



# UBS Warburg Global Financial Services Conference



**Nationwide<sup>®</sup>**  
Financial

**Mark Thresher**  
Chief Financial Officer

# Nationwide Financial

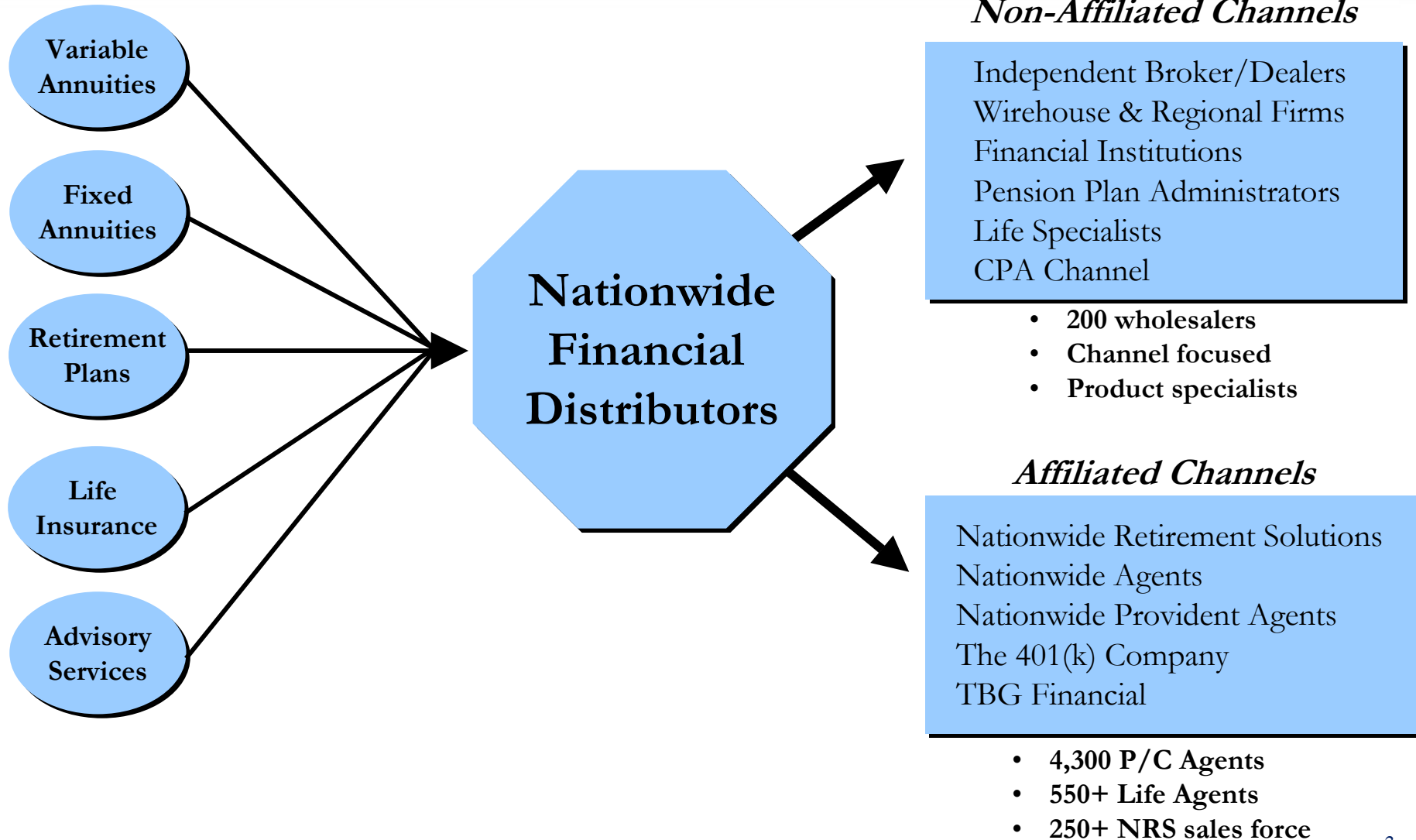


## *Our Retirement Savings Franchise*

<i>Segment</i>	<b>Individual Annuity</b>	<b>Institutional Products</b>	<b>Life Insurance</b>
<i>Products</i>	Variable & Fixed Immediate Offshore	Private Sector Public Sector MTN Program Structured Products	Variable Corporate Owned Traditional Universal
<i>Assets</i>	\$41.1	\$55.6	\$12.3
<i>Operating Earnings</i>	\$37.9	\$50.1	\$63.2

*Operating earnings are pre-tax, and are for the three months ended 3/31/03; assets as of 3/31/03.* 2

# Our Distribution Model



# 2003 Strategic Focus

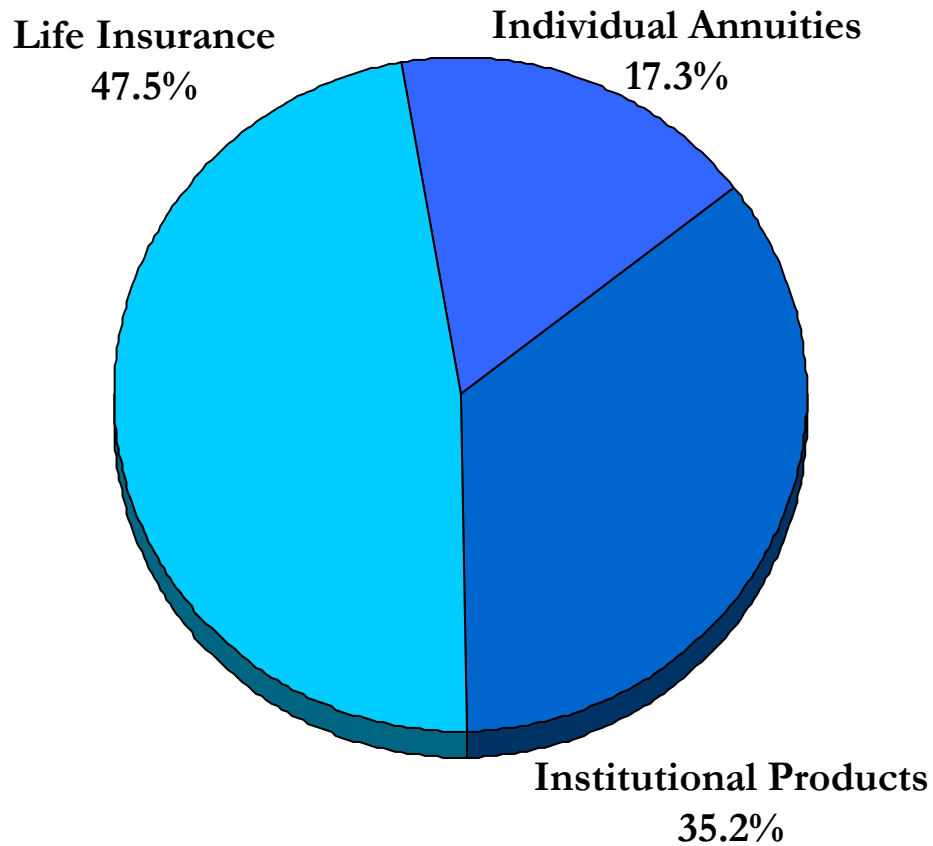


- **Expand our distribution capabilities**
  - Maximize the Nationwide Provident opportunity
  - Build a robust business in the CPA Channel
- **Enhance our product portfolio**
  - Re-tooling annuity product
  - Launched advisory service program
- **Grow our institutional business**
  - Invest in our market leading defined contribution franchise
- **Aggressively manage expenses**

# Nationwide Provident



## First Quarter Sales Mix



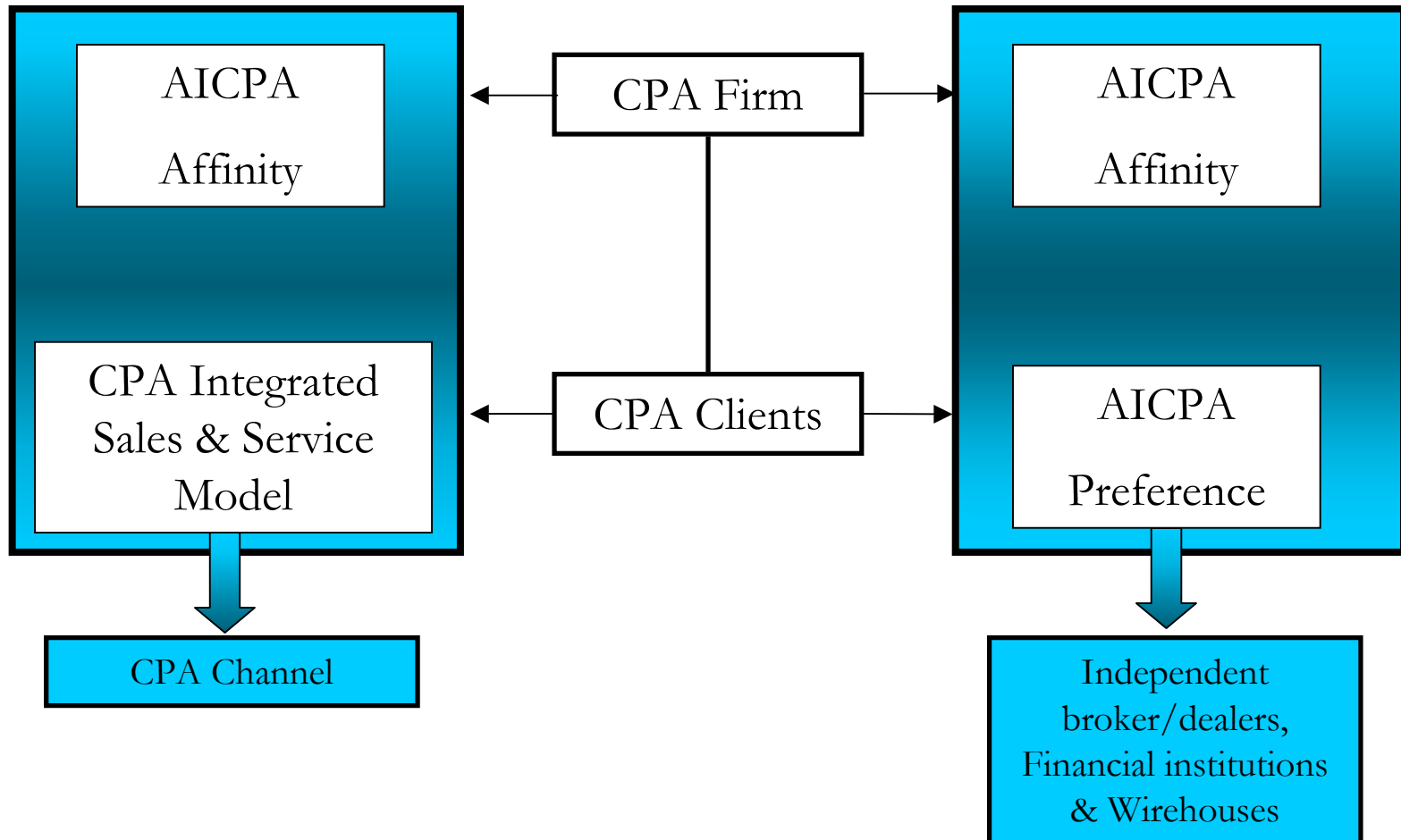
- **Sponsored demutualization completed October 1, 2002**
  - \$1.12 billion transaction value
- **Provides distribution and earnings diversification**
  - Adds over 550 career life agents
  - Expands life insurance segment
- **Strategic initiatives**
  - Integrate into Nationwide Financial
  - Expand sales force to 1,000 career life agents

# Our Entry Into the CPA Market



Mid-sized CPA Firms

Small-sized CPA Firms



# Enhancing the Product Portfolio



- **Built a strong brand in The BEST of AMERICA**
  - Crosses product lines
  - Stands for open architecture and choice
- **Revisiting the product line up**
  - Adding features and benefits that will enhance our competitive position
  - Removing features and benefits that don't fit our risk profile
  - Adding new products to fill gaps

# Advisory Services Program



**Best of America  
Advisory Services Program**

**Mutual  
Fund  
Model  
Portfolios**

**Variable  
Annuity**

**Managed  
Money  
Program**

- **Unique comprehensive fee-based solution**
- **Leverage wholesale distribution**
- **World-class investment manager relationships and brand recognition**
- **Stability, strength and experience of Nationwide Financial**
- **Strategic partnerships with Morningstar Associates and Ibbotson Associates**



# Market Leading DC Business



## Top DC Record Keepers By Number of Sponsors

Rank	Record Keeper	Sponsors
1	<i>Nationwide Financial</i>	<i>48,300</i>
2	AXA Financial	44,556
3	Principal Financial	44,453
4	ING US Financial	34,106
5	Fidelity Investments	24,401
6	Manulife Financial	21,642
7	MetLife	20,849
8	Lincoln National	17,792
9	CitiStreet	17,364
10	Scudder Investments	16,566
11	ADP	15,216
12	Franklin Templeton	15,195
13	BYSIS	14,895
14	Delaware Retirement	13,060
15	AUL Retirement Services	12,579

### ■ Market leader in the 457 business

- New business and retention trends are very positive
- Investing in enhancing our technology capabilities

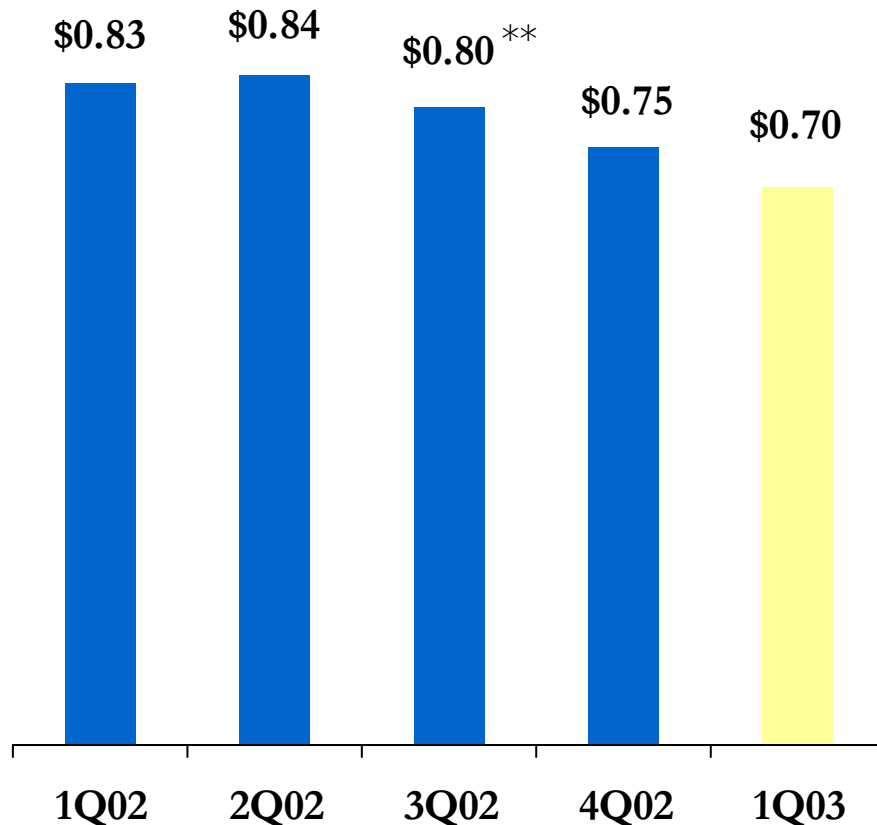
### ■ Unique 401(k) business model

- PPA model continues to be very successful
- Trust product gaining momentum
- Expanding service capabilities

# 1<sup>st</sup> Quarter Financial Highlights



## Net Operating Income Per Diluted Share\*



### ■ Earnings growth continues to be challenged

- Impact of market declines
- Tighter spreads

### ■ Sales and net flows were strong

- Ahead of prior year and fourth quarter
- Improvements in new business and retention

### ■ Investment losses trended higher

- Large airline losses

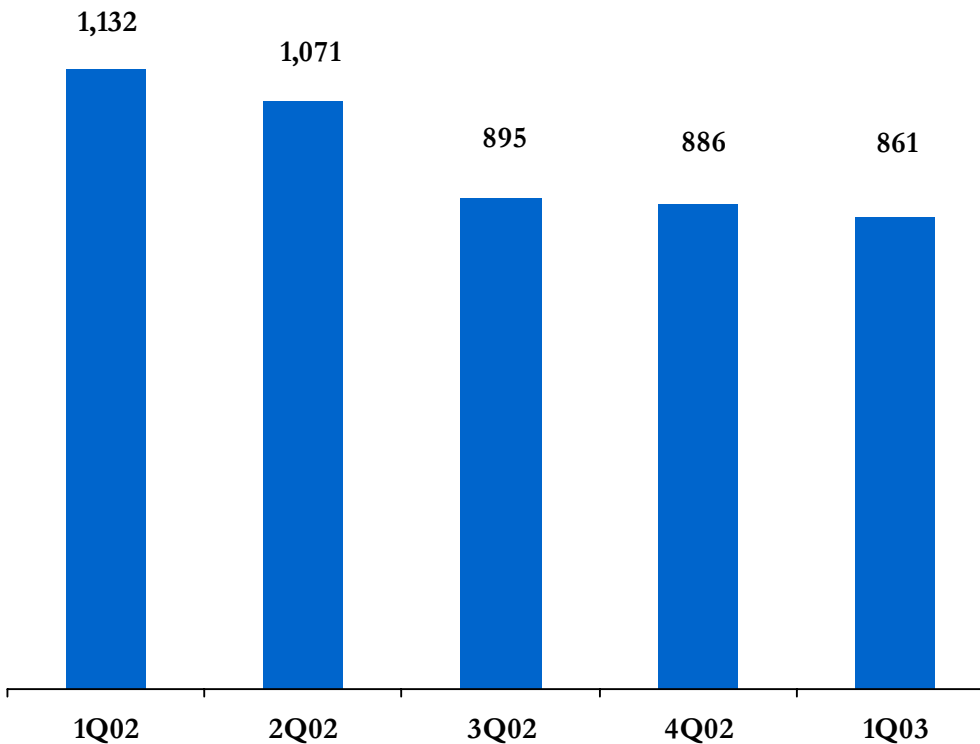
\*See our statistical supplement posted on our website to see a reconciliation of net operating income to net income

\*\*Excludes accelerated DAC amortization of \$1.88 per share

# Equity Market Impact



## Average S&P Balance



- **Equity market performance continues to pressure results**
  - Lower separate account balances and related fees
  - Higher GMDB expense
- **Taking action to reduce expenses**
  - Eliminate over 100 positions
  - Reduced discretionary spending

# Interest Spreads



	<u>1Q02</u>	<u>1Q03</u>	<u>Variance</u>
<b>Individual Annuity</b>			
Earned rate	7.17%	6.14%	-1.03%
Credited rate	5.14%	4.45%	-0.69%
<b>Spread</b>	<b><u>2.03%</u></b>	<b><u>1.69%</u></b>	<b><u>-0.34%</u></b>

<b>Institutional Products</b>			
Earned rate	6.52%	5.80%	-0.72%
Credited rate	4.42%	3.86%	-0.56%
<b>Spread</b>	<b><u>2.10%</u></b>	<b><u>1.94%</u></b>	<b><u>-0.16%</u></b>

## ■ Institutional spreads tighten

- Prior year inflated by prepayments
- Impacted by declining earned rates

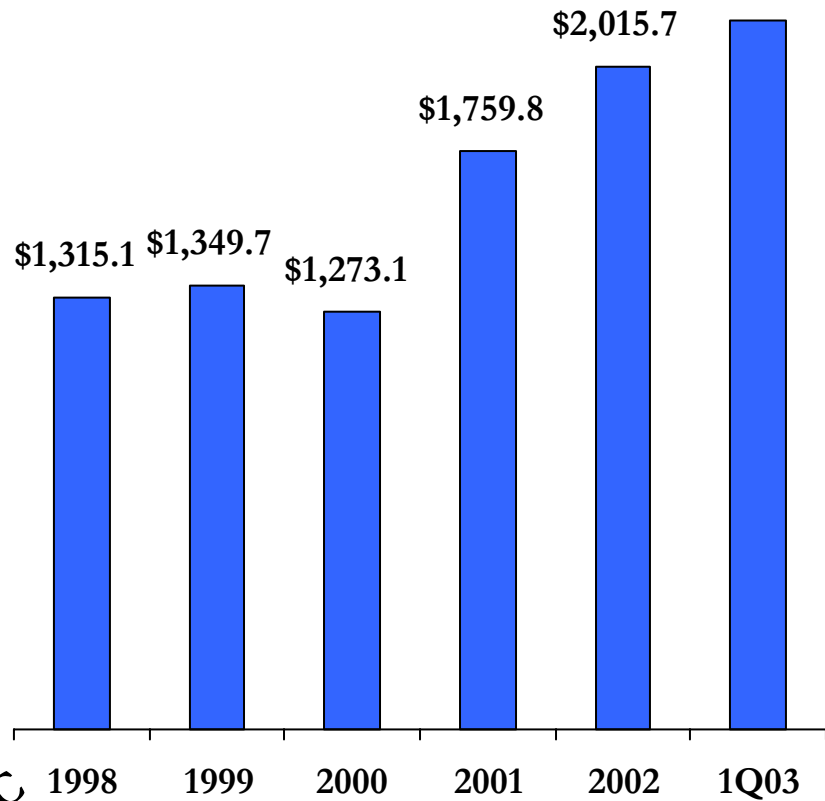
## ■ Individual spreads under pressure

- Crediting rate flexibility limited due to contractual minimums
- Fixed option of the variable annuity is attracting assets
- Implemented an action plan to mitigate the impact of asset shift

# Capital Position



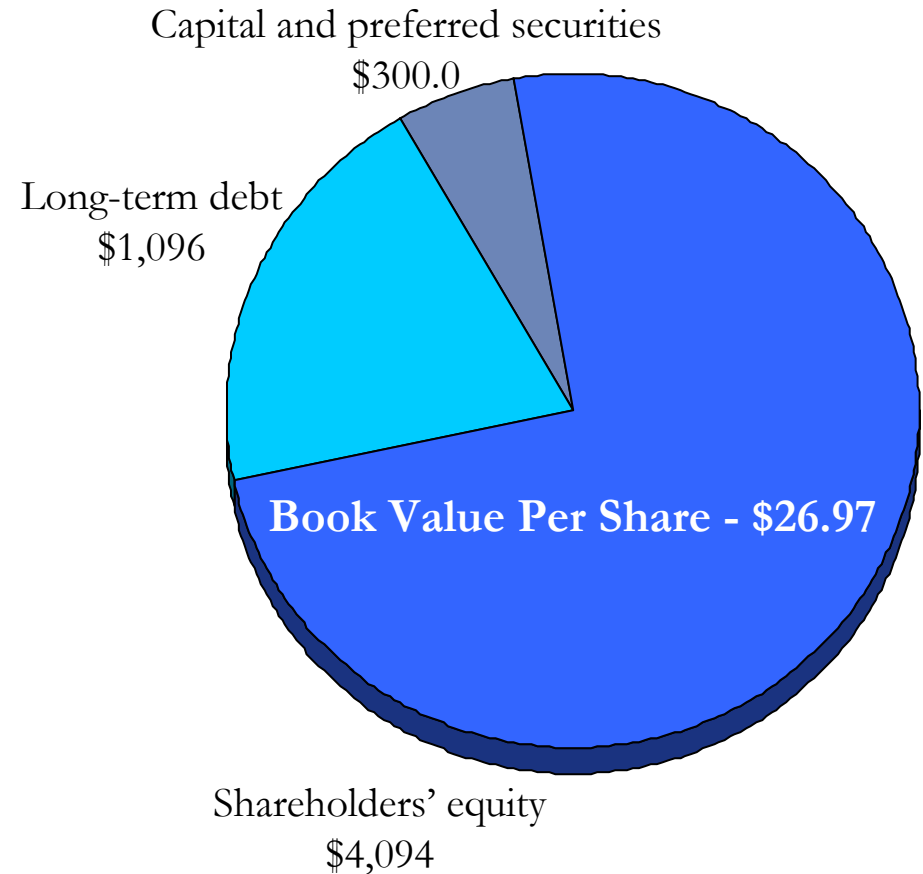
## Statutory Capital



RBC



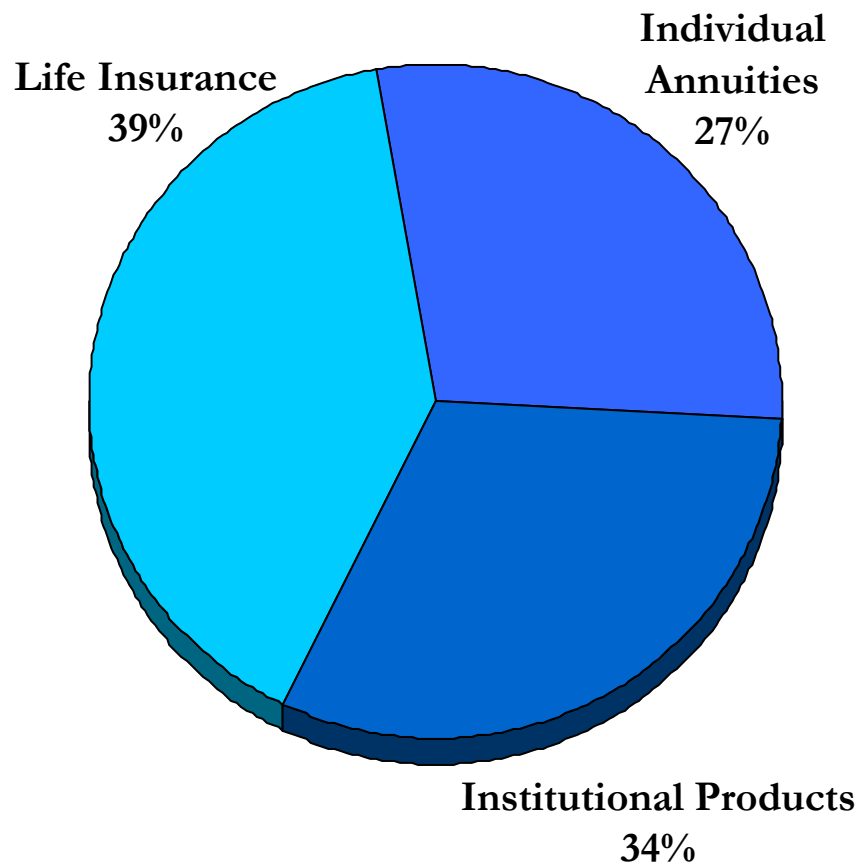
## GAAP Capital



# 2003 Earnings Outlook



## Distribution of Earnings



## ■ Key assumptions

- 0-2% net separate account growth per quarter
- Interest spread margins
  - Individual annuity – 145 to 150 basis points
  - Institutional products – 170 to 175 basis points
- Tax rate of approximately 25%

## ■ Earnings per share of \$2.70 to \$2.90

## ■ Return on equity of 10 to 11%



- **Retirement savings focused company**
  - Leader in the markets we serve
  - Diverse distribution is a competitive advantage
- **2003 earnings growth will continue to be challenged**
  - Market volatility will impact fee revenue
  - Interest rate environment impacting spreads
- **Balance sheet remains strong**
  - Manageable debt level
  - Well capitalized
  - High quality investment portfolio