including under the California Business and Professions Code and the California Unruh Civil Rights Act. Although we are vigorously defending these actions, we cannot assure you that the outcome of these proceedings will not have a material adverse effect upon our financial condition, results of operations and cash flows. See Business Legal Proceedings.

Risks Related to Regulatory Factors

Regulatory requirements may restrict our ability to do business.

The Bank is subject to inspection and regulation by the OTS pursuant to the Home Owners Loan Act, as amended, also known as HOLA. The OTS is the primary federal banking agency responsible for its supervision and regulation. HOLA limits the amount of our consumer loans, commercial loans and investment in service corporations. The Bank is precluded from holding consumer loans, including automobile contracts, on its consolidated balance sheet, in an aggregate principal balance in excess of 30% of its total consolidated assets. The limitation is increased to 35% of consolidated assets if all of the consumer loans in excess of the 30% limit are obtained by the Bank and its operating subsidiaries directly from consumers. The Bank is precluded from holding commercial loans, including loans to our service corporations, on its consolidated balance sheet, in an aggregate principal balance in excess of 10% of its total consolidated assets. Commercial loans secured by real estate and small business loans with \$2.0 million or less in outstanding principal are not included in the calculation of the percentage of commercial loans. Interests in consumer loans held by the Bank's service corporations are not included in the limits on such assets described above. The Bank is precluded from investing more than 2.0% of its consolidated assets in service corporations, although it may invest an additional 1% in service corporations devoted to community service activities as specified in the regulations. Retained earnings or losses from the operations of our service corporations are not included in the calculation of our investment in service corporations. In addition, other regulatory actions taken by the OTS could have a negative impact on the price of our common stock.

Our securitization activities are structured to enable the Bank to remove securitized automobile contracts from the HOLA consumer loan limitation calculation. Changes in the OTS's interpretation of HOLA as it affects our securitization activities could cause us to change the manner in which we securitize automobile contracts or to limit our acquisition of such contracts, thereby negatively impacting the price of our common stock. Furthermore, if we are unable to continue to securitize the automobile contracts we purchase, this regulatory limitation may force us to limit our acquisition of new automobile contracts, thereby adversely affecting our ability to remain a preferred source of financing for the dealers from whom we purchase automobile contracts, or cause us to fail the regulatory limitations. Any such limitations may also have a material adverse effect on our financial position, liquidity and results of operations.

The OTS has the power to enforce HOLA and its regulations by a variety of actions ranging from a memorandum of understanding to cease and desist proceedings under the Federal Deposit Insurance Act. As such, the OTS has broad powers to, among other things, require us to change our business practices,

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hold additional capital and change management. Such action could have a material adverse impact on our business and may impact our securities prices, including our common stock, and access to the capital markets.

OTS guidance regarding subprime lending may affect the Bank's capital requirements.

The OTS, along with other federal banking regulatory agencies, has adopted guidance pertaining to subprime lending programs. Pursuant to the guidance, lending programs which provide credit to borrowers whose credit histories reflect specified negative characteristics, such as recent bankruptcies or payment delinquencies, are deemed to be subprime lending programs for regulatory purposes. Many of the contracts that we originate possess one or more of the factors identified in the guidance as indicative of a subprime loan for this purpose. Pursuant to the guidance, examiners may require that an institution with a lending program deemed to be subprime hold additional capital that ranges from one and one-half to three times the normal capital required for similar loans made to borrowers who are not deemed to be subprime borrowers.

Because many of the automobile contracts we originate possess one or more of the factors identified in the guidance as indicative of a subprime loan, we maintain our capital levels higher than would otherwise be required by regulations. Maintaining higher capital levels may slow our growth, require us to raise additional capital or sell assets, all of which could negatively impact our earnings. We cannot predict to what extent the Bank may be required to hold additional capital with respect to those automobile contracts we hold as to which the borrowers are deemed by the OTS to be subprime borrowers.

Other regulatory requirements may affect our ability to do business.

Our operations are subject to regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations.

In most states in which we operate, a consumer credit regulatory agency regulates and enforces laws relating to consumer lenders and sales finance agencies such as WFS. These rules and regulations generally provide for licensing of sales finance agencies, limitations on the amount, duration and charges, including interest rates, for various categories of loans, requirements as to the form and content of finance contracts and other documentation, and restrictions on collection practices and creditors' rights. So long as WFS is an operating subsidiary of the Bank, licensing and certain other of these requirements are not applicable to WFS due to federal preemption.

We are also subject to extensive federal regulation, including the Truth in Lending Act, the Equal Credit Opportunity Act and the Fair Credit Reporting Act. These laws require us to provide certain disclosures to prospective borrowers and protect against discriminatory lending practices and unfair credit practices. The principal disclosures required under the Truth in Lending Act include the terms of repayment, the total finance charge and the annual percentage rate charged on each loan. The Equal Credit Opportunity Act prohibits creditors from discriminating against loan applicants on the basis of race, color, sex, age or marital status. Pursuant to Regulation B promulgated under the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for the rejection. In addition, the credit scoring system we use must comply with the requirements for such a system as set forth in the Equal Credit Opportunity Act and Regulation B. The Fair Credit Reporting Act requires us to provide certain information to consumers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency. Additionally, we are subject to the Gramm-Leach-Bliley Act, which requires us to maintain privacy with respect to certain consumer data in our possession and to periodically communicate with consumers on privacy matters. We are also subject to the Soldiers' and Sailors' Civil Relief Act, and similar state laws, which requires us to reduce the interest rate charged on each loan to customers who have subsequently joined the military.

The dealers that originate automobile contracts we purchase also must comply with both state and federal credit and trade practice statutes and regulations. Failure of the dealers to comply with these

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statutes and regulations could result in consumers having rights of rescission and other remedies that could have an adverse effect on us.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable local, state and federal regulations. There can be no assurance, however, that we will be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could have a material adverse effect on our operations. Further, the adoption of additional, or the revision of existing, rules and regulations could have a material adverse effect on our business.

We are subject to routine periodic examinations by the OTS on a variety of financial and regulatory matters. The Bank is currently under review by the OTS as part of its annual safety and soundness examination.

Table of Contents**USE OF PROCEEDS**

We expect to receive approximately \$104.2 million in net proceeds, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, from the sale of shares of our common stock in this offering based on the sale of 3,800,000 shares at an assumed public offering price of \$28.98 per share, which was the closing price of our common stock on the New York Stock Exchange on June 18, 2003. If the underwriters exercise in full their option to purchase an additional 570,000 shares of our common stock, we expect our additional net proceeds to be approximately \$15.7 million. In addition, we expect to receive an additional \$20.3 million in net proceeds from the concurrent placement of our common stock to Mr. Rady and his affiliates (assuming a purchase price of \$28.98 per share, which was the closing price of our common stock on the NYSE on June 18, 2003). Substantially all of the proceeds from this offering and the concurrent placements of common stock will be used to purchase automobile contracts from WFS or will be contributed or invested in the Bank or WFS. The balance of the proceeds, if any, will be used by us for general corporate purposes.

PRICE RANGE OF COMMON STOCK AND DIVIDEND INFORMATION

The common stock of our company has been publicly traded since August 8, 1986 on the NYSE under the symbol WES. The following table sets forth the high and low sale prices by quarter in 2003, 2002 and 2001, as reported by the NYSE, and the dividends declared on the common stock during those quarters.

	Westcorp Common Stock		
	High	Low	Cash Dividends Declared
Calendar 2001			
First Quarter	\$ 18.66	\$ 14.68	\$ 0.11
Second Quarter	23.70	16.45	0.11
Third Quarter	23.41	16.00	0.11
Fourth Quarter	19.45	16.05	0.11
Calendar 2002			
First Quarter	22.55	15.70	0.12
Second Quarter	31.95	22.50	0.12
Third Quarter	31.41	18.10	0.12
Fourth Quarter	21.63	16.92	0.12
Calendar 2003			
First Quarter	23.25	18.30	0.13
Second Quarter (through June 18, 2003)	30.14	18.55	0.13

The closing price of our common stock on the NYSE on June 18, 2003 was \$28.98 per share. There were approximately 1,912 stockholders of our common stock at March 11, 2003. The number of stockholders was determined by the number of record holders, including the number of individual participants, in security position listings.

There are no contractual restrictions on the payment of dividends by Westcorp. However, the Bank is restricted by its outstanding subordinated debentures as to the amount of funds that can be transferred to us in the form of dividends. On March 31, 2003, under the most restrictive of these terms, the maximum dividend that the Bank could have paid was \$104 million.

Any future determination as to the payment of dividends on our common stock will be restricted by these limitations, will be at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements and other factors deemed relevant by the board of directors, including the General Corporation Law of the State of California, which provides that dividends are only payable out of surplus or current net profits.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of March 31, 2003 on an actual basis and on an as adjusted basis to reflect (a) the sale of the 3,800,000 shares of common stock offered hereby, (b) the sale of 700,000 shares of common stock to Mr. Rady and his affiliates and (c) the sale of 130,000 shares of common stock to our Employee Stock Ownership Plan and Salary Savings Plan, in each case, at an assumed public offering price of \$28.98 per share, which was the closing price of our common stock on the NYSE on June 18, 2003, and application of the net proceeds therefrom as described under Use of Proceeds.

	March 31, 2003	
	Actual	As Adjusted
	(Dollars in thousands)	
Cash and cash equivalents	\$ 93,202	\$ 217,711
Deposits	\$ 2,084,725	\$ 2,084,725
Notes payable(1)	9,780,990	9,780,990
Total deposits and notes payable	11,865,715	11,865,715
Subordinated debentures	397,406	397,406
Total debt	12,263,121	12,263,121
Shareholders' equity:		
Common stock, par value \$1.00 per share; authorized 65,000,000 shares; issued and outstanding 39,204,709 shares, actual; issued and outstanding 43,834,709 shares, as adjusted	39,205	43,835
Paid-in capital	350,122	473,768
Retained earnings	344,374	344,374
Accumulated other comprehensive loss, net of tax	(95,908)	(95,908)
Total shareholders' equity	637,793	766,069
Total capitalization	\$ 12,900,914	\$ 13,029,190

(1) Includes secured financings of automobile contracts, FHLB advances and other borrowings.

Table of Contents**SELECTED FINANCIAL DATA**

Our selected balance sheet and operating data for the years ended December 31, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements. Certain amounts from the prior year consolidated financial statements have been reclassified to conform to the 2003 presentation. The selected balance sheet data at March 31, 2003 and 2002 and the operating data for the three months ended March 31, 2003 and 2002 have been derived from our unaudited consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all normal recurring adjustments necessary for the fair presentation of financial position and results of operations for those periods.

The selected financial data set forth below should be read in conjunction with our consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included or incorporated by reference elsewhere herein including the impact of changing the structure of our securitizations from sale transactions to secured financings. The financial data is qualified in its entirety by the more detailed financial information contained elsewhere or incorporated by reference herein. Information regarding our compliance with applicable regulatory capital requirements is included in this prospectus under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity Capital Requirements.

	For the Three Months Ended March 31,		For the Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
(Dollars in thousands, except per share amounts)							
Consolidated Summary of Operations:							
Interest income	\$ 307,502	\$ 262,196	\$ 1,142,940	\$ 962,627	\$ 583,821	\$ 297,616	\$ 272,166
Interest expense	141,212	120,070	530,916	491,944	313,872	152,788	161,713
Net interest income	166,290	142,126	612,024	470,683	269,949	144,828	110,453
Provision for credit losses	79,884	65,698	306,233	196,977	82,133	38,400	18,960
Net interest income after provision for credit losses	86,406	76,428	305,791	273,706	187,816	106,428	91,493
Noninterest income	27,753	17,159	90,430	78,899	177,884	212,138	128,654
Noninterest expense(1)	68,439	60,859	251,306	244,871	220,973	217,958	248,390
Income (loss) before income tax (benefit)	45,720	32,728	144,915	107,734	144,727	100,608	(28,243)
Income tax (benefit)	18,226	12,964	52,044	41,675	58,132	41,460	(11,330)
Income (loss) before minority interest	27,494	19,764	92,871	66,059	86,595	59,148	(16,913)
Minority interest in earnings (loss) of subsidiaries	3,945	2,911	13,153	10,369	11,852	6,522	(2,216)
Net income (loss)	\$ 23,549	\$ 16,853	\$ 79,718	\$ 55,690	\$ 74,743	\$ 52,626	\$ (14,697)
Weighted average number of shares and common share equivalents diluted	39,452,915	36,980,861	38,922,611	34,485,127	29,525,677	26,505,128	26,305,117
Earnings per common share diluted	\$ 0.60	\$ 0.46	\$ 2.05	\$ 1.61	\$ 2.53	\$ 1.99	\$ (0.56)
Dividends per common share	\$ 0.12	\$ 0.11	\$ 0.47	\$ 0.44	\$ 0.30	\$ 0.20	\$ 0.25
Dividend payout ratio	20.1%	24.1%	22.9%	27.3%	11.9%	10.1%	N/A

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	March 31,		December 31,				
	2003	2002	2002	2001	2000	1999	1998
(Dollars in thousands)							
Consolidated Summary of Financial Condition:							
Assets:							
Cash	\$ 46,999	\$ 53,963	\$ 25,211	\$ 68,607	\$ 61,543	\$ 33,645	\$ 114,375
Loans:							
Consumer(2)	9,817,459	7,542,070	9,063,755	7,092,959	4,309,317	1,516,669	933,010
Mortgage(3)	269,368	354,110	282,930	373,455	507,431	598,302	1,006,933
Commercial	93,339	79,972	97,216	85,312	107,586	66,927	52,940
Mortgage-backed securities	2,790,310	2,182,105	2,649,657	2,092,225	2,230,448	1,431,376	980,044
Investments and time deposits							
	110,502	383,244	115,771	110,667	102,311	171,143	131,417
Other assets	41,484	217,069	176,336	249,172	549,274	680,712	614,101
Total assets	\$ 13,169,461	\$ 10,812,533	\$ 12,410,876	\$ 10,072,397	\$ 7,867,910	\$ 4,498,774	\$ 3,832,820
Liabilities:							
Deposits	\$ 2,084,725	\$ 2,252,441	\$ 1,974,984	\$ 2,329,326	\$ 2,478,487	\$ 2,212,309	\$ 2,178,735
Notes payable on automobile secured financing							
	9,265,725	7,211,910	8,422,915	5,886,227	3,473,377	461,104	
FHLB advances and other borrowings							
	515,265	147,946	618,766	723,675	616,193	498,901	440,924
Amounts held on behalf of trustee							
		262,214	177,642	280,496	494,858	687,274	528,092
Subordinated debentures	397,406	147,850	400,561	147,714	189,962	199,298	239,856
Other liabilities	162,749	83,075	101,145	85,994	71,221	59,140	94,311
Total liabilities	12,425,870	10,105,436	11,696,013	9,453,432	7,324,098	4,118,026	3,481,918
Minority interest in equity of subsidiaries	105,798	95,423	101,666	78,261	56,644	28,030	21,857
Shareholders equity	637,793	611,674	613,197	540,704	487,168	352,718	329,045
Total liabilities and shareholders equity	\$ 13,169,461	\$ 10,812,533	\$ 12,410,876	\$ 10,072,397	\$ 7,867,910	\$ 4,498,774	\$ 3,832,820

**At or For the
Three Months Ended
March 31,**

At or For the Year Ended December 31,

	2003	2002	2002	2001	2000	1999	1998
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(Dollars in thousands)

Operating Statistics**Automobile Only:**

Automobile contract originations	\$ 1,352,053	\$ 1,265,526	\$ 5,415,734	\$ 4,863,279	\$ 4,219,227	\$ 3,340,146	\$ 2,670,696
Percent of prime automobile contracts originated	82.4%	79.4%	80.3%	75.6%	68.8%	69.3%	67.7%
Automobile contracts managed at end of period	\$ 9,650,229	\$ 8,405,634	\$ 9,389,974	\$ 8,152,882	\$ 6,818,182	\$ 5,354,385	\$ 4,367,099
	10.6%	11.7%	11.4%	12.7%	14.0%	13.6%	13.4%

Weighted average coupon on originated automobile contacts							
Operating expenses as a percentage of average managed automobile contracts	2.5%	2.5%	2.4%	2.7%	3.1%	3.6%	4.5%
Automobile contracts delinquent 60 days or greater	0.7%	0.7%	1.0%	1.1%	0.9%	0.8%	1.1%
Net chargeoffs as a percent of the average outstanding managed automobile contracts	2.9%	2.8%	2.8%	2.3%	1.9%	2.1%	3.4%

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	For the Three Months Ended March 31,		For the Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
(Dollars in thousands)							
Other Selected Financial Data:							
Average assets	\$ 12,932,117	\$ 10,433,517	\$ 11,572,027	\$ 9,280,377	\$ 6,242,668	\$ 3,952,360	\$ 3,859,202
Return on average assets	0.73%	0.65%	0.69%	0.60%	1.20%	1.33%	(0.38)%
Average shareholders equity(4)	\$ 722,610	\$ 614,157	\$ 654,109	\$ 570,298	\$ 450,323	\$ 351,162	\$ 327,687
Return on average shareholders equity(4)	13.04%	10.98%	12.19%	9.77%	16.60%	14.99%	(4.49)%
Equity to asset ratio(4)	5.57%	5.32%	5.76%	5.97%	6.38%	8.32%	8.49%
Book value per share(4)	\$ 18.71	\$ 16.98	\$ 18.23	\$ 16.80	\$ 15.72	\$ 14.06	\$ 12.29
Originations:							
Consumer loans(2)	\$ 1,353,928	\$ 1,266,189	\$ 5,419,296	\$ 4,869,970	\$ 4,232,115	\$ 3,355,732	\$ 2,680,341
Mortgage loans(3)	4,314	9,139	23,950	23,001	33,124	276,936	2,754,398
Commercial loans(3)	96,684	61,268	354,439	291,944	266,342	237,316	124,259
Total originations	\$ 1,454,926	\$ 1,336,596	\$ 5,797,685	\$ 5,184,915	\$ 4,531,581	\$ 3,869,984	\$ 5,558,998
Interest rate spread	5.02%	5.57%	5.29%	4.99%	4.37%	3.59%	2.83%

(1) Includes \$18.0 million in restructuring charges in 1998.

(2) Net of unearned discounts.

(3) Net of undisbursed loan proceeds.

(4) Accumulated other comprehensive income (loss) excluded from shareholders equity.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and notes thereto and other information included or incorporated by reference herein.

Overview

Our primary sources of revenue are net interest income and noninterest income. Net interest income is the difference between the income earned on interest earning assets and the interest paid on interest bearing liabilities. We generate interest income from our loan portfolio, which consists of consumer, mortgage and commercial loans, from investments in mortgage-backed securities and from other short-term investments. We fund our loan portfolio and investments with deposits, advances from the FHLB, securities sold under agreements to repurchase, securitizations, other borrowings and equity.

Noninterest income is primarily made up of revenues generated from the sale and servicing of contracts and real estate loans. The primary components of noninterest income include late charges and other collection related fee income on managed contracts, retained interest income or expense, gain on sale of contracts and real estate loans, and contractual servicing income on contracts in securitization transactions treated as sales for accounting purposes. Since March 2000, we have structured our securitizations as secured financings and no longer record non-cash gain on sale at the time of each securitization or record subsequent contractual servicing and retained interest income, the valuation of which is based upon subjective assumptions. Rather, the earnings of the contracts in the trust and the related financing costs are reflected over the life of the underlying pool of contracts as net interest income. In addition, our provision for credit losses has increased as we hold securitized loans on our balance sheet.

Our decision to account for our securitizations as secured financings rather than as sales was based upon a business philosophy that focuses on presenting high quality, cash-based earnings and maintaining a conservative, well-capitalized balance sheet. We believe that a presentation in which assets and liabilities remain on the balance sheet for securitization transactions treated as secured financings provides a better understanding of our business and the inherent risks associated with our securitizations. Since March 2000, in order to account for some of our securitizations as secured financings rather than as sales, those securitizations include a provision that provides us with the right to repurchase contracts at any time. The percentage of contracts that we may repurchase was increased from 10% to 20% as of March 2000. Other securitization transactions since March, 2000 allow the trust to invest in and sell other financial assets. We believe that our decision to make these accounting changes has created a transitional period during which our earnings have been adversely impacted as we built our on balance sheet portfolio of loans. This change affects the comparability of our financial statements from 2000 through the first quarter of 2003.

Effective January 1, 2003, we regained control over assets of the trusts for all of our pre-March 2000 outstanding securitization transactions previously treated as sales for accounting purposes. We regained control of these assets when each trust was given the ability to invest in financial assets not related to the securitization of contracts. In accordance with paragraph 55 of Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, also known as SFAS No. 140, and Emerging Issues Task Force 02-9, Accounting for Changes that Result in a Transferor Regaining Control of Financial Assets Sold, we recorded \$525 million of automobile contracts and the related notes payable on automobile secured financings on our Consolidated Statements of Financial Condition and have eliminated all remaining amounts due from trusts and amounts held on behalf of trustee. We will no longer recognize retained interest income or expense or contractual servicing income on our Consolidated Statements of Income. Rather, we will recognize interest income on automobile contracts held in these trusts and record interest expense on notes payable on automobile secured financings. These loans were considered in the overall evaluation of the adequacy of our allowance for credit losses. See Financial Condition Asset Quality.

During the first quarter of 2003, delinquent accounts greater than 120 days past due that were subject to Chapter 13 bankruptcy proceedings were reclassified to contracts receivable and the related reserves

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were reclassified to the allowance for credit losses on the Consolidated Statements of Financial Condition. Previously, such amounts were reported as nonperforming assets and were included in other assets on the Statement of Financial Condition. The prior year amounts have been reclassified accordingly. These contracts were considered in the overall evaluation of the adequacy of our allowance for credit losses.

Critical Accounting Policies

Management believes critical accounting policies are important to the portrayal of our financial condition and results of operations. Critical accounting policies require difficult and complex judgments because they rely on estimates about the effect of matters that are inherently uncertain due to the impact of changing market conditions. The following is a summary of accounting policies we consider critical.

Securitization Transactions

Contracts sold by us to our special purpose entity subsidiaries in connection with a securitization transaction are treated as having been sold for bankruptcy purposes and as secured financings under Generally Accepted Accounting Principles, also known as GAAP. For GAAP purposes, the contracts are retained on the balance sheet with the securities issued to finance the contracts recorded as notes payable on automobile secured financing. We record interest income on the securitized contracts and interest expense on the notes issued through the securitization transactions.

As servicer of these contracts, we may hold and remit funds collected from the borrowers on behalf of the trustee pursuant to reinvestment contracts that we have entered into or we may send funds to a trustee to be held until the distribution dates, depending on the terms of our securitizations. For securitization transactions that were treated as sales, these amounts were reported as amounts held on behalf of trustee on our Consolidated Statements of Financial Condition.

Allowance for Credit Losses

Management determines the amount of the allowance for credit losses based on a review of various quantitative and qualitative analyses. Quantitative analyses include the review of chargeoff trends by loan program and loan type on an owned and managed basis, analysis of cumulative losses on both a managed and sold basis and evaluation of credit loss experience by credit tier and geographic location. Other quantitative analyses include the evaluation of the size of any particular asset group, the concentration of any credit tier, the level of nonperformance and the percentage of delinquency.

Qualitative analyses include trends in chargeoffs over various time periods and at various statistical midpoints and high points, the severity of depreciated values of repossessions or foreclosures, trends in the number of days repossessions are held in inventory, trends in the number of loan modifications, trends in delinquency roll rates, trends in deficiency balance collections both internally and from collection agencies, trends in custom scores and the effectiveness of our custom scores and trends in the economy generally or in specific geographic locations. Despite these analyses, we recognize that establishing allowance for credit losses is not an exact science and can be highly judgmental in nature.

The analysis of the adequacy of the allowance for credit losses is not only dependent upon effective quantitative and qualitative analyses, but also effective loan review and asset classification. We classify our assets in accordance with regulatory guidance. Our multifamily and commercial loan portfolios are evaluated individually while our single family and consumer portfolios are evaluated in pools. We classify our loan portfolios into five categories: Pass, Special Mention, Substandard, Doubtful and Loss. Based upon our asset classifications, we establish general and specific valuation allowances.

General valuation allowances are determined by applying various factors to loan balances that are classified as Pass, Special Mention, Substandard or Doubtful. Specific valuation allowances represent loan amounts that are classified as Loss. Some assets may be split into more than one asset classification due to fair value or net realizable value calculations. This approach allows for enhanced analysis as it highlights the need for more allowance than would be generally allocated if held in one classification.

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All contracts that are 60 to 90 days delinquent are automatically classified as Special Mention. Real estate loans that are manifesting a weakness in performance are classified as Special Mention. Any contract that is 90 or more days delinquent is automatically classified as Substandard. Real estate loans that are manifesting a significant weakness in performance are also classified as Substandard. Any multifamily loan that is impaired is classified as Substandard. Any contract where the borrower has filed for bankruptcy or where the vehicle has been repossessed by us and is subject to a redemption period is classified as Substandard, with the difference between the wholesale book value and loan balance classified as Loss.

The allowance for credit losses is increased by charging the provision for credit losses and decreased by actual losses on the loans or by reversing the allowance for credit losses through the provision for credit losses when the amount of loans held on balance sheet is reduced through securitization transactions treated as sales.

Derivatives and Hedging Activities

Deposits and Securities Sold Under Agreements to Repurchase

We may enter into cash flow hedges that will protect against potential changes in interest rates affecting interest payments on future deposits gathered by us and future securities sold under agreements to repurchase. The fair value of the interest rate swap agreements is included in deposits and securities sold under agreements to repurchase, respectively, and any change in the fair value is reported as accumulated other comprehensive income (loss), net of tax, on our Consolidated Statements of Financial Condition. Related interest income or expense is settled on a quarterly basis and is recorded in accumulated other comprehensive income (loss) and reclassified into earnings in the period during which cash flows on the hedged items affect income.

Notes Payable on Automobile Secured Financing

The contracts originated and held by us are fixed rate and, accordingly, we have exposure to changes in interest rates. To protect against potential changes in interest rates affecting interest payments on future securitization transactions, we may enter into various hedge agreements prior to closing the transaction. The market value of these hedge agreements is designed to respond inversely to changes in interest rates. Because of this inverse relationship, we can effectively lock in a gross interest rate spread at the time of entering into the hedge transaction. Gains and losses on these agreements are recorded in accumulated other comprehensive income (loss), net of tax, on our Consolidated Statements of Financial Condition. Any ineffective portion is recognized in interest expense during that period if the hedge is greater than 100% effective. Upon completion of the securitization transaction, the gains or losses are recognized in full as an adjustment to the gain or loss on the sale of the contracts if the securitization transaction is treated as a sale or amortized on a level yield basis over the duration of the notes issued if the transaction is treated as a secured financing.

If we issue certain variable rate notes payable in connection with our securitization activities, we also may enter into interest rate swap agreements in order to hedge our variable interest rate exposure on future interest payments. The fair value of the interest rate swap agreements is included in notes payable on automobile secured financing, and any change in the fair value is reported as accumulated other comprehensive income (loss), net of tax, on our Consolidated Statements of Financial Condition. Any ineffective portion is recorded in interest expense during that period if the hedge is greater than 100% effective. Related interest income or expense is settled on a quarterly basis and recognized as an adjustment to interest expense in our Consolidated Statements of Income.

We also enter into interest rate swap agreements or other derivatives that we choose not to designate as hedges or that do not qualify for hedge accounting under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, also known as SFAS No. 133. These derivatives pertain to variable rate notes issued in conjunction with the securitization of our contracts. Any change in the market value of such derivatives is recorded to noninterest income each month. Any income or expense recognized on such derivatives is recognized as miscellaneous noninterest income or expense.

Table of Contents**Results of Operations****Net Interest Income**

Net interest income is affected by the difference between the rate earned on our interest earning assets and the rate paid on our interest bearing liabilities (interest rate spread) and the relative amounts of our interest earning assets and interest bearing liabilities. For the three months ended March 31, 2003 and 2002, net interest income totaled \$166 million and \$142 million, respectively. The increase in net interest income was the result of us holding more automobile contracts on the balance sheet even as overall net interest margins declined. Net interest income totaled \$612 million, \$471 million and \$270 million for the years ended December 31, 2002, 2001 and 2000, respectively. The increase in net interest income for each of the past three years is primarily the result of us holding a greater percentage of contracts on balance sheet as we utilized our own liquidity sources and completed public securitizations.

The following table presents information relating to the average balances and interest rates on an owned basis for the periods indicated:

	For the Three Months Ended March 31,					
	2003			2002		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
	(Dollars in thousands)					
Interest earning assets:						
Total investments:						
Mortgage-backed securities	\$ 2,485,200	\$ 24,773	3.99%	\$ 2,110,468	\$ 27,982	5.30%
Other short-term investments	238,695	1,323	2.25	140,380	1,159	3.35
Investment securities	9,957	93	3.75	10,619	118	4.45
Interest earning deposits with others	10,245	25	0.98	5,806	25	1.69
Total investments	2,744,097	26,214	3.82	2,267,273	29,284	5.17
Total loans:						
Consumer loans	9,696,850	276,131	11.55	7,171,640	225,450	12.75
Mortgage loans(1)	271,943	3,819	5.62	351,960	5,803	6.59
Commercial loans	115,537	1,338	4.63	100,716	1,659	6.59
Total loans	10,084,330	281,288	11.31	7,624,316	232,912	12.38
Total interest earning assets	12,828,427	307,502	9.71	9,891,589	262,196	10.73
Noninterest earning assets:						
Amounts due from trusts				131,741		
Retained interest in securitized assets				34,978		
Premises, equipment and real estate owned	77,748			79,018		
Other assets	394,248			572,655		
Less: allowance for credit losses	273,730			181,888		
Total	\$ 13,026,693			\$ 10,528,093		
Interest bearing liabilities:						
Deposits	\$ 1,963,276	\$ 17,556	3.63	\$ 2,343,538	\$ 21,010	3.64
Securities sold under agreements to repurchase	248,374	1,289	2.08	146,908	1,045	2.84
FHLB advances and other borrowings	426,590	1,631	1.55	470,646	2,500	2.15
	9,017,784	110,799	4.91	6,221,646	92,018	5.92

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Notes payable on automobile secured financing						
Subordinated debentures	398,812	9,937	9.97	147,760	3,497	9.47
Total interest bearing liabilities	12,054,836	141,212	4.69	9,330,498	120,070	5.16
Noninterest bearing liabilities:						
Amounts held on behalf of trustee				329,249		
Other liabilities	347,845			302,900		
Shareholders' equity	624,012			565,446		
Total	\$ 13,026,693			\$ 10,528,093		
Net interest income and interest rate spread						
		\$ 166,290	5.02%		\$ 142,126	5.57%
Net yield on average interest earning assets						
			5.19%			5.75%

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	2002			2001			2000		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
(Dollars in thousands)									
Interest earning assets:									
Total investments:									
Mortgage-backed securities	\$ 2,202,950	\$ 113,327	5.14%	\$ 2,245,861	\$ 133,539	5.95%	\$ 1,870,908	\$ 128,231	6.85%
Other short-term investments	338,485	7,635	2.26	159,599	7,468	4.68	246,908	15,609	6.32
Investment securities	5,105	318	6.22	7,194	433	6.02	10,216	535	5.24
Interest earning deposits with others	30,044	343	1.14	2,628	74	2.80	2,069	110	5.32
Total investments	2,576,584	121,623	4.72	2,415,282	141,514	5.86	2,130,101	144,485	6.78
Total loans:									
Consumer loans	8,012,003	993,417	12.40	5,746,413	779,256	13.56	2,672,690	386,182	14.45
Mortgage loans(1)	329,693	22,865	6.94	441,804	34,536	7.82	551,498	44,225	8.02
Commercial loans	90,642	5,035	5.55	99,904	7,321	7.33	97,586	8,929	9.15
Total loans	8,432,338	1,021,317	12.11	6,288,121	821,113	13.06	3,321,774	439,336	13.23
Total interest earning assets	11,008,922	1,142,940	10.38	8,703,403	962,627	11.06	5,451,875	583,821	10.71
Noninterest earning assets:									
Amounts due from trusts	121,627			227,890			413,653		
Retained interest in securitized assets	15,888			74,509			141,724		
Premises, equipment and real estate owned	80,277			82,277			84,627		
Other assets	553,654			318,674			227,095		
Less: allowance for credit losses	208,341			126,376			76,306		
Total	\$ 11,572,027			\$ 9,280,377			\$ 6,242,668		
Interest bearing liabilities:									
Deposits	\$ 2,196,261	80,015	3.64	\$ 2,319,466	114,831	4.95	\$ 2,380,155	133,610	5.61
Securities sold under agreements to repurchase	222,154	5,543	2.50	155,387	7,014	4.51	449,778	27,950	6.21
FHLB advances and other borrowings	244,284	5,281	2.16	443,337	20,424	4.61	270,043	16,694	6.18
Notes payable on automobile secured financing	7,426,265	406,851	5.48	5,018,456	333,768	6.65	1,655,936	118,421	7.15
Subordinated debentures	331,990	33,226	10.01	170,531	15,907	9.33	192,025	17,197	8.96
Total interest bearing liabilities	10,420,954	530,916	5.09	8,107,177	491,944	6.07	4,947,937	313,872	6.34
Noninterest bearing liabilities:									

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Amounts held on			
behalf of trustee	240,667	365,376	693,810
Other liabilities	394,863	278,325	169,435
Shareholders' equity			