UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2003

OR

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

Commission File Number 1-4629
GOLDEN WEST FINANCIAL CORPORATION

Incorporated pursuant to the Laws of Delaware State

I.R.S. - Employer Identification No. 95-2080059

1901 Harrison Street, Oakland, California 94612
(510) 446-3420

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York Stock Exchange, Pacific Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

[ ] Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ] The approximate aggregate market value of the registrant's common stock held by nonaffiliates of the registrant on June 30, 2003, was $6,562,564,698 (based upon nonaffiliated holdings of 82,021,806 shares and a market price of $80.01 per share). The number of shares outstanding of the registrant's common stock on February 29, 2004, was 152,302,089 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated March 12, 2004, furnished to stockholders in connection with the registrant's 2004 Annual Meeting of Stockholders, is incorporated by reference into Part III.

GOLDEN WEST FINANCIAL CORPORATION

2003 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

	Page
PART I	1
Item 1. Business	1
Registrant	1
Forward Looking Statements	2
Regulatory Framework	2
Office Structure	2
Operations	3
Deposit Activities	3

Borrowings...5
Loans Receivable and Mortgage-Backed Securities 7
Mortgage Servicing Rights..19
Asset Quality..19
Allowance for Loan Losses..23
Investment Activities..24
Stockholders' Equity...25
Earnings Per Share...26
Yield on Interest-Earning Assets/Cost of Funds.....................26
Competition and Other Matters......................................28
Thrift Industry..29
Regulation...29
Employee Relations...36
Corporate Governance...36
Executive Officers of the Company..................................37
Item 2. Properties...38
Item 3. Legal Proceedings..38
Item 4. Submission of Matters to a Vote of Security Holders...............38
PART II..39
Item 5. Market for Registrant's Common Stock and Related Stockholder Matters..39
Market Prices of Stock...39
Per Share Cash Dividends Data......................................39
Stockholders...40
Equity Compensation Plan Information...............................40
Item 6. Selected Financial Data..40
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations...44
Financial Condition..46
Results of Operations..64
Item 7A. Quantitative and Qualitative Disclosures about Market Risk.......70
Item 8. Financial Statements and Supplementary Data.......................70
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure...70
Item 9A. Controls and Procedures.......................................70
PART III 71
Item 10. Directors and Executive Officers of the Registrant...............71
Item 11. Executive Compensation..71
Item 12. Security Ownership of Certain Beneficial Owners and Management...71
Item 13. Certain Relationships and Related Transactions...................71
Item 14. Principal Accounting Fees and Services...........................71
PART IV 72
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K..72

PART I

ITEM 1. BUSINESS

Registrant

Golden West Financial Corporation (Golden West or Company) is a savings and loan holding company, the principal business of which is the operation of a savings bank business through its wholly owned federally chartered savings bank subsidiary, World Savings Bank, FSB (WSB). WSB has a wholly owned subsidiary, World Savings Bank, FSB (Texas) (WTX), that is also a federally chartered savings bank. Atlas Advisers, Inc. and Atlas Securities, Inc. also are subsidiaries of Golden West. These two companies were formed to provide services to Atlas Assets, Inc., an open-ended registered investment company sponsored by the Company. Atlas Advisers, Inc., is a registered investment adviser and the investment manager of Atlas Assets, Inc.'s sixteen portfolios (the Atlas Funds). Atlas Securities, Inc., is a registered broker-dealer and the sole distributor of Atlas Fund shares. The Company was incorporated in 1959 and has its headquarters in Oakland, California. References herein to the Company or Golden West mean Golden West and its subsidiaries on a consolidated basis, unless the context requires otherwise.

WSB's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC administers two separate deposit insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The BIF is a deposit insurance fund for commercial banks and certain savings banks. The SAIF is a deposit insurance fund for most savings associations. WSB is a member of the BIF, but a portion of WSB's deposits are insured through the SAIF. WTX's deposits are also insured by the FDIC, and WTX is a member of the BIF.

WSB's home office is in Oakland, California. As of December 31, 2003, 2002, and 2001, WSB had assets of $81.9 billion, $68.0 billion and $58.4 billion, respectively. For the years ended December 31, 2003, 2002, and 2001, WSB had net income of $1.1 billion, $978 million, and $827 million, respectively.

The Company's website is at www.gdw.com. Copies of the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports are available, free of charge, at www.gdw.com as soon as reasonably practicable after their filing with the Securities and Exchange Commission.

Forward Looking Statements

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 for the reasons, among others, discussed under the heading "Asset/Liability Management" in the Management's Discussion and Analysis of Financial Condition and Results of Operations, herein under Item 7.

Regulatory Framework

The Company is a savings and loan holding company within the meaning of the Home Owners' Loan Act (HOLA) and is subject to the regulation, examination, supervision, and reporting requirements of HOLA. WSB is a member of the Federal Home Loan Bank (FHLB) system and owns stock in the FHLB of San Francisco. WTX is a member of the FHLB system and owns stock in the FHLB of Dallas. WSB's and WTX's savings accounts are insured by the FDIC up to the maximum amounts provided by law. The Company, WSB, and WTX are subject to extensive examination, supervision, and regulation by the Office of Thrift Supervision (OTS). Applicable regulations govern, among other things, lending and investment powers, the types of savings accounts that can be offered, the types of businesses that can be engaged in, capital requirements, and the payment of dividends. WSB and WTX are also subject to regulations of the FDIC and the Board of Governors of the Federal Reserve System (Federal Reserve Board) with respect to deposit accounts, reserve requirements, and certain other matters (see Regulation), and regulations of other federal and state agencies concerning consumers, lending, and securities activities.

Office Structure

As of December 31, 2003, the Company operated 122 savings branch offices in California, 48 in Florida, 34 in Colorado, 24 in Texas, 15 in Arizona, 12 in New Jersey, eight in Kansas, six in Illinois, and two in Nevada. The Company also operated 302 loan origination offices of which 240 were located in the states listed above. The remaining 62 loan origination offices were located in Connecticut, Delaware, Georgia, Idaho, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Virginia, Washington, Wisconsin, and Wyoming. Of the 302 loan offices, 20 were fully staffed offices that were located in the same premises as savings branch offices, and 94 others were savings branch offices that have a single loan officer on site. The remaining loan origination offices were located in facilities that were separate from savings branch offices.

Operations

The principal business of the Company, conducted through WSB and WTX, is attracting funds from the investing public and the capital markets and investing those funds principally in loans secured by deeds of trust or mortgages on residential real estate, and mortgage-backed securities (MBS). 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; 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 source 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 the holding company, 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 WSB, dividends to stockholders, the repurchase of Company stock, and general and administrative expenses.

Deposit Activities

Deposit flows are affected by changes in general economic conditions, changes in prevailing interest rates, and competition among depository institutions and other investment alternatives. The Company raises deposits through its retail branch system, through the Internet and, from time to time, through money markets. The Company currently offers a number of alternatives for depositors, including passbook, checking, and money market deposit accounts from which funds may be withdrawn at any time without penalty, and certificate accounts with varying maturities ranging up to five years. All types of accounts presently offered by the Company have rates that are set by the Company, consistent with prevailing interest rates. The Company's certificate accounts are issued in non-negotiable form. Occasionally, the Company may use securities dealers to sell certificates of deposit (CDs) to institutional investors. These are referred to in this document as "wholesale CDs." All other deposits offered by the Company are considered "retail deposits." There were no outstanding wholesale CDs at December 31, 2003, 2002 and 2001.

Retail deposits increased $5.7 billion during 2003 compared to an increase of $6.6 billion during 2002 and an increase of $4.6 billion during 2001. Retail deposits increased in 2003, 2002, and 2001 because the public found money market deposit 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 markets. At December 31, 2003, 2002, and 2001, transaction accounts (which include checking, passbook, and money market deposit accounts) represented 77%, 66%, and 40%, respectively, of the total balance of deposits.

The following table summarizes the Company's deposits by original term to maturity at December 31.

TABLE 1

Deposits
by Original Term to Maturity
(Dollars in Thousands)

	2003	2002	2001	2000	1999
Interest-bearing checking accounts	$ 5,555,185	$ 4,572,970	$ 4,768,886	$ 3,134,526	$ 3,334,917
Passbook accounts	483,226	456,158	459,953	451,228	484,132
Money market deposit accounts	29,709,791	22,060,104	8,569,759	3,534,786	5,869,963
Time certificates of deposit with original maturities of:					
4 weeks to 1 year	3,766,962	4,714,712	10,852,181	12,325,768	8,554,573
1 to 2 years.	2,331,194	4,197,261	6,415,700	7,275,219	5,947,712
2 to 3 years.	1,491,893	1,857,234	1,619,868	1,367,147	1,349,180
3 to 4 years.	1,317,212	1,286,011	737,981	453,974	368,540
4 years and over	2,015,469	1,794,051	799,025	675,120	582,275
Retail jumbo CDs(a)	55,953	100,173	249,088	644,962	623,286
Wholesale CDs	-0-	-0-	-0-	185,000	600,000
All other	80	123	144	189	332
Total deposits	$ 46,726,965	$ 41,038,797	$ 34,472,585	$ 30,047,919	$ 27,714,910

(a) Retail jumbo CDs are certificates of deposit with a minimum balance of $100,000.

The table below sets forth the Company's deposits by interest rate at December 31.

TABLE 2

Deposits by Interest Rate
(Dollars in Thousands)

	2003	2002
0.00% -- 2.00%	$ 34,394,349	$ 5,433,756
2.01% -- 4.00%	10,007,431	32,219,197
4.01% -- 6.00%	2,019,980	2,846,962
6.01% -- 8.00%	305,205	529,715
8.01% -- 10.00%	-0-	-0-
10.01% -- 12.00%	-0-	9,167

	$ 46,726,965	$ 41,038,797

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

The table below shows the maturities of deposits at December 31, 2003 by interest rate.

TABLE 3

Deposit Maturities
by Interest Rate
(Dollars in Thousands)

	2004(a)	2005	2006	2007	2008 and thereafter	Total
0.00% -- 2.00%	$34,009,772	$ 370,364	$ 14,213	$ -0-	$ -0-	$34,394,349
2.01% -- 4.00%	8,733,310	628,683	263,222	97,695	284,521	10,007,431
4.01% -- 6.00%	347,172	394,878	244,813	1,023,161	9,956	2,019,980
6.01% -- 8.00%	14,527	280,689	1,198	8,791	-0-	305,205
	$43,104,781	$ 1,674,614	$523,446	$1,129,647	$ 294,477	$46,726,965

(a) Includes passbook, checking, and money market deposit accounts, which have no stated maturity.

As of December 31, 2003, the aggregate amount outstanding of time certificates of deposit in amounts of $100,000 or more was $2.2 billion. The following table presents the maturity of these time certificates of deposit at December 31, 2003.

TABLE 4

Maturities of Time Certificates of Deposit Equal to or Greater than $100,000
(Dollars in Thousands)

3 months or less	$ 540,334
Over 3 months through 6 months	439,594
Over 6 months through 12 months	401,813
Over 12 months	849,253
	$2,230,994

As of December 31, 2003, the aggregate amount outstanding of transaction accounts with balances of $100,000 or more was $18.4 billion. Of the $20.6 billion of total deposits with balances of $100,000 or more, $6.8 billion were uninsured deposits at December 31, 2003.

More information regarding deposits is included in Note I to the Financial Statements included in Item 15.

Borrowings

The Company generally may borrow from a FHLB upon the security of (a) the capital stock of the FHLB owned by the Company, (b) certain of its residential mortgage loans and MBS, or (c) certain other assets (principally obligations of, or guaranteed by, the United States Government or a federal agency). The Company uses FHLB borrowings, also known as "advances," to provide funds for loan origination activities. Advances offer strategic advantages for asset-liability management, including long-term maturities and, in certain cases, prepayment at the Company's option. Each advance has a specified maturity and interest rate, which may be fixed or variable. At December 31, 2003, the Company had $22.0 billion in FHLB advances outstanding, compared to $18.6 billion at yearend 2002 and $18.0 billion at yearend 2001.

The Company enters into reverse repurchase agreements with selected major government securities dealers and, large banks. A reverse repurchase agreement involves the sale and delivery of U.S. Government securities or mortgage-backed securities by the Company to a counterparty coupled with an agreement to buy the securities back at a later date. Under generally accepted accounting principles, these transactions are accounted for as borrowings secured by securities. The Company pays the counterparty a variable or fixed rate of interest for the use of the funds for the period involved. At maturity, the borrowings are repaid (by repurchase of the same securities) and the same securities are returned to the Company.

The Company monitors the level of activity with any one party in connection with reverse repurchase agreements in order to minimize its risk exposure in these transactions. Reverse repurchase agreements amounted to $3.0 billion at December 31, 2003, compared to $522 million at yearend 2002 and $224 million at yearend 2001.

At December 31, 2003, Golden West, at the holding company level, had no subordinated debt outstanding compared with $200 million at December 31, 2002 and $600 million at December 31, 2001. As of December 31, 2003, Golden West'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 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, WSB had $3.0 billion of bank notes outstanding compared with $1.2 billion at December 31, 2002. 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. In March 2004, WSB issued $700 million of two-year unsecured senior notes and $300 million of five-year unsecured senior notes. There were no unsecured senior notes outstanding at December 31, 2002 or 2001. As of December 31, 2003 and continuing through the March 2004 issuance, WSB's unsecured senior debt ratings were Aa3 and AA- from Moody's and S&P, respectively.

The table below sets forth the composition of the Company's borrowings at December 31.

TABLE 5

Composition of Borrowings
(Dollars in Thousands)

	2003	2002	2001	2000	1999
FHLB advances	$22,000,234	$18,635,099	$18,037,509	$19,731,797	$8,915,218
Reverse repurchase agreements	3,021,385	522,299	223,523	857,274	970,129
Dollar reverse repurchase agreements	-0-	-0-	-0-	-0-	75,047
Bank notes	3,015,854	1,209,925	-0-	-0-	-0-
Senior debt	991,257	989,690	198,215	-0-	-0-
Subordinated debt	-0-	199,867	599,511	598,791	812,950
Total borrowings	$29,028,730	$21,556,880	$19,058,758	$21,187,862	$10,773,344
Weighted average interest rate of total borrowings	1.37%	1.85%	2.72%	6.66%	5.77%

The table below shows the portion of the Company's total outstanding borrowings that are short-term. These borrowings are also included in the table above.

TABLE 6

Composition of Short-Term Borrowings
(Dollars in Thousands)

	Year Ended December 31		
	2003	2002	2001
Reverse Repurchase Agreements			
Weighted average interest rate, end of year	1.12%	1.31%	.72%
Weighted average interest rate, during the year	1.12%	1.48%	4.57%
Balance at end of year	$1,871,385	$522,299	$23,523
Average balance for the year	616,922	105,041	687,329
Maximum amount outstanding at any monthend	1,871,385	522,299	925,546
Bank Notes			
Weighted average interest rate, end of year	1.12%	1.44%	.00%

Weighted average interest rate, during the year	1.17%	1.78%	3.27%
Balance at end of year	$3,015,854	$1,209,925	$ -0-
Average balance for the year	1,568,911	1,386,988	740,453
Maximum amount outstanding at any monthend	3,015,854	1,872,798	699,984

More information concerning the borrowings of the Company is included in Notes J, K, L, M and N to the Financial Statements, which are included in Item 15.

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 (SFAS) 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 had retained all of the beneficial interest 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 18 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.

During the first half of 2002, the Company desecuritized $4.1 billion of Federal National Mortgage Association (Fannie Mae) MBS that were classified as MBS held to maturity with recourse, and the underlying loans were reclassified to loans receivable. This desecuritization led to a significant decrease in the outstanding balance of MBS, which in turn contributed to lower MBS repayments and lower interest on mortgage-backed securities. The desecuritization also contributed to an increase in the outstanding balance of loans receivable and an increase in interest income on loans.

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

TABLE 7

Balance of Loans Receivable and MBS by Component
(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 (see discussion on page 18).

(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 net deferred loan costs, allowance for loan losses, other miscellaneous reserves and discounts, and 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) 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.

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 increases in both 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

Income from real estate loans provides the principal source of revenue to the Company in the form of interest, loan origination fees, and other fees. Loans made by the Company are generally secured by first liens on residential properties. Although the Company has from time to time made commercial real estate and construction loans, the Company is not currently active in these segments of the lending market. The Company has the authority to originate loans in any part of the United States. At December 31, 2003, the Company was originating loans in 38 states. The Company also makes loans to customers on the security of their deposit accounts. Deposit loans constituted less than one percent of the Company's total loans outstanding as of December 31, 2003 and 2002.

Interest rates set at the time of origination by the Company on real estate loans are affected principally by competition, the supply of money available for lending, loan demand, and other factors that are affected by general economic conditions, regulatory and monetary policies of the federal government, and legislation and other governmental action dealing with budgetary and tax matters.

The Company originates loans through offices that are staffed by employees who primarily contact local real estate brokers, mortgage brokers, and consumers regarding possible lending opportunities. Customers also may apply for home loans over the telephone and on line at www.worldsavings.com. The Company's loan approval process assesses both the borrower's ability to repay the loan and the adequacy of the proposed security. Documentation for all loans is maintained in the Company's loan servicing offices in San Antonio, Texas.

The following tables set forth the Company's loan portfolio by state as of December 31, 2003 and 2002.

TABLE 8

Loan Portfolio by State
December 31, 2003
(Dollars in Thousands)

State	Residential Real Estate 1 - 4	Residential Real Estate 5+	Commercial Real Estate	Total Loans	Loans as a % of Portfolio
Northern California	$ 25,919,048	$ 1,752,975	$ 10,671	$ 27,682,694	36.04%
Southern California	19,700,342	1,490,911	1,972	21,193,225	27.59
Florida	4,342,723	57,597	56	4,400,376	5.73
New Jersey	3,020,156	-0-	383	3,020,539	3.93
Texas	2,813,124	140,726	256	2,954,106	3.85
Washington	1,384,464	692,009	-0-	2,076,473	2.70
Illinois	1,787,477	138,482	-0-	1,925,959	2.51
Colorado	1,508,909	181,434	3,953	1,694,296	2.21
Other(a)	11,689,649	171,341	1,307	11,862,297	15.44
Totals	$ 72,165,892	$ 4,625,475	$ 18,598	76,809,965	100.00%
Loans on deposits				11,780	
Other (b)				1,033,881	
Total loans receivable and MBS with recourse				77,855,626	
MBS with recourse				(3,650,048)(c)	
Total loans receivable				$74,205,578	

(a) All states included in Other have total loan balances less than 2% of total loans.
(b) Includes loans in process, net deferred loan costs, allowance for loan losses, and other miscellaneous discounts.
(c) The above schedule includes the December 31, 2003 balances of loans that were securitized and retained as MBS with recourse.

TABLE 9

Loan Portfolio by State
December 31, 2002
(Dollars in Thousands)

State	Residential Real Estate 1 - 4	Residential Real Estate 5+	Land	Commercial Real Estate	Total Loans	Loans as a % of Portfolio
Northern California	$ 20,874,426	$ 1,783,379	$ -0-	$ 10,000	$ 22,667,805	35.37%

Southern California	16,696,057	1,567,389	-0-	1,449	18,264,895	28.50
Florida	3,405,781	44,041	-0-	78	3,449,900	5.38
New Jersey	2,389,661	-0-	-0-	945	2,390,606	3.73
Texas	2,554,814	115,511	112	804	2,671,241	4.17
Washington	1,273,255	700,172	-0-	-0-	1,973,427	3.08
Illinois	1,545,752	131,149	-0-	-0-	1,676,901	2.62
Colorado	1,375,382	187,861	-0-	4,341	1,567,584	2.45
Other(a)	9,277,811	140,374	2	2,848	9,421,035	14.70
Totals	$ 59,392,939	$ 4,669,876	$ 114	$ 20,465	64,083,394	100.00%
Loans on deposits					13,240	
Other (b)					717,751	
Total loans receivable and MBS with recourse					64,814,385	
MBS with recourse					(5,871,069)(c)	
Total loans receivable					$ 58,943,316	

(a) All states included in Other have total loan balances less than 2% of total loans.
(b) Includes loans in process, net deferred loan costs, allowance for loan losses, and other miscellaneous discounts.
(c) The above schedule includes the December 31, 2002 balances of loans that were securitized and retained as MBS with recourse.

The table below sets forth the composition of the Company's loan portfolio by type of collateral at December 31.

TABLE 10

Loan Portfolio by Type of Security
(Dollars in Thousands)

	2003	2002	2001	2000	1999
Loans collateralized by primarily first deeds of trust:					
One-to four-family units	$ 69,586,604	$ 54,934,357	$ 38,326,759	$ 31,353,927	$ 26,041,066
Over four-family units	3,554,715	3,257,389	2,766,888	2,444,832	1,979,199
Commercial real estate	18,598	20,465	29,117	39,810	49,149
Land	-0-	114	199	347	612
Loans on deposits	11,780	13,240	16,672	21,429	20,107
Other (a)	1,033,881	717,751	451,084	285,827	74,944
Total loans receivable	74,205,578	58,943,316	41,590,719	34,146,172	28,165,077
MBS with recourse collateralized by:					
One-to four-family units	2,579,288	4,458,582	11,821,868	16,102,358	8,853,027
Over four-family units	1,070,760	1,412,487	1,747,751	2,022,629	2,294,874
Total MBS with recourse	3,650,048	5,871,069	13,569,619	18,124,987	11,147,901
Loans receivable and MBS with recourse	$ 77,855,626	$ 64,814,385	$ 55,160,338	$ 52,271,159	$ 39,312,978

(a) Includes loans in process, net deferred loan costs, allowance for loan losses, and other miscellaneous discounts and reserves.

At December 31, 2003, 99.8% of the loans in the portfolio and MBS with recourse had remaining terms to maturity in excess of 10 years.

The following table sets forth the amount of loans due after one year that have fixed interest rates and the amount that have adjustable interest rates at December 31, 2003.

TABLE 11

Loans Due After One Year
(Dollars in Thousands)

	Loans Receivable	MBS With Recourse Held to Maturity	Total
Adjustable Rate	$71,721,813	$3,496,077	$75,217,890
Fixed Rate	1,429,645	153,607	1,583,252

$73,151,458	$3,649,684	$76,801,142

The following table sets forth information concerning new loans made by the Company during 2003, 2002, and 2001 by type and purpose of loan.

TABLE 12

New Mortgage Loan Originations by Type and by Purpose
(Dollars in Thousands)

	2003			2002			2001		
By Type	No. of Loans	Amount	% of Total	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%	97,224	$19,501,525	93.9%
Residential (2 to 4 units)	5,752	1,308,127	3.6	3,456	817,466	3.1	2,495	575,585	2.8
Residential (5 or more units)	1,564	946,476	2.6	1,265	919,394	3.5	1,105	686,127	3.3
Totals	188,358	$35,984,721	100.0%	122,385	$26,682,890	100.0%	100,824	$20,763,237	100.0%

	2003			2002			2001		
By Purpose	No. of Loans	Amount	% of Total	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%	45,989	$ 8,604,296	41.4%
Refinance	137,818	25,291,349	70.3	74,093	16,494,625	61.8	54,835	12,158,941	58.6
Totals	188,358	$35,984,721	100.0%	122,385	$26,682,890	100.0%	100,824	$20,763,237	100.0%

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. The volume of originations increased during 2002 due to the continued strong demand for mortgage loans and an increase in the popularity of adjustable rate mortgages, the Company's principal product.

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 sold $3.1 billion, $2.3 billion, and $2.7 billion of fixed-rate first mortgage loans during 2003, 2002, and 2001, respectively. The Company recognized pre-tax gains on the sale of loans of $72 million in 2003 compared to $42 million in 2002 and $43 million in 2001. Included in the gains in 2003, 2002, and 2001 were $58 million, $34 million, and $42 million, respectively, due to the capitalization of mortgage servicing rights (see page 19 for further information). At December 31, 2003, the loans held for sale portfolio had a balance of $125 million, all of which were carried at the lower of cost or market.

The largest source of mortgage originations is loans secured by residential properties in California. Loans originated in California were $24.2 billion in 2003 compared to $17.9 billion in 2002 and $14.4 billion in 2001. In 2003, 67% of total origination volume was secured by California residential property compared to 67% in 2002 and 70% in 2001. 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 loans originated in California has remained consistently high during the three years under discussion due to the strong California real estate market. The percentage of the total loan portfolio and MBS with recourse that was comprised of residential loans in California was 64% at December 31, 2003, 2002, and 2001.

Golden West originates ARMs tied primarily to the Certificate of Deposit Index (CODI), the Eleventh District Cost of Funds Index (COFI), and the Golden West Cost of Savings Index (COSI). For a description of these indexes, see pages 46 and 47 in Item 7. Golden West also establishes Equity Lines of Credit (ELOCs) indexed to the Prime Rate as published in the Money Rates table in The Wall Street Journal (Central Edition). The Company's ARM originations constituted approximately 94% of new mortgage loans 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.

TABLE 13

Adjustable Rate Mortgage Originations by Index
(Dollars in Thousands)

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	---	---
	$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.

TABLE 14

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

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
	$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).

Most of the Company's ARMs carry an interest rate that changes monthly based on movements in the indexes shown in the table above. For all the Company's ARM products, the borrower must qualify at the initial fully indexed contract rate. For further information on the Company's ARM products, see discussion in MD&A on pages 46 and 47.

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 and MBS with recourse before any reduction for loan servicing 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 weighted average rate at yearend 2002 and 12.21% or 5.77% above the weighted average rate at yearend 2001.

The following table shows the Company's ARM loans by lifetime cap bands as of December 31, 2003.

TABLE 15

Adjustable Rate Mortgage Portfolio by Lifetime Cap Bands
December 31, 2003
(Dollars in Thousands)

Cap Bands	ARM Balance	Number of Loans	% of Total Balance
Less than 9.00%	$ 8,641	39	.0%
9.00% - 9.49%	104	1	.0%
9.50% - 9.99%	508	5	.0%
10.00% - 10.49%	7,743	20	.0%
10.50% - 10.99%	5,111	23	.0%
11.00% - 11.49%	62,452	495	.1%

11.50% - 11.99%	62,146,106	289,154	82.7%
12.00% - 12.49%	6,325,600	42,625	8.4%
12.50% - 12.99%	3,058,872	15,880	4.1%
13.00% - 13.49%	178,665	1,034	.2%
13.50% - 13.99%	541,250	4,666	.7%
14.00% or greater	2,871,906	59,372	3.8%
No Cap	31,765	302	.0%
Total	$75,238,723	413,616	100.0%

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 of 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 yearend 2003 compared to 5.87% at yearend 2002 and 7.15% at yearend 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.

On most of the Company's ARMs, monthly payments of principal and interest are adjusted annually with a maximum increase of 7.5% of the prior year's payment. If the contractual payment is not large enough to cover the interest due on the loan, the customer has the option of paying the portion of interest not covered by the payment or adding such interest to the balance of the loan. The portion of interest not covered by the payment that is added to the balance of the loan is referred to as deferred interest. The borrower may pay down the balance of deferred interest in whole or in part at any time. Every five years, beginning with either the fifth or the tenth annual payment change, the payment may be adjusted by the Company without limit to amortize the loan fully within the then-remaining term. Within these five-year periods, deferred interest may occur to the extent that the loan balance remains below 125% of the original mortgage amount, unless the original loan to value ratio exceeded 85%, in which case the loan balance cannot exceed 110% of the original mortgage amount. If deferred interest reaches these limits, the Company may increase the loan payment to amortize the loan over its then-remaining term.

On certain other ARMs, the payment and interest rate may change every six months, with the maximum rate per change capped at one percent. These ARMs do not allow negative amortization and, consequently, do not have the 7.5% payment increase limitation.

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.

TABLE 16
New Equity Lines of Credit Established
(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.

TABLE 17

Equity Line of Credit
Outstanding Balance and Maximum Total Line of Credit Available
(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 LTV (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 in 2003, 2002, and 2001, respectively. In addition, the Company carries pool mortgage insurance on 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.

TABLE 18

Mortgage Originations With Loan to Value and Combined Loan to Value Ratios Greater than 80%
(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.

TABLE 19

Balance of Mortgages With Loan to Value and Combined Loan to Value Ratios Greater than 80%
(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

The Company requires title insurance for all mortgage loans and requires that fire and casualty insurance be maintained on all improved properties that are security for its loans. The original contractual loan payment period for residential loans normally ranges from 15 to 40 years with most loans having original terms of 30 years. However, the majority of these loans remain outstanding for a shorter period of time.

To protect the Company from interest rate risk, as well as generate income and to provide additional funds for lending and liquidity, the Company sells first mortgages to Fannie Mae without recourse. The Company also sells first mortgages to Fannie Mae with recourse, for which a recourse liability is provided. The Company continues to collect payments on the loans sold to Fannie Mae as they become due, and otherwise to service the loans. The Company pays an agreed-upon yield on Fannie Mae's portion of the loans. This yield is usually less than the interest agreed to be paid by the borrower, with the difference being retained by the Company as servicing fee income. The Company also sells second mortgages without recourse privately on a servicing released basis. At December 31, 2003, the balance of loans sold with recourse was $3.1 billion.

In addition to the loan portfolio and MBS with recourse, the Company was engaged in servicing approximately $5.8 billion of loan participations and whole loans for others at December 31, 2003. For each of the years ended December 31, 2003, 2002, and 2001, fees received for such servicing activities totaled $34 million, $36 million, and $49 million, respectively. At December 31, 2003, the average servicing fee was .64%.

Loans receivable repayments consist of monthly loan amortization and loan payoffs. For the years ended 2003, 2002, and 2001, loan repayments (excluding MBS) amounted to $18.0 billion, $12.3 billion, and $9.2 billion, respectively. The increase in 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.

In addition to interest earned on loans, the Company receives points and fees for originating loans. The Company also charges fees for loan prepayments, loan assumptions and modifications, late payments, and other miscellaneous services.

If a borrower fails to make required payments on a loan, the Company takes steps required under applicable law to foreclose upon the security for the loan. If a delinquency is not cured, the property is generally acquired by the Company in a foreclosure sale or by taking a deed in lieu of foreclosure. If the applicable period of redemption by the borrower (which varies from state to state and by method of foreclosure pursued) has expired, the Company is free to sell the property. The property may then be sold generally with a loan conforming to normal loan requirements, or with a "loan to facilitate sale" which is so designated if the loan involves terms more favorable to the borrower than those normally permitted.

Various antideficiency and homeowner protective provisions of state law may limit the remedies available to lenders when a purchase money residential mortgage borrower is in default. The effect of these provisions, in most cases, is to limit the Company to foreclosing upon, or otherwise obtaining ownership of, the property securing the loan after default and to prevent the Company from recovering from the borrower any deficiency between the amount realized from the sale of the property and the amount owed by the borrower.

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 securities are classified as loans receivable on the Statement of Financial Condition and are available to be used as collateral for borrowings.

Mortgage-Backed Securities

The Company classifies its MBS as either held to maturity or available for sale. The Company has no trading MBS. MBS 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. 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 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 sizable decrease in 2002 was due primarily to prepayments and to the desecuritization of $4.1 billion of Fannie Mae MBS. During 2001, the Company securitized $3.0 billion of ARMs into MBS-REMICs during the first three months. Loans securitized after March 31, 2001 were classified as securitized loans in accordance with SFAS 140. The Company has the ability and intent to hold these MBS until maturity and, accordingly, these MBS are classified as held to maturity.

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. 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. 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 the MBS adjusted for any unamortized premium or discount. 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.

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 primarily to a decrease in the balance of MBS outstanding. MBS repayments were higher in 2001 due to an increase in the repayment rate on the underlying loans.

For more information on MBS, see Notes C and D to the Financial Statements included in Item 15.

Mortgage Servicing Rights

Capitalized mortgage servicing rights (CMSRs) are included in "Other assets" on the Consolidated Statement of Financial Condition. The table on the following page shows the changes in capitalized mortgage servicing rights for the years ended 2003, 2002, and 2001.

TABLE 20

Capitalized Mortgage Servicing Rights
(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 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.

The book value of the Company's CMSRs did not exceed the fair value at December 31, 2003, 2002, or 2001 and, therefore, no reserve was required to adjust the servicing rights to their fair value.

More information concerning the capitalized mortgage servicing rights of the Company is included in Notes A and F to the Financial Statements, which are included in Item 15.

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 nonaccrual 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 nonaccrual 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 negatively 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.

TABLE 21

Nonperforming Assets and Troubled Debt Restructured
(Dollars in Thousands)

	2003	2002	2001	2000	1999
Nonaccrual loans	$ 410,064	$ 413,123	$382,510	$231,155	$225,409
Foreclosed real estate	13,904	11,244	11,101	8,261	10,909
Total nonperforming assets	$ 423,968	$ 424,367	$393,611	$239,416	$236,318
TDRs	$ 3,105	$ 233	$ 1,505	$ 1,933	$ 10,542
Ratio of NPAs to total assets	.51%	.62%	.67%	.43%	.56%
Ratio of TDRs to total assets	.00%	.00%	.00%	.00%	.03%
Ratio of NPAs and TDRs to total assets	.51%	.62%	.67%	.43%	.59%

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 modest increase in foreclosed real estate. The balance of NPAs at yearend 2002 and 2001 reflected the normal increase 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 lower level of NPAs during 2000 and 1999 reflected the strong economy and housing market in those years. 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. Interest foregone on nonaccrual loans (loans 90 days or more past due) amounted to $2 million in 2003, $3 million in 2002, and $10 million in 2001.

The tables on the following page show the Company's nonperforming assets by state at December 31, 2003 and 2002.

TABLE 22

Nonperforming Assets by State
December 31, 2003
(Dollars in Thousands)

	Nonaccrual Loans(a) (b)			Foreclosed Real Estate (FRE)				
	Residential Real Estate		Commercial	Residential Real Estate		Commercial		NPAs as
State	1 - 4	5+	Real Estate	1 - 4	5+	Real Estate	Total NPAs	a % of Loans
Northern California	$ 115,552	$ 568	$ -0-	$ 2,202	$ -0-	$ -0-	$ 118,322	.43%
Southern California	79,105	491	134	43	-0-	-0-	79,773	.38
Florida	29,641	-0-	40	328	-0-	-0-	30,009	.68
New Jersey	20,338	-0-	-0-	188	-0-	-0-	20,526	.68
Texas	39,637	-0-	-0-	3,852	-0-	-0-	43,489	1.47
Washington	13,659	-0-	-0-	609	-0-	-0-	14,268	.69
Illinois	13,939	-0-	-0-	570	-0-	-0-	14,509	.75
Colorado	8,888	93	-0-	341	-0-	-0-	9,322	.55
Other(c)	87,979	-0-	-0-	5,771	-0-	-0-	93,750	.79
Totals	$ 408,738	$ 1,152	$ 174	$13,904	$ -0-	$ -0-	$ 423,968	.55%

(a) Nonaccrual loans are 90 days or more past due and interest is not recognized on these loans.
(b) The December 31, 2003 balances include loans that were securitized into MBS with recourse.
(c) All states included in Other have total loan balances with less than 2% of total loans.

TABLE 23

Nonperforming Assets by State
December 31, 2002
(Dollars in Thousands)

State	Nonaccrual Loans(a) (b) Residential Real Estate 1 - 4	Nonaccrual Loans(a) (b) Residential Real Estate 5+	Nonaccrual Loans(a) (b) Commercial Real Estate	Foreclosed Real Estate (FRE) Residential Real Estate 1 - 4	Foreclosed Real Estate (FRE) Residential Real Estate 5+	Foreclosed Real Estate (FRE) Commercial Real Estate	Total NPAs	NPAs as a % of Loans
Northern California	$ 96,805	$ -0-	$ 221	$ 1,275	$ -0-	$ -0-	$ 98,301	.43%
Southern California	104,059	-0-	309	1,990	-0-	-0-	106,358	.58
Florida	35,055	-0-	15	401	-0-	-0-	35,471	1.03
New Jersey	18,256	-0-	622	-0-	-0-	-0-	18,878	.79
Texas	29,143	-0-	442	792	-0-	-0-	30,377	1.14
Washington	16,257	433	-0-	1,469	-0-	-0-	18,159	.92
Illinois	13,656	1,507	-0-	845	-0-	-0-	16,008	.95
Colorado	5,331	64	-0-	-0-	-0-	-0-	5,395	.34
Other(c)	90,948	-0-	-0-	4,472	-0-	-0-	95,420	1.01
Totals	$ 409,510	$ 2,004	$ 1,609	$11,244	$ -0-	$ -0-	$ 424,367	.66%

(a) Nonaccrual loans are 90 days or more past due and interest is not recognized on these loans.
(b) The December 31, 2002 balances include loans that were securitized into MBS with recourse.
(c) All states included in Other have total loan balances with less than 2% of total loans.

A risk profile of loans and MBS with recourse is displayed by components in the following tables as of December 31, 2003 and 2002.

TABLE 24

Risk Profile of Loans and MBS with Recourse
December 31, 2003
(Dollars in Thousands)

	Residential Real Estate 1 - 4	Residential Real Estate 5+	Commercial Real Estate	Total
Nonaccrual loans	$ 408,738	$ 1,152	$ 174	$ 410,064
Loans 30 to 89 days past due	806,342	4,805	42	811,189
Loans performing under bankruptcy protection	201,326	250	-0-	201,576
Troubled debt restructured	1,524	1,581	-0-	3,105
Other impaired loans	297	3,039	3,416	6,752
Performing loans and MBS with recourse not otherwise classified	70,747,665	4,614,648	14,966	75,377,279
Total gross loans	$ 72,165,892	$ 4,625,475	$ 18,598	76,809,965
Loans on deposits				11,780
Other (a)				1,033,881
Total loan portfolio and MBS with recourse				$77,855,626

(a) Includes loans in process, net deferred loan costs, allowance for loan losses, other miscellaneous discounts.

TABLE 25

Risk Profile of Loans and MBS with Recourse
December 31, 2002
(Dollars in Thousands)

	Residential Real Estate 1 - 4	Residential Real Estate 5+	Commercial Real Estate	Total
Nonaccrual loans	$ 409,510	$ 2,004	$ 1,609	$ 413,123
Loans 30 to 89 days past due	752,203	2,398	18	754,619
Loans performing under bankruptcy protection	172,874	-0-	-0-	172,874
Troubled debt restructured	314	-0-	-0-	314
Other impaired loans	24	291	3,574	3,889
Performing loans and MBS with recourse not otherwise classified	58,058,014	4,665,183	15,378	62,738,575
Total gross loans	$ 59,392,939	$ 4,669,876	$ 20,579	64,083,394

Loans on deposits	13,240
Other (a)	717,751
Total loan portfolio and MBS with recourse	$64,814,385

(a) Includes loans in process, net deferred loan costs, allowance for loan losses, other miscellaneous discounts.

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 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 geographic 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 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 years indicated.

TABLE 26

Changes in Allowance for Loan Losses
(Dollars in Thousands)

	2003	2002	2001	2000	1999
Beginning allowance for loan losses	$ 281,097	$ 261,013	$ 236,708	$ 232,134	$ 244,466
Provision for (recovery of) loan losses charged to expense	11,864	21,170	22,265	9,195	(2,089)
Loans charged off	(3,633)	(1,943)	(2,425)	(623)	-0-
Recoveries	609	857	351	472	1,800
Net transfer of allowance (to) from recourse liability	-0-	-0-	4,114	(4,470)	(12,043)
Ending allowance for loan losses	$ 289,937	$ 281,097	$ 261,013	$ 236,708	$ 232,134
Ratio of net chargeoffs (recoveries) to average loans outstanding and MBS with recourse	.00%	.00%	.00%	.00%	(.01)%
Ratio of allowance for loan losses to NPAs	68.4%	66.2%	66.3%	98.9%	98.2%

The table below shows the composition of the allowance for loan losses at December 31.

TABLE 27

Composition of Allowance for Loan Losses
(Dollars in Thousands)

	2003	2002	2001	2000	1999
Real Estate					
1 to 4 units					
General	$273,894	$263,004	$240,135	$213,507	$200,499
Specific	-0-	-0-	-0-	-0-	369

	273,894	263,004	240,135	213,507	200,868
5+ units and commercial					
General	15,005	16,521	18,166	19,165	22,192
Specific	1,038	1,572	2,712	4,036	9,074
	16,043	18,093	20,878	23,201	31,266
Total	$289,937	$281,097	$261,013	$236,708	$232,134
Ratio of allowance for loan losses to total loans and MBS with recourse	.37%	.43%	.47%	.45%	.59%

Investment Activities

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 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.

The table below sets forth the composition of the Company's securities available for sale at December 31.

TABLE 28

Composition of Securities Available for Sale
(Dollars in Thousands)

	2003	2002	2001
Federal funds	$ 941,267	$ 153,838	$ 49,397
Equity securities	327,758	331,861	367,548
Short-term repurchase agreements collateralized by MBS	300,000	-0-	-0-
Eurodollar time deposits	298,238	225,000	200,000
Commercial paper	-0-	199,986	-0-
Other	12,180	11,492	5,725
	$ 1,879,443	$ 922,177	$ 622,670

Included in the balances above are net unrealized gains on investment securities available for sale of $323 million, $326 million, and $362 million at December 31, 2003, 2002, and 2001, respectively. The cost basis of the securities available for sale portfolio at December 31, 2003, 2002, and 2001 was $1.6 billion, $596 million, and $260 million, respectively, and had weighted average yields (based on cost) of .93%, 1.94%, and 2.86% at December 31, 2003, 2002, and 2001, respectively.

More information concerning the securities available for sale of the Company is included in Note B to the Financial Statements, which are included in Item 15.

Stockholders' Equity

The Company's 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 decreased market values of equity securities available for sale. The Company's 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 decreased market values of equity securities available for sale. The Company's stockholders' equity increased by $597 million during 2001 as a result of net earnings partially offset by the $186 million cost of the repurchase of Company stock, the payment of quarterly dividends to stockholders, and decreased market values of securities available for sale.

Since 1993, through five separate actions, the Company's Board of Directors has authorized the purchase by the Company of up to 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, including 2.0 million shares 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 purchase of Golden West stock is not intended to have a material impact on the normal liquidity of the

Company.

The following table summarizes the activity in the Company's stock repurchase program during 2003.

TABLE 29

Stock Repurchase Program

	Number of Shares Repurchased	Weighted Average Price Per Share Repurchased	Maximum Number of Shares That May Yet Be Purchased Under the Plan
January	-0-	$ -0-	11,284,549
February	260,000	73.72	11,024,549
March	579,395	71.74	10,445,154
April	180,000	73.16	10,265,154
May	127,800	76.47	10,137,354
June	179,175	78.94	9,958,179
July	150,000	82.45	9,808,179
August	300,000	84.69	9,508,179
September	180,000	86.85	9,328,179
October	-0-	-0-	9,328,179
November	-0-	-0-	9,328,179
December	-0-	-0-	9,328,179
	1,956,370	$ 77.30	9,328,179

Earnings Per Share (EPS)

The Company reported Basic EPS of $7.25 for the year ended December 31, 2003, compared to $6.20 and $5.18 (before the cumulative effect of accounting change) for the years ended December 31, 2002 and 2001, respectively. 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 accounting change) for the years ended December 31, 2002 and 2001, respectively.

Yield on Earning Assets/Cost of Funds

Information regarding the Company's yield on earning assets and cost of funds at December 31, 2003, 2002, and 2001 is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and is incorporated herein by reference.

The gap table and related discussion included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, gives information on the repricing characteristics of the Company's earning assets and interest-bearing liabilities at December 31, 2003, and is incorporated herein by reference.

The dollar amounts of the Company's income and interest expense fluctuate depending both on changes in the respective interest rates and on changes in the respective amounts (volume) of earning assets and interest-bearing liabilities. The following table sets forth certain information with respect to the yields earned and rates paid on the Company's earning assets and interest-bearing liabilities.

TABLE 30

Average Earning Assets and Interest-Bearing Liabilities
At and for the Years Ended December 31
(Dollars in Thousands)

	2003			2002			2001		
	Average Balances(a)(b)	Average Yield	End of Period Yield	Average Balances(a)(b)	Average Yield	End of Period Yield	Average Balances(a)(b)	Average Yield	End of Period Yield
Assets									
Investments	$ 3,632,896	1.31%	.93%(c)	$ 3,119,920	1.98%	1.94%	$ 3,200,407	4.30%	2.86%
Loans receivable and MBS(d)	69,852,274	4.92	4.61	59,622,496	5.68	5.28	54,306,639	7.40	6.38
Invest. in capital stock of FHLBs	1,125,097	3.63	n/a(e)	1,055,015	4.88	n/a(e)	1,084,383	5.10	n/a(e)
Earning assets	$ 74,610,267	4.73%		$ 63,797,431	5.48%		$ 58,591,429	7.18%	

Liabilities									
Deposits:									
Checking accounts	$ 5,070,536	1.56%	1.38%	$ 4,659,240	1.87%	1.77%	$ 3,582,578	3.21%	2.04%
Savings accounts	27,251,850	1.96	1.72	15,371,419	2.71	2.46	5,857,638	3.31	2.72
Term accounts	12,205,343	2.67	2.45	17,203,402	3.35	2.99	23,220,480	5.23	3.99
Total deposits	44,527,729	2.11	1.85	37,234,061	2.90	2.56	32,660,696	4.66	3.39
Advances from FHLBs	19,621,477	1.38	1.28	18,468,723	2.06	1.68	18,738,987	4.70	2.55
Reverse repurchases	803,481	1.13	1.13	122,389	1.49	1.31	917,287	4.59	1.96
Other borrowings	4,921,266	2.09	2.06	4,195,270	2.51	3.26	2,949,185	4.54	6.81
Interest-bearing liabilities	$ 69,873,953	1.89%		$ 60,020,443	2.61%		$ 55,266,155	4.67%	
Average net interest spread		2.84%			2.87%			2.51%	
Net interest income	$ 2,208,384			$ 1,930,294			$ 1,631,332		
Net yield on average earning assets		2.96%			3.03%			2.78%	

(a) Averages are computed using daily balances.
(b) Includes balances of assets and liabilities that were acquired and matured within the same month.
(c) Freddie Mac stock is excluded from the end of period yield calculation, effective January 1, 2003.
(d) Includes nonaccrual loans (90 days or more past due).
(e) FHLB stock pays dividends; no end of period interest yield applies.

The table below presents the changes for 2003 and 2002 from the respective preceding year of the interest income and expense associated with each category of earning assets and interest-bearing liability as allocated to changes in volume and changes in rates.

TABLE 31

Volume and Rate Analysis of Interest Income and Interest Expense
For the Years Ended December 31
(Dollars in Thousands)

	2003	2002	2001	Increase/(Decrease) in Income/Expense Due to Changes in Volume and Rate(a)					
				2003 versus 2002			2002 versus 2001		
	Income/ Expense(b)	Income/ Expense(b)	Income/ Expense(b)	Volume	Rate	Total	Volume	Rate	Total
Interest Income									
Investments	$ 47,691	$ 61,750	$ 137,562	$ 13,418	$(27,477)	$ (14,059)	$ (3,377)	$ (72,435)	$(75,812)
Loans receivable and MBS	3,439,799	3,383,822	4,016,749	244,693	(188,716)	55,977	459,622	(1,092,549)	(632,927)
Invest. in capital stock of FHLBs	40,854	51,462	55,301	3,725	(14,333)	(10,608)	(1,473)	(2,366)	(3,839)
Total interest income	3,528,344	3,497,034	4,209,612						
Interest Expense									
Deposits:									
Checking accounts	78,900	86,983	114,880	9,116	(17,199)	(8,083)	71,490	(99,387)	(27,897)
Savings accounts	533,402	416,931	193,784	182,040	(65,569)	116,471	250,977	(27,830)	223,147
Term accounts	325,821	576,023	1,213,664	(147,368)	(102,834)	(250,202)	(267,142)	(370,499)	(637,641)
Total deposits	938,123	1,079,937	1,522,328	43,788	(185,602)	(141,814)	55,325	(497,716)	(442,391)
Advances from FHLBs	269,793	379,613	879,842	25,519	(135,339)	(109,820)	(12,512)	(487,717)	(500,229)
Reverse repurchases	9,048	1,826	42,113	7,555	(333)	7,222	(22,647)	(17,640)	(40,287)
Other borrowings	102,996	105,364	133,997	(64,250)	61,882	(2,368)	489,458	(518,091)	(28,633)
Total interest expense	1,319,960	1,566,740	2,578,280						
Net interest income	$2,208,384	$1,930,294	$1,631,332	$249,224	$ 28,866	$ 278,090	$(54,852)	$353,814	$298,962
Net interest income increase (decrease) as a percentage of average earning assets(c)				.33%	.04%	.37%	(.09%)	.56%	.47%

(a) The change in volume is calculated by multiplying the difference between the average balance of the current year and the

prior year by the prior year's average yield. The change in rate is calculated by multiplying the difference between the average yield of the current year and the prior year by the prior year's average balance. The mixed changes in rate/volume is calculated by multiplying the difference between the average balance of the current and the prior year by the difference between the average yield of the current year and the prior year. This amount is then allocated proportionately to the volume and rate changes calculated previously.

(b) The effects of interest rate swap activity have been included in income and expense of the related assets and liabilities.
(c) Includes nonaccrual loans (90 days or more past due).

Competition and Other Matters

The Company experiences strong competition in both attracting deposits and making real estate loans. Competition for savings deposits has historically come from other savings institutions, commercial banks, credit unions, the equities market, mutual funds, issuers of government and corporate debt securities, securities dealers, insurance companies, and other financial services providers. The principal methods used by the Company to attract deposits, in addition to the interest rates and terms offered, include the offering of a variety of free financial services, the convenience of over 270 office locations, and easy access to WSB's products and services over the Internet at www.worldsavings.com.

Competition in making real estate loans comes principally from other savings institutions, mortgage banking companies, and commercial banks. Many of the nation's largest savings institutions, mortgage banking companies, and commercial banks are headquartered or have a significant number of branch offices in the areas in which the Company competes. The primary factors in competing for real estate loans are interest rates, loan fee charges, underwriting standards, and the quality of service to borrowers and their representatives. In addition, the Company competes indirectly with government-sponsored enterprises, notably Fannie Mae and Freddie Mac. Changes in the government's monetary, tax, or housing financing policies can also affect the ability of lenders to compete profitably.

Thrift Industry

The operations of the thrift industry are significantly influenced by general economic conditions, by the related monetary and fiscal policies of the federal government, and by the policies of financial institution regulatory authorities. Deposit flows and costs of funds are impacted by interest rates on competing investments and general market rates of interest. Lending and other investment activities are affected by the demand for mortgage financing and for consumer and other types of loans, which in turn are affected by the interest rates at which such financing may be offered and other factors affecting the supply of housing and the availability of funds.

Regulation

OFFICE OF THRIFT SUPERVISION. Because they are federally chartered savings institutions, both WSB and WTX are regulated principally by the OTS. Under various regulations of the OTS, savings institutions are required, among other things, to pay assessments to the OTS, maintain required regulatory capital, maintain a satisfactory level of liquid assets, and comply with various limitations on loans to one borrower, equity investments, investments in real estate, and investments in corporate debt securities that are not investment grade. In addition, savings institutions must comply with OTS regulations governing deposits and mortgage loans including regulations concerning the indexes and interest rate adjustments of the Company's ARMs products.

FEDERAL DEPOSIT INSURANCE CORPORATION. The FDIC administers two separate deposit insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Each fund insures deposit accounts up to the maximum amount permitted by law, currently $100,000 per insured depositor. Initially, the BIF was a deposit insurance fund for commercial banks, federally chartered savings banks, and some state chartered savings banks, and the SAIF was a deposit insurance fund for most other savings associations. Through the years, there has developed considerable overlap between the funds. WSB is a member of the BIF, but a portion of WSB's deposits are insured through the SAIF. At December 31, 2003, 10% of WSB's deposits were SAIF insured. WTX's deposits are also insured by the FDIC and WTX is a member of the BIF. FDIC insurance is required for all federally chartered financial institutions such as WSB and WTX. FDIC insurance may be terminated by the FDIC under certain circumstances involving violations of regulations or unsound practices.

During 1996, federal legislation was enacted to capitalize the SAIF in order to bring it into parity with the BIF. The new law required members to pay a levy of $4.7 billion to bring the SAIF up to the required reserve level of 1.25% of insured deposits, but lowered thrift deposit insurance premiums for SAIF members starting in 1997. As a result of this legislation, the Company incurred a one-time charge of $133 million during 1996. The premiums paid for the years 1997 through 1999 were adjusted quarterly and premiums paid starting 2000 were adjusted semi-annually. As of December 31, 2003, the premium paid by WSB and WTX to the FDIC was an annual rate of $.154 per $1,000 of deposits.

FEDERAL RESERVE BOARD. Federal Reserve Board regulations require financial institutions to maintain noninterest-earning reserves against their checking accounts. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements. WSB and WTX are currently in compliance with all applicable Federal Reserve Board reserve requirements.

Savings institutions have authority to borrow from the Federal Reserve Bank.

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 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 herein, 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" 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:

TABLE 32

Regulatory Capital Ratios, Minimum Capital Requirements, and Well-Capitalized Capital Requirements
As of December 31, 2003
(Dollars in Thousands)

	ACTUAL		MINIMUM CAPITAL REQUIREMENTS		WELL-CAPITALIZED CAPITAL REQUIREMENTS	
	Capital	Ratio	Capital	Ratio	Capital	Ratio
WSB and Subsidiaries						
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	$ 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	3,601,932	8.00	4,502,415	10.00
WTX						
Tangible	$ 504,735	5.16%	$ 146,846	1.50%	---	---
Tier 1 (core or leverage)	504,735	5.16	391,591	4.00	$ 489,488	5.00%
Tier 1 risk-based	504,735	22.85	---	---	132,557	6.00
Total risk-based	505,530	22.88	176,743	8.00	220,929	10.00

TABLE 33

Regulatory Capital Ratios, Minimum Capital Requirements, and Well-Capitalized Capital Requirements
As of December 31, 2002
(Dollars in Thousands)

	ACTUAL		MINIMUM CAPITAL REQUIREMENTS		WELL-CAPITALIZED CAPITAL REQUIREMENTS	
	Capital	Ratio	Capital	Ratio	Capital	Ratio
WSB and Subsidiaries						
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	$ 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	3,048,080	8.00	3,810,101	10.00
WTX						
Tangible	$ 413,885	5.23%	$ 118,752	1.50%	---	---
Tier 1 (core or leverage)	413,885	5.23	316,673	4.00	$ 395,841	5.00%
Tier 1 risk-based	413,885	24.05	---	---	103,277	6.00

Total risk-based	414,277	24.07	137,702	8.00	172,128	10.00

The table below shows a reconciliation of WSB's equity capital to regulatory capital at December 31, 2003.

TABLE 34

World Savings Bank, FSB and Subsidiaries
Reconciliation of Equity Capital to Regulatory Capital
As of December 31, 2003
(Dollars in Thousands)

	Equity Capital	Tangible Capital	Tangible Equity	Core/ Leverage Capital	Tier 1 Risk-Based Capital	Total Risk-Based Capital
Common stock	$ 300					
Paid-in surplus	2,145,764					
Retained earnings	3,945,532					
Unrealized gain on securities after tax	197,451					
Equity capital	$ 6,289,047	$ 6,289,047	$ 6,289,047	$ 6,289,047	$ 6,289,047	$ 6,289,047
Non-includable subsidiary		(2,971)	(2,971)	(2,971)	(2,971)	(2,971)
Unrealized gain on securities after tax		(197,451)	(197,451)	(197,451)	(197,451)	(197,451)
Non-qualifying CMSRs		(3,342)	(3,342)	(3,342)	(3,342)	(3,342)
General allowance for loan losses						288,899
Regulatory capital		$ 6,085,283	$ 6,085,283	$ 6,085,283	$ 6,085,283	$ 6,374,182
Total assets	$81,938,826					
Adjusted total assets		$81,721,244	$81,721,244	$81,721,244		
Risk-weighted assets					$ 45,024,147	$45,024,147
CAPITAL RATIO - ACTUAL	7.68%	7.45%	7.45%	7.45%	13.52%	14.16%
Regulatory Capital Ratio Requirements: Well-capitalized, equal to or greater than				5.00%	6.00%	10.00%

The table below shows a reconciliation of WSB's equity capital to regulatory capital at December 31, 2002.

TABLE 35

World Savings Bank, FSB and Subsidiaries
Reconciliation of Equity Capital to Regulatory Capital
As of December 31, 2002
(Dollars in Thousands)

	Equity Capital	Tangible Capital	Tangible Equity	Core/ Leverage Capital	Tier 1 Risk-Based Capital	Total Risk-Based Capital
Common stock	$ 300					
Paid-in surplus	2,145,764					
Retained earnings	3,012,916					
Unrealized gain on securities after tax	199,460					
Equity capital	$ 5,358,440	$ 5,358,440	$ 5,358,440	$ 5,358,440	$ 5,358,440	$ 5,358,440
Non-includable subsidiary		(2,971)	(2,971)	(2,971)	(2,971)	(2,971)
Unrealized gain on securities after tax		(199,460)	(199,460)	(199,460)	(199,460)	(199,460)
Non-qualifying CMSRs		(3,674)	(3,674)	(3,674)	(3,674)	(3,674)
General allowance for loan losses						279,525
Regulatory capital		$ 5,152,335	$ 5,152,335	$ 5,152,335	$ 5,152,335	$ 5,431,860
Total assets	$67,967,975					
Adjusted total assets		$67,713,007	$67,713,007	$67,713,007		
Risk-weighted assets					$ 38,101,006	$38,101,006
CAPITAL RATIO - ACTUAL	7.88%	7.61%	7.61%	7.61%	13.52%	14.26%

Regulatory Capital Ratio Requirements: Well-capitalized, equal to or greater than				5.00%	6.00%	10.00%

The table below shows a reconciliation of WTX's equity capital to regulatory capital at December 31, 2003.

TABLE 36

World Savings Bank, FSB (Texas)
Reconciliation of Equity Capital to Regulatory Capital
As of December 31, 2003
(Dollars in Thousands)

	Equity Capital	Tangible Capital	Tangible Equity	Core/ Leverage Capital	Tier 1 Risk-Based Capital	Total Risk-Based Capital
Common stock	$ 150					
Paid-in surplus	421,575					
Retained earnings	83,010					
Equity capital	$ 504,735	$ 504,735	$ 504,735	$ 504,735	$ 504,735	$ 504,735
General allowance for loan losses						795
Regulatory capital		$ 504,735	$ 504,735	$ 504,735	$ 504,735	$ 505,530
Total assets	$ 9,789,764					
Adjusted total assets		$ 9,789,764	$ 9,789,764	$ 9,789,764		
Risk-weighted assets					$ 2,209,290	$ 2,209,290
CAPITAL RATIO - ACTUAL	5.16%	5.16%	5.16%	5.16%	22.85%	22.88%
Regulatory Capital Ratio Requirements: Well-capitalized, equal to or greater than				5.00%	6.00%	10.00%

The table below shows a reconciliation of WTX's equity capital to regulatory capital at December 31, 2002.

TABLE 37

World Savings Bank, FSB (Texas)
Reconciliation of Equity Capital to Regulatory Capital
As of December 31, 2002
(Dollars in Thousands)

	Equity Capital	Tangible Capital	Tangible Equity	Core/ Leverage Capital	Tier 1 Risk-Based Capital	Total Risk-Based Capital
Common stock	$ 150					
Paid-in surplus	346,575					
Retained earnings	67,160					
Equity capital	$ 413,885	$ 413,885	$ 413,885	$ 413,885	$ 413,885	$ 413,885
General allowance for loan losses						392
Regulatory capital		$ 413,885	$ 413,885	$ 413,885	$ 413,885	$ 414,277
Total assets	$7,916,763					
Adjusted total assets		$ 7,916,829	$ 7,916,829	$ 7,916,829		
Risk-weighted assets					$ 1,721,275	$ 1,721,275
CAPITAL RATIO - ACTUAL	5.23%	5.23%	5.23%	5.23%	24.05%	24.07%
Regulatory Capital Ratio Requirements: Well-capitalized, equal to						

or greater than	5.00%	6.00%	10.00%

FEDERAL HOME LOAN BANK SYSTEM. The FHLB system provides credit to its members, which include savings institutions, commercial banks, insurance companies, credit unions, and certain other entities. Each FHLB has joint and several liability for the obligations of the eleven other FHLBs in the system. WSB is a member of the FHLB of San Francisco and WTX is a member of the FHLB of Dallas. As members, WSB and WTX may obtain advances (borrowings) from, and must own capital stock of, their respective FHLB. Advances are secured by collateral pledges and a blanket lien on the assets of the institution. In the event a member bank, such as WSB or WTX, defaults on an advance, the Federal Home Loan Bank Act establishes priority of the FHLB's claim over various other claims. WSB and WTX must own an amount of capital stock that depends generally upon their outstanding FHLB advances. In the event a FHLB falls below its minimum capital requirements, the FHLB may require its members to purchase additional capital stock of the FHLB.

CAPITAL DISTRIBUTIONS BY SAVINGS INSTITUTIONS. See Item 5, "MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS" on page 39, for a discussion on certain limitations imposed by the OTS on dividends paid by savings institutions. During 2003, WSB paid $200 million in upstream dividends to Golden West.

LIMITATION ON LOANS TO ONE BORROWER. Current law subjects savings institutions to the same loans-to-one borrower restrictions that are applicable to national banks with limited provisions for exceptions. In general, the national bank standard restricts loans to a single borrower to no more than 15% of a bank's unimpaired capital and unimpaired surplus, plus an additional 10% if the loan is collateralized by certain readily marketable collateral. (Real estate is not included in the definition of "readily marketable collateral.") At December 31, 2003, the maximum that WSB could have loaned to one borrower (and related entities) was $956 million, while the largest amount of loans it had to one borrower was $74 million. At December 31, 2003, the maximum amount that WTX could have loaned to one borrower (and related entities) was $76 million, while the largest amount of loans WTX had outstanding to any one borrower was $7 million.

DEPOSITOR PREFERENCE. As a result of federal laws that apply to insured depository institutions, claims of general unsecured creditors of WSB would be subordinated to claims of a receiver for administrative expenses and claims of holders of deposit liabilities of WSB (including the FDIC, as the subrogee of those holders) in the event of a liquidation or other resolution of WSB. As of December 31, 2003, WSB had approximately $46 billion of deposits outstanding on a consolidated basis.

POWERS OF THE FDIC IN CONNECTION WITH THE INSOLVENCY OF AN INSURED DEPOSITORY INSTITUTION. If the FDIC is appointed a receiver or conservator of an insured depository institution, such as WSB or WTX, the FDIC may disaffirm or repudiate any contract or lease to which the institution is a party, the performance of which is determined to be burdensome, and the disaffirmance or repudiation of which is determined to promote the orderly administration of the institution's affairs. The FDIC may contend that its power to repudiate contracts likely extends to obligations such as the debt of the depository institution, and at least one court has held that the FDIC can repudiate publicly-traded debt obligations. The effect of a repudiation would likely be to accelerate the maturity of debt. A repudiation would likely result in a claim by each holder of debt against the receivership or conservatorship. The claim may be for principal and interest accrued through the date of the appointment of the conservator or receiver. Alternatively, at least one court has held that the claim would be in the amount of the fair market value of the debt as of the date of the repudiation, which amount could be more or less than accrued principal and interest. The amount paid on the claims of the holders of the debt would depend, among other factors, upon the amount of conservatorship or receivership assets available for the payment of unsecured claims and the priority of the claims relative to the claims of other unsecured creditors and depositors, and may be less than the amount owed to the holders of the debt. See "Depositor Preference" above.

If the maturity of the debt were so accelerated, and a claim relating to the debt paid by the conservatorship or receivership, the holders of the debt might not be able, depending upon economic conditions, to reinvest any amounts paid on the debt at a rate of interest comparable to that paid on the debt. In addition, although the holders of the debt may have the right to accelerate the debt in the event of the appointment of a conservator or receiver of WSB or WTX, the FDIC as conservator or receiver may enforce most types of contracts, including debt contracts pursuant to their terms, notwithstanding any such acceleration provision. The FDIC as conservator or receiver may also transfer to a new obligor any of the depository institution's assets and liabilities, without the approval or consent of the institution's creditors.

In its resolutions of the problems of an insured depository institution in default or in danger of default, the FDIC is generally obligated to satisfy its obligations to insured depositors at the least possible cost to the deposit insurance fund. In addition, the FDIC may not take any action that would have the effect of increasing the losses to the relevant deposit insurance fund by protecting depositors for more than the insured portion of deposits (generally $100,000) or by protecting creditors other than depositors. Existing law

authorizes the FDIC to settle all uninsured and unsecured claims in the insolvency of an insured institution by making a final payment after the declaration of insolvency. Such a payment would constitute full payment and disposition of the FDIC's obligations to claimants. Existing law provides that the rate of such final payment is to be a percentage reflecting the FDIC's receivership recovery experience.

SAVINGS AND LOAN HOLDING COMPANY LAW. Golden West is a "savings and loan holding company" under the Home Owners' Loan Act (HOLA). As such, it has registered with the OTS and is subject to OTS regulation, examination, supervision, and reporting requirements. Among other things, the OTS has authority to determine that an activity of a savings and loan holding company constitutes a serious risk to the financial safety, soundness, or stability of its subsidiary savings institutions and may impose, among other things, restrictions on the payment of dividends by the subsidiary institutions and on transactions between the subsidiary institutions, the holding company, and subsidiaries or affiliates of either.

As WSB's parent company, Golden West is considered an "affiliate" of WSB for regulatory purposes. Savings banks are subject to the rules relating to transactions with affiliates and loans to insiders generally applicable to commercial banks that are members of the Federal Reserve System set forth in Sections 23A, 23B, and 22(h) of the Federal Reserve Act, and with respect to savings banks, as well as additional limitations set forth in current law and as adopted by the OTS. In addition, current law generally prohibits a savings institution from lending or otherwise extending credit to an affiliate, other than the institution's subsidiaries, unless the affiliate is engaged only in activities that the Federal Reserve Board has determined to be permissible for bank or financial services holding companies and that the OTS has not disapproved. OTS regulations provide guidance in determining affiliates of a savings institution and in calculating compliance with the quantitative limitations on transactions with affiliates.

QTL TEST. The HOLA requires savings institutions to meet a qualified thrift lender (QTL) test. Under the QTL test, a savings institution is required to maintain at least 65% of its "portfolio assets" in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed and related securities) in at least nine months out of each 12 month period. A savings institution that fails the QTL test must either convert to a bank charter or operate under certain restrictions. At December 31, 2003, WSB and WTX were in compliance with the QTL test.

TAXATION. 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.

The Company utilizes the accrual method of accounting for income tax purposes and for preparing its published financial statements. Taxes as a percentage of earnings were 38.2% and 38.4% for the years ended 2003 and 2002, respectively. Included in taxes on income for 2003 was a nonrecurring tax benefit 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.

Employee Relations

The Company had a total of 8,457 full-time and 983 permanent part-time employees at December 31, 2003. None of the employees of the Company are represented by any collective bargaining group. The management of the Company considers employee relations to be good.

Corporate Governance

The Board of Directors has determined that a majority of the members of the Company's Board of Directors and all of the Audit Committee, Compensation and Stock Option Committee, and Nominating and Corporate Governance Committee members satisfy the independence standards under the New York Stock Exchange's corporate governance rules. In addition, all of the Audit Committee members satisfy the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934. The Board of Directors has adopted Corporate Governance Guidelines and codes of conduct and ethics for directors, financial officers, and employees that are available, along with Board committee charters, on the Company's website at www.gdw.com.

Executive Officers of the Company

The executive officers of the Company are as follows:

Name and Age Position

Herbert M. Sandler, 72 Chairman of the Board and Chief Executive Officer

Marion O. Sandler, 73 Chairman of the Board and Chief Executive Officer

James T. Judd, 65 Senior Executive Vice President

Russell W. Kettell, 60 President and Chief Financial Officer(a)

Georganne C. Proctor, 47 Executive Vice President(b)

Michael Roster, 58 Executive Vice President, General Counsel, and Secretary(c)

Carl M. Andersen, 43 Group Senior Vice President and Tax Director(d)

Roberta A. Conger, 56 Group Senior Vice President and Treasurer(e)

William C. Nunan, 53 Group Senior Vice President and Chief Accounting Officer(f)

Each of the above persons holds the same position with WSB with the exceptions of James T. Judd who is President, Chief Operating Officer, and Director of WSB, and Russell W. Kettell who is a Senior Executive Vice President, Chief Financial Officer, and Director of WSB. Each executive officer has had the principal occupations shown for the prior five years except as follows:

(a) Russell W. Kettell was elected Chief Financial Officer in December 1999 and has served as President of the Company since February 1993. Prior thereto, Mr. Kettell served as Senior Executive Vice President since 1989, Executive Vice President since 1984, Senior Vice President since 1980, and Treasurer from 1976 until 1984 and from 1995 until 2002.

(b) Georganne C. Proctor was elected Executive Vice President in February 2003. Prior thereto, Ms. Proctor was Chief Financial Officer for the Bechtel Group in San Francisco which provides engineering and construction services.

(c) Michael Roster was elected Executive Vice President, General Counsel and Secretary in February 2000. Prior thereto, Mr. Roster was General Counsel at Stanford University.

(d) Carl M. Andersen was elected Tax Director in 2002, Group Senior Vice President in 1999, and Senior Vice President of the Company in 1997. He served as Senior Vice President with WSB since 1996. Prior thereto, he served as Vice President of WSB since 1990.

(e) Roberta A. Conger was elected Treasurer in July 2002 and Group Senior Vice President in February 2003. She served as Group Senior Vice President with WSB since 1996 and has served as Treasurer of WSB since 1994.

(f) William C. Nunan was elected Chief Accounting Officer of the Company in December 1999, was elected Group Senior Vice President in 1999, and was elected Senior Vice President of the Company in 1997. He served as Senior Vice President with WSB since 1995. Prior thereto, he served as Vice President of WSB since 1985.

ITEM 2. PROPERTIES

Properties owned by the Company for the operation of its business are located in Arizona, California, Colorado, Florida, Illinois, Kansas, Nevada, New Jersey, and Texas. The executive offices of the Company are located at 1901 Harrison Street, Oakland, California, in leased facilities.

The Company owns a 640,000 square-foot office complex on a 111-acre site in San Antonio, Texas. This complex houses the loan service, savings operations, and information systems departments, and various other back-office functions.

The Company owns 243 of its branches, some of which are located on leased land. For further information regarding the Company's investment in premises and equipment and expiration dates of long-term leases, see Note H to the Financial Statements included in Item 15.

The Company continuously evaluates the suitability and adequacy of the Company's offices and has a program of relocating or remodeling them as necessary to maintain efficient and attractive facilities.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to actions arising in the ordinary course of business, none of which, in the opinion of management, is material to the Company's consolidated financial condition or results of operations, or is otherwise required to be discussed pursuant to Item 103 of Regulation S-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the quarter ended December 31, 2003 to a vote of the Company's security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market Prices of Stock

Golden West's stock is listed on the New York Stock Exchange and the Pacific Exchange and options on Golden West are traded on the Chicago Board Options Exchange as well as the Pacific Exchange under the ticker symbol GDW. The quarterly price ranges, based on the daily closing price, for the Company's common stock during 2003 and 2002 were as follows:

TABLE 38

Common Stock Price Range

	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

Per Share Cash Dividends Data

Golden West's cash dividends paid per share for 2003 and 2002 were as follows:

TABLE 39

Cash Dividends Per Share

	2003	2002
First Quarter	$ .0850	$ .0725
Second Quarter	$ .0850	$ .0725
Third Quarter	$ .0850	$ .0725
Fourth Quarter	$ .1000	$ .0850

The principal sources of funds for the payment by Golden West of cash dividends are cash dividends paid to it by subsidiaries.

Because WSB is a subsidiary of a savings and loan holding company, WSB 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 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, or agreement with the OTS or a condition imposed upon the insured subsidiary in an OTS approved application or notice. In general, WSB 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 the distributions it remains at least adequately capitalized. Capital distributions in excess of such amount, or which would cause WSB no longer to be adequately capitalized, require specific OTS approval. (See "CAPITAL DISTRIBUTIONS BY SAVINGS INSTITUTIONS" on page 34.)

At December 31, 2003, $3.9 billion of the WSB's retained earnings were available for the payment of cash dividends without the imposition of additional federal income taxes.

Stockholders

At the close of business on March 5, 2004, 152,425,514 shares of Golden West's Common Stock were outstanding and were held by 1,098 stockholders of record. At the close of business on March 5, 2004, the Company's common stock price was $116.33.

The transfer agent and registrar for the Golden West common stock is Mellon Investor Services, L.L.C., San Francisco, California 94101.

Equity Compensation Plan Information

The Company's 1996 Stock Option Plan authorizes the granting of options to key employees for the purchase of 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 the terms of the plan, incentive stock options are 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 are 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.

The following table sets forth information about the Company's stock option plan at December 31, 2003:

TABLE 40

Golden West Financial Corporation
1996 Stock Option Plan
As of December 31, 2003

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Stock Option Plan
Equity Compensation Plan Approved by Stockholders:			
1996 Stock Option Plan	6,596,174	$ 42.93	1,595,450

The Company does not have any equity compensation plans that have not been approved by the stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial and other data for Golden West for the years indicated. This information is qualified in its entirety by the more detailed financial information set forth in the financial statements and notes thereto appearing in documents incorporated herein by reference.

TABLE 41

Five Year Consolidated Summary of Operations
(Dollars in Thousands Except Per Share Figures)

	Year Ended December 31				
	2003	2002	2001	2000	1999
Interest Income:					
Interest on loans	$3,178,087	$2,893,299	$2,740,101	$2,469,556	$1,851,790
Interest on mortgage-backed securities	261,712	490,523	1,276,648	1,072,559	769,314
Interest and dividends on investments	88,545	113,212	192,863	254,425	204,741
	3,528,344	3,497,034	4,209,612	3,796,540	2,825,845
Interest Expense:					
Interest on deposits	938,123	1,079,937	1,522,328	1,494,447	1,250,364
Interest on advances and other borrowings	381,837	486,803	1,055,952	1,150,925	571,996
	1,319,960	1,566,740	2,578,280	2,645,372	1,822,360
Net interest income	2,208,384	1,930,294	1,631,332	1,151,168	1,003,485
Provision for (recovery of) loan losses	11,864	21,170	22,265	9,195	(2,089)
Net interest income after provision for (recovery of) loan losses	2,196,520	1,909,124	1,609,067	1,141,973	1,005,574
Noninterest Income:					
Fees	163,306	139,416	150,675	78,016	65,456
Gain on the sale of securities, MBS and loans	72,274	45,143	42,513	10,515	22,764
Change in fair value of derivatives	10,890	7,610	(9,738)	-0-	-0-
Other	66,860	54,831	53,289	72,289	55,082
	313,330	247,000	236,739	160,820	143,302
Noninterest Expense (a)					
General and administrative					
Personnel	453,476	378,099	315,984	259,442	228,622
Occupancy	76,649	69,559	64,747	58,330	53,713
Technology and telecommunications	78,701	66,318	52,621	42,082	40,559
Deposit insurance	6,683	6,062	5,712	5,699	5,358
Advertising	22,516	16,528	15,012	8,379	11,874
Other	82,490	64,928	59,726	50,915	46,021
	720,515	601,494	513,802	424,847	386,147
Earnings before taxes on income and cumulative effect of accounting change	1,789,335	1,554,630	1,332,004	877,946	762,729
Taxes on income	683,236	596,351	513,181	332,155	282,750

Earnings before cumulative effect of accounting change(b)	1,106,099	958,279	818,823	545,791	479,979
Cumulative effect of accounting change, net of tax	-0-	-0-	(6,018)	-0-	-0-
Net earnings	$1,106,099	$ 958,279	$ 812,805	$ 545,791	$ 479,979
Basic earnings per share before cumulative effect of accounting change(b)	$ 7.25	$ 6.20	$ 5.18	$ 3.44	$ 2.90
Cumulative effect of accounting change, net of tax	.00	.00	(.04)	.00	.00
Basic earnings per share	$ 7.25	$ 6.20	$ 5.14	$ 3.44	$ 2.90
Diluted earnings per share before cumulative effect of accounting change(b)	$ 7.14	$ 6.12	$ 5.11	$ 3.41	$ 2.87
Cumulative effect of accounting change, net of tax	.00	.00	(.04)	.00	.00
Diluted earnings per share	$ 7.14	$ 6.12	$ 5.07	$ 3.41	$ 2.87

(a) Certain reclassifications have been made to prior period expense categories to conform to the current period presentation, which includes a separate category for "Technology and telecommunications".
(b) On January 1, 2001, the Company adopted SFAS 133 which resulted in a one-time charge of $6 million.

TABLE 42

Five Year Summary of Financial Condition
(Dollars in Thousands)

	At December 31				
	2003	2002	2001	2000	1999
Total assets	$ 82,549,890	$ 68,405,828	$ 58,586,271	$ 55,703,969	$ 42,142,205
Cash, securities available for sale, and other investments	2,140,266	1,241,091	961,729	1,111,826	1,120,393
Mortgage-backed securities	4,105,438	6,067,458	14,078,172	18,580,490	11,661,621
Loans receivable	74,205,578	58,943,316	41,590,719	34,146,172	28,165,077
Total loans receivable and MBS	78,311,016	65,010,774	55,668,891	52,726,662	39,826,698
Deposits	46,726,965	41,038,797	34,472,585	30,047,919	27,714,910
Advances from FHLBs	22,000,234	18,635,099	18,037,509	19,731,797	8,915,218
Reverse repurchases	3,021,385	522,299	223,523	857,274	1,045,176
Bank notes	3,015,854	1,209,925	-0-	-0-	-0-
Senior debt	991,257	989,690	198,215	-0-	-0-
Subordinated debt	-0-	199,867	599,511	598,791	812,950
Stockholders' equity	5,947,268	5,025,250	4,284,190	3,687,287	3,194,854

TABLE 43
Five Year Selected Other Data
(Dollars in Thousands Except Per Share Figures)

	Year Ended December 31				
	2003	2002	2001	2000	1999
Real estate loans originated	$35,984,721	$26,682,890	$20,763,237	$19,782,687	$12,672,211
New adjustable rate mortgages as a percentage of real estate loans originated	93.5%	91.6%	84.0%	96.3%	91.0%
Loans serviced for others with recourse	$3,092,641	$2,897,859	$2,797,634	$ 1,915,672	$2,055,987
Loans serviced for others without recourse	2,672,345	2,510,635	2,035,250	983,407	1,037,655
Deposits increase ($)	$5,688,168	$6,566,212	$4,424,666	$ 2,333,009	$1,495,815
Deposits increase (%)	13.9%	19.0%	14.7%	8.4%	5.7%
Net earnings/average net worth (ROE)	20.33%	20.62%	20.23% (a)	16.21%	15.19%
Net earnings/average assets (ROA)	1.50%	1.53%	1.42% (a)	1.12%	1.22%
Net interest margin	3.05%	3.17%	2.93%	2.42%	2.63%
General and administrative expense (G&A) to:					
Net interest income plus other income	28.57%	27.63%	27.50%	32.38%	33.67%
Total revenues	18.76%	16.07%	11.56%	10.74%	13.01%
Average assets	.98%	.96%	.90%	.87%	.98%
Ratio of earnings to fixed charges:(b)					
Including interest on deposits	2.35x	1.99x	1.51x	1.33x	1.42x
Excluding interest on deposits	5.56x	4.13x	2.25x	1.76x	2.32x
Yield on interest-earning assets	4.54%	5.25%	6.36%	8.02%	7.15%

Cost of funds	1.67%	2.32%	3.15%	5.99%	5.00%
Primary spread	2.87%	2.93%	3.21%	2.03%	2.15%
Nonperforming assets/total assets(c)	.51%	.62%	.67%	.43%	.56%
Stockholders' equity/total assets	7.20%	7.35%	7.31%	6.62%	7.58%
Average stockholders' equity/average assets	7.39%	7.41%	7.01%	6.89%	8.04%
World Savings Bank, FSB (WSB) regulatory capital ratios:(d)					
Tier 1 (core or leverage)	7.45%	7.61%	7.71%	6.60%	6.64%
Total risk-based	14.16%	14.26%	14.24%	12.44%	11.95%
World Savings Bank, FSB (Texas) (WTX) regulatory capital ratios:(d)					
Tier 1 (core or leverage)	5.16%	5.23%	5.23%	5.34%	---
Total risk-based	22.88%	24.07%	25.05%	26.69%	---
Number of savings branch offices	271	268	265	253	249
Cash dividends per share	$ .355	$ .303	$ .26	$ .22	$ .193
Dividend payout ratio	4.90%	4.88%	5.02% (a)	6.40%	6.64%

(a) The ratios for the year ended December 31, 2001 include a pre-tax charge of $10 million or $.04 per basic and diluted earnings per share, after tax, associated with the adoption of SFAS 133 on January 1, 2001. Excluding this cumulative effect of an accounting change, ROE was 20.38%, ROA was 1.43%, and the dividend payout ratio was 5.06%.

(b) Earnings represent income from continuing operations before income taxes, cumulative effect of change in accounting, and fixed charges. Fixed charges include interest expense and amortization of debt expense.

(c) NPAs include nonaccrual loans (loans that are 90 days or more past due) and foreclosed real estate.

(d) For regulatory purposes, the requirements to be considered "well capitalized" are 5.0% and 10.0% for tier 1 (core or leverage) and total risk-based, respectively. In years prior to 2000, WTX was not regulated by the OTS and, therefore, these ratios were not applicable.

ITEM 7. 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.

TABLE 44

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 higher 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 64.

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.

TABLE 45

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 (ARMs) - 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 deposits (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 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, prepayment, the movement of an interest rate index, or any other interest rate change. The disparity between the repricing of assets (mortgage loans, MBS, and investment) 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.

TABLE 46

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 pages 67 and 68).

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.

TABLE 47
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 57 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 table on the following page shows the components of the Company's loans receivable portfolio and MBS at December 31, 2003, 2002, and 2001.

TABLE 48

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.

TABLE 49

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 table on the following page shows the distribution of ARM originations by index for the years ended December 31, 2003, 2002, and 2001.

TABLE 50

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

ARM Index	As of December 31 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	-0-	-0-
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.

TABLE 51

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

ARM Index	As of December 31 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.

TABLE 52

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.

TABLE 53

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% or 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.

TABLE 54
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.

TABLE 55
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

Loan 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 repayment 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.

TABLE 56

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 nonaccrual 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 nonaccrual 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 table on the next page 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.

TABLE 57

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 56.

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.

TABLE 58

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 the 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 regulation. 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

The following table 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.

TABLE 59

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

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 repayments 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 59.

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 a 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 58 for further discussion.

Results of Operations

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

TABLE 60

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 nonrecurring tax items contributed to net earnings during 2003. Two nonrecurring items contributed $12.1 million to net earnings during 2002. These nonrecurring 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 below.

As noted in the discussion of the gap on page 48, 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.

TABLE 61

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	.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.

TABLE 62

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 58.

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 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:

TABLE 63

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Asset/Liability Management" on pages 47 through 50 in Item 7.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index included on page 76 and the financial statements, which begin on page F-1, which are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Inapplicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officers and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2003. Based upon that evaluation, the Chief Executive Officers and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. No significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls during the quarter ended December 31, 2003.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information concerning the directors and executive officers of the Registrant, see pages 2 through 4, 10, and 11 of the Registrant's Proxy Statement dated March 12, 2004, which are incorporated herein by reference, and page 37 of Item 1 herein.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is set forth in Registrant's Proxy Statement dated March 12, 2004, on pages 8 through 10 and 13 through 15 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 403 of Regulation S-K is set forth on pages 2 through 4, 10 and 11 of Registrant's Proxy Statement dated March 12, 2004, and is incorporated herein by reference. The information required by Item 201(d) of Regulation S-K is set forth in Item 5 herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See "Indebtedness of Management" on page 14 of the Registrant's Proxy Statement dated March 12, 2004, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A is set forth on page 16 of Registrant's Proxy Statement dated March 12, 2004, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Index to Financial Statements
See Index included on page 76 and the financial statements, which begin on page F-1.

(2) Index to Financial Statement Schedules
Financial statement schedules are omitted because they are not required or because the required information is included in the financial statements or the notes thereto.

(3) Index to Exhibits

Exhibit No. Description

3(a) Certificate of Incorporation, as amended, and amendments thereto, are incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K (File No. 1-4269) for the year ended December 31, 1990.

3(b) By-Laws, as amended in 1997, are incorporated by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K (File No. 1-4269) for the year ended December 31, 1997.

4(a) The Registrant agrees to furnish to the Commission, upon request, a copy of each instrument with respect to issues of long-term debt, the authorized principal amount of which does not exceed 10% of the total assets of the Company.

10(a)1996 Stock Option Plan, as amended and restated February 2, 1996, and as further amended May 1, 2001, is incorporated by reference to Exhibit 10 (a) to the Company's Annual Report on Form 10-K (File No. 1-4269) for the year ended December 31, 2002.

10(b)Incentive Bonus Plan, as amended and restated, is incorporated by reference to Exhibit A of the Company's Definitive Proxy Statement on Schedule 14A, filed on March 15, 2002, for the Company's 2002 Annual Meeting of Stockholders.

10(c)Deferred Compensation Agreement between the Company and James T. Judd is incorporated by reference to Exhibit 10(b) of the Company's Annual Report on Form 10-K (File No. 1-4629) for the year ended December 31, 1986.

10(d)Deferred Compensation Agreement between the Company and Russell W. Kettell is incorporated by reference to Exhibit 10(c) of the Company's Annual Report on Form 10-K (File No. 1-4629) for the year ended December 31, 1986.

10(e)Deferred Compensation Agreement between the Company and Michael Roster, is incorporated by reference to Exhibit 10 (e) to the Company's Annual Report on Form 10-K (File No. 1-4269) for the year ended December 31, 2002.

10(f)Operating lease on Company headquarters building, 1901 Harrison Street, Oakland, California 94612, is incorporated by reference to Exhibit 10(h) of the Company's Quarterly Report on Form 10-Q (File No. 1-4629) for the quarter ended September 30, 1998.

10(g)Form of Supplemental Retirement Agreement between the Company and certain executive officers is incorporated by reference to Exhibit 10 (g) to the Company's Annual Report on Form 10-K (File No. 1-4269) for the year ended December 31, 2002.

(3) Index to Exhibits (continued)

Exhibit No. Description

21 (a) Subsidiaries of the Registrant.

23 (a) Independent Auditors' Consent.

31.1 Section 302 Certification of Principal Executive Officer.

31.2 Section 302 Certification of Principal Executive Officer.

31.3 Section 302 Certification of Principal Financial Officer.

32 Section 906 Certification of Principal Executive Officers and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K

The Registrant filed one current report on Form 8-K with the Commission during the fourth quarter of 2003 and has since filed one more report on Form 8-K with the Commission:

1. Report filed October 22, 2003. Item 7. Exhibits. The report dated October 21, 2003 included the Golden West Third Quarter 2003 Earnings Press Release and the Golden West September 30, 2003 Thirteen Month Statistical Data Press Release.

2. Report filed January 23, 2004. Item 7. Exhibits. The report dated January 22, 2004 included the Golden West Fourth Quarter 2003 Earnings Press Release and the Golden West December 31, 2003 Thirteen Month Statistical Data Press Release.

(c) Form S-8 Undertaking

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into Registrant's Registration Statement on Form S-8 No. 33-14833 (filed June 5, 1987):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant

has been advised that in the opinion of the Securities Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Signatures

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

GOLDEN WEST FINANCIAL CORPORATION

By: /s/ Herbert M. Sandler
Herbert M. Sandler,
Chairman of the Board and Chief Executive Officer

By: /s/ Marion O. Sandler
Marion O. Sandler,
Chairman of the Board and Chief Executive Officer

By: /s/ Russell W. Kettell
Russell W. Kettell,
President and Chief Financial Officer

By: /s/ William C. Nunan
William C. Nunan,
Chief Accounting Officer

Dated: March 12, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Signature	Date	Signature	Date
/s/ Maryellen C. Herringer Maryellen C. Herringer Director	3/12/04	/s/ Bernard A. Osher Bernard A. Osher Director	3/12/04
/s/ Louis J. Galen Louis J. Galen Director	3/12/04	/s/ Kenneth T. Rosen Kenneth T. Rosen Director	3/12/04
/s/ Antonia Hernandez Antonia Hernandez Director	3/12/04	/s/ Herbert M. Sandler Herbert M. Sandler Director	3/12/04
/s/ Patricia A. King Patricia A. King Director	3/12/04	/s/ Marion O. Sandler Marion O. Sandler Director	3/12/04
		/s/ Leslie Tang Schilling Leslie Tang Schilling Director	3/12/04

INDEX TO FINANCIAL STATEMENTS

Page

Independent Auditors' Report..F-1

Golden West Financial Corporation and Subsidiaries:
Consolidated Statement of Financial Condition as of December 31, 2003 and 2002..F-2
Consolidated Statement of Net Earnings for the years ended December 31, 2003, 2002, and 2001 ....F-3
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2003, 2002, and 2001........................F-4
Consolidated Statement of Cash Flows for the years ended December 31, 2003, 2002, and 2001.........................F-5, F-6
Notes to Consolidated Financial Statements.............................F-7

All supplemental schedules are omitted as inapplicable or because the required information is included in the financial statements or notes thereto.

EXHIBIT 21(a)

SUBSIDIARIES OF REGISTRANT:

WORLD SAVINGS BANK, FSB
Federal Savings Bank, Chartered January 20, 1995
California Corporation, Incorporated October 26, 1912

WORLD SAVINGS BANK, FSB (TEXAS)
Federal Savings Bank, Chartered December 1, 2000
Texas State Savings Bank, Incorporated January 12, 1995

ATLAS ADVISERS, INC.
California Corporation, Incorporated May 6, 1987

ATLAS SECURITIES, INC.
California Corporation, Incorporated May 6, 1987

EXHIBIT 23(a)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-14833 on Form S-8 and Registration Statement No. 333-41278 on Form S-3 of our report dated January 30, 2004 appearing in this Annual Report on Form 10-K of Golden West Financial Corporation for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP
Oakland, California
March 12, 2004

EXHIBIT 31.1
SECTION 302 CERTIFICATION

I, Herbert M. Sandler, certify that:

1) I have reviewed this annual report on Form 10-K of Golden West Financial Corporation;

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

c) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls over financial reporting.

March 12, 2004	/s/ Herbert M. Sandler
Date	Herbert M. Sandler Chairman of the Board and Chief Executive Officer Golden West Financial Corporation

EXHIBIT 31.2
SECTION 302 CERTIFICATION

I, Marion O. Sandler, certify that:

1) I have reviewed this annual report on Form 10-K of Golden West Financial Corporation;

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

c) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls over

financial reporting.

March 12, 2004	/s/ Marion O. Sandler
Date	Marion O. Sandler Chairman of the Board and Chief Executive Officer Golden West Financial Corporation

EXHIBIT 31.3
SECTION 302 CERTIFICATION

I, Russell W. Kettell, certify that:

1) I have reviewed this annual report on Form 10-K of Golden West Financial Corporation;

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

c) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls over financial reporting.

March 12, 2004	/s/ Russell W. Kettell
Date	Russell W. Kettell President and Chief Financial Officer Golden West Financial Corporation

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERS AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Form 10-K of Golden West Financial Corporation for the annual period ended December 31, 2003, each of the undersigned, hereby certifies pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1) such Form 10-K of Golden West Financial Corporation for the annual period ended December 31, 2003 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in such Form 10-K of Golden West Financial Corporation for the annual period ended December 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of Golden West Financial Corporation.

March 12, 2004	/s/ Herbert M. Sandler
Date	Herbert M. Sandler Chairman of the Board and Chief Executive Officer Golden West Financial Corporation

March 12, 2004	/s/ Marion O. Sandler
Date	Marion O. Sandler Chairman of the Board and Chief Executive Officer Golden West Financial Corporation

March 12, 2004	/s/ Russell W. Kettell
Date	Russell W. Kettell President and Chief Financial Officer Golden West Financial Corporation

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.

Oakland, California
January 30, 2004

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(Dollars in thousands except per share figures)

ASSETS

	December 31	
	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

	December 31	
	2003	2002
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.

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

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.

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

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.

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

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 portfolio	(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)

See notes to consolidated financial statements.

	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.

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

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. 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 changes 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 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, these rights are 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		WELL-CAPITALIZED CAPITAL REQUIREMENTS	
	Capital	Ratio	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	$ 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	3,601,932	8.00	4,502,415	10.00
WTX						
Tangible	$ 504,735	5.16%	$ 146,846	1.50%	---	---
Tier 1 (core or leverage)	504,735	5.16	391,591	4.00	$ 489,488	5.00%
Tier 1 risk-based	504,735	22.85	---	---	132,557	6.00
Total risk-based	505,530	22.88	176,743	8.00	220,929	10.00

	December 31, 2002					
	ACTUAL		MINIMUM CAPITAL REQUIREMENTS		WELL-CAPITALIZED CAPITAL REQUIREMENTS	
	Capital	Ratio	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	$ 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	3,048,080	8.00	3,810,101	10.00
WTX						
Tangible	$ 413,885	5.23%	$ 118,752	1.50%	---	---
Tier 1 (core or leverage)	413,885	5.23	316,673	4.00	$ 395,841	5.00%
Tier 1 risk-based	413,885	24.05	---	---	103,277	6.00
Total risk-based	414,277	24.07	137,702	8.00	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

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years ended December 31, 2003, 2002, and 2001
(Dollars in thousands except per share figures)

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

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years ended December 31, 2003, 2002, and 2001
(Dollars in thousands except per share figures)

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				

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
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 (ELOC) 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 $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 $2.2 billion and the aggregate amount outstanding 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 $5.0 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, 2014.

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	Currently Exercisable: Number of Options	Currently Exercisable: Weighted Average Exercise Price
$11.50 - $17.83	969,350	$ 15.17	1.5 years	969,350	$ 15.17
$27.60 - $38.75	3,190,999	30.55	5.7 years	1,225,275	29.70
$46.68 - $103.15	2,435,825	70.18	9.0 years	375,700	47.55
	6,596,174			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) and $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.

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years ended December 31, 2003, 2002, and 2001
(Dollars in thousands except per share figures)

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			2002		
	Unrealized Gains	Unrealized Losses	Net Unrealized Gain	Unrealized Gains	Unrealized Losses	Net Unrealized Gain
Loan commitments for						

investment portfolio	$ 12,963	$ -0-	$ 12,963	$ 19,967	$ -0-	$ 19,967

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years ended December 31, 2003, 2002, and 2001
(Dollars in thousands except per share figures)

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 undistributed net 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

Assets	December 31	
	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

NOTE V - Parent Company Financial Information (Continued)

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 undistributed net 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

GOLDEN WEST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2003, 2002, and 2001
(Dollars in thousands except per share figures)

NOTE W - Selected Quarterly Financial Data (Unaudited)

	2003			
	Quarter Ended			
	March 31	June 30	September 30	December 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			
	March 31	June 30	September 30	December 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