



L to R  
W.G. Jurgensen  
Joseph J. Gasper

TO OUR  
SHAREHOLDERS:

We rely on our relationships to give us strength, and to drive us toward improvement at all times. It is through our relationships that we better our own corners of the world. We are grateful to be a Company that has excellent relationships with those who own or distribute our products, who comprise our workforce and who hold our stock.

This past year tested Nationwide Financial and the rest of the industry. The effects of prolonged weakness in the stock market, coupled with steadily declining interest rates, created extraordinary pressure on margins and our ability to grow profits. One immediate effect of the weak market was an abrupt shift in consumer preferences from equity-based to safer, fixed-rate products. Billions of dollars in investment assets were at play. Yet, we were able to adapt, and in some cases, even thrive as we served these new preferences — thanks to the integrity of our many relationships. Together, we passed the test of the most unusual and uncertain marketplace in many years.

Although we were not satisfied with the year's financial results, we made important progress

to fundamentally strengthen the Company's product offering, service capabilities and distribution breadth. These moves improve our competitive position and our ability to weather even the most challenging market environments.

It was also a year in which we reexamined strategies, market opportunities and long-term goals. Through this process, we emerged with a stronger conviction that our success hinges on the relationships we continue to build with our business partners, customers, associates and investors. These relationships are the foundation of our success and the formula for our continued growth.

**We focus on relationships because the business of personal savings is significant.** The satisfaction we seek for our customers is long lasting and meaningful: helping them build and protect

wealth, manage it effectively in retirement, and transfer it efficiently to their heirs. To do this, we rely on our many partners — more than 50,000 advisors of all varieties. They include career financial consultants, investment professionals, pension plan administrators and independent financial planners. Together, they provide the personal links that connect our product solutions to their clients.

What is the key to our success? It begins with a thorough understanding that advisors are not all alike. They may work for themselves, a broker/dealer, bank or wirehouse partner. Or, they may represent Nationwide Financial directly with our public sector customers. Because they are our lifeblood, we listen to them intently and demonstrate that Nationwide is on their side by delivering

what they and their clients need to succeed. We offer one of the industry's most successful and diverse sets of financial product solutions, including variable and fixed annuities, variable and fixed life insurance, corporate-owned life insurance, 401(k) plans for private sector businesses, deferred compensation plans and education services for public sector entities, and an array of top mutual funds. This business portfolio provides a diversified income stream for many of our partners and ourselves.

Our partners tell us they appreciate the value we bring in our role as solutions provider. They appreciate help in identifying new ways to meet the financial needs of the individual and group customers they serve. By zeroing in on specific types of needs, we create customer solutions that help our customers and partners

**TO RETAIN AND ENHANCE OUR LEADERSHIP POSITION IN THE INDUSTRY...WE WILL INTRODUCE NEW ANNUITY AND LIFE PRODUCTS DESIGNED TO HELP INDIVIDUALS MANAGE THEIR INCOME DURING THEIR RETIREMENT YEARS...**

profit. These "solution sets" address wealth accumulation and protection issues faced by unique consumer segments, such as high net worth individuals. It includes a focus on the unique needs of small business owners, as well as individuals concerned about managing their income in retirement — a growing societal issue. In our group pensions businesses, it means providing solutions to assist plan sponsors with their fiduciary responsibilities. Our sales and support staff works closely with our partners to help them recognize opportunities and match each situation with an appropriate financial solution.

The customer's investment in the solution, however, is just the beginning. Advisors,

plan sponsors and their customers expect the best possible service throughout the life of the contract. They've told us it is a vital part of the relationship — the litmus test of how much we care about them. That's one of the reasons why we were the first annuity provider to offer 24-by-7 personal service by phone supplemented by online information and tools. In 2001, we earned top rankings from DALBAR, a respected service measurement group, in serving the needs of both financial advisors and consumers — joining an elite few companies in our industry to do so.

No one in the financial services industry holds leadership positions in as many financial product areas and distribution channels as Nationwide Financial. It is a strength we have built and continue to leverage. We know how to

align our interests with channel partners to provide a broad range of client solutions, achieve scale, and deploy appropriate technologies.

Our leadership continues to attract the best product partners. That's the cycle of success we've earned with The BEST of AMERICA® series of products. Through The BEST of AMERICA, our customers benefit from superior investment choices offered by the nation's leading mutual fund companies.

**As we move forward, our knowledgeable and enthusiastic associates will drive our relationship-focused strategy.** Our job is to communicate our strategy effectively throughout the organization. We know that when we do this, we motivate our associates to produce their very best work.

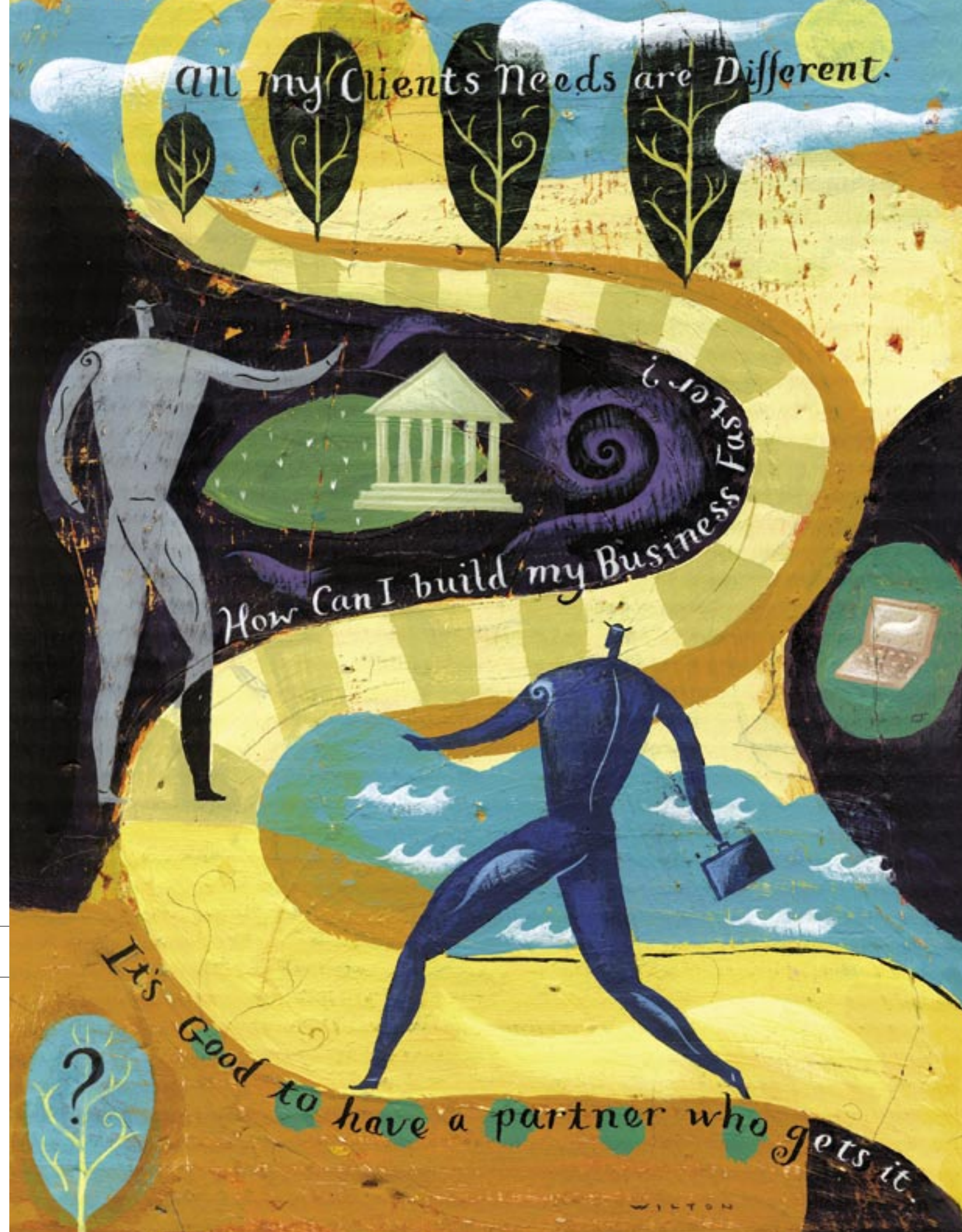
**BUSINESS PARTNERS:**

27,280 INDEPENDENT BROKER/DEALERS  
16,559 WIREHOUSE REPS  
14,126 BANK REPS  
3,851 NATIONWIDE AGENTS  
7,947 PUBLIC SECTOR PLANS  
19,765 401(k) PLANS  
SERVING 4,241,475 CUSTOMERS

With this in mind, in 2001 we shared with associates what our partners told us they wanted. Then we challenged our associates to help us improve certain operations that create value for those who sell on our behalf. We called this effort our "Be the Best..." initiatives. They demonstrate our goal to become the best possible business partner and financial solutions provider. They include:

- Development and packaging of complete financial solutions to address the specific needs of various consumer market segments

**Together, we are growing businesses.** We help our many sales partners — including pension plan administrators, banks, independent broker/dealers and career financial consultants — achieve their own financial success.



**WE ARE:**

- #1 PROVIDER OF COLI FOR EMPLOYEE BENEFIT PROGRAMS
- #1 IN PUBLIC SECTOR 457 PLANS
- #3 IN 401(K) PLANS ADMINISTERED
- #4 IN VARIABLE ANNUITY SALES
- #6 IN VARIABLE LIFE

- Refinements to our service management model for producers, plan sponsors and policyholders
- Enhanced relationship management programs for both public and private sector partners
- A more consultative approach to wholesaling with our producer partners
- A realignment of our information technology and operations areas built around the needs of investment professionals and plan providers

These initiatives create career growth opportunities throughout the Company

for our people. We have allocated resources to make them happen, and we know it will require teamwork to succeed.

We are committed to rewarding associates for attaining both Company and team performance goals.

**We value relationships, because we believe excellent relationships bring value in return.**

Our investors entrust us to execute this strategy to create long-term value and sustainable returns to our shareholders. We're pleased to report we've delivered on both fronts since our Company went public in 1997. We have a competitive advantage in our unique organization structure — a public Company that is majority-owned by a strong, mutual parent with 75 years of business success. Our shareholders benefit from



**Together we are accumulating and protecting assets.** Customers want to accumulate more money and protect the assets they have. We draw from one of the industry's most dynamic product lines to provide customized solutions designed to satisfy both goals.



this powerful foundation of organizational leverage, financial strength, and relationship strategy. We believe this largely unrecognized value will emerge in our stock performance as the industry continues to consolidate and becomes even more competitive.

We strengthened this foundation last August by announcing our sponsored demutualization of Provident Mutual Life Insurance Company (Provident Mutual). Provident provides a strategic fit that brings yet another proven, powerful distribution channel to our mix, and widens our partnership network. Provident Mutual's network of career financial consultants, independent agents, and its 1717 Capital Management affiliated broker/dealers will provide us with important new distribution and growth opportunities. We expect the

**WE OFFERED THE:**

**FIRST 24/7 ANNUITY CALL CENTER**

**FIRST MULTI-FUND ANNUITY**

**FIRST DAILY PARTICIPANT ACCOUNTING**

demutualization of Provident Mutual to be completed in the summer, when the company will become Nationwide Provident.

**We are in the right business at the right time, and in position to move from being a very good Company to being a great one.** The past year provided an important opportunity to strengthen the relationships that matter to us most. This strategy is proven and sound. Our optimism is rooted in the positive fundamentals of the long-term savings business. We will succeed when we are cited consistently as the performance benchmark by which others in our industry are measured.

It would be wrong to conclude this letter without mentioning the tragic events of

**Together, we are creating opportunities.** Our associates shape our future by contributing innovative ideas that fuel business growth. They also take personal responsibility to provide our partners and customers the support and services they expect. Their reward? Great career opportunities and financial growth.



WE WILL SUCCEED WHEN WE ARE CITED CONSISTENTLY AS THE PERFORMANCE BENCHMARK BY WHICH OTHERS IN OUR INDUSTRY ARE MEASURED.

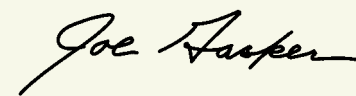
September 11. We were truly fortunate that no Nationwide associates lost their lives in these tragedies, yet many of us were personally impacted through the loss of a relative, friend or business associate. Our Company grieved with the rest of the nation, then answered the President's call to get back to work. We are proud of the fact that our associates rose to the challenge of dealing with the uncertainty caused by the 4-day interruption of trading on the New York Stock Exchange. They worked around the clock for 7 consecutive days to ensure that customer transactions were processed quickly and accurately in the wild aftermath of activity that ensued when the market reopened. Ongoing examples of

dedication like this throughout our Company remind us that our associates remain our number one partner and asset.

Finally, we also are proud to be part of a financial services industry whose integrity was tested by the past year's events and which, like our nation, emerged even stronger and better prepared for the future.



W.G. JURGENSEN  
CHIEF EXECUTIVE OFFICER



JOSEPH J. GASPER  
PRESIDENT AND CHIEF OPERATING OFFICER



**Together, we are building value.** Investor capital enables us to execute a business strategy that delivers long-term value and outperforms our competitors.



ACCOM  
PLISH  
MORE



**TOGETHER  
WE ARE.**

Growing our partners' businesses. Helping our customers accumulate and protect assets. Creating opportunities for our associates. Building value for our investors.

**Together, we are accomplishing more.**