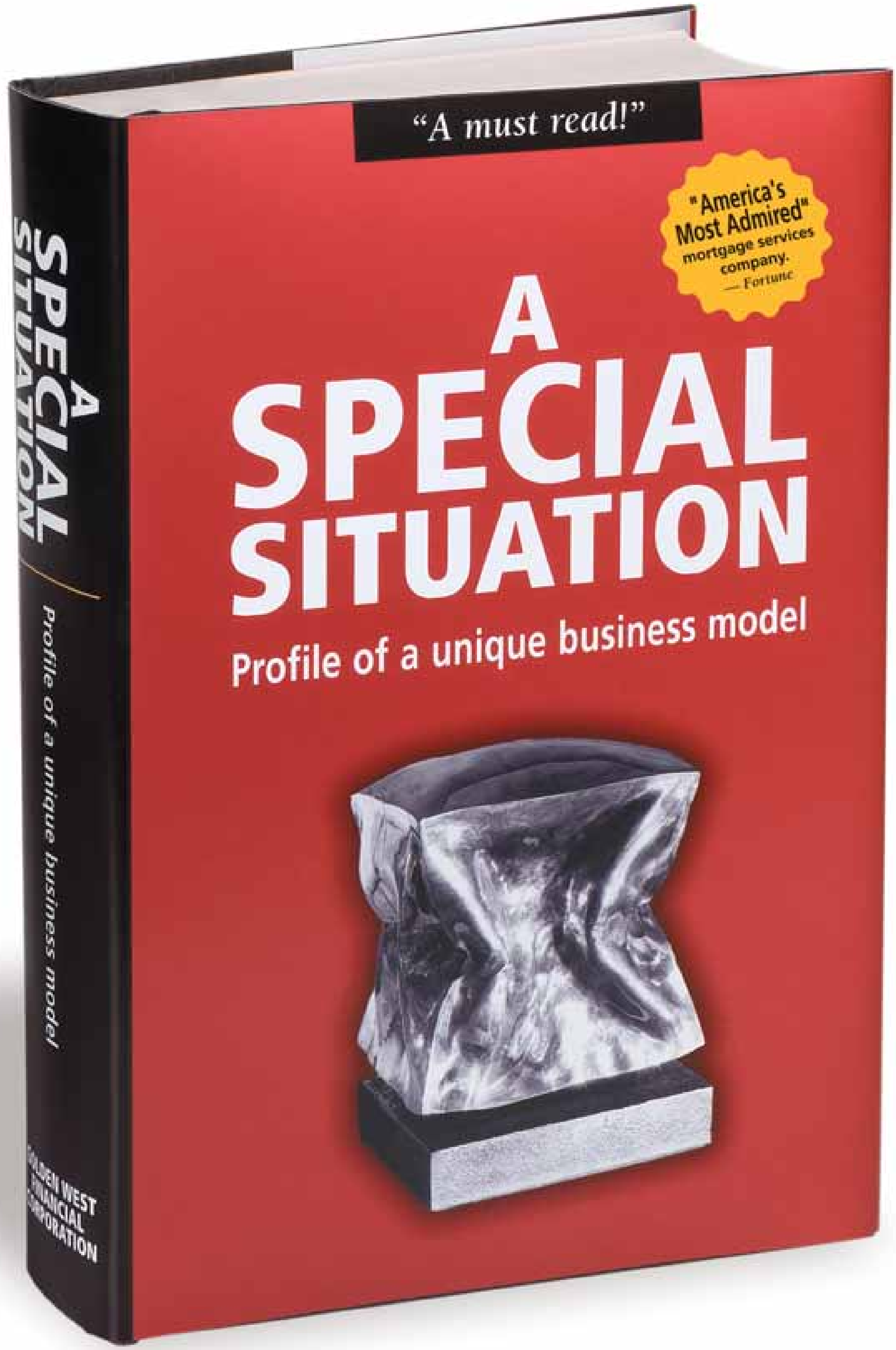
2003 Annual Report



GOLDEN WEST FINANCIAL CORPORATION®

Book jacket front cover sculpture *Bronze Cube* by Russ Michelson, 1970.

Golden West's Special Situation

Our unique business model has produced a long-term earnings record that outperformed most of the country's leading corporations for more than 35 years.

Here's our story.

Financial Highlights

(Dollars in thousands except per share figures)

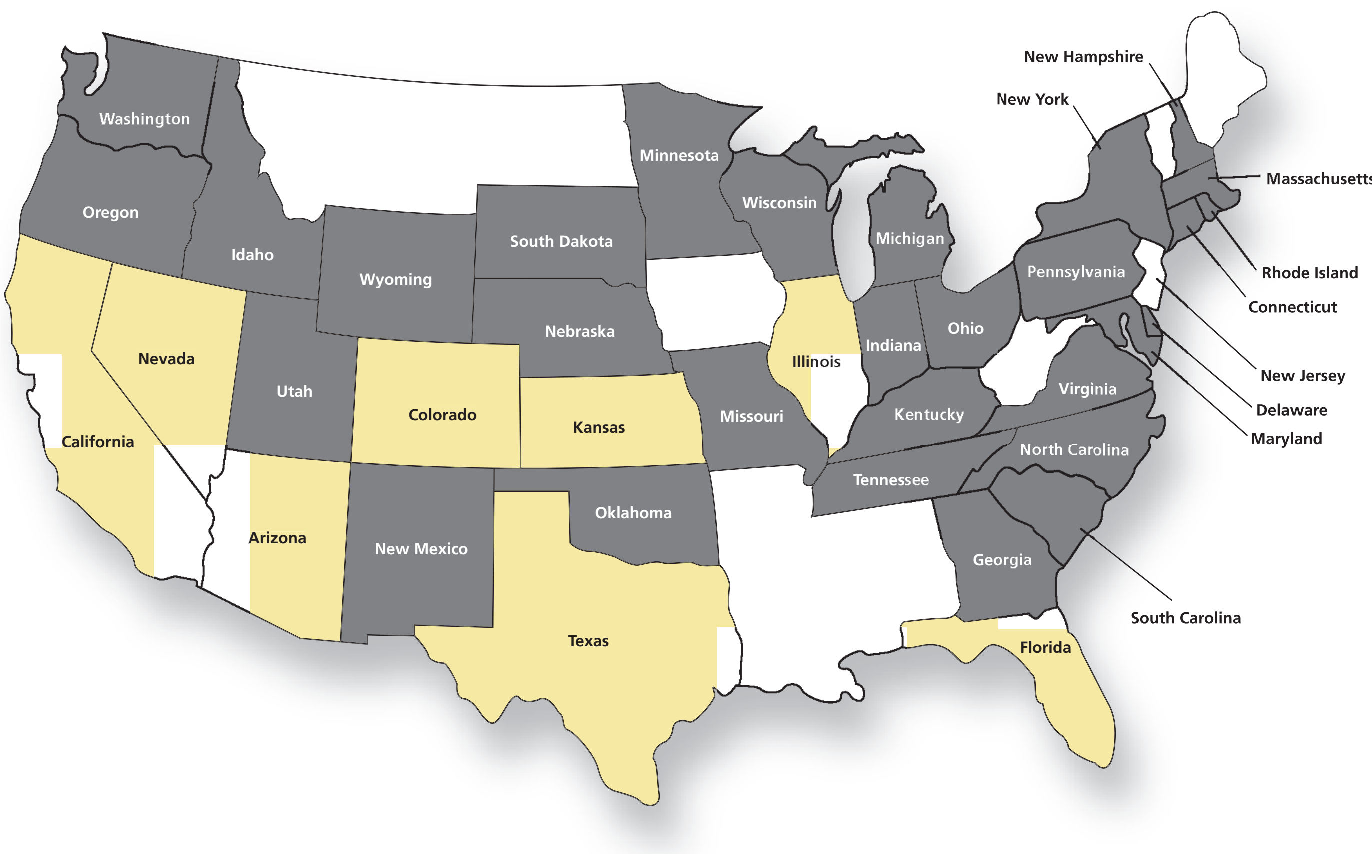
At Yearend	2003	2002
Assets	$82,549,890	$68,405,828
Loans receivable and mortgage-backed securities (MBS)	$78,311,016	$65,010,774
Adjustable rate mortgages and MBS	$75,238,723	$61,770,142
Deposits	$46,726,965	$41,038,797
Stockholders' equity	$ 5,947,268	$ 5,025,250
Stockholders' equity/total assets	7.20%	7.35%
Common shares outstanding	152,119,108	153,521,103
Book value per common share	$ 39.10	$ 32.73
Yield on interest-earning assets	4.54%	5.25%
Cost of funds	1.67%	2.32%
Yield on interest-earning assets less cost of funds	2.87%	2.93%
Nonperforming assets and troubled debt restructured/total assets	.51%	.62%
For the Year	**2003**	**2002**
Earnings before taxes on income	$ 1,789,335	$ 1,554,630
Net earnings	$ 1,106,099	$ 958,279
Basic earnings per share	$ 7.25	$ 6.20
Diluted earnings per share	$ 7.14	$ 6.12
Cash dividends on common stock	$ .3550	$ .3025
Average common shares outstanding	152,523,592	154,561,240
Average diluted common shares outstanding	154,987,203	156,682,180
Ratios:		
• Net earnings/average stockholders' equity (ROE)	20.33%	20.62%
• Net earnings/average assets (ROA)	1.50%	1.53%
• Net interest income/average earning assets	3.05%	3.17%
• General and administrative expense/ net interest income plus other income (Efficiency ratio)	28.57%	27.63%
• General and administrative expense/average assets	.98%	.96%

Information in this report may contain various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include projections, statements of the plans and objectives of management for future operations, statements of future economic performance, assumptions underlying these statements and other statements that are not statements of historical facts. Forward-looking statements are subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are beyond Golden West's control. Should one or more of these risks, uncertainties or contingencies materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Among the key risk factors that may have a direct bearing on Golden West's results of operations and financial condition are competitive practices in the financial services industries; operational and systems risks; general economic and capital market conditions, including fluctuations in interest rates; economic conditions in certain geographic areas; and the impact of current and future laws, governmental regulations, and accounting and other rulings and guidelines affecting the financial services industry in general and Golden West's operations in particular. In addition, actual results may differ materially from the results discussed in any forward-looking statements.

The Company

Golden West is a holding company that has as its principal asset World Savings Bank, a federally chartered savings bank, which is one of the nation's largest savings institutions and home mortgage lenders. Additionally, Golden West owns Atlas Advisers, an investment adviser to our Atlas family of mutual funds, and Atlas Securities, the distributor of our Atlas mutual funds and annuities.

Golden West conducts its business through an extensive network of World Savings retail branches through which the Company markets savings, checking, money market, and certificate of deposit accounts; home loans; and Atlas mutual funds and annuities. The Company also originates residential real estate mortgages through separate lending centers. Internet-based services for deposit and home loan products are available at www.worldsavings.com and for mutual funds and annuities at www.atlasfunds.com. To develop and retain long-term relationships with its customers, Golden West emphasizes high-quality, personal customer service, characterized by courtesy, efficiency, accuracy, and the ability to understand and respond to individual needs.



9 states with savings and lending operations

29 states with lending operations only

479 *Offices*

38 *States*

Golden West's Own Business Model

In last year's Report we posed the question, "Why is Golden West a special situation?" We answered by listing nine important attributes that together set the Company apart and reinforce our claim that we do not fit into any mold and that there are no comparables.

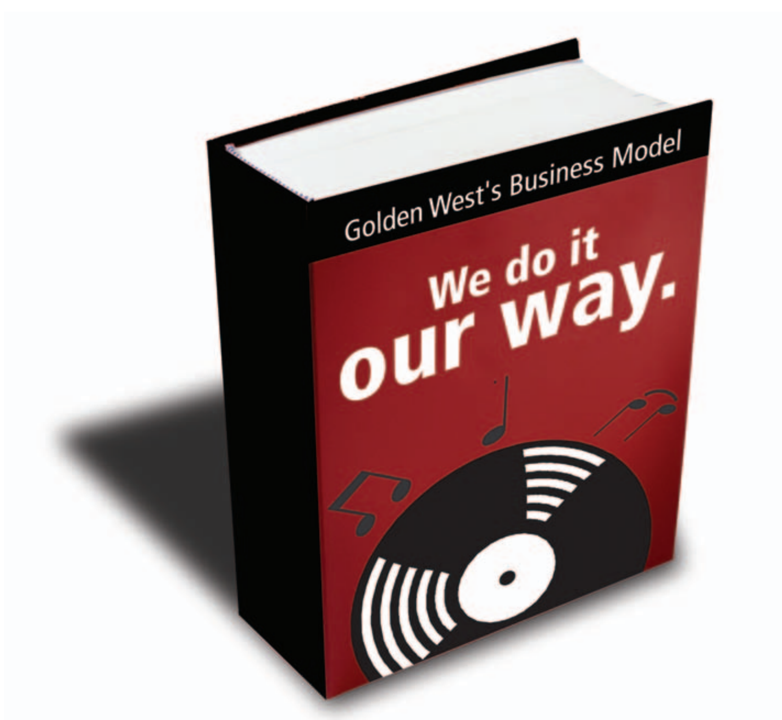
1. A unique business model
2. A long-term earnings record that has outperformed most of the country's leading corporations for 35 years, through all phases of the economic cycle
3. A high return using a risk-averse strategy
4. The ability to grow earning assets in virtually all environments
5. Unusual success in generating consumer deposits
6. High credit ratings
7. A low-cost expense structure
8. Strong shareholder identification
9. Easily understood, transparent financial statements

In this year's Report, we will explore in more detail the first item on the list—*A UNIQUE BUSINESS MODEL*—and address the what, why, and how of our corporate strategy.

What Our Very Own Business Model Focuses on: Residential Mortgages, Consumer Savings, Capital Market Borrowings, Low Costs, Limited Risks

To paraphrase a popular Frank Sinatra song, "We do it our way." Golden West's business model is straightforward, simple, and based on our classic savings and loan heritage. We are a risk-averse residential mortgage portfolio lender. The key word here is ***portfolio,*** which simply means that, unlike most of our competitors, we keep loans on the balance sheet rather than selling them. We are able to retain these earning assets, because of our ability to fund them through deposits from the general public and borrowings from the capital markets. Two factors essential for the success of this model are controlling expenses and minimizing risk. That's it. Simple. Straightforward. Uncomplicated.

A review of the operations of the 25 largest domestic U.S. financial depository institutions, of which Golden West is number 19,[1] shows that the Company is the only organization following a pure, residential mortgage portfolio strategy. On the one hand, commercial banking organizations make many additional kinds of loans, for example, to large, medium, and small businesses; for office buildings and shopping malls; and to consumers directly and through credit cards. Furthermore, many banks engage in activities such as stock brokerage and insurance. On the other hand, other large savings and loans have deviated from the traditional thrift model by attempting to reinvent themselves, mainly along the lines of commercial banks. We, however, have found many good business reasons for staying the course we have successfully charted for 40 years. Consequently, when looking at Golden West's business model in the context of other major institutions, we can easily say that the Company has no comparables.



Our business model is simple, straightforward, and uncomplicated.

Why We Like Our Business Model: Basic Needs, Big Markets, Bountiful Profits

It should come as no surprise that because we satisfy basic consumer needs—an affordable means to own a home and a safe place to invest savings—the markets in which we operate are sizable. On the mortgage lending side, the $7 trillion of U.S. one- to four-family home loans outstanding comprises one of the biggest pools of debt in the entire world, larger, for example, than the market for U.S. Treasury securities or domestic corporate bonds or commercial paper or consumer loans. In our deposit gathering activities, we compete in the *Personal Sector*, which according to the Federal Reserve, had more than $15 trillion invested in checking and savings deposits, money market mutual funds, and securities as of September 30, 2003.

Since we have chosen to do it our way, rather than falling in line behind our competitors, it is logical to ask what value has Golden West created by the rigorous implementation of our own business model? The answer is a company that is a "money machine," generating earnings that are

[1] "Top U.S. Bank and Thrift Holding Companies by Assets on September 30, 2003," *American Banker.*

substantial, growing, and easily understood. The compound average annual growth of Golden West's earnings per share since 1968, the year of the Company's initial public offering, has been 18%, 16% for both the past 25 and 15 years, and 23% for the last five. Few, if any, large public American corporations have matched this long-term record.

Why We Are Alone: The Impact of Commoditization

If Golden West's business model is simple and at the same time very successful at growing earnings per share, then why are we the only large publicly held financial institution following this strategy? The answer is that both our core lending and deposit-gathering businesses have been *commoditized*. Our core products are largely homogenous and undifferentiated. Examples of other commodities would include household products such as milk, breakfast cereal, bleach, and paper towels. Because there may be few, if any, distinguishing characteristics, customers often make choices based on price. As a result, companies operating in commoditized industries have thin profit margins. Many large financial institutions have reacted to commoditization by diversifying into higher margin, often riskier businesses. Golden West has chosen instead to carefully fine-tune our simple model to make it more efficient, risk averse, and profitable.

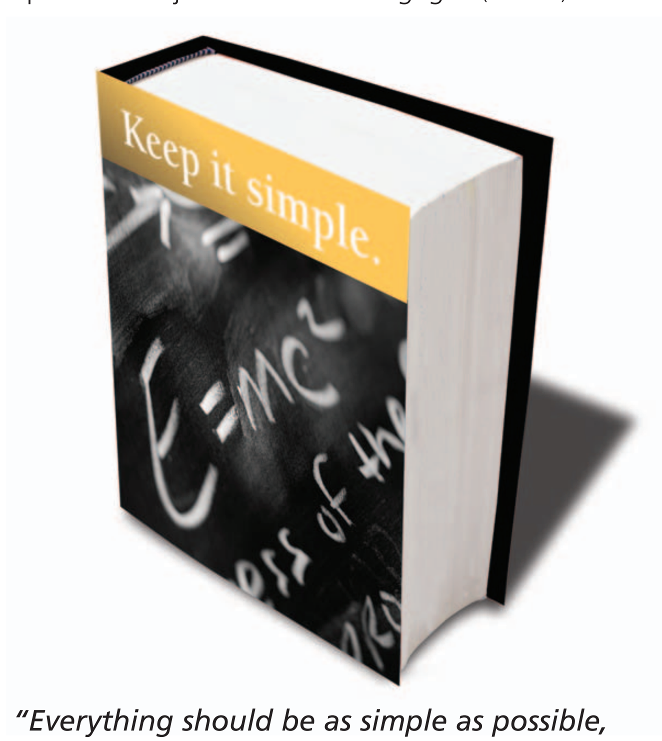
How We Are Successful: Skillful Execution of Our Business Model

Having our own business model is one thing. Being able to successfully execute all the elements is another. There are several important factors that explain why we have been able to effectively implement our unique business strategy.

We keep the model simple. We follow one of Albert Einstein's other theories, which says, "Everything should be as simple as possible, but no simpler." We have one major asset, residential mortgages, and therefore can focus on how to efficiently originate and retain in portfolio large volumes of high-quality home loans. Rather than growing vertically by diversifying into more and more businesses, we take what we do well and expand horizontally into additional geographic areas. At the beginning of 1975, we operated in one state and had 45 branches. At December 31, 2003, we had deposit-gathering operations in nine states and lent in 38 states through a total of 479 offices. And there's another benefit to simplicity: Investors, customers, regulators, and employees can easily understand the what, why, and how of our results.

We are dedicated to expense control. We keep our general and administrative expenses (G&A) low, which enhances profitability. Our G&A strategy focuses on productivity through the careful control of day-to-day expenditures and disciplined investment in people, processes, technology, and facilities.

We are risk averse. We closely manage interest rate and credit risk to avoid large swings in our profitability. In particular, we originate and keep in portfolio adjustable rate mortgages (ARMs) to

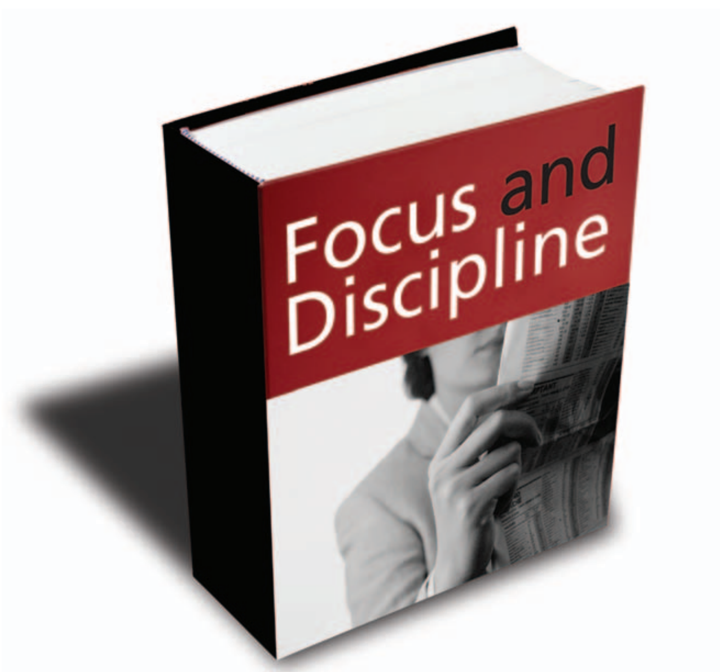


"Everything should be as simple as possible, but no simpler." —Albert Einstein

squeeze interest rate risk out of our balance sheet. Almost all of our ARMs have rates that adjust monthly, enabling our earning assets to respond to movements in interest rates.

Additionally, we are obsessed with asset quality. In fact, we are so dedicated to originating high-quality loans that our ratio of net chargeoffs to average loans has averaged zero for the past six years and .05% for the past ten, which included several years where we were affected by the deep California real estate recession of the early to mid-1990s. The highest net chargeoff ratio we recorded was .18% in 1994, significantly lower than other major California residential real estate lenders. We also constantly look for potential problems that could affect our ability to execute our strategy effectively. Such challenges could include changes in the business or regulatory environment or actions by our competitors. Consequently, we try to anticipate what can go wrong and develop contingency plans.

We are analytical, focused, and disciplined. We look at all aspects of our strategy and operations from both a quantitative and a qualitative viewpoint. A critical question that we constantly ask before any investment or new initiative is "What's the good business reason for doing this?" If we can't come up with an answer that enhances our efficiency or customer service, we simply don't undertake that project. We simulate and evaluate future financial results under a wide variety of potential interest rate and business environments to understand both opportunities and risks.



Before any investment or new initiative is made, we ask ourselves, "What's the good business reason for doing this?"

We look for ways to improve our processes to achieve productivity gains and provide better customer service. And, when evaluating capital projects, we always carefully analyze costs and benefits.

So, in closing, we would like to ask one more time: What do you call a company that has no comparables and whose execution of its own business model has resulted in a long-term earnings record that has outperformed almost all of the country's leading corporations for over 35 years?

Answer: A Special Situation

From the Office of the Chairman

The story behind Golden West's performance in 2003 involves how we executed the Company's unique business model in an environment dominated by the lowest interest rates since the Eisenhower administration in the 1950s. Through skillful operation of the Company under these unusual conditions, Golden West posted all-time highs in three important measurements of success:

Record earnings

Diluted earnings per share climbed to $7.14, for 17% growth over 2002's $6.12, and, as shown in the ten-year Summary of Operations on pages 30-31, marked the ninth straight year of year-over-year increases.

Record loan originations

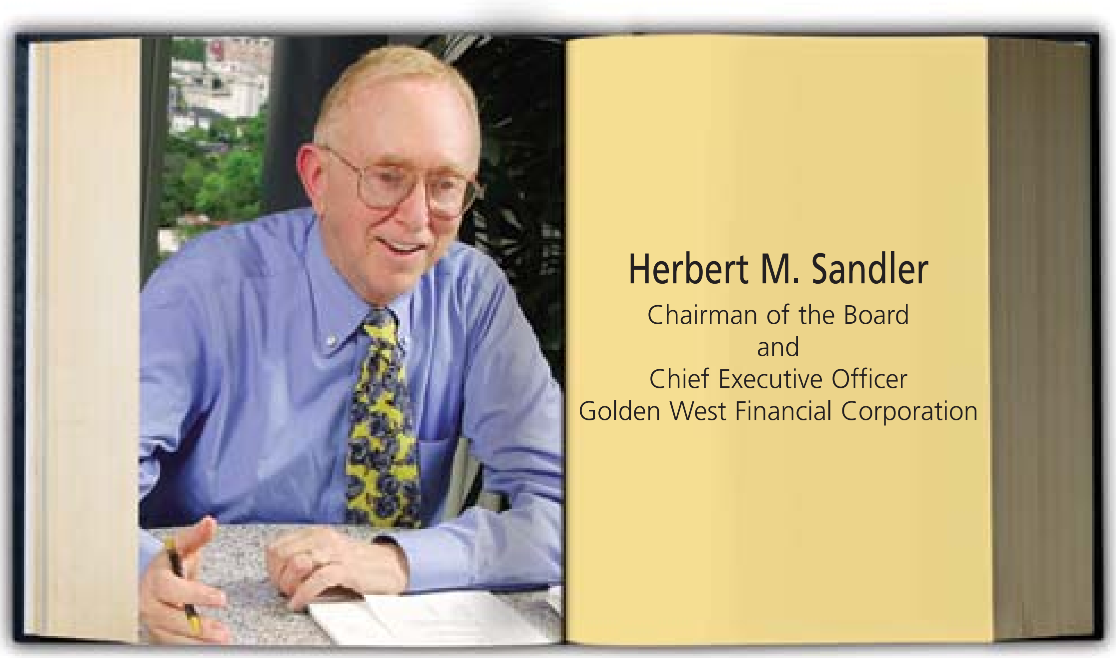
Mortgage volume reached $36.0 billion, up 35% from the $26.7 billion produced in 2002. Adjustable rate mortgages comprised over 93% of these originations.

Record capital

Net worth rose to $5.9 billion, 18% higher than the 2002 yearend balance.

Golden West's business model involves our functioning as a middleman, gathering funds with one hand and lending with the other. Consequently, our results are always affected by the level and direction of interest rates, which influence what we pay for deposits and borrowings and what we charge our loan customers. In 2003, interest rates fell to the lowest levels since 1958. In order to understand the impact of exceptionally low rates on the unfolding story of how we executed our business model in 2003, we'll briefly review trends in both short- and long-term yields.

The first step is to summarize the actions taken by the Federal Reserve (Fed) to influence the level

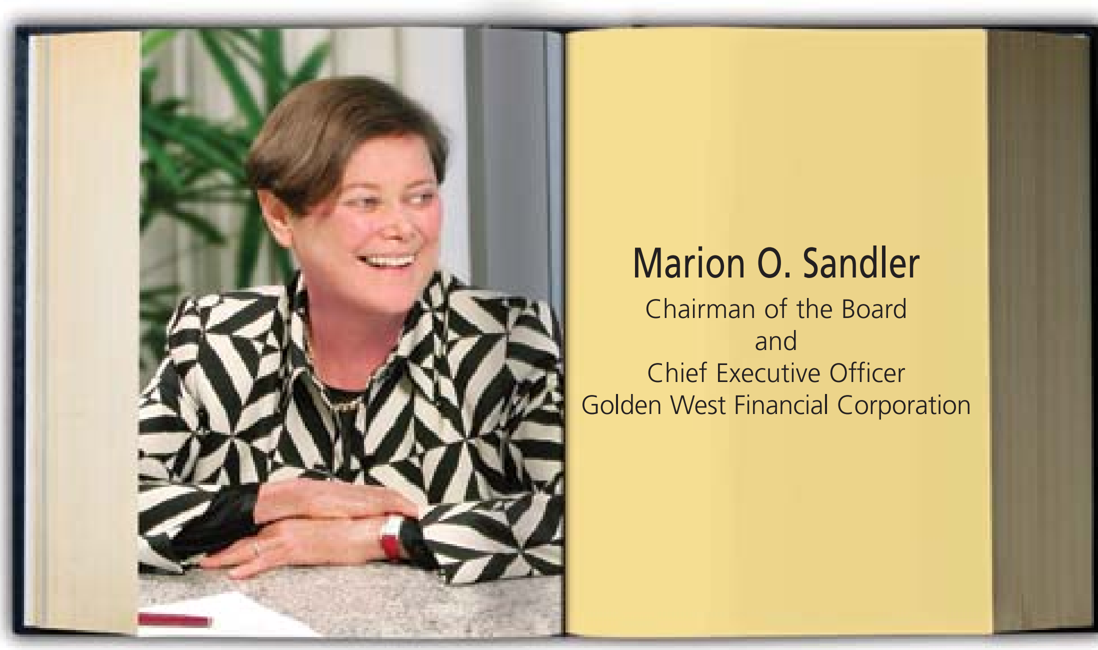


of short-term interest rates. Specifically, the Fed lowered the federal funds (fed funds) rate by a total of 525 basis points in 2001 and 2002 to stimulate the then-weak economy. With the business environment still sluggish at the beginning of 2003, the Fed made an additional 25 basis point cut in June, thereby reducing the fed funds rate to 1.0%. These moves had an impact on our business, because the fed funds rate influences yields on short-term and variable rate instruments, which, in turn, affect both the yield on our adjustable rate mortgage portfolio and the cost of our deposits and borrowings.

The next step is to review changes in long-term interest rates by examining the behavior of the Ten-Year U.S. Treasury Note yield, which heavily influences the rate on fixed-rate mortgages. In June 2003, the Ten-Year Note bottomed out at 3.13%. Shortly afterward, the ten-year yield, which is affected less by actions of the Fed and more by investor behavior, moved up, finishing the year 114 basis points above the June trough.

The stimulating effect of lower interest rates and other government actions began to be felt in the spring of 2003. The growth of the U.S. Gross Domestic Product accelerated from a modest 1.4% in the first quarter to 8.2% in the third quarter and an estimated 4.0% in the fourth. Unfortunately, job growth lagged the economic expansion, and unemployment remained around 6% for most of the year, compared with the 4% level in 2000 and early 2001. Despite disappointing job creation for much of 2003, the improving economy and low interest rates produced favorable conditions for Golden West.

The most significant business opportunity for us in 2003 occurred in mortgage lending, as low interest rates stimulated a record demand for home loans for two purposes: to refinance existing mortgages and to purchase houses.



In particular, the low short- and long-term interest rates in 2003 facilitated the continuation of the three-year-old mortgage refinance boom, as millions of homeowners traded in higher-cost loans for new lower-priced ones. Additionally, low interest rates also continued to bolster home sales, with a record 7.2 million residences changing hands in 2003, up 9.5% from the previous all-time high of 6.5 million set in 2002. As in recent years, the affordable cost of mortgages allowed many existing owners to move up to larger houses. Furthermore, low loan rates made the dream of homeownership a reality for many renters, and, as a result, national homeownership reached its highest level ever at 68.6% of households, up from 64% in 1990.

Due to the unprecedented consumer demand for home loans in 2003, national mortgage originations set an all-time high for the third consecutive year, with lending on one- to four-family homes reaching $3.8 trillion, or 53% higher than the previous record of $2.5 trillion set just a year earlier. To put these origination figures in perspective, the $3.8 trillion of mortgages written in 2003 was equivalent to an astounding 59% of the $6.5 trillion of single-family housing debt outstanding at the end of 2002.

Given 2003's low interest rates, an almost insatiable craving of consumers to refinance existing mortgages, and the historically high demand for home purchases, it is no surprise that Golden West turned in record loan origination numbers, which led to the 20% growth of our mortgage portfolio.

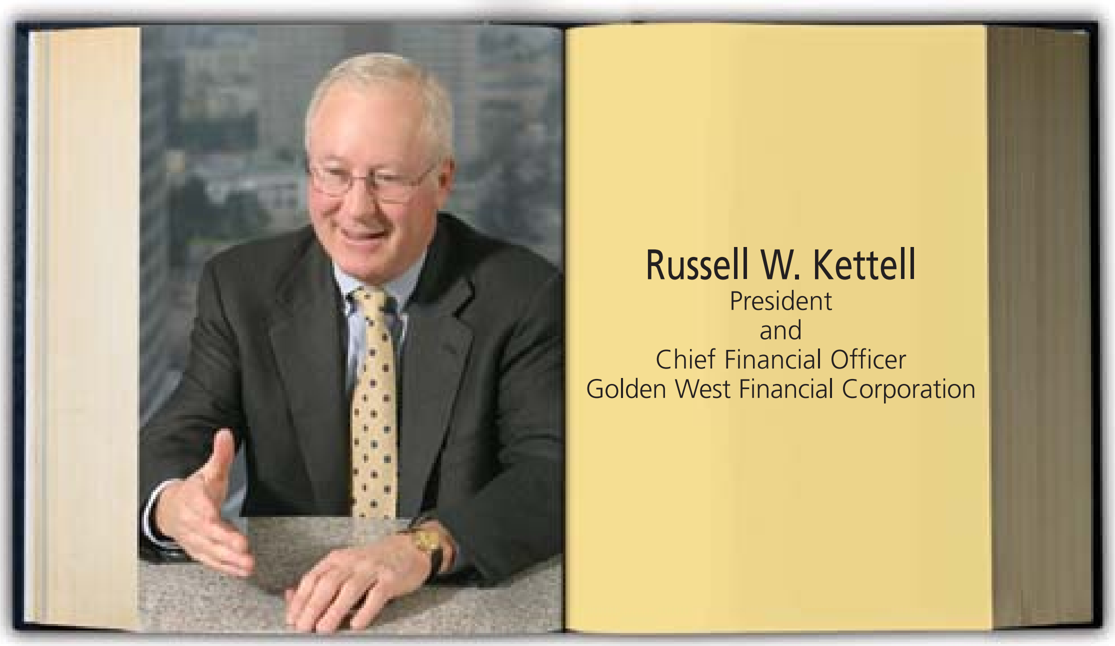
The refinance boom contributed to the pickup in the economy by putting more money in consumers' pocketbooks. Specifically, by replacing higher-cost mortgages with lower-cost loans, homeowners reduced monthly payments in the

James T. Judd
Senior Executive Vice President
Golden West Financial Corporation
President
and
Chief Operating Officer
World Savings

process and thus had more disposable income. Additionally, borrowers often tapped the equity in their homes by taking out larger mortgages or home equity loans to obtain cash they could invest or spend. Thus, the single-family mortgage industry was one of the engines that kept the economy on an upward trajectory in 2003.

To fund our record-setting mortgage originations and strong portfolio growth, we used a variety of sources in 2003. Because both mortgage repayments and sales of fixed-rate loans were larger than normal, they made the largest contribution to our funding needs. Consumer deposits and capital market borrowings made up the difference.

Having provided you with an overview of the year's background and important results, we now ask you to turn the page and read the details of how the intertwined themes of low interest rates and the execution of Golden West's unique business model played out in 2003.



Loan Operations

Chapter One Loan Operations

We begin the narrative of Golden West's 2003 performance with an account of how we executed the mortgage origination portion of our unique business model in a sizable, but highly competitive, home lending market. Nationwide, the historically high $3.8 trillion consumer appetite for mortgages in 2003 created an unusually good environment for producing new loans. In this context, Golden West posted record 2003 mortgage volume of $36.0 billion, 35% higher than our previous all-time high of $26.7 billion reported in 2002. While the amount of our 2003 originations was unusual, the composition of these mortgages was even more so: Over 93% were in the form of adjustable rate mortgages (ARMs), a major accomplishment in view of the very low rates prevailing on competing fixed-rate mortgages (FRMs).

Executing Our Business Model in a Very Low Rate Environment

Golden West's business model is unique among mortgage lenders, because we focus on originating adjustable, rather than fixed-rate, mortgages. Furthermore, we specialize in loans with rates that adjust monthly, rather than in hybrids, which are really more akin to FRMs than to ARMs. The ease or difficulty of executing our strategy depends to some degree on the interest rate environment. As described below, with rates on FRMs unusually low in 2003, the Company operated under some of the more challenging competitive conditions we have ever encountered in over twenty years of originating monthly adjusting ARMs.

We carried out our 2003 lending program under the following seesaw-like interest rate environment:

- During the first half of the year, rates on traditional 30-year mortgages continued the freefall that started in 2000. For a time, fixed-rate mortgages could be obtained at rates below 5% and ARMs below 4%.

Author's Note

Monthly Adjusting ARMs

ARMs come in several varieties ranging from World's monthly adjustables, which may be considered a generic species, to hybrids, which effectively start as short-term fixed-rate loans and then turn into adjustables for the rest of their remaining terms to maturity.

The most important distinction among ARMs is the frequency with which rates on these loans change. On the one hand, because the interest rates on Golden West's loans adjust each month, the yield on the Company's mortgage portfolio responds to movements in market rates. The good news for borrowers is that payments change only once a year, and, in most cases, our customers are protected from "payment shock" by a 7.5% annual limit on increases. On the other hand, hybrids begin their lives as fixed-rate loans for three to five years, or sometimes as long as seven to ten, and provide for periodic adjustments after the first rate change. In effect, the lender has given up much of the interest rate protection that ARMs can provide an institution.

Nationwide, hybrid loans constituted the largest component of adjustable rate mortgage originations in 2003.

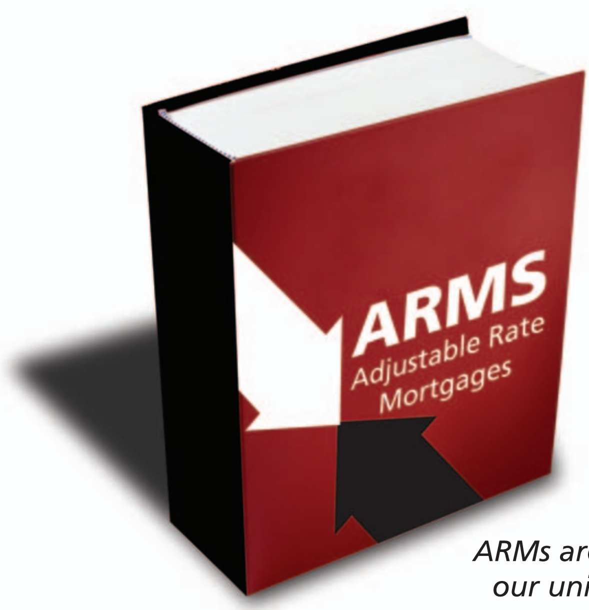
New Loan Originations by Type and by Purpose
2002–2003
(Dollars in Thousands)

	For the Year Ended December 31					
By Type	2003			2002		
	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total
Residential (one unit)	181,042	$33,730,118	93.8%	117,664	$24,946,030	93.4%
Residential (two to four units)	5,752	1,308,127	3.6	3,456	817,466	3.1
Residential (five or more units)	1,564	946,476	2.6	1,265	919,394	3.5
Total	188,358	$35,984,721	100.0%	122,385	$26,682,890	100.0%
By Purpose	2003			2002		
	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total
Purchase	50,540	$10,693,372	29.7%	48,292	$10,188,265	38.2%
Refinance	137,818	25,291,349	70.3	74,093	16,494,625	61.8
Total	188,358	$35,984,721	100.0%	122,385	$26,682,890	100.0%

Consequently, the refinance boom, which actually began when loan costs headed down a few years ago, continued unabated. In particular, many homeowners refinanced the same mortgages again and again to benefit from continuing rate declines.

- Long-term interest rates, which have a bearing on the cost of fixed-rate mortgages, rose significantly in the summer and then retraced a portion of the move in September. FRM prices followed suit. Refinance activity in particular fell off significantly nationwide when rates turned up, but then bounced back somewhat when the cost of FRMs declined. This seesaw continued for the rest of the year, as long-term rates bobbed up and down. In the midst of these gyrations, the cost of ARMs remained low and stable, thereby giving adjustables a significant price advantage over FRMs when rates on fixed loans increased. As a result, during the second half of the year, an increasing number of borrowers found ARMs appealing.

To appreciate the significance of the Company's 2003 lending performance in the interest rate environment just described, it is important to remember that Golden West's primary product, the adjustable rate mortgage, competes against the traditional fixed-rate mortgage in what is largely a commoditized business. Borrowers tend to be more familiar with FRMs and so frequently



ARMs are an excellent fit with our unique business model.

start the shopping process there. And, when rates are historically low, as in 2003, consumers are especially drawn to fixed loans in order to lock in payments for the long term. Although borrowers may initially look at FRMs, many customers ultimately gravitate to ARMs when the cost of adjustables is below fixed. Additionally, adjustables frequently offer superior flexibility and terms that often meet the needs of borrowers better than FRMs. Once these advantages are pointed out, consumer interest in ARMs increases.

In executing our adjustable rate lending strategy in 2003, we employed both offensive and defensive tactics to counter the stiff competition from very low rates offered on FRMs. Our loan sales force emphasized the many superior characteristics of ARMs, including low rates and initial payments, as well as the ability to benefit automatically from declines in interest rates by eliminating the need for serial refinancing. Another major Golden West advantage was our capacity to close transactions faster than many fixed-rate lenders who could not service their customers in a timely manner. Although our main focus in 2003 remained adjustable loans, we also offered fixed mortgages to those customers whose minds were set on these instruments. But to avoid the interest rate sensitivity exposure of FRMs, we sold the great majority of our $2.3 billion of fixed originations.

Our loan story in 2003 involves not only originations, but also mortgage repayments. Because the two tend to be intertwined, we need to review the composition of the nationwide loan production for all lenders in order to put the volume of our repayments in perspective. Specifically, because of the year's low mortgage rates, approximately $2.5 trillion, or 66% of the 2003 U.S. originations, were in the form of refinances. The remaining $1.3 trillion were purchases fueled by a record 7.2 million of home sales. Therefore, it should not be surprising that 70% of Golden West's originations were refinances, most of which came from new customers who paid off mortgages held by other institutions. At the same time, our own borrowers were being solicited by competitors. We protected our own portfolio by reminding borrowers of the advantages of ARMS, including low payments and interest rates obtained without having to go to the bother and expense of refinancing. Even though more Golden West borrowers paid off their mortgages in 2003 than in prior years, our runoff rate was actually quite moderate. By way of comparison, the annualized mortgage repayment rate at large FRM lenders exceeded 50% in many months.

Total Mortgage Repayments and Mortgage Repayments as a Percent of Beginning of Year Loan Portfolio Balance 1999–2003 (Dollars in Millions)

	For the Year Ended December 31				
	2003	2002	2001	2000	1999
Mortgage repayments[(a)(b)]	$20,043	$15,551	$15,570	$6,921	$7,706
Percent of beginning of year loan portfolio balance[(b)]	31%	28%	30%	17%	21%

(a) Consists of large, unpredictable sums from the early payoff of mortgages and small, steady amounts of amortization from monthly loan payments.
(b) Includes mortgage-backed securities.

Keeping Our Focus on Loan Quality

It is truly gratifying that Golden West's loan quality continued to be outstanding in 2003. In particular, our nonperforming asset (NPA) level, measured on both a dollar and percentage basis, was modest. The Company's balance of NPAs and troubled debt restructured (TDRs) at December 31, 2003 remained comparable to the prior yearend, while the ratio of NPAs and TDRs to total assets decreased by 11 basis points. These favorable trends reflected both our historical emphasis on originating high-quality loans and the overall strength of the housing market. The latter played a role, because, although unemployment remained elevated in 2003, housing prices in most of our lending territories continued to increase. As a result, borrowers who were delinquent often had equity in their properties and therefore could sell their homes at a profit, thereby avoiding foreclosure.

Nonperforming Assets[a], Troubled Debt Restructured[a], and Ratio of Nonperforming Assets and Troubled Debt Restructured to Total Assets 1999–2003 (Dollars in Millions)

	December 31				
	2003	2002	2001	2000	1999
Nonperforming Assets (NPAs)	$424	$424	$394	$239	$236
Troubled Debt Restructured (TDRs)	3	-0-	1	2	11
Total NPAs and TDRs	$427	$424	$395	$241	$247
Ratio of NPAs and TDRs to total assets	.51%	.62%	.67%	.43%	.59%

(a) For definitions of nonperforming assets and troubled debt restructured, see the Glossary on pages 27-29.

Even though loan quality was not a problem in 2003, we did not let our guard down. The reason: We know that one of the keys to the success of our business model is keeping credit quality high so that the costs associated with problem assets do not cut into net income. Specifically, nonearning assets can have an adverse impact on profits and net worth by reducing net interest income when borrowers stop making payments and increasing general and administrative expenses due to managing foreclosed real estate. Furthermore, losses may be realized upon the sale of repossessed properties.

Although loan losses were not an issue in 2003, we still remained vigilant about maintaining high quality, because house prices are often driven up in low interest rate environments as mortgages become affordable to a larger group of prospective buyers. The dynamics are simple: The lower the interest rate, the smaller the monthly loan payment. Thus, when mortgage costs are low, borrowers who previously could not afford homes are drawn into the market. Plus, existing homeowners find that they can afford a more expensive property than when rates are higher. As a result, demand increases. And since the housing supply cannot expand as fast as the number of households in the market for residential properties, this imbalance contributes to higher home prices. When interest rates increase, demand often diminishes and home values stabilize or even decline.

One of the best ways to protect the quality of our mortgage portfolio from the impact of any decrease in housing prices is to ensure that the loan balance outstanding is significantly below the original value of the property.

As the table below shows, our mortgage portfolio was safeguarded by conservative loan-to-value ratios at December 31, 2003.

Average Loan-to-Value (LTV) for Mortgages Originated in 2003, Average LTV of the Mortgage Portfolio at December 31, 2003, and Percentage of Loan Balances with LTVs over 90% at December 31, 2003

Average LTV: mortgages originated in 2003	71%
Average LTV of the mortgage portfolio at December 31, 2003[a]	68%
Percentage of loan balances with LTVs over 90% at December 31, 2003[a]	1.1%[b]

(a) LTVs do not take into consideration any change in value of properties backing older loans.
(b) Almost all these loans carry mortgage insurance.

Sources of Funds

Chapter Two Sources of Funds

Our money raising story in 2003 centers on how we procured substantial volumes of cash to implement our unique business model. Specifically, in view of our record mortgage originations and the 20% growth of our loans receivable in 2003, Golden West's appetite for funds was the largest in the Company's history. Consequently, we shopped a variety of money sources in order to provide a balanced diet of cash. As is true in most years, loan repayments supplied the basic meat and potatoes, while the other sources were smaller, but nutritionally important, side dishes. The very low interest rate environment in 2003 significantly influenced not only the amount of money raised, but also, in the case of deposits and borrowings, the price we paid.

Loan Repayments, Loan Sales,
Retail Deposit Growth, and Net Change in Borrowings
1999–2003
(Dollars in Millions)

	For the Year Ended December 31				
	2003	2002	2001	2000	1999
Loan repayments[a]	**$20,043**	$15,551	$15,570	$ 6,921	$ 7,706
Loan sales[a]	**3,218**	2,605	2,924	350	1,196
Retail deposit growth	**5,688**	6,566	4,610	2,748	896
Net change in borrowings	**7,471**	2,498	(2,313)	10,000	3,046
Total sources of funds	**$36,420**	$27,220	$20,791	$20,019	$12,844

(a) Includes mortgage-backed securities.

Loan Repayments and Loan Sales

Because Golden West is a portfolio lender, we have a built-in source of cash: funds received from repayments of existing loans. Of course, the amount we receive in any given year depends on the volume of homes sold and the demand for refinances. As described in Loan Operations on pages 11-14, historically low mortgage rates resulted in all-time high nationwide home loan originations in 2003. And, because most new mortgages replaced existing ones, repayments also reached record proportions. During the year, many of our own borrowers opted to take advantage of exceptionally low interest rates to refinance their mortgage or to sell their current residence and purchase a new one. As a result, our own repayments were unusually large, reaching $20.0 billion and supplying the largest source of cash to feed the record-setting output of our loan machine. Additionally we obtained money from selling fixed-rate mortgages. Although loan sales made the smallest contribution in 2003, this avenue provided somewhat more funds than in past years.

Author's Note
Monthly Repayments

Golden West's loan portfolio provides cash in two ways:

- *Mortgage payoffs, which occur when borrowers sell their residences or refinance existing loans.*
- *Principal amortization, which consists of scheduled monthly payments to reduce loan balances.*

Savings

Consumer savings net inflows contributed $5.7 billion to our funding needs in 2003, down from the $6.6 billion record reported in 2002. Although somewhat smaller, deposit growth in 2003 was the second largest in the Company's history.

Not surprisingly, the year's very low interest rates significantly affected the cost of our deposits, which fell by 71 basis points for two reasons.

First, we gradually decreased rates on our liquid products during the year. And, second, older higher-cost certificate accounts rolled over at maturity to new lower-priced ones.

In order to gather deposits in 2003, we needed to find a compelling message to attract consumer dollars during this period of exceptionally low yields.

With rates at 45-year lows, that meant offering the public safe, secure accounts that carried better returns than the almost invisible yields that could be garnered on money market mutual funds or other short-term investments. Although we paid the lowest rates in our history, our accounts were still often the "best game in town." Net deposit inflows were strong in the first eight months of the year, then slowed in the fourth quarter, perhaps because investors were increasingly drawn to the recovering equities markets.

There's another very important aspect of our deposit-gathering operations that contributed to the success of our savings program in 2003: our retail sales orientation. In particular, we make our products available to the investing public through 271 conveniently located branches in nine states. Our well-trained in-branch staff provides "high-touch" customer service. We promote our products through local media. And technologically savvy customers can do business with us over the Internet at www.worldsavings.com.

Borrowings

Borrowings from the Federal Home Loan Banks and the capital markets were an important source of lendable funds in 2003. By yearend, our debt had expanded by $7.5 billion, marking the largest increase since 2000. Because of the prevailing low market interest rate environment in 2003, the price of new debt was exceptionally attractive, and, consequently, contributed to the decline in the cost of our borrowings to 1.37% at yearend, from 1.85% at December 31, 2002.


Capital

Chapter Three Capital

Our story about capital in 2003 repeats familiar themes:

- Maintaining a large net worth base that fortifies the Company's balance sheet and provides substantial operating flexibility.
- Using capital to enhance profits by supporting the expansion of our mortgage portfolio and purchasing Company stock opportunistically.
- Achieving a strong return on equity, contributing to "Double A" credit ratings.

Here are the details of how each advanced our unique business model in 2003.

As in prior years, we retained most of our earnings in 2003, thereby increasing our stockholders' equity to an all-time high of $5.9 billion, an 18% increase over the prior yearend. This substantial net worth allowed us to easily support the 20% growth of the Company's mortgage portfolio. Expanding the balance of our loans receivable is always the first priority for use of our capital, because these earning assets generate the net interest income that is our largest source of revenue. Obviously, the more loans we have, the more profits are produced by Golden West's unique business model.

In 2003, our capital and total assets both increased at comparable rates, and, consequently, Golden West's ratio of stockholders' equity to total assets finished the year virtually unchanged: 7.2%, compared with 7.3% at December 31, 2002. Golden West's return on equity (ROE) was also impressive, exceeding 20% for the third consecutive year, a testament to the Company's earning power.

The ROE calculation focuses on the relationship of two variables: net worth and earnings. On the one hand, the higher the level of net worth, the greater the profits that must be generated to produce a favorable ratio. On the other hand, the lower the stockholders' equity, the lower the earnings required to produce the same ratio. As the table below demonstrates, Golden West has been able to achieve outstanding ROEs despite having a large capital base.

Author's Note

Return on Equity (ROE)

The difference between a company's assets and its liabilities is the residual ownership interest called stockholders' equity, net worth, or capital.

Return on equity (ROE) is a measure of a company's earnings in relation to average stockholders' equity.

$$ROE = \frac{\text{Earnings}}{\text{Average Stockholders' Equity}}$$

Stockholders' Equity, Total Assets, Ratio of Stockholders' Equity to Total Assets, and Return on Equity 1999–2003 (Dollars in Millions)

	December 31				
	2003	2002	2001	2000	1999
Stockholders' equity	$ 5,947	$ 5,025	$ 4,284	$ 3,687	$ 3,195
Total assets	82,550	68,406	58,586	55,704	42,142
Ratio of stockholders' equity to total assets	7.2%	7.3%	7.3%	6.6%	7.6%
Return on equity[a][b]	20.3%	20.6%	20.4%	16.2%	15.2%

(a) Earnings divided by average equity.
(b) For 2001, see footnote (b) on page 30.

At the same time that we used net worth to support rapid mortgage expansion in 2003, we also had capital available to opportunistically purchase 2.0 million shares of Golden West stock. The modest amount of shares repurchased was lower than the previous seven years, in part because we wished to preserve the Company's net worth to support future growth opportunities that are often created by rising interest rates, which frequently stimulate demand for our adjustable rate mortgage products.

While most of the story so far has described net worth's important role as a facilitator of the Company's unique business model, it is important to note the direct contribution capital makes to the bottom line. Golden West invests most of its net worth directly in earning assets, but pays no interest for the use of these funds. As a result, "free" funds contributed an estimated $145 million, or $.93 per diluted share, to the Company's profits in 2003.

Having high capital provides benefits to our World Savings operating subsidiary. In particular, World has earned "Double A" credit ratings from both Moody's Investors Service and Standard & Poor's, the nation's two leading credit evaluation agencies.

These rankings, which are the highest ever obtained by an independent savings institution, allow us to borrow from the capital markets at attractive rates and reinforce the image of the Company with investors, equities analysts, customers, and business partners.

One last word on the part that net worth plays in enabling growth: Regulated depository institutions, such as World Savings, must maintain specified minimum ratios of capital to assets. So, the more equity a bank or thrift has, the more earning assets the company can have on its balance sheet. As seen in the table below, at yearend 2003 World's capital ratios were significantly above the minimums for the "well-capitalized" category, the highest level established by our regulator. As a result, our subsidiary is well-positioned to accommodate future earning asset growth. Furthermore, World's high capital qualifies the institution for the minimum federal deposit insurance rates and enables our subsidiary to minimize time-consuming and expensive regulatory burdens.

Regulatory Capital Ratios for World Savings Bank, FSB

	As of December 31, 2003		
	Leverage Ratio[(a)]	Ratio of Tier 1 Capital to Risk-Weighted Assets[(b)]	Ratio of Total Capital to Risk-Weighted Assets
Minimum requirement for a well-capitalized savings bank[(c)]	5.00%	6.00%	10.00%
World Savings Bank, FSB ratios	7.45%	13.52%	14.16%

(a) Core capital divided by adjusted total assets, as defined by the Office of Thrift Supervision (OTS).
(b) Core capital divided by risk-weighted assets, as defined by the OTS.
(c) The highest of five capital adequacy classifications adopted by the OTS pursuant to the Federal Depository Insurance Corporation Improvement Act of 1991. See Management's Discussion, page 63.

Earnings

Chapter Four Earnings

Everyone loves a happy ending, and reporting Golden West's earnings results is a rewarding way to finish up our 2003 story. By continuing to execute the simple, straightforward strategy we have described throughout this book, the Company posted record profits. As a result, we once again experienced good reviews: Average compound diluted earnings per share has now grown 23% over the past five years and 16% over the past twenty-five.

In terms of earnings performance, this chapter in our continuing story supplies several good examples of how successful our unique business model has been. In particular, the soundness of our strategy can be validated by the amount, consistency, and growth of the Company's net income.

Let's start with 2003. Net income topped $1 billion for the first time in the Company's history. Additionally, diluted earnings per share climbed to a record $7.14, a 17% increase from the previous high of $6.12 achieved in 2002. Taking a longer-term view, per share profits have expanded at a compound average annual rate of 18% since the Company's initial public offering in 1968—an exceptional statistic in the corporate book of records.

More Loans Equals More Net Interest Income Which Equals More Earnings

So how has our business model been able to consistently produce strong results both recently and over the long term? A good way to answer that question is to think of Golden West's strategic plan in terms of a novel. The chapter on how we generate earnings would contain two primary characters, the first of which is earning asset growth, and the second, a healthy primary spread. Let's meet earning asset growth first. One of the basic tenets of our strategic plan is that to grow profits, we must continue to expand earning assets, which generate net interest income. At Golden West, our largest earning asset is the mortgage portfolio, and consequently the more loans we have on our books, the greater our capacity to increase income. During 2003, the 20% expansion of our loans receivable and mortgage-backed securities (MBS) helped push net interest income to an all-time high of $2.2 billion, or 14% more than 2002.

Interest Income, Interest Expense, and Net Interest Income 1999–2003 (Dollars in Millions)

	For the Year Ended December 31				
	2003	2002	2001	2000	1999
Interest income	$3,529	$3,497	$4,209	$3,796	$2,826
Interest expense	1,320	1,567	2,578	2,645	1,823
Net interest income	$2,209	$1,930	$1,631	$1,151	$1,003
Annual percentage change	14%	18%	42%	15%	4%

Author's Note

Net Interest Income

*Net interest income measures the difference **in dollars** between the interest earned on loans and investments and the interest paid on deposits and borrowings. Increasing Golden West's earnings over the long term largely depends on being able to expand net interest income, the Company's largest source of revenue.*

Record Originations Propel Earning Asset Expansion

As described above, Golden West's success in expanding the mortgage portfolio over the long term is one of the keys to growing earnings. However, from one year to another, there is variability in how much we can increase our loan balances, primarily because of the impact of market interest rates and other economic conditions on new loan demand, repayments, and consumers' preference for our adjustable rate mortgages (ARMs) versus the fixed-rate alternative.

In 2003, Golden West was able to expand the mortgage portfolio considerably, even with the unusual challenges presented by the lowest home loan rates in 45 years. In particular, as described in Loan Operations on pages 11-14, we originated $36.0 billion of new mortgages, of which $33.7 billion were ARMs retained in portfolio. Originating ARMs is important, because not only do these mortgages increase the size of our earning asset base, but they also limit the sensitivity of the Company's net interest income, and hence earnings, to future changes in interest rates.

Author's Note

Building Earning Assets

We increase our earning asset base by keeping the loans we originate on our books. We are able to follow this approach because we have the ability to fund loans with deposits and borrowings, and to provide the capital necessary to support the growth of these earning assets.

The record loan volume we produced in 2003 far exceeded the runoff of existing mortgages, and led to a $13.3 billion, or 20%, expansion in our outstanding loan balance. This growth helped produce 2003's record earnings and will contribute to future years' profits as well.

While earning asset expansion in 2003 was a bit faster than average, it was not unusual. Over the past five years, we have been able to grow loans receivable and MBS at an average annual compound rate of 17%.

Balance of Loans Receivable and MBS, Change, and Percentage Change 1999–2003 (Dollars in Billions)

	For the Year Ended December 31				
	2003	2002	2001	2000	1999
Loans receivable and MBS	$78.3	$65.0	$55.7	$52.7	$39.8
Change	13.3	9.3	3.0	12.9	3.8
Percentage change	20%	17%	6%	32%	11%

Profit Margin Plays a Lead Role in Our Earnings Story As Well

At this point, the reader may be asking, "Is that all there is to it? Bigger is better?" The answer is "Of course not." Now let's introduce the second lead character in our earnings story: a healthy profit margin, also known as the primary spread. The primary spread measures the difference, in percentage terms, between the yield earned on loans and interest-earning investments and the rate paid on deposits and borrowings. As the following table indicates, the role of the primary spread in Golden West's earnings this year was relatively unchanged. On average the spread was only 5 basis points lower than in 2002. Even with this decrease, per share profits increased significantly in 2003, because the boost in earnings we received from expanding our earning asset portfolio was more than enough to offset the slight decline in our spread.

Average Annual Yield on Interest-Earning Assets, Cost of Funds, and Primary Spread,[a] and Primary Spread at Yearend 1999–2003

	For the Year Ended December 31				
	2003	2002	2001	2000	1999
Average annual:					
Yield on interest-earning assets	**4.88%**	5.68%	7.43%	7.58%	7.11%
Cost of funds	**1.94**	2.69	4.73	5.53	4.84
Primary spread	**2.94%**	2.99%	2.70%	2.05%	2.27%
Primary spread at yearend	**2.87%**	2.93%	3.21%	2.03%	2.15%

(a) Annual averages are computed by adding the number reported at the prior yearend to the numbers reported at each monthend and dividing by 13.

The table above indicates that the primary spread can be a very dynamic player in Golden West's earnings story each year. There is variability in this role from one year to the next because, as a general rule, our assets and liabilities do not respond in tandem to changes in the interest rate environment. However, the ups and downs of the primary spread tend to even out over the interest rate cycle.

To illustrate how the primary spread has had an inverse relationship to short-term market rates over the past five years, the graph on the following page plots Golden West's primary spread versus the monthly average rate for

Author's Note

The Reasons Behind the Rise and Fall of the Primary Spread

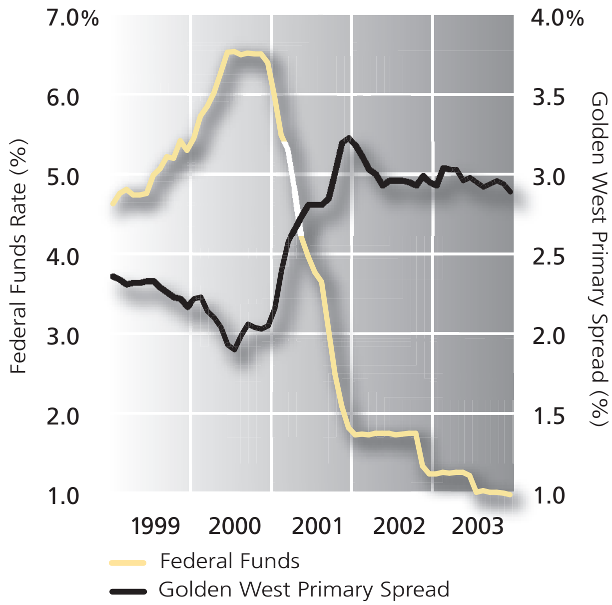
On the one hand, to support Golden West's mortgage portfolio, the Company uses liabilities consisting of retail deposits and capital market borrowings, both of which respond relatively rapidly to changes in the interest environment.

On the other hand, our assets are composed primarily of adjustable rate mortgages, which are tied to one of three indexes. Each index has two built-in lags. First is the reporting lag, which is caused by the month or two it takes the publishing organization to gather and report the data needed to compute the index. Second is the repricing lag, by which we mean there is a gap between a change in market interest rates and the time it takes the index to respond. The repricing lags occur either because the components of the index do not react immediately to rate changes or because the index is computed as a moving average.

Because of these lags, the yield on Golden West's mortgages responds more slowly than our liabilities to market rate changes, which leads to a temporary narrowing of the primary spread when interest rates rise and a temporary widening of the primary spread when interest rates fall.

federal funds. The federal funds rate, which is set by the Federal Reserve, is the price banks charge each other for overnight borrowings and is a key driver of short-term yields.

Monthly Average of Federal Funds Rate and Monthend Golden West Primary Spread 1999–2003



Noninterest Income Adds to the Bottom Line

While asset growth and the primary spread play leading roles, noninterest income is more of a supporting character, generally constituting only 5% to 15% of the Company's revenues. The major components of noninterest income are:

- Fees associated with servicing our large mortgage portfolio
- Gains on the sale of fixed-rate mortgages
- Checking and savings account charges
- Income from our Atlas mutual funds and annuities

In 2003, noninterest income totaled $313 million, or 12% of revenues, amounting to a $66 million, or 27%, increase from 2002.

There were two primary reasons for the higher level of noninterest income in 2003. First, we originated and sold more fixed-rate loans, which led to an increase in gains on sales of mortgages. Second, we received more fees associated with the prepayment of loans due to a surge in refinance activity.

General and Administrative Expense (G&A) Control Protects Profits

WTGBRFDT? is the title of a chapter in a book entitled, *Less Is More*[1], which featured Golden West as an exemplar of one of the world's most productive companies. The initials stand for "What's the good business reason for doing this?" which the author characterized as Golden West's "killer" question used in decision-making. WTGBRFDT? is especially important when it comes to spending decisions.

In 2003, our general and administrative expenses (G&A) grew by 20% to $721 million compared with $601 million in 2002, and the ratio of G&A to average assets increased by 2 basis points from .96% to .98%. The good business reason for the rise in general and administrative expenses involved taking advantage of the unprecedented market for mortgage originations, stimulated by historically low interest rates. Specifically, because the cost of producing new loans is one of the largest components of our G&A, the Company's record volumes in both 2002 and 2003 contributed significantly to increases in both our expenses

[1] Jason Jennings, *Less Is More* (New York: Portfolio, 2002).

and expense ratios. In particular, expenditures for people, facilities, and technology all went up as we serviced higher numbers of existing and new customers.

In 2003, our employee population grew by 20% to support the 35% increase in mortgage originations over the prior year and the 20% expansion of our loan portfolio.

We also invested heavily in training to maintain high-quality customer service. As a result, Golden West was able to fund loans quickly, which was a plus in 2003's highly competitive lending environment.

Author's Note
Calculating Expense Ratios

There are two key expense ratios:

- *General and administrative expenses divided by average assets, an indicator of how much a bank or thrift spends to manage its assets.*
- *General and administrative expenses divided by net interest income plus noninterest income, a measure of how much pre-tax income is eaten up by costs. Often termed the "efficiency ratio," this measure shows how effectively or efficiently a financial institution generates revenues.*

The benefit of asking WTGBRFDT? can be seen in our two important expense ratios, which are among the lowest of any major U.S. depository institution. The first measure, G&A as a percent of average assets, increased modestly in 2003. The reason for the uptick relates to how our loan operations affected each component of the equation. As previously discussed, general and administrative expenses increased, in large part, because of the additional costs incurred to originate significantly more earning assets. At the same time, average asset growth was held back somewhat because of the high level of mortgage repayments we experienced. As a result, our overall G&A grew a bit faster than our average assets. The second measure, the efficiency ratio, also increased slightly, because costs rose at a greater rate than our net interest income.

**Total General and Administrative Expenses (G&A),
Percentage Change from Prior Year,
G&A as a Percentage of Average Assets, and
the Efficiency Ratio
1999–2003
(Dollars in Millions)**

	For the Year Ended December 31				
	2003	2002	2001	2000	1999
G&A	$721	$601	$514	$425	$386
Change from prior year	20%	17%	21%	10%	9%
Percent of average assets	.98%	.96%	.90%	.87%	.98%
Efficiency ratio[(a)]	28.6%	27.6%	27.5%	32.4%	33.7%

(a) G&A as a percentage of net interest income plus noninterest income.

Because all spending decisions at Golden West must pass the WTGBRFDT? sniff test, the Company has developed an expertise in controlling costs and directing resources to the most important activities supporting our unique business model. Furthermore, our low-cost operation is not just a "nice-to-have," but rather a necessity, because we are in a commoditized business with slim profit margins. Our G&A strategy complements our focus on growing the Company's earning assets and enables most of the revenues produced by net interest income and noninterest income to flow to the bottom line.

February 12, 2004

Herbert M. Sandler
Chairman of the Board and Chief Executive Officer

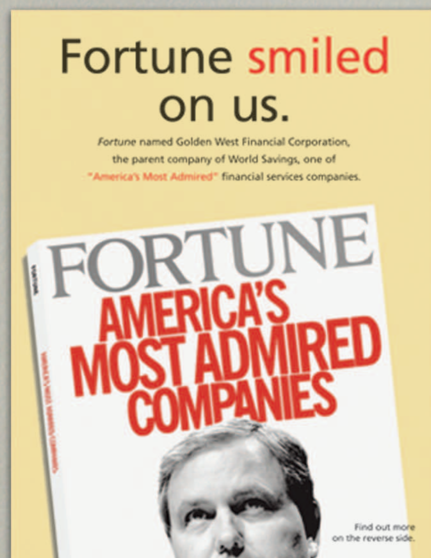
Marion O. Sandler
Chairman of the Board and Chief Executive Officer

James T. Judd
Senior Executive Vice President, Golden West
President and Chief Operating Officer, World Savings

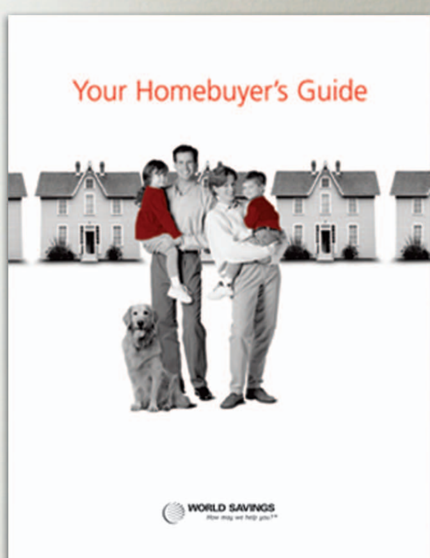
Russell W. Kettell
President and Chief Financial Officer

A Special Situation demands special marketing messages.

Investor advertising



Corporate advertising



Home loan advertising

Promotional advertising

Community Reinvestment—one of our most inspired chapters

Through our Community Reinvestment in Action program, Golden West develops innovative loans that serve thousands and thousands of low-income customers every year.

In 2003, Golden West provided more than $11 billion for home loans in low- to moderate-income and substantially minority neighborhoods. And that's just the beginning.

We also joined efforts with municipalities across the country to provide homebuyers living on a limited income with favorable financing, including down payment and closing cost assistance. In addition to our corporate efforts, employees generously gave of their time to organize and participate in affordable housing seminars, which educate potential homebuyers on how to achieve the American dream of homeownership.

Throughout the year Golden West funded grants to support housing-related programs and sponsored house painting and repair programs. At our biggest single event of the year, Rebuilding Together with Christmas in April, more than 1,500 Golden West volunteers from across the country donated their time and energy to rehabilitate homes for low-income seniors. Our employees look forward to this annual event because their efforts make a substantial difference in the lives of our neighbors. In the words of happy homeowner Reginald Shaw, "It was such a blessing." At every level of our operation, we recognize our ongoing responsibility to make the places where we live and work better for all. Putting time and money into the communities around us is one of the most gratifying activities we engage in.

Glossary of Selected Financial Terms

Adjustable Rate Mortgage (ARM): A loan with an interest rate that is calculated as a spread, or margin, over an index. As the value of the index changes over time, the rate on the mortgage adjusts accordingly. For example, if the index value is 3.0% and the margin is 2.5%, the interest rate on the mortgage is 5.5%; if the index value falls by .5% to 2.5%, the mortgage rate decreases by the same amount to 5.0%.

Adjustable Rate Mortgage Index: A reference number that serves as the foundation for computing the rate on an adjustable rate mortgage*. The ARM rate is recalculated periodically as specified in the mortgage contract, based on changes in the index value.

While providing ARMs with a measure of interest rate sensitivity, indexes usually trail changes in market yields because of two built-in lags. The first is the "reporting lag," caused by the time it takes to compute and to report the index value. The second is the "repricing lag," which occurs either because the components of the index do not respond immediately to rate changes or because the index is computed as a moving average. Index lags usually have a beneficial impact on Golden West's earnings when interest rates are declining, and a negative effect when rates are rising. However, the contribution of the index lags to profits is just a matter of timing, since increases and decreases in net income caused by the index lags are temporary and tend to offset each other over the course of the interest rate cycle.

*Defined elsewhere in Glossary.

Most of Golden West's ARMs are tied to one of the following indexes: The Certificate of Deposit Index (CODI), the Cost of Savings Index (COSI), or the Eleventh District Cost of Funds Index (COFI):

- ***Certificate of Deposit Index (CODI):*** An index based on the monthly rate of three-month certificates of deposit, as published by the Federal Reserve Board. CODI is calculated by adding the twelve most recently published monthly rates together and dividing the result by twelve. Because CODI is based on a short-term market rate, this index is a good match for the portion of Golden West's ARM portfolio that is funded by short-term borrowings. CODI has a one-month reporting lag. There is also a repricing lag, because the index is a 12-month moving average and consequently trails changes in short-term market interest rates.

- ***Cost of Savings Index (COSI):*** An index equal to the monthend weighted average rate paid on the Company's savings and checking accounts. Because COSI mirrors the deposit portion of Golden West's liabilities, this index is a good match for the part of the Company's ARM portfolio that is funded by savings. COSI has a one-month reporting lag. COSI has a repricing lag, because the rates paid on many of Golden West's deposits do not respond immediately or fully to a change in market interest rates.

- ***Eleventh District Cost of Funds Index (COFI):*** An index equal to the monthly average cost of deposits and borrowings of savings institution members of the Federal Home Loan Bank System's* Eleventh District, which is composed of California, Arizona, and Nevada. COFI has a two-month reporting lag. Additionally, there is a repricing lag, which occurs because the liabilities held by institutions in the Eleventh District are composed of instruments with a variety of maturity and repricing characteristics. For example, there are checking and money market accounts; certificates of deposit; and adjustable and fixed-rate borrowings. Since only a portion of the District's liabilities matures or assumes market rates each month, COFI responds only gradually to changes in the interest environment.

Basic Earnings Per Share: Net income available to common shareholders divided by the weighted average number of common shares outstanding for the period.

Basis Point: One one-hundredth of a percent, i.e., .01%.

Certificate of Deposit Index (CODI): See discussion under Adjustable Rate Mortgage Index.

Chargeoff: The recognition of the reduction in value of an asset, usually a loan or property acquired upon foreclosure.

Cost of Savings Index (COSI): See discussion under Adjustable Rate Mortgage Index.

Diluted Earnings Per Share: Net income available to common shareholders divided by the weighted average number of common shares outstanding for the period plus the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued, such as through the exercise of stock options.

Eleventh District Cost of Funds Index (COFI): See discussion under Adjustable Rate Mortgage Index.

Federal Funds Rate: The rate that U.S. banks charge each other for borrowings on an overnight basis. The price level of Federal Funds is influenced by actions of the Federal Reserve's Open Market Committee.

Federal Home Loan Bank System: The 12 District Federal Home Loan Banks that provide a central credit facility as well as financial services to member institutions.

LIBOR: London Inter-Bank Offered Rate, a sensitive, short-term market rate often used as an index for adjustable rate borrowings.

Mortgage-Backed Security (MBS): A financial instrument that has a pool of residential mortgages as the underlying collateral.

Net Interest Margin: Net interest income divided by average interest-earning assets, expressed as a percentage.

Nonperforming Assets (NPAs): Loans 90 days or more delinquent, with balances not reduced for loan loss reserves, and real estate owned through foreclosure.

Recourse: The responsibility of a party selling loans or delivering assets for securitization to pay for losses caused by nonperforming borrowers. The degree of recourse may be unlimited or circumscribed as specified in individual contracts.

Troubled Debt Restructured (TDR): Loans that have been modified by the lender to grant a concession to the borrower because of a perceived temporary weakness in the collateral and/or borrower.

*Defined elsewhere in Glossary.

Summary of Operations

(Dollars in millions except per share figures)

		2003	2002
Operating Results	Interest income	$ 3,529	$ 3,497
	Interest expense	1,320	1,567
	Net interest income	2,209	1,930
	Provision for (recovery of) loan losses	12	21
	Net interest income after provision for (recovery of) loan losses	2,197	1,909
	Noninterest income	313	247
	General and administrative expense	721	601
	Earnings before taxes on income	1,789	1,555
	Taxes on income	683	597
	Earnings before cumulative effect of accounting change and before extraordinary item	$ 1,106	$ 958
	Basic earnings per share before cumulative effect of accounting change and before extraordinary item	$ 7.25	$ 6.20
	Diluted earnings per share before cumulative effect of accounting change and before extraordinary item	$ 7.14	$ 6.12
Selected Balance Sheet Items	Assets	$82,550	$68,406
	Cash and investments	2,140	1,241
	Loans receivable and mortgage-backed securities (MBS)	78,311	65,011
	Deposits	46,727	41,039
	Borrowings	29,028	21,557
	Stockholders' equity	5,947	5,025
Loan Data	Real estate loans originated	$35,985	$26,683
	Yield on loan portfolio and MBS	4.61%	5.28%
	Adjustable rate mortgages as a % of total loans receivable and MBS	97%	96%
	Number of real estate loans (a)	429,541	370,770
Deposit Data	Increase ($)	$ 5,688	$ 6,566
	Increase (%)	13.9%	19.0%
	Cost of deposits	1.85%	2.56%
	Number of accounts	1,135,991	1,135,610
Spread Data	Yield on interest-earning assets	4.54%	5.25%
	Less: cost of funds	1.67%	2.32%
	Primary spread	2.87%	2.93%
Ratios	Net interest income/average earning assets	3.05%	3.17%
	General and administrative expense/average assets	.98%	.96%
	General and administrative expense/net interest income plus other income (Efficiency ratio)	28.6%	27.6%
	Net earnings/average assets (ROA)	1.50%	1.53%
	Net earnings/average stockholders' equity (ROE)	20.3%	20.6%
	Stockholders' equity/total assets	7.20%	7.35%
	Nonperforming assets and troubled debt restructured/total assets	.51%	.62%
	Net chargeoffs (recoveries)/average loans (a)	.00%	.00%
Per Share Data	Common stock price range	$103.45-69.67	$72.98-57.91
	Price/earnings ratio on mean market price	12	11
	Cash dividends	$ .355	$ .303
	Book value	39.10	32.73

(a) Includes loans that were securitized and retained as MBS held to maturity.

(b) Excludes the cumulative effect of an accounting change resulting in a $6 million, or $.04 per basic and diluted earnings per share, one-time charge due to the adoption of SFAS 133 on January 1, 2001.

(c) Does not include an extraordinary charge of $21 million before tax, or $.07 per basic and diluted earnings per share, net of tax benefit, associated with the prepayment of FHLB advances. Includes a nonrecurring gain of $13 million before tax, or $.05 per basic and diluted earnings per share, after tax, realized when preferred stock purchased at a discount was redeemed by the issuer at par.

2001	2000	1999	1998	1997	1996	1995	1994
$ 4,209	$ 3,796	$ 2,826	$ 2,962	$ 2,832	$ 2,582	$ 2,427	$ 1,876
2,578	2,645	1,823	1,995	1,942	1,751	1,704	1,155
1,631	1,151	1,003	967	890	831	723	721
22	9	(2)	11	58	84	61	63
1,609	1,142	1,005	956	832	747	662	658
237	161	144	138	82	75	39	35
514	425	386	355	327	321[d]	316	303
1,332	878	763	739	587	501[d]	385	390
513	332	283	292	233	193[e]	150	160
$ 819[b]	$ 546	$ 480	$ 447[c]	$ 354	$ 308[f]	$ 235	$ 230
$ 5.18[b]	$ 3.44	$ 2.90	$ 2.60[c]	$ 2.07	$ 1.78[f]	$ 1.33	$ 1.24
$ 5.11[b]	$ 3.41	$ 2.87	$ 2.58[c]	$ 2.04	$ 1.74[f]	$ 1.31	$ 1.22
$58,586	$55,704	$42,142	$38,469	$39,590	$37,731	$35,118	$31,684
962	1,112	1,120	1,050	1,033	2,079	2,311	2,266
55,669	52,727	39,826	35,968	37,316	34,519	31,686	28,362
34,473	30,048	27,715	26,219	24,110	22,100	20,848	19,219
19,060	21,188	10,773	8,328	12,071	12,620	11,185	9,726
4,284	3,687	3,195	3,124	2,698	2,350	2,278	2,000
$20,763	$19,783	$12,672	$ 8,188	$ 7,483	$ 7,013	$ 5,949	$ 6,638
6.38%	8.03%	7.16%	7.32%	7.50%	7.39%	7.66%	6.91%
94%	95%	93%	92%	91%	89%	87%	85%
329,262	335,458	272,647	252,269	263,632	243,455	223,109	200,476
$ 4,425	$ 2,333	$ 1,496	$ 2,109	$ 2,010	$ 1,252	$ 1,629	$ 1,797
14.7%	8.4%	5.7%	8.7%	9.1%	6.0%	8.5%	10.3%
3.39%	5.52%	4.69%	4.67%	5.04%	4.98%	5.15%	4.57%
1,155,641	1,169,546	1,084,491	1,094,314	1,113,348	1,135,964	1,136,053	1,116,077
6.36%	8.02%	7.15%	7.30%	7.48%	7.37%	7.56%	6.81%
3.15%	5.99%	5.00%	4.96%	5.36%	5.28%	5.50%	5.00%
3.21%	2.03%	2.15%	2.34%	2.12%	2.09%	2.06%	1.81%
2.93%	2.42%	2.63%	2.53%	2.36%	2.39%	2.21%	2.52%
.90%	.87%	.98%	.90%	.84%	.89%[d]	.93%	1.02%
27.5%	32.4%	33.7%	32.1%	33.6%	35.4%[d]	41.3%	39.9%
1.43%[b]	1.12%	1.22%	1.14%[c]	.91%	.86%[f]	.69%	.78%
20.4%[b]	16.2%	15.2%	15.4%[c]	14.1%	14.0%[f]	11.0%	11.1%
7.31%	6.62%	7.58%	8.12%	6.81%	6.23%	6.49%	6.31%
.67%	.43%	.59%	.85%	1.07%	1.43%	1.24%	1.35%
.00%	.00%	(.01%)	.00%	.06%	.10%	.15%	.18%
$70.00-47.15	$69.44-27.19	$38.02-29.27	$38.08-24.13	$32.60-19.96	$22.92-16.33	$19.17-11.58	$15.33-11.42
11[b]	14	12	12[c]	13	11[f]	11	11
$ .26	$ .22	$ .193	$ .172	$ .152	$ .132	$ .117	$ .103
27.55	23.28	19.80	18.32	15.76	13.66	12.90	11.38

(d) Excludes the one-time assessment of $133 million for 1996 to recapitalize the Savings Association Insurance Fund (SAIF).
(e) Excludes a tax benefit of $139 million for 1996 arising from an earlier acquisition.
(f) Does not include the cumulative effect of a change in accounting for goodwill of $205 million, the one-time SAIF assessment of $133 million, or the $139 million tax benefit arising from an earlier acquisition.

Consolidated Statement of Financial Condition

(Dollars in thousands except per share figures)

	December 31	
Assets	**2003**	2002
Cash	**$ 260,823**	$ 318,914
Securities available for sale at fair value (cost of $1,556,827 and $596,282)	**1,879,443**	922,177
Purchased mortgage-backed securities available for sale at fair value (cost of $21,980 and $34,404)	**22,071**	34,543
Purchased mortgage-backed securities held to maturity at cost (fair value of $441,750 and $170,173)	**433,319**	161,846
Mortgage-backed securities with recourse held to maturity at cost (fair value of $3,673,690 and $6,007,230)	**3,650,048**	5,871,069
Loans Receivable:		
Loans held for sale	**124,917**	381,232
Loans held for investment less allowance for loan losses of $289,937 and $281,097	**74,080,661**	58,562,084
Total Loans Receivable	**74,205,578**	58,943,316
Interest earned but uncollected	**183,761**	183,130
Investment in capital stock of Federal Home Loan Banks, at cost which approximates fair value	**1,152,339**	1,072,817
Foreclosed real estate	**13,904**	11,244
Premises and equipment, net	**360,327**	351,942
Other assets	**388,277**	534,830
	$82,549,890	$68,405,828

Liabilities and Stockholders' Equity		
Deposits	**$46,726,965**	$41,038,797
Advances from Federal Home Loan Banks	**22,000,234**	18,635,099
Securities sold under agreements to repurchase	**3,021,385**	522,299
Bank notes	**3,015,854**	1,209,925
Senior debt	**991,257**	989,690
Subordinated notes	**-0-**	199,867
Taxes on income	**561,406**	489,252
Other liabilities	**285,521**	295,649
	76,602,622	63,380,578
Stockholders' equity:		
Preferred stock, par value $1.00:		
Authorized 20,000,000 shares		
Issued and outstanding, none		
Common stock, par value $.10:		
Authorized 200,000,000 shares		
Issued and outstanding, 152,119,108 and 153,521,103 shares	**15,212**	15,352
Additional paid-in capital	**220,923**	198,162
Retained earnings	**5,513,434**	4,612,529
	5,749,569	4,826,043
Accumulated other comprehensive income from unrealized gains on securities, net of income tax of $125,008 and $126,827	**197,699**	199,207
Total Stockholders' Equity	**5,947,268**	5,025,250
	$82,549,890	$68,405,828

See notes to consolidated financial statements.

Consolidated Statement of Net Earnings

(Dollars in thousands except per share figures)

	Year Ended December 31		
	2003	2002	2001
Interest Income			
Interest on loans	**$3,178,087**	$2,893,299	$2,740,101
Interest on mortgage-backed securities	**261,712**	490,523	1,276,648
Interest and dividends on investments	**88,545**	113,212	192,863
	3,528,344	3,497,034	4,209,612
Interest Expense			
Interest on deposits	**938,123**	1,079,937	1,522,328
Interest on advances	**269,793**	379,613	879,842
Interest on repurchase agreements	**9,048**	1,826	42,113
Interest on other borrowings	**102,996**	105,364	133,997
	1,319,960	1,566,740	2,578,280
Net Interest Income	**2,208,384**	1,930,294	1,631,332
Provision for loan losses	**11,864**	21,170	22,265
Net Interest Income after Provision for Loan Losses	**2,196,520**	1,909,124	1,609,067
Noninterest Income			
Fees	**163,306**	139,416	150,675
Gain on the sale of securities, MBS, and loans	**72,274**	45,143	42,513
Change in fair value of derivatives	**10,890**	7,610	(9,738)
Other	**66,860**	54,831	53,289
	313,330	247,000	236,739
Noninterest Expense			
General and administrative:			
Personnel	**453,476**	378,099	315,984
Occupancy	**76,649**	69,559	64,747
Technology and telecommunications	**78,701**	66,318	52,621
Deposit insurance	**6,683**	6,062	5,712
Advertising	**22,516**	16,528	15,012
Other	**82,490**	64,928	59,726
	720,515	601,494	513,802
Earnings before Taxes on Income and Cumulative Effect of Accounting Change	**1,789,335**	1,554,630	1,332,004
Taxes on income	**683,236**	596,351	513,181
Earnings before Cumulative Effect of Accounting Change	**1,106,099**	958,279	818,823
Cumulative effect of accounting change, net of tax	**-0-**	-0-	(6,018)
Net Earnings	**$1,106,099**	$ 958,279	$ 812,805
Basic earnings per share before cumulative effect of accounting change	**$ 7.25**	$ 6.20	$ 5.18
Cumulative effect of accounting change, net of tax	**.00**	.00	(.04)
Basic earnings per share	**$ 7.25**	$ 6.20	$ 5.14
Diluted earnings per share before cumulative effect of accounting change	**$ 7.14**	$ 6.12	$ 5.11
Cumulative effect of accounting change, net of tax	**.00**	.00	(.04)
Diluted earnings per share	**$ 7.14**	$ 6.12	$ 5.07

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Dollars in thousands)

	Year Ended December 31		
	2003	2002	2001
Cash Flows from Operating Activities			
Net earnings	**$ 1,106,099**	$ 958,279	$ 812,805
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Provision for loan losses	**11,864**	21,170	22,265
Amortization of net loan costs	**100,579**	59,171	23,288
Depreciation and amortization	**42,379**	37,869	33,538
Loans originated for sale	**(2,003,352)**	(1,799,589)	(2,327,382)
Sales of loans	**3,217,876**	2,429,131	2,919,066
Decrease (increase) in interest earned but uncollected	**(2,114)**	73,115	14,257
Federal Home Loan Bank stock dividends	**(40,854)**	(51,462)	(55,301)
Increase (decrease) in other assets	**146,553**	(281,973)	(51,409)
Decrease in other liabilities	**(10,128)**	(17,125)	(31,806)
Increase in taxes on income	**73,973**	47,342	33,071
Other, net	**13,787**	37,038	15,798
Net cash provided by operating activities	**2,656,662**	1,512,966	1,408,190
Cash Flows from Investing Activities			
New loan activity:			
New real estate loans originated for investment	**(33,981,369)**	(24,883,301)	(18,435,855)
Real estate loans purchased	**(2,115)**	-0-	-0-
Other, net	**(378,367)**	(975,197)	(570,593)
	(34,361,851)	(25,858,498)	(19,006,448)
Real estate loan principal payments:			
Monthly payments	**1,382,599**	1,133,269	601,623
Payoffs, net of foreclosures	**16,652,204**	11,208,645	8,582,589
	18,034,803	12,341,914	9,184,212
Purchases of mortgage-backed securities available for sale	**-0-**	-0-	(199,314)
Sales of mortgage-backed securities available for sale	**-0-**	176,063	4,642
Purchases of mortgage-backed securities held to maturity	**(366,509)**	-0-	-0-
Repayments of mortgage-backed securities	**2,007,746**	3,208,823	6,386,071
Proceeds from sales of foreclosed real estate	**54,231**	49,433	35,166
Increase in securities available for sale	**(957,753)**	(331,159)	(243,761)
Decrease in other investments	**-0-**	-0-	368,555
Purchases of Federal Home Loan Bank stock	**(37,185)**	-0-	(88,030)
Redemptions of Federal Home Loan Bank stock	**-0-**	83,773	111,807
Additions to premises and equipment	**(53,892)**	(62,804)	(54,884)
Net cash used in investing activities	**(15,680,410)**	(10,392,455)	(3,501,984)

	Year Ended December 31		
	2003	2002	2001
Cash Flows from Financing Activities			
Net increase in deposits	**$ 5,688,168**	$ 6,566,212	$ 4,424,666
Additions to Federal Home Loan Bank advances	**10,240,000**	6,063,051	2,945,500
Repayments of Federal Home Loan Bank advances	**(6,874,865)**	(5,465,461)	(4,639,788)
Proceeds from agreements to repurchase securities	**4,504,306**	1,412,593	5,410,609
Repayments of agreements to repurchase securities	**(2,005,220)**	(1,113,817)	(6,044,360)
Increase in bank notes	**1,805,929**	1,209,925	-0-
Net proceeds from senior debt	**-0-**	790,708	198,060
Repayments of subordinated notes	**(200,000)**	(400,000)	-0-
Dividends on common stock	**(54,159)**	(46,746)	(41,096)
Exercise of stock options	**12,728**	15,915	14,476
Purchase and retirement of Company stock	**(151,230)**	(173,036)	(185,644)
Net cash provided by financing activities	**12,965,657**	8,859,344	2,082,423
Net Decrease in Cash	**(58,091)**	(20,145)	(11,371)
Cash at beginning of period	**318,914**	339,059	350,430
Cash at end of period	**$ 260,823**	$ 318,914	$ 339,059
Supplemental cash flow information:			
Cash paid for:			
Interest	**$ 1,328,673**	$ 1,580,156	$ 2,671,740
Income taxes	**599,367**	544,598	469,970
Cash received for interest and dividends	**3,527,713**	3,569,504	4,230,318
Noncash investing activities:			
Loans receivable and loans underlying mortgage-backed securities converted from adjustable rate to fixed rate	**1,227,486**	596,213	794,308
Loans transferred to foreclosed real estate	**57,008**	47,305	34,792
Loans securitized into mortgage-backed securities with recourse held to maturity	**-0-**	-0-	2,995,949
Loans securitized into mortgage-backed securities with recourse, recorded as loans receivable	**13,663,049**	18,892,282	6,011,873
Mortgage-backed securities held to maturity desecuritized into adjustable rate loans and recorded as loans receivable	**-0-**	4,147,670	-0-
Transfer of loans held for investment to (from) loans held for sale	**(144,323)**	24,938	182,239

See notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity

(Dollars in thousands except per share figures)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at January 1, 2001	158,410,137	$ 15,841	$ 151,458	$ 3,287,325	$ 232,663	$ 3,687,287
Net earnings		-0-	-0-	812,805	-0-	812,805
Change in unrealized gains on securities available for sale		-0-	-0-	-0-	(11,246)	(11,246)
Reclassification adjustment for gains included in income		-0-	-0-	-0-	(38)	(38)
Comprehensive income						801,521
Common stock issued upon exercise of stock options, including tax benefits	797,090	80	22,042	-0-	-0-	22,122
Purchase and retirement of shares of Company stock	(3,675,450)	(368)	-0-	(185,276)	-0-	(185,644)
Cash dividends on common stock ($.26 per share)		-0-	-0-	(41,096)	-0-	(41,096)
Balance at December 31, 2001	155,531,777	15,553	173,500	3,873,758	221,379	4,284,190
Net earnings		-0-	-0-	958,279	-0-	958,279
Change in unrealized gains on securities available for sale		-0-	-0-	-0-	(21,425)	(21,425)
Reclassification adjustment for gains included in income		-0-	-0-	-0-	(747)	(747)
Comprehensive income						936,107
Common stock issued upon exercise of stock options, including tax benefits	730,986	73	24,662	-0-	-0-	24,735
Purchase and retirement of shares of Company stock	(2,741,660)	(274)	-0-	(172,762)	-0-	(173,036)
Cash dividends on common stock ($.3025 per share)		-0-	-0-	(46,746)	-0-	(46,746)
Balance at December 31, 2002	153,521,103	15,352	198,162	4,612,529	199,207	5,025,250
Net earnings		-0-	-0-	1,106,099	-0-	1,106,099
Change in unrealized gains on securities available for sale		-0-	-0-	-0-	(1,501)	(1,501)
Reclassification adjustment for gains included in income		-0-	-0-	-0-	(7)	(7)
Comprehensive income						1,104,591
Common stock issued upon exercise of stock options, including tax benefits	554,375	55	22,761	-0-	-0-	22,816
Purchase and retirement of shares of Company stock	(1,956,370)	(195)	-0-	(151,035)	-0-	(151,230)
Cash dividends on common stock ($.355 per share)		-0-	-0-	(54,159)	-0-	(54,159)
Balance at December 31, 2003	**152,119,108**	**$15,212**	**$220,923**	**$5,513,434**	**$197,699**	**$5,947,268**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2003, 2002, and 2001

(Dollars in thousands except per share figures)

NOTE A - Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Golden West Financial Corporation, a Delaware corporation, and its wholly owned subsidiaries (the Company or Golden West). Intercompany accounts and transactions have been eliminated. World Savings Bank, FSB (WSB), is a federally chartered savings bank and the Company's principal operating subsidiary with $81.9 billion in assets at December 31, 2003. WSB has a wholly owned subsidiary, World Savings Bank, FSB (Texas) (WTX) that is also a federally chartered savings bank and had $9.8 billion of assets at December 31, 2003. Both WSB and WTX are regulated by the Office of Thrift Supervision (OTS).

Certain reclassifications have been made to prior year financial statements to conform to current year presentation. Specifically, "Loans in process" was reclassified on the Consolidated Statement of Financial Condition from "Other assets" to "Loans Receivable." Loans in process are funded, interest-earning loans that have not yet been entered into the loan servicing system due to the normal five to seven day processing lag. On the Consolidated Statement of Net Earnings, certain expenses were reclassified in the "Noninterest expense" category primarily to report technology and telecommunication expenses separately.

NATURE OF OPERATIONS. Golden West Financial Corporation, through its financial institution subsidiaries, operates 271 savings branches in nine states and 302 loan offices in 38 states, of which 94 loan offices are located in savings branches. The Company's primary source of revenue is interest from loans on residential real estate and mortgage-backed securities.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH. For the purpose of presentation in the Consolidated Statement of Cash Flows, cash is defined as cash held in office and amounts due from banks.

SECURITIES AVAILABLE FOR SALE. The Company classifies its investment securities as available for sale. The Company has no trading securities. Securities available for sale are reported at fair value. Net unrealized gains and losses are excluded from earnings and reported net of applicable income taxes in accumulated other comprehensive income and as a separate component of stockholders' equity until realized. Realized gains or losses on sales of securities are recorded in earnings at the time of sale and are determined by the difference between the net sales proceeds and the cost of the security, using specific identification, adjusted for any unamortized premium or discount.

MORTGAGE-BACKED SECURITIES. The Company has no mortgage-backed securities (MBS) classified as trading. Mortgage-backed securities held to maturity are recorded at cost because the Company has the ability and intent to hold these MBS to maturity. Premiums and discounts on MBS are amortized or accreted using the interest method over the estimated life of the security. MBS available for sale are reported at fair value, with unrealized gains and losses excluded from earnings and reported net of applicable income taxes as a separate component of stockholders' equity until realized. Realized gains or losses on sales of MBS are recorded in earnings at the time of sale and are determined by the difference between the net sales proceeds and the cost of MBS, using specific identification, adjusted for any unamortized premium or discount. Prior to April 1, 2001, the Company securitized certain loans from its held for investment loan portfolio into MBS with recourse and into Real Estate Mortgage Investment Conduits (REMICs) which are held to maturity and available to be used as collateral for borrowings. REMICs and loan securitizations are not recorded as sales because 100% of the beneficial ownership interests are retained by the Company, including both the primary and subordinate retained interests in REMICs. REMIC securities are recorded at cost and are evaluated with the other held-to-maturity MBS for impairment based upon the characteristics of the underlying loans.

SECURITIZED LOANS. In accordance with Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140), securities resulting from real estate loan securitizations formed after March 31, 2001 are included in Loans Receivable, and are not considered investments subject to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," classification.

LOANS RECEIVABLE. The Company's real estate loan portfolio consists primarily of long-term loans collateralized by first deeds of trust on single-family residences and multi-family residential property. In addition to real estate loans, the Company makes loans collateralized by savings accounts.

The adjustable rate mortgage (ARM) is the Company's primary real estate loan. Most of the Company's ARMs carry an interest rate that may change monthly, based on movements in certain cost of funds or other indexes.

Interest rate changes and monthly payments of principal and interest may be subject to maximum increases. Negative amortization may occur during periods when payment increases are limited. A small portion of the Company's ARMs is originated with a fixed-rate for an initial period, primarily 12-36 months.

The Company originates certain loans that are held for sale, primarily fixed-rate loans. These loans are recorded at the lower of cost or market. The fair value of loans held for sale is primarily based on observable market prices.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company's policy is to measure impairment based on the fair value of the collateral. When the value of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. The valuation allowance and provision for loan losses are adjusted for changes in the fair value of the collateral. Impairment is measured on an individual loan basis for larger multi-family loans and on a group basis for smaller single-family one-to-four unit loans.

Certain direct loan origination costs, net of certain loan origination fees, are deferred and amortized as an interest income yield adjustment over the life of the related loans using the interest method. Loan origination fees, net of certain direct loan origination costs, on loans originated for sale are deferred until the loans are sold and recognized at the time of sale.

"Fees," which include fees for prepayment of loans, income for servicing loans, late charges for delinquent payments, fees from deposit accounts, and miscellaneous fees, are recorded when collected.

Nonperforming assets consist of loans 90 days or more delinquent, with balances not reduced for loan loss reserves, and foreclosed real estate. For loans past due 90 days or more, all interest earned but uncollected is fully reserved. Interest income on nonaccrual loans is only recognized as cash is received and these cash receipts are applied in accordance with the loan's amortization schedule.

Troubled debt restructured consists of loans that have been modified by the Company to grant a concession to the borrower because of a perceived temporary weakness in the collateral and/or the borrower's ability to make scheduled payments.

FORECLOSED REAL ESTATE. Foreclosed real estate is comprised of improved property acquired through foreclosure. All foreclosed real estate is recorded at the lower of cost or fair value. Included in the fair value is the estimated selling price in the ordinary course of business less estimated costs to repair, hold, and dispose of the property. Costs relating to holding property, net of rental and option income, are expensed in the current period. Gains on the sale of real estate are recognized at the time of sale. Losses realized and expenses incurred in connection with the disposition of foreclosed real estate are charged to current earnings.

ALLOWANCE FOR LOAN LOSSES. The Company provides specific valuation allowances for losses on loans when impaired and a write-down on foreclosed real estate when any significant and permanent decline in value is identified. The Company also utilizes a methodology for monitoring and estimating probable loan losses that is based on both the Company's historical loss experience in the loan portfolio and factors reflecting current economic conditions. This approach uses a database that identifies losses on loans and foreclosed real estate from past years to the present, broken down by year of origination, type of loan, and geographical area. This approach also takes into consideration current trends in economic growth, unemployment, housing market activity, and home prices for the nation and individual geographical regions. This approach further considers the impact of other events such as natural disasters. Based on the analysis of historical performance, current conditions, and other risks, management estimates a range of loss allowances by type of loan and risk category to cover probable losses in the portfolio. One-to-four single-family real estate loans are evaluated as a group. In addition, periodic reviews are made of major multi-family and commercial real estate loans and foreclosed real estate. Where indicated, valuation allowances are established or adjusted. In estimating probable losses, consideration is given to the estimated sales price, cost of refurbishing the security property, payment of delinquent taxes, cost of disposal, and cost of holding the property. Additions to and reductions from the allowances are reflected in current earnings based upon quarterly reviews of the portfolio and the methodology and historical analyses are reviewed quarterly.

MORTGAGE SERVICING RIGHTS. The Company recognizes as assets the rights to service mortgage loans for others. When the servicing rights are retained by the Company upon the sale of loans, the allocated cost of these rights is then capitalized as an asset. The amount capitalized is based on the relative fair value of the servicing rights and the mortgage loan on the date the mortgage loan is sold. The balance of Capitalized Mortgage Servicing Rights (CMSRs) is included in "Other assets" in the Consolidated Statement of Financial Condition and is being amortized over the projected servicing period. The amortization of the CMSRs is included in "Fees" in the Consolidated Statement of Net Earnings.

CMSRs are reviewed monthly for impairment based on fair value. A present value cash flow model is used to estimate the fair value that the CMSR could be sold for in the open market as of the valuation date. The Company's model estimates a fair value based on a variety of factors including documented observable data such as cost of servicing, loan prepayment rates, and market discount rates. Currently, the loans associated with the Company's CMSRs portfolio are single-family, fixed-rate loans. For the purposes of the fair value calculation, the loans are stratified by year of origination, original term to maturity, and weighted average interest rate. The other key assumptions used in calculating the fair value of CMSRs at December 31, 2003 were a weighted average repayment rate of 20.3%, a discount rate of 10%, and the market rate of the annual cost of servicing of 7.7 basis points. The estimated fair value of CMSRs as of December 31, 2003 and 2002 was $95,139 and $73,082, respectively. At December 31, 2003 and 2002, there was no impairment.

PREMISES AND EQUIPMENT. Buildings, leasehold improvements, and equipment are carried at amortized cost. Buildings and equipment are depreciated over their estimated useful lives using the straight-line method. The estimated useful life of newly constructed buildings is 40 years and the lives of new assets that are added to existing buildings are based on the remaining life of the original building. The estimated useful life for equipment is 3-10 years. Leasehold improvements are amortized over the shorter of their useful lives or lease terms.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE. The Company enters into sales of securities under agreements to repurchase (reverse repurchase agreements) only with selected dealers and banks. Reverse repurchase agreements are treated as financings and the obligations to repurchase securities sold are reflected as a liability in the Consolidated Statement of Financial Condition. The securities underlying the agreements remain in the asset accounts.

INTEREST RATE SWAPS. The Company utilizes certain derivative financial instruments, primarily various types of interest rate swaps, as a part of its interest rate risk management strategy. Such instruments are entered into solely to alter the repricing characteristics of designated assets and liabilities. The Company does not hold any derivative financial instruments for trading purposes.

An interest rate swap is an agreement between two parties in which one party exchanges cash payments based on a fixed or floating rate of interest for a counterparty's cash payment based on a floating rate of interest. The amounts to be paid are defined by agreement and determined by applying the specified interest rates to a notional principal amount. Interest rate swap agreements are entered into to limit the impact of changes in interest rates on mortgage loans, or other designated assets, deposits or borrowings. The interest rate differential paid or received on interest rate swap agreements is recognized over the life of the agreements, with income and expense recorded in the same category as the designated balance sheet item. The designated balance sheet item is generally a pool of assets or liabilities with similar interest rate characteristics.

In accordance with Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133), beginning January 1, 2001, the Company recognized the fair value of its interest rate swap agreements as assets or liabilities on the Consolidated Statement of Financial Condition. Because the Company has decided not to utilize permitted hedge accounting for its existing swap positions, the changes in fair value of these instruments are reflected in the Consolidated Statement of Net Earnings as “Change in Fair Value of Derivatives.”

TAXES ON INCOME. The Company files consolidated federal income tax returns with its subsidiaries. The provision for federal and state taxes on income is based on taxes currently payable and taxes expected to be payable in the future as a result of events that have been recognized in the financial statements or tax returns.

REGULATORY CAPITAL REQUIREMENTS. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) established capital standards for federally insured financial institutions, such as WSB and WTX. Under FIRREA, thrifts and savings banks must have tangible capital equal to at least 1.5% of adjusted total assets, have core capital equal to at least 4% of adjusted total assets, and have risk-based capital equal to at least 8% of risk-weighted assets.

The OTS and other bank regulatory agencies have adopted rules based upon five capital tiers: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. The rules provide that a savings association is “well-capitalized” if its leverage ratio is 5% or greater, its Tier 1 risk-based capital ratio is 6% or greater, its total risk-based capital ratio is 10% or greater, and the institution is not subject to a capital directive.

As used herein, the total risk-based capital ratio is the ratio of total capital to risk-weighted assets, Tier 1 risk-based capital ratio is the ratio of core capital to risk-weighted assets, and the Tier 1 or leverage ratio is the ratio of core capital to adjusted total assets, in each case as calculated in accordance with current OTS capital regulations. As of December 31, 2003, the most recent notification from the OTS categorized WSB and WTX as “well-capitalized” under the current requirements. There are no conditions or events that have occurred since that notification that the Company believes would have an impact on the categorization of WSB or WTX.

At December 31, 2003 and 2002, WSB and WTX had the following regulatory capital calculated in accordance with FIRREA's capital standards:

December 31, 2003				
	ACTUAL		MINIMUM CAPITAL REQUIREMENTS	
	Capital	Ratio	Capital	Ratio
WSB:				
Tangible	$6,085,283	7.45%	$1,225,819	1.50%
Tier 1 (core or leverage)	6,085,283	7.45	3,268,850	4.00
Total risk-based	6,374,182	14.16	3,601,932	8.00
WTX:				
Tangible	$ 504,735	5.16%	$ 146,846	1.50%
Tier 1 (core or leverage)	504,735	5.16	391,591	4.00
Total risk-based	505,530	22.88	176,743	8.00

December 31, 2002				
	ACTUAL		MINIMUM CAPITAL REQUIREMENTS	
	Capital	Ratio	Capital	Ratio
WSB:				
Tangible	$5,152,335	7.61%	$1,015,695	1.50%
Tier 1 (core or leverage)	5,152,335	7.61	2,708,520	4.00
Total risk-based	5,431,860	14.26	3,048,080	8.00
WTX:				
Tangible	$ 413,885	5.23%	$ 118,752	1.50%
Tier 1 (core or leverage)	413,885	5.23	316,673	4.00
Total risk-based	414,277	24.07	137,702	8.00

December 31, 2003				
	ACTUAL		WELL-CAPITALIZED CAPITAL REQUIREMENTS	
	Capital	Ratio	Capital	Ratio
WSB:				
Tier 1 (core or leverage)	$6,085,283	7.45%	$4,086,062	5.00%
Tier 1 risk-based	6,085,283	13.52	2,701,449	6.00
Total risk-based	6,374,182	14.16	4,502,415	10.00
WTX:				
Tier 1 (core or leverage)	$ 504,735	5.16%	$ 489,488	5.00%
Tier 1 risk-based	504,735	22.85	132,557	6.00
Total risk-based	505,530	22.88	220,929	10.00

December 31, 2002				
	ACTUAL		WELL-CAPITALIZED CAPITAL REQUIREMENTS	
	Capital	Ratio	Capital	Ratio
WSB:				
Tier 1 (core or leverage)	$5,152,335	7.61%	$3,385,650	5.00%
Tier 1 risk-based	5,152,335	13.52	2,286,060	6.00
Total risk-based	5,431,860	14.26	3,810,101	10.00
WTX:				
Tier 1 (core or leverage)	$ 413,885	5.23%	$ 395,841	5.00%
Tier 1 risk-based	413,885	24.05	103,277	6.00
Total risk-based	414,277	24.07	172,128	10.00

RETAINED EARNINGS. The payments of capital distributions by WSB and WTX to their parent are governed by OTS regulations. WSB and WTX must file a notice with the OTS prior to making capital distributions and, in some cases, may need to file applications. The OTS may disapprove a notice or deny an application, in whole or in part, if the OTS finds that: (a) the insured subsidiary would be undercapitalized or worse following the capital distribution; (b) the proposed capital distribution raises safety and soundness concerns; or (c) the proposed capital distribution violates a prohibition contained in any statute, regulation, agreement with the OTS, or a condition imposed upon the insured subsidiary in an OTS approved application or notice. In general, WSB and WTX may, with prior notice to the OTS, make capital distributions during a calendar year in an amount equal to that year's net income plus retained net income for the preceding two years, as long as immediately after such distributions they remain at least adequately capitalized. Capital distributions in excess of such amount, or which would cause WSB or WTX to no longer be adequately capitalized, require specific OTS approval.

At December 31, 2003, $3.9 billion of WSB's retained earnings were available for the payment of cash dividends without the imposition of additional federal income taxes. The Company is not subject to the same tax and reporting restrictions as are WSB and WTX.

STOCK BASED COMPENSATION. The Company has a stock-based employee compensation plan, which is described more fully in Note R. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized for awards granted under the plan. Had compensation cost been determined using the fair value based method prescribed by SFAS 123 "Accounting for Stock Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Year Ended December 31		
	2003	2002	2001
Net income, as reported	$1,106,099	$958,279	$812,805
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(8,162)	(3,464)	(4,808)
Pro forma net income	$1,097,937	$954,815	$807,997
Basic earning per share			
As reported	$ 7.25	$ 6.20	$ 5.14
Pro forma	7.20	6.18	5.11
Diluted earning per share			
As reported	$ 7.14	$ 6.12	$ 5.07
Pro forma	7.10	6.09	5.04

NEW ACCOUNTING PRONOUNCEMENTS. In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133. This statement is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 on July 1, 2003 did not have a significant impact on the Company's financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 on July 1, 2003 had no impact on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 provides guidance on how to identify a variable interest entity and determine when the assets, liabilities, noncontrolling interests, and results of operations of a variable interest entity should be consolidated by the primary beneficiary. The primary beneficiary is the enterprise that will absorb a majority of the variable interest entity's expected losses or receive a majority of the expected residual returns as a result of holding variable interests. In December 2003, the FASB revised FIN 46. The adoption of FIN 46 on July 1, 2003 and the adoption of FIN 46(R) had no impact on the Company's financial statements.

NOTE B - Securities Available for Sale

The following is a summary of securities available for sale:

	December 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Federal funds	$ 941,267	$ -0-	$ -0-	$ 941,267
Short-term repurchase agreements collateralized by MBS	300,000	-0-	-0-	300,000
Eurodollar time deposits	298,238	-0-	-0-	298,238
Equity securities	5,530	322,228	-0-	327,758
Other	11,792	453	65	12,180
	$1,556,827	$322,681	$ 65	$1,879,443

	December 31, 2002			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Eurodollar time deposits	$225,000	$ -0-	$ -0-	$ 225,000
Commercial paper	199,993	-0-	7	199,986
Federal funds	153,838	-0-	-0-	153,838
Equity securities	5,530	326,331	-0-	331,861
Other	11,921	4	433	11,492
	$596,282	$326,335	$440	$ 922,177

The weighted average portfolio yields on securities available for sale were .93% and 1.94% (based on cost) at December 31, 2003 and 2002, respectively. Effective January 1, 2003, equity securities are excluded from the weighted average portfolio yield calculation. For 2002, the weighted average portfolio yield calculation would have been 1.10% excluding equity securities.

There have been no securities available for sale that have been in a continuous unrealized loss position for more than 12 months and all unrealized losses have been determined to be temporary. Principal proceeds from the sales of securities from the securities available for sale portfolio were $1,479 (2003), $1,396 (2002), and $-0- (2001) and resulted in realized gains of $21 (2003), $32 (2002), and $-0- (2001) and no realized losses in 2003, 2002, or 2001.

At December 31, 2003, the securities available for sale had maturities as follows:

Maturity	Amortized Cost	Fair Value
No maturity	$ 15,285	$ 337,918
2004	1,541,264	1,541,265
2005 through 2008	217	204
2009 through 2013	-0-	-0-
2014 and thereafter	61	56
	$1,556,827	$1,879,443

NOTE C - Purchased Mortgage-Backed Securities Available for Sale

Purchased mortgage-backed securities available for sale are summarized as follows:

	December 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Fannie Mae	$10,841	$94	$ 3	$10,932
Ginnie Mae	5,700	-0-	-0-	5,700
Freddie Mac	5,439	-0-	-0-	5,439
	$21,980	$94	$ 3	$22,071

	December 31, 2002			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Fannie Mae	$16,953	$148	$ 5	$17,096
Freddie Mac	8,955	-0-	4	8,951
Ginnie Mae	8,496	-0-	-0-	8,496
	$34,404	$148	$ 9	$34,543

The weighted average portfolio yields on mortgage-backed securities available for sale were 8.54% at December 31, 2003 and 2002. There have been no MBS available for sale that have been in a continuous unrealized loss position for more than 12 months and all unrealized losses have been determined to be temporary.There were no sales of securities from the mortgage-back securities available for sale portfolio in 2003. In 2002, the Company sold $176 million of purchased mortgage-backed securities available for sale and realized a gain of $3 million.

At December 31, 2003, purchased mortgage-backed securities available for sale had contractual maturities as follows:

Maturity	Amortized Cost	Fair Value
2004 through 2008	$ 271	$ 272
2009 through 2013	1,834	1,842
2014 and thereafter	19,875	19,957
	$21,980	$22,071

NOTE D - Mortgage-Backed Securities Held to Maturity

Mortgage-backed securities held to maturity are summarized as follows:

	December 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Purchased MBS held to maturity:				
Fannie Mae	$ 399,883	$ 8,191	$ 119	$ 407,955
Freddie Mac	26,546	359	-0-	26,905
Ginnie Mae	6,890	-0-	-0-	6,890
Subtotal	433,319	8,550	119	441,750
MBS with recourse held to maturity:				
REMICs	3,650,048	23,659	17	3,673,690
Total	$4,083,367	$ 32,209	$ 136	$4,115,440

	December 31, 2002			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Purchased MBS held to maturity:				
Fannie Mae	$ 139,467	$ 7,066	$ -0-	$ 146,533
Freddie Mac	10,876	623	-0-	11,499
Ginnie Mae	11,503	638	-0-	12,141
Subtotal	161,846	8,327	-0-	170,173
MBS with recourse held to maturity:				
REMICs	5,871,069	136,161	-0-	6,007,230
Total	$6,032,915	$144,488	$ -0-	$6,177,403

The weighted average portfolio yields on mortgage-backed securities held to maturity were 5.00% and 5.62% at December 31, 2003 and 2002, respectively. There have been no MBS held to maturity that have been in a continuous unrealized loss position for more than 12 months and all unrealized losses have been determined to be temporary. There were no sales of securities from the mortgage-backed securities held to maturity portfolio during 2003, 2002, or 2001.

During the first half of 2002, the Company desecuritized $4.1 billion of Fannie Mae MBS that were classified as MBS held to maturity with recourse and the underlying loans were reclassified to loans receivable.

At December 31, 2003, MBS with an amortized cost of $1.9 billion were pledged to secure FHLB advances and securities sold under agreements to repurchase.

At December 31, 2003, mortgage-backed securities held to maturity had contractual maturities as follows:

Maturity	Amortized Cost	Fair Value
2004 through 2008	$ 23	$ 23
2009 through 2013	47	48
2014 and thereafter	4,083,297	4,115,369
	$4,083,367	$4,115,440

NOTE E - Loans Receivable

	December 31	
	2003	2002
Loans collateralized by:		
One- to four-family dwelling units	$69,586,604	$54,934,357
Over four-family dwelling units	3,554,715	3,257,389
Commercial property	18,598	20,465
Land	-0-	114
	73,159,917	58,212,325
Loans on savings accounts	11,780	13,240
	73,171,697	58,225,565
Loans in process	785,459	674,417
Net deferred costs	547,318	331,985
Allowance for loan losses	(289,937)	(281,097)
Undisbursed loan funds	(8,959)	(7,554)
	$74,205,578	$58,943,316

As of December 31, 2003 and 2002, the Company had $1.9 billion and $1.2 billion, respectively, of second mortgages and Equity Lines of Credit (ELOCs) balances outstanding.

At December 31, 2003 and 2002, the Company had $125 million and $381 million, respectively, in loans held for sale, all of which were carried at the lower of cost or market. At December 31, 2003, the Company had $23.2 billion of loans that were securitized after March 31, 2001 that are securities classified as loans receivable in accordance with SFAS 140. The outstanding balances of securitizations created prior to April 1, 2001 are included in MBS.

A summary of the changes in the allowance for loan losses is as follows:

	Year Ended December 31		
	2003	2002	2001
Balance at January 1	$281,097	$261,013	$236,708
Provision for loan losses charged to expense	11,864	21,170	22,265
Loans charged off	(3,633)	(1,943)	(2,425)
Recoveries	609	857	351
Net transfer of allowance from recourse liability	-0-	-0-	4,114
Balance at December 31	$289,937	$281,097	$261,013

The following is a summary of impaired loans:

	December 31	
	2003	2002
Nonperforming loans	$410,064	$413,123
Troubled debt restructured	3,105	233
Other impaired loans	6,752	3,889
	$419,921	$417,245

The portion of the allowance for loan losses that was specifically provided for impaired loans was $1,038 and $1,572 at December 31, 2003 and 2002, respectively. The average recorded investment in total impaired loans was $428,716 and $407,621 during 2003 and 2002, respectively. All amounts involving impaired loans have been measured based upon the fair value of the related collateral. The amount of interest income recognized during the years ended December 31, 2003, 2002, and 2001 on the total of impaired loans at each yearend was $12,975 (2003), $14,874 (2002), and $17,056 (2001).

NOTE F - Loan Servicing

In addition to loans receivable and MBS with recourse held to maturity, the Company services loans for others. At December 31, 2003 and 2002, the outstanding balance of loans sold with servicing retained by the Company was $5.8 billion and $5.4 billion, respectively. Included in those amounts were $3.1 billion and $2.9 billion at December 31, 2003 and 2002 of loans sold with recourse.

Capitalized mortgage servicing rights are included in "Other assets" on the Consolidated Statement of Financial Condition. The following is a summary of CMSRs:

	Year Ended December 31	
	2003	2002
Balance at January 1	$69,448	$56,056
New CMSRs from loan sales	58,249	34,044
Amortization of CMSRs	(38,730)	(20,652)
Balance at December 31	$88,967	$69,448

The estimated amortization of the December 31, 2003 balance of CMSRs for the five years ending 2008 is $36.6 million (2004), $25.8 million (2005), $16.7 million (2006), $7.9 million (2007), and $2.0 million (2008). Actual results may vary depending upon the level of the payoffs of the loans currently serviced.

NOTE G - Interest Earned But Uncollected

	December 31	
	2003	2002
Loans receivable	$164,028	$150,766
Mortgage-backed securities	12,779	21,685
Interest rate swaps	-0-	2,252
Other	6,954	8,427
	$183,761	$183,130

NOTE H - Premises and Equipment

	December 31	
	2003	2002
Land	$ 82,169	$ 81,592
Building and leasehold improvements	269,071	256,019
Furniture, fixtures, and equipment	297,799	278,973
	649,039	616,584
Accumulated depreciation and amortization	288,712	264,642
	$360,327	$351,942

The aggregate future rentals under long-term operating leases on land or premises in effect on December 31, 2003, and which expire between 2004 and 2064, amounted to approximately $192,691. The approximate minimum payments during the five years ending 2008 are $28,180 (2004), $26,042 (2005), $23,212 (2006), $19,851 (2007), $12,790 (2008) and $82,616 thereafter. Certain of the leases provide for options to renew and for the payment of taxes, insurance, and maintenance costs. The rental expense for the year amounted to $30,960 (2003), $28,480 (2002), and $26,381 (2001).

NOTE I - Deposits

	December 31			
	2003		2002	
	Rate	Amount	Rate*	Amount
Deposits by rate:				
Interest-bearing checking accounts	1.38%	$ 5,555,185	1.77%	$ 4,572,970
Passbook accounts	.40	483,226	.75	456,158
Money market deposit accounts	1.74	29,709,791	2.50	22,060,104
Term certificate accounts with original maturities of:				
4 weeks to 1 year	1.32	3,766,962	1.86	4,714,712
1 to 2 years	1.32	2,331,194	2.52	4,197,261
2 to 3 years	2.73	1,491,893	3.82	1,857,234
3 to 4 years	3.78	1,317,212	4.48	1,286,011
4 years and over	4.80	2,015,469	5.07	1,794,051
Retail jumbo CDs	2.33	55,953	3.85	100,173
All other	3.75	80	4.88	123
		$46,726,965		$41,038,797

*Weighted average interest rate including the impact of interest rate swaps.

	December 31			
	2003		2002	
	Rate	Amount	Rate*	Amount
Deposits by remaining maturity at yearend:				
No contractual maturity	1.67%	$35,748,202	2.34%	$27,089,232
Maturity within one year	1.75	7,356,579	2.51	10,082,783
After one but within two years	3.51	1,674,614	3.51	1,495,316
After two but within three years	3.54	523,446	4.62	992,351
After three but within four years	4.71	1,129,647	4.75	255,646
After four but within five years	3.24	289,505	4.72	1,111,603
Over five years	4.22	4,972	4.69	11,866
		$46,726,965		$41,038,797

*Weighted average interest rate including the impact of interest rate swaps.

At December 31, the weighted average cost of deposits was 1.85% (2003) and 2.56% (2002).

As of December 31, 2003, the aggregate amount outstanding of time certificates of deposit in amounts of $100,000 or more was $56.0 million and the aggregate amount of transaction accounts in amounts of $100,000 or more was $18.4 billion.

Interest expense on deposits is summarized as follows:

	Year Ended December 31		
	2003	2002	2001
Interest-bearing checking accounts	$ 78,900	$ 86,983	$ 114,880
Passbook accounts	2,859	3,855	5,917
Money market deposit accounts	530,543	413,076	187,867
Term certificate accounts	325,821	576,023	1,213,664
	$938,123	$1,079,937	$1,522,328

NOTE J - Advances from Federal Home Loan Banks

Advances are borrowings secured by pledges of certain loans, MBS, and capital stock of the Federal Home Loan Banks with a total book value of $30,540,181 as of December 31, 2003.

The Company's advances have maturities and interest rates as follows:

December 31, 2003		
Maturity	Amount	Stated Rate
2004	$ 4,848,040	1.17%
2005	7,552,750	1.17
2006	5,589,602	1.22
2007	535,793	1.49
2008	3,081,102	1.24
2009 and thereafter	392,947	5.81
	$22,000,234	

December 31, 2002		
Maturity	Amount	Stated Rate
2003	$ 6,839,285	1.55%
2004	3,446,622	1.61
2005	6,114,557	1.64
2006	1,935,539	1.69
2007	31,875	6.23
2008 and thereafter	267,221	6.26
	$18,635,099	

Financial data pertaining to advances from FHLBs were as follows:

	Year Ended December 31	
	2003	2002
Weighted average interest rate, end of year	1.28%	1.68%
Weighted average interest rate during the year	1.37%	2.06%
Average balance of FHLB advances	$19,621,477	$18,468,723
Maximum outstanding at any monthend	22,000,234	19,169,627

Of the advances outstanding at December 31, 2003, $20.2 billion were tied to a LIBOR index and were scheduled to reprice within 90 days. At December 31, 2003, the Company had $2.5 billion of commitments outstanding to borrow advances from the FHLB of Dallas and these advances will be indexed to three-month LIBOR.

NOTE K - Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are collateralized by mortgage-backed securities with a book value of $3,112,307 and $527,318 at December 31, 2003 and 2002, respectively.

December 31, 2003		
Maturity	Amount	Stated Rate
2004	$1,871,385	1.12%
2005	650,000	1.17
2006	500,000	1.14
	$3,021,385	

December 31, 2002		
Maturity	Amount	Stated Rate
2003	$ 522,299	1.31%

At the end of 2003 and 2002, all of the agreements to repurchase with brokers/dealers were to reacquire the same securities.

NOTE L - Bank Notes

WSB has a bank note program under which up to $5 billion of borrowings can be outstanding at any point in time. These unsecured bank notes have maturities of 270 days or less.

December 31, 2003		
Maturity	Amount	Stated Rate
2004	$3,015,854	1.12%

December 31, 2002		
Maturity	Amount	Stated Rate
2003	$1,209,925	1.44%

NOTE M - Senior Debt

	December 31	
	2003	2002
Golden West Financial Corporation senior debt, unsecured, due from 2006 to 2012, at coupon rates of 4.125% to 5.50%, net of unamortized discount of $8,743 (2003) and $10,310 (2002)	$991,257	$989,690

At December 31, the senior debt had a weighted average interest rate of 4.91% (2003) and 4.92% (2002). At December 31, 2003, senior debt had maturities and interest rates as follows:

Maturity	Stated Rate	Amount
2006	5.72%	$198,991
2007	4.32	298,168
2012	4.94	494,098
		$991,257

NOTE N - Subordinated Notes

	December 31	
	2003	2002
Golden West Financial Corporation subordinated notes, unsecured, due 2003, at a coupon rate of 6.00%, net of unamortized discount of $133 (2002)	$ -0-	$199,867

At December 31, 2002, subordinated notes had a weighted average interest rate of 6.09%.

NOTE O - Taxes on Income

The following is a comparative analysis of the provision for federal and state taxes on income.

	Year Ended December 31		
	2003	2002	2001
Federal income tax:			
Current	$556,885	$479,732	$454,381
Deferred	44,349	43,611	(21,791)
State tax:			
Current	87,403	69,933	81,235
Deferred	(5,401)	3,075	(644)
	$683,236	$596,351	$513,181

The amounts of net deferred liability included in taxes on income in the Consolidated Statement of Financial Condition are as follows:

	December 31	
	2003	2002
Federal income tax	$370,597	$318,328
State tax	56,399	63,214
	$426,996	$381,542

The deferred tax liability results from changes in the amounts of temporary differences during the year. The components of the net deferred tax liability are as follows:

	December 31	
	2003	2002
Deferred tax liabilities:		
Loan fees and interest income	$292,633	$255,563
FHLB stock dividends	173,901	158,162
Unrealized gains on debt and equity securities	125,009	126,827
Depreciation	24,733	22,302
Bad debt reserve	-0-	3,161
Other deferred tax liabilities	15	26
Gross deferred tax liabilities	616,291	566,041
Deferred tax assets:		
Provision for losses on loans	116,834	113,712
State taxes	33,306	31,590
Other deferred tax assets	39,155	39,197
Gross deferred tax assets	189,295	184,499
Net deferred tax liability	$426,996	$381,542

A reconciliation of income taxes at the federal statutory corporate rate to the effective tax rate is as follows:

	Year Ended December 31					
	2003		2002		2001	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Computed standard corporate tax expense	$626,267	35.0%	$544,120	35.0%	$466,201	35.0%
Increases (reductions) in taxes resulting from:						
State tax, net of federal income tax benefit	58,344	3.3	60,666	3.9	55,915	4.2
Net financial income, not subject to income tax, primarily related to acquisitions	(1,234)	(.1)	(4,830)	(.3)	(8,105)	(.6)
Other	(141)	.0	(3,605)	(.2)	(830)	(.1)
	$683,236	38.2%	$596,351	38.4%	$513,181	38.5%

In accordance with Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes,” a deferred tax liability has not been recognized for the tax bad debt reserve of WSB that arose in tax years that began prior to December 31, 1987. At December 31, 2003 and 2002, the portion of the tax bad debt reserve attributable to pre-1988 tax years was approximately $252 million. The amount of unrecognized deferred tax liability at December 31, 2003 and 2002, was approximately $88 million. This deferred tax liability could be recognized if certain distributions are made with respect to the stock of WSB, or the bad debt reserve is used for any purpose other than absorbing bad debt losses.

NOTE P - Stockholders' Equity

Changes in common stock issued and outstanding were as follows:

	Year Ended December 31		
	2003	2002	2001
Shares issued and outstanding, beginning of year	153,521,103	155,531,777	158,410,137
Common stock issued through options exercised	554,375	730,986	797,090
Common stock repurchased and retired	(1,956,370)	(2,741,660)	(3,675,450)
Shares issued and outstanding, end of year	152,119,108	153,521,103	155,531,777

The quarterly cash dividends paid on the Company's common stock were as follows:

	Year Ended December 31		
	2003	2002	2001
First Quarter	$.0850	$.0725	$.0625
Second Quarter	.0850	.0725	.0625
Third Quarter	.0850	.0725	.0625
Fourth Quarter	.1000	.0850	.0725

The Company's Board of Directors, through five separate actions beginning in 1993, authorized the repurchase by the Company of up to 60.6 million shares of Golden West's common stock. As of December 31, 2003, 51,270,628 of such shares had been repurchased and retired at a cost of $1.4 billion since October 28, 1993. During 2003, 1,956,370 of the shares were purchased and retired at a cost of $151 million.

NOTE Q - Earnings Per Share

The Company calculates Basic Earnings Per Share (EPS) and Diluted EPS in accordance with SFAS 128. The following is a summary of the calculation of basic and diluted EPS:

	Year Ended December 31		
	2003	2002	2001
Earnings before cumulative effect of accounting change	$1,106,099	$958,279	$818,823
Cumulative effect of accounting change, net of tax	-0-	-0-	(6,018)
Net earnings	$1,106,099	$958,279	$812,805
Weighted average shares	152,523,592	154,561,240	158,262,474
Dilutive effect of outstanding common stock equivalents	2,463,611	2,120,940	2,096,011
Diluted average shares outstanding	154,987,203	156,682,180	160,358,485
Basic Earnings Per Share Calculation:			
Basic earnings per share before cumulative effect of accounting change	$ 7.25	$ 6.20	$ 5.18
Cumulative effect of accounting change, net of tax	.00	.00	(.04)
Basic earnings per share	$ 7.25	$ 6.20	$ 5.14
Diluted Earnings Per Share Calculation:			
Diluted earnings per share before cumulative effect of accounting change	$ 7.14	$ 6.12	$ 5.11
Cumulative effect of accounting change, net of tax	.00	.00	(.04)
Diluted earnings per share	$ 7.14	$ 6.12	$ 5.07

As of December 31, 2003, 2002, and 2001, options to purchase 419,500, 7,250, and 17,250 shares, respectively, were outstanding but not included in the computation of earnings per share because the exercise price was higher than the average market price, and therefore they were antidilutive.

NOTE R - Stock Options

The Company's 1996 stock option plan authorizes the granting of options to key employees to purchase up to 21 million shares of the Company's common stock.

The plan permits the issuance of either non-qualified stock options or incentive stock options. Under terms of the plan, incentive stock options have been granted at fair market value as of the date of grant and are exercisable any time after two to five years and prior to ten years from the grant date. Non-qualified options have been granted at fair market value as of the date of grant and are exercisable after two to five years and prior to ten years and one month from the grant date. At December 31, shares available to be granted under options amounted to 1,595,450 (2003), 3,147,200 (2002), and 3,088,500 (2001). Outstanding options at December 31, 2003, were held by 609 employees and had expiration dates ranging from January 15, 2004, to December 30, 2013.

The following table sets forth the range of exercise prices on outstanding options at December 31, 2003:

Range of Exercise Price	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$11.50 - $ 17.83	969,350	$15.17	1.5 years
$27.60 - $ 38.75	3,190,999	30.55	5.7 years
$46.68 - $103.15	2,435,825	70.18	9.0 years
	6,596,174		

	Currently Exercisable	
Range of Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
$11.50 - $ 17.83	969,350	$15.17
$27.60 - $ 38.75	1,225,275	29.70
$46.68 - $103.15	375,700	47.55
	2,570,325	

A summary of the transactions of the stock option plan follows:

	Shares	Average Exercise Price per Share
Outstanding, January 1, 2001	6,271,425	$24.78
Granted	931,650	47.52
Exercised	(797,090)	18.16
Canceled	(17,500)	37.94
Outstanding, December 31, 2001	6,388,485	$28.89
Granted	13,250	63.65
Exercised	(730,986)	21.77
Canceled	(71,950)	33.33
Outstanding, December 31, 2002	5,598,799	$29.84
Granted	1,572,200	82.69
Exercised	(554,375)	22.96
Canceled	(20,450)	58.55
Outstanding, December 31, 2003	6,596,174	$42.93

At December 31, options exercisable amounted to 2,570,325 (2003), 2,688,175 (2002), and 2,913,435 (2001). The weighted average exercise price of the options exercisable at December 31 was $26.83 (2003), $22.69 (2002), $21.08 (2001).

The weighted average fair value per share of options granted during 2003 was $22.72 per share, $17.27 per share for those granted during 2002, and $14.14 per share for those granted during 2001. For these disclosure purposes, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2003, 2002 and 2001, respectively: dividend yield of 0.7% (2003), 0.5% (2002) and 0.8% (2001); expected volatility of 23% (2003), 26% (2002) and 26% (2001); expected lives of 5.7 years (2003), 5.3 years (2002) and 5.3 years (2001); and risk-free interest rates of 3.57% (2003), 2.73% (2002) and 4.30% (2001).

NOTE S - Concentrations of Credit Risk and Derivatives

As of December 31, 2003, the balance of the Company's loans receivable and MBS with recourse held to maturity was $77 billion. Of that $77 billion balance, 36% were Northern California loans, 28% were Southern California loans, 6% were Florida loans, 4% were New Jersey loans, 4% were Texas loans, 3% were Washington loans, 3% were Illinois loans, and 2% were Colorado loans. No other single state made up more than 2% of the total loan portfolio. The vast majority of these loans are secured by first deeds of trust on one- to four-family residential property. Economic conditions and real estate values in the states in which the Company lends are the key factors that affect the credit risk of the Company's loan portfolio.

In order to further reduce its exposure to fluctuations in interest rates, the Company is a party to certain derivative instruments entered into in the normal course of business, specifically interest rate swaps. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statement of Financial Condition. The contract or notional amounts of these instruments reflect the extent of involvement the Company has in particular classes of financial instruments. To limit credit exposure, among other things, the Company enters into financial instrument contracts only with the Federal Home Loan Bank and with major banks and securities dealers selected by the Company upon the basis of their creditworthiness and other matters. The Company uses strong counterparties and, if needed, obtains collateral or other security to support these financial instruments. The Company does not anticipate nonperformance by any current counterparties.

Commitments to originate mortgage loans are agreements to lend to a customer providing that the customer satisfies the terms of the contract. Commitments generally have fixed expiration dates or other termination clauses. Prior to entering each commitment, the Company evaluates the customer's creditworthiness. The amount of outstanding loan commitments at December 31, 2003 and 2002 was $1.7 billion and $1.4 billion, respectively. The vast majority of these commitments were for adjustable rate mortgages.

The Company enters into commitments to sell mortgage loans. The commitments generally have a fixed delivery settlement date. The Company had no significant outstanding commitments to sell mortgage loans as of December 31, 2003 or 2002.

From time to time, the Company enters into commitments to purchase or sell mortgage-backed securities. The commitments generally have a fixed delivery or receipt settlement date. The Company controls the credit risk of such commitments through credit evaluations, limits, and monitoring procedures. The interest rate risk of the commitment is considered by the Company and may be matched with the appropriate funding sources. The Company had no significant outstanding commitments to purchase or sell mortgage-backed securities as of December 31, 2003 or 2002.

NOTE T - Interest Rate Swaps

The Company has entered into interest rate swap agreements with selected banks and government security dealers to reduce its exposure to fluctuations in interest rates. The possible inability of counterparties to satisfy the terms of these contracts exposes the Company to credit risk to the extent of the net difference between the calculated pay and receive amounts on each transaction. Net differences of that amount are generally settled quarterly. The Company has not experienced any credit losses from interest rate swaps.

The information presented below is based on interest rates at December 31, 2003. To the extent that rates change, variable interest rate information will change.

The following table illustrates the weighted average rates as of December 31, 2003 for interest rate swaps held by the Company by product type. The interest rate swaps held by the Company at December 31, 2003, mature in 2004.

	December 31, 2003
Pay fixed generic swaps:	
Notional amount	$103,600
Weighted average receive rate	1.18%
Weighted average pay rate	6.65%

During 2003, the range of floating interest rates received on swap contracts was 1.02% to 1.83% and the range of floating interest rates paid on swap contracts was 1.78% to 1.84%. The range of fixed interest rates received on swap contracts was 6.39% to 6.56% and the range of fixed interest rates paid on swap contracts was 2.42% to 7.53%.

Activity in interest rate swaps is summarized as follows:

Interest Rate Swap Activity
For the Years Ended December 31, 2003, 2002, and 2001
(Notional amounts in millions)

	Receive Fixed Swaps	Pay Fixed Swaps
Balance, January 1, 2001	$217	$717
Maturities	(114)	(96)
Balance, December 31, 2001	103	621
Additions	-0-	275
Maturities	(12)	(305)
Balance, December 31, 2002	91	591
Maturities	(91)	(487)
Balance, December 31, 2003	$ -0-	$104

Interest rate swap payment activity decreased net interest income by $12 million, $19 million, and $13 million for the years ended December 31, 2003, 2002, and 2001, respectively.

The Company accounts for interest rate swaps under the provisions in SFAS 133, as amended. Upon adoption of SFAS 133 on January 1, 2001, the Company reported a one-time pre-tax charge of $10 million, or $.04 after tax per diluted share. As a result of the ongoing valuation of the Company's swaps, the Company reported pre-tax income of $11 million, or $.04 after tax per diluted share for the year ended December 31, 2003 and pre-tax income of $8 million, or $.03 after tax per diluted share for the year ended December 31, 2002. This additional income occurred because the fair value of Golden West's swaps changed in 2003 and 2002 as a result of interest rate movements and the maturities of interest rate swaps. The changes in fair value of these swap contracts are reflected as a net liability on the Consolidated Statement of Financial Condition with corresponding amounts reported in Noninterest Income on the Consolidated Statement of Net Earnings as "Change in Fair Value of Derivatives." The Company has decided not to utilize permitted hedge accounting for the derivative financial instruments in portfolio at December 31, 2003.

NOTE U - Disclosure About Fair Value of Financial Instruments

The Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value. The statement provides for a variety of different valuation methods, levels of aggregation, and assessments of practicability of estimating fair value.

The values presented are based upon information as of December 31, 2003 and 2002, and do not reflect any subsequent changes in fair value. Fair values may have changed significantly following the balance sheet dates. The estimates presented herein are not necessarily indicative of amounts that could be realized in a current transaction.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- The historical cost amounts approximate the fair value of the following financial instruments: cash, interest earned but uncollected, investment in capital stock of Federal Home Loan Banks, other overnight investments, demand deposits, and securities sold under agreements to repurchase with brokers/dealers due within 90 days.
- Fair values are based on quoted market prices for securities available for sale, other long-term investments, mortgage-backed securities available for sale, mortgage-backed securities held to maturity, securities sold under agreements to repurchase with brokers/dealers with terms greater than 90 days, senior debt, subordinated notes and interest rate swaps.
- Fair values are estimated using projected cash flows present valued at replacement rates currently offered for instruments of similar remaining maturities for: term deposits, advances from Federal Home Loan Banks, and consumer repurchase agreements.
- For loans receivable and loan commitments for investment portfolio, the fair value is estimated by present valuing projected future cash flows, using current rates at which similar loans would be made to borrowers and with assumed rates of prepayment. Adjustment for credit risk is estimated based upon the classification status of the loans.
- For mortgage servicing rights, the fair value is estimated using a discounted cash flow analysis based on the Company's estimated annual cost of servicing, prepayment rates, and discount rates.

The table below discloses the carrying value and the fair value of Golden West's financial instruments as of December 31.

	December 31			
	2003		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Cash	$ 260,823	$ 260,823	$ 318,914	$ 318,914
Securities available for sale	1,879,443	1,879,443	922,177	922,177
Mortgage-backed securities available for sale	22,071	22,071	34,543	34,543
Mortgage-backed securities held to maturity	4,083,367	4,115,440	6,032,915	6,177,403
Loans receivable	74,205,578	74,825,796	58,943,316	59,033,944
Interest earned but uncollected	183,761	183,761	183,130	183,130
Investment in capital stock of Federal Home Loan Banks	1,152,339	1,152,339	1,072,817	1,072,817
Capitalized mortgage servicing rights	88,967	95,139	69,448	73,082
Financial Liabilities:				
Deposits	46,726,965	46,898,313	41,038,797	41,273,390
Advances from Federal Home Loan Banks	22,000,234	22,020,154	18,635,099	18,686,486
Securities sold under agreements to repurchase	3,021,385	3,021,415	522,299	522,307
Bank notes	3,015,824	3,016,048	1,209,925	1,210,189
Senior debt	991,257	1,027,745	989,690	1,027,655
Subordinated notes	-0-	-0-	199,867	206,258
Interest rate swaps	991	991	12,031	12,031

Off-Balance Sheet Instruments (based on estimated fair value at December 31):

	December 31, 2003		
	Unrealized Gains	Unrealized Losses	Net Unrealized Gain
Loan commitments for investment portfolio	$12,963	$ -0-	$12,963

	December 31, 2002		
	Unrealized Gains	Unrealized Losses	Net Unrealized Gain
Loan commitments for investment portfolio	$19,967	$ -0-	$19,967

NOTE V - Parent Company Financial Information

Statement of Net Earnings

	Year Ended December 31		
	2003	2002	2001
Revenues:			
Dividends from subsidiaries	$ 200,112	$300,188	$ 2,222
Investment income	8,576	7,766	20,106
Insurance commissions	2,331	2,354	1,600
	211,019	310,308	23,928
Expenses:			
Interest	57,826	45,859	47,445
General and administrative	6,693	5,053	4,235
	64,519	50,912	51,680
Earnings (loss) before income tax benefit and equity in net undistributed earnings of subsidiaries	146,500	259,396	(27,752)
Income tax benefit	20,723	15,793	11,693
Equity in undistributed net earnings of subsidiaries	938,876	683,090	828,864
Net Earnings	$1,106,099	$958,279	$812,805

Statement of Financial Condition

	December 31	
Assets	2003	2002
Cash	$ 6,178	$ 1,481
Securities available for sale	603,080	429,066
Overnight note receivable from subsidiary	-0-	399,369
Other investments with subsidiary	105	103
Investment in subsidiaries	6,310,185	5,373,706
Other assets	35,183	30,346
	$6,954,731	$6,234,071
Liabilities and Stockholders' Equity		
Senior debt	$ 991,257	$ 989,690
Subordinated notes, net	-0-	199,867
Other liabilities	16,206	19,264
Stockholders' equity	5,947,268	5,025,250
	$6,954,731	$6,234,071

Statement of Cash Flows

	Year Ended December 31		
	2003	2002	2001
Cash flows from operating activities:			
Net earnings	$1,106,099	$958,279	$812,805
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Equity in net undistributed earnings of subsidiaries	(938,876)	(683,090)	(828,864)
Amortization of discount on senior debt and subordinated notes	1,700	1,123	875
Other, net	1,590	3,377	7,211
Net cash provided by (used in) operating activities	170,513	279,689	(7,973)
Cash flows from investing activities:			
Increase in securities available for sale	(172,522)	(226,762)	(200,002)
Decrease (increase) in overnight notes receivable from subsidiary	399,369	(349,208)	228,851
Increase in other investments with subsidiary	(2)	(3)	(3)
Repayments of subordinated note receivable from subsidiary	-0-	100,000	-0-
Net cash provided by (used in) investing activities	226,845	(475,973)	28,846
Cash flows from financing activities:			
Proceeds from senior debt	-0-	790,708	198,060
Repayment of subordinated notes	(200,000)	(400,000)	-0-
Dividends on common stock	(54,159)	(46,746)	(41,096)
Exercise of stock options	12,728	15,915	14,476
Purchase and retirement of Company stock	(151,230)	(173,036)	(185,644)
Net cash provided by (used in) financing activities	(392,661)	186,841	(14,204)
Net increase (decrease) in cash	4,697	(9,443)	6,669
Cash at beginning of period	1,481	10,924	4,255
Cash at end of period	$ 6,178	$ 1,481	$ 10,924

NOTE W - Selected Quarterly Financial Data

(Unaudited)

	2003			
	Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
Interest income	$877,434	$871,323	$876,886	$902,701
Interest expense	348,693	329,702	323,556	318,009
Net interest income	528,741	541,621	553,330	584,692
Provision for loan losses	4,479	3,501	2,082	1,802
Noninterest income	67,062	82,930	90,740	72,598
Noninterest expense	169,710	177,180	181,053	192,572
Earnings before taxes on income	421,614	443,870	460,935	462,916
Taxes on income	161,549	171,397	178,029	172,261
Net earnings	$260,065	$272,473	$282,906	$290,655
Basic earnings per share	$ 1.70	$ 1.79	$ 1.86	$ 1.91
Diluted earnings per share	$ 1.67	$ 1.76	$ 1.83	$ 1.88

	2002			
	Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
Interest income	$868,236	$853,789	$888,459	$886,550
Interest expense	401,337	388,770	392,759	383,874
Net interest income	466,899	465,019	495,700	502,676
Provision for loan losses	8,539	5,186	6,484	961
Noninterest income	70,004	51,293	57,862	67,841
Noninterest expense	141,061	142,967	153,767	163,699
Earnings before taxes on income	387,303	368,159	393,311	405,857
Taxes on income	149,222	141,791	148,852	156,486
Net earnings	$238,081	$226,368	$244,459	$249,371
Basic earnings per share	$ 1.53	$ 1.46	$ 1.58	$ 1.62
Diluted earnings per share	$ 1.51	$ 1.44	$ 1.56	$ 1.60

Independent Auditors' Report

Board of Directors and Stockholders
Golden West Financial Corporation
Oakland, California

We have audited the accompanying consolidated statements of financial condition of Golden West Financial Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of net earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Golden West Financial Corporation and subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the consolidated financial statements, the Company changed its method of accounting for derivative financial instruments, effective January 1, 2001, to conform with Statement of Financial Accounting Standards No. 133.

Deloitte & Touche LLP

Oakland, California
January 30, 2004

Management's Discussion

and Analysis of Financial Condition and Results of Operations

Overview

Headquartered in Oakland, California, Golden West Financial Corporation (Golden West or Company) is one of the nation's largest financial institutions with assets of $82.5 billion as of December 31, 2003. The Company's principal operating subsidiary is World Savings Bank, FSB (WSB). WSB has a subsidiary World Savings Bank, FSB (Texas) (WTX). As of December 31, 2003, the Company operated 479 savings and lending offices in 38 states under the World name.

The Company is a residential mortgage portfolio lender. In order to increase net earnings under this business model, management focuses principally on:

- growing net interest income, which is the difference between the interest and dividends earned on loans and other investments and the interest paid on customer deposits and borrowings;
- maintaining a healthy primary spread, which is the difference between the yield on interest-earning assets and the cost of deposits and borrowings;
- expanding the adjustable rate mortgage (ARM) portfolio, which is the Company's primary earning asset;
- managing interest rate risk, principally by originating and retaining monthly adjusting ARMs in portfolio, and matching these ARMs with liabilities that respond in a similar manner to changes in interest rates;
- managing credit risk, principally by originating high-quality loans to minimize nonperforming assets and troubled debt restructured; and
- controlling expenses.

2003 in Review

In 2003, interest rates fell to the lowest levels since 1958. The low short- and long-term interest rates in 2003 facilitated the continuation of the three-year-old mortgage refinance boom, bolstered home sales, and spurred national homeownership to reach its highest level ever at 68.6% of households, up from 64% in 1990. Due to the unprecedented consumer demand for home loans in 2003, national mortgage originations set an all-time high for the third consecutive year, with lending on one- to four-family homes reaching $3.8 trillion, or 53% higher than the previous record of $2.5 trillion set just a year earlier.

Historically, a low-interest rate environment such as 2003 tends to favor fixed-rate mortgages over ARMs because consumers are drawn to fixed-rate loans to lock in low payments for the long term. Despite these challenging competitive conditions for ARM lenders, Golden West turned in record loan origination numbers in 2003 of $36.0 billion, of which $33.7 billion, or 94%, were in the form of ARMs, almost all of which adjust monthly in response to changes in short-term interest rates.

Summary of Results of Operations

The following table sets forth selected financial information about how the Company performed in 2003, as compared to 2002 and 2001. Financial information is reflected as of and for the years ended December 31, 2003, 2002, and 2001.

Golden West Financial Corporation Financial Highlights
2001 – 2003
(Dollars in Millions Except Per Share Figures)

	2003	2002	2001
Operating Results:			
Net earnings	$ 1,106	$ 958	$ 819[a]
Diluted earnings per share	7.14	6.12	5.11[a]
Net interest income	$ 2,208	$ 1,930	$ 1,631
Average earning assets	72,351	61,476	56,274
Net interest margin	3.05%	3.17%	2.93%
General and administrative expense	$ 721	$ 601	$ 514
General and administrative expense/average assets	.98%	.96%	.90%
Selected Balance Sheet Items:			
Assets	$82,550	$68,406	$58,586
Loans receivable and mortgage-backed securities (MBS)	78,311	65,011	55,669
Deposits	46,727	41,039	34,473
Borrowings	29,028	21,557	19,060
Stockholders' equity	5,947	5,025	4,284
Stockholders' equity/total assets	7.20%	7.35%	7.31%
World Savings Bank, FSB:			
Total assets	$81,939	$67,968	$58,378
Stockholders' equity	6,289	5,358	4,702
Regulatory capital ratios:[b]			
Tier 1 capital (core or leverage)	7.45%	7.61%	7.71%
Total risk-based	14.16%	14.26%	14.24%

(a) For 2001, excludes the cumulative effect of an accounting change resulting in a $6 million, or $.04 per diluted earnings per share after tax, one-time charge due to the adoption of SFAS 133 on January 1, 2001.
(b) For regulatory purposes, the requirements to be considered "well-capitalized" are 5.0% and 10.0% for tier 1 capital and total risk-based capital, respectively.

The high loan origination volume in 2003 led to a significant increase in the average outstanding balance of loans receivable and MBS. This growth was the principal reason for the increase in net interest income, which in turn was the primary reason for the increase in the Company's net earnings. For more discussion of the Company's Results of Operations, please refer to page 65.

Financial Condition

The following table summarizes the Company's major asset, liability, and equity components in percentage terms at yearends 2003, 2002, and 2001. The sections that follow discuss the Company's ARM products and management of the Company's assets and liabilities, as well as further detail about each of the components of the balance sheet.

Asset, Liability, and Equity Components as Percentages of the Total Balance Sheet 2001 – 2003

	December 31		
	2003	2002	2001
Assets:			
Cash and investments	2.6%	1.8%	1.6%
Loans receivable and MBS	94.9	95.0	95.0
Other assets	2.5	3.2	3.4
	100.0%	100.0%	100.0%
Liabilities and Stockholders' Equity:			
Deposits	56.6%	60.1%	58.9%
FHLB advances	26.7	27.2	30.8
Other borrowings	8.5	4.3	1.7
Other liabilities	1.0	1.1	1.3
Stockholders' equity	7.2	7.3	7.3
	100.0%	100.0%	100.0%

As the table shows, deposits represent the majority of the Company's liabilities. The largest asset component is loans receivable and MBS, which consists primarily of residential mortgages. The Company emphasizes adjustable rate mortgages (ARM) — loans with interest rates that change periodically in accordance with movements in specified indexes.

Almost all of the Company's ARMs have interest rates that change monthly and are tied to one of the following three indexes:

1. The Certificate of Deposit Index (CODI) is based on the monthly rate of three-month certificates of deposit (secondary market), as published by the Federal Reserve Board. CODI is calculated by adding the twelve most recently published monthly rates together and dividing the result by twelve.

2. The Eleventh District Cost of Funds Index (COFI), which is equal to the monthly average cost of deposits and borrowings of savings institution members of the Federal Home Loan Bank System's Eleventh District, which is composed of California, Arizona, and Nevada.

3. The Golden West Cost of Savings Index (COSI), which is equal to the monthend weighted average interest rate paid on the Company's deposits.

The Company originates ARMs that allow borrowers to select an initial monthly payment amount fixed for one year that is lower than the payment amount that would be necessary to fully amortize the loan over its scheduled maturity at its initial rate and term. The borrower's monthly payment is reset annually, up or down, subject to a 7.5% limit on payment increases as discussed below. If the borrower's monthly payment is not large enough to pay the monthly interest owed on the loan, the unpaid interest is added to the outstanding loan balance as deferred interest. The borrower may pay down the balance of deferred interest in whole or in part at any time.

The annual payment reset is based on the amount that is sufficient to amortize the outstanding loan balance at the then applicable interest rate on the loan over the remaining term of the loan. However, in order to protect the borrower from large annual payment increases, the new monthly payment for the year may increase by no more than 7.5% of the prior year's monthly payment amount. Every five years, beginning with either the fifth or the tenth annual payment change, the payment may be reset without regard to the 7.5% payment change limitation in order to amortize the loan fully over its remaining term.

In addition, the Company originates a small volume of modified ARMs, that is ARMs with initial interest rates and monthly payments fixed for periods of 12 to 36 months, after which the interest rate adjusts monthly and the monthly payment is reset annually as described above.

From time to time, as part of the Company's loan retention efforts, the Company may temporarily modify certain terms of the loan. Additionally, at the borrower's request, the Company may convert an ARM to a fixed-rate mortgage. The Company sells most ARMs that are converted to fixed-rate mortgages.

Asset/Liability Management

The Company's earnings depend primarily on its net interest income, which is the difference between the amounts it receives from interest and dividends earned on loans, MBS, and investments and the amounts it pays in interest on deposits and borrowings. The Company is subject to interest-rate risk to the extent its assets and liabilities reprice at different times and by different amounts. Repricing of an asset and a liability is the change in rate due to maturity, prepayments, the movement of an interest rate index, or any other interest rate change. The disparity between the repricing of assets (mortgage loans, MBS, and investments) and the repricing of liabilities (deposits and borrowings) can have a material impact on the Company's net interest income and net earnings. The difference between the response of assets and liabilities to changes in interest rates is commonly referred to as the "gap" or the "repricing gap."

The gap table on the following page shows the volume of assets and liabilities that reprice within certain time periods as of December 31, 2003. If all repricing assets and liabilities responded equally to changes in the interest rate environment, then gap analysis would suggest that Golden West's earnings would rise when interest rates increase and would fall when interest rates decrease. However, Golden West's repricing assets and liabilities do not respond equally to changes in the interest rate environment due to the built-in reporting and repricing lags inherent in the adjustable rate mortgage indexes used by the Company. Reporting lags occur because of the time it takes to gather the data needed to compute the indexes. Repricing lags occur because it may take a period of time before changes in interest rates are significantly reflected in the indexes. On balance, the reporting and repricing lags cause the Company's assets to initially reprice more slowly than the Company's liabilities. For more discussion, see Net Interest Income on page 65.

CODI, which is the index Golden West uses to determine the rate on $30 billion of its existing adjustable rate mortgages, has a one-month reporting lag. CODI also has a repricing lag, because the index is a 12-month rolling average and consequently trails changes in short-term market interest rates.

COFI, which is the index Golden West uses to determine the rate on $18 billion of its existing adjustable rate mortgages, has a two-month reporting lag. As a result, the COFI in effect in any month actually reflects the Eleventh District's cost of funds at the level it was two months prior. COFI also has a repricing lag because COFI is based on a portfolio of liabilities, not all of which reprice immediately. Many of these liabilities, including certificates of deposit and fixed-rate borrowings, do not reprice each month. In addition, when certificates of deposit do reprice, they may not reflect the full change in market rates. Some liabilities, such as low-rate checking or passbook savings accounts, may reprice by only small amounts. Still other liabilities, such as noninterest bearing deposits, do not reprice at all. Therefore, COFI does not fully reflect a change in market interest rates.

COSI, which is the index Golden West uses to determine the rate on $25 billion of its existing adjustable rate mortgages, has a one-month reporting lag. COSI also has a repricing lag, because the rates paid on many of the deposits that make up COSI do not respond immediately or fully to a change in market interest rates. However, the COSI repricing lag is offset by the same repricing lag on the Company's deposits.

Partially offsetting the index reporting and repricing lags are similar lags on portions of the Company's liabilities.

**Repricing of Earning Assets and Interest-Bearing Liabilities,
Repricing Gaps, and Gap Ratios
As of December 31, 2003
(Dollars in Millions)**

	Projected Repricing[a]				
	0 - 3 Months	4 - 12 Months	1 - 5 Years	Over 5 Years	Total
Earning Assets:					
Securities available for sale	$ 1,879	$ -0-	$ -0-	$ -0-	$ 1,879
MBS:					
Adjustable rate	3,512	-0-	-0-	-0-	3,512
Fixed-rate	38	78	279	198	593
Loans receivable:[b][c]					
Adjustable rate	70,788	1,103	461	-0-	72,352
Fixed-rate held for investment	136	286	543	357	1,322
Fixed-rate held for sale	122	-0-	-0-	-0-	122
Other[d]	1,340	-0-	3	140	1,483
Impact of swaps	17	(17)	-0-	-0-	-0-
Total	$77,832	$ 1,450	$ 1,286	$ 695	$81,263
Interest-Bearing Liabilities:					
Deposits[e]	$38,671	$ 4,434	$ 3,617	$ 5	$46,727
FHLB advances	20,733	202	487	578	22,000
Other borrowings	6,037	-0-	497	494	7,028
Total	$65,441	$ 4,636	$ 4,601	$1,077	$75,755
Repricing gap	$12,391	$(3,186)	$(3,315)	$ (382)	$ 5,508
Cumulative gap	$12,391	$ 9,205	$ 5,890	$5,508	
Cumulative gap as a percentage of total assets	15.0%	11.2%	7.1%		

(a) Based on scheduled maturity or scheduled repricing; loans and MBS reflect scheduled repayments and projected prepayments of principal based on current rates of prepayment.
(b) Excludes nonaccrual loans (90 days or more past due).
(c) Includes loans in process. Loans in process are funded, interest-earning loans that have not yet been entered into the loan servicing system due to the normal five to seven day processing lag.
(d) Includes primarily cash in banks and Federal Home Loan Bank (FHLB) stock.
(e) Liabilities with no maturity date, such as checking, passbook, and money market deposit accounts, are assigned zero months.

The Company's principal strategy to limit the sensitivity of net interest income to changes in interest rates is to originate and keep in portfolio ARMs that provide interest sensitivity to the asset side of the balance sheet. At December 31, 2003, ARMs constituted 97% of the Company's loan and MBS portfolio. Asset rate sensitivity is further enhanced by the use of adjustable rate mortgages on which the rate changes monthly. At December 31, 2003, such monthly adjustable mortgages accounted for 96% of the Company's ARM portfolio. Additionally, the Company emphasizes home loans tied to certain adjustable rate mortgage indexes so that the ARM index rates and the rates on the liabilities that fund these mortgages respond in a similar manner to changes in market rates. Specifically, COSI-indexed ARMs track the Company's cost of deposits and CODI-indexed ARMs follow the Company's cost of borrowings. ARMs indexed to COSI and CODI constituted 93% of the ARM originations in 2003 and 73% of the ARM portfolio at December 31, 2003. While the index strategy has improved the match between Golden West's ARM portfolio and its savings and borrowings, there still exist some differences in the timing of the repricing of the Company's ARMs and liabilities, primarily due to lags in the repricing of the indexes, particularly CODI and COFI. In addition to the index lags, other elements of ARM loans can have an impact on earnings. These elements are interest rate caps or limits on individual rate changes, interest rate floors, the interest rate adjustment frequency of ARM loans, and introductory fixed rates on new ARM loans.

When the interest rate environment changes, the index lags and ARM structural features cause assets to reprice more slowly than liabilities, enhancing earnings when rates are falling and restraining earnings when rates are rising.

From time to time, the Company enters into interest rate swaps as part of its interest rate risk management strategy in order to alter the repricing characteristics of designated assets and liabilities (see Interest Rate Swaps on page 67).

The table on the following page shows the Company's expected cash flows and applicable yields on the balances of its interest-sensitive assets and liabilities as of December 31, 2003, taking into consideration expected prepayments of the Company's long-term assets (primarily MBS and loans receivable). The table also includes the estimated current fair value of the assets and liabilities shown.

Summary of Market Risk on Financial Instruments
As of December 31, 2003
(Dollars in Millions)

	Expected Maturity Date as of December 31, 2003[a]							
	2004	2005	2006	2007	2008	2009 & Thereafter	Total Balance	Fair Value
Interest-Sensitive Assets:								
Securities Available for Sale	$ 1,879	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 1,879	$ 1,879
Weighted average interest rate	93%	.00%	.00%	.00%	.00%	.00%	93%	
MBS								
Fixed Rate	$ 102	$ 86	$ 70	$ 57	$ 47	$ 231	$ 593	613
Weighted average interest rate	6.50%	6.34%	6.24%	6.14%	6.06%	5.75%	6.08%	
Variable Rate	$ 835	$ 636	$ 485	$ 370	$ 282	$ 904	$ 3,512	3,525
Weighted average interest rate	4.81%	4.82%	4.82%	4.82%	4.82%	4.82%	4.82%	
Loans Receivable[b]								
Fixed Rate	$ 383	$ 225	$ 166	$ 127	$ 100	$ 444	$ 1,445	1,493
Weighted average interest rate	7.67%	7.59%	7.34%	7.15%	7.02%	6.70%	7.21%	
Variable Rate	$14,662	$12,163	$10,475	$8,003	$6,124	$20,300	$71,727	73,333
Weighted average interest rate[c]	4.74%	4.73%	4.73%	4.73%	4.72%	4.72%	4.74%	
Total	$17,861	$13,110	$11,196	$8,557	$6,553	$21,879	$79,156	$80,843
Interest-Sensitive Liabilities:								
Deposits[d]	$43,104	$ 1,675	$ 523	$1,130	$ 290	$ 5	$46,727	$46,898
Weighted average interest rate	1.68%	3.51%	3.54%	4.71%	3.24%	4.22%	1.85%	
FHLB Advances								
Fixed Rate	$ 748	$ 128	$ 382	$ 36	$ 81	$ 392	$ 1,767	1,807
Weighted average interest rate	1.48%	3.24%	2.34%	5.97%	4.82%	5.81%	3.00%	
Variable Rate	$ 4,100	$ 7,425	$ 5,208	$ 500	$3,000	$ -0-	$20,233	20,213
Weighted average interest rate	1.11%	1.14%	1.13%	1.17%	1.14%	.00%	1.13%	
Other Borrowings								
Fixed Rate	$ 4,866	$ -0-	$ 199	$ 298	$ -0-	$ 494	$ 5,857	5,894
Weighted average interest rate	1.12%	.00%	5.72%	4.32%	.00%	4.94%	1.76%	
Variable Rate	$ 21	$ 650	$ 500	$ -0-	$ -0-	$ -0-	$ 1,171	1,171
Weighted average interest rate	.22%	1.17%	1.14%	.00%	.00%	.00%	1.14%	
Interest Rate Swaps (notional values)								
Pay Fixed Swaps	$ 104	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 104	1
Weighted average receive rate	1.18%	.00%	.00%	.00%	.00%	.00%	1.18%	
Weighted average pay rate	6.65%	.00%	.00%	.00%	.00%	.00%	6.65%	
Total	$52,943	$ 9,878	$ 6,812	$1,964	$3,371	$ 891	$75,859	$75,984

(a) Based on scheduled maturity or scheduled repricing: loans and MBS reflect scheduled repayments and projected prepayments of principal based on current rates of prepayment.
(b) Excludes loans in process, net deferred loan costs, allowance for loan losses, and other miscellaneous discounts.
(c) The total weighted average interest rate for variable rate loans receivable reflects loans with introductory rates in effect at December 31, 2003. Those loans are assumed to mature outside the introductory period at fully-indexed rates (the fully-indexed rate is equal to the effective index plus the loan margin). Consequently, the weighted average rate of all maturing variable rate loans will not equal the weighted average rate of total variable rate loans at December 31, 2003 as indicated in the total balance column.
(d) Deposits with no maturity are included in the 2004 column.

The Company estimates the sensitivity of its net interest income, net earnings, and capital ratios to interest rate changes and anticipated growth based on simulations using an asset/liability model which takes into account the lags previously described. The simulation model projects net interest income, net earnings, and capital ratios based on a significant interest rate increase that is sustained for a thirty-six month period. The model is based on the actual maturity and repricing characteristics of interest-rate sensitive assets and liabilities. For mortgage assets, the model incorporates assumptions regarding the impact of changing interest rates on prepayment rates, which are based on the Company's historical prepayment information. The model also factors in projections for loan and liability growth. Based on the information and assumptions in effect at December 31, 2003, a 200 basis point rate increase sustained over a thirty-six month period would initially, but temporarily, reduce the Company's primary spread, and would not adversely affect the Company's long-term profitability and financial strength.

Cash and Investments

Golden West invests primarily in federal funds, short-term repurchase agreements collateralized by mortgage-backed securities, short-term money market securities, EuroDollar time deposits, and equity securities. In determining the amounts of assets to invest in each class of investments, the Company considers relative rates, liquidity, and credit quality.

At December 31, 2003, 2002, and 2001, the Company had securities available for sale in the amount of $1.9 billion, $922 million, and $623 million, respectively, including net unrealized gains on securities available for sale of $323 million, $326 million, and $362 million, respectively. At December 31, 2003, 2002, and 2001, the Company had no securities held for trading in its investment securities portfolio.

Loans Receivable and Mortgage-Backed Securities

The Company invests primarily in single-family residential real estate loans. From time to time, the Company securitizes loans from its portfolio into MBS and Real Estate Mortgage Investment Conduit Securities (MBS-REMICs). Under Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140), if the Company retains 100% of the beneficial interests in its MBS securitizations, it will not have any effective "retained interests" requiring disclosures under SFAS 140. To date, the Company has not sold any interests requiring disclosures under SFAS 140. As of December 31, 2003, the Company has retained all of the beneficial interests in these MBS securitizations, and therefore, the securitizations formed after March 31, 2001 are securities classified as Securitized Loans and included in Loans Receivable in accordance with SFAS 140 (see page 60 for further discussion). Additionally, from time to time, the Company purchases MBS. Loans, securitized loans, and MBS are available to be used as collateral for borrowings.

The following table shows the components of the Company's loans receivable portfolio and MBS, at December 31, 2003, 2002, and 2001.

Balance of Loans Receivable and MBS by Component
2001 – 2003
(Dollars in Thousands)

	As of December 31		
	2003	2002	2001
Loans	$49,937,769	$39,159,502	$35,952,918
Securitized loans [a] [b]	23,233,928	19,066,063	5,186,717
Other [c]	1,033,881	717,751	451,084
Total loans receivable	74,205,578	58,943,316	41,590,719
Fannie Mae MBS [d]	-0-	-0-	4,732,779
MBS-REMICs	3,650,048	5,871,069	8,836,840
Purchased MBS	455,390	196,389	508,553
Total MBS	4,105,438	6,067,458	14,078,172
Total loans receivable and MBS	$78,311,016	$65,010,774	$55,668,891

(a) Loans securitized after March 31, 2001 are classified as securitized loans per SFAS 140.
(b) Includes $14.3 billion at December 31, 2003 of loans securitized with Fannie Mae where the underlying loans are subject to full credit recourse to the Company.
(c) Includes loans in process, net deferred loan costs, allowance for loan losses, and other miscellaneous reserves and discounts.
(d) The underlying loans of the Fannie Mae MBS are subject to full credit recourse to the Company. During the first half of 2002, the Company desecuritized the remaining Fannie Mae MBS.

Included in the balance of loans receivable are net deferred loan costs associated with originating loans. In accordance with generally accepted accounting principles (GAAP), the Company defers loan origination fees and certain loan origination costs. The net deferred loan costs are then amortized as a yield reduction over the life of the related loans, thereby lowering net interest income and the reported yield on the Company's loan portfolio. As shown in the following table, the net deferred loan costs balance grew by $402 million between January 1, 2001 and December 31, 2003. This growth resulted primarily from the growth in loan origination volume.

Net Deferred Loan Costs
2001 – 2003
(Dollars in Thousands)

	For the Year Ended December 31		
	2003	2002	2001
Beginning balance of net deferred loan costs	$331,985	$193,924	$145,709
Net loan costs deferred	313,331	173,570	78,329
Amortization of net deferred loan costs	(97,998)	(54,144)	(17,070)
Net deferred loan costs transferred from (to) MBS	-0-	18,635	(13,044)
Ending balance of net deferred loan costs	$547,318	$331,985	$193,924

The balance of loans receivable and MBS is affected by loan originations and loan and MBS repayments. Repayments from loans receivable and MBS were $20.0 billion, $15.6 billion, and $15.6 billion for the years ended December 31, 2003, 2002, and 2001, respectively. Loans receivable and MBS repayments were higher in 2003 as compared to 2002 due to both an increase in the portfolio balance and the prepayment rate. In 2002, repayments were similar to 2001 because there was a small decrease in the prepayment rate that was offset by the growth in the loan portfolio.

Loans Receivable and Lending Operations

New loan originations in 2003, 2002, and 2001 amounted to $36.0 billion, $26.7 billion, and $20.8 billion, respectively. The volume of originations increased during 2003 due to the decline in mortgage rates to 45 year lows, which led to a strong demand for home loans, including the Company's ARM products. During 2003, consumers took advantage of these low interest rates to refinance their mortgages and, as a result, refinanced loans constituted 70% of the Company's new loan originations in 2003 compared to 62% in 2002 and 59% in 2001. The volume of originations increased during 2002 due to low interest rates and a strong demand for mortgage loans, including ARMs, the Company's principal product.

At December 31, 2003, the Company had lending operations in 38 states. The largest source of mortgage origination volume was loans secured by residential properties in California. In 2003, 67% of total loan originations were on residential properties in California, compared to 67% and 70% in 2002 and 2001, respectively. The five largest states, other than California, for originations for the year ended December 31, 2003 were Florida, New Jersey, Texas, Illinois, and Virginia, with a combined total of 16% of total originations. The percentage of the total loan portfolio (including MBS, except purchased MBS) that was comprised of residential loans in California was 64% at December 31, 2003, 2002, and 2001.

First mortgages originated for portfolio (excluding equity lines of credit "ELOCs") amounted to $33.1 billion in 2003 compared to $24.8 billion and $18.2 billion in 2002 and 2001, respectively. First mortgages originated for sale were $1.9 billion, $1.7 billion, and $2.2 billion for the years ended December 31, 2003, 2002, and 2001, respectively. During 2003, 2002, and 2001, $1.2 billion, $596 million, and $794 million, respectively, of loans and MBS were converted at the customer's request from adjustable rate to fixed-rate loans. The Company sells most of its new and converted fixed-rate loans. The Company sold $3.1 billion, $2.3 billion, and $2.7 billion of fixed-rate first mortgage loans during 2003, 2002, and 2001, respectively.

Golden West originates ARMs indexed primarily to the CODI, COFI, and COSI. Golden West also establishes ELOCs indexed to the Prime Rate as published in the Money Rates table in *The Wall Street Journal* (Central Edition). Golden West's ARM originations constituted approximately 94% of new mortgage volume made by the Company in 2003, compared with 92% in 2002 and 84% in 2001. The following table shows the distribution of ARM originations by index for the years ended December 31, 2003, 2002, and 2001.

Adjustable Rate Mortgage Originations by Index
2001 – 2003
(Dollars in Thousands)

	For the Year Ended December 31		
ARM Index	2003	2002	2001
CODI	$20,518,260	$13,173,161	$ 554,390
COFI	1,559,605	3,370,412	9,813,174
COSI	10,688,779	7,899,702	7,064,962
Prime [(a)]	887,363	—	—
Total	$33,654,007	$24,443,275	$17,432,526

(a) As of January 2003, includes fundings of new ELOCs indexed to the Prime Rate. Only amounts drawn at the establishment of the line of credit are included in originations. Prior to 2003, ELOCs were not included in originations.

The portion of the mortgage portfolio (including securitized loans and MBS) composed of adjustable rate loans was 97% at yearend 2003 compared to 96% at yearend 2002 and 94% at yearend 2001. The following table shows the distribution by index of the Company's outstanding balance of adjustable rate mortgages (including ARM MBS) at December 31, 2003, 2002, and 2001.

Adjustable Rate Mortgage Portfolio by Index
(Including ARM MBS)
2001 – 2003
(Dollars in Thousands)

	As of December 31		
ARM Index	2003	2002	2001
CODI	$30,243,337	$13,286,566	$ 552,746
COFI	18,207,868	24,755,498	29,010,008
COSI	24,535,095	22,070,692	20,943,596
Prime [(a)]	1,827,435	999,251	303,035
Other [(b)]	424,988	658,135	985,015
Total	$75,238,723	$61,770,142	$51,794,400

(a) ELOCS tied to the Prime Rate.
(b) Primarily ARMs tied to the twelve-month rolling average of the One-Year Treasury Constant Maturity (TCM).

During the life of a typical ARM loan, the interest rate may not be raised above a lifetime cap, set at the time of origination or assumption. The weighted average maximum lifetime cap rate on the Company's ARM loan portfolio (including securitized ARM loans, and MBS-REMICs before any reduction for loan servicing and guarantee fees) was 12.20% or 7.42% above the actual weighted average rate at December 31, 2003, versus 12.13% or 6.74% above the actual weighted average at December 31, 2002 and 12.21%, or 5.77% above the weighted average rate at yearend 2001.

At December 31, 2003, approximately $5.1 billion of the Company's ARM loans (including MBS with recourse held to maturity) have terms that state that the interest rate may not fall below a lifetime floor set at the time of origination or assumption. As of December 31, 2003, $2.3 billion ARM loans had reached their rate floors compared with $2.0 billion at December 31, 2002 and $560 million at December 31, 2001. The weighted average floor rate on the loans that had reached their floor was 5.43% at December 31, 2003, compared to 5.87% at December 31, 2002 and 7.15% at December 31, 2001. Without the floor, the average rate on these loans would have been 4.38% at December 31, 2003, 5.19% at December 31, 2002, and 5.91% at December 31, 2001.

Most of the Company's loans are collateralized by first deeds of trust on one- to four-family homes. The Company also originates second deeds of trust, a portion of which are in the form of fixed-rate loans. The Company's fixed-rate second mortgage originations amounted to $148 million, $160 million, and $279 million for the years ended December 31, 2003, 2002, and 2001, respectively. The outstanding balance of fixed-rate seconds amounted to $138 million, $215 million and $362 million at December 31, 2003, 2002, and 2001, respectively.

The Company also establishes ELOCs indexed to the Prime Rate, which are collateralized typically by second and occasionally by first deeds of trust. The following table shows the amounts of new ELOCs established in 2003, 2002, and 2001.

New Equity Lines of Credit Established
2001 – 2003
(Dollars in Thousands)

	For the Year Ended December 31		
	2003	2002	2001
New ELOCs established	$1,708,482	$1,179,467	$422,424

The following table shows the outstanding balance of ELOCs and the maximum total line of credit available on the Company's ELOCs at December 31, 2003, 2002, and 2001.

Equity Line of Credit
Outstanding Balance and Maximum
Total Line of Credit Available
2001 – 2003
(Dollars in Thousands)

	For the Year Ended December 31		
	2003	2002	2001
ELOC outstanding balance	$1,827,435	$ 999,251	$303,035
ELOC maximum total line of credit available	$2,748,076	$1,501,725	$457,793

The Company generally lends up to 80% of the appraised value of residential real estate property. In some cases, a higher amount is possible through a first mortgage loan or a combination of a first and a second mortgage loan on the same property. The second mortgage loan may be a fixed-rate loan or an ELOC. For the year ended December 31, 2003, 11% of loans originated exceeded 80% of the appraised value of the property compared to 13% for the years ended December 31, 2002 and 2001.

The Company takes steps to reduce the potential credit risk with respect to loans with a loan to value (LTV) or a combined loan to value (the sum of the first and second loan balances as a percentage of total value or "CLTV") over 80%. Among other things, the loan amount may not exceed 95% of the appraised value of a single-family residence at the time of origination. Also, most first mortgage loans with an LTV over 80% carry mortgage insurance, which reimburses the Company for losses up to a specified percentage per loan, thereby reducing the effective LTV to below 80%. Furthermore, the Company sells without recourse a significant portion of its second mortgage originations. Sales of second mortgages amounted to $100 million, $139 million, and $184 million for the years ended December 31, 2003, 2002, and 2001, respectively. In addition, the Company carries pool mortgage insurance on most ELOCs and most fixed-rate seconds not sold. The cumulative losses covered by this pool mortgage insurance are limited to 10% to 20% of the original balance of each insured pool.

The following table shows mortgage originations with LTV ratios or CLTV ratios greater than 80% for the years ended December 31, 2003, 2002, and 2001.

Mortgage Originations With Loan to Value and Combined Loan to Value Ratios Greater Than 80%
2001 – 2003
(Dollars in Thousands)

	For the Year Ended December 31		
	2003	2002	2001
First mortgages with LTV ratios greater than 80%:			
With mortgage insurance	$ 223,775	$ 292,210	$ 225,464
With no mortgage insurance	44,349	70,478	123,387
	268,124	362,688	348,851
First and second mortgages with CLTV ratios greater than 80%: [(a)]			
With pool insurance on second mortgages	2,866,161	2,412,821	1,354,754
With no pool insurance	799,231	611,044	911,214
	3,665,392	3,023,865	2,265,968
Total	$3,933,516	$3,386,553	$2,614,819

(a) For ELOCs, only amounts drawn at the establishment of the line of credit are included in originations. Prior to 2003, ELOCs were not included in originations.

The following table shows the outstanding balance of mortgages with original LTV or CLTV ratios greater than 80% at December 31, 2003, 2002, and 2001.

Balance of Mortgages With Loan to Value and Combined Loan to Value Ratios Greater Than 80%
2001 – 2003
(Dollars in Thousands)

	As of December 31		
	2003	2002	2001
First mortgages with LTV ratios greater than 80%:			
With mortgage insurance	$ 566,817	$ 553,747	$ 431,498
With no mortgage insurance	160,225	293,851	548,507
	727,042	847,598	980,005
First and second mortgages with CLTV ratios greater than 80%:			
With pool insurance on second mortgages.	4,991,395	3,699,519	2,396,954
With no pool insurance	610,598	292,104	454,289
	5,601,993	3,991,623	2,851,243
Total	$6,329,035	$4,839,221	$3,831,248

Loans receivable repayments consist of monthly loan amortization and loan payoffs. During the years 2003, 2002, and 2001, loan repayments (excluding MBS) amounted to $18.0 billion, $12.3 billion, and $9.2 billion, respectively. The increase in loan repayments in 2003 was due to growth in the balance of loans receivable and an increase in the prepayment rate. The increase in loan repayments in 2002 was due to an increase in the balance of loans receivable outstanding partially offset by a decrease in the prepayment rate.

Securitized Loans

The Company securitized $13.7 billion and $18.9 billion of loans for the years ended December 31, 2003 and 2002, respectively. During the second and third quarters of 2001, the Company securitized $6.0 billion of loans. These securitized loans are available to be used as collateral for borrowings and are classified as loans receivable on the Statement of Financial Condition.

Mortgage-Backed Securities

At December 31, 2003, 2002, and 2001, the Company had MBS held to maturity in the amount of $4.1 billion, $6.0 billion, and $13.8 billion, respectively. The Company has the ability and intent to hold these MBS until maturity and, accordingly, these MBS are classified as held to maturity. The decrease in MBS held to maturity in 2003 was due to prepayments, partially offset by the purchase of $367 million of MBS for Community Reinvestment Act purposes. The large decrease in 2002 was due primarily to prepayments and to the desecuritization of $4.1 billion of Fannie Mae MBS.

At December 31, 2003, 2002, and 2001, the Company had MBS available for sale in the amount of $22 million, $35 million, and $233 million, respectively, including net unrealized gains on MBS available for sale of $91 thousand, $139 thousand, and $2 million, respectively. During the first quarter of 2002, the Company sold $176 million of purchased MBS available for sale, which resulted in a gain of $3 million.

At December 31, 2003, $3.5 billion of the Company's total MBS portfolio was backed by ARMs. The percentage of MBS backed by ARMs was 86% at yearend 2003 compared to 91% at yearend 2002 and 92% at yearend 2001.

Repayments of MBS during the years 2003, 2002, and 2001 amounted to $2.0 billion, $3.2 billion, and $6.4 billion, respectively. MBS repayments were lower in 2003 and 2002 due to a decrease in the outstanding balance. MBS repayments were higher in 2001 due to an increase in the prepayment rate on the underlying loans.

Mortgage Servicing Rights

The Company recognizes as assets the rights to service mortgage loans for others. When the servicing rights are retained by the Company upon the sale of loans, the allocated cost of these rights is then capitalized as an asset. The amount capitalized is based on the relative fair value of the servicing rights and the mortgage loan on the date the mortgage loan is sold. Capitalized mortgage servicing rights (CMSRs) are included in "Other assets" on the Consolidated Statement of Financial Condition. The following table shows the changes in capitalized mortgage servicing rights for the years ended December 31, 2003, 2002, and 2001.

Capitalized Mortgage Servicing Rights
2001 – 2003
(Dollars in Thousands)

	2003	2002	2001
Beginning balance of CMSRs	$69,448	$56,056	$28,355
New CMSRs from loan sales	58,249	34,044	41,587
Amortization of CMSRs	(38,730)	(20,652)	(13,886)
Ending balance of CMSRs	$88,967	$69,448	$56,056

The estimated amortization of the December 31, 2003 CMSR balance for the five years ending 2008 is $36.6 million (2004), $25.8 million (2005), $16.7 million (2006), $7.9 million (2007), and $2.0 million (2008). Actual results may vary depending upon the level of the payoffs of the loans currently serviced.

CMSRs are reviewed monthly for impairment based on fair value. The estimated fair value of CMSRs as of December 31, 2003, 2002, and 2001 was $95 million, $73 million, and $70 million, respectively. The book value of Golden West's CMSRs did not exceed the fair value at December 31, 2003, 2002, or 2001 and, therefore, no impairment was required to be recognized.

Asset Quality

An important measure of the soundness of the Company's loan and MBS portfolio is its ratio of nonperforming assets (NPAs) and troubled debt restructured (TDRs) to total assets. Nonperforming assets include non-accrual loans (that is, loans, including loans securitized into MBS with recourse, that are 90 days or more past due) and real estate acquired through foreclosure. No interest is recognized on non-accrual loans. The Company's TDRs are made up of loans on which delinquent payments have been capitalized or on which temporary interest rate reductions have been made, primarily to customers impacted by adverse economic conditions. The following table sets forth the components of the Company's NPAs and TDRs and the various ratios to total assets at December 31, 2003, 2002 and 2001.

Nonperforming Assets and Troubled Debt Restructured
2001 – 2003
(Dollars in Thousands)

	As of December 31		
	2003	2002	2001
Nonaccrual loans	$410,064	$413,123	$382,510
Foreclosed real estate	13,904	11,244	11,101
Total nonperforming assets	$423,968	$424,367	$393,611
TDRs	$ 3,105	$ 233	$ 1,505
Ratio of NPAs to total assets	.51%	.62%	.67%
Ratio of TDRs to total assets	.00%	.00%	.00%
Ratio of NPAs and TDRs to total assets	.51%	.62%	.67%

The balance of NPAs at yearend 2003 reflected the impact of an improving economy and the strong housing market. However, continued economic weakness in a few geographical areas of the U.S. contributed to a small increase in foreclosed real estate in 2003. The balance of NPAs at yearends 2002 and 2001 reflected normal increases in delinquencies associated with the aging of the large volume of mortgages originated during the prior two years together with the uncertain U.S. economy. The Company closely monitors all delinquencies and takes appropriate steps to protect its interests. The Company mitigates its credit risk through strict underwriting standards and loan reviews. Also, the Company uses mortgage insurance as previously discussed on page 59.

The Company has other impaired loans on which specific loss reserves have been provided and that were not included in nonperforming loans or troubled debt restructured because the loans were performing in full accordance with the loan terms. Other impaired loans amounted to $7 million at yearend 2003 compared to $4 million and $11 million at yearends 2002 and 2001, respectively.

Allowance for Loan Losses

The Company provides specific valuation allowances for losses on major loans when impaired, and a write-down on foreclosed real estate when any significant and permanent decline in value is identified. The Company also utilizes a methodology for monitoring and estimating probable loan losses in the loan portfolio that is based on both the Company's historical loss experience and factors reflecting current economic conditions. This approach uses a database that identifies and measures losses on loans and foreclosed real estate from past years to the present, broken down by year of origination, type of loan, and geographical area. This process also takes into consideration current trends in economic growth, unemployment, housing market activity, and home prices for the nation and individual geographical regions. The approach further considers the impact of other events such as natural disasters. Based on the analysis of historical performance, current conditions, and other risks, management estimates a range of loss allowances by type of loan and risk category to cover probable losses in the portfolio. One-to-four single-family real estate loans are evaluated as a group. In addition, periodic reviews are made of major multi-family and commercial real estate loans and foreclosed real estate. Where indicated, valuation allowances are established or adjusted. In estimating probable losses, consideration is given to the estimated sale price, cost of refurbishing the security property, payment of delinquent taxes, cost of disposal, and cost of holding the property. Additions to and reductions from the allowances are reflected in current earnings based upon quarterly reviews of the portfolio. The review methodology and historical analyses are reviewed quarterly.

The table below shows the changes in the allowance for loan losses for the three years ended December 31, 2003, 2002, and 2001.

Changes in Allowance for Loan Losses 2001 - 2003 (Dollars in Thousands)

	2003	2002	2001
Beginning allowance for loan losses	$281,097	$261,013	$236,708
Provision for losses charged to expense	11,864	21,170	22,265
Loans charged off	(3,633)	(1,943)	(2,425)
Recoveries	609	857	351
Net transfer of allowance from recourse liability	-0-	-0-	4,114
Ending allowance for loan losses	$289,937	$281,097	$261,013
Ratio of provision for loan losses to average loans receivable and MBS with recourse held to maturity	.02%	.04%	.04%
Ratio of net chargeoffs to average loans receivable and MBS with recourse held to maturity	.00%	.00%	.00%
Ratio of allowance for loan losses to total loans held in portfolio and MBS with recourse held to maturity	.37%	.43%	.47%
Ratio of allowance for loan losses to NPAs	68.4%	66.2%	66.3%

Deposits

The Company raises deposits through its retail branch system, through the Internet, and from time to time, through the money markets.

Retail deposits increased by $5.7 billion in 2003 compared to increases of $6.6 billion and $4.6 billion in 2002 and 2001, respectively. Retail deposits increased during these three years because the public found money market accounts to be a more favorable investment compared with other alternatives and the Company successfully promoted those accounts. Deposit inflows began to slow in the third quarter of 2003 due in part to the recovery in the equities market. At December 31, 2003, 2002, and 2001, transaction accounts (which include checking, passbook, and money market accounts) represented 77%, 66%, and 40%, respectively, of the total balance of deposits.

Advances from Federal Home Loan Banks

The Company uses borrowings from the Federal Home Loan Banks (FHLBs), also known as “advances,” to provide funds for loan origination activities. Advances are secured by pledges of certain loans, MBS, and capital stock of the FHLBs owned by the Company. FHLB advances amounted to $22.0 billion at December 31, 2003, compared to $18.6 billion and $18.0 billion at December 31, 2002 and 2001, respectively.

Other Borrowings

The Company borrows funds through transactions in which securities are sold under agreements to repurchase (Reverse Repos). Reverse Repos are entered into with selected major government securities dealers and large banks, using MBS from the Company’s portfolio as collateral. Reverse Repos with dealers and banks amounted to $3.0 billion, $522 million, and $224 million at yearends 2003, 2002, and 2001, respectively.

At December 31, 2003, Golden West, at the holding company level, had no subordinated debt outstanding as compared to $200 million at December 31, 2002 and $600 million at December 31, 2001. As of December 31, 2003, the Company’s subordinated debt ratings were A2 and A by Moody’s Investors Service (Moody’s) and Standard & Poor’s (S&P), respectively.

At December 31, 2003, Golden West, at the holding company level, had $991 million of senior debt outstanding as compared to $990 million at December 31, 2002 and $198 million at December 31, 2001. As of December 31, 2003, the Company’s senior debt was rated A1 and A+ by Moody’s and S&P, respectively.

WSB has a bank note program under which up to $5.0 billion of short-term notes with maturities of less than 270 days can be outstanding at any point in time. At December 31, 2003 and 2002, WSB had $3.0 billion and $1.2 billion, respectively, of bank notes outstanding. There were no bank notes outstanding at December 31, 2001. As of December 31, 2003, WSB’s bank notes were rated P-1 and A-1+ by Moody’s and S&P, respectively.

WSB may issue long-term wholesale deposits and long-term unsecured senior debt. At December 31, 2003, WSB had no long-term wholesale deposits or long-term unsecured senior debt outstanding. As of December 31, 2003, WSB's unsecured senior debt ratings were Aa3 and AA- from Moody's and S&P, respectively.

Stockholders' Equity

The Company's stockholders' equity amounted to $5.9 billion, $5.0 billion, and $4.3 billion at December 31, 2003, 2002, and 2001, respectively. Stockholders' equity increased by $922 million during 2003 as a result of earnings partially offset by the $151 million cost of the repurchase of Company stock, the payment of quarterly dividends to stockholders, and the decreased market values of securities available for sale. Stockholders' equity increased by $741 million during 2002 as a result of earnings partially offset by the $173 million cost of the repurchase of Company stock, the payment of quarterly dividends to stockholders, and the decreased market values of securities available for sale. The Company's stockholders' equity increased by $597 million during 2001 as a result of earnings partially offset by the $186 million cost of the repurchase of Company stock, the payment of quarterly dividends to stockholders, and the decreased market values of securities available for sale.

Since 1993, through five separate actions, Golden West's Board of Directors has authorized the purchase by the Company of up to a total of 60.6 million shares of Golden West's common stock. As of December 31, 2003, 51.3 million shares had been repurchased and retired at a cost of $1.4 billion since October 28, 1993, of which 2.0 million shares were purchased and retired at a cost of $151 million during 2003. Earnings from WSB are expected to continue to be the major source of funding for the stock repurchase program. The repurchase of Golden West stock is not intended to have a material impact on the liquidity of the Company.

Regulatory Capital

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) established capital standards for federally insured financial institutions, such as WSB and WTX. Under FIRREA, savings institutions must have tangible capital equal to at least 1.5% of adjusted total assets, have core capital equal to at least 4% of adjusted total assets, and have risk-based capital equal to at least 8% of risk-weighted assets.

The Office of Thrift Supervision (OTS) and other bank regulatory agencies have established five capital tiers: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. The rules provide that a savings institution is "well-capitalized" if its leverage ratio is 5% or greater, its Tier 1 risk-based capital ratio is 6% or greater, its total risk-based capital ratio is 10% or greater, and the institution is not subject to a capital directive.

As used in this discussion, the total risk-based capital ratio is the ratio of total capital to risk-weighted assets, the Tier 1 risk-based capital ratio is the ratio of core capital to risk-weighted assets, and the Tier 1 or leverage ratio is the ratio of core capital to adjusted total assets, in each case as calculated in accordance with current OTS capital regulations. As of December 31, 2003, the most recent notification from the OTS categorized WSB and WTX as "well-capitalized." See Footnote A in the audited financial statements. There are no conditions or events that have occurred since that notification that the Company believes would have an adverse impact on how WSB or WTX are categorized.

The payments of capital distributions by WSB and WTX to their parent are governed by OTS regulations. WSB and WTX must at least file a notice with the OTS prior to making capital distributions and, in some cases, may need to file applications. The OTS may disapprove a notice or deny an application, in whole or in part, if the OTS finds that: (a) the insured subsidiary would be undercapitalized or worse following the proposed capital distribution; (b) the proposed capital distribution raises safety and soundness concerns; or (c) the proposed capital distribution violates a prohibition contained in any statute, regulation, agreement with the OTS, or a condition imposed upon the insured subsidiary in an OTS approved application or notice. In general, WSB and WTX may, with prior notice to the OTS, make capital distributions during a calendar year in an amount equal to that year's net income plus retained net income for the preceding two years, as long as immediately after such distributions it remains at least adequately capitalized. Capital distributions in excess of such amount, or which would cause WSB or WTX to no longer be adequately capitalized, require specific OTS approval.

Off-Balance Sheet Arrangements

Commitments to originate mortgage loans for portfolio are agreements to lend to a customer provided that the customer satisfies the terms of the contract. Loan commitments have fixed expiration dates or other termination clauses. Prior to entering each commitment, the Company evaluates the customer's creditworthiness and the value of the property. The amount of outstanding loan commitments at December 31, 2003 was $1.7 billion. The vast majority of these commitments were for adjustable rate mortgages.

At December 31, 2003, the Company had $2.5 billion of commitments outstanding for advances from the FHLB of Dallas and these advances will be indexed to three-month LIBOR.

Contractual Cash Obligations

Contractual Cash Obligations
As of December 31, 2003
(Dollars in Thousands)

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$24,141,491	$4,848,040	$14,491,343	$3,915,063	$887,045
Operating leases	192,691	28,180	49,254	32,641	82,616
Total	$24,334,182	$4,876,220	$14,540,597	$3,947,704	$969,661

The table above summarizes the Company's obligations and commitments to make future payments under contracts, such as debt and lease agreements, by remaining maturity at December 31, 2003.

New Accounting Pronouncements

In April 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This statement is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 on July 1, 2003 did not have a significant impact on the Company's financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (SFAS 150). This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 on July 1, 2003 had no impact on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 provides guidance on how to identify a variable interest entity and determine when the assets, liabilities, noncontrolling interests, and results of operations of a variable interest entity should be consolidated by the primary beneficiary. The primary beneficiary is the enterprise that will absorb a majority of the variable interest entity's expected losses or receive a majority of the expected residual returns as a result of holding variable interests. In December 2003, the FASB revised FIN 46. The adoption of FIN 46 on July 1, 2003 and the adoption of FIN 46(R) had no impact on the Company's financial statements.

Uses of Estimates

Golden West's financial statements are prepared in accordance with GAAP. Most of Golden West's assets, liabilities, revenues, and expenses are reported using actual results for the reporting period. However, GAAP requires that certain assets, liabilities, revenues, and expenses be reported using estimates of fair value that are based on a variety of assumptions, including such items as future interest rate levels and repayment rates. As a consequence, assets, liabilities, revenues, and expenses reported using fair value estimates may fluctuate from one reporting period to the next because of changes in the business environment that lead to revisions to the assumptions underlying the fair value calculations.

The following is a discussion of the most critical accounting policies involving the use of estimates.

An important use of estimates occurs when the Company establishes its allowance for loan losses. An in-depth discussion can be found in the Allowance for Loan Losses section on page 61.

For the year ended December 31, 2003 and 2002, Golden West's Consolidated Statement of Net Earnings reflected fair value estimates for the Company's interest rate swap portfolio, amounting to a pre-tax gain of $11 million and pre-tax gain of $8 million, respectively, as seen in "Change in Fair Value of Derivatives." In addition, upon the adoption of SFAS 133 on January 1, 2001, Golden West reported a one-time pre-tax charge of $10 million associated with the initial valuation of the Company's interest rate swap portfolio. For the year ended

December 31, 2003, these fair value changes related to SFAS 133 were the principal fair value items affecting Golden West's earnings. Fair value estimates are based on quoted market prices for interest rate swaps.

Additionally, pursuant to GAAP, Golden West establishes Capitalized Mortgage Servicing Rights when the Company sells mortgage loans and retains the servicing for them. The Company periodically reviews the CMSRs for impairment based on fair value. Golden West's CMSRs have never experienced impairment. Golden West's CMSR balances amounted to $89 million and $69 million at yearend 2003 and 2002, respectively. See page 61 for further discussion.

Results of Operations

The table below sets forth selected financial results for Golden West.

Golden West Financial Corporation
Selected Financial Results
2001 – 2003
(Dollars in Millions)

	2003	2002	2001
Net earnings	$ 1,106	$ 958	$ 819[(a)]
Net interest income	2,208	1,930	1,631
Average earning assets	72,351	61,476	56,274
Average primary spread	2.94%	2.99%	2.70%

(a) For 2001, excludes the cumulative effect of an accounting change resulting in a $6 million one-time charge net of tax, due to the adoption of SFAS 133 on January 1, 2001.

Net Earnings

Net earnings increased in 2003 as compared to 2002 primarily due to an increase in average earning assets which resulted in an increase in net interest income. In addition, net earnings reflected an increase in noninterest income and an increase in general and administrative expenses. Net earnings increased in 2002 as compared to 2001 primarily due to an increase in net interest income partially offset by an increase in general and administrative expenses. In addition, $6.6 million of non-recurring tax items contributed to net earnings during 2003. Two non-recurring items contributed $12.1 million to net earnings during 2002. These non-recurring items resulted from a one-time tax benefit and a refund from the FHLB of San Francisco for 1998 prepayment fees.

Earnings Per Share

The Company's Basic Earnings Per Share (EPS) was $7.25 for the year ended December 31, 2003, compared to $6.20 for the year ended December 31, 2002 and $5.18 (before the cumulative effect of the accounting change) for the year ended December 31, 2001. The Company reported Diluted EPS of $7.14 for the year ended December 31, 2003 as compared to $6.12 and $5.11 (before the cumulative effect of the accounting change) for the years ended December 31, 2002 and 2001, respectively.

Net Interest Income

The largest component of the Company's revenue and earnings is net interest income, which is the difference between the interest and dividends earned on loans and other investments and the interest paid on customer deposits and borrowings. Long-term growth of the Company's net interest income, and hence earnings, is related to the ability to expand the mortgage portfolio, the Company's primary earning asset, by originating and retaining high-quality adjustable rate home loans. Over the short term, however, net interest income can be influenced by business conditions, especially movements in short-term interest rates, which can temporarily affect the level of net interest income.

Net interest income amounted to $2.2 billion, $1.9 billion, and $1.6 billion for the years ended December 31, 2003, 2002, and 2001, respectively. These amounts represented 14%, 18%, and 42% increases, respectively, over the previous years.

The increase in net interest income in 2003 compared with the prior year resulted primarily from the growth in the loan portfolio, the Company's principal earning asset. Between December 31, 2003 and December 31, 2002 the Company's earning asset balance increased by $14.2 billion or 21%. This growth resulted from strong mortgage originations which more than offset loan repayments and loan sales. Partially offsetting the benefit to net interest income of a larger average earning asset balance in 2003, was a modest decrease in the Company's average primary spread, which is the monthly average of the monthend difference between the yield on loans and other investments and the rate paid on deposits and borrowings. The significant growth of net interest income in 2002 compared with the prior year resulted from both the expansion of the Company's earning assets and an increase in the Company's average primary spread.

The level and movement of the Company's primary spread are influenced by a variety of factors including: the amount and speed of movements in market interest rates; the shape of the yield curve, that is the difference between short-term and long-term interest rates; competition in the home lending market, which influences the pricing of the Company's adjustable and fixed-rate mortgage products; the Company's need for deposits and competition in the retail savings market, which influence the pricing of the Company's deposit products; and the prices that the Company pays for its borrowings. On a year-to-year basis, the most significant factor that leads to changes in the Company's primary spread is market interest rate movements, as discussed on the following page.

As noted in the discussion of the gap on page 54, the cost of the Company's liabilities responds more rapidly to movements in short-term market interest rates than the yield on the Company's assets, most of which are ARMs tied to indexes that lag changes in interest rates. Consequently, when interest rates decline, the Company's primary spread temporarily widens, because the index lags slow the downward movement of the yield on the Company's adjustable rate mortgage portfolio. When interest rates stabilize after a period of falling rates, the primary spread usually declines temporarily until the yield on the ARM portfolio catches up to previous rate decreases. The opposite occurs when interest rates increase. Specifically, when short-term interest rates move up, the Company's primary spread compresses for a period of time, because the index lags slow the upward adjustment of the yield on the Company's ARMs. When interest rates stabilize after a period of rising rates, the primary spread expands temporarily until the ARM yield catches up to previous rate increases. For the five years ended December 31, 2003, which included periods of both falling and rising interest rates, the Company's primary spread averaged 2.59%

During 2001, the Federal Reserve's Open Market Committee lowered the Federal Funds rate, a key short-term interest rate, by a total of 475 basis points in order to stimulate the then-weak economy. Other short-term market rates experienced similar decreases. In response to significantly lower short-term interest rates, the Company's cost of funds declined by 284 basis points during 2001, while the yield on the Company's assets fell by only 166 basis points. As a consequence, the Company's primary spread widened substantially during 2001, and by yearend reached 3.21%, the highest level in the Company's history. In 2002, the Federal Funds rate remained steady at 1.75% until November, when the Federal Reserve's Open Market Committee lowered the Federal Funds rate by 50 basis points to 1.25%. During 2002, the Company's cost of funds declined by an additional 83 basis points. At the same time, the Company's asset yield fell by 111 basis points, as the ARM indexes continued to adjust downward in response to the large interest rate declines experienced in 2001. Because the yield on earning assets fell faster than the cost of funds in 2002, the Company's primary spread narrowed from 3.21% at December 31, 2001 to 2.93% at December 31, 2002. On June 25, 2003, the Federal Reserve's Open Market Committee lowered the Federal Funds rate by an additional 25 basis points to 1.00%. Reflecting the decline of short-term interest rates at the end of 2002 and the rate decrease in June, the Company's cost of funds declined by 65 basis points during 2003, while the yield on the Company's assets fell by 71 points.

The following table shows the components of the Company's primary spread at the end of the years 2001 through 2003.

Yield on Earning Assets, Cost of Funds, and Primary Spread 2001 – 2003

	December 31		
	2003	2002	2001
Yield on loan portfolio and MBS	4.61%	5.28%	6.38%
Yield on investments	0.93	1.94	2.86
Yield on earning assets	4.54	5.25	6.36
Cost of deposits	1.85	2.56	3.39
Cost of borrowings	1.37	1.85	2.72
Cost of funds	1.67	2.32	3.15
Primary spread	2.87%	2.93%	3.21%

Interest on Loans

Interest on loans was $3.2 billion, $2.9 billion and $2.7 billion for the years ended December 31, 2003, 2002, and 2001, respectively. The increase in 2003 and 2002 was due to an increase in the average portfolio balance partially offset by a decrease in the average portfolio yield.

Interest on MBS

Interest on MBS was $262 million, $491 million, and $1.3 billion for the years ended December 31, 2003, 2002, and 2001, respectively. The decrease in 2003 and 2002 was due to a decrease in the average portfolio balance and a decrease in the average portfolio yield.

Interest and Dividends on Investments

The income earned on the investment portfolio fluctuates, depending upon the volume outstanding and the yields available on short-term investments. Interest and dividends on investments was $89 million, $113 million, and $193 million for the years ended December 31, 2003, 2002, and 2001, respectively. The decrease in 2003 was primarily due to a decrease in the average portfolio yield partially offset by an increase in the average portfolio balance. The decrease in 2002 was primarily due to a decrease in the average portfolio yield and a decrease in the average portfolio balance.

Interest on Deposits

Interest on deposits was $938 million, $1.1 billion, and $1.5 billion for the years ended December 31, 2003, 2002, and 2001, respectively. The decrease in 2003 and 2002 was due to a decrease in the average cost of deposits partially offset by an increase in the average balance of deposits.

Interest on Advances

Interest paid on FHLB advances was $270 million, $380 million, and $880 million for the years ended December 31, 2003, 2002, and 2001, respectively. The decrease in 2003 was due to a decrease in the average cost of these borrowings partially offset by an increase in the average outstanding balance. The decrease in 2002 was due to a decrease in the average cost of these borrowings and a decrease in the average outstanding balance.

Interest on Other Borrowings

Interest expense on other borrowings, including interest on reverse repurchase agreements, amounted to $112 million, $107 million, and $176 million for the years ended 2003, 2002, and 2001, respectively. The increase in 2003 was due to an increase in the average balance partially offset by a decrease in the average cost of other borrowings. The decrease in the expense in 2002 compared with 2001 was due to a decrease in the average cost partially offset by an increase in the average balance of these liabilities.

Interest Rate Swaps

From time to time, the Company enters into interest rate swaps as a part of its interest rate risk management strategy. Such instruments are entered into primarily to alter the repricing characteristics of designated assets and liabilities. The Company does not hold any derivative financial instruments for trading purposes. The Company did not enter into any interest rate swaps in 2003.

Interest Rate Swap Activity
2001 – 2003
(Notional Amounts in Millions)

	Receive Fixed Swaps	Pay Fixed Swaps
Balance at January 1, 2001	$217	$717
Maturities	(114)	(96)
Balance at December 31, 2001	103	621
Additions	-0-	275
Maturities	(12)	(305)
Balance at December 31, 2002	91	591
Maturities	(91)	(487)
Balance at December 31, 2003	$ -0-	$104

Interest rate swap payment activity decreased net interest income by $12 million, $19 million, and $13 million for the years ended December 31, 2003, 2002, and 2001, respectively.

The Company accounts for interest rate swaps under the provisions in SFAS 133, as amended. Upon adoption of SFAS 133 on January 1, 2001, the Company reported a one-time pre-tax charge of $10 million, or $.04 after tax per diluted share. As a result of the ongoing valuation of the Company's swaps, the Company reported pre-tax income of $11 million, or $.04 after tax per diluted share for the year ended December 31, 2003, as compared to pre-tax income of $8 million, or $.03 after tax per diluted share for the year ended December 31, 2002 and a pre-tax expense of $10 million, or $.04 after tax per diluted share for the year ended December 31, 2001. This additional income and expense occurred because the fair value of Golden West's swaps changed in 2003, 2002 and 2001 as a result of interest rate movements. Because the Company intends to hold these interest rate swaps to maturity, valuation gains and losses will net to zero over the lives of the swaps. The changes in fair value of these swap contracts are reflected as a net liability on the Consolidated Statement of Financial Condition with corresponding amounts reported in Noninterest Income as the "Change in Fair Value of Derivatives" in the Consolidated Statement of Net Earnings. The Company has decided not to utilize permitted hedge accounting for the derivative financial instruments in portfolio at December 31, 2003.

Provision for Loan Losses

The provision for loan losses was $12 million for the year ended 2003, compared to provisions of $21 million and $22 million for the years ended 2002 and 2001, respectively. An in-depth discussion on the calculation of the Company's allowance for loan losses can be found on page 61.

Noninterest Income

Noninterest income was $313 million, $247 million, and $237 million for the years ended December 31, 2003, 2002, and 2001, respectively. The increase in 2003 as compared to 2002 resulted primarily from the increase in income associated with the gains on a larger volume of loan sales and higher loan prepayment fees. The increase in 2002 resulted primarily from the income associated with the ongoing valuation of interest rate swaps compared to an expense in 2001. Also included in noninterest income during 2002 was a $7.9 million refund in 2002 for 1998 FHLB prepayment fees refunded by the FHLB of San Francisco.

General and Administrative Expenses

General and administrative expenses (G&A) were $721 million, $601 million, and $514 million for the years ended 2003, 2002, and 2001, respectively. Expenses increased in 2003 and 2002 because of the large increase in activity on both the loan and savings sides of the business as well as the continued investment in resources to support future expansion of the Company.

General and administrative expenses as a percentage of average assets was .98% for the year ended December 31, 2003 compared with .96% and .90% for the years ended December 31, 2002 and 2001, respectively. G&A as a percentage of net interest income plus noninterest income (the "efficiency ratio") amounted to 28.57% for the year ended December 31, 2003 compared with 27.63% and 27.50% for the years ended December 31, 2002 and 2001, respectively.

Taxes on Income

Golden West utilizes the accrual method of accounting for income tax purposes. Taxes as a percentage of earnings decreased slightly in 2003 as compared to 2002 and decreased slightly in 2002 compared with 2001. Included in taxes on income for 2003 was nonrecurring tax benefits of $6.6 million resulting from the closure of an audit and other issues. Included in taxes on income for 2002 was a nonrecurring after-tax benefit of $2.7 million due to a change in the California tax law regarding reserves for loan losses.

Liquidity and Capital Resources

WSB's principal sources of funds are cash flows generated from loan repayments, borrowings from the FHLB of San Francisco; deposits; debt collateralized by mortgages, MBS, or securities; sales of loans; short-term bank notes; earnings; borrowings from its parent; and borrowings from its WTX subsidiary. In addition, WSB has other alternatives available to provide liquidity or finance operations including wholesale certificates of deposit, federal funds purchased, and borrowings from private and public offerings of debt. Furthermore, under certain conditions, WSB may borrow from the Federal Reserve Bank of San Francisco to meet short-term cash needs.

WTX's principal sources of funds are cash flows generated from borrowings from the FHLB of Dallas; earnings; deposits; loan repayments; debt collateralized by mortgages or MBS; and borrowings from affiliates.

The principal sources of funds for WSB's parent, Golden West, are dividends from subsidiaries, interest on investments, and the proceeds from the issuance of debt securities. Various statutory and regulatory restrictions and tax considerations limit the amount of dividends WSB can pay. The principal liquidity needs of Golden West are for payment of interest and principal on debt securities, capital contributions to its insured subsidiaries, dividends to stockholders, the repurchase of Golden West stock, and general and administrative expenses.

Common Stock

The quarterly price ranges, based on the daily closing price, for the Company's common stock during 2003 and 2002 were as follows:

Common Stock Price Range 2002 – 2003

	2003	2002
First Quarter	$69.67 – $ 75.56	$58.04 – $65.80
Second Quarter	$72.07 – $ 85.05	$63.17 – $70.25
Third Quarter	$80.58 – $ 90.36	$58.15 – $68.95
Fourth Quarter	$91.95 – $103.45	$57.91 – $72.98

A Special Situation earns special praise from the media.

"...Golden West Financial, the country's best-run thrift."

— Barron's
May 5, 2003

"Orderly, logical, analytical. Add simple and consistent to that list, and that's the playbook for...Golden West..."

— U.S. Banker
October 2003

"It's what they don't do that makes this company a standout among financial institutions. Golden West gathers deposits and lends the money out as mortgages on modestly priced, single-family homes. No junk bonds, no loans for shopping centers, golf courses or million-dollar mansions."

— Forbes
March 1, 2004

Corporate Information

Officers and Directors

#† HERBERT M. SANDLER
Chairman of the Board and
Chief Executive Officer
Golden West Financial Corporation

#† MARION O. SANDLER
Chairman of the Board and
Chief Executive Officer
Golden West Financial Corporation

† JAMES T. JUDD
Senior Executive Vice President
Golden West Financial Corporation
President and Chief Operating Officer
World Savings

† RUSSELL W. KETTELL
President and Chief Financial Officer
Golden West Financial Corporation

GEORGANNE PROCTOR
Executive Vice President
Golden West Financial Corporation

MICHAEL ROSTER
Executive Vice President, General Counsel, and Secretary
Golden West Financial Corporation

ROBERTA A. CONGER
Group Senior Vice President and Treasurer
Golden West Financial Corporation

CARL M. ANDERSEN
Group Senior Vice President and Tax Director
Golden West Financial Corporation

WILLIAM C. NUNAN
Group Senior Vice President and
Chief Accounting Officer
Golden West Financial Corporation

§* MARYELLEN C. HERRINGER, Director
Attorney-At-Law
Retired Executive Vice President,
General Counsel, and Secretary
APL Limited

§* LOUIS J. GALEN, Director
Private Investor

♦ ANTONIA HERNANDEZ, Director
President and General Counsel
Mexican American Legal Defense
and Educational Fund (MALDEF)

♦ PATRICIA A. KING, Director
Professor of Law
Georgetown University Law Center

BERNARD A. OSHER, Director
Private Investor

♦* KENNETH T. ROSEN, Director
Professor of Business Administration and
Chairman of the Fisher Center for
Real Estate and Urban Economics
University of California, Berkeley

§ LESLIE TANG SCHILLING, Director
President, L.T.D.D., Inc.
Chairperson, Union Square Investment Company
Real Estate and Investment Management

Auditors

Deloitte & Touche LLP
1111 Broadway, Suite 2100
Oakland, California 94607-4036

Transfer Agent and Registrar

Mellon Investor Services, LLC
San Francisco, California 94104

Exchanges

New York Stock Exchange
Pacific Exchange
Chicago Board Options Exchange

Trading Symbol

GDW

Corporate Offices

1901 Harrison Street
Oakland, California 94612

Additional Information

Annual Form 10-K can be obtained from the Company's web site or will be furnished upon written request without charge to persons who are beneficial owners of securities of the Company as of the record date for the Annual Meeting of Stockholders.
Direct requests to:

WILLIAM C. NUNAN
Group Senior Vice President and
Chief Accounting Officer
Golden West Financial Corporation
1901 Harrison Street
Oakland, California 94612

For your convenience, the financial data contained in this annual report, and subsequent monthly and quarterly performance information as well as the Company's Annual Form 10-K can be obtained at www.gdw.com

Member of Executive Committee
† Member of Office of the Chairman
* Member of Audit Committee
♦ Member of Compensation and Stock Option Committee
§ Member of Nominating and Corporate Governance Committee

Board of Directors

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Marion O. Sandler

Louis J. Galen

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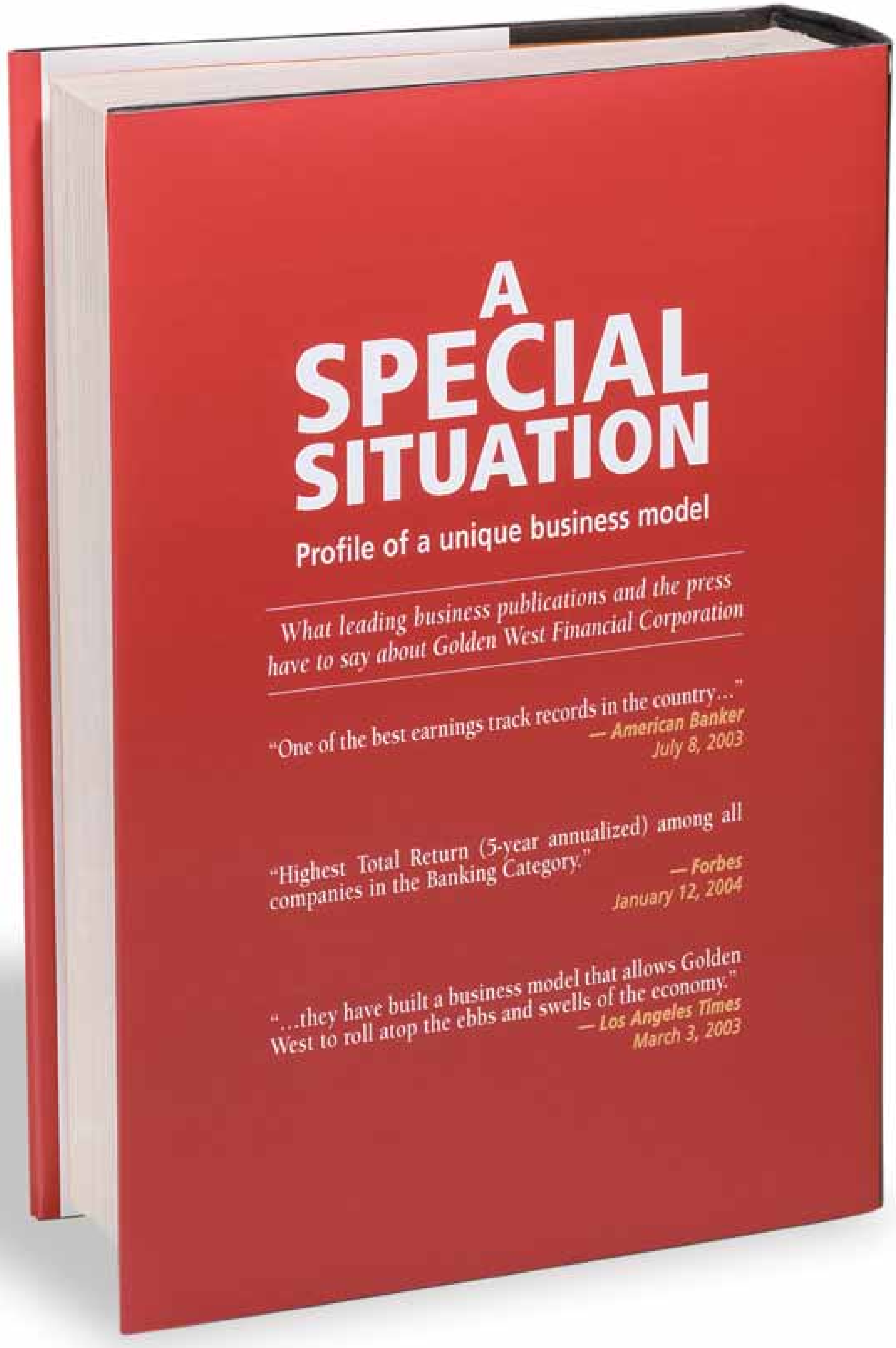

GOLDEN WEST FINANCIAL CORPORATION®

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