

WESTCORP /CA/
Form DEF 14A
March 26, 2004

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. ___)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
- [X] Definitive Proxy Statement [] Definitive Additional Materials [] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12 [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

WESTCORP

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- [X] Fee not required.
- [] \$500 per each party to the controversy to Exchange Act Rule 14a-6(i)(3).
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other

underlying
value of
transaction
computed
pursuant to
Exchange Act
Rule 0-11 (Set
forth the
amount on
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and state how it
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Fee paid
previously with
preliminary
materials. Check
box if any part
of the fee is
offset as
provided by
Exchange Act
Rule 0-11(a)(2)
and identify the
filing for which
the offsetting
fee was paid
previously.
Identify the
previous filing
by registration
statement
number, or the
Form or
Schedule and
the date of its
filing.

(1) Amount
Previously Paid:

(2) Form,
Schedule or
Registration
Statement No.:

(3) Filing
Party:

(4) Date
Filed:

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23 Pasteur

Irvine, California 92618

April 5, 2004

Dear Shareholder:

You are encouraged to join us for Westcorp's annual meeting of shareholders to be held at 10:00 a.m. on Monday, April 26, 2004, at our corporate headquarters located at 23 Pasteur, Irvine, California. The Board of Directors and management will be reviewing a successful 2003 and presenting strategies for our continued success. You will have the opportunity to express your views and ask questions.

The business items to be acted on during the meeting are listed in the Notice of Annual Meeting and are described more fully in the Proxy Statement. The Board of Directors has considered the proposals and recommends that you vote **FOR** them.

Your vote, regardless of the number of shares you own, is important. You may vote on the Internet, by telephone or by mail. Please review the instructions on the enclosed proxy card regarding each of these voting options. If you attend the annual meeting you may vote in person if you desire, even if you have previously submitted your proxy.

We look forward to seeing you at the meeting. On behalf of our Board of Directors, I thank you for your continued support and confidence.

Sincerely,

Ernest S. Rady
*Chairman of the Board and
Chief Executive Officer*

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23 Pasteur

Irvine, California 92618

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on April 26, 2004**

To the Shareholders of Westcorp:

The Annual Meeting of Shareholders of Westcorp, a California corporation, will be held at our corporate headquarters, 23 Pasteur, Irvine, California, on Monday, April 26, 2004, at 10:00 a.m., for the following purposes:

1. elect four directors;
2. approve the Westcorp Long Term Incentive Plan;
3. approve the amendment of Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors;
4. ratify the appointment of Ernst & Young LLP as Westcorp's independent auditors; and
5. transact such other business as may properly come before the annual meeting.

You are entitled to vote at the annual meeting if you were a stockholder at the close of business on the record date for the annual meeting, which is March 11, 2004. You may vote in person at the annual meeting, by completing and mailing the enclosed proxy card, by telephone or on the Internet.

Whether or not you plan to attend the annual meeting, please submit a proxy as soon as possible, so your shares can be voted at the annual meeting. For specific instructions on voting, please refer to the instructions on the proxy card. You have the right to revoke your proxy at any time before it is voted. If you receive more than one proxy card because your shares are registered in different names or at different addresses, each proxy should be submitted to ensure that all your shares will be properly voted.

By Order of the Board of Directors

Guy Du Bose
Vice President, General Counsel and Secretary

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23 Pasteur

Irvine, California 92618

PROXY STATEMENT

*Approximate date proxy material first sent to shareholders:
April 5, 2004*

PROXIES AND VOTING INFORMATION

Solicitation of Proxies

This Proxy Statement is furnished by the Board of Directors of Westcorp in connection with its solicitation of proxies for use at our annual meeting of shareholders for the purposes stated in the Notice of Annual Meeting of Shareholders preceding this Proxy Statement. The entire cost of soliciting these proxies will be borne by us.

Meeting Date and Location

The annual meeting will be held on Monday, April 26, 2004 at 10:00 a.m. at Westcorp's corporate headquarters located at 23 Pasteur, Irvine, California 92618.

Purposes

At the annual meeting, the shareholders will consider and vote on proposals to (i) elect four directors, (ii) approve the Westcorp Long Term Incentive Plan, (iii) approve the amendment of Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors, (iv) ratify the appointment of Ernst & Young LLP as our independent auditors, and (v) transact such other business as may properly come before the annual meeting.

Record Date; Shareholders Entitled to Vote

The record date for the annual meeting is March 11, 2004. You may vote at the annual meeting if you were a shareholder at the close of business on the record date. Only shareholders of record at the close of business on the record date will be entitled to vote at the annual meeting. As of the record date there were 51,782,995 shares of our common stock outstanding, \$1.00 par value. No shares of any other class of stock are outstanding.

Market Value of Stock

As of March 11, 2004, our common stock had a market price of \$40.30 per share. Our common stock is traded on the New York Stock Exchange.

Voting Securities

Proxies duly executed and returned by you and received by us before the annual meeting will be voted FOR the election of the four directors specified in this proxy, FOR the Westcorp Long Term Incentive Plan, FOR the approval of the amendment of Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors, and FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors, unless a contrary choice is specified in the proxy. Although shareholder ratification of the appointment of Ernst & Young LLP as our independent auditors is neither required nor binding, the Board of Directors has elected to seek ratification by the affirmative vote of a majority of the shares of common stock represented and voting at the annual meeting. If you have indicated a specification as provided on the proxy card, the shares represented by your proxy will be voted and cast in accordance with your specification. As to other matters, if any, to be voted upon, the person designated as proxy will take such actions as he or she may

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deem advisable in his or her discretion. Our Board of Directors selected Ernest Rady as proxy and Thomas Wolfe as alternate. They are officers and directors of Westcorp. Each share of the Westcorp common stock outstanding at the close of business on the record date will be entitled to one vote for each of the various proposals submitted to the shareholders.

Your execution of the enclosed proxy will not affect your right as a shareholder to attend the annual meeting and to vote in person. You may revoke your proxy by either (i) a later dated proxy, (ii) a written revocation sent to and received by our Secretary prior to the annual meeting or (iii) attendance at the annual meeting and voting in person.

PROPOSAL 1**ELECTION OF DIRECTORS**

Westcorp's Board of Directors currently is divided into two classes of directors serving staggered two-year terms. Directors for each class are elected at the annual meeting of shareholders held in the year in which the term for their class expires. The term for four Class II Directors will expire at this annual meeting. At the annual meeting, four nominees, Judith M. Bardwick, James R. Dowlan, Duane A. Nelles, and Ernest S. Rady, are nominated for election to serve until 2006 and until their successors are elected and qualified; provided that if the amendment to the Articles of Incorporation and Bylaws to declassify the Board of Directors, as described in Proposal 3, is adopted by the shareholders, then each of these directors shall serve a one-year term ending in 2005. All of the nominees are currently directors of Westcorp.

The following information is submitted concerning our directors, including the nominees for election, Judith M. Bardwick, James R. Dowlan, Duane A. Nelles, and Ernest S. Rady

| Name | Age | Director Since | Position |
|---------------------|------------|-----------------------|--|
| Judith M. Bardwick | 71 | 1994 | Director |
| Robert T. Barnum | 58 | 1998 | Director |
| James R. Dowlan | 66 | 2001 | Director |
| Duane A. Nelles | 60 | 2003 | Director |
| Ernest S. Rady | 66 | 1982 | Chairman of the Board of Directors and Chief Executive Officer |
| Harry M. Rady | 36 | 2003 | Director |
| Charles E. Scribner | 66 | 1998 | Director |
| Thomas A. Wolfe | 44 | 2002 | Director and President |

Director Nominees

Judith M. Bardwick, Ph.D. has been a Director of Westcorp and Western Financial Bank since 1994. She has been a Director of Westcorp's second-tier subsidiary, WFS Financial, since 2001. Dr. Bardwick is President and founder of Bardwick and Associates, a management consulting firm. In addition to her many academic achievements, Dr. Bardwick has been an active business consultant for more than two decades. Dr. Bardwick earned a B.S. degree from Purdue University and an M.S. from Cornell. She received her Ph.D. from the University of Michigan and subsequently became a Full Professor and Associate Dean of the College of Literature, Science and the Arts at that university. Dr. Bardwick has devoted herself to consulting and business-related research and writing, concentrating on issues relating to improving organizational efficiency and management skills. She has been a clinical Professor of Psychiatry at the University of California at San Diego since 1984 and has worked as a psychological therapist. Her most recent business book, *Toward the Eye of the Storm*, was published in 2002. She is the author of seven other books. In addition, she has published more than 85 articles on a wide range of topics during her distinguished career.

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James R. Dowlan has been a Director of Westcorp since 2001 and a Director of WFS Financial since 1995. He served as Senior Executive Vice President of WFS Financial from 1995 through January 1999. He started as Senior Vice President of Western Financial Bank in 1984 and then acted as Executive Vice President of the Bank from 1989 until the Auto Finance Division of Western Financial Bank was combined with WFS Financial in 1995. He also served as Chairman of the Board of Western Financial Insurance Agency, Inc., and Chairman of Westthrift Life Insurance Company, subsidiaries of the Bank, and President and Chief Executive Officer of WFS Financial Auto Loans, Inc. and WFS Financial Auto Loans 2, Inc., subsidiaries of WFS Financial. Prior to his association with Western Financial Bank, Mr. Dowlan was Vice President of Loan Administration for Union Bank, where he held several positions since 1973. He served for several years on the National Advisory Board Installment Lending, the American Bankers Association and the Consumer Lending Committee of the California Bankers Association. He is a graduate of the Pacific Coast Banking School, University of Washington.

Duane A. Nelles has been a Director of Westcorp and Western Financial Bank since February 2003 and of WFS Financial since 1995. Since 1988 he also has served on the Board of Directors of QUALCOMM, Inc., a world leader in digital wireless communications. Mr. Nelles was a partner in an international accounting firm, now known as PricewaterhouseCoopers, from 1968 to 1987. From 1987 to 2000, he headed a private personal investment business. Mr. Nelles received his M.B.A. degree from the University of Michigan.

Ernest S. Rady has served as Chairman of the Board and Chief Executive Officer of Westcorp since 1973 and as President from 1982 to 1996 and from 1998 to 1999. He has served as Chairman of the Board of Western Financial Bank since 1982 and Chief Executive Officer of the Bank from 1994 to 1996 and from 1998 to present. He has been Chairman of the Board of WFS Financial since 1995 and a Director since 1988. Mr. Rady is a principal shareholder, manager, and consultant to a group of companies engaged in real estate management and development, property and casualty insurance and investment management through American Assets, Inc. and Insurance Company of the West. Mr. Rady is the father of Director Harry Rady.

The Board recommends a vote FOR the election to the Board

of each of the nominees named above.

The person named as proxy and his alternate in the accompanying proxy have advised us of their intention to vote shares covered by proxies received in favor of the election of the nominees named above, each of whom have consented to be named and have indicated their intent to serve if elected. If any nominee becomes unavailable for any reason, the proxy or his alternate in his discretion will vote for substitute nominees of the Board of Directors, unless otherwise instructed.

Directors Whose Terms Will Expire in 2005

Westcorp's directors listed below whose terms are not expiring this year will continue in office for the remainder of their terms or earlier in accordance with Westcorp's Bylaws. Information regarding the business experience of each of these directors is provided below.

Robert T. Barnum has been a Director of Westcorp and of Western Financial Bank, a subsidiary of Westcorp, since 1998. He is a private investor and advisor to several private equity funds. He is currently the Chairman of the Board of Korea First Bank, a \$25 billion asset Korean Bank owned jointly by Texas Pacific Group, Blum Capital and the Government of Korea. Mr. Barnum was the Chief Financial Officer and then President and Chief Operating Officer of American Savings from its acquisition in 1989 until its sale to Washington Mutual in 1998. American Savings was a \$20 billion California thrift that was owned by the Robert M. Bass group. Mr. Barnum was a director of National RE until its sale to General Re in 1996 and of Harborside Healthcare until its recapitalization in 1997, and of Center Trust Properties until its sale to Pan Pacific in 2003. Mr. Barnum is currently on the Board and Chairman of the Audit Committee of American Residential Investment Trust and Ameriquest Capital Corporation. He also is on the Board of Berkshire Mortgage. Mr. Barnum holds a B.S. in Mathematics from the University of Illinois and an M.B.A. in Finance from Indiana University.

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Harry M. Rady has been a Director of Westcorp and Western Financial Bank since 2003. Mr. Rady serves as the Chief Investment Officer and Director of American Assets, Inc., a financial, investment management, and real estate conglomerate, and has been with American Assets for the past eight years. For the past two years, he also has served as Chief Investment Officer and a Director of Insurance Company of the West, a property casualty insurance company. Mr. Rady received his M.B.A. from the University of Southern California. Harry Rady is the son of Director Ernest Rady.

Charles E. Scribner has been a Director of Westcorp and Western Financial Bank since 1998. Mr. Scribner was with Bank of America for 34 years, retiring in May 1994. From 1979 to 1983, he was Regional Senior Vice President in charge of the Orange County/ Los Angeles coastal region, responsible for loan deposits and general operations of 150 branches in the region. From 1984 to 1986, he was Senior Vice President and General Manager of the northern Asian operation for Bank of America headquartered in Tokyo. Mr. Scribner later became Area Manager of southern Asia for Bank of America from 1986 through 1989. He was in charge of all banking activities in eight countries and was headquartered in Singapore. From 1990 to 1994, he served as Bank of America's Executive Vice President and General Manager of the southern California Commercial Banking wholesale activities. Mr. Scribner currently serves on the Board of Insurance Company of the West, Whittier Institute, Western Financial Bank and Westcorp.

Thomas A. Wolfe has been a Director of Westcorp and WFS Financial since February 2002. He has served as President of Westcorp since February 2002, having previously served as Senior Vice President since March 1999. Mr. Wolfe has served as President of Western Financial Bank since May 2002 and as Vice Chairman and Director since March 2002. In February 2002, Mr. Wolfe was elected Chief Executive Officer of WFS Financial, having previously served as President and Chief Operating Officer since March 1999. Mr. Wolfe began his career with WFS Financial as Executive Vice President and National Production Manager in April 1998. Prior to joining WFS Financial, he held the position of National Production Manager at Key Auto Finance, where he oversaw the production of the indirect auto finance business, which included prime, sub-prime, leasing and commercial lending. Mr. Wolfe has been in the auto finance and consumer credit industry since 1982. He previously held positions with Citibank and General Motors Acceptance Corporation. Mr. Wolfe is also a Director of DealerTrack Holdings, Inc. He graduated from Oregon State University in 1981 with a degree in finance.

Audit Committee and Qualified Legal Compliance Committee

Westcorp has a standing Audit Committee of the Board of Directors composed of Directors Robert T. Barnum, Duane A. Nelles, and Charles E. Scribner. Mr. Barnum is Chairman of the Audit Committee. Information regarding the functions performed by the Audit Committee, its membership, and the number of meetings held during the last fiscal year is set forth in this Proxy Statement in the Report of the Audit Committee and in the Audit Committee Charter. A copy of the Audit Committee Charter, adopted by our Board of Directors and pursuant to which the Audit Committee conducts its functions, is attached to this proxy as Appendix A. The full Board of Directors has determined that each of the members of the Audit Committee, Mr. Barnum, Mr. Nelles, and Mr. Scribner, qualifies as (i) independent under the standards prescribed by the Securities and Exchange Commission and the New York Stock Exchange and (ii) an audit committee financial expert under the definition adopted by the Securities and Exchange Commission. The full Board of Directors also has confirmed with Westcorp's general and outside counsel that all relationships that exist between Westcorp and its independent directors are within the standards prescribed by the New York Stock Exchange and the Securities and Exchange Commission. The members of the Audit Committee also serve as the members of our Qualified Legal Compliance Committee in accordance with Securities and Exchange Commission regulations. The Charter for the Qualified Legal Compliance Committee is available at www.westcorpinc.com.

Compensation Committee

Westcorp has a standing Compensation Committee of the Board of Directors whose current members are Directors Charles E. Scribner, Robert T. Barnum, and James R. Dowlan. Mr. Scribner is Chairman of the Compensation Committee. Mr. Dowlan was formerly an officer of Westcorp's subsidiaries WFS Financial and

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Western Financial Bank. The Compensation Committee reviews and approves recommendations for annual salaries of employees, otherwise known as associates, reviews and sets the levels of compensation of senior management, and establishes policies applicable to, performance related to, and basis for compensation. The Compensation Committee held three meetings during 2003. The Compensation Committee Charter is available at westcorpinc.com.

Corporate Governance and Nominating Committee

Westcorp established a standing Corporate Governance and Nominating Committee on February 25, 2004 consisting of Directors Robert T. Barnum, Duane A. Nelles, and Charles E. Scribner. The full Board of Directors has determined that each of the members of the Corporate Governance and Nominating Committee qualifies as independent under the standards prescribed by the Securities and Exchange Commission and the New York Stock Exchange. The full Board of Directors also has confirmed with Westcorp's general and outside counsel that all relationships that exist between Westcorp and its independent Directors are within the standards prescribed by the New York Stock Exchange and the Securities and Exchange Commission.

The Corporate Governance and Nominating Committee will consider director candidates to the Board of Directors recommended by shareholders. Shareholders may propose director nominees for consideration by the Corporate Governance and Nominating Committee by submitting the names and supporting information to Secretary, Westcorp, 23 Pasteur, Irvine, California 92618, by 120 days before April 5, 2005.

The Corporate Governance and Nominating Committee shall select individuals as director nominees who shall have the highest personal and professional integrity, who shall have demonstrated exceptional ability and judgment, and who shall be most effective, in conjunction with the other nominees to the Board of Directors, in collectively serving the long-term interests of the shareholders of Westcorp as a whole, rather than special interest groups. The Corporate Governance and Nominating Committee identifies and evaluates director nominees by (i) reviewing the present needs of the Board of Directors and establishing specific criteria, (ii) reviewing the performance of the incumbent directors, (iii) proposing to the Board of Directors criteria for board composition before each search is undertaken, (iv) determining whether a search firm should be hired, (v) providing parameters to a search firm, if one is hired, and (vi) reviewing the qualifications of any proposed new directors. The Charter for the Corporate Governance and Nominating Committee is available at www.westcorpinc.com.

Meetings of the Board

The Board of Directors of Westcorp held a total of nine meetings during 2003. All directors have attended at least 75% of all board and applicable committee meetings. Westcorp's policy is that all directors should attend the annual meeting of the Board of Directors. Last year, all of the directors attended the annual meeting.

Director Compensation

Each director who is not also an associate of Westcorp or its subsidiaries received \$5,000 for each quarterly board meeting attended, \$2,250 for each non-quarterly board meeting attended, and \$1,000 for each committee meeting that is not held in conjunction with a board meeting. Directors who are associates of Westcorp or its subsidiaries do not receive additional compensation for their services as directors. Directors who attend a Westcorp and WFS Financial board meeting on the same day are compensated for only one of the two meetings.

PROPOSAL 2

APPROVAL OF THE WESTCORP LONG TERM INCENTIVE PLAN

The Board of Directors has adopted the Westcorp Long Term Incentive Plan (the "Plan"). The Plan consists of a series of essentially identical agreements entered into between Westcorp and selected associates of Westcorp. A copy of the form of agreement used for the Plan is attached to this Proxy Statement as Appendix B. You are being asked to vote to approve the Plan at the annual meeting. The following is a brief

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summary of the material terms and conditions of the Plan, but is qualified in its entirety by reference to the full text of the Plan. You are urged to review the Plan in connection with casting your vote on this proposal. Approval of this proposal requires an affirmative vote of a majority of the shares voting at the annual meeting.

The Board of Directors believes that it is important for Westcorp to have a variety of incentive plans to attract and retain the most qualified associates. The Plan is one of the incentive plans we have created for that purpose. The Plan is designed to induce those who are covered by the Plan to work to achieve the long-term growth objectives desired by the Board of Directors. The Plan generally authorizes the payment of a cash award to selected associates if Westcorp has achieved a per share tangible net book valuation of \$28.08 by December 31, 2004 and the associate entitled to an award remains employed by Westcorp or one of its subsidiaries on April 30, 2005. The Plan further provides that no payment may be made under the Plan unless that payment will be deductible by Westcorp. Under the applicable Internal Revenue Service rules, shareholder approval of the Plan is required for the payment to be deductible by Westcorp.

The Plan is administered by the Board of Directors. The Board of Directors determines which associates are to be offered an award under the Plan, the amount of the award, and whether any adjustments are to be made to the terms of the Plan, including specifically the per share target valuation of Westcorp.

To date, the Board of Directors has offered awards under the Plan to the following named Executive Officers and other associates in the following amounts:

| | |
|-------------------|--------------|
| Thomas A. Wolfe | \$ 1,000,000 |
| Lee A. Whatcott | \$ 405,000 |
| David W. Prescher | \$ 277,500 |
| Dawn M. Martin | \$ 300,000 |
| All others | \$ 1,993,553 |

In all cases, no incentive award will be paid unless the Plan is approved by the shareholders. In addition, no incentive award will be paid to any associate if Westcorp has not achieved a per share tangible net book valuation of \$28.08 by December 31, 2004 and that associate is still employed by Westcorp or a subsidiary of Westcorp on April 30, 2005. The Plan does provide that if an associate covered by the Plan is terminated for reasons other than for cause after June 30, 2004, then the associate will receive a partial payment if all other conditions are met. The amount of this partial payment will be based upon the percentage of time the associate is employed between the date that associate executed a Plan agreement and April 30, 2005. As of the date of this Proxy Statement, none of the associates covered by the Plan are subject to the termination without cause provision. If an associate covered by the Plan is terminated for cause, (such as dishonesty, breach of fiduciary duty, violation of law or material violation of company policy) or resigns, retires, is disabled for more than six months as of April 30, 2005 or dies prior to that date, no payment will be made under the Plan.

The term tangible net book value is defined in the Plan and means Westcorp's shareholder's equity, as determined in accordance with generally accepted accounting principles and disclosed in the financial statements filed by Westcorp with the Securities and Exchange Commission, reduced by all intangible assets of Westcorp (including but not limited to goodwill). At December 31, 2003, the tangible net book value of Westcorp was \$23.00. The Board of Directors has the authority, in its sole and absolute discretion, to adjust the target valuation of \$28.08 per share. The Plan provides that the participation by Westcorp or one or more of its subsidiaries in a merger, reorganization or consolidation, or the acquisition or disposition of assets or securities may result in an adjustment. However, the Board of Directors is not obligated to make an adjustment notwithstanding that one or more of such events may have occurred prior to December 31, 2004. As of the date of this proxy statement, the Board of Directors has not indicated that it has any intention of adjusting the target valuation.

As noted above, an award under the Plan will not be made unless the payment of that award will be deductible by Westcorp. In that event, the payment of the award will be taxable to the associate receiving the award as ordinary income in the year of its receipt. In contemplation that payments may be required under the Plan, Westcorp commenced expensing the amounts that might be due, such that the actual payment of the

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awards, if actually made after April 30, 2005, will not have a material affect on the financial condition of Westcorp.

**The Board of Directors recommends a FOR vote
on the approval of the Westcorp Long Term Incentive Plan.**

PROPOSAL 3

APPROVAL OF THE AMENDMENT OF WESTCORP S

**ARTICLES OF INCORPORATION AND BYLAWS
TO DECLASSIFY THE BOARD OF DIRECTORS**

As part of its review of corporate governance issues during 2003, our Board of Directors decided that all directors should be elected by the shareholders each year. Currently, our Board of Directors is divided into two classes of directors serving staggered two-year terms, so that approximately one-half of our Directors are elected at each annual meeting of shareholders. A board that is divided into classes in this manner is often referred to as a classified board.

Our Board of Directors has unanimously approved and recommended for approval by shareholders an amendment to Article IV, Paragraph C of the Articles of Incorporation and Article III, Section 3 and Section 4 of the Bylaws to eliminate the classification of our Board into two different classes. A copy of the proposed amendment is attached to this Proxy Statement as Appendix C. The proposed amendments to the Articles and Bylaws will be voted on together; they will either both be accepted or both be rejected. If the amendments are approved and become effective, our Board of Directors will not be classified and newly elected members will not serve staggered terms. Instead, all directors, including the directors elected at this annual meeting, will be elected at each annual meeting of shareholders and serve a one-year term and until their successors are elected and qualify or until their earlier resignation, disqualification, disability or removal. The proposed amendments will not, however, shorten the term of any incumbent director whose term does not expire this year.

As is the case for many other corporations, our primary purpose in maintaining a staggered board structure was to promote stability by helping to maintain a greater continuity of experience on our Board of Directors because a significant number of directors on the board at any given time will have at least one year of experience with Westcorp. A classified board has also been viewed as an antitakeover device designed to encourage persons, or groups of persons, seeking control of a company to do so by means of a process that involved voluntary agreements reached through negotiations with our management and Board of Directors.

Many investors believe that staggered boards decrease directors' accountability to shareholders. These investors, including many shareholder activists and significant institutional investors, urge that stockholders should have the opportunity to elect a public company's directors annually. The annual election of the entire Board of Directors affords shareholders the opportunity to consider the performance of the nominees on a yearly basis.

The Board of Directors has approved and is recommending this Proposal 3 to the shareholders as being in the best interests of Westcorp and its shareholders because (i) it enhances accountability of the Board of Directors and provides shareholders with a mechanism to register their views on the performance of the Board collectively and of each director individually for their decisions and policies on an annual basis and (ii) the classification of the Board of Directors is not effective as an antitakeover device because a majority of the shares of Westcorp outstanding are controlled by a single person, our Chairman, Ernest Rady.

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Required Vote

The approval of Proposal 3 requires the affirmative vote of the holders of at least sixty-six and two thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of Westcorp's voting stock.

**The Board of Directors recommends a FOR vote on the amendment of
Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors**

PROPOSAL 4

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Upon the recommendation of the Audit Committee, the accounting firm of Ernst & Young LLP serves Westcorp and its subsidiaries as their independent auditors at the direction of our Board of Directors. This matter is not required to be submitted for shareholder approval, and although shareholder approval is not binding, the Board and the Audit Committee have elected to seek shareholder ratification of the appointment of Ernst & Young LLP as Westcorp's independent auditors. One or more representatives of Ernst & Young LLP are expected to be present at the annual meeting and will have an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

Audit Fees, Audit Related Fees, Tax Fees, and Other Fees

Consolidated fees paid to the independent auditors for the last fiscal year were as follows: annual audit \$437,000, audit related \$325,972, tax fees \$161,733, and other fees \$19,500. Consolidated fees paid to independent auditors for 2002 were as follows: annual audit \$275,000, audit related \$778,860, and tax fees \$166,242. Fees paid by Westcorp to Ernst & Young LLP are allocated to Westcorp's subsidiaries and affiliates under various intercompany agreements. Audit fees include the audit of Westcorp's consolidated financial statements included in the Form 10-K and review of Westcorp's interim financial information included in its Form 10-Q's. Audit related fees relate primarily to transaction due diligence and accounting consultations. Tax fees relate primarily to tax consulting and compliance services.

**The Board of Directors recommends a FOR vote on the ratification of
the appointment of Ernst & Young LLP as Westcorp's independent auditors.**

Table of Contents**EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**

The following information is provided with respect to executive officers who are not directors. These officers providing services to Westcorp may be employed by related companies, and provide those services at fair market value to us, while also serving as officers of Westcorp.

| <u>Name</u> | <u>Position</u> | <u>Age</u> | <u>Officer Since</u> |
|-------------------|---|------------|----------------------|
| Richard G. Banes | Vice President and Director of Audit Services | 46 | 1999 |
| Marguerite Drew | Western Financial Bank Executive Vice President and President of Retail Banking | 46 | 2002 |
| Guy Du Bose | Vice President, General Counsel and Secretary | 49 | 1992 |
| Robert Galea | WFS Financial and Western Financial Bank Executive Vice President and Chief Marketing Officer | 53 | 2002 |
| Karen Marchak | WFS Financial and Western Financial Bank Executive Vice President and Director of Human Performance | 46 | 2000 |
| Dawn M. Martin | Senior Vice President and Chief Information Officer | 44 | 1997 |
| Cathy J. Mungon | WFS Financial and Western Financial Bank Executive Vice President and Director of Project Office | 53 | 1985 |
| Mark Olson | Vice President and Controller | 41 | 1994 |
| J. Keith Palmer | Vice President and Treasurer | 44 | 1993 |
| David W. Prescher | WFS Financial Executive Vice President and Western Financial Bank Vice President | 41 | 1997 |
| James E. Tecca | Western Financial Bank Vice Chairman and President of Commercial Banking | 61 | 1996 |
| Ronald Terry | Vice President and Chief Credit Officer | 37 | 2000 |
| Lee A. Whatcott | Executive Vice President, Chief Financial Officer and Chief Operating Officer | 44 | 1988 |

The following is a brief account of the business experience of each executive officer who is not a director.

Richard G. Banes joined us in 1999 and serves as the Vice President and Director of Audit Services of Westcorp. Since December 2003, Mr. Banes has served as Executive Vice President and Director of Audit Services of Western Financial Bank and WFS Financial. Prior to this, Mr. Banes was Senior Vice President and Director of Audit Services of Western Financial Bank and WFS Financial. Mr. Banes is a licensed certified public accountant in California and a member of the American Institute of Certified Public Accountants and the Institute of Internal Auditors. Prior to joining us, Mr. Banes was Senior Vice President and Director of Management Audit for Avco Financial Services, a worldwide sub-prime consumer finance and auto lending company from 1996 to 1999. From 1993 to 1996, he was Senior Vice President and Audit Director for First Interstate Bank, a major U.S. bank that was acquired in 1996 by Wells Fargo Bank. Prior to First Interstate, Mr. Banes was a financial services audit professional at Ernst & Young LLP.

Marguerite Drew has served as Executive Vice President and President of Retail Banking for Western Financial Bank since December 2003. Prior to this, she was Senior Vice President and Director of Retail Banking for Western Financial Bank. She joined Western Financial Bank in 2001 as Southern California Regional Manager. Ms. Drew has over 25 years of retail banking experience. She was with Wells Fargo Bank for 22 years prior to joining Western Financial Bank. From 1991 to 1995, she was the Vice President Business Manager in the Newport/Costa Mesa area, responsible for both business deposits and loan growth. From 1995 to 2001, she was the Orange County/ San Diego Coastal Regional Vice President, responsible for loan deposit, investments, and general operations for over 50 branches, traditional and in-store.

Guy Du Bose serves as Vice President, General Counsel and Secretary for Westcorp and Senior Vice President, General Counsel and Secretary of WFS Financial and Western Financial Bank, all since 1999. He started as Vice President and Legal Counsel of the Bank in 1992. He became Senior Vice President of the Bank in 1997 and General Counsel and Secretary of the Bank in 1999. Prior to his association with us,

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Mr. Du Bose was Chief Operating Officer and General Counsel of Guardian Federal Savings, Senior Vice President and General Counsel of Mercury Federal Savings and Loan Association, and Corporate Counsel of Southern California Savings. Mr. Du Bose is an active member of the California State Bar Association and a member of various professional associations.

Robert Galea joined us in 2002 and has served as Executive Vice President and Chief Marketing Officer for WFS Financial and Western Financial Bank since December 2003. From 2002 to December 2003, Mr. Galea was Senior Vice President and Chief Marketing Officer for WFS Financial and Western Financial Bank. Mr. Galea manages all marketing efforts for WFS Financial and Western Financial Bank. Prior to joining WFS Financial and Western Financial Bank, Mr. Galea was Senior Vice President, Director of Marketing with Chittenden Bank in Vermont from 2001 to 2002 and Senior Vice President, Director of Marketing with Imperial Bank in Los Angeles from 1998 to 2001. Prior to 1998, Mr. Galea was with Home Savings of America in Southern California for over 20 years in sales and marketing positions.

Karen Marchak has served as Executive Vice President and Director of Human Performance for WFS Financial and Western Financial Bank since December 2003. From 2002 to December 2003, she was Senior Vice President and Director of Human Performance for WFS Financial and Western Financial Bank. From 2000 to 2002, she was a Vice President with WFS Financial and Western Financial Bank. Before joining us in 2000, she created and managed the organizational development function at Mission Hospital from 1998 to 2000. From 1996 to 1998, Ms. Marchak managed a training and organizational development department at Jack in the Box.

Dawn M. Martin has been Senior Vice President and Chief Information Officer of Westcorp and Executive Vice President and Chief Information Officer of WFS Financial and Western Financial Bank since 1999. Ms. Martin joined WFS Financial, in April 1997 as Senior Vice President, Manager of Network Computing. Prior to joining us, Ms. Martin was Senior Vice President and System Integration Officer at American Savings Bank where she was employed from 1984 to 1997.

Cathy J. Mungon has served as Executive Vice President and Director of Project Office for WFS Financial and Western Financial Bank since December 2003. From 2002 to December 2003, she was Senior Vice President and Director of Project Office. From 1999 to 2002, she was Senior Vice President and Director of Operations for WFS Financial. Ms. Mungon joined Western Financial Bank in 1981 when she became a member of the Systems/ Training Department. She was promoted to Assistant Vice President of Western Financial Bank in 1985. In 1992, she was promoted to Vice President of Systems/ Training and Operations. In 1995, she transferred to WFS Financial as Vice President of Business Systems Support and Operations. Prior to joining us, Ms. Mungon was a training manager for Morris Plan and, previous to Morris Plan, Nationwide Finance.

Mark Olson has served as Controllor of Westcorp, WFS Financial and Western Financial Bank since 1995 and as Vice President of Westcorp and Senior Vice President of WFS Financial and Western Financial Bank since 1997. He joined Western Financial Bank in 1991 as Accounting Systems Director. Prior to joining the Bank, Mr. Olson was employed by Ernst & Young LLP. Mr. Olson is a licensed certified public accountant in California and a member of the American Institute of Certified Public Accountants.

J. Keith Palmer has been Treasurer of Westcorp, WFS Financial and Western Financial Bank since 1995, Vice President of Westcorp since 1996 and Senior Vice President of WFS Financial and Western Financial Bank since 1997. Prior to joining Western Financial Bank in 1993, Mr. Palmer served as a Capital Markets Examiner with the Office of Thrift Supervision from 1991 to 1993. From 1986 to 1991, Mr. Palmer served in various capacities with the Office of Thrift Supervision.

David W. Prescher has served as Executive Vice President and National Production Manager for WFS Financial since 2002 and Vice President of Western Financial Bank since 2003. Mr. Prescher joined WFS Financial in 1988 as Branch Manager of the San Diego office. In 1997, he was promoted to Senior Vice President and Chief Credit Officer, and in 1998 he was named Division Manager of the Western Division. Mr. Prescher is a board member of the California Financial Services Association.

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James E. Tecca has been Vice Chairman of Western Financial Bank since 2002. He served as President of Western Financial Bank from 1999 to 2002, after serving as Executive Vice President since 1996 in charge of the Commercial Banking Group. Prior to joining Western Financial Bank, he was a Senior Vice President with Bank of America for 20 years. In addition, Mr. Tecca was Chief Operating Officer with Bay View Federal Bank in San Francisco and President and Chief Executive Officer of Girard Savings Bank in San Diego.

Ronald Terry has served as Vice President and Chief Credit Officer of Westcorp since February 2004 and as Senior Vice President and Chief Credit Officer of WFS Financial since 2000. Prior to joining WFS Financial, Mr. Terry worked for Equifax, from 1999 to 2000, as an Automotive Finance Consultant. From 1997 to 1999, Mr. Terry was Credit Risk Manager at Mitsubishi Motors Credit of America. Prior to joining Mitsubishi, Mr. Terry was with Experian for six years managing the development of generic and custom scorecards.

Lee A. Whatcott has served as Chief Financial Officer of Westcorp, WFS Financial and Western Financial Bank since 1995, as Executive Vice President of Westcorp since 1999, and as Senior Executive Vice President of WFS Financial and Western Financial Bank since 1999. He also has served as Chief Operating Officer of Westcorp, WFS Financial and Western Financial Bank since 2002. Mr. Whatcott joined us in 1988 and was named Vice President and Controller in 1992 and Senior Vice President in 1995. Prior to joining us, he was employed by Ernst & Young LLP.

CODE OF ETHICS

All our directors, officers, and associates, including our Chief Executive Officer, Chief Financial Officer, and Controller, are required to abide by our Code of Ethics to insure that our business is conducted in a consistently legal and ethical manner. Our Code of Ethics covers all areas of professional conduct, including conflicts of interest, protection of confidential information, and strict adherence to all laws and regulations applicable to the conduct of our business. The Code of Ethics requires the reporting of any conduct believed in good faith to be an actual or apparent violation of the Code of Ethics. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain, and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by associates of concerns regarding questionable accounting or auditing matters. We currently have such procedures in place. Our Code of Ethics is published on our web site at www.westcorpinc.com

COMPENSATION OF EXECUTIVE OFFICERS

The following table discloses compensation received for the three fiscal years ended December 31, 2003, by our Chairman of the Board and Chief Executive Officer and the next four most highly compensated executive officers in 2003, also known as the named executive officers.

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| Name and Principal Position | Year | Annual Compensation(1) | | | Long-Term Compensation | | | All Other Compensation\$(4) |
|--|------|------------------------|------------|--------------------------------|---------------------------------|----------------------------|-----------------|-----------------------------|
| | | Salary(\$) | Bonus\$(2) | Other Annual Compensation\$(3) | Westcorp Stock Options (Shares) | WFS Stock Options (Shares) | Awards (Shares) | |
| Ernest S. Rady | 2003 | \$ 348,330 | \$ 250,000 | 0 | 40,000 | 0 | 0 | \$ 139,500(5) |
| Chairman of the Board of Directors and Chief Executive Officer of Westcorp and the Bank. | 2002 | 337,488 | 200,000 | 0 | 40,000 | 0 | 0 | (131,485) |
| Chairman of the Board of WFS | 2001 | 320,840 | 175,000 | 0 | 40,000 | 0 | 0 | 179,456 |
| Thomas A. Wolfe | 2003 | 487,499 | 300,000 | 0 | 35,000 | | | 104,244(6) |
| President of Westcorp, | 2002 | 412,492 | 250,000 | 44,800 | 35,000 | 0 | 0 | 42,810 |
| President and Chief Executive Officer of WFS and Vice Chairman of the Bank | 2001 | 341,660 | 210,000 | 76,850 | 25,000 | 0 | 0 | 24,978 |
| Lee A. Whatcott | 2003 | 384,167 | 219,000 | 0 | 25,000 | 0 | 0 | 96,776(7) |
| Executive Vice President and Chief Financial Officer | 2002 | 349,997 | 100,000 | 0 | 25,000 | 0 | 0 | 49,402 |
| of Westcorp. Senior Executive Vice President and Chief Financial Officer of WFS and the Bank | 2001 | 295,000 | 122,000 | 0 | 20,000 | 0 | 0 | 85,947 |
| David W. Prescher | 2003 | 285,831 | 143,000 | 44,407 | 20,000 | 0 | 0 | 76,307(8) |
| Executive Vice President of | 2002 | 261,227 | 124,000 | 0 | 20,000 | 0 | 0 | (9,107) |
| WFS and Vice President of the Bank | 2001 | 191,167 | 55,792 | 0 | 10,000 | 0 | 0 | 29,251 |
| Dawn M. Martin | 2003 | 242,500 | 85,000 | 33,240 | 10,000 | 0 | | 52,842(9) |
| Senior Vice President and Chief Information Officer | 2002 | 233,333 | 70,000 | 0 | 10,000 | 0 | 0 | 41,538 |
| of | 2001 | 220,833 | 62,000 | 0 | | | | |