2009 was a year of challenge and change. For Nationwide, it was also a year of optimism and opportunity. A year to be tested—and succeed with a STRONGER financial base. A year to build momentum—and maintain a STABLE foundation for the future. A year to look closely at the promise we’ve made to our customers—and find even more ways to deliver the ON YOUR SIDE experience.
Our market standing speaks volumes.
WE ARE

6th LARGEST
homeowner insurer in the U.S.1

6th LARGEST
auto insurer2

#124 on the Fortune 5003

#11 provider of variable annuities4

the provider of more than 16 MILLION policies in force

#1 provider of defined contribution plans5

#7 provider of variable life insurance6

For more than 80 years, Nationwide’s products and services have helped millions of people protect what matters most to them—their homes and cars, their businesses, and their financial security as they prepare for and live in retirement.

In 2009, we were tested like never before. Nationwide demonstrated the talent, discipline and ability to successfully manage through one of the most challenging economic environments in history. After a very difficult year in 2008, we are pleased to report 2009 net income of $716 million.

We operate under the assumption that market and economic downturns are an unfortunate, but inevitable, aspect of the business cycle. Consequently, when the latest crisis erupted in 2008, we were prepared with a strong balance sheet and significant capital on hand. As the severity of the crisis became evident, we took immediate action to reduce risk, enhance liquidity and preserve our capital. Because of our preparation and decisive actions, Nationwide remained strong, stable and financially sound during the darkest days of late 2008 and early 2009, while some of our peers had to accept bailout funds through the Troubled Asset Relief Program or raise capital under distressed circumstances.

Although we remained well-positioned to fulfill our obligations to our customers, we took some significant steps to further strengthen the company and establish a foundation for future growth. Key highlights include:

• We improved our investment portfolio risk profile and reduced our exposure to volatile equity holdings.

• We implemented product and underwriting actions to reduce property and casualty risk in certain geographies and to improve profitability.

• We successfully integrated Nationwide Financial Services with Nationwide Mutual, which will increase our ability to deliver a full range of financial solutions to our combined customer base.

• We implemented aggressive expense-management initiatives throughout the company.

• We bolstered our capital by issuing $700 million in surplus notes in the second half of 2009.

Managing our business through difficult economic cycles is a challenge we’ve faced before. During the Great Depression, Nationwide not only survived, but thrived. In the 1930s, we increased our policies in force, assets, premiums and surplus, establishing a historical record of financial performance that continues to be recognized in our industry. In 2009, Best’s Review listed Nationwide among the property and casualty and the life and health insurers that had maintained at least an “A” rating in each business line for 75 years.

The Mutual Advantage
One of the most significant events in 2009 was the completion of the merger of Nationwide Mutual and Nationwide Financial Services, our publicly traded, majority-owned affiliate. Today, the combined Nationwide is one of the largest insurance and financial services companies in the United States, ranked No. 124 on the Fortune 500.

With the merger achieved, Nationwide is now completely mutual, meaning our interests are now more fully aligned with those of our policyholders. We are in a better position than ever to execute on our commitment to provide our customers with the best personalized experience at a competitive price.

Our mutual standing is another reflection of our roots and historical strength. Mutual ownership enables us to focus more on our customers and to make decisions and investments with a longer-term perspective than many of our publicly traded peers that often must focus on short-term results.

Putting Customers First
Customers have been at the center of our thinking from our beginning, and delivering the best personalized experience remains the cornerstone of our business strategy. In 1926, our company began with the simple belief that rural drivers deserved better rates than their urban counterparts who had more accidents. Consumers’ needs and preferences have changed significantly through the decades, but their basic desire for good service remains the same. True to our roots, we’re still focused on providing the best experience for our customers.
Today this translates into providing customers with an industry-leading array of insurance and financial services products and services, along with the flexibility to interact with us any way they choose. Consumers want choice, and we offer a full range of solutions to meet their financial needs. They want convenience, and we serve them through Nationwide and independent agents, financial professionals, direct sales and the Internet. Consumers also want control, and we deliver the information they need to make the best decisions for them.

In recent years, we’ve greatly enhanced our customer research and analytic capabilities to make certain we’re anticipating and responding to preferences that align to changing consumer circumstances.

**A Strong Business Mix**

Our diverse mix of businesses is a key advantage for Nationwide. We’re able to serve the lifetime insurance and financial services needs of our customers through four key businesses:

- **Personal Protection**—Auto and homeowners insurance, life insurance, banking, and farm coverage
- **Personal Investments**—Fixed and variable annuities, variable and universal life insurance, and mutual funds
- **Retirement Planning**—Public- and private-sector retirement plans
- **Commercial and Specialty**—Agribusiness and commercial insurance, excess and surplus lines, specialty health, and health management

This diverse, balanced business portfolio ensures our ability to drive consistent levels of performance regardless of economic or market forces, and it’s one of the reasons we’ve been able to weather these recent turbulent times.

**Strength Through People**

While our diverse business mix is a key strength for Nationwide, we can achieve true competitive advantage only if our businesses are working together to serve our customers. In 2009, we made some significant leadership changes designed to improve our collaboration across businesses and to ensure they’re working together to deliver the best personalized experience for our customers. By providing new opportunities for our existing leaders, we gain from their fresh thinking and insights into new businesses while building a stable leadership foundation for the future.

Nationwide’s people—our associates, agents and partners—are the true source of Nationwide’s strength, and I relied on their skill and dedication during my first year as CEO. Our people deliver On Your Side service every day to the customers who count on us for insurance and financial protection. That’s how we’ve served customers for more than 80 years, and that’s how we’ll continue serving their needs long into the future.

Steve Rasmussen  
Chief Executive Officer  
Nationwide
We’ve built a solid financial foundation.

A strong capital position is vital to building confidence in our company and to ensuring we can deliver on our promise to our customers: to be there where and when it matters most. Though our industry faced incredible challenges in 2009, Nationwide’s financial performance continues to show solid results.
**FINANCIAL HIGHLIGHTS**

($ in millions)

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>2009</th>
<th>2008</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums and policy charges</td>
<td>$16,996</td>
<td>$17,361</td>
<td>$(365)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>2,940</td>
<td>2,789</td>
<td>151</td>
<td>5.4</td>
</tr>
<tr>
<td>Net realized investment gains</td>
<td>781</td>
<td>216</td>
<td>565</td>
<td>261.6</td>
</tr>
<tr>
<td>Other-than-temporary impairment losses</td>
<td>(865)</td>
<td>(1,569)</td>
<td>704</td>
<td>44.9</td>
</tr>
<tr>
<td>Other income</td>
<td>899</td>
<td>994</td>
<td>(95)</td>
<td>(9.6)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>20,751</td>
<td>19,791</td>
<td>960</td>
<td>4.9</td>
</tr>
<tr>
<td>Property and casualty losses and loss expenses</td>
<td>10,711</td>
<td>11,616</td>
<td>(905)</td>
<td>(7.8)</td>
</tr>
<tr>
<td>Life, accident and health benefits</td>
<td>2,083</td>
<td>2,218</td>
<td>(135)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Insurance acquisition and other operating expenses</td>
<td>7,344</td>
<td>7,638</td>
<td>(294)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$716</td>
<td>$(342)</td>
<td>$1,058</td>
<td>309.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment assets</td>
<td>$63,880</td>
<td>$64,690</td>
<td>$(810)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Separate account assets</td>
<td>57,358</td>
<td>48,441</td>
<td>8,917</td>
<td>18.4</td>
</tr>
<tr>
<td>Total assets</td>
<td>140,084</td>
<td>135,077</td>
<td>5,007</td>
<td>3.7</td>
</tr>
<tr>
<td>Property and casualty loss and loss expense reserves</td>
<td>15,113</td>
<td>15,057</td>
<td>56</td>
<td>0.4</td>
</tr>
<tr>
<td>Future policy benefits and claims</td>
<td>32,512</td>
<td>35,110</td>
<td>(2,598)</td>
<td>(7.4)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>4,403</td>
<td>3,582</td>
<td>821</td>
<td>22.9</td>
</tr>
<tr>
<td>Total policyholders' equity</td>
<td>$15,147</td>
<td>$12,917</td>
<td>$2,230</td>
<td>17.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on average policyholder’s equity</td>
<td>5.1%</td>
<td>(2.4%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory property and casualty combined ratio</td>
<td>102.9%</td>
<td>107.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory surplus</td>
<td>$11,718</td>
<td>$10,230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating income</td>
<td>$979</td>
<td>$80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net flows</td>
<td>$3,135</td>
<td>$1,520</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time equivalent (end of period)</td>
<td>32,881</td>
<td>33,969</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See inside back cover for comments on 2009 results of operations.

Additional financial information is available at www.nationwide.com.
TOTAL REVENUE (IN BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$21.0</td>
<td>$22.1</td>
<td>$22.7</td>
<td>$19.8</td>
<td>$20.8</td>
</tr>
</tbody>
</table>

NET OPERATING INCOME (IN BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$1.04</td>
<td>$1.93</td>
<td>$1.75</td>
<td>$0.08</td>
<td>$0.98</td>
</tr>
</tbody>
</table>

TOTAL ASSETS (IN BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$158.5</td>
<td>$160.2</td>
<td>$161.1</td>
<td>$135.0</td>
<td>$140.1</td>
</tr>
</tbody>
</table>
OPERATING PERFORMANCE

Total revenue: $20.8 billion
Increased 4.9%, from $19.8 billion in 2008. A significant recovery in equity and credit markets in 2009 resulted in lower impairment losses, higher gains on investment sales, and higher net investment income. The favorable factors were partially offset by lower property and casualty premiums, attributable to both intentional underwriting decisions to limit risk exposure, and to increasingly competitive market conditions.

Net operating income: $979 million
A significant improvement over $80 million reported in 2008. The increase in net operating income was attributable primarily to substantially improved performance in our property and casualty businesses—specifically, lower property and casualty claims, reflecting less severe catastrophe losses compared to 2008. Prior year results included catastrophe losses related to Hurricanes Gustav and Ike, which in total resulted in $650 million in losses. Favorable development in 2009 on prior year loss reserves also contributed to the increase in operating results. Our financial services businesses experienced improved operating performance, too, reflecting a significant recovery in equity and credit market conditions, particularly in the second half of 2009.

Total assets: $140 billion
Increased 3.7%, from $135 billion in 2008. The increase was due primarily to higher separate account assets, reflecting strong net flows in variable insurance and retirement plan products, as well as appreciation from improved equity and credit markets.
CAPITAL POSITION

HOW WE STACKED UP

Market and economic downturns are an inevitable aspect of business cycles. Fortunately, when the latest crisis erupted in 2008, we were prepared with a strong balance sheet and significant capital on hand. Once the severity of the crisis was realized, we took immediate action to reduce risk, enhance liquidity and preserve capital. Because we were prepared, we remained strong, stable and financially sound.

Nationwide’s policyholders’ equity ended the year at $15.1 billion, while statutory surplus reached $11.7 billion, an increase of almost 15% over year end 2008.
HOW WE DID IT

We implemented four key actions that enabled us to maintain our financial strength and stability—even in the face of serious capital market disruptions and a recessionary economy.

1 We reduced our investment portfolio’s risk profile.

In light of capital market volatility, we strengthened our portfolio by opportunistically selling underperforming securities, shifting the strategic allocation toward higher credit holdings, and reducing our exposure to residential and commercial real estate and alternative investments.

2 We changed product and underwriting processes to manage risk.

We strengthened underwriting standards in auto and homeowners lines, and withdrew from selected geographic markets to reduce our coastal exposure. We also eliminated or limited the sale of certain product lines where the risk profile was too great given current market and economic conditions, and implemented pricing changes on core products.

3 We implemented aggressive expense-saving initiatives.

To ensure our expenses were in line with the realities of a recessionary economy, we identified and implemented expense-reduction initiatives where warranted—without compromising customer service.

4 We issued surplus notes to bolster our capital even more.

In August 2009, we took advantage of capital market improvements to raise $700 million of additional capital. This positive investment opportunity provided greater financial flexibility, and reaffirmed our financial strength and long-term viability.
INVESTMENT APPROACH

We develop investment strategies to meet the unique needs of our customers. We follow a disciplined investment approach that focuses on closely linking investments to the liabilities they support, while meeting our customers’ desired financial objectives and risk tolerances. We actively engage with our customers to discuss asset/liability management, capital utilization, liquidity needs and ongoing risk management.

DIVERSIFICATION AND RISK MANAGEMENT

The goal of our investment strategy is to ensure that Nationwide has the capital and liquidity to fulfill its financial obligations and pay claims across all business lines over the short and long term. To accomplish this, we emphasize macroeconomic analysis, thorough credit analysis, portfolio diversification and ongoing portfolio monitoring. We believe that using both top-down and bottom-up views will maximize the opportunity to make value-added investment decisions across economic and market cycles.

ACTIVE PORTFOLIO MANAGEMENT

2009 was a period of extreme volatility and market dislocation. Nationwide focused on reducing investment risk, maintaining proper asset diversification and strengthening our capital position. Specific actions included:

• Shifting to fixed-income securities with higher credit quality

• Reducing exposure to residential and commercial real estate investments

• Reducing exposure to alternative investments
**2009 INVESTMENTS HIGHLIGHTS**

During 2009, Nationwide’s investment portfolio benefited from a significant recovery in equity and credit markets. Highlights include:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment income</td>
<td>$2,940 million</td>
</tr>
<tr>
<td>Net realized investments gains</td>
<td>$781 million</td>
</tr>
<tr>
<td>Other-than-temporary impairment losses</td>
<td>($865 million)</td>
</tr>
</tbody>
</table>

---

**Total Investment Composition at 12/31/09**

- Corporate Securities, 31%
- Residential Mortgage-Backed Securities, 14%
- Obligations of States and Political Subdivisions, 13%
- Commercial Mortgage Loans, 13%
- Government and Agency Securities, 9%
- Other Invested Assets, 6%
- Short-Term Investments, 5%
- Commercial Mortgage-Backed Securities, 3%
- Asset-Backed Securities, 2%
- Policyholder Loans, 2%
- Real Estate Investments, 2%
Insurance premiums: $15.1 billion

Decreased 2.1% from $15.4 billion in 2008. The decline reflects a decrease in overall policies in force due to intentional underwriting decisions to limit risk exposure, increasingly competitive market conditions, and weak economic conditions in 2009 that impacted personal and commercial lines. Offsetting these factors was an increase of 15% in direct- and affinity-sold business to $800 million in 2009.

Net operating income: $534 million

Increased substantially from a loss of $311 million in 2008. The improvement in 2009 was due to higher investment income, substantially lower catastrophe losses and lower expenses. Prior year results included catastrophe losses related to Hurricanes Gustav and Ike. Also contributing to the improvement was favorable prior year loss development in 2009, offset by higher current year claims frequency.

Percentage of Direct Written Premiums

- 52% Nationwide Insurance
- 24% Allied Insurance
- 12% Scottsdale Insurance
- 8% Titan Insurance
- 4% Nationwide Agribusiness
Net flows: $3.1 billion
Increased 35% from $2.3 billion in 2008. The significant increase is due to strong sales and improved persistency of variable annuities.

Net operating income: $514 million
Increased from $86 million in 2008. The increase reflects improved equity and credit market conditions—which drove higher investment income and lower amortization of acquisition costs—as well as lower operating expenses.

Percentage of Premiums and Deposits
- 60% Group Retirement Plans
- 30% Individual Investment Products
- 10% Individual Protection Products
We’ve learned a lot about our customers.
What she thinks.
Where they see themselves in 10 years.
Their dog’s name.
What he takes in his coffee.
How she wants to interact with us—and when.
Why he chose us.
And what he wishes we’d do more of.
Their immediate needs, and their long-term goals.
What she’s asking for.
Her favorite weekend brunch spot.
What she needs from her insurance.
Where she’d go on vacation if she won the lottery.
Where they want to save. And where they’re willing to spend.
Who he feels he can trust.
And what makes a true partner in her eyes.
What she’s asking for.
Their dog’s name.
What he takes in his coffee.
How she wants to interact with us—and when.
Why she chose us.
And what she wishes we’d do more of.
Their immediate needs, and their long-term goals.
What he thinks.
Where they see themselves in 10 years.
And we’ve put them at the center of our strategy.
Our strategy is to give our customers the best personalized experience—backed by the value and quality only a leading national company can provide. It’s a strategy that requires truly knowing our customers and delivering on what they need better than anyone else. And it’s a strategy we believe will stand the test of time, competition and constantly changing customer needs.
What is On Your Side®?

It’s protecting what matters most to our customers and helping them build a secure financial future. It’s helping with everyday matters, as well as planning for the long term. It’s the sum total of a strong, stable company with products, services and highly trained associates working on our customers’ behalf at every turn.
Being there.

Being there for our customers means being where they are—where they live, where they drive, even where they shop—and giving them options for how to do business with us on their terms.

- **In the neighborhood.** Nationwide’s insurance products are sold in more than 5,000 agent storefronts across the country, making access pretty easy. Customers can also now walk into one of our 11 new full-service On Your Side Centers across the U.S. to discuss their needs in one, convenient location.

- **On the road.** Introduced in 2009, Nationwide® Mobile is a free iPhone® application that helps customers find local resources, document an accident, and submit claims information on the spot. And AdAge named it one of the leading branded apps of the year.

- **At the point of sale.** Car shopping raises all sorts of questions: Whose price is fair? Who can I trust? Nationwide’s new free iPhone application, Cartopia, offers car shoppers unbiased information about specific cars from a range of reliable sources.

- **Online and on the phone.** Today, the Internet is a growing option for consumers to get a quote, choose an agent, and purchase and service policies with Nationwide. Now more than ever, customers want to do business when they want and how they want. We believe that providing choices and making the experience seamless is so important that we created Nationwide Direct and Customer Solutions. The choice is in customers’ hands, as it should be.
Proving the promise.

We’re constantly working to align our offerings with our customers’ needs through both new and time-tested methods.

- **An annual check-up.** Customers are assured the most up-to-date coverage with the most value for their money through a [Nationwide On Your Side® Review](#), a free consultation and insurance assessment aimed at helping them take advantage of available discounts, manage their deductibles, and identify the insurance options that best suit their needs, goals, and budget.

- **Two great ways to save.** The recently introduced [Discount Finder™](#) uses the latest insurance technology to proactively scan customers’ policies every six months and uncover savings for reasons like having multiple policies with Nationwide, being a safe driver, and more. Our [Vanishing Deductible™](#) service gives customers $100 off their deductible for each year of safe driving.

- **Best-in-class service.** The [Blue Ribbon Repair Service](#) Program (BRRS) is one of the service options we offer to our customers. Nationwide pre-screens, pre-qualifies and endorses each BRRS shop. When a customer utilizes this service option, we provide a guarantee on the workmanship of the appraised and completed repairs for as long as the customer owns or leases their vehicle.
Reaching out.

Keeping our customers’ best interests in mind isn’t just a philosophy. It’s being actively involved when our customers need us, and working behind the scenes when we’re the last thing on their minds.

• **A structure for success.** At a time when 36% of investment professionals admitted feeling less confident in managing their customers’ assets than a year before, Nationwide launched RetireSense® and IncomeInsight™ to help investment professionals use best practices to build truly personalized retirement income solutions.

• **A focus on firms.** Nationwide is a strong advocate for the firms and investment professionals that represent our life insurance, investment and retirement products. Called the Focus Firm strategy, this approach helps us develop deeper relationships, better understand the needs of firms, and meet their needs as financial service professionals.

• **Sponsorship.** Key national strategic alliances create an authentic connection between our company and our customers. We carefully select sponsorships that extend Nationwide’s reach, improve brand awareness, and increase customer leads in targeted business areas.

  *The NASCAR Nationwide Series™*
We extend our brand promise directly to NASCAR fans, and to the next generation of NASCAR drivers, teams and owners pursuing their dreams of competing at the highest level.

  *The On Your Side® Tour with Tavis Smiley*
A series of free events open to the public focused on economic empowerment, family security and financial literacy, especially for African-American households, in cities across the U.S.

  *The Nationwide Tour*
This pro golf tournament circuit is our chance to connect with agents and business partners by providing on-site hospitality—and with a wide audience of golf fans through a branded presence at the tournament and Golf Channel advertising.
We are many businesses sharing an important priority: our customers’ experience.
Each of our businesses serves customers in different ways. But our most important work is done together—combining our offerings to meet our customers’ full range of needs. In 2009, we took important steps to ensure that no matter which areas of our company our customers interact with, or how their needs evolve, the experience is convenient, comprehensive and seamless—every time.

PROPERTY & CASUALTY

Nationwide Insurance
Allied Insurance
Scottsdale Insurance
Titan Insurance
Nationwide Agribusiness

FINANCIAL SERVICES & OTHER BUSINESS

Nationwide Financial
• Group Retirement Plans
• Individual Investment Products
• Individual Protection Products

Nationwide Bank
Nationwide Better Health
Nationwide Insurance is our exclusive agency distribution channel. Agents are independent contractors who primarily sell products from Nationwide. Nationwide Insurance has about 3,300 agents and 5,200 storefronts.

**2009 Highlights**

- Promoted *On Your Side* Rewards, an auto product enhancement designed to offer customers personalized features based on their needs, including Accident Forgiveness, Deductible Savings and Roadside Assistance.

- Implemented changes to the field-based claims organization to provide a more consistent claims approach, while still offering localized face-to-face services for customers who require personal interaction.

- Introduced a new agent compensation and bonus program that focuses on growth and retention, as well as a no-cost centralized billing services program for agents that frees up their time to focus on sales, while providing 24/7 support to customers.
**Allied Insurance** is our independent agent channel. Independent agents sell products from many insurance companies and select the carriers that best meet their customers’ needs. Allied has more than 4,000 agency partners in 33 states.

**2009 Highlights**

- Debuted “Private Client” in California, a suite of products and services for high-net-worth clients.
- Expanded our distribution system through the appointment of agencies with expertise in diverse markets.

**Scottsdale Insurance** provides excess and surplus property and casualty insurance distributed through general agents and brokers.

**2009 Highlights**

- Moved our electronic policy management system to a new application, customized for our unique and complex business, and integrated it with more than 100 other applications and systems.
- Continued to diversify our portfolio by expanding our reach into the greater brokerage market, bringing in new programs and rollover books of business, and opening a new department to expand our commercial transportation product line.
Titan Insurance is Nationwide’s specialty (nonstandard) personal auto division. This division also manages a commercial auto program targeting small businesses, and a powersports area that provides coverage for motorcycles, boats, RVs, ATVs, snowmobiles and more. The coverage is sold through all Nationwide distribution channels.

2009 Highlights

- We improved our billing processes and developed underwriting processes that help deter fraud.
- Our commercial vehicle and powersports businesses experienced great growth and profitability in 2009.

Nationwide Agribusiness is the No. 1 insurer of farms in the United States, providing specialized commercial products to companies involved in the production, processing and distribution of agricultural products along the food, fuel and fiber chains. Our products are sold and serviced through multiple customer-choice channels, including independent agencies, exclusive agents and direct sales representatives.

2009 Highlights

- Nationwide Agribusiness’ On Your Side® Farm Agency Certification program trains agents in farming operations and our farm products. Since March 2009, more than 900 exclusive and independent agents have been certified.
- Strengthened our position as the No. 1 insurer of farms in America by serving new geographies, introducing new services, expanding the training of farm specialists, and developing new relationships with farm bureaus.
Nationwide Financial is a leading provider of long-term savings and retirement products. Nationwide provides group retirement programs to private-sector employers primarily through unaffiliated investment professionals, and to public-sector employers through our own sales team and enrollment specialists. The individual investment segment offers variable, fixed and immediate annuities through both affiliated and unaffiliated investment professionals. The individual protection segment provides life insurance through affiliated and unaffiliated investment professionals and life insurance specialists.

2009 Highlights

• Nationwide Financial’s consolidated risk-based capital compares favorably to our peers and is nearly five times the minimum amount of capital that regulators deem necessary to meet our obligations to policyholders.

• We took a number of actions to improve our distribution effectiveness, including aligning our sales organizations and focusing our resources on firms, investment professionals and territories that offer the best opportunities for sustainable growth.

• In the face of one of the toughest market and economic environments in decades, Nationwide Financial generally outperformed the industry in terms of net operating income growth, return on equity, capital strength and sales growth.
Nationwide Bank is a direct bank that serves Nationwide associates and agents, Nationwide customers, and general market consumers. The bank offers a portfolio of deposit and credit products, including mortgages, vehicle loans, credit cards, and checking and savings accounts.

2009 Highlights

• Recent efforts focused on improving the online bill pay system, introducing an online application for credit cards, and enhancing the online account-opening process to improve the customer experience.

• The bank exceeded its goal of gaining more Nationwide customers in 2009, by obtaining 0.46% market share of the property and casualty customers.

Nationwide Better Health is a leading provider of health and productivity management solutions aimed at improving the health and productivity of America’s workforce. The company’s health and wellness, disease, disability, absence, and medical-management products, along with an array of specialty health consumer-driven products, help employees make healthy lifestyle changes that help reduce health care costs in the workplace.

2009 Highlights

• Published and presented several landmark original research studies, including data showing that over 40% of adults with prediabetes were able to completely normalize their fasting blood glucose levels with four months of participation in the NBH lifestyle health coaching programs. (Note: Prediabetes is a very costly precursor to diabetes that affects an estimated 29% of adult Americans.)

• Received Comprehensive Wellness accreditation from URAC, a Washington, D.C.-based health care accrediting organization that establishes quality standards for the health care industry.
Our greatest strength is our people.

Together, with a force of more than 32,000 associates, we’re delivering on our promise of providing our customers with industry-leading insurance and financial products, with greater flexibility than ever. Because On Your Side service isn’t just about being there. It’s about being there when and where our customers need us most.
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*Also oversees Nationwide Agribusiness, Scottsdale Insurance and Titan Insurance
COMMENTS ON 2009 RESULTS OF OPERATIONS

TOTAL REVENUE
Combined total revenue for 2009 increased $960 million, or 5%, to $20.8 billion. The increase was primarily due to a decrease in other-than-temporary impairments and an increase in net realized investment gains, reflecting substantially improved equity and credit market conditions in 2009. Together, these items accounted for $1.3 billion of the increase in total revenue.

Premiums and policy charges were $17.0 billion in 2009, compared to $17.4 billion in 2008. Policies in force declined across most property and casualty business lines, reflecting continued competitive pressures, as well as selected risk management and underwriting actions implemented by the Company.

NET INCOME (LOSS)
Nationwide recorded net income of $716 million in 2009, compared to a net loss of $342 million in 2008. The improvement in results was due primarily to a significant recovery in equity and credit market conditions, which favorably impacted the year-over-year change in other-than-temporary impairments and net realized gains on investments. In addition, improved market conditions during the year resulted in a favorable unlocking of deferred acquisition costs, which lowered amortization expense in 2009 compared to 2008. Results in 2009 also reflect lower property and casualty losses, due primarily to lower catastrophe losses and favorable prior year loss development compared to 2008, which included $650 million of losses attributed to Hurricanes Gustav and Ike. Finally, 2009 results include a lower income tax benefit compared to 2008 due to improved pre-tax operating results.

TOTAL ASSETS
Nationwide ended 2009 with total assets $140.1 billion, an increase of $5.0 billion compared to 2008. The increase in total assets was driven primarily by an increase in separate account assets, reflecting substantially improved equity and credit market conditions in 2009, as well as positive net flows into variable insurance and retirement plan products. This increase was partially offset by decreases in general account investment assets, deferred tax assets and deferred acquisition costs.

INVESTMENTS
Nationwide’s total investments at the end of 2009 decreased $810 million to $63.9 billion. The decrease reflects Nationwide’s acquisition of the remaining noncontrolling interest in Nationwide Financial Services for $2.5 billion. Also contributing to the decline in invested assets was the ongoing exit of securities lending activities, medium term note maturities and repurchases, and other-than-temporary impairments. These factors were partially offset by portfolio growth resulting from improved equity and credit market conditions, proceeds from surplus notes issued in August 2009, and growth from operations.

TOTAL POLICYHOLDERS’ EQUITY
Nationwide’s total policyholders’ equity was $15.1 billion at the end of 2009, compared to $12.9 billion in 2008. The increase was driven primarily by net income and an improved unrealized position on the available-for-sale portfolio.Offsetting these factors was the acquisition of the noncontrolling interest in Nationwide Financial Services.

THE COMPANY
Nationwide is one of the largest insurance and financial services companies in the United States, with almost $21 billion in revenue and $140 billion in assets (Fortune 124 in 2009). Nationwide consists of four core businesses: personal protection, personal investment, retirement planning, and commercial and specialty insurance lines. The Company also is engaged in various strategic investments including health management services, mortgage loan origination and servicing, third-party claims administration, and real estate development. Nationwide provides a full range of products and financial services including auto, fire, life, health and commercial insurance; administrative services; annuities; mutual funds; and retirement plans. These products are offered through multiple distribution channels.

BASIS OF ACCOUNTING
Nationwide prepares its combined financial statements in accordance with accounting principles generally accepted in the United States (GAAP). For analytical purposes, including understanding performance trends, decision-making and peer comparison, management makes certain adjustments to some data, resulting in non-GAAP financial measures. The following term defines one of those financial measures:

Statutory Property and Casualty Trade Combined Ratio: A formula used by property and casualty insurance companies to relate premium income to claims, administration and dividend expenses. It is calculated by dividing the sum of incurred losses by earned premium and underwriting expenses by written premium. It indicates the profitability of the insurer’s operations by combining the loss ratio with expense ratio (including dividends if any). This is termed the statutory combined ratio and measures the amount an insurer must pay to cover claims and expenses per dollar of earned premium. The combined ratio does not take into account investment income or losses.