PUTTING OUR MEMBERS FIRST.

EVOLVING TO MEET THEIR NEEDS.

SINCE DAY ONE.
The things that make us strong today are the same things that have made us a stable and successful company since our founding: our commitment to our members, an approach that puts our customers first, a long view of financial success, and above all, the belief that we can do more together than we can apart.

And even though we’re proud of the ways we’ve grown, the diverse array of products we offer, and the number of members we’re able to serve, it’s this foundation that has enabled us to thrive. Our values define who we are, drive what we do and ensure we’ll be around long into the future.

What we know as Nationwide today began as Farm Bureau Mutual in 1926. At that time, we boasted 2,000 policyholders — all farmers. Our first product? Auto insurance.
NATIONWIDE® EXPERIENCED AN EXCEPTIONAL YEAR IN 2013.

Our strategic advantages helped us achieve our goals in 2013. We enjoyed solid results in nearly all of our businesses, and several key areas reached significant financial milestones.

WE FURTHER EXPANDED OUR FINANCIAL SERVICES OFFERINGS.

Our financial services business achieved exceptional growth and sales levels, driven by demand for new and existing products, and strong equity markets. In addition, the acquisition of 17 mutual funds from HighMark Capital during the year brought more investment options into the fold, positioning us well for future growth with distribution partners.

New offerings, such as the Nationwide Retirement Innovator AdvantageSM small plan 401(k) product, helped retirement plan advisors increase sales and service to customers. We also introduced Nationwide YourLife CareMattersSM, an innovative life insurance solution with long-term care options that offer more choice, flexibility and control. In the end, we know our partners are integral to our success as we continue to work together to ensure we have the right products to meet consumers’ changing needs.

OUR PROPERTY AND CASUALTY BUSINESS CONTINUED TO THRIVE.

In fact, we experienced our best year ever for direct written premium. This was the result of our ability to leverage agent expertise and our commercial and agriculture business capabilities, as well as place additional focus on personal lines direct business operations.

We experienced our first full year with Harleysville as a member of the Nationwide family. We benefited from our combined strengths and this contributed heavily to our commercial lines growth. Additionally, we continued to ensure members can interact with us however they choose by expanding our direct product offerings in new states, and improving access with online enhancements and mobile access. In the fourth quarter, we began providing niche property and casualty products through Crestbrook — another example of how we continue to identify ways to most effectively meet the needs of our members.

Whether the need is great or small, it’s what we do, and it’s what we have done since day one.

NATIONWIDE HAS GROWN OVER THE YEARS, BUT WE REMAIN TRUE TO OUR HERITAGE.

Since our founding, we’ve expanded into financial and commercial services and products, opened a bank, purchased or started a number of companies, and stretched our footprint from coast to coast. We’ve grown from a small, local cooperative into a Fortune 100 company. Even so, our approach to serving our members, communities and associates has never wavered.

From our beginnings, Nationwide demonstrated we were On Your Side®, but it was 50 years ago that we made our promise more visible with a signature line and a jingle. Today, those three words are recognized by many, and they are the hallmark of what Nationwide stands for — we will be there when it matters most.

OUR FOCUS ON BEING MORE THAN A BUSINESS.

We continue to positively impact our communities, and our giving is inspired by the passion of our associates and the ability to make a meaningful difference with our partner organizations. We are proud that we achieved record levels of combined associate and Nationwide Insurance Foundation giving to both the United Way and Feeding America in 2013. Additionally, our work with Nationwide Children’s Hospital impacts children today and in the future with practical care and life-saving research — connecting Nationwide members, associates, producers and agents to children’s well-being.

What’s even more impressive is that our associates, producers and agents do so much more. They demonstrate compassion each day as they generously give of their time and resources to give back to the communities where we live and work.

While we’ve grown in size and complexity, Nationwide is stronger than ever, and we’re ready to meet the needs of our members and business partners, both today and well into the future. We will continue to improve our core businesses and shift to meet changing market dynamics. At the same time, we will always stay true to our values and our On Your Side promise, just as we have since day one.

STEVE RASMUSSEN
Chief Executive Officer
Nationwide
The products and services we offer today are decidedly different from the ones we started with in 1926. Twenty years from now, they’ll look different from today’s. And that’s exactly how we want it. Because focusing on our members means constantly updating what we offer, to serve their needs in the best ways we can.

**OUR BUSINESS HAS EVOLVED, BUT OUR FOCUS REMAINS THE SAME:**

**SERVING OUR MEMBERS.**

At A Glance

Our business has evolved, but our focus remains the same: SERVING OUR MEMBERS.

BECAUSE THE FUTURE SHOULD BE SECURE

**FINANCIAL SERVICES**

We help our members prepare for and live in retirement, with a range of financial products to fit individual lifestyles and life stages.

- Life Insurance
- Annuities
- Retirement Plans
- Mutual Funds
- Banking

BECAUSE THEY ARE MORE THAN POSSESSIONS

**PERSONAL LINES**

We offer holistic, personalized coverage — for every stage in our members’ lives.

- Vehicle
- Property
- Nonstandard Auto
- Pet Insurance

BECAUSE HARD WORK SHOULD BE PROTECTED

**COMMERCIAL LINES**

We work closely with businesses to find what each situation demands, and back it up with national capabilities, unmatched product solutions and competitive prices.

- Standard Commercial
- Farmowners and Agribusiness
- Specialty Commercial

We help our members prepare for and live in retirement, with a range of financial products to fit individual lifestyles and life stages.

76
At A Glance

#1 provider of public-sector retirement plans²

#1 insurer of farms and ranches¹

#1 pet insurer³

7th largest homeowner insurer⁵

7th largest auto insurer⁶

$13.8 billion paid to our members

$183 billion in total assets

9th largest commercial insurer⁷

2nd largest domestic excess and surplus (specialty commercial) lines carrier⁴

10th largest life insurer⁸

Nationwide is a Fortune 100 company

Our performance in 2013 was strong. While the numbers indicate our success over the past year, what we’re most excited about is what they mean for the years ahead: we’re well positioned to continue serving our members and business partners.

### Financial Highlights

Strength and security that come from nearly 90 years of experience.

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Policy Charges</td>
<td>$19,541</td>
<td>$18,048</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>3,140</td>
<td>3,132</td>
</tr>
<tr>
<td>Net Realized Investment Gains, Net of Other-Than-Temporary Impairment Losses</td>
<td>854</td>
<td>495</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1,017</td>
<td>975</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$24,552</strong></td>
<td><strong>$22,650</strong></td>
</tr>
</tbody>
</table>

| Property and Casualty Losses and Loss Expense | 11,239 | 11,304 |
| Life Insurance Benefits | 2,589 | 2,413 |
| Amortization of Deferred Policy Acquisition Costs | 1,046 | 5,091 |
| Other Operating Expenses | 5,415 | 5,013 |
| Taxes and Other | 336 | 111 |
| **Net Income** | **$1,927** | **$940** |

Certain prior-period amounts have been reclassified to conform to current-year presentation. 2012 results exclude Harleysville operations prior to the merger date (May 1, 2012).
OPERATING PERFORMANCE

OPERATING REVENUE: $23.9 BILLION
Nationwide’s 2013 total operating revenue was $23.9 billion, an increase of $1.5 billion from 2012, with solid growth and returns across all major businesses.

Direct written premium grew 8.4 percent, from $16.2 billion in 2012 to $17.6 billion in 2013, reflecting growth across all targeted product lines, increased insured values and rate adjustments in response to changing market conditions. Nationwide’s commercial businesses continued to lead premium growth, with strong sales in both standard and specialty commercial lines. In personal lines, Nationwide’s direct channel surpassed $600 million in annual premium for the first time in 2013.

In 2013, total customer funds managed and administered were $195.6 billion, compared to $165.8 billion in 2012, due to strong business growth and equity market performance. Sales in financial services were solid across all businesses, driven by strong demand for both new and existing products.

NET OPERATING INCOME: $1.35 BILLION
Net operating income increased 82 percent to $1.35 billion in 2013, compared to $0.74 billion in 2012, with equal contributions from the property and casualty and financial services businesses. Higher operating revenue, fewer weather-related claims, improved non-weather loss trends and expense efficiencies contributed to improved operating results in the property and casualty business. In the financial services business, strong growth in customer assets throughout the year drove higher asset fees and policy charges.

TOTAL ASSETS: $183.2 BILLION
Total assets increased to $183.2 billion, up from $168.3 billion in 2012. General account investments increased to $76.5 billion, up from $75.4 billion in 2012, driven by increased bond portfolio investments, purchases of bank lending products and mortgage loan originations.
Nationwide takes a conservative approach to managing capital, allowing the company to remain strong and stable, even in times of economic uncertainty. Total policyholders' equity increased to $20.0 billion at year's end, up from $19.3 billion in 2012. Statutory surplus — the primary measure of financial strength and claims-paying ability evaluated by regulators and rating agencies — grew to $14.4 billion, up from $13.8 billion in 2012. Nationwide's statutory surplus is more than three times the amount required by regulators to cover our obligations to members. Policyholders' equity is a measure of financial strength in the insurance industry. It represents the amount remaining after a mutual insurance company's liabilities are subtracted from its assets.

**POLICYHOLDERS’ EQUITY (IN BILLIONS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$16.2</td>
</tr>
<tr>
<td>2012</td>
<td>$19.3</td>
</tr>
<tr>
<td>2013</td>
<td>$20.0</td>
</tr>
</tbody>
</table>

Nationwide has built a robust risk management program that is a competitive advantage for our company. In fact, Standard & Poor’s has affirmed a rating of "Strong" for our risk management program since 2007, placing it in the top 16 percent of insurance company programs.

We employ a rigorous process for identifying, evaluating and managing the risks across our business. Our risk-appetite framework sets clear and comprehensive targets, tolerances and limits to better manage risk and protect capital.

Nationwide uses reinsurance and catastrophe bonds to help manage risk within specified tolerances and to mitigate the impact of large catastrophes. Investment risk is controlled using strong oversight processes and rigorous modeling and monitoring tools.

The goal of our investment strategy is to ensure that Nationwide has the capital and liquidity to fulfill its financial obligations and to pay claims across all businesses over the short and long term.

Our investment approach is based on a foundation of:

- In depth understanding of the company's various investment objectives and risk tolerance
- A disciplined investment process, focused on macroeconomic trends, fundamental research, technical drivers of risk and return and risk management
- A collaborative team environment

We believe that by continually reassessing the economic environment and market outlook, as well as our business partners’ needs, we can deliver strong investment results over time.

Rating agencies continue to validate our financial strength, with all of them affirming Nationwide’s financial strength and credit ratings during 2013. Factors cited to support these ratings include:

- Strong capital position
- Excellent risk management capabilities
- Product and distribution breadth
- Diversified businesses with market leadership position

**ENTERPRISE FINANCIAL STRENGTH RATINGS**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rating</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.M. Best</td>
<td>A+</td>
<td>10/17/2002</td>
</tr>
<tr>
<td>Moody’s</td>
<td>A1</td>
<td>3/10/2009</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A+</td>
<td>12/22/2008</td>
</tr>
</tbody>
</table>

**INVESTMENT PORTFOLIO**

$76.6 BILLION

- **76%** Fixed-Maturity Securities
- **11%** Mortgage Loans
- **2%** Short-Term Investments
- **1%** Real Estate
- **10%** Other Investments
DIRECT WRITTEN PREMIUM: $17.6 BILLION
Direct written premium grew to $17.6 billion in 2013, up from $16.2 billion in 2012, reflecting solid growth in all major product lines, increased insured values and rate adjustments. Premium growth was particularly strong in Nationwide’s commercial businesses, driven by both standard and specialty commercial lines. Within specialty commercial lines, Nationwide Agribusiness exceeded $1 billion in premium for the first time in its history, and Scottsdale Insurance grew premium 15.5 percent. In personal lines, Nationwide’s direct channel continued its strong pace of premium growth due to expanded geographic reach, marketing initiatives and improved retention.

NET OPERATING INCOME: $707 MILLION
Nationwide’s property and casualty business achieved $707 million in net operating income, up $590 million from 2012. Improved results were primarily due to fewer weather-related claims, improved non-weather loss trends, increased operating revenue and expense efficiencies. Weather related claims of $1.1 billion were lower than the $1.6 billion reported in 2012, while non-weather claims totaled $8.5 billion in 2013.

CUSTOMER ASSETS MANAGED: $195.6 BILLION
Customer assets for the financial services business increased to $195.6 billion in 2013, up from $165.8 billion in 2012, driven by strong business growth and equity market performance.

This includes $56.5 billion* managed by the Investment Management Group, the company’s mutual funds division. Retirement plan assets totaled $94.4 billion, life and annuities assets totaled $76.9 billion, and corporate life product assets totaled $12.5 billion. Customer deposits at Nationwide Bank reached $45.5 billion in 2013, up from $38.8 billion in 2012.

NET OPERATING INCOME: $713 MILLION
Net operating income for the financial services business was $713 million in 2013, compared to $605 million in 2012, driven primarily by strong business growth. Increased customer assets throughout the year drove higher asset fees and policy charges.

Total financial services sales increased to $19.3 billion in 2013, up from $18.1 billion in 2012. Improved results were due to solid business growth across all major product lines.

The Investment Management Group saw high demand for the mutual funds acquired in September from HighMark Capital Management, Inc., which added approximately $3.8 billion in new assets under management.

*Mutual funds total includes funds from within other financial services product lines.
WORKING IN—AND FOR—OUR COMMUNITY.

Nationwide’s local and national philanthropic investments allow us to help children, families and individuals when they need us most. Our support of Nationwide Children’s Hospital—the 3rd largest U.S. children’s hospital and named for nine consecutive years as one of America’s Best Children’s Hospitals—has lasted over 60 years. The Nationwide Insurance Foundation’s multi-year commitment of $50 million in 2006 helped fund the hospital’s 2.4-million-square-foot expansion and our sports marketing relationships raise more than $3 million for the hospital each year.

$25 million contributed to nonprofits in communities where our associates and members live and work.

$1.13 million to the American Red Cross for disaster relief.

$1.25 million to Feeding America to fight hunger.

3.1 million meals donated by associates to families in need.

16,000 units of blood donated by associates in 2013.

86,600 volunteer hours through the On Your Side Volunteer Network.

More than $18.4 million pledged to United Way by associates, agents and retirees, including matching funds from the Nationwide Insurance Foundation.

1. Based on number of staffed beds.
SUCCESSFUL RELATIONSHIPS BUILT ON OUR BUSINESS PARTNERS’ SUCCESS.

We work with many business partners across multiple industries and locations. We carefully select partners that share our commitment to serving our members’ best interests, because when our values align, we create mutually beneficial relationships that last.

**STANDING BY AMERICA’S FARMERS, TOGETHER**

The Ohio Farm Bureau Federation was our very first partner. Today, our sponsor relationships span 11 organizations and over 1 million families.

- California Farm Bureau Federation
- CHS Inc.
- Connecticut Farm Bureau Association
- Delaware Farm Bureau
- Maryland Farm Bureau
- New York Farm Bureau
- Ohio Farm Bureau Federation
- Pennsylvania Farm Bureau
- Southern States Cooperative, Inc.
- Vermont Farm Bureau
- West Virginia Farm Bureau

**PLANNING FOR A SECURE FUTURE, TOGETHER**

Nationwide Financial works with firms, advisors, plan sponsors, agents and other business partners to help members prepare for and live in retirement. We’ve enjoyed long-standing relationships with national organizations like these:

- The National Association of Counties
- The International Association of Fire Fighters — Financial Corporation
- National Association of Police Organizations

**CONNECTING PEOPLE WITH A COMMON INTEREST, TOGETHER**

By partnering with organizations that support our members’ causes, passions and activities, we can provide relevant solutions to members, along with discounts, special offers and other valuable benefits. Members have been introduced to our products and services through affinity partnerships in the following key group segments:

- Sports organizations
- University and alumni organizations
- Professional associations
- Causes and special interests
MORE THAN A BUSINESS. WE BELIEVE IN WHAT WE DO.

Nationwide associates believe in the power of working together to achieve something that no individual can accomplish alone. We believe that cooperation yields amazing results. We believe it because we’ve seen it in action. That’s the strength of our mutual structure.

LEWIS J. ALPHIN
JAMES B. BACHMANN
A. I. BELL
TIMOTHY J. CORCORAN
YVONNE M. CURL
KENNETH D. DAVIS
KEITH W. ECKEL
DANIEL T. KELLEY
M. DIANE KOKEN
LYDIA M. MARSHALL
TERRY W. MCCLURE
BARRY J. NALEBUFF
BRENT R. PORTEUS
STEPHEN S. RASMUSSEN
MICHAEL J. TOELLE
JEFFREY W. ZELLERS

PICTURED HERE: Our first president, Lee Palmer; executive secretary, Murray D. Lincoln; and first general agent, Ezra Anstaett, signing policies on the first day of business in April 1926.

STEPHEN S. RASMUSSEN
CHIEF EXECUTIVE OFFICER, NATIONWIDE
W. KIM AUSTEN
PRESIDENT AND CHIEF OPERATING OFFICER, ALLIED GROUP*
MARK A. BERVEN
CHIEF STRATEGY AND PRODUCT OFFICER, NATIONWIDE
PATRICIA R. HATLER
CHIEF LEGAL AND GOVERNANCE OFFICER
MATTHEW JAUCHIUS
CHIEF MARKETING OFFICER
MICHAEL C. KELLER
CHIEF INFORMATION OFFICER
GALÉ V. KING
CHIEF ADMINISTRATIVE OFFICER
MARK A. PIZZI
PRESIDENT AND CHIEF OPERATING OFFICER, NATIONWIDE INSURANCE
MARK R. THRESHER
CHIEF FINANCIAL OFFICER
KIRT A. WALKER
PRESIDENT AND CHIEF OPERATING OFFICER, NATIONWIDE FINANCIAL

### Combined Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturity securities, available-for-sale</td>
<td>$58,271</td>
<td>$57,975</td>
</tr>
<tr>
<td>Mortgage loans, net of allowance</td>
<td>8,591</td>
<td>7,734</td>
</tr>
<tr>
<td>Policy loans</td>
<td>993</td>
<td>987</td>
</tr>
<tr>
<td>Real estate, net of accumulated depreciation</td>
<td>1,118</td>
<td>1,113</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,256</td>
<td>2,156</td>
</tr>
<tr>
<td>Other investments</td>
<td>6,317</td>
<td>5,441</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$76,546</strong></td>
<td><strong>$75,426</strong></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>435</td>
<td>442</td>
</tr>
<tr>
<td><strong>Accrued investment income</strong></td>
<td>867</td>
<td>841</td>
</tr>
<tr>
<td><strong>Premium in course of collection, net of allowance</strong></td>
<td>3,714</td>
<td>3,469</td>
</tr>
<tr>
<td><strong>Deferred policy acquisition costs</strong></td>
<td>4,955</td>
<td>4,324</td>
</tr>
<tr>
<td><strong>Reinsurance recoverables, net of allowance</strong></td>
<td>4,769</td>
<td>4,622</td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
<td>1,876</td>
<td>1,819</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>6,568</td>
<td>6,515</td>
</tr>
<tr>
<td><strong>Separate account assets</strong></td>
<td>81,451</td>
<td>70,866</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$183,161</strong></td>
<td><strong>$168,344</strong></td>
</tr>
<tr>
<td><strong>Liabilities and Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and casualty loss and loss expense reserves</td>
<td>$17,388</td>
<td>$17,218</td>
</tr>
<tr>
<td>Future policy benefits and claims</td>
<td>36,446</td>
<td>35,848</td>
</tr>
<tr>
<td>Unearned premium</td>
<td>7,246</td>
<td>6,871</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>516</td>
<td>763</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>4,408</td>
<td>4,444</td>
</tr>
<tr>
<td>Customer bank deposits</td>
<td>4,457</td>
<td>3,739</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,399</td>
<td>8,714</td>
</tr>
<tr>
<td>Separate account liabilities</td>
<td>81,451</td>
<td>70,866</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$162,291</strong></td>
<td><strong>$148,823</strong></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policyholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>$18,428</td>
<td>$16,901</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>3,563</td>
<td>2,778</td>
</tr>
<tr>
<td><strong>Total Policyholders’ Equity</strong></td>
<td><strong>$19,991</strong></td>
<td><strong>$19,279</strong></td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>859</td>
<td>542</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>$20,850</strong></td>
<td><strong>$19,821</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td><strong>$183,161</strong></td>
<td><strong>$168,344</strong></td>
</tr>
</tbody>
</table>

### Combined Statements of Operations

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and casualty insurance premium</td>
<td>$16,711</td>
<td>$15,522</td>
</tr>
<tr>
<td>Policy charges</td>
<td>1,842</td>
<td>1,660</td>
</tr>
<tr>
<td>Life insurance premium</td>
<td>988</td>
<td>866</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td><strong>3,140</strong></td>
<td><strong>3,132</strong></td>
</tr>
<tr>
<td><strong>Net realized investment gains, net of other-than-temporary impairment losses</strong></td>
<td>854</td>
<td>495</td>
</tr>
<tr>
<td><strong>Other revenues</strong></td>
<td>1,017</td>
<td>975</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$24,552</strong></td>
<td><strong>$22,650</strong></td>
</tr>
<tr>
<td><strong>Benefits and Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incurred property and casualty loss and loss expense</td>
<td></td>
<td><strong>$11,319</strong></td>
</tr>
<tr>
<td><strong>Life insurance benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest credited to policyholder account values</td>
<td>1,082</td>
<td>1,035</td>
</tr>
<tr>
<td>Other benefits and claims</td>
<td>1,507</td>
<td>1,378</td>
</tr>
<tr>
<td><strong>Amortization of deferred policy acquisition costs</strong></td>
<td></td>
<td>3,046</td>
</tr>
<tr>
<td>Other expenses, net of deferrals</td>
<td>5,415</td>
<td>5,013</td>
</tr>
<tr>
<td><strong>Total Benefits and Expenses</strong></td>
<td><strong>$22,289</strong></td>
<td><strong>$21,821</strong></td>
</tr>
<tr>
<td><strong>Income before federal income taxes and noncontrolling interests</strong></td>
<td><strong>$2,263</strong></td>
<td><strong>$829</strong></td>
</tr>
<tr>
<td>Federal income tax expense (benefit)</td>
<td>452</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>$1,811</strong></td>
<td><strong>$852</strong></td>
</tr>
<tr>
<td>Less: Loss attributable to noncontrolling interests, net of tax</td>
<td>(116)</td>
<td>(88)</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Nationwide</strong></td>
<td><strong>$1,927</strong></td>
<td><strong>$940</strong></td>
</tr>
</tbody>
</table>
Nationwide prepares financial statements using generally accepted accounting principles (GAAP), which are a common set of accounting principles, standards and procedures that companies across different industries use to compile their financial statements.

As an insurance company, Nationwide also prepares financial statements following statutory accounting principles, which are a set of accounting rules for insurance companies set forth by the National Association of Insurance Commissioners (NAIC).

**Statutory Accounting Principles**

Statutory accounting principles are generally regarded as more conservative than GAAP. Statutory financial information is the basis for state regulation of insurance companies’ solvency throughout the U.S. Additionally, rating agencies use statutory financial information in their evaluation of an insurance company’s financial strength.

These charts highlight Nationwide’s statutory financial results.

**Combined Statutory Revenue**

Combined statutory revenue is a financial measure that is calculated by combining the statutory revenues of Nationwide’s property and casualty and financial services subsidiaries.

**Combined Statutory Surplus**

Combined statutory surplus is a financial measure of Nationwide’s ability to meet future obligations, which is calculated based on accounting practices prescribed or permitted by the department of insurance of the state of domicile. Each of the states where Nationwide’s insurance companies are domiciled has adopted the NAIC statutory accounting principles as the basis of its statutory accounting practices.

**Combined Statutory Assets**

Combined statutory assets is a financial measure that is calculated by combining the net admitted statutory assets of Nationwide’s property and casualty and financial services subsidiaries.

**FINANCIAL HIGHLIGHTS**

- **Net Operating Income**: Nationwide analyzes operating performance using a non-GAAP financial measure called net operating income, which Nationwide believes enhances the understanding and comparability of its performance by highlighting its results from continuing operations and their underlying profitability drivers. Net operating income excludes activities determined to be non-operating in nature, such as realized gains (losses) on sales of available-for-sale securities, certain hedging activities, other-than-temporary impairments, discontinued operations and extraordinary items, all net of taxes.

**Glossary**

**CORPORATE AND OTHER OPERATIONS**

The corporate business consists of real estate development operations, real estate and other investments, medical insurance for companion animals, and run-off asbestos and environmental claims.

**CUSTOMER FUNDS MANAGED AND ADMINISTERED**

The value of assets that Nationwide manages on behalf of its customers.

**FINANCIAL SERVICES**

The financial services segment includes operating results from Nationwide Financial Services, Inc., which includes Nationwide Bank. The businesses within the financial services segment, through a diverse distribution network, develop and sell a wide range of products, including individual annuities, private- and public-sector group retirement plans, life insurance, investment advisory services, banking products and services, mutual funds and other investment products.

**NET FLOWS**

Customer deposits, net of withdrawals, affiliated with products offered by the financial services segment, which include retirement plans, individual annuities, life insurance products and bank deposits.

**NEW AND RENEWAL PREMIUM AND DEPOSITS**

A financial measure of the volume of new and renewal business generated by Nationwide in a period. New and renewal premium and deposits (sales) are not derived from any specific GAAP income statement accounts or line items, and should not be viewed as a substitute for any financial measure determined in accordance with GAAP, including sales as it relates to noninsurance companies. Nationwide believes that the presentation of new and renewal premium and deposits enhances the understanding of its business, and helps depict longer-term trends that may not be apparent in the results of operations due to differences between the timing of sales and revenue recognition.

**PROPERTY AND CASUALTY**

The property and casualty business includes results from six operating brands: Nationwide Insurance, Allied Insurance, Nationwide Agribusiness, Harleysville Insurance, Titan Insurance and Scottsdale Insurance. The property and casualty business underwrites personal automobile, personal property and commercial insurance products and services primarily through exclusive and independent agents, as well as excess and surplus insurance through general agents and brokers.

**PROPERTY AND CASUALTY DIRECT WRITTEN PREMIUM**

The total premium received by the property and casualty business without any adjustments for the ceding or assumption of any portion of premium with reinsurers.