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LINCOLN NATIONAL CORP
Form 8-K
August 07, 2003

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

FORM 8-K

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: June 30, 2003

LINCOLN NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Indiana 1-6028 35-1140070
(State of Incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

1500 Market Street, Suite 3900, Centre Square West Tower, Philadelphia, PA 19102
(Address of principal executive offices)

Registrant's telephone number 219-448-1400

Item 9. Regulation FD Disclosure (Also being provided under new Item 12 Results of Operations and Financial Condition).

The information in this Report, including the attached Exhibit, is "furnished" pursuant to Item 9 and Item 12 of this Form 8-K. Consequently, it is not deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Securities Exchange Act of 1934 or the Securities Act of 1933 if such subsequent filing specifically references this Form 8-K or specific parts of it. The furnishing of the information contained in the attached exhibit (statistical supplement) is not intended and should not be construed to imply that such information is material.

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

| Exhibit Number | Description |
|-------------------|---|
| 99.1 | Lincoln National Corporation Statistical Supplement for the Quarter Ended June 30, 2003 |

Item 12. Results of Operations and Financial Condition

See Item 9, Regulation FD Disclosure, above.

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Lincoln Statistical Report Second Quarter 2003

Lincoln Financial Group

This document is dated August 7, 2003. It may not be accurate after such date and LNC does not undertake to update or keep it accurate after such date.

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6/30/03

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NOTES

Definitions and Presentation

- * Operating income represents after-tax results excluding, as applicable, realized gains or losses on investments and derivatives, restructuring charges, the cumulative effect of accounting changes, reserve changes on business sold through reinsurance, gains or losses on sale of subsidiaries and certain other items. Operating income is an internal measure used by LNC in the management of its operations. Management believes that this performance measure explains the results of operations of the LNC's ongoing operations in a manner that allows for a better understanding of the underlying trends in LNC's current business.
- * Return on capital measures the effectiveness of LNC's use of its total capital, which is made up of equity, debt and hybrid securities. Return on capital is calculated by dividing income from operations (after adding back interest expense) by average capital. The difference between return on capital and return on shareholders' equity represents the affect of leveraging on LNC's consolidated results.
- * Accumulated other comprehensive income (AOCI) represents unrealized gains (losses) on investments, net gains (losses) derivative instruments, cumulative translation adjustments and minimum pension liability adjustments, net of tax.
- * Certain operating and statistical measures are included in this report to provide supplemental data that indicate trends in LNC's current business. These measures include deposits, net flows, first year premium, inforce and assets under management.
- * Certain reclassifications have been made to the prior periods to conform to the June 30, 2003 presentation.

Accounting Changes

- * Effective January 1, 2003, LNC adopted the fair value recognition method of accounting for its stock option incentive plans under Statement of Financial Accounting Standards (FAS) No. 123, Accounting for Stock-based Compensation (FAS 123). LNC adopted the retroactive restatement method under FAS No. 148, Accounting for Stock-based Compensation - Transition and Disclosure. As a result, LNC has chosen to restate 2001 and 2002 to reflect stock-based compensation cost under the fair value method in FAS 123 for all employee awards granted, modified or settled in fiscal years beginning after December 31, 1994. See page 36 for details on the restatement by segment.

Financial Highlights
Unaudited [Amounts in Million
except Per Share]

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| | For the Quarter Ended June 30 | | | | For th |
|---|-------------------------------|----------------|----------|-----------|----------------|
| | 2003 Amount | 2002 Amount | Change | % Change | 2003 Amount |
| Net Income | 142.7 | 48.5 | 94.2 | 194.0% | 184.3 |
| Less: | | | | | |
| Realized gains (losses) on investments | (1.1) | (52.7) | 51.5 | | (59.4) |
| Gains (losses) on derivatives | (0.6) | 0.3 | (0.9) | | (1.8) |
| Amortization of deferred gain-reserve development | (0.1) | (14.4) | 14.3 | | (0.2) |
| Restructuring charges | (8.8) | (1.0) | (7.7) | | (12.4) |
| Income from Operations | 153.3 | 116.4 | 37.0 | 31.8% | 258.1 |
| Net Income - By Segment | | | | | |
| Lincoln Retirement | 81.7 | 9.2 | 72.5 | 789.5% | 88.6 |
| Life Insurance | 65.6 | 56.7 | 8.9 | 15.7% | 114.1 |
| Investment Management | 4.6 | (0.8) | 5.3 | (695.1%) | 5.6 |
| Lincoln UK | 12.4 | 9.3 | 3.2 | 34.6% | 19.3 |
| Corporate & Other | (21.6) | (25.8) | 4.2 | | (43.3) |
| Total | 142.7 | 48.5 | 94.2 | 194.0% | 184.3 |
| Income from Operations - By Segment | | | | | |
| Lincoln Retirement | 86.1 | 46.8 | 39.3 | 84.0% | 143.5 |
| Life Insurance | 71.8 | 72.8 | (1.0) | (1.4%) | 132.4 |
| Investment Management | 4.5 | (0.3) | 4.8 | (1483.1%) | 5.8 |
| Lincoln UK | 12.4 | 6.1 | 6.4 | 105.4% | 19.3 |
| Corporate & Other | (21.5) | (8.9) | (12.6) | | (43.0) |
| Total | 153.3 | 116.4 | 37.0 | 31.8% | 258.1 |
| Earnings per share (diluted) | | | | | |
| Net Income | \$0.80 | \$0.26 | \$0.54 | 209.7% | \$1.03 |
| Less: | | | | | |
| Realized gains (losses) on investments | (\$0.01) | (\$0.27) | \$0.26 | | (\$0.33) |
| Gains (losses) on derivatives | \$0.00 | \$0.00 | \$0.00 | | (\$0.01) |
| Amortization of deferred gain-reserve development | \$0.00 | (\$0.08) | \$0.08 | | \$0.00 |
| Restructuring charges | (\$0.05) | (\$0.01) | (\$0.04) | | (\$0.07) |
| Income from Operations | \$0.86 | \$0.62 | \$0.24 | 38.9% | \$1.44 |
| Revenue | 1,213.2 | 1,157.5 | 55.7 | 4.8% | 2,312.5 |
| Less: | | | | | |
| Realized Gains (Losses) on Investments | (1.7) | (81.5) | 79.8 | (97.9%) | (91.3) |
| Gains (Losses) on Derivatives | (1.0) | 0.4 | (1.4) | | (2.8) |
| Amortization of deferred gain-reserve development | (0.2) | 0.0 | (0.2) | | (0.4) |
| Operating Revenue | 1,216.0 | 1,238.5 | (22.5) | (1.8%) | 2,407.0 |

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| | | | | | |
|-----------------------|---------|---------|--------|---------|---------|
| Revenue - By Segment | | | | | |
| Lincoln Retirement | 486.4 | 442.6 | 43.8 | 9.9% | 884.2 |
| Life Insurance | 474.0 | 439.8 | 34.2 | 7.8% | 931.6 |
| Investment Management | 116.4 | 106.1 | 10.4 | 9.8% | 218.5 |
| Lincoln UK | 60.2 | 80.5 | (20.3) | (25.2%) | 129.1 |
| Corporate & Other | 76.1 | 88.5 | (12.4) | (14.0%) | 149.2 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 1,213.2 | 1,157.5 | 55.7 | 4.8% | 2,312.5 |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|--------------------------------|---------|---------|--------|---------|---------|
| Operating Revenue - By Segment | | | | | |
| Lincoln Retirement | 487.0 | 498.8 | (11.9) | (2.4%) | 962.5 |
| Life Insurance | 476.2 | 464.6 | 11.6 | 2.5% | 947.0 |
| Investment Management | 116.3 | 106.7 | 9.6 | 9.0% | 218.8 |
| Lincoln UK | 60.2 | 75.9 | (15.8) | (20.7%) | 129.1 |
| Corporate & Other | 76.3 | 92.4 | (16.1) | (17.5%) | 149.6 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 1,216.0 | 1,238.5 | (22.5) | (1.8%) | 2,407.0 |
| | ===== | ===== | ===== | ===== | ===== |

Operational Data by Segment
(Billions, except where noted):

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Lincoln Retirement | | | | | |
| Gross Deposits | 1.363 | 1.640 | (0.277) | (16.9%) | 2.787 |
| Net Flows | 0.099 | 0.223 | (0.124) | (55.6%) | 0.195 |
| Account Values (Gross) | 51.320 | 49.885 | 1.435 | 2.9% | 51.320 |
| Account Values (Net of Reinsurance) | 49.151 | 48.115 | 1.036 | 2.2% | 49.151 |
| Life Insurance Segment | | | | | |
| First Year Premium - Retail (in millions) | 173.479 | 155.801 | 17.678 | 11.3% | 344.183 |
| First Year Premium - COLI (in millions) | 61.786 | 46.631 | 15.155 | 32.5% | 72.357 |
| First Year Premium - Total (in millions) | 235.265 | 202.432 | 32.834 | 16.2% | 416.540 |
| In-force | 266.467 | 244.750 | 21.717 | 8.9% | 266.467 |
| Account Values | 12.663 | 11.759 | 0.904 | 7.7% | 12.663 |
| Investment Management Segment | | | | | |
| Retail Deposits | 1.282 | 1.356 | (0.074) | (5.5%) | 2.423 |
| Retail Net Flows | 0.302 | 0.167 | 0.135 | 81.0% | 0.316 |
| Institutional In-flows | 0.853 | 1.232 | (0.380) | (30.8%) | 1.939 |
| Institutional Net Flows | 0.289 | 0.455 | (0.166) | (36.5%) | 0.618 |
| Total Net Flows | 0.591 | 0.622 | (0.031) | (5.0%) | 0.935 |
| Assets Under Management - Retail and Inst'l | 52.457 | 48.741 | 3.716 | 7.6% | 52.457 |
| Assets Under Management - Insurance Assets | 43.857 | 38.476 | 5.381 | 14.0% | 43.857 |
| Assets Under Management - Total Segment | 96.314 | 87.217 | 9.097 | 10.4% | 96.314 |
| Consolidated | | | | | |
| Consolidated Domestic Retail Deposits | 2.960 | 3.240 | (0.280) | (8.6%) | 5.839 |
| Consolidated Domestic Retail Account Balances | 81.284 | 77.651 | 3.633 | 4.7% | 81.284 |
| Total Retail Net Flows | 0.723 | 0.737 | (0.014) | (1.9%) | 1.291 |
| Total Net Flows | 1.021 | 1.166 | (0.145) | (12.4%) | 1.889 |

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| | | | | | |
|-------------------------------|---------|---------|-------|------|---------|
| Total Assets Under Management | 127.397 | 119.536 | 7.861 | 6.6% | 127.397 |
|-------------------------------|---------|---------|-------|------|---------|

Financial Highlights
Unaudited [Amounts in Millions,
except Per Share]

| | For the Quarter Ended June 30 | | | | For the Six Months | |
|--|-------------------------------|----------------|---------|----------|--------------------|----------------|
| | 2003 Amount | 2002 Amount | Change | % Change | 2003 Amount | 2002 Amount |
| Consolidated Operational Data: | | | | | | |
| Balance Sheet Assets - End of Period | 99,532.8 | 95,114.2 | 4,418.6 | 4.6% | 99,532.8 | 95,114.2 |
| Shareholders' Equity | | | | | | |
| Beg of Period (including AOCI) | 5,450.0 | 5,173.2 | 276.8 | | 5,347.5 | 5,303.8 |
| End of Period (including AOCI) | 5,815.9 | 5,352.8 | 463.1 | | 5,815.9 | 5,352.8 |
| End of Period (excluding AOCI) | 4,699.8 | 5,020.3 | (320.5) | | 4,699.8 | 5,020.3 |
| Average Equity (excluding AOCI) | 4,672.0 | 5,165.8 | (493.8) | | 4,677.0 | 5,172.8 |
| Return on Equity | | | | | | |
| Net Income/Average Equity (excluding AOCI) | 12.2% | 3.8% | 8.5% | | 7.9% | 5.2% |
| Inc from Operations/Average Equity (excluding AOCI) | 13.1% | 9.0% | 4.1% | | 11.0% | 10.4% |
| Return on Capital | | | | | | |
| Inc from Operations/Average Capital | 10.7% | 7.7% | 3.0% | | 9.2% | 8.8% |
| Common Stock Outstanding | | | | | | |
| Average for the Period - Diluted | 179.2 | 188.5 | (9.3) | (4.9%) | 178.8 | 189.2 |
| End of Period - Assuming Conv of Pref. | 178.0 | 184.5 | (6.5) | (3.5%) | 178.0 | 184.5 |
| End of Period - Diluted | 179.5 | 186.1 | (6.6) | (3.5%) | 179.5 | 186.1 |
| Book Value (including AOCI) | 32.68 | 29.01 | 3.67 | 12.6% | 32.68 | 29.01 |
| Book Value (excluding AOCI) | 26.41 | 27.21 | (0.80) | (2.9%) | 26.41 | 27.21 |
| Cash Returned to Shareholders | | | | | | |
| Share Repurchase - dollar amount | 0.0 | 175.7 | (175.7) | | 0.0 | 226.7 |
| Dividends Declared to Shareholders | 61.5 | 59.6 | 1.9 | | 120.8 | 119.6 |
| Total Cash Returned to Shareholders | 61.5 | 235.3 | (173.8) | | 120.8 | 346.3 |
| | ===== | ===== | ===== | | ===== | ===== |
| Share Repurchase - number of shares | 0.000 | 3.885 | (3.885) | | 0.000 | 4.885 |
| Dividend Declared on Common Stock - per share | | | | | | |
| | \$0.335 | \$0.320 | \$0.015 | 4.7% | \$0.670 | \$0.640 |

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| | For the Quarter Ended June 30 | | For the Six Months Ended June 30 | |
|--|-------------------------------|----------------|----------------------------------|----------------|
| | 2003 Amount | 2002 Amount | 2003 Amount | 2002 Amount |
| Comprehensive Income | | | | |
| Net Income | 142.7 | 48.5 | 184.3 | 134.2 |
| Foreign Currency Translation | 28.5 | 42.8 | 17.5 | 30.0 |
| Net Unrealized Gains (Losses) on Securities | 245.9 | 293.8 | 364.5 | 130.0 |
| Gains (Losses) on Derivatives | 3.8 | 0.1 | 0.4 | 1.2 |
| Minimum Pension Liability Adjustment | (1.5) | (2.6) | (0.9) | (1.9) |
| Comprehensive Income | 419.5 | 382.6 | 565.9 | 293.5 |

Financial Highlights
Unaudited [Amounts in Millions]

| | For the Quarter Ended June 30 | | | | For the Six Months Ended June 30 |
|--|-------------------------------|----------------|--------|----------|----------------------------------|
| | 2003 Amount | 2002 Amount | Change | % Change | 2003 Amount |
| Consolidated Condensed Statements of Income | | | | | |
| Revenue: | | | | | |
| Insurance Premiums and Fees | 413.8 | 436.8 | (23.1) | (5.3%) | 816.9 |
| Investment Advisory Fees | 49.4 | 47.8 | 1.6 | 3.3% | 93.5 |
| Net Investment Income | 660.2 | 657.4 | 2.8 | 0.4% | 1,314.9 |
| Realized Gains (Losses) on Investments | (1.7) | (81.5) | 79.8 | | (91.3) |
| Gains (Losses) on Derivatives | (1.0) | 0.4 | (1.4) | | (2.8) |
| Amortization of Deferred Gain on Indemnity Reinsurance | 18.2 | 22.0 | (3.8) | (17.3%) | 36.6 |
| Other | 74.3 | 74.5 | (0.2) | (0.3%) | 144.7 |
| Total Revenue | 1,213.2 | 1,157.5 | 55.7 | 4.8% | 2,312.5 |
| Benefits and Expenses: | | | | | |
| Benefits | 593.2 | 648.3 | (55.1) | (8.5%) | 1,206.2 |
| Underwriting, Acquisition, Insurance and Other Expenses | 432.3 | 462.2 | (29.9) | (6.5%) | 883.1 |
| Total Benefits and Expenses | 1,025.5 | 1,110.5 | (85.1) | (7.7%) | 2,089.4 |
| Income before Federal Taxes | 187.7 | 46.9 | 140.7 | | 223.1 |
| Federal Income Taxes | 45.0 | (1.6) | 46.6 | | 38.8 |
| Net Income | 142.7 | 48.5 | 94.2 | 193.9% | 184.3 |

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| Income before Tax By Segment | | | | |
|------------------------------|--------|--------|-------|--------|
| Lincoln Retirement | 99.0 | (2.2) | 101.1 | 85.7 |
| Life Insurance | 95.7 | 79.4 | 16.2 | 164.4 |
| Investment Management | 7.2 | (1.0) | 8.2 | 9.1 |
| Lincoln UK | 19.1 | 9.0 | 10.1 | 29.6 |
| Corporate and Other | (33.2) | (38.3) | 5.1 | (65.7) |
| | ----- | ----- | ----- | ----- |
| Income before Tax | 187.7 | 46.9 | 140.7 | 223.1 |

| Pre-Tax Realized Gains (Losses) by Segment* | | | | |
|---|-------|--------|-------|--------|
| Lincoln Retirement | (0.6) | (56.3) | 55.7 | (78.3) |
| Life Insurance | (2.2) | (24.8) | 22.5 | (15.4) |
| Investment Management | 0.1 | (0.7) | 0.7 | (0.4) |
| Lincoln UK | 0.0 | 4.5 | (4.5) | (0.0) |
| Corporate and Other | 0.0 | (3.9) | 3.9 | 0.0 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|---|-------|--------|------|--------|
| Pre-Tax Realized Gains (Losses) on Investments and Derivatives | (2.7) | (81.1) | 78.4 | (94.1) |
|---|-------|--------|------|--------|

| After-Tax Realized Gains (Losses) by Segment* | | | | |
|---|-------|--------|-------|--------|
| Lincoln Retirement | (0.4) | (36.5) | 36.1 | (50.9) |
| Life Insurance | (1.5) | (16.1) | 14.6 | (10.0) |
| Investment Management | 0.0 | (0.4) | 0.5 | (0.2) |
| Lincoln UK | 0.0 | 3.2 | (3.2) | (0.0) |
| Corporate and Other | 0.0 | (2.4) | 2.5 | 0.0 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|---|-------|--------|------|--------|
| After-Tax Realized Gains (Losses) on Investments and Derivatives | (1.8) | (52.4) | 50.6 | (61.2) |
|---|-------|--------|------|--------|

* Includes both realized gains (losses) on investments and gains (losses) on derivatives.

Financial Highlights
Unaudited [Amounts in Millions]

As of

| | June 2003 Amount | December 2002 Amount | Change |
|---------------------------------------|------------------------|----------------------------|---------|
| | ----- | ----- | ----- |
| Consolidated Condensed Balance Sheets | | | |
| Assets: | | | |
| Investments: | | | |
| Securities Available for Sale: | | | |
| Fixed Maturities | 35,354.5 | 32,767.5 | 2,587.0 |
| Equities | 257.3 | 337.2 | (79.9) |
| Mortgage Loans on Real Estate | 4,314.3 | 4,205.5 | 108.8 |
| Real Estate | 240.3 | 279.7 | (39.4) |

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| | | | |
|--|----------|----------|---------|
| Policy Loans | 1,919.6 | 1,945.6 | (26.0) |
| Other Long-Term Investments | 505.6 | 464.4 | 41.2 |
| | ----- | ----- | ----- |
| Total Investments | 42,591.6 | 39,999.9 | 2,591.7 |
| Other Assets: | | | |
| Assets Held in Separate Accounts | 39,942.8 | 36,178.3 | 3,764.5 |
| Other Assets | 16,998.4 | 17,006.5 | (8.1) |
| | ----- | ----- | ----- |
| Total Assets | 99,532.8 | 93,184.6 | 6,348.2 |
| | ===== | ===== | ===== |
| Liabilities and Shareholders' Equity | | | |
| Liabilities: | | | |
| Insurance and Investment | | | |
| Contract Liabilities | 46,172.1 | 44,845.3 | 1,326.8 |
| Liabilities Related to Separate Accounts | 39,942.8 | 36,178.3 | 3,764.5 |
| Other Liabilities | 7,601.9 | 6,813.6 | 788.4 |
| | ----- | ----- | ----- |
| Total Liabilities | 93,716.9 | 87,837.2 | 5,879.7 |
| Shareholders' Equity: | | | |
| Net Unrealized Gains(Losses) on Securities and Derivatives | 1,146.6 | 781.6 | 365.0 |
| Minimum Pension Liability Adjustment | (98.8) | (97.8) | (0.9) |
| Foreign Currency Translation Adjustment | 68.4 | 50.8 | 17.5 |
| Other Shareholders' Equity | 4,699.8 | 4,612.9 | 86.9 |
| | ----- | ----- | ----- |
| Total Shareholders' Equity | 5,815.9 | 5,347.5 | 468.4 |
| | ----- | ----- | ----- |
| Total Liabilities and Shareholders' Equity | 99,532.8 | 93,184.6 | 6,348.2 |
| | ===== | ===== | ===== |

| | As of | | |
|--|------------------------|----------------------------|---------|
| | June 2003 Amount | December 2002 Amount | Change |
| | ----- | ----- | ----- |
| Roll Forward of Deferred Acquisition Costs | | | |
| Balance at beginning-of-year | 2,970.9 | 2,885.3 | 85.6 |
| Deferral | 289.1 | 627.3 | (338.2) |
| Amortization | (164.1) | (346.7) | 182.6 |
| | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | 124.9 | 280.6 | (155.7) |
| Adjustment related to realized (gains) losses on securities available-for-sale | 38.3 | 115.0 | (76.7) |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (453.5) | (338.5) | (115.0) |
| Foreign currency translation adjustment | 16.3 | 56.9 | (40.6) |
| Other | -- | (28.4) | 28.4 |
| | ----- | ----- | ----- |
| Balance at end-of-period | 2,697.0 | 2,970.9 | (273.9) |
| | ===== | ===== | ===== |
| Roll Forward of Present Value of In-Force | | | |
| Balance at beginning-of-year | 1,250.1 | 1,362.5 | (112.4) |
| Amortization | (36.3) | (136.5) | 100.2 |
| Foreign currency translation adjustment | 6.9 | 24.1 | (17.2) |
| | ----- | ----- | ----- |
| Balance at end-of-period | 1,220.8 | 1,250.1 | (29.4) |

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Eleven-Year Summary
Unaudited [Millions of Dollars
except Per Share Data]

| For the Year Ended December 31 | 2002 | 2001 | 2000 | 1999 | 1998 |
|--------------------------------------|----------|----------|----------|-----------|----------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Lincoln Retirement | 1,787.7 | 1,968.3 | 2,133.7 | 2,115.8 | 2,068.1 |
| Life Insurance | 1,785.0 | 1,840.6 | 1,819.0 | 1,760.4 | 1,378.5 |
| Investment Management | 413.1 | 451.2 | 513.7 | 514.9 | 509.6 |
| Lincoln UK | 277.2 | 290.7 | 433.8 | 446.6 | 439.7 |
| Corporate & Other | 372.4 | 1,827.3 | 1,946.9 | 1,966.0 | 1,691.1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 4,635.5 | 6,378.0 | 6,847.1 | 6,803.7 | 6,087.1 |
| | ===== | ===== | ===== | ===== | ===== |
| Net Income | | | | | |
| Lincoln Retirement | 53.7 | 265.1 | 358.6 | 291.5 | 273.8 |
| Life Insurance | 206.1 | 229.3 | 249.3 | 211.5 | 127.5 |
| Investment Management | (1.4) | (9.0) | 37.0 | 51.6 | 44.4 |
| Lincoln UK | 37.7 | 66.8 | (13.2) | (18.2) | 71.7 |
| Corporate & Other | (247.3) | (6.6) | (10.2) | (76.1) | (7.6) |
| | ----- | ----- | ----- | ----- | ----- |
| Total Net Inc from Cont Oper | 48.8 | 545.7 | 621.4 | 460.4 | 509.8 |
| Discontinued Operations | - | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Total Net Income | 48.8 | 545.7 | 621.4 | 460.4 | 509.8 |
| | ===== | ===== | ===== | ===== | ===== |
| Income from Operations | | | | | |
| Lincoln Retirement | 183.4 | 316.2 | 362.0 | 299.4 | 262.4 |
| Life Insurance | 269.0 | 275.3 | 259.9 | 212.0 | 149.2 |
| Investment Management | 1.8 | (6.1) | 44.1 | 61.0 | 43.9 |
| Lincoln UK | 34.6 | 58.1 | 61.0 | (13.9) | 70.9 |
| Corporate & Other | (57.2) | 1.0 | (8.0) | (83.1) | 4.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Income from Cont Oper | 431.6 | 644.4 | 719.1 | 475.5 | 530.4 |
| Discontinued Operations | - | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 431.6 | 644.4 | 719.1 | 475.5 | 530.4 |
| | ===== | ===== | ===== | ===== | ===== |
| OTHER DATA | | | | | |
| Assets | 93,184.6 | 98,041.6 | 99,844.1 | 103,095.7 | 93,836.3 |
| Shareholders' Equity | | | | | |
| Including AOCI | 5,347.5 | 5,303.8 | 4,954.1 | 4,263.9 | 5,387.9 |
| Excluding AOCI | 4,612.9 | 5,130.6 | 4,920.1 | 4,699.5 | 4,785.5 |
| Average Equity (excluding AOCI) | 4,983.3 | 5,056.0 | 4,811.8 | 4,786.2 | 4,636.3 |
| Common Shares Outstanding (millions) | | | | | |
| End of Period - Diluted | 178.5 | 189.3 | 195.2 | 197.0 | 203.4 |
| Average for the Period - Diluted | 184.6 | 191.5 | 194.9 | 200.4 | 203.3 |

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Per Share Data (Diluted)

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Net Income from Continuing Operations | \$0.26 | \$2.85 | \$3.19 | \$2.30 | \$2.51 |
| Net Income | \$0.26 | \$2.85 | \$3.19 | \$2.30 | \$2.51 |
| Income (Loss) from Continuing Operations | \$2.34 | \$3.37 | \$3.69 | \$2.37 | \$2.61 |
| Income from Operations * | \$2.34 | \$3.37 | \$3.69 | \$2.37 | \$2.61 |

Shareholders' Equity Per Share

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Shareholders' Equity (Includes AOCI) | \$30.10 | \$28.32 | \$25.92 | \$21.76 | \$26.59 |
| Shareholders' Equity (Excludes accum AOCI) | \$25.97 | \$27.39 | \$25.74 | \$23.98 | \$23.62 |
| Dividends Declared (Common Stock) | \$1.30 | \$1.24 | \$1.18 | \$1.12 | \$1.06 |

Return on Equity

| | | | | | |
|------------------------------------|------|-------|-------|------|-------|
| Net Income/Average Equity | 1.0% | 10.8% | 12.9% | 9.6% | 11.0% |
| Inc from Operations/Average Equity | 8.7% | 12.7% | 14.9% | 9.9% | 11.4% |

Market Value of Common Stock

| | | | | | |
|--------------------|----------|---------|---------|---------|---------|
| High for the Year | \$53.650 | \$52.75 | \$56.38 | \$57.50 | \$49.44 |
| Low for the Year | \$25.150 | \$38.00 | \$22.63 | \$36.00 | \$33.50 |
| Close for the Year | \$31.580 | \$48.57 | \$47.31 | \$40.00 | \$40.91 |

For the Year Ended December 31

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|------------------------------|---------|---------|---------|---------|---------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Lincoln Retirement | 1,805.0 | 1,877.1 | 1,506.2 | 1,603.8 | 1,336.2 |
| Life Insurance | 549.2 | 514.9 | 466.2 | 477.5 | 444.4 |
| Investment Management | 410.5 | 290.5 | | | |
| Lincoln UK | 393.2 | 351.5 | 216.0 | 174.9 | 180.6 |
| Corporate & Other | 1,575.6 | 1,552.5 | 1,744.1 | 2,680.9 | 2,780.9 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 4,733.6 | 4,586.5 | 3,932.5 | 4,937.1 | 4,742.1 |
| | ===== | ===== | ===== | ===== | ===== |
| Net Income | | | | | |
| Lincoln Retirement | 204.3 | 248.8 | 142.4 | 127.1 | 89.4 |
| Life Insurance | 51.8 | 40.6 | 34.2 | 37.8 | 46.8 |
| Investment Management | 25.0 | 27.4 | | | |
| Lincoln UK | 66.0 | 45.7 | 18.5 | 12.6 | 9.2 |
| Corporate & Other | 9.3 | (61.0) | (29.6) | (101.1) | 125.1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Net Inc from Cont Oper | 356.4 | 301.4 | 165.5 | 76.4 | 270.5 |
| Discontinued Operations | 157.2 | 180.8 | 184.4 | 242.5 | 88.7 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Net Income | 513.6 | 482.2 | 349.9 | 318.9 | 359.2 |
| | ===== | ===== | ===== | ===== | ===== |
| Income from Operations | | | | | |
| Lincoln Retirement | 174.6 | 175.2 | 142.4 | 127.1 | 89.4 |
| Life Insurance | 41.2 | 35.4 | 34.2 | 37.8 | 46.8 |
| Investment Management | 18.6 | 20.6 | | | |
| Lincoln UK | 66.0 | 45.9 | 17.2 | 11.9 | 9.2 |
| Corporate & Other | (1.7) | (136.2) | 24.8 | 20.8 | 6.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Income from Cont Oper | 298.8 | 140.8 | 218.6 | 197.6 | 151.9 |
| Discontinued Operations | 135.3 | 165.6 | 171.1 | 145.9 | 88.7 |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 434.1 | 306.5 | 389.7 | 343.5 | 240.6 |
| | ===== | ===== | ===== | ===== | ===== |

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OTHER DATA

| | | | | | |
|--|----------|----------|----------|----------|----------|
| Assets | 71,713.4 | 63,257.7 | 48,864.8 | 47,825.1 | 39,042.2 |
| Shareholders' Equity | | | | | |
| Including AOCI | 4,470.0 | 4,378.1 | 3,042.1 | 4,072.3 | 2,826.8 |
| Excluding AOCI | 3,990.6 | 3,669.2 | 3,353.1 | 3,157.6 | 2,664.1 |
| Average Equity (excluding AOCI) | 3,851.7 | 3,400.3 | 3,288.6 | 3,009.0 | 2,575.0 |
| Common Shares Outstanding (millions) | | | | | |
| End of Period - Diluted | 209.5 | 210.3 | 208.3 | 208.3 | 187.7 |
| Average for the Period - Diluted | 210.7 | 209.5 | 208.7 | 206.1 | 186.8 |
| Per Share Data (Diluted) | | | | | |
| Net Income from Continuing Operations | \$1.69 | \$1.44 | \$0.79 | \$0.37 | \$1.45 |
| Net Income | \$2.44 | \$2.30 | \$1.68 | \$1.55 | \$1.92 |
| Income (Loss) from Continuing Operations | \$1.42 | \$0.67 | \$1.05 | \$0.96 | \$0.81 |
| Income from Operations * | \$2.06 | \$1.46 | \$1.87 | \$1.67 | \$1.29 |
| Shareholders' Equity Per Share | | | | | |
| Shareholders' Equity (Includes AOCI) | \$21.50 | \$20.95 | \$14.67 | \$19.69 | \$15.13 |
| Shareholders' Equity (Excludes accum AOCI) | \$19.19 | \$17.55 | \$16.17 | \$15.27 | \$14.26 |
| Dividends Declared (Common Stock) | \$0.94 | \$0.88 | \$0.830 | \$0.775 | \$0.738 |
| Return on Equity | | | | | |
| Net Income/Average Equity | 13.3% | 15.5% | 10.6% | 10.6% | 13.9% |
| Inc from Operations/Average Equity | 11.3% | 9.8% | 11.8% | 11.4% | 9.3% |
| Market Value of Common Stock | | | | | |
| High for the Year | \$28.50 | \$26.88 | \$22.19 | \$24.13 | \$19.03 |
| Low for the Year | \$20.38 | \$17.31 | \$17.31 | \$17.34 | \$12.63 |
| Close for the Year | \$26.25 | \$26.88 | \$17.50 | \$21.75 | \$18.50 |

Note: 2001 and 2002 have been restated for the adoption of the fair value method of accounting for options under FAS 123.

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Quarterly Summary
Unaudited [Millions of Dollars
except Per Share]

| For the Quarter Ended | Jun 2001 | Sep 2001 | Dec 2001 | Mar 2002 | Jun 2002 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Lincoln Retirement | 512.1 | 478.2 | 467.5 | 453.0 | 442.6 |
| Life Insurance | 455.7 | 460.6 | 464.7 | 423.9 | 439.8 |
| Investment Management | 114.7 | 108.8 | 110.8 | 107.3 | 106.1 |
| Lincoln UK | 63.4 | 85.0 | 53.4 | 53.2 | 80.5 |
| Corporate & Other | 447.6 | 485.3 | 367.4 | 88.5 | 88.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 1,593.5 | 1,618.0 | 1,463.8 | 1,126.0 | 1,157.5 |
| | ===== | ===== | ===== | ===== | ===== |

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| | | | | | |
|---------------------------------------|----------|----------|----------|----------|----------|
| Net Income | | | | | |
| Lincoln Retirement | 78.9 | 57.6 | 53.1 | 46.6 | 9.2 |
| Life Insurance | 52.6 | 63.8 | 50.9 | 43.5 | 56.7 |
| Investment Management | (1.8) | (2.1) | (2.4) | 2.1 | (0.8) |
| Lincoln UK | 17.1 | 13.5 | 22.0 | 10.3 | 9.3 |
| Corporate & Other | (15.7) | (24.6) | 33.2 | (16.8) | (25.8) |
| | ----- | ----- | ----- | ----- | ----- |
| Total Net Income | 131.1 | 108.0 | 156.9 | 85.6 | 48.5 |
| | ===== | ===== | ===== | ===== | ===== |
| Income from Operations | | | | | |
| Lincoln Retirement | 89.8 | 71.4 | 73.7 | 79.4 | 46.8 |
| Life Insurance | 66.2 | 69.1 | 72.3 | 70.4 | 72.8 |
| Investment Management | (1.0) | (1.6) | (1.3) | 3.1 | (0.3) |
| Lincoln UK | 15.7 | 9.6 | 19.0 | 13.8 | 6.1 |
| Corporate & Other | (13.1) | (16.3) | 23.0 | (13.6) | (8.9) |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 157.5 | 132.2 | 186.7 | 153.1 | 116.4 |
| | ===== | ===== | ===== | ===== | ===== |
| OTHER DATA | | | | | |
| Assets | 96,464.2 | 90,242.4 | 98,041.6 | 97,888.5 | 95,114.2 |
| Shareholders' Equity | | | | | |
| Beg of Period (including AOCI) | 5,126.1 | 5,088.9 | 5,405.0 | 5,303.8 | 5,173.2 |
| End of Period (including AOCI) | 5,088.9 | 5,405.0 | 5,303.8 | 5,173.2 | 5,352.8 |
| End of Period (excluding AOCI) | 5,001.1 | 5,129.8 | 5,130.6 | 5,174.7 | 5,020.3 |
| Average Equity (excluding AOCI) | 4,955.9 | 5,124.8 | 5,179.0 | 5,179.8 | 5,165.8 |
| Common Shares Outstanding | | | | | |
| Average for the Period - Diluted | 190.4 | 192.8 | 190.9 | 190.0 | 188.5 |
| End of Period - Diluted | 190.9 | 191.2 | 189.3 | 190.2 | 186.1 |
| Per Share Data (Diluted) | | | | | |
| Net Income | \$0.69 | \$0.56 | \$0.82 | \$0.45 | \$0.26 |
| Income from Operations | \$0.83 | \$0.69 | \$0.98 | \$0.81 | \$0.62 |
| Shareholders' Equity | | | | | |
| Shareholders' Equity (including AOCI) | 27.04 | 28.48 | 28.32 | 27.53 | 29.01 |
| Shareholders' Equity (excluding AOCI) | 26.58 | 27.03 | 27.39 | 27.54 | 27.21 |
| Dividends Declared (Common Stock) | 0.305 | 0.305 | 0.320 | 0.320 | 0.320 |
| Return on Equity | | | | | |
| Net Income/Average Equity | 10.6% | 8.4% | 12.1% | 6.6% | 3.8% |
| Inc from Operations/Average Equity | 12.7% | 10.3% | 14.4% | 11.8% | 9.0% |
| Market Value of Common Stock | | | | | |
| Highest Price | \$52.300 | \$52.750 | \$49.450 | \$53.650 | \$52.540 |
| Lowest Price | \$41.280 | \$41.000 | \$40.000 | \$47.200 | \$40.750 |
| Closing Price | \$51.750 | \$46.630 | \$48.570 | \$50.730 | \$42.000 |
| | | | | | |
| | Sep | Dec | Mar | Jun | |
| For the Quarter Ended | 2002 | 2002 | 2003 | 2003 | |
| | ----- | ----- | ----- | ----- | |
| Revenue | | | | | |
| Lincoln Retirement | 440.7 | 451.4 | 397.8 | 486.4 | |
| Life Insurance | 441.6 | 479.6 | 457.5 | 474.0 | |
| Investment Management | 97.5 | 102.2 | 102.1 | 116.4 | |
| Lincoln UK | 91.8 | 51.8 | 68.9 | 60.2 | |

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| | | | | |
|---------------------------------------|----------|----------|----------|----------|
| Corporate & Other | 91.8 | 103.6 | 73.0 | 76.1 |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 1,163.4 | 1,188.6 | 1,099.3 | 1,213.2 |
| | ===== | ===== | ===== | ===== |
| Net Income | | | | |
| Lincoln Retirement | (7.0) | 5.0 | 6.9 | 81.7 |
| Life Insurance | 46.4 | 59.5 | 48.5 | 65.6 |
| Investment Management | (3.9) | 1.1 | 1.0 | 4.6 |
| Lincoln UK | 0.2 | 17.9 | 6.8 | 12.4 |
| Corporate & Other | (172.1) | (32.6) | (21.7) | (21.6) |
| | ----- | ----- | ----- | ----- |
| Total Net Income | (136.4) | 51.0 | 41.6 | 142.7 |
| | ===== | ===== | ===== | ===== |
| Income from Operations | | | | |
| Lincoln Retirement | 21.8 | 35.4 | 57.4 | 86.1 |
| Life Insurance | 62.7 | 63.1 | 60.7 | 71.8 |
| Investment Management | (3.0) | 2.1 | 1.3 | 4.5 |
| Lincoln UK | (0.6) | 15.3 | 6.8 | 12.4 |
| Corporate & Other | (18.8) | (15.9) | (21.5) | (21.5) |
| | ----- | ----- | ----- | ----- |
| Income from Operations | 62.1 | 100.0 | 104.8 | 153.3 |
| | ===== | ===== | ===== | ===== |
| OTHER DATA | | | | |
| Assets | 90,483.9 | 93,184.6 | 92,497.6 | 99,532.8 |
| Shareholders' Equity | | | | |
| Beg of Period (including AOCI) | 5,352.8 | 5,436.8 | 5,347.5 | 5,450.0 |
| End of Period (including AOCI) | 5,436.8 | 5,347.5 | 5,450.0 | 5,815.9 |
| End of Period (excluding AOCI) | 4,591.8 | 4,612.9 | 4,610.5 | 4,699.8 |
| Average Equity (excluding AOCI) | 4,944.0 | 4,643.6 | 4,682.0 | 4,672.0 |
| Common Shares Outstanding | | | | |
| Average for the Period - Diluted | 183.2 | 178.4 | 178.3 | 179.2 |
| End of Period - Diluted | 178.2 | 178.5 | 178.4 | 179.5 |
| Per Share Data (Diluted) | | | | |
| Net Income | (\$0.74) | \$0.29 | \$0.23 | \$0.80 |
| Income from Operations | \$0.34 | \$0.56 | \$0.59 | \$0.86 |
| Shareholders' Equity | | | | |
| Shareholders' Equity (including AOCI) | 30.64 | 30.10 | 30.66 | 32.68 |
| Shareholders' Equity (excluding AOCI) | 25.87 | 25.97 | 25.94 | 26.41 |
| Dividends Declared (Common Stock) | 0.320 | 0.335 | 0.335 | 0.335 |
| Return on Equity | | | | |
| Net Income/Average Equity | (11.0%) | 4.4% | 3.6% | 12.2% |
| Inc from Operations/Average Equity | 5.0% | 8.6% | 8.9% | 13.1% |
| Market Value of Common Stock | | | | |
| Highest Price | \$42.080 | \$35.950 | \$35.700 | \$37.500 |
| Lowest Price | \$29.120 | \$25.150 | \$24.730 | \$27.870 |
| Closing Price | \$30.550 | \$31.580 | \$28.000 | \$35.630 |

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Reconciliation of Business Segments to Consolidated
Unaudited [Amounts in Millions]

| For the Quarter Ended June 30 | Lincoln Retirement | | Life Insurance | | Investment Management |
|---|--------------------|---------------|----------------|---------------|-----------------------|
| | Jun 2003 | Jun 2002 | Jun 2003 | Jun 2002 | Jun 2003 |
| Revenue | | | | | |
| Life and annuity premiums | 3.0 | 13.1 | 49.6 | 47.5 | |
| Surrender charges | 8.5 | 7.2 | 12.4 | 13.5 | |
| Mortality assessments | | | 128.4 | 123.9 | |
| Expense assessments | 104.3 | 120.7 | 49.6 | 47.2 | |
| Health premiums | | | 0.0 | 0.1 | |
| Investment advisory fees | | | | | 74.8 |
| Other revenue and fees | 1.3 | (1.3) | 7.3 | 6.7 | 29.5 |
| Net investment income | 369.8 | 359.1 | 229.0 | 225.7 | 12.1 |
| Realized gains (losses) on investments | 0.9 | (56.2) | (2.6) | (25.4) | 0.1 |
| Gains (losses) on derivatives | (1.5) | (0.1) | 0.3 | 0.6 | |
| Total Revenue | 486.4 | 442.6 | 474.0 | 439.8 | 116.4 |
| Operating Benefits and Expenses | | | | | |
| Ins. benefits paid or provided: | | | | | |
| Life and annuity policy benefits | 34.8 | 72.5 | 110.5 | 103.6 | |
| Div accum & div to policyholders | | | 17.6 | 18.2 | |
| Interest credited to policy bal. | 217.1 | 221.8 | 149.8 | 148.9 | |
| Health policy benefits | | | 0.0 | 0.0 | |
| Total insurance benefits | 251.9 | 294.3 | 277.9 | 270.8 | |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 74.2 | 82.5 | 30.7 | 34.8 | |
| Other volume related expenses | 14.7 | 16.9 | 43.2 | 43.6 | |
| Operating and administrative expenses | 56.6 | 53.8 | 38.5 | 38.2 | 104.4 |
| Restructuring charges | 6.2 | 1.6 | 7.3 | | |
| Taxes, licenses and fees | 4.3 | 4.2 | 13.8 | 15.3 | 2.8 |
| Par policyholder interests | | | | | |
| Foreign exchange | | | | | |
| Subtotal | 156.0 | 159.0 | 133.4 | 132.0 | 107.2 |
| Deferral of acquisition costs | (51.0) | (60.8) | (79.7) | (82.2) | |
| DAC amortization | 28.5 | 48.3 | 29.5 | 23.6 | |
| DAC deferral net of amortization | (22.6) | (12.6) | (50.2) | (58.6) | |
| PVIF amortization | 2.1 | 3.9 | 17.2 | 16.3 | |
| Other intangibles amortization | | | | | 2.0 |
| Total underwriting, acquisition, insurance and other expenses | 135.5 | 150.4 | 100.4 | 89.6 | 109.2 |
| Goodwill amortization | | | | | |
| Interest | 0.0 | | | 0.0 | |
| Benefits and Expenses | 387.4 | 444.7 | 378.3 | 360.4 | 109.2 |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 99.0 | (2.2) | 95.7 | 79.4 | 7.2 |
| Federal income taxes | 17.3 | (11.3) | 30.1 | 22.7 | 2.6 |

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| | | | | | |
|---|-------|--------|-------|--------|-----|
| Income Before Cumulative Effect of Accounting Changes | 81.7 | 9.2 | 65.6 | 56.7 | 4.6 |
| Cumulative effect of accounting changes | | | | | |
| Net Income | 81.7 | 9.2 | 65.6 | 56.7 | 4.6 |
| Less: | | | | | |
| Restructuring charges | (4.0) | (1.0) | (4.7) | | |
| Realized gains (losses) on investments | 1.0 | (36.6) | (1.9) | (16.4) | 0.0 |
| Gains (losses) on derivatives | (1.4) | 0.1 | 0.4 | 0.3 | |
| Reserve increase on business sold through reinsurance | | | | | |
| Gain on sale of subsidiaries | | | | | |
| Cumulative effect of accounting changes | | | | | |
| Income from Operations | 86.1 | 46.8 | 71.8 | 72.8 | 4.5 |

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Reconciliation of Business Segments to Consolidated Income Statement
Unaudited [Amounts in Millions]

| For the Quarter Ended June 30 | Corporate and Other Operations | | Consolidating Adjustments | | Consolidated | |
|---|--------------------------------|----------|---------------------------|----------|--------------|----------|
| | Jun 2003 | Jun 2002 | Jun 2003 | Jun 2002 | Jun 2003 | Jun 2002 |
| Revenue | | | | | | |
| Life and annuity premiums | | (3.4) | | | 65.9 | 68.7 |
| Surrender charges | | | 0.4 | 0.6 | 21.3 | 21.3 |
| Mortality assessments | (1.9) | (1.7) | | | 135.6 | 130.5 |
| Expense assessments | 1.9 | 1.7 | 10.6 | 10.7 | 190.9 | 208.0 |
| Health premiums | (0.5) | 7.6 | | | 0.1 | 8.3 |
| Investment advisory fees | | | (25.4) | (24.3) | 49.4 | 47.8 |
| Amortization of deferred gain | 18.2 | 22.0 | | | 18.2 | 22.0 |
| Amortization of deferred gain-reserve development | (0.2) | | | | (0.2) | |
| Other revenue and fees | 105.4 | 96.8 | (65.1) | (61.6) | 74.5 | 75.1 |
| Net investment income | 33.7 | 46.3 | (1.1) | (1.6) | 660.2 | 657.4 |
| Earnings in Unconsolidated Affiliates | | (0.6) | | | | (0.6) |
| Realized gains (losses) on investments | (0.2) | (3.8) | | | (1.7) | (81.5) |
| Gains (losses) on derivatives | 0.2 | (0.1) | | | (1.0) | 0.4 |
| Total Revenue | 156.7 | 164.7 | (80.6) | (76.2) | 1,213.2 | 1,157.5 |
| Benefits and Expenses | | | | | | |
| Ins. benefits paid or provided: | | | | | | |
| Life and annuity policy benefits | (11.7) | (0.1) | | | 155.1 | 191.5 |
| Div accum & div to policyholders | | 0.0 | | | 17.6 | 18.2 |

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| | | | | | | |
|---|--------|--------|--------|--------|---------|---------|
| Interest credited to policy bal. | 32.9 | 3.7 | 6.6 | 8.0 | 406.3 | 382.5 |
| Health policy benefits | 11.2 | 30.4 | | | 14.2 | 33.9 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total insurance benefits | 32.4 | 34.0 | 6.6 | 8.0 | 593.2 | 626.1 |
| Underwriting, acquisition, insurance and other expenses: | | | | | | |
| Commissions | 19.7 | 22.3 | 7.4 | 6.9 | 132.9 | 148.6 |
| Other volume related expenses | 47.1 | 46.0 | (39.5) | (40.9) | 65.4 | 65.5 |
| Operating and administrative expenses | 64.4 | 53.3 | (48.9) | (45.7) | 235.5 | 219.4 |
| Restructuring charges | | | | | 13.5 | 1.6 |
| Taxes, licenses and fees | 2.2 | (0.2) | | | 23.1 | 23.5 |
| Par policyholder interests | | | | | | |
| Foreign exchange | | 0.6 | | | | 0.6 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 133.4 | 122.0 | (81.0) | (79.6) | 470.3 | 459.2 |
| Deferral of acquisition costs | | (1.4) | (9.0) | (10.7) | (140.6) | (156.1) |
| DAC amortization | 0.1 | 0.0 | 4.0 | 7.8 | 64.0 | 100.5 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | 0.1 | (1.4) | (5.1) | (2.9) | (76.5) | (55.5) |
| PVIF amortization | | | | | 13.6 | 31.9 |
| Other intangibles amortization | | | | | 2.0 | 2.0 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 133.5 | 120.6 | (86.1) | (82.6) | 409.3 | 437.6 |
| Goodwill amortization | | | | | | |
| Interest | 24.1 | 26.2 | (1.1) | (1.6) | 23.0 | 24.6 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 190.0 | 203.1 | (80.6) | (76.2) | 1,025.5 | 1,110.5 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | (33.2) | (38.3) | (0.0) | | 187.7 | 46.9 |
| Federal income taxes | (11.7) | (12.5) | (0.0) | | 45.0 | (1.6) |
| Income Before Cumulative Effect of Accounting Changes | (21.6) | (25.8) | 0.0 | | 142.7 | 48.5 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Income | (21.6) | (25.8) | 0.0 | | 142.7 | 48.5 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Less: | | | | | | |
| Restructuring charges | | | | | (8.8) | (1.0) |
| Realized gains (losses) on investments | (0.4) | (2.4) | 0.0 | | (1.1) | (52.7) |
| Gains (losses) on derivatives | 0.4 | (0.1) | | | (0.6) | 0.3 |
| Reserve increase on business sold through reinsurance | (0.1) | (14.4) | | | (0.1) | (14.4) |
| Gain on sale of subsidiaries | | | | | | |
| Cumulative effect of accounting changes | | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | (21.5) | (8.9) | (0.0) | | 153.3 | 116.4 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

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Reconciliation of Business Segments to Consolidated Income Statement
Unaudited [Amounts in Millions]

| For the Six Months Ended June 30 | Lincoln Retirement | | Life Insurance | | Investment Management |
|--|--------------------|---------------|----------------|----------------|-----------------------|
| | Jun 2003 | Jun 2002 | Jun 2003 | Jun 2002 | Jun 2003 |
| Revenue | | | | | |
| Life and annuity premiums | 8.5 | 25.3 | 97.4 | 98.6 | |
| Surrender charges | 15.4 | 15.1 | 23.8 | 25.2 | |
| Mortality assessments | | | 258.1 | 247.8 | |
| Expense assessments | 201.8 | 241.7 | 97.9 | 94.1 | |
| Health premiums | | | 0.1 | 0.1 | |
| Investment advisory fees | | | | | 143.1 |
| Other revenue and fees | (0.1) | 4.5 | 13.1 | 12.4 | 51.5 |
| Net investment income | 736.9 | 715.7 | 456.6 | 451.7 | 24.2 |
| Realized gains (losses) on investments | (75.8) | (106.7) | (15.2) | (66.8) | (0.4) |
| Gains (losses) on derivatives | (2.5) | (0.0) | (0.2) | 0.6 | |
| Total Revenue | 884.2 | 895.6 | 931.6 | 863.8 | 218.5 |
| Operating Benefits and Expenses | | | | | |
| Ins. benefits paid or provided: | | | | | |
| Life and annuity policy benefits | 99.9 | 127.9 | 214.3 | 207.7 | |
| Div accum & div to policyholders | | | 32.0 | 36.0 | |
| Interest credited to policy bal. | 437.2 | 447.9 | 299.9 | 295.2 | |
| Health policy benefits | | | 0.0 | 0.0 | |
| Total insurance benefits | 537.0 | 575.8 | 546.2 | 538.9 | |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 141.0 | 165.0 | 63.1 | 69.4 | |
| Other volume related expenses | 28.6 | 26.9 | 97.4 | 86.3 | |
| Operating and administrative expenses | 110.7 | 108.4 | 79.1 | 76.4 | 199.6 |
| Restructuring charges | 6.2 | 1.6 | 12.8 | | |
| Taxes, licenses and fees | 10.0 | 8.9 | 28.2 | 28.5 | 5.8 |
| Par policyholder interests | | | | | |
| Foreign exchange | | | | | |
| Subtotal | 296.4 | 310.7 | 280.6 | 260.6 | 205.4 |
| Deferral of acquisition costs | (98.8) | (122.6) | (170.7) | (156.5) | |
| DAC amortization | 59.4 | 80.9 | 76.5 | 45.7 | |
| DAC deferral net of amortization | (39.4) | (41.6) | (94.3) | (110.8) | |
| PVIF amortization | 4.4 | 7.7 | 34.6 | 33.1 | |
| Other intangibles amortization | | | | | 4.0 |
| Total underwriting, acquisition, insurance and other expenses | 261.4 | 276.8 | 220.9 | 182.8 | 209.4 |
| Benefits and Expenses | 798.5 | 852.7 | 767.2 | 721.7 | 209.4 |
| Income from Before Federal Income Tax and | | | | | |

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| | | | | | |
|---|--------|--------|-------|--------|-------|
| Cumulative Effect of Accounting Changes | 85.7 | 42.9 | 164.4 | 142.1 | 9.1 |
| Federal income taxes | (2.9) | (12.8) | 50.3 | 41.9 | 3.5 |
| Income Before Cumulative Effect of Accounting Changes | 88.6 | 55.7 | 114.1 | 100.2 | 5.6 |
| Cumulative effect of accounting changes | | | | | |
| Net Income | 88.6 | 55.7 | 114.1 | 100.2 | 5.6 |
| Less: | | | | | |
| Restructuring charges | (4.0) | (1.0) | (8.3) | | |
| Realized gains (losses) on investments | (49.3) | (69.5) | (9.9) | (43.4) | (0.2) |
| Gains (losses) on derivatives | (1.6) | 0.1 | (0.1) | 0.3 | |
| Reserve increase on business sold through reinsurance | | | | | |
| Gain on sale of subsidiaries | | | | | |
| Cumulative effect of accounting changes | | | | | |
| Income from Operations | 143.5 | 126.2 | 132.4 | 143.2 | 5.8 |

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Reconciliation of Business Segments to Consolidated Income Statement
Unaudited [Amounts in Millions]

| For the Six Months Ended June 30 | Corporate and Other Operations | | Consolidating Adjustments | | Consolidated | |
|---|--------------------------------|----------|---------------------------|----------|--------------|----------|
| | Jun 2003 | Jun 2002 | Jun 2003 | Jun 2002 | Jun 2003 | Jun 2002 |
| Revenue | | | | | | |
| Life and annuity premiums | | (3.4) | | | 131.2 | 143.4 |
| Surrender charges | | | 1.1 | 1.1 | 40.2 | 41.4 |
| Mortality assessments | (1.9) | (1.7) | | | 274.5 | 260.9 |
| Expense assessments | 1.9 | 1.7 | 20.2 | 21.3 | 368.0 | 411.9 |
| Health premiums | 1.8 | 9.3 | | | 3.1 | 10.8 |
| Investment advisory fees | | | (49.6) | (49.4) | 93.5 | 95.8 |
| Amortization of deferred gain | 36.6 | 46.2 | | | 36.6 | 46.2 |
| Amortization of deferred gain-reserve development | (0.4) | | | | (0.4) | |
| Other revenue and fees | 210.9 | 196.2 | (136.7) | (124.5) | 145.1 | 145.9 |
| Net investment income | 67.3 | 92.5 | (2.1) | (3.1) | 1,314.9 | 1,312.2 |
| Earnings in Unconsolidated Affiliates | | (0.6) | | | | (0.6) |
| Realized gains (losses) on investments | 0.2 | (8.7) | | | (91.3) | (185.0) |
| Gains (losses) on derivatives | (0.2) | (0.0) | | | (2.8) | 0.6 |
| Total Revenue | 316.3 | 331.5 | (167.1) | (154.4) | 2,312.5 | 2,283.4 |
| Benefits and Expenses | | | | | | |
| Ins. benefits paid or provided: | | | | | | |

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| | | | | | | |
|--|--------|--------|---------|---------|---------|---------|
| Life and annuity policy benefits | (9.7) | 1.5 | | | 342.2 | 367.6 |
| Div accum & div to policyholders | | 0.0 | | | 32.0 | 36.0 |
| Interest credited to policy bal. | 65.4 | 29.5 | 13.2 | 16.1 | 815.6 | 788.6 |
| Health policy benefits | 11.5 | 30.4 | | | 16.5 | 37.3 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total insurance benefits | 67.2 | 61.4 | 13.2 | 16.1 | 1,206.2 | 1,229.5 |
| Underwriting, acquisition, insurance and other expenses: | | | | | | |
| Commissions | 38.0 | 41.5 | 14.6 | 13.6 | 258.6 | 292.8 |
| Other volume related expenses | 98.1 | 91.0 | (87.2) | (83.9) | 137.0 | 120.2 |
| Operating and administrative expenses | 120.3 | 113.2 | (95.3) | (92.1) | 453.2 | 440.1 |
| Restructuring charges | | | | | 19.0 | 1.6 |
| Taxes, licenses and fees | 9.8 | 14.0 | | | 53.8 | 60.1 |
| Par policyholder interests | | | | | | |
| Foreign exchange | (0.0) | 0.6 | | | (0.0) | 0.6 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 266.2 | 260.3 | (167.8) | (162.4) | 921.5 | 915.4 |
| Deferral of acquisition costs | | (1.4) | (17.9) | (21.6) | (289.1) | (304.0) |
| DAC amortization | 0.1 | 0.2 | 7.5 | 16.5 | 164.1 | 170.9 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | 0.1 | (1.2) | (10.4) | (5.1) | (124.9) | (133.1) |
| PVIF amortization | | | | | 36.3 | 53.3 |
| Other intangibles amortization | | | | | 4.0 | 4.2 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 266.4 | 259.1 | (178.2) | (167.4) | 836.8 | 839.8 |
| Interest | 48.4 | 52.5 | (2.1) | (3.1) | 46.3 | 49.5 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 382.0 | 395.2 | (167.1) | (154.4) | 2,089.4 | 2,141.0 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | (65.7) | (63.7) | | | 223.1 | 142.4 |
| Federal income taxes | (22.5) | (21.1) | | | 38.8 | 8.3 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | (43.3) | (42.6) | | | 184.3 | 134.2 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Income | (43.3) | (42.6) | | | 184.3 | 134.2 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Less: | | | | | | |
| Restructuring charges | | | | | (12.3) | (1.0) |
| Realized gains (losses) on investments | 0.1 | (5.7) | | | (59.4) | (120.3) |
| Gains (losses) on derivatives | (0.1) | (0.0) | | | (1.8) | 0.4 |
| Reserve increase on business sold through reinsurance | (0.2) | (14.4) | | | (0.2) | (14.4) |
| Gain on sale of subsidiaries | | | | | | |
| Cumulative effect of accounting changes | | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | (43.0) | (22.5) | 0.0 | | 258.1 | 269.5 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

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Statement of Consolidated Income
Unaudited [Millions of Dollars]

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 | YTD Jun 2003 |
|---|---------|---------|---------|---------|---------|--------------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | | |
| Life and annuity premiums | 985.6 | 1183.0 | 1403.3 | 1363.4 | 295.6 | 143.0 |
| Surrender charges | 91.5 | 110.2 | 114.7 | 101.5 | 87.8 | 41.0 |
| Mortality assessments | 380.1 | 496.4 | 496.5 | 533.3 | 530.3 | 260.0 |
| Expense assessments | 773.8 | 896.0 | 1013.1 | 880.1 | 792.7 | 411.0 |
| Health premiums | 635.1 | 698.5 | 409.8 | 340.6 | 20.3 | 10.0 |
| Investment advisory fees | 227.1 | 223.8 | 213.1 | 197.2 | 183.3 | 95.0 |
| Amortization of deferred gain | | | | 20.4 | 75.2 | 46.0 |
| Amortization of deferred gain- reserve development | | | | | (0.8) | |
| Other revenue and fees | 261.0 | 344.5 | 441.1 | 328.7 | 299.5 | 145.0 |
| Net investment income | 2,710.6 | 2,842.5 | 2,784.1 | 2,708.7 | 2,631.9 | 1,312.0 |
| Earnings in Unconsolidated Affiliates | 3.3 | 5.8 | (0.4) | 5.7 | (0.6) | (0.0) |
| Realized gains (losses) on investments | 19.0 | 3.0 | (28.3) | (92.4) | (280.9) | (185.0) |
| Gains (losses) on derivatives | | | | (9.3) | 1.2 | 0.0 |
| Total Revenue | 6,087.1 | 6,803.7 | 6,847.1 | 6,378.0 | 4,635.5 | 2,283.0 |
| Benefits and Expenses | | | | | | |
| Ins. benefits paid or provided: | | | | | | |
| Life and annuity policy benefits | 1,237.7 | 1,546.6 | 1,546.4 | 1,517.9 | 811.3 | 367.0 |
| Div accum & div to policyholders | 78.0 | 88.4 | 87.6 | 83.7 | 76.0 | 36.0 |
| Interest credited to policy bal. | 1,446.2 | 1,510.4 | 1,474.2 | 1,506.0 | 1,617.1 | 788.0 |
| Health policy benefits | 566.9 | 659.7 | 449.0 | 302.1 | 49.7 | 37.0 |
| Reserve developments on Reins. business sold | | | | | 305.4 | 22.0 |
| Total insurance benefits | 3,328.9 | 3,805.0 | 3,557.2 | 3,409.7 | 2,859.5 | 1,251.0 |
| Underwriting, acquisition, insurance and other expenses: | | | | | | |
| Commissions | 740.1 | 961.0 | 919.1 | 860.3 | 579.4 | 292.0 |
| Other volume related expenses | 150.7 | 197.1 | 253.8 | 184.8 | 256.8 | 120.0 |
| Operating and administrative expenses | 997.9 | 1165.3 | 1157.0 | 1114.5 | 928.0 | 440.0 |
| Restructuring charges | 52.8 | 27.4 | 104.9 | 38.0 | (2.2) | 1.0 |
| Taxes, licenses and fees | 73.1 | 77.9 | 107.5 | 122.9 | 106.8 | 60.0 |
| Par policyholder interests | (4.3) | 3.3 | 1.1 | | | |
| Foreign exchange | (1.5) | 1.9 | (2.9) | (1.4) | 0.3 | 0.0 |
| Subtotal | 2,008.8 | 2,433.8 | 2,540.6 | 2,319.1 | 1,869.0 | 915.0 |
| Deferral of acquisition costs | | | | (714.1) | (627.3) | (304.0) |
| DAC amortization | | | | 367.8 | 346.7 | 170.0 |
| DAC deferral net of amortization | (208.2) | (314.6) | (427.5) | (346.3) | (280.6) | (133.0) |
| PVIF amortization | 77.1 | 102.5 | 132.6 | 113.1 | 136.5 | 53.0 |
| Other intangibles amortization | 18.8 | 18.0 | 17.7 | 12.1 | 8.2 | 4.0 |

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| | | | | | | |
|--|---------|---------|---------|---------|---------|--------|
| Total underwriting, acquisition, insurance and other expenses | 1,896.5 | 2,239.7 | 2,263.5 | 2,098.0 | 1,733.2 | 839. |
| Goodwill amortization | 44.5 | 49.2 | 45.1 | 43.4 | | |
| Interest | 117.1 | 133.7 | 139.5 | 121.0 | 96.6 | 49. |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 5,386.9 | 6,227.6 | 6,005.3 | 5,672.1 | 4,689.3 | 2,141. |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 700.2 | 576.1 | 841.8 | 705.9 | (53.8) | 142. |
| Federal income taxes | 190.4 | 115.7 | 220.4 | 144.7 | (102.6) | 8. |
| Income Before Cumulative Effect of Accounting Changes | 509.8 | 460.4 | 621.4 | 561.2 | 48.8 | 134. |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | | | | (15.6) | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Income | 509.8 | 460.4 | 621.4 | 545.7 | 48.8 | 134. |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Less: | | | | | | |
| Restructuring charges | (34.3) | (18.9) | (80.2) | (24.7) | 2.0 | (1. |
| Realized gains (losses) on investments | 13.7 | 3.8 | (17.5) | (68.7) | (177.2) | (120. |
| Gains (losses) on derivatives | | | | (4.9) | 0.8 | 0. |
| Reserve increase on business sold through reinsurance | | | | | (199.1) | (14. |
| Gain on sale of subsidiaries | | | | 15.0 | (9.4) | |
| Cumulative Effect of Accounting Changes | | | | (15.6) | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 530.4 | 475.5 | 719.1 | 644.4 | 431.6 | 269. |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| ----- | | | | | | |
| Roll Forward of Deferred Acquisition Costs | | | | | | |
| Balance at beginning-of-year | | | | 3,070.5 | 2,885.3 | 2,885. |
| Deferral | | | | 714.1 | 627.3 | 304. |
| Amortization | | | | (367.8) | (346.7) | (170. |
| | | | | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | | | | 346.3 | 280.6 | 133. |
| Adjustment related to realized (gains) losses on securities available-for-sale | | | | 112.9 | 115.0 | 74. |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | | | | (187.2) | (338.5) | (37. |
| Foreign currency translation adjustment | | | | (16.0) | 56.9 | 29. |
| Disposition of business | | | | (425.9) | 0.0 | 0. |
| Other | | | | (15.3) | (28.4) | (28. |
| | | | | ----- | ----- | ----- |
| Balance at end-of-year | | | | 2,885.3 | 2,970.9 | 3,056. |
| | | | | ===== | ===== | ===== |
| Roll Forward of Present Value of In-Force | | | | | | |

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| | | | |
|---|---------|---------|--------|
| Balance at beginning-of-year | 1,483.3 | 1,362.5 | 1,362. |
| Amortization | (113.1) | (136.5) | (53. |
| Foreign currency translation adjustment | (7.0) | 24.1 | 12. |
| Other | (0.7) | (0.0) | (0. |
| | ----- | ----- | ----- |
| Balance at end-of-year | 1,362.5 | 1,250.1 | 1,321. |
| | ===== | ===== | ===== |

Note: 2001 and 2002 have been restated for the adoption of the fair value method of accounting for options under FAS 123.

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Statement of Consolidated Income
Unaudited [Millions of Dollars]

| For the Quarter Ended | Jun 2001 | Sep 2001 | Dec 2001 | Mar 2002 | Jun 2002 |
|--|-------------|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Life and annuity premiums | 353.9 | 336.8 | 270.7 | 74.7 | 68.7 |
| Surrender charges | 22.8 | 23.2 | 27.7 | 20.2 | 21.3 |
| Mortality assessments | 133.7 | 133.3 | 132.6 | 130.4 | 130.5 |
| Expense assessments | 219.8 | 217.4 | 205.9 | 203.9 | 208.0 |
| Health premiums | 95.7 | 103.9 | 36.1 | 2.4 | 8.3 |
| Investment advisory fees | 49.6 | 47.2 | 50.9 | 48.0 | 47.8 |
| Amortization of deferred gain | | | 20.4 | 24.2 | 22.0 |
| Amortization of deferred gain-reserve development | | | | | |
| Other revenue and fees | 54.9 | 100.2 | 87.9 | 70.8 | 75.1 |
| Net investment income | 680.7 | 693.3 | 653.1 | 654.8 | 657.4 |
| Earnings in Unconsolidated Affiliates | 0.0 | 0.4 | 4.3 | | (0.6) |
| Realized gains (losses) on investments | (17.9) | (37.1) | (16.8) | (103.5) | (81.5) |
| Gains (losses) on derivatives | 0.3 | (0.5) | (8.9) | 0.1 | 0.4 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 1,593.5 | 1,618.0 | 1,463.8 | 1,126.0 | 1,157.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Benefits and Expenses | | | | | |
| Ins. benefits paid or provided: | | | | | |
| Life and annuity policy benefits | 373.6 | 422.6 | 302.8 | 176.1 | 191.5 |
| Div accum & div to policyholders | 20.2 | 18.0 | 26.6 | 17.8 | 18.2 |
| Interest credited to policy bal. | 369.7 | 378.7 | 390.6 | 406.2 | 382.5 |
| Health policy benefits | 91.5 | 83.8 | 25.0 | 3.3 | 33.9 |
| Reserve developments on Reins. business sold | | | | | 22.2 |
| | ----- | ----- | ----- | ----- | ----- |
| Total insurance benefits | 855.0 | 903.1 | 744.9 | 603.4 | 648.3 |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 217.6 | 207.9 | 217.9 | 144.2 | 148.6 |
| Other volume related expenses | 58.9 | 53.1 | 29.1 | 54.7 | 65.5 |
| Operating and administrative expenses | 257.7 | 279.7 | 314.9 | 220.7 | 219.4 |

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| | | | | | |
|---|---------|---------|---------|---------|---------|
| Restructuring charges | 5.9 | (0.0) | 31.0 | | 1.6 |
| Taxes, licenses and fees | 29.2 | 30.0 | 28.4 | 36.6 | 23.5 |
| Par policyholder interests | 0.0 | | | | |
| Foreign exchange | 2.0 | (2.5) | 1.1 | 0.0 | 0.6 |
| | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 571.4 | 568.3 | 622.4 | 456.2 | 459.2 |
| Deferral of acquisition costs | (175.1) | (183.4) | (194.5) | (147.9) | (156.1) |
| DAC amortization | 82.9 | 118.0 | 56.8 | 70.4 | 100.5 |
| | ----- | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | (92.2) | (65.4) | (137.7) | (77.5) | (55.5) |
| PVIF amortization | 23.6 | 34.4 | 21.8 | 21.3 | 31.9 |
| Other intangibles amortization | 2.6 | 2.6 | 2.5 | 2.2 | 2.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 505.4 | 539.9 | 509.0 | 402.2 | 437.6 |
| Goodwill amortization | 10.9 | 10.9 | 10.7 | | |
| Interest | 32.0 | 29.6 | 25.0 | 24.8 | 24.6 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 1,403.3 | 1,483.5 | 1,289.7 | 1,030.4 | 1,110.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 190.2 | 134.5 | 174.2 | 95.5 | 46.9 |
| Federal income taxes | 47.8 | 26.4 | 17.3 | 9.9 | (1.6) |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | 142.4 | 108.0 | 156.9 | 85.6 | 48.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | (11.3) | | (0.0) | | |
| | ----- | ----- | ----- | ----- | ----- |
| Net Income | 131.1 | 108.0 | 156.9 | 85.6 | 48.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Less: | | | | | |
| Restructuring charges | (3.9) | 0.0 | (20.2) | | (1.0) |
| Realized gains (losses) on investments | (11.5) | (23.8) | (20.0) | (67.6) | (52.7) |
| Gains (losses) on derivatives | 0.2 | (0.4) | (4.6) | 0.1 | 0.3 |
| Reserve increase on business sold through reinsurance | | | | | (14.4) |
| Gain on sale of subsidiaries | | | 15.0 | | |
| Cumulative Effect of Accounting Changes | (11.3) | | (0.0) | | |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 157.5 | 132.2 | 186.7 | 153.1 | 116.4 |
| | ===== | ===== | ===== | ===== | ===== |
| Roll Forward of Deferred Acquisition Costs | | | | | |
| Balance at beginning-of-period | 2,963.4 | 3,129.1 | 3,087.2 | 2,885.3 | 3,114.9 |
| Deferral | 175.1 | 183.4 | 194.5 | 147.9 | 156.1 |
| Amortization | (82.9) | (118.0) | (56.8) | (70.4) | (100.5) |
| | ----- | ----- | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | 92.2 | 65.4 | 137.7 | 77.5 | 55.5 |
| Adjustment related to realized (gains) losses on securities available-for-sale | 17.8 | 23.9 | 49.5 | 41.9 | 32.5 |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | 55.8 | (157.0) | 68.1 | 114.9 | (152.1) |
| Foreign currency translation adjustment | (0.2) | 23.8 | (7.2) | (12.2) | 41.7 |
| Disposition of business | | | (425.9) | | |
| Other | 0.1 | 2.1 | (24.2) | 7.5 | (35.7) |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at end-of-period | 3,129.1 | 3,087.2 | 2,885.3 | 3,114.9 | 3,056.7 |
| | ===== | ===== | ===== | ===== | ===== |

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Roll Forward of Present Value of In-Force

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Balance at beginning-of-period | 1,436.0 | 1,412.3 | 1,387.4 | 1,362.5 | 1,336.1 |
| Amortization | (23.6) | (34.4) | (21.8) | (21.3) | (31.9) |
| Foreign currency translation adjustment | (0.1) | 10.3 | (3.2) | (5.1) | 17.4 |
| Other | | (0.7) | | | (0.1) |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at end-of-period | 1,412.3 | 1,387.4 | 1,362.5 | 1,336.1 | 1,321.4 |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | |
|-----------------------|-------|-------|-------|-------|
| For the Quarter Ended | Sep | Dec | Mar | Jun |
| | 2002 | 2002 | 2003 | 2003 |
| | ----- | ----- | ----- | ----- |

Revenue

| | | | | |
|---|---------|---------|---------|---------|
| Life and annuity premiums | 71.6 | 80.7 | 65.3 | 65.9 |
| Surrender charges | 22.8 | 23.5 | 18.9 | 21.3 |
| Mortality assessments | 134.1 | 135.3 | 138.9 | 135.6 |
| Expense assessments | 193.2 | 187.6 | 177.1 | 190.9 |
| Health premiums | (9.6) | 19.1 | 3.0 | 0.1 |
| Investment advisory fees | 42.9 | 44.7 | 44.2 | 49.4 |
| Amortization of deferred gain | 22.1 | 6.9 | 18.4 | 18.2 |
| Amortization of deferred gain-reserve development | (1.4) | 0.5 | (0.2) | (0.2) |
| Other revenue and fees | 72.1 | 81.5 | 70.6 | 74.5 |
| Net investment income | 652.4 | 667.3 | 654.6 | 660.2 |
| Earnings in Unconsolidated Affiliates | | | | |
| Realized gains (losses) on investments | (37.1) | (58.9) | (89.6) | (1.7) |
| Gains (losses) on derivatives | 0.3 | 0.3 | (1.9) | (1.0) |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 1,163.4 | 1,188.6 | 1,099.3 | 1,213.2 |
| | ----- | ----- | ----- | ----- |

Benefits and Expenses

| | | | | |
|--|---------|---------|---------|---------|
| Ins. benefits paid or provided: | | | | |
| Life and annuity policy benefits | 229.7 | 214.0 | 187.1 | 155.1 |
| Div accum & div to policyholders | 17.2 | 22.8 | 14.4 | 17.6 |
| Interest credited to policy bal. | 417.4 | 411.1 | 409.3 | 406.3 |
| Health policy benefits | 7.3 | 5.1 | 2.3 | 14.2 |
| Reserve developments on Reins. business sold | 270.0 | 13.2 | | |
| | ----- | ----- | ----- | ----- |
| Total insurance benefits | 941.6 | 666.2 | 613.0 | 593.2 |
| Underwriting, acquisition, insurance and other expenses: | | | | |
| Commissions | 124.6 | 162.0 | 125.7 | 132.9 |
| Other volume related expenses | 63.9 | 72.6 | 71.5 | 65.4 |
| Operating and administrative expenses | 228.1 | 259.7 | 217.8 | 235.5 |
| Restructuring charges | (2.1) | (1.7) | 5.5 | 13.5 |
| Taxes, licenses and fees | 24.1 | 22.6 | 30.6 | 23.1 |
| Par policyholder interests | | | | |
| Foreign exchange | 0.4 | (0.6) | (0.0) | |
| | ----- | ----- | ----- | ----- |
| Subtotal | 439.1 | 514.6 | 451.2 | 470.3 |
| Deferral of acquisition costs | (155.5) | (167.8) | (148.5) | (140.6) |
| DAC amortization | 113.0 | 62.8 | 100.1 | 64.0 |
| | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | (42.5) | (105.0) | (48.4) | (76.5) |
| PVIF amortization | 40.2 | 43.0 | 22.7 | 13.6 |
| Other intangibles amortization | 2.0 | 2.0 | 2.0 | 2.0 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|---------|---------|---------|---------|
| Total underwriting, acquisition, insurance and other expenses | 438.8 | 454.5 | 427.5 | 409.3 |
| Goodwill amortization | | | | |
| Interest | 23.7 | 23.5 | 23.3 | 23.0 |
| | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 1,404.1 | 1,144.2 | 1,063.9 | 1,025.5 |
| | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | (240.7) | 44.4 | 35.4 | 187.7 |
| Federal income taxes | (104.3) | (6.6) | (6.1) | 45.0 |
| | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | (136.4) | 51.0 | 41.6 | 142.7 |
| | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | | | | |
| | ----- | ----- | ----- | ----- |
| Net Income | (136.4) | 51.0 | 41.6 | 142.7 |
| | ----- | ----- | ----- | ----- |
| Less: | | | | |
| Restructuring charges | 1.3 | 1.7 | (3.6) | (8.8) |
| Realized gains (losses) on investments | (23.6) | (33.3) | (58.2) | (1.1) |
| Gains (losses) on derivatives | 0.1 | 0.2 | (1.2) | (0.6) |
| Reserve increase on business sold through reinsurance | (176.4) | (8.2) | (0.1) | (0.1) |
| Gain on sale of subsidiaries | | (9.4) | | |
| Cumulative Effect of Accounting Changes | | | | |
| | ----- | ----- | ----- | ----- |
| Income from Operations | 62.1 | 100.0 | 104.8 | 153.3 |
| | ===== | ===== | ===== | ===== |
| Roll Forward of Deferred Acquisition Costs | | | | |
| Balance at beginning-of-period | 3,056.6 | 2,868.7 | 2,970.9 | 2,919.0 |
| Deferral | 155.5 | 167.8 | 148.5 | 140.6 |
| Amortization | (113.0) | (62.8) | (100.1) | (64.0) |
| | ----- | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | 42.5 | 105.0 | 48.4 | 76.5 |
| Adjustment related to realized (gains) losses on securities available-for-sale | 22.9 | 17.8 | 30.0 | 8.3 |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (267.1) | (34.2) | (119.4) | (334.0) |
| Foreign currency translation adjustment | 13.8 | 13.7 | (10.9) | 27.2 |
| Disposition of business | | | | |
| Other | (0.0) | | | |
| | ----- | ----- | ----- | ----- |
| Balance at end-of-period | 2,868.7 | 2,971.0 | 2,919.0 | 2,697.0 |
| | ===== | ===== | ===== | ===== |
| Roll Forward of Present Value of In-Force | | | | |
| Balance at beginning-of-period | 1,321.4 | 1,286.9 | 1,250.1 | 1,223.1 |
| Amortization | (40.2) | (43.0) | (22.7) | (13.6) |
| Foreign currency translation adjustment | 5.7 | 6.1 | (4.3) | 11.2 |
| Other | | 0.1 | | |
| | ----- | ----- | ----- | ----- |
| Balance at end-of-period | 1,286.9 | 1,250.1 | 1,223.1 | 1,220.7 |
| | ===== | ===== | ===== | ===== |

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Reconciliation of Business Segments to Consolidated Balance Sheet
Unaudited [Millions of Dollars]

| ASSETS | Lincoln Retirement | | Life Insurance | | Investment Management |
|------------------------------------|--------------------|----------|----------------|----------|-----------------------|
| | Jun 2003 | Dec 2002 | Jun 2003 | Dec 2002 | Jun 2003 |
| Investments | | | | | |
| Corporate bonds | 14,154.4 | 12,928.9 | 8,567.8 | 7,879.1 | 520.7 |
| U.S. government bonds | 55.7 | 41.1 | 61.8 | 87.0 | 0.1 |
| Foreign government bonds | 351.0 | 259.2 | 175.3 | 136.5 | 3.9 |
| Asset/Mortgage backed securities | 3,140.8 | 3,243.5 | 938.7 | 937.0 | 47.4 |
| State and municipal bonds | 93.6 | 67.8 | 29.6 | 30.4 | 1.3 |
| Preferred stocks-redeemable | 70.7 | 55.6 | 31.9 | 12.5 | 8.8 |
| Common stocks | 0.1 | 0.1 | 0.0 | 1.5 | |
| Preferred stocks-equity | 34.2 | 33.6 | | | 2.9 |
| Mortgage loans | 2,264.1 | 2,210.3 | 1,629.2 | 1,572.6 | 79.4 |
| Real estate | | | | | |
| Policy loans | 450.6 | 469.5 | 1,461.4 | 1,468.2 | |
| Other long-term investments | 38.4 | 27.9 | 19.2 | 23.7 | |
| Total Investments | 20,653.7 | 19,337.5 | 12,914.7 | 12,148.5 | 664.4 |
| Allocated investments | 3,586.1 | 3,757.4 | 1,230.4 | 1,250.7 | 92.3 |
| Notes receivable from LNC | 426.2 | 358.8 | 247.4 | 207.7 | 48.9 |
| Invest in unconsol affiliates | | | | | |
| Cash and invested cash | (111.5) | (76.7) | (23.7) | (22.7) | 69.7 |
| Property and equipment | 4.6 | 1.5 | 3.4 | 7.7 | 41.5 |
| Premium and fees receivable | (0.3) | 0.7 | 20.1 | 32.0 | 44.6 |
| Accrued investment income | 262.0 | 256.7 | 184.3 | 171.7 | 9.2 |
| Assets held in separate accounts | 29,584.4 | 26,934.1 | 1,529.6 | 1,310.4 | |
| Federal income tax recoverable | | | | | |
| Amount recoverable from reinsurers | 1,241.0 | 1,169.7 | 967.7 | 920.5 | |
| Deferred acquisition costs | 653.1 | 855.8 | 1,381.3 | 1,424.5 | |
| Other intangible assets | | | | | 37.9 |
| Present value of in-force | 118.3 | 122.7 | 855.5 | 890.1 | |
| Goodwill | 64.1 | 64.1 | 855.1 | 855.1 | 300.7 |
| Other | 188.1 | 114.1 | 417.9 | 395.6 | 171.9 |
| Total Assets | 56,669.9 | 52,896.4 | 20,583.5 | 19,591.6 | 1,481.1 |

| ASSETS | Corporate and Other Operations | | Consolidating Adjustments | |
|-------------|--------------------------------|----------|---------------------------|----------|
| | Jun 2003 | Dec 2002 | Jun 2003 | Dec 2002 |
| Investments | | | | |

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| | | | | |
|------------------------------------|----------|----------|-----------|-----------|
| Corporate bonds | 4,523.2 | 4,011.1 | | |
| U.S. government bonds | 404.3 | 385.4 | | |
| Foreign government bonds | 481.7 | 405.6 | | |
| Asset/Mortgage backed securities | 628.0 | 787.8 | | |
| State and municipal bonds | 25.9 | 16.2 | | |
| Preferred stocks-redeemable | 7.1 | 2.1 | | |
| Common stocks | 88.2 | 97.4 | | |
| Preferred stocks-equity | 73.6 | 72.9 | | |
| Mortgage loans | 341.3 | 341.0 | | |
| Real estate | 240.1 | 279.5 | | |
| Policy loans | | | | |
| Other long-term investments | 448.1 | 412.8 | (0.0) | (0.0) |
| | ----- | ----- | ----- | ----- |
| Total Investments | 7,261.6 | 6,811.9 | (0.0) | (0.0) |
| | ----- | ----- | ----- | ----- |
| Allocated investments | (45.0) | (468.2) | (4,863.7) | (4,639.9) |
| Notes receivable from LNC | (721.4) | (617.6) | (1.0) | (0.5) |
| Invest in unconsol affiliates | | | | |
| Cash and invested cash | 1,875.3 | 1,530.4 | | |
| Property and equipment | 170.9 | 169.3 | | |
| Premium and fees receivable | 331.7 | 143.2 | | |
| Accrued investment income | 76.5 | 77.0 | | |
| Assets held in separate accounts | | | 3,336.3 | 2,856.0 |
| Federal income tax recoverable | | | | 317.7 |
| Amount recoverable from reinsurers | 5,423.2 | 5,450.1 | (254.8) | (260.3) |
| Deferred acquisition costs | 2.0 | 2.2 | 65.5 | 90.8 |
| Other intangible assets | | | | |
| Present value of in-force | | | | |
| Goodwill | (0.0) | (0.0) | | |
| Other | 748.0 | 853.2 | (342.5) | (407.0) |
| | ----- | ----- | ----- | ----- |
| Total Assets | 15,122.8 | 13,951.4 | (2,060.3) | (2,043.4) |
| | ===== | ===== | ===== | ===== |

Reconciliation of Business Segments to Consolidated Balance Sheet
Unaudited [Millions of Dollars]

| LIABILITIES and SHAREHOLDERS' EQUITY | Lincoln Retirement | | Life Insurance | | Inve Mana |
|---|--------------------|-------------|----------------|-------------|--------------|
| | Jun 2003 | Dec 2002 | Jun 2003 | Dec 2002 | Jun 2003 |
| | ----- | ----- | ----- | ----- | ----- |
| Liabilities | | | | | |
| Insurance and Inv Contract Liabilities: | | | | | |
| Life and annuity reserves | 2,715.8 | 2,718.5 | 14,129.3 | 13,780.9 | |
| Health reserves | | | 0.3 | 0.3 | |
| Unpaid claims - life and health | 50.8 | 48.3 | 110.7 | 108.3 | |
| Unearned premiums | | | 0.0 | 0.0 | |
| Premium deposit funds | 20,711.1 | 19,921.6 | 18.6 | 18.3 | |
| Participating policyholders' funds | | | 193.8 | 156.7 | |
| Other policyholders' funds | | | 621.8 | 603.5 | |

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| | | | | | |
|---|----------|----------|----------|----------|---------|
| Liab related to separate accounts | 29,584.4 | 26,934.1 | 1,529.6 | 1,310.4 | |
| Total Insurance and Inv Contract Liabilities | 53,062.2 | 49,622.4 | 16,604.1 | 15,978.4 | |
| Federal income taxes | 438.0 | 220.7 | 240.7 | 97.3 | 19.2 |
| Short-term debt | | | | | |
| Long-term debt | | | | | |
| Minority Interest in pref. securities of sub. | | | | | |
| Notes payable to LNC | 1.6 | 0.2 | | | |
| Other liabilities | 217.1 | 94.5 | 558.9 | 443.9 | 880.0 |
| Deferred gain on indemnity reinsurance | | | | | |
| Total Liabilities | 53,718.9 | 49,937.8 | 17,403.7 | 16,519.6 | 899.2 |
| Net unrealized gains (losses) on securities | 705.2 | 309.8 | 359.8 | 178.0 | 2.9 |
| Gains (losses) on derivatives* | 12.2 | 10.6 | 14.5 | 16.7 | |
| Other shareholders' equity | 2,233.7 | 2,638.2 | 2,806.1 | 2,878.0 | 581.6 |
| S/Hs' equity-minimum pension liability adjustment | | | (0.7) | (0.7) | (2.6) |
| Cumulative effect of accounting change | | | | | |
| Shareholders' Equity | 2,951 | 2,959 | 3,180 | 3,072 | 582 |
| Total Liabilities and S/Hs' Equity | 56,669.9 | 52,896.4 | 20,583.5 | 19,591.6 | 1,481.1 |

| | Corporate and Other Operations | | Consolidating Adjustments | |
|--|-----------------------------------|-------------|------------------------------|-------------|
| | Jun 2003 | Dec 2002 | Jun 2003 | Dec 2002 |
| LIABILITIES and SHAREHOLDERS' EQUITY | | | | |
| Liabilities | | | | |
| Insurance and Inv Contract Liabilities: | | | | |
| Life and annuity reserves | 2,126.1 | 2,209.4 | (94.4) | (94.7) |
| Health reserves | 2,655.0 | 2,640.2 | | |
| Unpaid claims - life and health | 788.1 | 577.1 | | |
| Unearned premiums | 24.0 | 141.2 | | |
| Premium deposit funds | 143.8 | 40.1 | 533.4 | 508.1 |
| Participating policyholders' funds | | | | |
| Other policyholders' funds | | 7.4 | | |
| Liab related to separate accounts | | | 3,336.3 | 2,856.0 |
| Total Insurance and Inv Contract Liabilities | 5,737.0 | 5,615.4 | 3,775.3 | 3,269.4 |
| Federal income taxes | (634.0) | (659.4) | 0.8 | 318.5 |
| Short-term debt | 83.4 | 153.0 | | |
| Long-term debt | 1,121.4 | 1,119.2 | | |
| Preferred securities of subsidiary trusts | 397.1 | 392.7 | | |
| Notes payable to LNC | 258.5 | 308.7 | (260.1) | (308.9) |
| Other liabilities | 3,783.0 | 3,277.6 | (711.7) | (681.5) |
| Deferred gain on indemnity reinsurance | 938.9 | 977.1 | | |
| Total Liabilities | 11,685.5 | 11,184.4 | 2,804.3 | 2,597.4 |

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| | | | | |
|---|----------|----------|-----------|-----------|
| Net unrealized gains (losses) on securities | 13.8 | 228.2 | 5.2 | 5.2 |
| Gains (losses) on derivatives* | 2.2 | 1.0 | | |
| Other shareholders' equity | 3,482.9 | 2,599.3 | (4,869.7) | (4,645.9) |
| Minimum pension liability adjustment | (61.6) | (61.6) | | |
| Cumulative effect of accounting change | | | | |
| Shareholders' Equity | 3,437.3 | 2,767.0 | (4,864.6) | (4,640.7) |
| Total Liabilities and S/Hs' Equity | 15,122.8 | 13,951.4 | (2,060.3) | (2,043.4) |

* Cumulative effect of accounting change recorded upon the adoption of FAS 133 in the 1st quarter of gains (losses) on derivatives in the 1st quarter of 2002.

Five Year Comparative Balance Sheet
Unaudited [Millions of Dollars except Common Share Data]

| ASSETS | 1998 | 1999 | 2000 |
|-------------------------------------|----------|----------|----------|
| | ----- | ----- | ----- |
| Investments | | | |
| Corporate bonds | 22,505.2 | 21,119.5 | 21,249.7 |
| U.S. government bonds | 1,134.6 | 538.3 | 542.9 |
| Foreign government bonds | 1,321.2 | 1,447.5 | 1,321.1 |
| Mortgage backed securities | 5,080.5 | 4,404.0 | 4,160.4 |
| State and municipal bonds | 16.7 | 14.7 | 14.6 |
| Preferred stocks-redeemable | 174.6 | 164.7 | 161.2 |
| Common stocks | 463.1 | 514.5 | 436.6 |
| Preferred stocks-equity | 79.8 | 89.5 | 113.1 |
| Mortgage loans | 4,393.1 | 4,735.4 | 4,663.0 |
| Real estate | 488.7 | 256.2 | 282.0 |
| Policy loans | 1,840.0 | 1,892.4 | 1,960.9 |
| Other long-term investments | 432.0 | 401.8 | 463.3 |
| Total Investments | 37,929.5 | 35,578.4 | 35,368.6 |
| Invest in unconsol affiliates | 18.8 | 25.8 | 6.4 |
| Cash and invested cash | 2,433.4 | 1,895.9 | 1,927.4 |
| Property and equipment | 174.8 | 203.8 | 228.2 |
| Premiums and fees receivable | 246.2 | 259.6 | 296.7 |
| Accrued investment income | 528.5 | 533.2 | 546.4 |
| Assets held in separate accounts | 43,408.9 | 53,654.2 | 50,579.9 |
| Federal income taxes recoverable | 204.1 | 345.0 | 207.5 |
| Amounts recoverable from reinsurers | 3,127.1 | 3,954.3 | 3,747.7 |
| Deferred acquisition costs | 1,964.4 | 2,800.3 | 3,070.5 |
| Other intangible assets | 95.1 | 92.3 | 73.7 |
| Present value of in-force | 1,753.3 | 1,654.2 | 1,483.3 |
| Goodwill | 1,484.3 | 1,423.0 | 1,286.0 |
| Other | 468.0 | 675.7 | 1,021.6 |

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| | | | |
|---|----------|-----------|----------|
| Total Assets | 93,836.3 | 103,095.7 | 99,844.1 |
| | ===== | ===== | ===== |
| LIABILITIES and SHAREHOLDERS' | | | |
| EQUITY | | | |
| Liabilities | | | |
| Insurance and Investment Contract | | | |
| Liabilities: | | | |
| Life and annuity reserves | 16,434.2 | 17,071.4 | 17,841.2 |
| Health reserves | 2,600.1 | 2,507.8 | 2,523.8 |
| Unpaid claims-life and health | 1,043.4 | 1,269.8 | 1,316.6 |
| Unearned premiums | 62.3 | 75.8 | 46.5 |
| Premium deposit funds | 20,171.9 | 19,624.1 | 17,715.5 |
| Participating policyholders' funds | 142.7 | 132.0 | 139.4 |
| Other policyholders' funds | 438.4 | 472.6 | 522.2 |
| Liab related to separate accounts | 43,408.9 | 53,654.2 | 50,579.9 |
| | ----- | ----- | ----- |
| Total Ins and Inv Contr Liabilities | 84,301.9 | 94,807.7 | 90,685.1 |
| Federal income taxes | | | |
| Short-term debt | 314.6 | 460.2 | 312.9 |
| Long-term debt | 712.2 | 712.0 | 712.2 |
| Preferred securities of subsidiary trusts | 745.0 | 745.0 | 745.0 |
| Other liabilities | 2,374.6 | 2,107.0 | 2,434.7 |
| Deferred gain on indemnity reinsurance | | | |
| | ----- | ----- | ----- |
| Total Liabilities | 88,448.3 | 98,831.9 | 94,890.0 |
| | ----- | ----- | ----- |
| S/Hs' equity-unrealized gains | | | |
| (losses)-cont op. | 552.4 | (465.7) | 12.0 |
| S/Hs' equity-foreign currency | 50.0 | 30.0 | 21.9 |
| S/Hs' equity-minimum pension liability adjustment | | | |
| S/Hs' equity-other | 4,785.6 | 4,699.5 | 4,920.1 |
| Cumulative effect of accounting change | | | |
| | ----- | ----- | ----- |
| Total Shareholders' Equity | 5,387.9 | 4,263.9 | 4,954.1 |
| | ----- | ----- | ----- |
| Total Liabilities and Shareholders' Equity | | | |
| | 93,836.3 | 103,095.7 | 99,844.1 |
| | ===== | ===== | ===== |
| Shareholders' Equity Per Share | | | |
| Book Value, Excluding AOCI | \$23.62 | \$23.98 | \$25.74 |
| Common shares outstanding | 202.6 | 196.0 | 191.2 |

Quarterly Balance Sheet
Unaudited [Millions of Dollars except Common Share Data]

| Jun | Sep | Dec | Mar |
|------|------|------|------|
| 2001 | 2001 | 2001 | 2002 |

PAGE

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| | ----- | ----- | ----- | ----- | ----- |
|---|----------|----------|----------|----------|-------|
| ASSETS | | | | | |
| Investments | | | | | |
| Corporate bonds | 22,116.6 | 23,424.3 | 23,105.1 | 23,470.4 | 23,9 |
| U.S. government bonds | 510.0 | 467.7 | 410.5 | 429.1 | 4 |
| Foreign government bonds | 1,236.3 | 1,160.3 | 1,174.7 | 1,180.1 | 1,1 |
| Mortgage backed securities | 3,844.6 | 3,765.6 | 3,524.7 | 3,613.9 | 4,0 |
| State and municipal bonds | 14.1 | 14.4 | 44.7 | 62.6 | |
| Preferred stocks - redeemable | 152.2 | 99.3 | 85.9 | 84.6 | |
| Common stocks | 373.3 | 311.2 | 319.3 | 284.4 | 2 |
| Preferred stocks - equity | 160.8 | 166.5 | 151.2 | 154.2 | 1 |
| Mortgage loans | 4,652.8 | 4,663.1 | 4,535.5 | 4,448.2 | 4,3 |
| Real estate | 306.9 | 288.8 | 267.9 | 258.2 | 2 |
| Policy loans | 1,947.4 | 1,943.4 | 1,939.7 | 1,918.0 | 1,9 |
| Other long-term investments | 480.9 | 483.4 | 553.8 | 459.6 | 4 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Investments | 35,796.0 | 36,788.0 | 36,113.1 | 36,363.1 | 37,1 |
| | ----- | ----- | ----- | ----- | ----- |
| Invest in unconsol affiliates | 6.1 | 6.5 | 8.1 | 8.1 | |
| Cash and invested cash | 1,501.9 | 1,996.3 | 3,095.5 | 1,699.5 | 2,2 |
| Property and equipment | 251.4 | 261.0 | 257.5 | 266.4 | 2 |
| Premiums and fees receivable | 303.7 | 264.5 | 400.1 | 376.3 | 4 |
| Accrued investment income | 573.2 | 615.1 | 563.5 | 577.1 | 5 |
| Assets held in separate accounts | 47,140.2 | 39,479.8 | 44,833.4 | 44,916.7 | 40,5 |
| Federal income taxes recoverable | 210.5 | 71.6 | 55.5 | 593.4 | 4 |
| Amount recoverable from reinsurers | 3,662.0 | 3,818.3 | 6,030.4 | 6,096.3 | 6,5 |
| Deferred acquisition costs | 3,129.1 | 3,087.2 | 2,885.3 | 3,114.9 | 3,0 |
| Other intangible assets | 66.7 | 64.1 | 50.1 | 47.9 | |
| Present value of in-force | 1,412.3 | 1,387.4 | 1,362.5 | 1,336.1 | 1,3 |
| Goodwill | 1,263.6 | 1,253.2 | 1,211.8 | 1,211.5 | 1,2 |
| Other | 1,147.7 | 1,149.4 | 1,174.9 | 1,280.9 | 1,2 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Assets | 96,464.2 | 90,242.4 | 98,041.6 | 97,888.5 | 95,1 |
| | ===== | ===== | ===== | ===== | ===== |
| LIABILITIES and SHAREHOLDERS' EQUITY | | | | | |
| Liabilities | | | | | |
| Insurance and Inv Contract Liabilities: | | | | | |
| Life and annuity reserves | 17,865.3 | 17,990.8 | 17,917.0 | 18,014.6 | 18,6 |
| Health reserves | 2,533.9 | 2,573.2 | 2,537.9 | 2,492.4 | 2,1 |
| Unpaid claims-life and health | 1,136.5 | 1,206.6 | 1,087.5 | 1,153.6 | 1,0 |
| Unearned premiums | 19.0 | 8.1 | 66.9 | 66.5 | 1 |
| Premium deposit funds | 17,715.9 | 18,509.7 | 18,585.0 | 18,669.6 | 19,1 |
| Participating policyholders' funds | 135.2 | 118.3 | 100.2 | 98.6 | |
| Other policyholders' funds | 541.4 | 554.3 | 562.7 | 571.9 | 5 |
| Liab related to separate accounts | 47,140.2 | 39,479.8 | 44,833.4 | 44,916.7 | 40,5 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Ins and Inv Contr Liabilities | 87,087.2 | 80,440.8 | 85,690.6 | 85,983.9 | 82,4 |
| Federal income taxes | | | | | |
| Short-term debt | 351.3 | 539.0 | 350.2 | 510.2 | 2 |
| Long-term debt | 712.4 | 712.4 | 861.8 | 861.8 | 1,1 |
| Preferred securities of subsidiary trusts | 745.0 | 305.0 | 474.7 | 376.2 | 3 |
| Notes payable to LNC | | | | (0.0) | |
| Other liabilities | 2,479.4 | 2,840.2 | 4,216.1 | 3,864.6 | 4,5 |
| Deferred gain on indemnity reinsurance | | | 1,144.5 | 1,118.6 | 1,1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Liabilities | 91,375.3 | 84,837.4 | 92,737.8 | 92,715.3 | 89,7 |

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| | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-------------|
| S/Hs' equity-unrealized gns (losses) - inv. | 76.2 | 247.9 | 195.7 | 31.8 | 3 |
| S/Hs' equity-gains (losses) - derivatives* | 9.4 | 2.9 | 3.9 | 22.6 | |
| S/Hs' equity-foreign currency | (15.3) | 6.9 | (8.0) | (20.8) | |
| S/Hs' equity-minimum pension liability adj | | | (36.0) | (35.2) | (|
| S/Hs' equity-other | 5,001.1 | 5,129.8 | 5,130.6 | 5,174.7 | 5,0 |
| Cumulative effect of accounting change | 17.6 | 17.4 | 17.6 | | |
| Total Shareholders' Equity | 5,088.9 | 5,405.0 | 5,303.8 | 5,173.2 | 5,3 |
| Total Liabilities and Shareholders' Equity | 96,464.2 | 90,242.4 | 98,041.6 | 97,888.5 | 95,1 |
| Shareholders' Equity Per Share | | | | | |
| Book Value, Excluding AOCI | \$26.58 | \$27.03 | \$27.39 | \$27.54 | \$2 |
| Common shares outstanding | 188.2 | 189.8 | 187.3 | 187.9 | 1 |

| | Sep 2002 | Dec 2002 | Mar 2003 | Jun 2003 |
|--|-------------|-------------|-------------|-------------|
|--|-------------|-------------|-------------|-------------|

ASSETS

| | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Investments | | | | |
| Corporate bonds | 25,484.6 | 25,934.7 | 26,936.1 | 28,419.3 |
| U.S. government bonds | 495.3 | 513.6 | 537.0 | 561.9 |
| Foreign government bonds | 1,038.6 | 1,110.2 | 1,206.6 | 1,349.4 |
| Mortgage backed securities | 4,843.7 | 5,015.5 | 4,960.1 | 4,754.9 |
| State and municipal bonds | 97.8 | 114.4 | 134.9 | 150.4 |
| Preferred stocks - redeemable | 76.8 | 79.0 | 112.0 | 118.5 |
| Common stocks | 237.2 | 228.0 | 145.0 | 146.6 |
| Preferred stocks - equity | 160.3 | 109.2 | 104.5 | 110.7 |
| Mortgage loans | 4,285.2 | 4,205.5 | 4,235.5 | 4,314.3 |
| Real estate | 286.4 | 279.7 | 242.0 | 240.3 |
| Policy loans | 1,899.0 | 1,945.6 | 1,928.8 | 1,919.6 |
| Other long-term investments | 457.7 | 464.4 | 465.7 | 505.6 |
| Total Investments | 39,362.6 | 39,999.9 | 41,008.4 | 42,591.6 |

| | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Invest in unconsol affiliates | | | | |
| Cash and invested cash | 1,599.9 | 1,690.5 | 1,635.5 | 1,945.8 |
| Property and equipment | 252.7 | 242.1 | 239.4 | 239.1 |
| Premiums and fees receivable | 577.2 | 212.9 | 194.0 | 396.0 |
| Accrued investment income | 568.2 | 536.7 | 567.2 | 555.1 |
| Assets held in separate accounts | 34,069.0 | 36,178.3 | 34,775.2 | 39,942.8 |
| Federal income taxes recoverable | 340.7 | 317.7 | 89.1 | |
| Amount recoverable from reinsurers | 7,094.5 | 7,280.0 | 7,323.5 | 7,377.1 |
| Deferred acquisition costs | 2,868.7 | 2,970.9 | 2,919.0 | 2,697.1 |
| Other intangible assets | 43.8 | 41.8 | 39.8 | 37.9 |
| Present value of in-force | 1,286.9 | 1,250.1 | 1,223.1 | 1,220.8 |
| Goodwill | 1,232.7 | 1,233.2 | 1,233.0 | 1,233.6 |
| Other | 1,187.1 | 1,230.3 | 1,250.6 | 1,295.9 |
| Total Assets | 90,483.9 | 93,184.6 | 92,497.6 | 99,532.8 |

LIABILITIES and SHAREHOLDERS' EQUITY

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Liabilities

Insurance and Inv Contract Liabilities:

| | | | | |
|-------------------------------------|----------|----------|----------|----------|
| Life and annuity reserves | 19,142.5 | 19,950.3 | 20,025.6 | 20,194.5 |
| Health reserves | 2,448.3 | 2,689.0 | 2,689.9 | 2,703.3 |
| Unpaid claims-life and health | 1,100.9 | 778.4 | 763.1 | 997.1 |
| Unearned premiums | 185.8 | 141.2 | 141.1 | 24.0 |
| Premium deposit funds | 20,054.4 | 20,518.8 | 21,070.5 | 21,437.7 |
| Participating policyholders' funds | 90.5 | 156.7 | 166.3 | 193.8 |
| Other policyholders' funds | 595.7 | 610.9 | 607.1 | 621.8 |
| Liab related to separate accounts | 34,069.0 | 36,178.3 | 34,775.2 | 39,942.8 |
| | ----- | ----- | ----- | ----- |
| Total Ins and Inv Contr Liabilities | 77,687.1 | 81,023.6 | 80,238.8 | 86,115.0 |

| | | | | |
|---|----------|----------|----------|----------|
| Federal income taxes | | | | 72.0 |
| Short-term debt | 120.0 | 153.0 | 125.4 | 83.4 |
| Long-term debt | 1,118.1 | 1,119.2 | 1,118.6 | 1,121.4 |
| Preferred securities of subsidiary trusts | 390.6 | 392.7 | 390.8 | 397.1 |
| Notes payable to LNC | (0.0) | (0.0) | 0.2 | (0.0) |
| Other liabilities | 4,661.9 | 4,171.5 | 4,214.8 | 4,989.0 |
| Deferred gain on indemnity reinsurance | 1,069.5 | 977.1 | 959.0 | 938.9 |
| | ----- | ----- | ----- | ----- |
| Total Liabilities | 85,047.1 | 87,837.2 | 87,047.6 | 93,716.9 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|---|----------|----------|----------|----------|
| S/Hs' equity-unrealized gns (losses) - inv. | 817.5 | 753.3 | 872.0 | 1,117.8 |
| S/Hs' equity-gains (losses) - derivatives* | 27.3 | 28.3 | 25.0 | 28.8 |
| S/Hs' equity-foreign currency | 35.4 | 50.8 | 39.8 | 68.4 |
| S/Hs' equity-minimum pension liability adj | (35.2) | (97.8) | (97.2) | (98.8) |
| S/Hs' equity-other | 4,591.8 | 4,612.9 | 4,610.5 | 4,699.8 |
| Cumulative effect of accounting change | | | | |
| | ----- | ----- | ----- | ----- |
| Total Shareholders' Equity | 5,436.8 | 5,347.5 | 5,450.0 | 5,815.9 |
| | ----- | ----- | ----- | ----- |
| Total Liabilities and Shareholders' Equity | 90,483.9 | 93,184.6 | 92,497.6 | 99,532.8 |
| | ===== | ===== | ===== | ===== |

Shareholders' Equity Per Share

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Book Value, Excluding AOCI | \$25.87 | \$25.97 | \$25.94 | \$26.41 |
| Common shares outstanding | 177.5 | 177.6 | 177.7 | 178.0 |

* Cumulative effect of accounting change recorded upon the adoption of FAS 133 in the 1st quarter of 2001 is a component of gains (losses) on derivatives in the 1st quarter of 2002.

Lincoln Retirement
Income Statements & Operational Data
Unaudited [Millions of Dollars]

| | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|
| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 |
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Premiums | 53.9 | 65.2 | 64.3 | 77.5 | 47.0 |

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| | | | | | |
|--|---------|---------|---------|---------|--------|
| Surrender charges | 33.5 | 37.9 | 41.8 | 31.2 | 31. |
| Expense assessments | 430.7 | 501.3 | 591.3 | 508.6 | 446. |
| Other revenue and fees | 1.7 | 14.5 | 11.0 | 16.7 | 3. |
| Net investment income | 1,530.8 | 1,509.1 | 1,430.5 | 1,399.1 | 1,457. |
| Realized gains (losses) on investments | 17.5 | (12.1) | (5.2) | (64.5) | (196.) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | (0.3) | (1.) |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 2,068.1 | 2,115.8 | 2,133.7 | 1,968.3 | 1,787. |
| | ----- | ----- | ----- | ----- | ----- |
| Operating Benefits and Expenses | | | | | |
| Benefits paid or provided: | | | | | |
| Benefits | 271.6 | 259.1 | 254.7 | 263.9 | 314. |
| Interest credited to policy bal. | 955.2 | 925.2 | 866.1 | 863.8 | 903. |
| | ----- | ----- | ----- | ----- | ----- |
| Total insurance benefits | 1,226.8 | 1,184.3 | 1,120.8 | 1,127.7 | 1,217. |
| Underwriting, acquisition, insurance and other expenses | | | | | |
| Commissions | 236.7 | 341.4 | 326.8 | 336.3 | 320. |
| Other volume related expenses | 33.1 | 42.8 | 52.0 | 49.7 | 64. |
| Operating and administrative expenses | 194.0 | 208.6 | 200.6 | 231.8 | 231. |
| Restructuring charges | 0.0 | 0.0 | 0.0 | 2.0 | 1. |
| Taxes, licenses and fees | 13.8 | 0.3 | 9.3 | 13.7 | 11. |
| Par policyholder interests | 0.0 | 0.0 | 0.0 | 0.0 | 0. |
| | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 477.6 | 593.2 | 588.8 | 633.6 | 629. |
| Deferral of acquisition costs | | | | (240.9) | (243.) |
| DAC amortization | | | | 125.5 | 157. |
| | ----- | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | 9.7 | (47.7) | (37.5) | (115.4) | (86.) |
| PVIF amortization | 11.4 | 15.3 | 24.2 | 14.7 | 31. |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0. |
| | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 498.8 | 560.8 | 575.5 | 532.8 | 575. |
| Goodwill amortization | 2.2 | 2.0 | (0.6) | 1.2 | 0. |
| | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 1,727.8 | 1,747.1 | 1,695.7 | 1,661.8 | 1,793. |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | | | | | |
| | ----- | ----- | ----- | ----- | ----- |
| | 340.3 | 368.7 | 438.0 | 306.5 | (5.) |
| | ----- | ----- | ----- | ----- | ----- |
| Federal income taxes | 66.5 | 77.2 | 79.4 | 34.1 | (59.) |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | 273.8 | 291.5 | 358.6 | 272.4 | 53. |
| | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (7.3) | 0. |
| | ----- | ----- | ----- | ----- | ----- |
| Net Income | 273.8 | 291.5 | 358.6 | 265.1 | 53. |
| | ===== | ===== | ===== | ===== | ===== |
| Less: | | | | | |
| Realized gains (losses) on investments | 11.4 | (7.9) | (3.4) | (42.3) | (127.) |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | (0.2) | (0.0) |
| Restructuring charges | 0.0 | 0.0 | 0.0 | (1.3) | (1.3) |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (7.3) | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 262.4 | 299.4 | 362.0 | 316.2 | 183.0 |
| | ===== | ===== | ===== | ===== | ===== |
| Effective tax rate on Income from Operations | 18.7% | 21.4% | 18.3% | 15.3% | 5.4% |
| Revenue | 2,068.1 | 2,115.8 | 2,133.7 | 1,968.3 | 1,787.0 |
| Less: | | | | | |
| Realized gains (losses) on investments | 17.5 | (12.1) | (5.2) | (64.5) | (196.0) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | (0.3) | (1.0) |
| | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue | 2,050.6 | 2,128.0 | 2,138.9 | 2,033.1 | 1,985.0 |
| | ===== | ===== | ===== | ===== | ===== |
| Average capital | 1,592.6 | 1,562.0 | 1,601.8 | 1,829.3 | 2,337.0 |
| Net Income return on average capital | 17.2% | 18.7% | 22.4% | 14.5% | 2.3% |
| Income from operations return on average capital | 16.5% | 19.2% | 22.6% | 17.3% | 7.8% |

Roll Forward of Deferred Acquisition Costs

| | | | | | |
|--|--|--|--|---------|---------|
| Balance at beginning-of-period | | | | 812.5 | 912.0 |
| Deferral | | | | 240.9 | 243.0 |
| Amortization | | | | (125.5) | (157.0) |
| | | | | ----- | ----- |
| Included in Total Benefits and Expenses | | | | 115.4 | 86.0 |
| Adjustment related to realized (gains) losses on securities available-for-sale | | | | 68.2 | 73.0 |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | | | | (90.0) | (201.0) |
| Other* | | | | 6.7 | (14.0) |
| | | | | ----- | ----- |
| Balance at end-of-period | | | | 912.8 | 855.0 |
| | | | | ===== | ===== |

Roll Forward of Present Value of In-Force

| | | | | | |
|--------------------------------|--|--|--|--------|--------|
| Balance at beginning-of-period | | | | 169.2 | 154.0 |
| Amortization | | | | (14.7) | (31.0) |
| Other | | | | | |
| | | | | ----- | ----- |
| Balance at end-of-period | | | | 154.5 | 122.0 |
| | | | | ===== | ===== |

* Includes the transfer of the Legacy Life block of business to the Life Insurance segment in the
Note: 2001 and 2002 have been restated for the adoption of the fair value method of accounting for

Lincoln Retirement
Income Statements & Operational Data
Unaudited [Millions of Dollars]

| For the Quarter Ended | Jun 2001 ----- | Sep 2001 ----- | Dec 2001 ----- | Mar 2002 ----- | Jun 2002 ----- |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenue | | | | | |
| Premiums | 32.5 | 13.2 | 12.7 | 12.2 | 13.1 |
| Surrender charges | 8.5 | 6.5 | 7.2 | 7.9 | 7.2 |
| Expense assessments | 130.3 | 124.9 | 119.7 | 121.0 | 120.7 |
| Other revenue and fees | 3.9 | 1.2 | 10.0 | 5.8 | (1.3) |
| Net investment income | 347.0 | 353.7 | 349.1 | 356.6 | 359.1 |
| Realized gains (losses) on investments | (10.3) | (20.8) | (31.3) | (50.5) | (56.2) |
| Gains (losses) on derivatives | 0.2 | (0.5) | 0.2 | 0.0 | (0.1) |
| Total Revenue | 512.1 | 478.2 | 467.5 | 453.0 | 442.6 |
| Benefits and Expenses | | | | | |
| Benefits paid or provided: | | | | | |
| Benefits | 72.6 | 66.3 | 55.3 | 55.4 | 72.5 |
| Interest credited to policy balances | 209.7 | 217.2 | 227.5 | 226.1 | 221.8 |
| Total insurance benefits | 282.3 | 283.5 | 282.8 | 281.5 | 294.3 |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 85.8 | 81.1 | 96.7 | 82.4 | 82.5 |
| Other volume related expenses | 12.8 | 12.7 | 13.1 | 10.0 | 16.9 |
| Operating and administrative expenses | 54.0 | 56.9 | 68.0 | 54.6 | 53.8 |
| Restructuring charges | 1.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| Taxes, licenses and fees | 2.7 | 2.2 | 4.5 | 4.7 | 4.2 |
| Par policyholder interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Subtotal | 156.3 | 152.9 | 182.3 | 151.8 | 159.0 |
| Deferral of acquisition costs | (60.2) | (58.7) | (71.9) | (61.7) | (60.8) |
| DAC amortization | 28.3 | 35.6 | 20.9 | 32.7 | 48.3 |
| DAC deferral net of amortization | (31.9) | (23.0) | (51.0) | (29.1) | (12.6) |
| PVIF amortization | 4.1 | 4.5 | 1.4 | 3.8 | 3.9 |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total underwriting, acquisition, insurance and other expenses | 128.5 | 134.4 | 132.7 | 126.5 | 150.4 |
| Goodwill amortization | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 |
| Total Benefits and Expenses | 411.1 | 418.2 | 415.8 | 408.0 | 444.7 |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 101.0 | 60.0 | 51.8 | 45.1 | (2.2) |
| Federal income taxes | 18.4 | 2.5 | (1.4) | (1.5) | (11.3) |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| Income Before Cumulative Effect of Accounting Changes | 82.6 | 57.6 | 53.1 | 46.6 | 9.2 |
| Cumulative effect of accounting changes | (3.7) | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Income | 78.9 | 57.6 | 53.1 | 46.6 | 9.2 |
| Less: | | | | | |
| Realized gains (losses) on investments | (6.7) | (13.5) | (20.7) | (32.8) | (36.6) |
| Gains (losses) on derivatives | 0.1 | (0.3) | 0.1 | 0.0 | 0.1 |
| Restructuring charges | (0.6) | 0.0 | 0.0 | 0.0 | (1.0) |
| Cumulative effect of accounting changes | (3.7) | 0.0 | | | |
| Income from Operations | 89.8 | 71.4 | 73.7 | 79.4 | 46.8 |
| Effective tax rate on Income from Operations | 19.8% | 12.2% | 11.1% | 16.9% | 16.0% |
| Revenue | 512.1 | 478.2 | 467.5 | 453.0 | 442.6 |
| Less: | | | | | |
| Realized gains (losses) on investments | (10.3) | (20.8) | (31.3) | (50.5) | (56.2) |
| Gains (losses) on derivatives | 0.2 | (0.5) | 0.2 | 0.0 | (0.1) |
| Operating Revenue | 522.1 | 499.5 | 498.7 | 503.5 | 498.8 |
| Average capital | 1,787.9 | 1,904.3 | 1,826.8 | 2,044.0 | 2,394.2 |
| Net Income return on average capital | 17.6% | 12.1% | 11.6% | 9.1% | 1.5% |
| Income from operations return on average capital | 20.1% | 15.0% | 16.1% | 15.5% | 7.8% |
| ----- | | | | | |
| Roll Forward of Deferred Acquisition Costs | | | | | |
| Balance at beginning-of-quarter | 762.6 | 831.3 | 781.2 | 912.8 | 1,031.0 |
| Deferral | 60.2 | 58.7 | 71.9 | 61.7 | 60.8 |
| Amortization | (28.3) | (35.6) | (20.9) | (32.7) | (48.3) |
| Included in Total Benefits and Expenses | 31.9 | 23.0 | 51.0 | 29.1 | 12.6 |
| Adjustment related to realized (gains) losses on securities available-for-sale | 4.9 | 16.4 | 34.1 | 25.7 | 20.9 |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | 31.9 | (89.7) | 46.5 | 78.2 | (96.6) |
| Other* | (0.0) | 0.3 | (0.0) | (14.8) | |
| Balance at end-of-quarter | 831.3 | 781.2 | 912.8 | 1,031.0 | 967.8 |
| ----- | | | | | |
| Roll Forward of Present Value of In-Force | | | | | |
| Balance at beginning-of-quarter | 164.6 | 160.4 | 155.9 | 154.5 | 150.7 |
| Amortization | (4.1) | (4.5) | (1.4) | (3.8) | (3.9) |
| Other | | | | | |
| Balance at end-of-quarter | 160.4 | 155.9 | 154.5 | 150.7 | 146.8 |

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| For the Quarter Ended | Sep 2002 | Dec 2002 | Mar 2003 | Jun 2003 |
|---|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- |
| Revenue | | | | |
| Premiums | 13.4 | 8.7 | 5.5 | 3.0 |
| Surrender charges | 8.7 | 7.4 | 6.9 | 8.5 |
| Expense assessments | 103.9 | 100.6 | 97.6 | 104.3 |
| Other revenue and fees | (4.0) | 2.7 | (1.4) | 1.3 |
| Net investment income | 363.5 | 378.3 | 367.0 | 369.8 |
| Realized gains (losses) on investments | (43.8) | (46.1) | (76.8) | 0.9 |
| Gains (losses) on derivatives | (1.1) | (0.1) | (1.0) | (1.5) |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 440.7 | 451.4 | 397.8 | 486.4 |
| | ----- | ----- | ----- | ----- |
| Benefits and Expenses | | | | |
| Benefits paid or provided: | | | | |
| Benefits | 107.8 | 78.4 | 65.0 | 34.8 |
| Interest credited to policy balances | 224.2 | 231.7 | 220.1 | 217.1 |
| | ----- | ----- | ----- | ----- |
| Total insurance benefits | 332.0 | 310.1 | 285.1 | 251.9 |
| Underwriting, acquisition, insurance and other expenses: | | | | |
| Commissions | 83.0 | 72.8 | 66.8 | 74.2 |
| Other volume related expenses | 19.6 | 18.1 | 14.0 | 14.7 |
| Operating and administrative expenses | 53.0 | 69.9 | 54.0 | 56.6 |
| Restructuring charges | 0.0 | 0.0 | 0.0 | 6.2 |
| Taxes, licenses and fees | 3.0 | (0.5) | 5.7 | 4.3 |
| Par policyholder interests | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Subtotal | 158.6 | 160.4 | 140.4 | 156.0 |
| Deferral of acquisition costs | (66.0) | (55.3) | (47.8) | (51.0) |
| DAC amortization | 47.1 | 29.6 | 31.0 | 28.5 |
| | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | (18.9) | (25.7) | (16.8) | (22.6) |
| PVIF amortization | 4.1 | 20.0 | 2.3 | 2.1 |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 143.8 | 154.8 | 125.9 | 135.5 |
| Goodwill amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 475.8 | 464.8 | 411.0 | 387.4 |
| | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | (35.1) | (13.4) | (13.3) | 99.0 |
| Federal income taxes | (28.0) | (18.4) | (20.1) | 17.3 |
| | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | (7.0) | 5.0 | 6.9 | 81.7 |
| | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Net Income | (7.0) | 5.0 | 6.9 | 81.7 |
| | ===== | ===== | ===== | ===== |
| Less: | | | | |
| Realized gains (losses) on investments | (28.0) | (30.4) | (50.3) | 1.0 |

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| | | | | |
|---|----------|---------|---------|---------|
| Gains (losses) on derivatives | (0.8) | (0.0) | (0.2) | (1.4) |
| Restructuring charges | 0.0 | 0.0 | 0.0 | (4.0) |
| Cumulative effect of accounting changes | | | | |
| | ----- | ----- | ----- | ----- |
| Income from Operations | 21.8 | 35.4 | 57.4 | 86.1 |
| | ===== | ===== | ===== | ===== |
| Effective tax rate on Income from Operations | (121.8%) | (8.1%) | 11.0% | 18.6% |
| Revenue | 440.7 | 451.4 | 397.8 | 486.4 |
| Less: | | | | |
| Realized gains (losses) on investments | (43.8) | (46.1) | (76.8) | 0.9 |
| Gains (losses) on derivatives | (1.1) | (0.1) | (1.0) | (1.5) |
| | ----- | ----- | ----- | ----- |
| Operating Revenue | 485.6 | 497.6 | 475.5 | 487.0 |
| | ===== | ===== | ===== | ===== |
| Average capital | 2,409.0 | 2,502.8 | 2,526.3 | 2,262.3 |
| Net Income return on average capital | (1.2%) | 0.8% | 1.1% | 14.4% |
| Income from operations return on average capital | 3.6% | 5.7% | 9.1% | 15.2% |

Roll Forward of Deferred Acquisition Costs

| | | | | |
|---|---------|--------|--------|---------|
| Balance at beginning-of-quarter | 967.8 | 843.9 | 855.8 | 820.6 |
| Deferral | 66.0 | 55.3 | 47.8 | 51.0 |
| Amortization | (47.1) | (29.6) | (31.0) | (28.5) |
| | ----- | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | 18.9 | 25.7 | 16.8 | 22.6 |
| Adjustment related to realized (gains) losses on securities available-for-sale | 10.3 | 16.1 | 21.8 | 7.9 |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (153.1) | (29.9) | (73.9) | (197.9) |
| Other* | | | | |
| | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter | 843.9 | 855.8 | 820.6 | 653.1 |
| | ===== | ===== | ===== | ===== |

Roll Forward of Present Value of In-Force

| | | | | |
|---------------------------------|-------|--------|-------|-------|
| Balance at beginning-of-quarter | 146.8 | 142.7 | 122.7 | 120.4 |
| Amortization | (4.1) | (20.0) | (2.3) | (2.1) |
| Other | | | | |
| | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter | 142.7 | 122.7 | 120.4 | 118.3 |
| | ===== | ===== | ===== | ===== |

* Includes the transfer of the Legacy Life block of business to the Life Insurance segment in the first quarter of 2002.

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Unaudited [Billions of Dollars]

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|---------|---------|---------|---------|---------|
| Fixed Annuities- Bal Beg-of-Year | 17.214 | 18.111 | 18.210 | 16.615 | 18.004 |
| Gross Deposits | 1.452 | 2.563 | 2.074 | 3.342 | 3.672 |
| Withdrawals (incl charges) & deaths | (2.468) | (2.521) | (3.283) | (2.448) | (2.637) |
| Net flows | (1.016) | 0.042 | (1.209) | 0.894 | 1.035 |
| Transfer from (to) var annuities | (0.356) | (0.783) | (1.329) | (0.428) | 0.108 |
| Interest credited | 0.994 | 0.840 | 0.944 | 0.923 | 0.940 |
| Acq of new business/companies | 1.274 | | | | |
| Fixed Annuities-Gross | 18.111 | 18.210 | 16.615 | 18.004 | 20.087 |
| Reinsurance Ceded | (1.606) | (1.419) | (1.221) | (1.514) | (2.003) |
| Fixed Annuities-Bal End -of-Year | 16.505 | 16.791 | 15.394 | 16.491 | 18.085 |
| Fixed Annuities Incremental Deposits * | 1.265 | 2.310 | 1.918 | 3.213 | 3.600 |
| Variable Annuities-Bal Beg-of-Year | 27.346 | 33.358 | 41.493 | 39.427 | 34.638 |
| Gross Deposits | 2.791 | 2.553 | 3.165 | 3.067 | 2.743 |
| Withdrawals (incl charges) & deaths | (3.019) | (3.760) | (4.830) | (3.856) | (3.325) |
| Net flows | (0.228) | (1.207) | (1.665) | (0.789) | (0.582) |
| Transfer from (to) fixed annuities | 0.389 | 0.787 | 1.320 | 0.428 | (0.122) |
| Invest inc & change in mkt value | 5.414 | 8.555 | (1.721) | (4.428) | (6.497) |
| Acq(sale) of new business/companies | 0.437 | | | | |
| Var Annuities-Bal End-of-Year | 33.358 | 41.493 | 39.427 | 34.638 | 27.438 |
| Variable Annuities Incremental Deposits * | 2.641 | 2.409 | 2.667 | 2.624 | 2.569 |
| Total Annuities - Bal Beg-of-Year | 44.560 | 51.469 | 59.703 | 56.042 | 52.642 |
| Gross Deposits | 4.244 | 5.116 | 5.239 | 6.409 | 6.415 |
| Withdrawals (incl charges) & deaths | (5.487) | (6.281) | (8.113) | (6.304) | (5.962) |
| Net flows | (1.244) | (1.165) | (2.874) | 0.105 | 0.453 |
| Transfers | 0.033 | 0.004 | (0.009) | | (0.013) |
| Interest credited & change in mkt value | 6.408 | 9.395 | (0.777) | (3.505) | (5.558) |
| Acq of new business/companies | 1.711 | | | | |
| Total Gross Annuities-Bal End-of-Year | 51.469 | 59.703 | 56.042 | 52.642 | 47.525 |
| Reinsurance Ceded | (1.606) | (1.419) | (1.221) | (1.514) | (2.003) |
| Total Annuities (Net of Ceded) - Bal End-of-Year | 49.862 | 58.284 | 54.821 | 51.129 | 45.522 |
| Total Annuities Incremental Deposits * | 3.906 | 4.719 | 4.585 | 5.837 | 6.169 |
| Var Ann Under Agree - Included above | 0.649 | 0.719 | 0.941 | 1.077 | 1.186 |

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Fixed Annuities - excluding fixed portion of variable contracts

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Deposits | 0.709 | 0.459 | 1.712 | 1.844 |
| Withdrawals | (1.367) | (2.271) | (1.604) | (1.473) |
| Net Flows | (0.658) | (1.812) | 0.108 | 0.371 |
| Gross Fixed Account Values | | | | 10.475 |
| Reinsurance Ceded | | | | (2.003) |
| Net Fixed Account Values | | | | 8.473 |

Variable Annuities - including fixed portion of variable contracts

| | | | | |
|-------------------------|---------|---------|---------|---------|
| Deposits | 4.407 | 4.780 | 4.697 | 4.571 |
| Withdrawals | (4.915) | (5.842) | (4.700) | (4.489) |
| Net Flows | (0.508) | (1.062) | (0.003) | 0.082 |
| Variable Account Values | | | | 37.050 |

Fixed Portion of Variable Contracts

| | | | | |
|-------------|---------|---------|---------|---------|
| Deposits | 1.853 | 1.615 | 1.630 | 1.828 |
| Withdrawals | (1.154) | (1.012) | (0.844) | (1.164) |
| Net Flows | 0.699 | 0.603 | 0.786 | 0.664 |

Fixed Portion of Variable Account Values

| | | | | |
|---------------------------------------|--------|--------|--------|--------|
| | | | 16.491 | 9.612 |
| Average Daily Variable Account Values | 35.932 | 41.776 | 35.573 | 30.826 |

Annuity Product Spread Information**

| | | | | |
|-----------------------|-------|-------|-------|-------|
| Net Investment Income | 7.22% | 7.38% | 7.38% | 6.98% |
| Interest Credited | 5.13% | 5.24% | 5.33% | 4.87% |
| Spread | 2.09% | 2.14% | 2.05% | 2.11% |

* Incremental Deposits represent gross deposits reduced by transfers from other Lincoln Retirement products.

** For the annuity products spread, the yield on earning assets is calculated as net investment income on fixed product investment portfolios divided by average earning assets. The average crediting rate is calculated using interest credited on annuity products less bonus credits and excess DCA interest, divided by average fixed account values net of co-insured account values. Fixed account values reinsured under modified co-insurance agreements are included in account values for this calculation since assets (and therefore margin) are retained under these agreements.

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Lincoln Retirement
Annuity Account Value Roll Forward
Unaudited [Billions of Dollars]

| | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 |
|---|-------------|-------------|-------------|-------------|-------------|
| Fixed Annuities-Bal Beg-of-Quarter | 17.199 | 16.929 | 16.615 | 16.598 | 16.696 |
| Gross Deposits | 0.513 | 0.482 | 0.560 | 0.668 | 0.896 |
| Withdrawals (incl charges) & deaths | (0.802) | (0.810) | (0.787) | (0.574) | (0.525) |
| Net flows | (0.288) | (0.328) | (0.227) | 0.094 | 0.372 |
| Transfer from (to) var annuities | (0.217) | (0.216) | (0.014) | (0.222) | 0.021 |
| Interest credited | 0.235 | 0.230 | 0.225 | 0.226 | 0.228 |
| Acq of new business/companies | | | | | |
| Fixed Annuities-Gross | 16.929 | 16.615 | 16.598 | 16.696 | 17.317 |
| Reinsurance Ceded | (1.270) | (1.221) | (1.169) | (1.146) | (1.266) |
| Fixed Annuities-Bal End-of-Quarter | 15.660 | 15.394 | 15.430 | 15.551 | 16.051 |
| Fixed Annuities Incremental Deposits* | 0.464 | 0.447 | 0.536 | 0.611 | 0.873 |
| Variable Annuities-Bal Beg-of-Quarter | 43.097 | 42.743 | 39.427 | 34.733 | 36.961 |
| Gross Deposits | 0.729 | 0.846 | 0.887 | 0.703 | 0.684 |
| Withdrawals (incl charges) & deaths | (1.253) | (1.199) | (1.250) | (0.993) | (0.795) |
| Net flows | (0.524) | (0.353) | (0.363) | (0.290) | (0.111) |
| Transfer from (to) fixed annuities | 0.216 | 0.212 | 0.011 | 0.227 | (0.023) |
| Invest inc & change in mkt value | (0.046) | (3.175) | (4.342) | 2.291 | (6.321) |
| Acq (sale) of new business/companies | | | | | |
| Var Annuities-Bal End-of-Quarter | 42.743 | 39.427 | 34.733 | 36.961 | 30.506 |
| Variable Annuities Incremental Deposits | 0.586 | 0.650 | 0.683 | 0.612 | 0.604 |
| Total Annuities-Bal Beg-of-Quarter | 60.296 | 59.673 | 56.042 | 51.331 | 53.657 |
| Gross Deposits | 1.242 | 1.328 | 1.447 | 1.371 | 1.580 |
| Withdrawals (incl charges) & deaths | (2.055) | (2.009) | (2.037) | (1.567) | (1.320) |
| Net flows | (0.812) | (0.681) | (0.590) | (0.196) | 0.261 |
| Transfers | (0.001) | (0.004) | (0.003) | 0.005 | (0.002) |
| Interest credited & change in mkt value | 0.189 | (2.945) | (4.117) | 2.517 | (6.093) |
| Acq of new business/companies | | | | | |
| Total Gross Annuities-Bal End-of-Quarter | 59.673 | 56.042 | 51.331 | 53.657 | 47.823 |
| Reinsurance Ceded | (1.270) | (1.221) | (1.169) | (1.146) | (1.266) |
| Total Annuities (Net of Ceded)- Bal End-of-Qtr | 58.403 | 54.821 | 50.162 | 52.512 | 46.557 |
| Total Annuities Incremental Deposits* | 1.050 | 1.097 | 1.219 | 1.223 | 1.477 |

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| | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|
| Var Ann Under Agree - Included above | 0.962 | 0.941 | 0.904 | 0.975 | 0.907 |
|--------------------------------------|-------|-------|-------|-------|-------|

* Incremental Deposits represent gross deposits reduced by transfers from other Lincoln Retirement products.

Fixed Annuities - excluding fixed portion of variable contracts

| | | | | | |
|-------------|---------|---------|---------|---------|---------|
| Deposits | 0.114 | 0.085 | 0.160 | 0.329 | 0.489 |
| Withdrawals | (0.532) | (0.570) | (0.556) | (0.356) | (0.340) |
| Net Flows | (0.417) | (0.485) | (0.396) | (0.027) | 0.149 |

Gross Fixed Account Values
Reinsurance Ceded

Net Fixed Account Values

Variable Annuities - including fixed portion of variable contracts

| | | | | | |
|-------------|---------|---------|---------|---------|---------|
| Deposits | 1.128 | 1.243 | 1.287 | 1.042 | 1.091 |
| Withdrawals | (1.523) | (1.439) | (1.481) | (1.211) | (0.979) |
| Net Flows | (0.395) | (0.196) | (0.194) | (0.169) | 0.112 |

Variable Account Values

Fixed Portion of Variable Contracts

| | | | | | |
|-------------|---------|---------|---------|---------|---------|
| Deposits | 0.399 | 0.397 | 0.400 | 0.339 | 0.407 |
| Withdrawals | (0.270) | (0.240) | (0.231) | (0.218) | (0.184) |
| Net Flows | 0.129 | 0.157 | 0.169 | 0.121 | 0.223 |

Fixed Portion of Variable Account Values

| | | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|
| Average Daily Variable Account Values | 43.055 | 39.682 | 38.180 | 36.499 | 34.399 |
|---------------------------------------|--------|--------|--------|--------|--------|

Annuity Product Spread Information**

| | | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| Net Investment Income | 7.40% | 7.37% | 7.50% | 7.45% | 7.33% |
| Interest Credited | 5.12% | 5.14% | 5.40% | 5.29% | 5.34% |
| Spread | 2.28% | 2.23% | 2.09% | 2.16% | 1.99% |

| | | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | Mar 2002 | Jun 2002 | Sep 2002 | Dec 2002 | Mar 2003 |
| Fixed Annuities-Bal Beg-of-Quarter | 18.004 | 18.178 | 18.679 | 19.562 | 20.086 |
| Gross Deposits | 0.906 | 0.853 | 1.091 | 0.822 | 0.776 |
| Withdrawals (incl charges) & deaths | (0.730) | (0.551) | (0.825) | (0.531) | (0.524) |

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| | | | | | |
|---|---------|---------|---------|---------|---------|
| Net flows | 0.176 | 0.302 | 0.265 | 0.291 | 0.253 |
| Transfer from (to) var annuities | (0.232) | (0.032) | 0.379 | (0.007) | 0.046 |
| Interest credited | 0.230 | 0.231 | 0.238 | 0.240 | 0.226 |
| Acq of new business/companies | | | | | |
| Fixed Annuities-Gross | 18.178 | 18.679 | 19.562 | 20.086 | 20.611 |
| Reinsurance Ceded | (1.645) | (1.770) | (1.913) | (2.003) | (2.075) |
| Fixed Annuities-Bal End-of-Quarter | 16.534 | 16.910 | 17.650 | 18.085 | 18.537 |
| Fixed Annuities Incremental Deposits* | 0.881 | 0.839 | 1.072 | 0.808 | 0.753 |
| Variable Annuities-Bal Beg-of-Quarter | 34.638 | 35.150 | 31.206 | 25.942 | 27.438 |
| Gross Deposits | 0.808 | 0.787 | 0.603 | 0.545 | 0.648 |
| Withdrawals (incl charges) & deaths | (0.896) | (0.866) | (0.800) | (0.763) | (0.806) |
| Net flows | (0.088) | (0.079) | (0.197) | (0.217) | (0.158) |
| Transfer from (to) fixed annuities | 0.234 | 0.032 | (0.388) | 0.000 | (0.048) |
| Invest inc & change in mkt value | 0.366 | (3.897) | (4.679) | 1.713 | (0.759) |
| Acq (sale) of new business/companies | | | | | |
| Var Annuities-Bal End-of-Quarter | 35.150 | 31.206 | 25.942 | 27.438 | 26.474 |
| Variable Annuities Incremental Deposits | 0.725 | 0.744 | 0.573 | 0.528 | 0.629 |
| Total Annuities-Bal Beg-of-Quarter | 52.642 | 53.328 | 49.885 | 45.504 | 47.524 |
| Gross Deposits | 1.714 | 1.640 | 1.694 | 1.368 | 1.424 |
| Withdrawals (incl charges) & deaths | (1.626) | (1.417) | (1.626) | (1.294) | (1.329) |
| Net flows | 0.088 | 0.223 | 0.068 | 0.074 | 0.095 |
| Transfers | 0.002 | 0.000 | (0.009) | (0.006) | (0.002) |
| Interest credited & change in mkt value | 0.596 | (3.666) | (4.441) | 1.953 | (0.532) |
| Acq of new business/companies | | | | | |
| Total Gross Annuities-Bal End-of-Quarter | 53.328 | 49.885 | 45.504 | 47.524 | 47.085 |
| Reinsurance Ceded | (1.645) | (1.770) | (1.913) | (2.003) | (2.075) |
| Total Annuities (Net of Ceded)- Bal End-of-Qtr | 51.683 | 48.115 | 43.591 | 45.522 | 45.010 |
| Total Annuities Incremental Deposits* | 1.606 | 1.583 | 1.645 | 1.336 | 1.382 |
| Var Ann Under Agree - Included above | 1.207 | 1.175 | 1.083 | 1.186 | 1.355 |

* Incremental Deposits represent gross deposits reduced by transfers from other Lincoln Retirement products.

Fixed Annuities - excluding fixed
portion of variable contracts

| | | | | | |
|-------------|---------|---------|---------|---------|---------|
| Deposits | 0.505 | 0.430 | 0.559 | 0.351 | 0.368 |
| Withdrawals | (0.463) | (0.267) | (0.516) | (0.228) | (0.208) |
| Net Flows | 0.042 | 0.163 | 0.042 | 0.123 | 0.160 |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| Gross Fixed Account Values | 9.761 | 10.048 | 10.219 | 10.475 | 10.759 |
| Reinsurance Ceded | (1.645) | (1.770) | (1.913) | (2.003) | (2.075) |
| Net Fixed Account Values | 8.116 | 8.278 | 8.306 | 8.473 | 8.684 |
| Variable Annuities - including fixed portion of variable contracts | | | | | |
| Deposits | 1.209 | 1.210 | 1.135 | 1.017 | 1.056 |
| Withdrawals | (1.163) | (1.150) | (1.109) | (1.066) | (1.121) |
| Net Flows | 0.046 | 0.060 | 0.026 | (0.049) | (0.065) |
| Variable Account Values | 43.568 | 39.839 | 35.286 | 37.050 | 36.327 |
| Fixed Portion of Variable Contracts | | | | | |
| Deposits | 0.401 | 0.423 | 0.532 | 0.472 | 0.408 |
| Withdrawals | (0.267) | (0.284) | (0.309) | (0.303) | (0.316) |
| Net Flows | 0.134 | 0.139 | 0.223 | 0.169 | 0.093 |
| Fixed Portion of Variable Account Values | 8.418 | 8.632 | 9.344 | 9.612 | 9.853 |
| Average Daily Variable Account Values | 34.341 | 33.502 | 28.023 | 27.431 | 26.907 |

Annuity Product Spread Information**

| | | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| Net Investment Income | 7.15% | 7.11% | 6.87% | 6.89% | 6.61% |
| Interest Credited | 5.14% | 4.92% | 4.76% | 4.72% | 4.42% |
| Spread | 2.01% | 2.18% | 2.11% | 2.17% | 2.19% |

* Incremental Deposits represent gross deposits reduced by transfers from other Lincoln Retirement products.

** For the annuity products spread, the yield on earning assets.

Life Insurance Segment
Income Statements
Unaudited [Millions of Dollars]

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | |
|--------------------------------|-------|-------|-------|-------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Premiums | 185.9 | 235.8 | 227.3 | 212.4 | 2 |
| Surrender charges | 52.1 | 66.3 | 66.4 | 66.1 | |
| Mortality assessments | 350.1 | 444.6 | 465.2 | 499.4 | 5 |
| Expense assessments | 146.2 | 165.8 | 191.8 | 191.4 | 1 |

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| | | | | | |
|--|---------|---------|---------|---------|-----|
| Other revenue and fees | 2.6 | 9.8 | 14.2 | 17.9 | |
| Net investment income | 642.6 | 840.1 | 871.5 | 910.2 | 8 |
| Realized gains (losses) on investments | (1.0) | (2.2) | (17.4) | (57.6) | (|
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.7 | |
| | ----- | ----- | ----- | ----- | --- |
| Total Revenue | 1,378.5 | 1,760.4 | 1,819.0 | 1,840.6 | 1,7 |
| | ----- | ----- | ----- | ----- | --- |
| Benefits and Expenses | | | | | |
| Benefits paid or provided: | | | | | |
| Benefits | 371.3 | 430.4 | 411.5 | 418.6 | 4 |
| Div accum & div to policyholders | 70.7 | 81.5 | 80.8 | 78.5 | |
| Interest credited to policy bal. | 393.1 | 493.8 | 525.4 | 569.9 | 5 |
| | ----- | ----- | ----- | ----- | --- |
| Total insurance benefits | 835.1 | 1,005.8 | 1,017.8 | 1,067.0 | 1,1 |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 107.5 | 163.4 | 152.8 | 142.1 | 1 |
| Other volume related expenses | 122.7 | 185.6 | 200.9 | 176.4 | 1 |
| Operating and administrative expenses | 146.0 | 171.2 | 164.4 | 166.8 | 1 |
| Restructuring Charges | 30.8 | 0.0 | 0.0 | 5.4 | |
| Taxes, licenses and fees | 29.7 | 51.8 | 48.5 | 49.2 | |
| Par policyholder interests | (4.3) | 3.3 | 1.1 | 0.0 | |
| Foreign exchange | 0.0 | 0.0 | 0.0 | 0.0 | |
| | ----- | ----- | ----- | ----- | --- |
| Subtotal | 432.5 | 575.2 | 567.6 | 539.9 | 5 |
| Deferral of acquisition costs | | | 0.0 | (324.8) | (3 |
| DAC amortization | | | 0.0 | 95.0 | 1 |
| | ----- | ----- | ----- | ----- | --- |
| DAC deferral net of amortization | (159.3) | (235.0) | (286.5) | (229.8) | (2 |
| PVIF amortization | 51.9 | 58.8 | 103.7 | 75.9 | |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 | |
| | ----- | ----- | ----- | ----- | --- |
| Total underwriting, acquisition, insurance and other expenses | 325.0 | 399.1 | 384.8 | 385.9 | 3 |
| Goodwill amortization | 19.7 | 23.4 | 23.7 | 23.7 | |
| | ----- | ----- | ----- | ----- | --- |
| Total Benefits and Expenses | 1,179.8 | 1,428.2 | 1,426.3 | 1,476.6 | 1,4 |
| | ----- | ----- | ----- | ----- | --- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | | | | | |
| | 198.7 | 332.2 | 392.7 | 364.0 | 2 |
| Federal income taxes | 71.2 | 120.6 | 143.4 | 129.2 | |
| | ----- | ----- | ----- | ----- | --- |
| Income Before Cumulative Effect of Accounting Changes | 127.5 | 211.5 | 249.3 | 234.8 | 2 |
| | ----- | ----- | ----- | ----- | --- |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (5.5) | |
| | ----- | ----- | ----- | ----- | --- |
| Net Income | 127.5 | 211.5 | 249.3 | 229.3 | 2 |
| | ===== | ===== | ===== | ===== | === |
| Less: | | | | | |
| Realized gains (losses) on investments | (1.7) | (0.5) | (10.7) | (38.5) | (|
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 1.6 | |
| Restructuring charges | (20.0) | 0.0 | 0.0 | (3.5) | |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (5.5) | |
| | ----- | ----- | ----- | ----- | --- |
| Income from Operations | 149.2 | 212.0 | 259.9 | 275.3 | 2 |
| | ===== | ===== | ===== | ===== | === |

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| | | | | | |
|--|---------|---------|---------|---------|------|
| Effective tax rate on | | | | | |
| Income from Operations | 35.6% | 36.6% | 36.6% | 35.4% | 3 |
| Revenue | 1,378.5 | 1,760.4 | 1,819.0 | 1,840.6 | 1,7 |
| Less: | | | | | |
| Realized gains (losses) on investments | (1.0) | (2.2) | (17.4) | (57.6) | (|
| Gains (losses) on derivatives | | | 0.0 | 0.7 | |
| | ----- | ----- | ----- | ----- | --- |
| Operating Revenue | 1,379.5 | 1,762.6 | 1,836.4 | 1,897.5 | 1,8 |
| | ===== | ===== | ===== | ===== | ==== |
| Average capital | 1,948.0 | 2,712.3 | 2,640.2 | 2,732.8 | 2,8 |
| Net Income return on average capital | 6.5% | 7.8% | 9.4% | 8.4% | |
| Income from operations return on | | | | | |
| average capital | 7.7% | 7.8% | 9.8% | 10.1% | |

Roll Forward of Deferred Acquisition Costs

| | | | | |
|--|--|--|---------|------|
| Balance at beginning-of-period | | | 1,079.3 | 1,2 |
| Deferral | | | 324.8 | 3 |
| Amortization | | | (95.0) | (1 |
| | | | ----- | --- |
| Included in Total Benefits and Expenses | | | 229.8 | 2 |
| Adjustment related to realized (gains) | | | | |
| losses on securities available-for-sale | | | 43.0 | |
| Adjustment related to unrealized (gains) | | | | |
| losses on securities available-for-sale | | | (89.0) | (1 |
| Other* | | | 2.5 | |
| | | | ----- | --- |
| Balance at end-of-period | | | 1,265.6 | 1,4 |
| | | | ===== | ==== |

Roll Forward of Present Value of In-Force

| | | | | |
|--------------------------------|--|--|---------|------|
| Balance at beginning-of-period | | | 1,040.5 | 9 |
| Amortization | | | (75.9) | (|
| Other | | | (0.7) | |
| | | | ----- | --- |
| Balance at end-of-period | | | 964.0 | 8 |
| | | | ===== | ==== |

* Includes the transfer of the Legacy Life block of business from the Lincoln Retirement segment

Note: 2001 and 2002 have been restated for the adoption of the fair value method of accounting for

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Life Insurance Segment
Income Statements
Unaudited [Millions of Dollars]

| | | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| For the Quarter Ended | Jun | Sep | Dec | Mar | Jun |
| | 2001 | 2001 | 2001 | 2002 | 2002 |
| | ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|--|--------|--------|---------|--------|--------|
| Revenue | | | | | |
| Premiums | 50.7 | 46.4 | 64.4 | 51.1 | 47.6 |
| Surrender charges | 13.5 | 15.6 | 19.9 | 11.7 | 13.5 |
| Mortality assessments | 124.8 | 124.7 | 125.5 | 123.9 | 123.9 |
| Expense assessments | 45.3 | 46.0 | 52.8 | 46.9 | 47.2 |
| Other revenue and fees | 3.8 | 3.0 | 6.0 | 5.7 | 6.7 |
| Net investment income | 227.4 | 233.2 | 226.6 | 226.0 | 225.7 |
| Realized gains (losses) on investments | (10.0) | (8.2) | (31.1) | (41.4) | (25.4) |
| Gains (losses) on derivatives | 0.2 | (0.1) | 0.6 | 0.0 | 0.6 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 455.7 | 460.6 | 464.7 | 423.9 | 439.8 |
| | ----- | ----- | ----- | ----- | ----- |
| Benefits and Expenses | | | | | |
| Benefits paid or provided: | | | | | |
| Benefits | 103.5 | 102.3 | 112.9 | 104.1 | 103.6 |
| Div accum & div to policyholders | 19.0 | 16.5 | 25.4 | 17.8 | 18.2 |
| Interest credited to policy bal. | 141.2 | 143.5 | 146.9 | 146.3 | 148.9 |
| | ----- | ----- | ----- | ----- | ----- |
| Total insurance benefits | 263.8 | 262.3 | 285.1 | 268.1 | 270.8 |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 31.1 | 32.5 | 45.1 | 34.6 | 34.8 |
| Other volume related expenses | 43.3 | 41.4 | 56.9 | 42.7 | 43.6 |
| Operating and administrative expenses | 42.1 | 43.1 | 39.8 | 38.2 | 38.2 |
| Restructuring charges | 3.1 | 0.0 | 2.3 | 0.0 | 0.0 |
| Taxes, licenses and fees | 12.3 | 12.0 | 12.5 | 13.2 | 15.3 |
| Par policyholder interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Foreign exchange | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 131.9 | 129.0 | 156.5 | 128.6 | 132.0 |
| Deferral of acquisition costs | (68.8) | (85.3) | (106.3) | (74.3) | (82.2) |
| DAC amortization | 15.8 | 29.7 | 30.2 | 22.1 | 23.6 |
| | ----- | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | (53.0) | (55.5) | (76.1) | (52.3) | (58.6) |
| PVIF amortization | 17.7 | 20.5 | 14.7 | 16.9 | 16.3 |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 96.5 | 94.0 | 95.1 | 93.2 | 89.6 |
| Goodwill amortization | 5.9 | 5.9 | 5.9 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 366.3 | 362.2 | 386.2 | 361.3 | 360.4 |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | | | | | |
| | 89.4 | 98.4 | 78.4 | 62.6 | 79.4 |
| Federal income taxes | | | | | |
| | 31.5 | 34.7 | 27.5 | 19.1 | 22.7 |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | | | | | |
| | 57.9 | 63.8 | 50.9 | 43.5 | 56.7 |
| | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | | | | | |
| | (5.3) | 0.0 | (0.0) | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Net Income | | | | | |
| | 52.6 | 63.8 | 50.9 | 43.5 | 56.7 |
| | ===== | ===== | ===== | ===== | ===== |
| Less: | | | | | |
| Realized gains (losses) on investments | (6.4) | (5.3) | (21.3) | (26.9) | (16.4) |
| Gains (losses) on derivatives | 0.1 | (0.0) | 1.5 | 0.0 | 0.3 |

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| | | | | | |
|---|---------|---------|---------|---------|---------|
| Restructuring charges | (2.0) | 0.0 | (1.5) | 0.0 | 0.0 |
| Cumulative effect of accounting changes | (5.3) | 0.0 | (0.0) | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 66.2 | 69.1 | 72.3 | 70.4 | 72.8 |
| | ===== | ===== | ===== | ===== | ===== |
| Effective tax rate on Income from Operations | 35.3% | 35.2% | 35.0% | 32.3% | 30.1% |
| Revenue | 455.7 | 460.6 | 464.7 | 423.9 | 439.8 |
| Less: | | | | | |
| Realized gains (losses) on investments | (10.0) | (8.2) | (31.1) | (41.4) | (25.4) |
| Gains (losses) on derivatives | 0.2 | (0.1) | 0.6 | 0.0 | 0.6 |
| | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue | 465.5 | 468.9 | 495.2 | 465.3 | 464.6 |
| | ===== | ===== | ===== | ===== | ===== |
| Average capital | 2,716.7 | 2,737.7 | 2,746.5 | 2,804.3 | 2,868.5 |
| Net Income return on average capital | 7.7% | 9.3% | 7.4% | 6.2% | 7.9% |
| Income from operations return on average capital | 9.7% | 10.1% | 10.5% | 10.0% | 10.2% |

Roll Forward of Deferred Acquisition Costs

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Balance at beginning-of-quarter | 1,064.1 | 1,151.1 | 1,156.0 | 1,265.6 | 1,385.3 |
| Deferral | 68.8 | 85.3 | 106.3 | 74.3 | 82.2 |
| Amortization | (15.8) | (29.7) | (30.2) | (22.1) | (23.6) |
| | ----- | ----- | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | 53.0 | 55.5 | 76.1 | 52.3 | 58.6 |
| Adjustment related to realized (gains) losses on securities available-for-sale | 13.3 | 7.2 | 14.7 | 15.8 | 11.2 |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | 20.7 | (59.6) | 18.5 | 34.0 | (51.9) |
| Other* | 0.1 | 1.8 | 0.3 | 17.6 | 1.7 |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter | 1,151.1 | 1,156.0 | 1,265.6 | 1,385.3 | 1,404.9 |
| | ===== | ===== | ===== | ===== | ===== |

Roll Forward of Present Value of In-Force

| | | | | | |
|---------------------------------|---------|--------|--------|--------|--------|
| Balance at beginning-of-quarter | 1,017.6 | 999.9 | 978.7 | 964.0 | 947.1 |
| Amortization | (17.7) | (20.5) | (14.7) | (16.9) | (16.3) |
| Other | | (0.7) | | | (0.1) |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter | 999.9 | 978.7 | 964.0 | 947.1 | 930.7 |
| | ===== | ===== | ===== | ===== | ===== |

For the Quarter Ended

| | | | | | |
|------------------------|-------|-------|-------|-------|--|
| | Sep | Dec | Mar | Jun | |
| | 2002 | 2002 | 2003 | 2003 | |
| | ----- | ----- | ----- | ----- | |
| Revenue | | | | | |
| Premiums | 48.6 | 56.4 | 47.8 | 49.7 | |
| Surrender charges | 13.4 | 15.5 | 11.4 | 12.4 | |
| Mortality assessments | 126.3 | 127.3 | 129.7 | 128.4 | |
| Expense assessments | 49.2 | 56.3 | 48.3 | 49.6 | |
| Other revenue and fees | 5.1 | 6.2 | 5.8 | 7.3 | |
| Net investment income | 224.1 | 223.3 | 227.6 | 229.0 | |

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| | | | | |
|---|--------|---------|--------|--------|
| Realized gains (losses) on investments | (25.9) | (5.5) | (12.7) | (2.6) |
| Gains (losses) on derivatives | 0.7 | 0.1 | (0.5) | 0.3 |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 441.6 | 479.6 | 457.5 | 474.0 |
| | ----- | ----- | ----- | ----- |
| Benefits and Expenses | | | | |
| Benefits paid or provided: | | | | |
| Benefits | 105.2 | 114.6 | 103.8 | 110.5 |
| Div accum & div to policyholders | 17.2 | 22.8 | 14.4 | 17.6 |
| Interest credited to policy bal. | 152.6 | 150.7 | 150.1 | 149.8 |
| | ----- | ----- | ----- | ----- |
| Total insurance benefits | 275.1 | 288.0 | 268.3 | 277.9 |
| Underwriting, acquisition, insurance and other expenses: | | | | |
| Commissions | 31.8 | 38.6 | 32.4 | 30.7 |
| Other volume related expenses | 45.8 | 58.3 | 54.2 | 43.2 |
| Operating and administrative expenses | 41.1 | 44.7 | 40.6 | 38.5 |
| Restructuring charges | 0.0 | 0.0 | 5.5 | 7.3 |
| Taxes, licenses and fees | 13.2 | 11.5 | 14.4 | 13.8 |
| Par policyholder interests | 0.0 | 0.0 | 0.0 | 0.0 |
| Foreign exchange | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Subtotal | 131.8 | 153.2 | 147.1 | 133.4 |
| Deferral of acquisition costs | (78.6) | (101.4) | (91.0) | (79.7) |
| DAC amortization | 23.9 | 36.3 | 47.0 | 29.5 |
| | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | (54.8) | (65.1) | (44.0) | (50.2) |
| PVIF amortization | 23.3 | 17.4 | 17.4 | 17.2 |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 100.4 | 105.5 | 120.5 | 100.4 |
| Goodwill amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 375.5 | 393.6 | 388.8 | 378.3 |
| | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | | | | |
| | 66.1 | 86.0 | 68.7 | 95.7 |
| Federal income taxes | | | | |
| | 19.7 | 26.5 | 20.2 | 30.1 |
| | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | | | | |
| | 46.4 | 59.5 | 48.5 | 65.6 |
| | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | | | | |
| | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Net Income | 46.4 | 59.5 | 48.5 | 65.6 |
| | ===== | ===== | ===== | ===== |
| Less: | | | | |
| Realized gains (losses) on investments | (16.9) | (3.6) | (8.1) | (1.9) |
| Gains (losses) on derivatives | 0.6 | 0.1 | (0.5) | 0.4 |
| Restructuring charges | 0.0 | 0.0 | (3.6) | (4.7) |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- |
| Income from Operations | 62.7 | 63.1 | 60.7 | 71.8 |
| | ===== | ===== | ===== | ===== |
| Effective tax rate on Income from Operations | | | | |
| | 31.3% | 31.0% | 30.6% | 31.8% |

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| | | | | |
|--|---------|---------|---------|---------|
| Revenue | 441.6 | 479.6 | 457.5 | 474.0 |
| Less: | | | | |
| Realized gains (losses) on investments | (25.9) | (5.5) | (12.7) | (2.6) |
| Gains (losses) on derivatives | 0.7 | 0.1 | (0.5) | 0.3 |
| | ----- | ----- | ----- | ----- |
| Operating Revenue | 466.8 | 485.0 | 470.7 | 476.2 |
| | ===== | ===== | ===== | ===== |
| Average capital | 2,856.0 | 2,849.9 | 2,863.9 | 2,792.7 |
| Net Income return on average capital | 6.5% | 8.4% | 6.8% | 9.4% |
| Income from operations return on average capital | 8.8% | 8.8% | 8.5% | 10.3% |

Roll Forward of Deferred Acquisition Costs

| | | | | |
|--|---------|---------|---------|---------|
| Balance at beginning-of-quarter | 1,404.9 | 1,362.2 | 1,424.5 | 1,447.7 |
| Deferral | 78.6 | 101.4 | 91.0 | 79.7 |
| Amortization | (23.9) | (36.3) | (47.0) | (29.5) |
| | ----- | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | 54.8 | 65.1 | 44.0 | 50.2 |
| Adjustment related to realized (gains) losses on securities available-for-sale | 11.7 | 1.0 | 7.0 | (0.3) |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (109.3) | (3.7) | (27.9) | (116.3) |
| Other* | | | | |
| | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter | 1,362.2 | 1,424.5 | 1,447.7 | 1,381.3 |
| | ===== | ===== | ===== | ===== |

Roll Forward of Present Value of In-Force

| | | | | |
|---------------------------------|--------|--------|--------|--------|
| Balance at beginning-of-quarter | 930.7 | 907.4 | 890.1 | 872.7 |
| Amortization | (23.3) | (17.4) | (17.4) | (17.2) |
| Other | | 0.1 | | |
| | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter | 907.4 | 890.1 | 872.7 | 855.5 |
| | ===== | ===== | ===== | ===== |

* Includes the transfer of the Legacy Life block of business from the Lincoln Retirement segment in the first quarter of 2002.

Life Insurance Segment
Operational Data
Unaudited [Millions of Dollars]

| | | | | | |
|---|-------|-------|-------|-------|-------|
| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 |
| | ----- | ----- | ----- | ----- | ----- |
| First Year Premiums by Product (Millions) | | | | | |
| Universal Life | 233.0 | 342.9 | 289.3 | 292.7 | 495.3 |

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| | | | | | |
|---------------------------------------|-------|-------|-------|-------|-------|
| Variable Universal Life | 101.3 | 142.2 | 218.7 | 228.6 | 134.5 |
| Whole Life | 20.0 | 23.9 | 22.4 | 26.3 | 30.3 |
| Term | 48.0 | 45.9 | 41.9 | 30.8 | 32.3 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Retail | 402.3 | 555.0 | 572.3 | 578.4 | 692.3 |
| Corporate Owned Life Insurance (COLI) | 4.0 | 14.7 | 87.0 | 47.3 | 88.1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 406.3 | 569.7 | 659.3 | 625.6 | 780.4 |
| | ----- | ----- | ----- | ----- | ----- |

| | | | | | |
|--|-------|-------|-------|-------|-------|
| First Year Premiums by Distribution (Millions) | | | | | |
| Lincoln Financial Advisors | 35.0 | 188.3 | 200.6 | 196.1 | 201.7 |
| Lincoln Financial Distributors | 356.3 | 367.9 | 444.7 | 413.0 | 556.3 |
| Other* | 15.0 | 13.5 | 14.0 | 16.6 | 22.4 |
| | ----- | ----- | ----- | ----- | ----- |
| Total by Distribution | 406.3 | 569.7 | 659.3 | 625.6 | 780.4 |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|
| Life Insurance In-Force (Billions) | | | | | |
| Universal Life & Other | 105.837 | 109.288 | 115.872 | 121.168 | 126.016 |
| Term Insurance | 67.076 | 85.701 | 100.130 | 113.226 | 127.880 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Life Segment In-Force | 172.914 | 194.988 | 216.002 | 234.394 | 253.896 |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| For the Quarter Ended | Sep | Dec | Mar | Jun | Sep |
| | 2000 | 2000 | 2001 | 2001 | 2001 |
| | ----- | ----- | ----- | ----- | ----- |

| | | | | | |
|---|-------|-------|-------|-------|-------|
| First Year Premiums by Product (Millions) | | | | | |
| Universal Life | 72.4 | 80.9 | 57.7 | 70.0 | 67.4 |
| Variable Universal Life | 55.1 | 75.1 | 56.0 | 52.2 | 50.1 |
| Whole Life | 6.0 | 8.0 | 4.1 | 5.1 | 6.7 |
| Term | 9.1 | 7.6 | 6.5 | 7.2 | 8.1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Retail | 142.6 | 171.6 | 124.2 | 134.6 | 132.4 |
| Corporate Owned Life Insurance (COLI) | 5.8 | 49.0 | 7.1 | 21.0 | 5.1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 148.4 | 220.7 | 131.3 | 155.6 | 137.4 |
| | ----- | ----- | ----- | ----- | ----- |

| | | | | | |
|--|-------|-------|-------|-------|-------|
| First Year Premiums by Distribution (Millions) | | | | | |
| Lincoln Financial Advisors | 51.3 | 66.2 | 38.1 | 48.2 | 41.8 |
| Lincoln Financial Distributors | 92.9 | 150.6 | 89.1 | 104.0 | 90.4 |
| Other* | 4.2 | 3.9 | 4.2 | 3.4 | 5.2 |
| | ----- | ----- | ----- | ----- | ----- |
| Total by Distribution | 148.4 | 220.7 | 131.3 | 155.6 | 137.4 |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|
| Insurance In-Force (Billions) | | | | | |
| Universal Life & Other | 112.884 | 115.872 | 116.747 | 118.007 | 119.029 |
| Term Insurance | 98.424 | 100.130 | 102.467 | 105.265 | 108.723 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Segment In-Force | 211.308 | 216.002 | 219.214 | 223.272 | 227.751 |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|-----------------------|------|------|------|------|------|
| For the Quarter Ended | Jun | Sep | Dec | Mar | Jun |
| | 2002 | 2002 | 2002 | 2003 | 2003 |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| First Year Premiums by Product (Millions) | | | | | |
| Universal Life | 98.9 | 132.9 | 177.1 | 130.8 | 142.7 |
| Variable Universal Life | 42.4 | 26.1 | 27.0 | 24.4 | 14.1 |
| Whole Life | 6.4 | 7.7 | 11.0 | 6.5 | 7.1 |
| Term | 8.1 | 7.3 | 8.1 | 9.1 | 9.6 |
| Total Retail | 155.8 | 174.0 | 223.2 | 170.7 | 173.5 |
| Corporate Owned Life Insurance (COLI) | 46.6 | 7.8 | 26.8 | 10.6 | 61.8 |
| Total | 202.4 | 181.8 | 249.9 | 181.3 | 235.3 |
| First Year Premiums by Distribution (Millions) | | | | | |
| Lincoln Financial Advisors | 48.3 | 46.9 | 64.9 | 42.1 | 48.4 |
| Lincoln Financial Distributors | 151.6 | 132.7 | 171.1 | 131.6 | 146.6 |
| Other* | 2.6 | 2.2 | 13.9 | 7.5 | 40.2 |
| Total by Distribution | 202.4 | 181.8 | 249.9 | 181.3 | 235.3 |
| Insurance In-Force (Billions) | | | | | |
| Universal Life & Other | 123.674 | 124.085 | 126.016 | 126.414 | 127.276 |
| Term Insurance | 121.076 | 123.945 | 127.880 | 133.251 | 139.191 |
| Total Segment In-Force | 244.750 | 248.030 | 253.896 | 259.666 | 266.467 |

* Other consists of distribution arrangements with third-party intermediaries.

Life Insurance Segment
Life Insurance Account Value Roll Forward

Unaudited [Billions of Dollars]

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---------|---------|---------|---------|---------|
| Universal Life-Bal Beg-of-Year | 2.558 | 6.259 | 6.650 | 6.976 | 7.508 |
| Deposits | 0.675 | 1.017 | 0.955 | 1.043 | 1.332 |
| Withdrawals & deaths | (0.701) | (0.452) | (0.426) | (0.319) | (0.426) |
| Net flows | (0.026) | 0.564 | 0.528 | 0.724 | 0.906 |
| Policyholder assessments | 0.000 | (0.544) | (0.584) | (0.598) | (0.648) |
| Interest credited | 0.350 | 0.370 | 0.382 | 0.405 | 0.428 |
| Acq of new business/transfers between segments | 3.378 | 0.000 | 0.000 | 0.000 | 0.018 |
| Universal Life-Bal End of Year (1) | 6.259 | 6.650 | 6.976 | 7.508 | 8.211 |
| Variable Universal Life-Bal Beg-of-Year | 0.480 | 1.200 | 1.605 | 1.808 | 1.746 |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| Deposits | 0.193 | 0.326 | 0.607 | 0.584 | 0.504 |
| Withdrawals & deaths | (0.100) | (0.099) | (0.132) | (0.251) | (0.193) |
| | ----- | ----- | ----- | ----- | ----- |
| Net flows | 0.093 | 0.228 | 0.475 | 0.332 | 0.311 |
| Policyholder assessments | 0.000 | (0.084) | (0.141) | (0.170) | (0.186) |
| Invest inc & chg in mkt value | 0.105 | 0.370 | (0.130) | (0.225) | (0.313) |
| Acq of new business/transfers between segments | 0.522 | (0.110) | 0.000 | 0.000 | 0.132 |
| | ----- | ----- | ----- | ----- | ----- |
| Variable Universal Life-Bal End-of-Year | 1.200 | 1.605 | 1.808 | 1.746 | 1.690 |
| | ----- | ----- | ----- | ----- | ----- |
| Interest Sensitive Whole Life- Bal Beg-of-Year | | 1.784 | 1.963 | 2.062 | 2.123 |
| | | ----- | ----- | ----- | ----- |
| Deposits | 0.340 | 0.355 | 0.322 | 0.307 | 0.301 |
| Withdrawals & deaths | (0.294) | (0.162) | (0.168) | (0.200) | (0.199) |
| | ----- | ----- | ----- | ----- | ----- |
| Net flows | 0.046 | 0.193 | 0.154 | 0.107 | 0.103 |
| Policyholder assessments | 0.000 | (0.168) | (0.168) | (0.164) | (0.167) |
| Interest credited | 0.096 | 0.109 | 0.113 | 0.118 | 0.127 |
| Acq of new business/transfers between segments | 1.642 | 0.045 | 0.000 | 0.000 | 0.000 |
| | ----- | ----- | ----- | ----- | ----- |
| Int Sensitive Whole Life-Bal End-of-Year | 1.784 | 1.963 | 2.062 | 2.123 | 2.186 |
| | ----- | ----- | ----- | ----- | ----- |
| ----- | | | | | |
| Total Segment- Life Insurance Account Values Bal Beg-of-Year | 3.038 | 9.243 | 10.217 | 10.847 | 11.377 |
| | | ----- | ----- | ----- | ----- |
| Deposits | 1.207 | 1.698 | 1.884 | 1.934 | 2.138 |
| Withdrawals & deaths | (1.095) | (0.713) | (0.727) | (0.771) | (0.818) |
| | ----- | ----- | ----- | ----- | ----- |
| Net flows | 0.113 | 0.985 | 1.158 | 1.163 | 1.320 |
| Policyholder assessments | | (0.795) | (0.893) | (0.931) | (1.002) |
| Invest inc & change in market value | 0.551 | 0.849 | 0.364 | 0.299 | 0.241 |
| Acq of new business/transfers between segments | 5.542 | (0.065) | | | 0.150 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Segment-Bal End-of-Year | 9.243 | 10.217 | 10.847 | 11.377 | 12.086 |
| | ===== | ===== | ===== | ===== | ===== |

(1) Includes fixed investment option of VUL products.

Life Insurance Segment
Life Insurance Account Value Roll Forward
Unaudited [Billions of Dollars]

| Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 |
|-------------|-------------|-------------|-------------|
| ----- | ----- | ----- | ----- |

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| | | | | | |
|---|---------|---------|---------|---------|-------|
| Universal Life-Bal Beg-of-Quarter | 6.782 | 6.878 | 6.976 | 7.063 | |
| Deposits | 0.227 | 0.265 | 0.227 | 0.270 | |
| Withdrawals & deaths | (0.080) | (0.114) | (0.091) | (0.071) | |
| | ----- | ----- | ----- | ----- | |
| Net flows | 0.146 | 0.151 | 0.136 | 0.199 | |
| Policyholder assessments | (0.146) | (0.150) | (0.147) | (0.147) | |
| Interest credited | 0.096 | 0.097 | 0.098 | 0.100 | |
| Acq of new business/transfers between segments | 0.000 | 0.000 | 0.000 | 0.000 | |
| | ----- | ----- | ----- | ----- | |
| Universal Life-Bal End-of-Quarter (1) | 6.878 | 6.976 | 7.063 | 7.216 | |
| | ----- | ----- | ----- | ----- | |
| Variable Universal Life-Bal Beg of Quarter | 1.764 | 1.812 | 1.808 | 1.633 | |
| Deposits | 0.123 | 0.245 | 0.136 | 0.138 | |
| Withdrawals & deaths | (0.037) | (0.048) | (0.049) | (0.060) | |
| | ----- | ----- | ----- | ----- | |
| Net flows | 0.085 | 0.197 | 0.087 | 0.078 | |
| Policyholder assessments | (0.036) | (0.041) | (0.041) | (0.041) | |
| Invest inc & chg in mkt value | (0.001) | (0.160) | (0.221) | 0.096 | |
| Acq of new business/transfers between segments | 0.000 | 0.000 | 0.000 | 0.000 | |
| | ----- | ----- | ----- | ----- | |
| Variable Universal Life -Bal End-of-Quarter | 1.812 | 1.808 | 1.633 | 1.766 | |
| | ----- | ----- | ----- | ----- | |
| Interest Sensitive Whole Life - Bal Beg-of-Quarter | 1.993 | 2.026 | 2.062 | 2.068 | |
| Deposits | 0.079 | 0.113 | 0.056 | 0.069 | |
| Withdrawals & deaths | (0.033) | (0.056) | (0.041) | (0.043) | |
| | ----- | ----- | ----- | ----- | |
| Net flows | 0.045 | 0.057 | 0.014 | 0.027 | |
| Policyholder assessments | (0.040) | (0.050) | (0.037) | (0.040) | |
| Interest credited | 0.027 | 0.029 | 0.028 | 0.030 | |
| Acq of new business/transfers between segments | 0.000 | 0.000 | 0.000 | 0.000 | |
| | ----- | ----- | ----- | ----- | |
| Int Sensitive Whole Life-Bal End-of-Quarter | 2.026 | 2.062 | 2.068 | 2.084 | |
| | ----- | ----- | ----- | ----- | |
| ----- | | | | | |
| Total Segment- Life Insurance Account Values | | | | | |
| Bal Beg-of-Quarter | 10.538 | 10.716 | 10.847 | 10.764 | 1 |
| Deposits | 0.428 | 0.622 | 0.418 | 0.477 | |
| Withdrawals & deaths | (0.151) | (0.218) | (0.181) | (0.173) | |
| | ----- | ----- | ----- | ----- | |
| Net flows | 0.277 | 0.404 | 0.237 | 0.304 | |
| Policyholder assessments | (0.221) | (0.241) | (0.225) | (0.228) | |
| Invest inc & change in market value | 0.123 | (0.033) | (0.094) | 0.226 | |
| Acq of new business/transfers between segments | 0.000 | 0.000 | 0.000 | 0.000 | |
| | ----- | ----- | ----- | ----- | |
| Total Segment -Bal End-of-Quarter | 10.716 | 10.847 | 10.764 | 11.066 | 1 |
| | ===== | ===== | ===== | ===== | ===== |

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Life Insurance Segment (Continued)
 Life Insurance Account Value Roll Forward
 Unaudited [Billions of Dollars]

| | Mar 2002 ----- | Jun 2002 ----- | Sep 2002 ----- | Dec 2002 ----- |
|---|----------------------|----------------------|----------------------|----------------------|
| Universal Life-Bal Beg-of-Quarter | 7.508 | 7.622 | 7.838 | 7.987 |
| Deposits | 0.248 | 0.364 | 0.310 | 0.410 |
| Withdrawals & deaths | (0.097) | (0.096) | (0.108) | (0.125) |
| Net flows | 0.150 | 0.268 | 0.201 | 0.286 |
| Policyholder assessments | (0.158) | (0.158) | (0.162) | (0.170) |
| Interest credited | 0.104 | 0.106 | 0.110 | 0.108 |
| Acq of new business/transfers between segments | 0.018 | 0.000 | 0.000 | 0.000 |
| Universal Life-Bal End-of-Quarter (1) | 7.622 | 7.838 | 7.987 | 8.211 |
| Variable Universal Life-Bal Beg of Quarter | 1.746 | 1.919 | 1.776 | 1.575 |
| Deposits | 0.129 | 0.147 | 0.102 | 0.126 |
| Withdrawals & deaths | (0.055) | (0.057) | (0.034) | (0.047) |
| Net flows | 0.074 | 0.090 | 0.068 | 0.079 |
| Policyholder assessments | (0.047) | (0.046) | (0.046) | (0.047) |
| Invest inc & chg in mkt value | 0.013 | (0.186) | (0.224) | 0.083 |
| Acq of new business/transfers between segments | 0.132 | 0.000 | 0.000 | 0.000 |
| Variable Universal Life -Bal End-of-Quarter | 1.919 | 1.776 | 1.575 | 1.690 |
| Interest Sensitive Whole Life - Bal Beg-of-Quarter | 2.123 | 2.126 | 2.145 | 2.164 |
| Deposits | 0.063 | 0.066 | 0.073 | 0.100 |
| Withdrawals & deaths | (0.051) | (0.039) | (0.045) | (0.063) |
| Net flows | 0.012 | 0.026 | 0.027 | 0.037 |
| Policyholder assessments | (0.042) | (0.039) | (0.040) | (0.046) |
| Interest credited | 0.033 | 0.032 | 0.031 | 0.031 |
| Acq of new business/transfers between segments | 0.000 | 0.000 | 0.000 | 0.000 |
| Int Sensitive Whole Life-Bal End-of-Quarter | 2.126 | 2.145 | 2.164 | 2.186 |
| ----- | | | | |
| Total Segment- Life Insurance Account Values | | | | |
| Bal Beg-of-Quarter | 11.377 | 11.667 | 11.759 | 11.726 |
| Deposits | 0.440 | 0.577 | 0.484 | 0.636 |

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| | | | | | |
|---|---------|---------|---------|---------|-------|
| Withdrawals & deaths | (0.204) | (0.192) | (0.187) | (0.234) | (|
| | ----- | ----- | ----- | ----- | ----- |
| Net flows | 0.236 | 0.385 | 0.297 | 0.402 | |
| Policyholder assessments | (0.246) | (0.244) | (0.248) | (0.263) | (|
| Invest inc & change in market value | 0.151 | (0.049) | (0.082) | 0.222 | |
| Acq of new business/transfers between segments | 0.150 | 0.000 | 0.000 | 0.000 | |
| | ----- | ----- | ----- | ----- | ----- |
| Total Segment -Bal End-of-Quarter | 11.667 | 11.759 | 11.726 | 12.086 | 1 |
| | ===== | ===== | ===== | ===== | ===== |

(1) Includes fixed investment option of VUL products.

Investment Management
Income Statements
Unaudited [Millions of Dollars]

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|-------|-------|-------|-------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Investment advisory fees - External | 249.0 | 248.6 | 231.6 | 197.2 | 183.3 |
| Investment advisory fees - Insurance Assets | 100.2 | 103.0 | 112.4 | 105.0 | 97.7 |
| Other revenue and fees | 92.5 | 106.6 | 115.9 | 99.2 | 87.0 |
| Net investment income | 67.0 | 56.9 | 57.7 | 53.6 | 50.5 |
| Realized gains (losses) on investments | 0.9 | (0.1) | (3.9) | (3.7) | (5.4) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 509.6 | 514.9 | 513.7 | 451.2 | 413.1 |
| | ----- | ----- | ----- | ----- | ----- |
| Benefits and Expenses | | | | | |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Operating and administrative expenses | 384.7 | 369.6 | 398.8 | 410.2 | 393.2 |
| Restructuring Charges | 0.0 | 12.5 | 7.1 | 0.6 | (0.4) |
| Taxes, licenses and fees | 13.1 | 10.3 | 11.6 | 16.8 | 13.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 397.8 | 392.4 | 417.5 | 427.5 | 405.8 |
| Other intangibles amortization | 18.8 | 17.7 | 16.3 | 10.8 | 8.2 |
| | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 416.6 | 410.1 | 433.8 | 438.3 | 414.0 |
| Goodwill amortization | 16.3 | 16.2 | 16.2 | 16.2 | 0.0 |
| Interest on notes payable | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 433.3 | 426.3 | 450.0 | 454.6 | 414.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 76.3 | 88.6 | 63.7 | (3.3) | (0.9) |
| Federal income taxes | 31.9 | 37.0 | 26.8 | 5.5 | 0.5 |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | 44.4 | 51.6 | 37.0 | (8.9) | (1.4) |

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| | | | | | |
|---|-------|-------|-------|--------|--------|
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 |
| Net Income | 44.4 | 51.6 | 37.0 | (9.0) | (1.4) |
| Less: | | | | | |
| Realized gains (losses) on investments | 0.5 | (0.1) | (2.5) | (2.4) | (3.5) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Restructuring charges | 0.0 | (9.2) | (4.6) | (0.4) | 0.3 |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 |
| Income from Operations | 43.9 | 61.0 | 44.1 | (6.1) | 1.8 |
| Net Income | | | | | |
| - before Goodwill Amortization | 60.8 | 67.9 | 53.2 | 7.3 | (1.4) |
| Net Income | | | | | |
| -before Goodwill & Intang. Amort. | 73.1 | 79.4 | 63.8 | 14.3 | 3.9 |
| Inc from Oper -before | | | | | |
| Goodwill Amortization | 60.3 | 77.2 | 60.3 | 10.1 | 1.8 |
| Income from Operations | | | | | |
| - before Goodwill & Intang. Amort | 72.6 | 88.7 | 70.9 | 17.1 | 7.2 |
| Revenue | 509.6 | 514.9 | 513.7 | 451.2 | 413.1 |
| Less: | | | | | |
| Realized gains (losses) on investments | 0.9 | (0.1) | (3.9) | (3.7) | (5.4) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Revenue | 508.7 | 515.0 | 517.6 | 454.9 | 418.5 |
| Average Capital (Securities at Cost) | 642.3 | 593.7 | 575.6 | 556.2 | 580.9 |
| Net Income return on average capital | 6.9% | 8.7% | 6.4% | (1.6%) | (0.2%) |
| Inc. from oper. return on average capital | 6.8% | 10.3% | 7.7% | (1.1%) | 0.3% |

Note: 2001 and 2002 have been restated for the adoption of the fair value method of accounting for under FAS 123.

| For the Quarter Ended | Investment Management Income Statements Unaudited [Millions of Dollars] | | | | | |
|--|---|-------|-------|-------|-------|-------|
| | Jun | Sep | Dec | Mar | Jun | Sep |
| | 2001 | 2001 | 2001 | 2002 | 2002 | 2002 |
| Revenue | | | | | | |
| Investment advisory fees - External | 51.1 | 46.2 | 49.3 | 48.0 | 47.8 | 42.9 |
| Investment advisory fees - Insurance | | | | | | |
| Assets | 26.0 | 26.0 | 26.3 | 25.0 | 24.3 | 24.1 |
| Other revenue and fees | 25.7 | 23.9 | 23.4 | 23.0 | 22.0 | 19.9 |
| Net investment income | 13.0 | 13.6 | 12.8 | 12.8 | 12.7 | 12.4 |
| Realized gains (losses) on investments | (1.1) | (0.8) | (1.1) | (1.5) | (0.7) | (1.8) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Total Revenue | 114.7 | 108.8 | 110.8 | 107.3 | 106.1 | 97.5 |
| Benefits and Expenses | | | | | | |
| Underwriting, acquisition, insurance and other expenses: | | | | | | |
| Operating and administrative expenses | 104.7 | 99.0 | 101.3 | 97.2 | 100.8 | 99.4 |
| Restructuring Charges | 0.0 | 0.0 | 0.6 | 0.0 | 0.0 | (0.4) |
| Taxes, licenses and fees | 3.6 | 4.2 | 3.6 | 4.6 | 4.2 | 1.9 |
| Subtotal | 108.3 | 103.2 | 105.5 | 101.8 | 105.0 | 100.9 |
| Other intangibles amortization | 2.3 | 2.3 | 2.3 | 2.2 | 2.0 | 2.0 |
| Total underwriting, acquisition, insurance and other expenses | 110.6 | 105.5 | 107.8 | 103.9 | 107.0 | 102.9 |
| Goodwill amortization | 4.1 | 4.1 | 4.1 | 0.0 | 0.0 | 0.0 |
| Interest on notes payable | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Benefits and Expenses | 114.7 | 109.5 | 111.9 | 103.9 | 107.0 | 102.9 |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 0.0 | (0.7) | (1.1) | 3.4 | (1.0) | (5.4) |
| Federal income taxes | 1.7 | 1.4 | 1.3 | 1.3 | (0.2) | (1.5) |
| Income Before Cumulative Effect of Accounting Changes | (1.7) | (2.1) | (2.4) | 2.1 | (0.8) | (3.9) |
| Cumulative effect of accounting changes | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Income | (1.8) | (2.1) | (2.4) | 2.1 | (0.8) | (3.9) |
| Less: | | | | | | |
| Realized gains (losses) on investments | (0.7) | (0.5) | (0.7) | (1.0) | (0.4) | (1.2) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Restructuring charges | 0.0 | 0.0 | (0.4) | 0.0 | 0.0 | 0.3 |
| Cumulative effect of accounting changes | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Income from Operations | (1.0) | (1.6) | (1.3) | 3.1 | (0.3) | (3.0) |
| Net Income - before Goodwill Amortization | 2.3 | 1.9 | 1.7 | 2.1 | (0.8) | (3.9) |
| Net Income - before Goodwill & Intang. Amort | 3.8 | 3.4 | 3.2 | 3.5 | 0.6 | (2.6) |
| Inc from Oper -before Goodwill Amortization | 3.1 | 2.5 | 2.8 | 3.1 | (0.3) | (3.0) |
| Inc from Oper - before Goodwill & Intang. Amort | 4.6 | 3.9 | 4.2 | 4.5 | 1.0 | (1.7) |
| Revenue | 114.7 | 108.8 | 110.8 | 107.3 | 106.1 | 97.5 |
| Less: | | | | | | |
| Realized gains (losses) on investment | (1.1) | (0.8) | (1.1) | (1.5) | (0.7) | (1.8) |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Revenue | 115.8 | 109.7 | 111.8 | 108.9 | 106.7 | 99.3 |

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| | ===== | ===== | ===== | ===== | ===== | ===== |
|--|--------|--------|--------|-------|--------|--------|
| Average Capital (Securities at Cost) | 555.5 | 556.3 | 554.5 | 562.3 | 586.9 | 586.0 |
| Net Income return on average capital | (1.3%) | (1.1%) | (0.9%) | 2.2% | (0.2%) | (2.0%) |
| Income from operations return on average capital | (0.7%) | (1.2%) | (0.9%) | 2.2% | (0.2%) | (2.1%) |

Investment Management
Assets Under Management Roll Forward
Unaudited [Billions of Dollars]

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---------|---------|---------|---------|---------|---------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Retail Fixed - Bal Beg-of-Year | 8.125 | 8.219 | 7.423 | 6.608 | 7.120 | 7.120 |
| Fund Sales | 1.166 | 0.991 | 0.769 | 0.876 | 1.218 | 0.511 |
| Redemptions | (1.234) | (1.424) | (1.401) | (1.051) | (1.182) | (0.511) |
| Net Money Market Transfers | (0.141) | (0.111) | (0.207) | (0.046) | (0.050) | (0.046) |
| | 0.132 | 0.177 | (0.168) | 0.405 | 0.206 | (0.046) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Flows(1) | (0.077) | (0.367) | (1.007) | 0.184 | 0.192 | (0.046) |
| Market | 0.170 | (0.429) | 0.099 | 0.328 | 0.320 | 0.170 |
| Acquisitions/addition of Assets under Administration(1) | | | 0.094 | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance End-of-Year | 8.219 | 7.423 | 6.608 | 7.120 | 7.631 | 7.120 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Retail Equity - Bal Beg-of-Year | 17.754 | 22.081 | 23.384 | 21.523 | 17.987 | 17.987 |
| Fund Sales | 3.581 | 3.270 | 4.116 | 2.817 | 4.477 | 1.911 |
| Redemptions | (2.459) | (4.972) | (4.431) | (2.838) | (3.690) | (1.611) |
| Net Money Market Transfers | (0.001) | (0.001) | 0.001 | (0.538) | (0.173) | (0.001) |
| | 0.730 | (0.144) | (0.178) | (0.538) | (0.173) | (0.001) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Flows(1) | 1.851 | (1.847) | (0.492) | (0.560) | 0.614 | 0.301 |
| Market | 2.476 | 3.150 | (1.711) | (2.976) | (3.685) | (1.611) |
| Acquisitions/addition of Assets under Administration(1) | | | 0.342 | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance at End-of-Year | 22.081 | 23.384 | 21.523 | 17.987 | 14.917 | 16.611 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Retail - Bal Beg-of-Year | 25.879 | 30.300 | 30.807 | 28.130 | 25.107 | 25.107 |
| Retail Sales-Annuities | 2.240 | 1.561 | 1.782 | 1.701 | 2.751 | 1.111 |
| Retail Sales-Mutual Funds | 1.912 | 2.151 | 2.577 | 1.523 | 1.829 | 1.011 |
| Retail Sales-Managed Acct. & Other | 0.595 | 0.549 | 0.525 | 0.469 | 1.115 | 0.301 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Retail Sales | 4.747 | 4.261 | 4.885 | 3.693 | 5.695 | 2.511 |
| Redemptions | (3.693) | (6.396) | (5.832) | (3.889) | (4.873) | (2.211) |
| Net Money Market Transfers | (0.142) | (0.112) | (0.206) | (0.046) | (0.050) | (0.046) |
| | 0.862 | 0.033 | (0.346) | (0.133) | 0.033 | (0.046) |
| | ----- | ----- | ----- | ----- | ----- | ----- |

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| | | | | | | |
|---|---------|---------|---------|---------|---------|-------|
| Net Flows (1) | 1.774 | (2.214) | (1.500) | (0.375) | 0.806 | 0.2 |
| Market | 2.647 | 2.721 | (1.612) | (2.649) | (3.364) | (1.5) |
| Acquisitions/addition of Assets under Administration (1) | | | 0.435 | | | |
| Balance at End-of-Year | 30.300 | 30.807 | 28.130 | 25.107 | 22.547 | 23.7 |
| ----- | | | | | | |
| Institutional Fixed - Bal Beg-of-Year | 5.708 | 6.955 | 6.936 | 6.111 | 5.490 | 5.4 |
| Inflows | 2.169 | 2.001 | 0.771 | 0.643 | 2.281 | 1.4 |
| Withdrawals/Terminations | (1.242) | (1.700) | (1.973) | (1.229) | (1.146) | (0.4) |
| Transfers | (0.074) | (0.001) | (0.005) | 0.017 | 0.004 | (0.0) |
| Net Flows | 0.853 | 0.300 | (1.207) | (0.569) | 1.139 | 1.0 |
| Market | 0.394 | (0.319) | 0.382 | (0.052) | 0.607 | 0.2 |
| Acquisitions | | | | | | |
| Balance at End-of-Year | 6.955 | 6.936 | 6.111 | 5.490 | 7.237 | 6.8 |
| ----- | | | | | | |
| Institutional Equity - Bal Beg-of-Year | 24.871 | 24.235 | 23.631 | 19.112 | 17.814 | 17.8 |
| Inflows | 3.840 | 5.249 | 2.730 | 3.183 | 2.913 | 1.2 |
| Withdrawals/Terminations | (7.441) | (7.800) | (7.209) | (2.879) | (1.991) | (1.1) |
| Transfers | 0.047 | 0.012 | (0.008) | 0.035 | 0.045 | 0.0 |
| Net Flows | (3.555) | (2.539) | (4.486) | 0.338 | 0.967 | 0.1 |
| Market | 2.919 | 1.935 | (0.033) | (1.636) | (2.070) | 0.1 |
| Acquisitions | | | | | | |
| Balance at End-of-Year | 24.235 | 23.631 | 19.112 | 17.814 | 16.711 | 18.1 |
| ----- | | | | | | |
| Total Institutional - Bal Beg-of-Year | 30.579 | 31.191 | 30.568 | 25.223 | 23.304 | 23.3 |
| Inflows | 6.009 | 7.250 | 3.501 | 3.826 | 5.194 | 2.7 |
| Withdrawals/Terminations | (8.683) | (9.500) | (9.182) | (4.109) | (3.137) | (1.5) |
| Transfers | (0.027) | 0.011 | (0.013) | 0.052 | 0.050 | 0.0 |
| Net Flows | (2.702) | (2.239) | (5.693) | (0.231) | 2.106 | 1.1 |
| Market | 3.313 | 1.616 | 0.349 | (1.688) | (1.463) | 0.4 |
| Acquisitions | | | | | | |
| Balance at End-of-Year | 31.191 | 30.568 | 25.223 | 23.304 | 23.948 | 24.9 |
| ----- | | | | | | |
| Total Retail/Institutional - At End-of-Year | 61.490 | 61.375 | 53.354 | 48.411 | 46.495 | 48.7 |
| ----- | | | | | | |
| Insurance Assets - At End-of-Year | 39.432 | 35.934 | 35.686 | 38.119 | 41.104 | 38.4 |
| ----- | | | | | | |
| Total Assets Under Management At End-of-Year | 100.922 | 97.309 | 89.040 | 86.530 | 87.599 | 87.2 |

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(1) Retail assets under management have been restated to include assets under administration beginning January of 2000.

Net Flows from Assets Under Administration are: 0.018 0.081 0.263 0.1

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Investment Management
Assets Under Management Roll Forward
Unaudited [Billions of Dollars]

| | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 | Dec 2001 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Retail Fixed - Bal-Beg-of-Qtr | 6.763 | 6.631 | 6.606 | 6.749 | 6.768 | 7.207 |
| Fund Sales | 0.223 | 0.212 | 0.248 | 0.203 | 0.207 | 0.218 |
| Redemptions | (0.328) | (0.277) | (0.261) | (0.285) | (0.262) | (0.242) |
| Net Money Market | (0.031) | (0.051) | 0.010 | (0.030) | 0.005 | (0.031) |
| Transfers | (0.031) | 0.010 | 0.047 | (0.002) | 0.388 | (0.027) |
| Net Flows(1) | (0.167) | (0.106) | 0.043 | (0.114) | 0.338 | (0.083) |
| Market | 0.035 | 0.081 | 0.100 | 0.133 | 0.101 | (0.002) |
| Acquisitions/addition of Assets under Admin.(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at End-of-Qtr | 6.631 | 6.606 | 6.749 | 6.768 | 7.207 | 7.122 |
| Retail Equity - Bal-Beg-of-Qtr | 23.496 | 24.047 | 21.524 | 18.254 | 19.755 | 15.872 |
| Fund Sales | 0.927 | 1.071 | 0.917 | 0.681 | 0.638 | 0.580 |
| Redemptions | (1.040) | (0.837) | (0.911) | (0.666) | (0.653) | (0.607) |
| Net Money Market | 0.001 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Transfers | (0.036) | (0.069) | (0.070) | (0.047) | (0.441) | 0.019 |
| Net Flows(1) | (0.148) | 0.165 | (0.064) | (0.032) | (0.456) | (0.008) |
| Market | 0.699 | (2.689) | (3.205) | 1.532 | (3.427) | 2.125 |
| Acquisitions/addition of Assets under Admin.(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at End-of-Qtr | 24.047 | 21.524 | 18.254 | 19.755 | 15.872 | 17.989 |
| Total Retail - Bal-Beg-of-Qtr | 30.260 | 30.679 | 28.130 | 25.003 | 26.523 | 23.079 |
| Retail Sales-Annuities | 0.456 | 0.589 | 0.540 | 0.403 | 0.434 | 0.323 |
| Retail Sales-Mutual Funds | 0.554 | 0.563 | 0.483 | 0.355 | 0.336 | 0.348 |
| Retail Sales-Managed Acct. & Other | 0.140 | 0.131 | 0.142 | 0.127 | 0.074 | 0.127 |
| Total Retail Sales | 1.150 | 1.283 | 1.165 | 0.885 | 0.845 | 0.798 |
| Redemptions | (1.368) | (1.114) | (1.173) | (0.951) | (0.915) | (0.850) |
| Net Money Market | (0.030) | (0.051) | 0.010 | (0.030) | 0.005 | (0.031) |
| Transfers | (0.067) | (0.059) | (0.023) | (0.049) | (0.053) | (0.009) |

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| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Net Flows(1) | (0.315) | 0.059 | (0.021) | (0.146) | (0.118) | (0.091) |
| Market | 0.734 | (2.608) | (3.105) | 1.665 | (3.326) | 2.123 |
| Acquisitions/addition of Assets under Admin.(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at End-of-Qtr | 30.679 | 28.130 | 25.003 | 26.523 | 23.079 | 25.111 |
| ----- | | | | | | |
| Institutional Fixed - Bal-Beg-of-Qtr | 6.485 | 6.276 | 6.112 | 5.891 | 5.809 | 5.639 |
| Inflows | 0.308 | 0.135 | 0.310 | 0.233 | 0.020 | 0.080 |
| Withdrawals/Terminations | (0.532) | (0.568) | (0.432) | (0.112) | (0.493) | (0.192) |
| Transfers | 0.000 | 0.001 | 0.003 | 0.010 | 0.001 | 0.002 |
| Net Flows | (0.224) | (0.433) | (0.119) | 0.131 | (0.472) | (0.109) |
| Market | 0.015 | 0.269 | (0.102) | (0.213) | 0.302 | (0.041) |
| Balance at End-of-Qtr | 6.276 | 6.112 | 5.891 | 5.809 | 5.639 | 5.489 |
| ----- | | | | | | |
| Institutional Equity - Bal-Beg-of-Qtr | 20.241 | 19.044 | 19.113 | 17.312 | 18.405 | 16.240 |
| Inflows | 0.407 | 0.750 | 0.881 | 0.823 | 0.863 | 0.615 |
| Withdrawals/Terminations | (1.154) | (1.368) | (1.199) | (0.501) | (0.555) | (0.624) |
| Transfers | (0.013) | 0.007 | 0.018 | (0.008) | 0.009 | 0.016 |
| Net Flows | (0.760) | (0.611) | (0.299) | 0.313 | 0.317 | 0.007 |
| Market | (0.438) | 0.680 | (1.502) | 0.779 | (2.482) | 1.567 |
| Balance at End-of-Qtr | 19.044 | 19.113 | 17.312 | 18.405 | 16.240 | 17.814 |
| ----- | | | | | | |
| Total Institutional - Bal-Beg-of-Qtr | 26.726 | 25.320 | 25.225 | 23.203 | 24.214 | 21.879 |
| Inflows | 0.715 | 0.885 | 1.192 | 1.056 | 0.883 | 0.696 |
| Withdrawals/Terminations | (1.686) | (1.936) | (1.631) | (0.613) | (1.048) | (0.816) |
| Transfers | (0.012) | 0.008 | 0.022 | 0.002 | 0.010 | 0.018 |
| Net Flows | (0.983) | (1.043) | (0.417) | 0.445 | (0.155) | (0.103) |
| Market | (0.423) | 0.949 | (1.605) | 0.566 | (2.180) | 1.526 |
| Balance at End-of-Qtr | 25.320 | 25.225 | 23.203 | 24.214 | 21.879 | 23.303 |
| ----- | | | | | | |
| Total Retail/Inst - At End-of-Qtr | 55.998 | 53.355 | 48.207 | 50.737 | 44.958 | 48.413 |
| ----- | | | | | | |
| Insurance Assets-End-of-Qtr | 34.981 | 35.686 | 36.324 | 36.018 | 37.337 | 38.119 |
| ----- | | | | | | |
| Total Assets Under Management At End-of-Qtr | 90.979 | 89.041 | 84.531 | 86.755 | 82.295 | 86.532 |
| ===== | | | | | | |

(1) Retail assets under management have been restated to include assets under administration beginning in January of 2000.

Net Cash Flows from Assets Under Administration are:

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| | 0.011 | 0.001 | 0.027 | 0.013 | 0.007 | 0.034 |
|--|-------|-------|-------|-------|-------|-------|

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Investment Management (continued)
Assets Under Management Roll Forward
Unaudited [Billions of Dollars]

| | Mar 2002 | Jun 2002 | Sep 2002 | Dec 2002 | Mar 2003 | Jun 2003 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Retail Fixed - Bal-Beg-of-Qtr | 7.122 | 7.090 | 7.169 | 7.516 | 7.633 | 7.909 |
| Fund Sales | 0.292 | 0.272 | 0.325 | 0.328 | 0.424 | 0.469 |
| Redemptions | (0.289) | (0.306) | (0.277) | (0.311) | (0.327) | (0.318) |
| Net Money Market | (0.003) | (0.002) | (0.009) | (0.035) | 0.001 | (0.006) |
| Transfers | (0.041) | 0.021 | 0.134 | 0.092 | 0.062 | (0.055) |
| Net Flows(1) | (0.041) | (0.015) | 0.174 | 0.074 | 0.159 | 0.090 |
| Market | 0.009 | 0.094 | 0.174 | 0.043 | 0.117 | 0.191 |
| Acquisitions/addition of Assets under Admin.(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at End-of-Qtr | 7.090 | 7.169 | 7.516 | 7.633 | 7.909 | 8.190 |
| Retail Equity - Bal-Beg-of-Qtr | 17.989 | 18.254 | 16.611 | 13.703 | 14.914 | 14.284 |
| Fund Sales | 0.908 | 1.084 | 1.140 | 1.345 | 0.717 | 0.813 |
| Redemptions | (0.791) | (0.881) | (1.137) | (0.881) | (0.803) | (0.612) |
| Net Money Market | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Transfers | 0.014 | (0.022) | (0.128) | (0.036) | (0.059) | 0.011 |
| Net Flows(1) | 0.130 | 0.182 | (0.126) | 0.428 | (0.145) | 0.213 |
| Market | 0.134 | (1.825) | (2.782) | 0.784 | (0.486) | 2.411 |
| Acquisitions/addition of Assets under Admin.(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at End-of-Qtr | 18.254 | 16.611 | 13.703 | 14.914 | 14.284 | 16.907 |
| Total Retail - Bal-Beg-of-Qtr | 25.111 | 25.343 | 23.779 | 21.219 | 22.547 | 22.192 |
| Retail Sales-Annuities | 0.589 | 0.601 | 0.756 | 0.806 | 0.488 | 0.528 |
| Retail Sales-Mutual Funds | 0.452 | 0.562 | 0.416 | 0.399 | 0.450 | 0.558 |
| Retail Sales-Managed Acct. & Other | 0.159 | 0.194 | 0.293 | 0.469 | 0.202 | 0.196 |
| Total Retail Sales | 1.200 | 1.356 | 1.465 | 1.673 | 1.141 | 1.282 |
| Redemptions | (1.081) | (1.186) | (1.414) | (1.192) | (1.130) | (0.930) |
| Net Money Market | (0.003) | (0.002) | (0.009) | (0.035) | 0.001 | (0.006) |
| Transfers | (0.027) | (0.001) | 0.006 | 0.056 | 0.003 | (0.044) |
| Net Flows(1) | 0.089 | 0.167 | 0.048 | 0.502 | 0.014 | 0.302 |
| Market | 0.143 | (1.731) | (2.608) | 0.826 | (0.369) | 2.602 |
| Acquisitions/addition of Assets under Admin.(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at End-of-Qtr | 25.343 | 23.779 | 21.219 | 22.547 | 22.192 | 25.097 |

Institutional Fixed -

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| | | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| Bal-Beg-of-Qtr | 5.489 | 6.018 | 6.844 | 7.208 | 7.238 | 7.606 |
| Inflows | 0.804 | 0.663 | 0.530 | 0.283 | 0.592 | 0.126 |
| Withdrawals/Terminations | (0.239) | (0.161) | (0.308) | (0.438) | (0.308) | (0.188) |
| Transfers | (0.001) | 0.000 | 0.007 | (0.002) | 0.002 | 0.003 |
| Net Flows | 0.565 | 0.503 | 0.229 | (0.157) | 0.286 | (0.059) |
| Market | (0.036) | 0.324 | 0.134 | 0.187 | 0.083 | 0.206 |
| Balance at End-of-Qtr | 6.018 | 6.844 | 7.208 | 7.238 | 7.606 | 7.753 |
| Institutional Equity - | | | | | | |
| Bal-Beg-of-Qtr | 17.814 | 18.642 | 18.118 | 14.935 | 16.709 | 15.918 |
| Inflows | 0.672 | 0.569 | 0.631 | 1.040 | 0.494 | 0.727 |
| Withdrawals/Terminations | (0.512) | (0.635) | (0.523) | (0.322) | (0.459) | (0.381) |
| Transfers | 0.006 | 0.018 | 0.011 | 0.010 | 0.008 | 0.002 |
| Net Flows | 0.167 | (0.047) | 0.119 | 0.728 | 0.044 | 0.348 |
| Market | 0.661 | (0.476) | (3.302) | 1.046 | (0.835) | 3.341 |
| Balance at End-of-Qtr | 18.642 | 18.118 | 14.935 | 16.709 | 15.918 | 19.608 |
| Total Institutional - | | | | | | |
| Bal-Beg-of-Qtr | 23.303 | 24.659 | 24.962 | 22.142 | 23.947 | 23.525 |
| Inflows | 1.476 | 1.232 | 1.162 | 1.323 | 1.086 | 0.853 |
| Withdrawals/Terminations | (0.751) | (0.796) | (0.831) | (0.760) | (0.767) | (0.568) |
| Transfers | 0.006 | 0.019 | 0.017 | 0.008 | 0.010 | 0.005 |
| Net Flows | 0.731 | 0.455 | 0.348 | 0.572 | 0.330 | 0.289 |
| Market | 0.625 | (0.152) | (3.168) | 1.233 | (0.752) | 3.547 |
| Balance at End-of-Qtr | 24.659 | 24.962 | 22.142 | 23.947 | 23.525 | 27.360 |
| Total Retail/Inst - At | | | | | | |
| End-of-Qtr | 50.003 | 48.741 | 43.361 | 46.494 | 45.717 | 52.457 |
| Insurance Assets-End-of-Qtr | 37.171 | 38.476 | 40.416 | 41.104 | 42.130 | 43.857 |
| Total Assets Under Management | | | | | | |
| At End-of-Qtr | 87.173 | 87.217 | 83.777 | 87.598 | 87.847 | 96.314 |

(1) Retail assets under management have been restated to include assets under administration beginning in January of 2000.

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Net Cash Flows from Assets Under Administration are: | 0.090 | 0.061 | 0.045 | 0.068 | 0.068 | 0.059 |
|--|-------|-------|-------|-------|-------|-------|

Lincoln UK
Income Statements
Unaudited [Millions of Dollars]

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| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|--------|---------|--------|-------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| Premiums | 156.6 | 145.1 | 148.4 | 46.1 | 50.6 |
| Mortality assessments | 29.3 | 27.1 | 31.4 | 33.9 | 32.4 |
| Expense assessments | 153.6 | 182.3 | 178.1 | 134.8 | 105.3 |
| Other revenue and fees | 11.2 | 13.8 | 2.6 | (1.4) | 24.9 |
| Net investment income | 87.9 | 75.3 | 70.3 | 64.8 | 62.1 |
| Realized gains (losses) on investments | 1.1 | 3.0 | 3.2 | 12.4 | 1.9 |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Revenue | 439.7 | 446.6 | 433.8 | 290.7 | 277.2 |
| | ----- | ----- | ----- | ----- | ----- |
| Benefits and Expenses | | | | | |
| Benefits paid or provided: | | | | | |
| Benefits | 151.0 | 306.2 | 178.5 | 83.4 | 84.2 |
| Underwriting, acquisition, insurance and other expenses: | | | | | |
| Commissions | 52.6 | 54.5 | 37.7 | 10.8 | 6.1 |
| Operating and administrative expenses | 125.8 | 153.0 | 140.5 | 82.5 | 77.0 |
| Restructuring Charges | 0.0 | 10.0 | 99.4 | 0.0 | (1.7) |
| | ----- | ----- | ----- | ----- | ----- |
| Subtotal | 178.5 | 217.4 | 277.6 | 93.2 | 81.4 |
| Deferral of acquisition costs | | | | (4.2) | (3.4) |
| DAC amortization | | | | 35.9 | 50.0 |
| | ----- | ----- | ----- | ----- | ----- |
| DAC deferral net of amortization | (16.0) | (12.4) | (7.2) | 31.7 | 46.5 |
| PVIF amortization | 13.2 | 28.4 | 4.7 | 22.5 | 30.8 |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition, insurance and other expenses | 175.6 | 233.5 | 275.0 | 147.4 | 158.7 |
| Goodwill amortization | 6.3 | 7.0 | 4.0 | 0.6 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses | 332.9 | 546.7 | 457.6 | 231.5 | 242.9 |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 106.9 | (100.1) | (23.8) | 59.2 | 34.3 |
| Federal income taxes | 35.2 | (81.8) | (10.5) | (7.6) | (3.4) |
| | ----- | ----- | ----- | ----- | ----- |
| Income Before Cumulative Effect of Accounting Changes | 71.7 | (18.2) | (13.2) | 66.8 | 37.7 |
| | ----- | ----- | ----- | ----- | ----- |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Net Income | 71.7 | (18.2) | (13.2) | 66.8 | 37.7 |
| | ===== | ===== | ===== | ===== | ===== |
| Less: | | | | | |
| Realized gains (losses) on investments | 0.8 | 2.1 | 2.3 | 8.7 | 1.3 |
| Restructuring charges | 0.0 | (6.5) | (76.5) | 0.0 | 1.7 |
| Cumulative effect of | | | | | |

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| | | | | | |
|--|-------|--------|--------|---------|---------|
| accounting changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 70.9 | (13.9) | 61.0 | 58.1 | 34.6 |
| | ===== | ===== | ===== | ===== | ===== |
| Effective tax rate on Income from Operations | 32.9% | 85.1% | 15.7% | (24.2%) | (12.8%) |
| Revenue | 439.7 | 446.6 | 433.8 | 290.7 | 277.2 |
| Less: | | | | | |
| Realized gains (losses) on investments | 1.1 | 3.0 | 3.2 | 12.4 | 1.9 |
| Gains(losses) on derivatives | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue | 438.6 | 443.6 | 430.6 | 278.2 | 275.4 |
| | ===== | ===== | ===== | ===== | ===== |
| Average capital | 472.5 | 520.4 | 493.9 | 593.7 | 549.8 |
| Net Income return on average capital | 15.2% | (3.5%) | (2.7%) | 11.3% | 6.9% |
| Income from operations return on average capital | 15.0% | (2.7%) | 12.4% | 9.8% | 6.3% |

Roll Forward of Deferred Acquisition Costs

| | | | |
|---|--|--------|--------|
| Balance at beginning-of-year | | 635.0 | 587.3 |
| Deferral | | 4.2 | 3.4 |
| Amortization | | (35.9) | (50.0) |
| | | ----- | ----- |
| Included in Total Benefits and Expenses | | (31.7) | (46.5) |
| Foreign currency translation adjustment | | (16.0) | 56.8 |
| Other | | 0.0 | 0.0 |
| | | ----- | ----- |
| Balance at end-of-year | | 587.3 | 597.6 |
| | | ===== | ===== |

Roll Forward of Present Value of In-Force

| | | | |
|---|--|--------|--------|
| Balance at beginning-of-year | | 273.6 | 244.0 |
| Amortization | | (22.5) | (30.8) |
| Foreign currency translation adjustment | | (7.0) | 24.1 |
| Other | | | |
| | | ----- | ----- |
| Balance at end-of-year | | 244.0 | 237.3 |
| | | ===== | ===== |

Note: 2001 and 2002 have been restated for the adoption of the fair value method of accounting for under FAS 123.

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Income Statements
Unaudited [Millions of Dollars]

| For the Quarter Ended | Jun 2001 | Sep 2001 | Dec 2001 | Mar 2002 | Jun 2002 | Sep 2002 | Dec 2002 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | | | | | | | |
| Premiums | 9.6 | 11.8 | 11.9 | 12.1 | 12.1 | 12.4 | 14.2 |
| Mortality assessments | 8.9 | 8.5 | 7.1 | 6.5 | 8.3 | 8.7 | 8.9 |
| Expense assessments | 31.4 | 35.5 | 24.1 | 25.3 | 27.8 | 29.4 | 22.8 |
| Other revenue and fees | (5.4) | 8.8 | (9.2) | (0.2) | 12.5 | 24.5 | (11.9) |
| Net investment income | 16.9 | 14.8 | 15.2 | 14.7 | 15.3 | 15.6 | 16.6 |
| Realized gains (losses) on investments | 2.0 | 5.5 | 4.3 | (5.1) | 4.5 | 1.2 | 1.2 |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Revenue | 63.4 | 85.0 | 53.4 | 53.2 | 80.5 | 91.8 | 51.8 |
| Benefits and Expenses | | | | | | | |
| Benefits paid or provided: | | | | | | | |
| Benefits | 17.9 | 20.7 | 20.8 | 18.3 | 19.0 | 23.8 | 23.1 |
| Underwriting, acquisition, insurance and other expenses: | | | | | | | |
| Commissions | 3.3 | 2.6 | 1.9 | 1.3 | 1.9 | 1.6 | 1.3 |
| Operating and administrative expenses | 18.2 | 20.3 | 24.7 | 17.3 | 18.9 | 20.2 | 20.6 |
| Restructuring Charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.7) |
| Subtotal | 21.5 | 22.9 | 26.6 | 18.6 | 20.9 | 21.8 | 20.2 |
| Deferral of acquisition costs | (1.1) | (1.3) | (0.9) | (0.9) | (1.0) | (0.9) | (0.6) |
| DAC amortization | 2.6 | 18.7 | (3.8) | 6.7 | 20.9 | 33.8 | (11.5) |
| DAC deferral net of amortization | 1.5 | 17.4 | (4.8) | 5.8 | 19.9 | 33.0 | (12.1) |
| PVIF amortization | 1.8 | 9.4 | 5.6 | 0.7 | 11.7 | 12.8 | 5.5 |
| Other intangibles amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total underwriting, acquisition, insurance and other expenses | 24.8 | 49.6 | 27.4 | 25.0 | 52.5 | 67.6 | 13.6 |
| Goodwill amortization | 0.2 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Benefits and Expenses | 42.9 | 70.5 | 48.4 | 43.3 | 71.5 | 91.4 | 36.7 |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 20.6 | 14.5 | 5.1 | 9.8 | 9.0 | 0.4 | 15.1 |
| Federal income taxes | 3.5 | 1.0 | (16.9) | (0.5) | (0.3) | 0.2 | (2.8) |
| Income Before Cumulative Effect of Accounting Changes | 17.1 | 13.5 | 22.0 | 10.3 | 9.3 | 0.2 | 17.9 |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Income | 17.1 | 13.5 | 22.0 | 10.3 | 9.3 | 0.2 | 17.9 |
| Less: | | | | | | | |
| Realized gains (losses) on | | | | | | | |

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| | | | | | | | |
|--|-------|--------|-----------|--------|---------|--------|---------|
| investments | 1.4 | 3.9 | 3.0 | (3.6) | 3.2 | 0.9 | 0.8 |
| Restructuring charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Income from Operations | 15.7 | 9.6 | 19.0 | 13.8 | 6.1 | (0.6) | 15.3 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Effective tax rate on | | | | | | | |
| Income from Operations | 15.5% | (6.8%) | (2417.1%) | 7.2% | (37.0%) | 25.4% | (26.1%) |
| Revenue | 63.4 | 85.0 | 53.4 | 53.2 | 80.5 | 91.8 | 51.8 |
| Less: | | | | | | | |
| Realized gains (losses) on investments | 2.0 | 5.5 | 4.3 | (5.1) | 4.5 | 1.2 | 1.2 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue | 61.4 | 79.5 | 49.1 | 58.3 | 75.9 | 90.6 | 50.6 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Average capital | 593.8 | 607.2 | 596.2 | 585.1 | 544.8 | 525.3 | 543.9 |
| Net Income return on average capital | 11.5% | 8.9% | 14.8% | 7.0% | 6.8% | 0.2% | 13.2% |
| Income from operations return on average capital | 10.6% | 6.3% | 12.7% | 9.5% | 4.5% | (0.5%) | 11.3% |
| ----- | | | | | | | |
| Roll Forward of Deferred Acquisition Costs | | | | | | | |
| Balance at beginning-of-year | 585.1 | 583.4 | 589.7 | 587.3 | 569.4 | 591.0 | 571.8 |
| Deferral | 1.1 | 1.3 | 0.9 | 0.9 | 1.0 | 0.9 | 0.6 |
| Amortization | (2.6) | (18.7) | 3.8 | (6.7) | (20.9) | (33.8) | 11.5 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Included in Total Benefits and Expenses | (1.5) | (17.4) | 4.8 | (5.8) | (19.9) | (33.0) | 12.1 |
| Foreign currency translation adjustment | (0.2) | 23.8 | (7.2) | (12.2) | 41.6 | 13.8 | 13.7 |
| Other | | | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance at end-of-year | 583.4 | 589.7 | 587.3 | 569.4 | 591.0 | 571.8 | 597.6 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Roll Forward of Present Value of In-Force | | | | | | | |
| Balance at beginning-of-year | 253.8 | 251.9 | 252.8 | 244.0 | 238.3 | 243.9 | 236.8 |
| Amortization | (1.8) | (9.4) | (5.6) | (0.7) | (11.7) | (12.8) | (5.5) |
| Foreign currency translation adjustment | (0.1) | 10.3 | (3.2) | (5.1) | 17.4 | 5.7 | 6.1 |
| Other | | | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance at end-of-year | 251.9 | 252.8 | 244.0 | 238.3 | 243.9 | 236.8 | 237.4 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

PAGE

Lincoln UK
Operational Data

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Unaudited [Millions of Dollars]

| For the Quarter Ended | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 | Dec 2001 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Unit Linked Assets | | | | | | |
| Balance-Beg-of-Quarter (Billions) | 6.726 | 6.499 | 6.441 | 5.677 | 5.768 | 5.218 |
| Deposits | 0.145 | 0.116 | 0.132 | 0.111 | 0.128 | 0.115 |
| Withdrawals (incl. chgs) & Deaths | (0.159) | (0.153) | (0.147) | (0.131) | (0.136) | (0.136) |
| Net Flows | (0.014) | (0.037) | (0.015) | (0.020) | (0.009) | (0.009) |
| Inv Inc & Chg in Mkt Val | (0.025) | (0.100) | (0.421) | 0.115 | (0.768) | 0.421 |
| Acq of new business/companies | | | | | | |
| Foreign currency adjustment | (0.189) | 0.078 | (0.328) | (0.004) | 0.226 | (0.004) |
| Unit Linked Assets - End-of-Quarter | 6.499 | 6.441 | 5.677 | 5.768 | 5.218 | 5.677 |
| Individual Life In-force (Billions) | 24.535 | 24.290 | 21.894 | 21.519 | 21.299 | 20.894 |
| Exchange Rate - Dollars to Pounds | | | | | | |
| For-the-Quarter | 1.482 | 1.454 | 1.455 | 1.421 | 1.442 | 1.442 |
| End-of-Quarter | 1.475 | 1.493 | 1.416 | 1.415 | 1.474 | 1.474 |

Lincoln UK
Operational Data (continued)
Unaudited [Millions of Dollars]

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---------|---------|---------|---------|---------|
| Unit Linked Assets - Beg-of-Year (Billions) | 5.643 | 6.265 | 7.220 | 6.441 | 5.643 |
| Deposits | 0.473 | 0.537 | 0.554 | 0.481 | 0.473 |
| Withdrawals (incl. chgs) & Deaths | (0.547) | (0.566) | (0.644) | (0.529) | (0.547) |
| Net Flows | (0.074) | (0.029) | (0.090) | (0.048) | (0.074) |
| Inv Inc & Chg in Mkt Val | 0.662 | 1.154 | (0.154) | (0.617) | 0.662 |
| Acq of new business/companies | | | | | |
| Foreign currency adjustment | 0.035 | (0.170) | (0.536) | (0.169) | 0.035 |
| Unit Linked Assets - End-of-Year | 6.265 | 7.220 | 6.441 | 5.607 | 6.265 |
| Individual Life In-force (Billions) | 25.002 | 25.698 | 24.290 | 20.878 | 25.002 |
| Exchange Rate - Dollars to Pounds | | | | | |
| For-the-Period | 1.658 | 1.617 | 1.518 | 1.441 | 1.658 |
| End-of-Period | 1.660 | 1.615 | 1.493 | 1.456 | 1.660 |

| For the Quarter Ended | Mar 2002 | Jun 2002 | Sep 2002 | Dec 2002 | Mar 2003 | Jun 2003 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Unit Linked Assets | | | | | | |

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| | | | | | | |
|-------------------------------------|---------|---------|---------|---------|---------|------|
| Balance-Beg-of-Quarter (Billions) | 5.607 | 5.618 | 5.520 | 4.825 | 5.079 | 4.7 |
| Deposits | 0.114 | 0.115 | 0.119 | 0.104 | 0.094 | 0.0 |
| Withdrawals (incl. chgs) & Deaths | (0.127) | (0.137) | (0.126) | (0.129) | (0.153) | (0.1 |
| Net Flows | (0.013) | (0.022) | (0.006) | (0.025) | (0.059) | (0.0 |
| Inv Inc & Chg in Mkt Val | 0.141 | (0.479) | (0.812) | 0.146 | (0.184) | 0.5 |
| Acq of new business/companies | | | | | | |
| Foreign currency adjustment | (0.117) | 0.403 | 0.123 | 0.133 | (0.087) | 0.2 |
| Unit Linked Assets - End-of-Quarter | 5.618 | 5.520 | 4.825 | 5.079 | 4.748 | 5.4 |
| Individual Life In-force (Billions) | 20.010 | 20.401 | 19.815 | 18.896 | 18.512 | 19.1 |
| Exchange Rate - Dollars to Pounds | | | | | | |
| For-the-Quarter | 1.423 | 1.464 | 1.555 | 1.570 | 1.605 | 1.6 |
| End-of-Quarter | 1.426 | 1.532 | 1.569 | 1.610 | 1.580 | 1.6 |

Other Operations
Unaudited [Millions of Do

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 200 |
|---|---------|---------|---------|-------|
| | ----- | ----- | ----- | ----- |
| Revenue | 1691.1 | 1966.0 | 1946.9 | 1827. |
| Less: | | | | |
| Realized gains (losses) on investments | 0.5 | 14.4 | (5.0) | 8. |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | (9. |
| Amortization of deferred gain-reserve development | 0.0 | 0.0 | 0.0 | 0. |
| Gain on sale of reinsurance subsidiaries | 0.0 | 0.0 | 0.0 | 12. |
| Operating Revenue | 1690.6 | 1951.6 | 1951.9 | 1815. |
| Operating Revenue by Source: | | | | |
| Lincoln Financial Advisors | 286.4 | 317.0 | 377.5 | 360. |
| Lincoln Financial Distributors | 33.5 | 107.5 | 119.9 | 113. |
| Total Distribution | 319.9 | 424.4 | 497.4 | 474. |
| Reinsurance | 1581.2 | 1824.1 | 1770.6 | 1699. |
| Amortization of deferred gain on indemnity reinsurance* | 0.0 | 0.0 | 0.0 | 20. |
| Other [Including Consolidating Adjustments] | (210.5) | (296.9) | (316.0) | (377. |
| Total Operating Revenue | 1690.6 | 1951.6 | 1951.9 | 1815. |

Income (Loss)

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| | | | | |
|---|--------|--------|--------|--------|
| Net Loss | (7.6) | (76.1) | (10.2) | (6.0) |
| Less: | | | | |
| Realized gains (losses) on investments | 2.7 | 10.2 | (3.2) | 5.0 |
| Gains (losses) on derivatives | 0.0 | 0.0 | 0.0 | (6.0) |
| Gain on sale of reinsurance subsidiaries | 0.0 | 0.0 | 0.0 | 15.0 |
| Reserve increase on business sold through reinsurance | 0.0 | 0.0 | 0.0 | 0.0 |
| Restructuring charges | (14.3) | (3.2) | 1.0 | (19.0) |
| Cumulative effect of accounting changes | 0.0 | 0.0 | 0.0 | (2.0) |
| | ----- | ----- | ----- | ----- |
| Operating Income (Loss) | 4.0 | (83.1) | (8.0) | 1.0 |
| | ===== | ===== | ===== | ===== |
| Income (Loss) from Operations by Source: | | | | |
| Lincoln Financial Advisors | (23.7) | (20.8) | (11.7) | (20.0) |
| Lincoln Financial Distributors | (8.2) | (14.0) | (18.5) | (33.0) |
| | ----- | ----- | ----- | ----- |
| Total Distribution | (31.9) | (34.8) | (30.2) | (53.0) |
| Reinsurance | 104.9 | 40.1 | 122.5 | 128.0 |
| Amortization of deferred gain on indemnity reinsurance* | 0.0 | 0.0 | 0.0 | 12.0 |
| LNC Financing | (51.5) | (83.5) | (84.9) | (77.0) |
| Other Corporate | (17.5) | (5.0) | (15.4) | (9.0) |
| | ----- | ----- | ----- | ----- |
| Income (Loss) from Operations | 4.0 | (83.1) | (8.0) | 1.0 |
| | ===== | ===== | ===== | ===== |

| | Jun | Sep | Dec | Mar | Jun | Se |
|---|---------|--------|---------|--------|--------|--------|
| For the Quarter Ended | 2001 | 2001 | 2001 | 2002 | 2002 | 2002 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Revenue | 447.6 | 485.3 | 367.4 | 88.5 | 88.5 | 91.0 |
| Less: | | | | | | |
| Realized gains (losses) on investments | 1.4 | (12.8) | 29.5 | (4.9) | (3.8) | 33.0 |
| Gains (losses) on derivatives | (0.1) | (0.0) | (9.7) | 0.1 | (0.1) | 0.0 |
| Amort. of deferred gain-reserve development | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.0) |
| Gain on sale of reinsurance subsidiaries | 0.0 | 0.0 | 12.8 | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue | 446.2 | 498.2 | 334.7 | 93.3 | 92.4 | 59.0 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Operating Revenue by Source: | | | | | | |
| Lincoln Financial Advisors | 83.8 | 78.9 | 116.7 | 75.9 | 78.1 | 74.0 |
| Lincoln Financial Distributors | 20.7 | 32.0 | 35.0 | 29.4 | 29.3 | 31.0 |
| Total Distribution | 104.5 | 111.0 | 151.7 | 105.3 | 107.4 | 106.0 |
| Reinsurance | 451.4 | 467.4 | 265.6 | 0.0 | 0.0 | 0.0 |
| Amortization of deferred gain on indemnity reinsurance* | 0.0 | 0.0 | 20.4 | 24.1 | 22.1 | 22.0 |
| Other [Including Consolidating Adjustments] | (109.6) | (80.2) | (102.9) | (36.0) | (37.1) | (68.0) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Operating Revenue | 446.2 | 498.2 | 334.7 | 93.3 | 92.4 | 59.0 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Income (Loss)

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| | | | | | | |
|--|--------|--------|--------|--------|--------|---------|
| Net Income (Loss) | (15.7) | (24.6) | 33.2 | (16.8) | (25.8) | (172.0) |
| Less: | | | | | | |
| Realized gains (losses) on investments | 1.0 | (8.3) | 19.7 | (3.3) | (2.4) | 21.7 |
| Gains (losses) on derivatives | (0.1) | (0.0) | (6.3) | 0.1 | (0.1) | 0.0 |
| Gain on sale of reinsurance subsidiaries | 0.0 | 0.0 | 15.0 | 0.0 | 0.0 | 0.0 |
| Reserve development on business sold through reinsurance | 0.0 | 0.0 | 0.0 | 0.0 | (14.4) | (176.0) |
| Restructuring charges | (1.2) | 0.0 | (18.3) | 0.0 | 0.0 | 1.0 |
| Cumulative effect of accounting changes | (2.2) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income (Loss) from Operations | (13.1) | (16.3) | 23.0 | (13.6) | (8.9) | (18.0) |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Income from Operations by Source: | | | | | | |
| Lincoln Financial Advisors | (13.4) | (5.3) | 6.4 | (10.1) | (8.7) | (8.0) |
| Lincoln Financial Distributors | (12.1) | (8.4) | (5.1) | (6.6) | (7.6) | (13.0) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Distribution | (25.5) | (13.7) | 1.3 | (16.6) | (16.3) | (22.0) |
| Reinsurance | 34.1 | 17.2 | 30.7 | 0.0 | 0.0 | 0.0 |
| Amortization of deferred gain on indemnity reinsurance* | 0.0 | 0.0 | 12.9 | 15.7 | 14.4 | 14.0 |
| LNC Financing | (22.0) | (19.5) | (14.7) | (8.2) | (10.2) | (11.0) |
| Other Corporate | 0.2 | (0.3) | (7.1) | (4.4) | 3.2 | (0.0) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income(Loss) from Operations | (13.1) | (16.3) | 23.0 | (13.6) | (8.9) | (18.0) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

* The amortization of deferred gain on sale of reinsurance business represents the amortization on the business sold through indemnity reinsurance to Swiss Re.

PAGE

Consolidated Domestic Retail Deposits/Account Balances
Unaudited [Billions of Dollars]

| | |
|---|-------|
| | 19 |
| | ----- |
| Deposits - For the Year | |
| Lincoln Retirement - Fixed Annuities | 1.4 |
| Lincoln Retirement - Variable Annuities | 2.7 |
| Lincoln Retirement - Life Insurance | 0.0 |
| Life Insurance Segment - Life Insurance | 1.2 |
| Inv Mgmt - Annuities | 2.2 |
| Inv Mgmt - Mutual Funds(1) | 1.9 |
| Inv Mgmt - Wrap Fee & Other | 0.5 |
| Consolidating Adjustments | (1.0) |
| | ----- |
| Gross Deposits | 9.1 |
| | ===== |
| Account Balances - End of Year | |
| Lincoln Retirement - Fixed Annuities | 16.5 |
| Lincoln Retirement - Variable Annuities | 33.3 |

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| | | | | | | |
|---|--|--|--|--|--|-------|
| Lincoln Retirement - Life Insurance | | | | | | 9.2 |
| Life Insurance Segment - Life Insurance | | | | | | 14.2 |
| Inv Mgmt - Annuities | | | | | | 13.5 |
| Inv Mgmt - Mutual Funds(1) | | | | | | 2.5 |
| Inv Mgmt - Wrap Fee & Other | | | | | | (8.8) |
| Consolidating Adjustments | | | | | | ---- |

Account Balances 80.5

| | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 | D 20 |
|---|-------------|-------------|-------------|-------------|-------------|---------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Deposits - For the Quarter | | | | | | |
| Lincoln Retirement - Fixed Annuities | 0.513 | 0.482 | 0.560 | 0.668 | 0.896 | 1.2 |
| Lincoln Retirement - Variable Annuities | 0.729 | 0.846 | 0.887 | 0.703 | 0.684 | 0.7 |
| Lincoln Retirement - Life Insurance | 0.004 | 0.004 | 0.003 | 0.004 | 0.003 | 0.0 |
| Life Insurance Segment - Life Insurance | 0.428 | 0.622 | 0.418 | 0.477 | 0.434 | 0.6 |
| Inv Mgmt - Annuities | 0.456 | 0.589 | 0.540 | 0.403 | 0.434 | 0.3 |
| Inv Mgmt - Mutual Funds(1) | 0.554 | 0.563 | 0.483 | 0.355 | 0.336 | 0.3 |
| Inv Mgmt - Managed Acct. & Other | 0.140 | 0.131 | 0.142 | 0.127 | 0.074 | 0.1 |
| Consolidating Adjustments | (0.134) | (0.240) | (0.146) | (0.110) | (0.193) | (0.1) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Gross Deposits | 2.690 | 2.996 | 2.886 | 2.627 | 2.669 | 3.2 |
| | ----- | ----- | ----- | ----- | ----- | ----- |

| | | | | | | |
|---|---------|---------|---------|---------|---------|-------|
| Account Balances - End of Quarter | | | | | | |
| Lincoln Retirement - Fixed Annuities | 15.660 | 15.394 | 15.430 | 15.551 | 16.051 | 16.4 |
| Lincoln Retirement - Variable Annuities | 42.743 | 39.427 | 34.733 | 36.961 | 30.506 | 34.6 |
| Lincoln Retirement - Life Insurance | 0.166 | 0.160 | 0.147 | 0.157 | 0.134 | 0.1 |
| Life Insurance Segment - Life Insurance | 10.716 | 10.847 | 10.764 | 11.066 | 10.939 | 11.3 |
| Inv Mgmt - Annuities | 14.853 | 13.527 | 11.822 | 12.532 | 10.714 | 11.8 |
| Inv Mgmt - Mutual Funds(1) | 14.571 | 13.261 | 11.530 | 12.215 | 10.726 | 11.5 |
| Inv Mgmt - Managed Acct. & Other | 1.256 | 1.342 | 1.653 | 1.774 | 1.635 | 1.7 |
| Consolidating Adjustments | (8.658) | (7.757) | (6.601) | (7.092) | (6.002) | (6.6) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Account Balances | 91.307 | 86.201 | 79.479 | 83.164 | 74.704 | 81.0 |
| | ----- | ----- | ----- | ----- | ----- | ----- |

Total Domestic Net Flows
Unaudited [Billions of Dollars]

For the Year 19

| | |
|--|-------|
| Lincoln Retirement | (1.2 |
| Life Insurance Segment | 0.1 |
| Investment Management Segment- Retail(1) | 1.7 |
| Consolidating Adjustments | (0.1 |
| | ----- |
| Total Retail Net Flows | 0.4 |
| | ----- |
| Investment Management Segment- Institutional | (2.7 |
| Consolidating Adjustments | ----- |
| | ----- |
| Total Net Flows | (2.2 |
| | ===== |

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| For the Quarter | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 | Dec 2001 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Lincoln Retirement Life Insurance Segment | (0.812) | (0.681) | (0.590) | (0.196) | 0.261 | 0.681 |
| Investment Management Segment- Retail(1) | 0.277 | 0.404 | 0.237 | 0.304 | 0.239 | 0.304 |
| Consolidating Adjustments | (0.315) | 0.059 | (0.021) | (0.146) | (0.118) | (0.021) |
| Total Retail Net Flows | 0.263 | 0.092 | 0.163 | 0.042 | (0.002) | (0.146) |
| Investment Management Segment- Instit. Consolidating Adjustments | (0.587) | (0.126) | (0.211) | 0.004 | 0.380 | 0.771 |
| Total Net Flows | (0.983) | (1.043) | (0.417) | 0.445 | (0.155) | (0.146) |
| | 0.002 | (0.013) | (0.020) | 0.018 | (0.030) | 0.002 |
| Total Net Flows | (1.569) | (1.182) | (0.648) | 0.467 | 0.195 | 0.681 |

Consolidated Domestic Retail Deposits/Account Balances (continued)
Unaudited [Billions of Dollars]

| | 1999 | 2000 | 2001 | 2002 | Jun YTD 2002 | Jun YTD 2001 |
|---|---------|---------|---------|---------|--------------------|--------------------|
| Deposits - For the Year | | | | | | |
| Lincoln Retirement - Fixed Annuities | 2.563 | 2.074 | 3.342 | 3.672 | 1.759 | 1.557 |
| Lincoln Retirement - Variable Annuities | 2.553 | 3.165 | 3.067 | 2.743 | 1.595 | 1.237 |
| Lincoln Retirement - Life Insurance | 0.017 | 0.014 | 0.012 | | | |
| Life Insurance Segment - Life Insurance | 1.698 | 1.884 | 1.934 | 2.138 | 1.018 | 1.018 |
| Inv Mgmt - Annuities | 1.561 | 1.782 | 1.701 | 2.751 | 1.190 | 1.018 |
| Inv Mgmt - Mutual Funds(1) | 2.151 | 2.577 | 1.523 | 1.829 | 1.014 | 1.000 |
| Inv Mgmt - Wrap Fee & Other | 0.549 | 0.525 | 0.469 | 1.115 | 0.352 | 0.390 |
| Consolidating Adjustments | (0.499) | (0.765) | (0.608) | (1.576) | (0.614) | (0.380) |
| Gross Deposits | 10.593 | 11.256 | 11.439 | 12.671 | 6.315 | 5.837 |
| Account Balances - End of Year | | | | | | |
| Lincoln Retirement - Fixed Annuities | 16.791 | 15.394 | 16.491 | 18.085 | | |
| Lincoln Retirement - Variable Annuities | 41.493 | 39.427 | 34.638 | 27.438 | | |
| Lincoln Retirement - Life Insurance | 0.155 | 0.160 | 0.149 | | | |
| Life Insurance Segment - Life Insurance | 10.217 | 10.847 | 11.377 | 12.086 | | |
| Inv Mgmt - Annuities | 15.557 | 13.527 | 11.835 | 9.981 | | |
| Inv Mgmt - Mutual Funds(1) | 13.632 | 13.261 | 11.552 | 10.297 | | |
| Inv Mgmt - Wrap Fee & Other | 1.618 | 1.342 | 1.719 | 2.270 | | |
| Consolidating Adjustments | (9.175) | (7.757) | (6.676) | (5.123) | | |
| Account Balances | 90.288 | 86.201 | 81.086 | 75.034 | | |
| Deposits - For the Quarter | | | | | | |
| Lincoln Retirement - Fixed Annuities | 0.906 | 0.853 | 1.091 | 0.822 | 0.776 | 0.776 |
| Lincoln Retirement - Variable Annuities | 0.808 | 0.787 | 0.603 | 0.545 | 0.648 | 0.587 |

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| | | | | | | |
|---|---------|---------|---------|---------|---------|--------|
| Lincoln Retirement - Life Insurance | | | | | | |
| Life Insurance Segment - Life Insurance | 0.440 | 0.577 | 0.484 | 0.636 | 0.486 | 0.52 |
| Inv Mgmt - Annuities | 0.589 | 0.601 | 0.756 | 0.806 | 0.488 | 0.52 |
| Inv Mgmt - Mutual Funds(1) | 0.452 | 0.562 | 0.416 | 0.399 | 0.450 | 0.55 |
| Inv Mgmt - Managed Acct. & Other | 0.159 | 0.194 | 0.293 | 0.469 | 0.202 | 0.19 |
| Consolidating Adjustments | (0.280) | (0.333) | (0.437) | (0.525) | (0.171) | (0.21) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Gross Deposits | 3.074 | 3.240 | 3.206 | 3.151 | 2.880 | 2.96 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Account Balances - End of Quarter | | | | | | |
| Lincoln Retirement - Fixed Annuities | 16.534 | 16.910 | 17.650 | 18.085 | 18.537 | 18.69 |
| Lincoln Retirement - Variable Annuities | 35.150 | 31.206 | 25.942 | 27.438 | 26.474 | 30.45 |
| Lincoln Retirement - Life Insurance | | | | | | |
| Life Insurance Segment - Life Insurance | 11.667 | 11.759 | 11.726 | 12.086 | 12.233 | 12.66 |
| Inv Mgmt - Annuities | 11.920 | 10.896 | 9.327 | 9.981 | 9.660 | 11.00 |
| Inv Mgmt - Mutual Funds(1) | 11.597 | 11.033 | 10.069 | 10.297 | 10.241 | 11.35 |
| Inv Mgmt - Managed Acct. & Other | 1.821 | 1.847 | 1.820 | 2.270 | 2.292 | 2.73 |
| Consolidating Adjustments | (6.640) | (6.000) | (4.940) | (5.123) | (4.891) | (5.62) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Account Balances | 82.049 | 77.651 | 71.594 | 75.034 | 74.546 | 81.28 |
| | ----- | ----- | ----- | ----- | ----- | ----- |

Total Domestic Net Flows (continued)
Unaudited [Billions of Dollars]

| | | | | | YTD | YTD |
|--|---------|---------|---------|---------|---------|--------|
| | | | | | Jun | Ju |
| For the Year | 1999 | 2000 | 2001 | 2002 | 2002 | 200 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Lincoln Retirement | (1.165) | (2.874) | 0.105 | 0.453 | 0.311 | 0.19 |
| Life Insurance Segment | 0.985 | 1.158 | 1.163 | 1.320 | 0.621 | 0.62 |
| Investment Management Segment- Retail(1) | (2.209) | (1.499) | (0.375) | 0.806 | 0.256 | 0.31 |
| Consolidating Adjustments | 1.276 | 1.022 | 0.035 | (0.082) | (0.028) | 0.15 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Retail Net Flows | (1.114) | (2.194) | 0.927 | 2.496 | 1.160 | 1.29 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Investment Management Segment- Institutional | (2.240) | (5.694) | (0.231) | 2.106 | 1.187 | 0.61 |
| Consolidating Adjustments | | 0.035 | (0.015) | 0.005 | (0.004) | (0.02) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Net Flows | (3.354) | (7.854) | 0.681 | 4.608 | 2.342 | 1.88 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| | Mar | Jun | Sep | Dec | Mar | Ju |
| For the Quarter | 2002 | 2002 | 2002 | 2002 | 2003 | 200 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Lincoln Retirement | 0.088 | 0.223 | 0.068 | 0.074 | 0.095 | 0.09 |
| Life Insurance Segment | 0.236 | 0.385 | 0.297 | 0.402 | 0.296 | 0.32 |
| Investment Management Segment- Retail(1) | 0.089 | 0.167 | 0.048 | 0.502 | 0.014 | 0.30 |
| Consolidating Adjustments | 0.009 | (0.038) | 0.133 | (0.187) | 0.162 | (0.00) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Retail Net Flows | 0.423 | 0.737 | 0.545 | 0.791 | 0.568 | 0.72 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Investment Management Segment- Instit. | 0.731 | 0.455 | 0.348 | 0.572 | 0.330 | 0.28 |
| Consolidating Adjustments | 0.022 | (0.026) | 0.008 | 0.001 | (0.030) | 0.00 |
| | ----- | ----- | ----- | ----- | ----- | ----- |

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| | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-------|
| Total Net Flows | 1.176 | 1.166 | 0.901 | 1.364 | 0.868 | 1.02 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

NOTE: Excludes amounts reported as Assets Under Management - Insurance Assets

(1) Retail assets under management have been restated to include assets under administration beginning in January of 2000. See details on pages 26 and 27.

PAGE 3

Consolidated Investment Data - Assets Managed
Unaudited [Billions of Dollars]

| For the Quarter Ended | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 | De 2001 |
|---|-------------|-------------|-------------|-------------|-------------|------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Assets Managed by Source | | | | | | |
| LNC's Investments and Cash: | | | | | | |
| Fixed maturity securities | 27.264 | 27.450 | 27.811 | 27.874 | 28.932 | 28.34 |
| Equity securities | 0.570 | 0.550 | 0.560 | 0.534 | 0.478 | 0.47 |
| Other investments | 7.471 | 7.369 | 7.374 | 7.388 | 7.379 | 7.29 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total LNC Investments(1) | 35.305 | 35.369 | 35.744 | 35.796 | 36.788 | 36.11 |
| Separate accounts | 54.411 | 50.580 | 44.506 | 47.140 | 39.480 | 44.83 |
| Cash and invested cash | 1.436 | 1.927 | 2.015 | 1.502 | 1.996 | 3.09 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total LNC | 91.152 | 87.876 | 82.266 | 84.438 | 78.264 | 84.04 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Non-affiliate assets managed | 43.287 | 41.861 | 38.416 | 40.109 | 35.889 | 38.42 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Assets Managed | 134.439 | 129.737 | 120.682 | 124.547 | 114.153 | 122.46 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Assets Managed by Advisor | | | | | | |
| Investment Management segment(1) | | | | | | |
| (See page 27 for additional detail) | | | | | | |
| DLIA-Corp | 34.981 | 35.686 | 36.324 | 36.018 | 37.337 | 38.11 |
| (Assets managed internally-see page 27) | | | | | | |
| Lincoln (UK) | 7.838 | 7.873 | 7.012 | 7.027 | 6.474 | 6.84 |
| Policy Loans (within business units) | 1.936 | 1.961 | 1.947 | 1.947 | 1.943 | 1.94 |
| Non-LNC Affiliates | 33.687 | 30.862 | 27.192 | 28.817 | 23.441 | 27.14 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Assets Managed | 134.439 | 129.737 | 120.682 | 124.547 | 114.153 | 122.46 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Consolidated Investment Data - Assets Managed (continued)
Unaudited [Billions of Dollars]

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 |
|--------------------------------|-------|-------|-------|-------|
| | ----- | ----- | ----- | ----- |
| Assets Managed by Source | | | | |
| LNC's Investments and Cash: | | | | |

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| | | | | |
|---|---------|---------|---------|--------|
| Fixed maturity securities | 30.233 | 27.689 | 27.450 | 28.34 |
| Equity securities | 0.543 | 0.604 | 0.550 | 0.47 |
| Other investments | 7.154 | 7.286 | 7.369 | 7.29 |
| | ----- | ----- | ----- | ----- |
| Total LNC Investments(1) | 37.929 | 35.578 | 35.369 | 36.11 |
| Separate accounts | 43.409 | 53.654 | 50.580 | 44.83 |
| Cash and Invested Cash | 2.433 | 1.896 | 1.927 | 3.09 |
| Discontinued Operations | | | | |
| | ----- | ----- | ----- | ----- |
| Total LNC | 83.772 | 91.128 | 87.876 | 84.04 |
| | ----- | ----- | ----- | ----- |
| Non-affiliate assets managed | 50.061 | 49.314 | 41.861 | 38.42 |
| | ----- | ----- | ----- | ----- |
| Total Assets Managed | 133.833 | 140.443 | 129.737 | 122.46 |
| | ===== | ===== | ===== | ===== |
| Assets Managed by Advisor | | | | |
| Investment Management segment(1) | 61.490 | 61.375 | 53.354 | 48.41 |
| (See page 27 for additional detail) | | | | |
| DLIA-Corp | 39.432 | 35.934 | 35.686 | 38.11 |
| (Assets managed internally-see page 27) | | | | |
| Lincoln (UK) | 7.573 | 8.589 | 7.873 | 6.84 |
| Policy Loans (within business units) | 1.840 | 1.892 | 1.961 | 1.94 |
| Non-LNC Affiliates | 23.497 | 32.653 | 30.863 | 27.14 |
| | ----- | ----- | ----- | ----- |
| Total Assets Managed | 133.833 | 140.443 | 129.737 | 122.46 |
| | ===== | ===== | ===== | ===== |

| | Mar | Jun | Sep | Dec | Mar | J |
|---|---------|---------|---------|---------|---------|-------|
| For the Quarter Ended | 2002 | 2002 | 2002 | 2002 | 2003 | 20 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Assets Managed by Source | | | | | | |
| LNC's Investments and Cash: | | | | | | |
| Fixed maturity securities | 28.841 | 29.725 | 32.037 | 32.767 | 33.887 | 35.3 |
| Equity securities | 0.439 | 0.419 | 0.397 | 0.337 | 0.249 | 0.2 |
| Other investments | 7.084 | 7.016 | 6.928 | 6.895 | 6.872 | 6.9 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total LNC Investments(1) | 36.363 | 37.160 | 39.363 | 40.000 | 41.008 | 42.5 |
| Separate accounts | 44.917 | 40.580 | 34.069 | 36.178 | 34.775 | 39.9 |
| Cash and invested cash | 1.700 | 2.265 | 1.600 | 1.691 | 1.635 | 1.9 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total LNC | 82.979 | 80.005 | 75.031 | 77.869 | 77.419 | 84.4 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Non-affiliate assets managed | 39.853 | 39.531 | 35.650 | 38.052 | 37.501 | 42.9 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Assets Managed | 122.832 | 119.536 | 110.682 | 115.921 | 114.920 | 127.3 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Assets Managed by Advisor | | | | | | |
| Investment Management segment(1) | 50.003 | 48.741 | 43.361 | 46.494 | 45.717 | 52.4 |
| (See page 27 for additional detail) | | | | | | |
| DLIA-Corp | 37.171 | 38.476 | 40.416 | 41.104 | 42.130 | 43.8 |
| (Assets managed internally-see page 27) | | | | | | |
| Lincoln (UK) | 6.772 | 6.753 | 6.068 | 6.351 | 5.962 | 6.7 |
| Policy Loans (within business units) | 1.918 | 1.906 | 1.899 | 1.946 | 1.929 | 1.9 |
| Non-LNC Affiliates | 26.969 | 23.660 | 18.938 | 20.027 | 19.182 | 22.4 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total Assets Managed | 122.832 | 119.536 | 110.682 | 115.921 | 114.920 | 127.3 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

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(1) Retail assets under management have been restated to include assets under administration beginning January of 2000. See details on pages 26 and 27.

Consolidated Investment Data
Unaudited [Millions of Dollars except as noted]

| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | |
|--|----------|-----------|----------|----------|-----|
| Net Investment Income | | | | | |
| Fixed Maturity Securities | 2,065.8 | 2,232.9 | 2,148.7 | 2,121.0 | 2, |
| Equity Securities | 22.8 | 20.1 | 19.5 | 17.6 | |
| Mortgage loans on real estate | 383.6 | 369.2 | 373.8 | 374.5 | |
| Real estate | 86.8 | 64.1 | 51.8 | 49.5 | |
| Policy loans | 99.5 | 116.5 | 125.0 | 125.3 | |
| Invested cash | 156.8 | 110.3 | 87.2 | 68.4 | |
| Other investments | 88.4 | 51.8 | 66.8 | 69.4 | |
| Investment revenue | 2,903.7 | 2,964.8 | 2,872.8 | 2,825.9 | 2, |
| Investment expense | (193.1) | (122.4) | (88.7) | (117.1) | |
| Net Investment Income | 2,710.6 | 2,842.5 | 2,784.1 | 2,708.7 | 2, |
| Gross-up of Tax Exempt Income | 11.6 | 8.1 | 7.8 | 7.2 | |
| Adjusted Net Invest Income | 2,722.3 | 2,850.5 | 2,791.9 | 2,715.9 | 2, |
| Mean Invested Assets (Amortized Cost) | 36,573.8 | 39,027.5 | 37,471.3 | 37,616.9 | 38, |
| Ratio of Adjusted Net Invest Inc Over Mean Invested Assets | 7.44% | 7.30% | 7.45% | 7.22% | |
| Investment Gains (Losses) | | | | | |
| Realized Gains (Losses) on Investments | 13.7 | 3.8 | (17.5) | (68.7) | (|
| Gains(Losses) on Derivatives | 0.0 | 0.0 | 0.0 | (4.9) | |
| Incr (Decr) in Unreal Gains on Sec Avail-for-Sale (after DAC/Tax) | 116.4 | (1,018.1) | 477.7 | 183.7 | |
| Incr (Decr) on Derivatives* | | | | 21.4 | |
| Securities Available-for-Sale [Billions of Dollars] | | | | | |
| Fixed Maturity Sec (Fair Value) | 30.233 | 27.689 | 27.450 | 28.346 | 3 |
| Fixed Maturity Sec (Amortized Cost) | 28.640 | 28.357 | 27.373 | 27.956 | 3 |
| Equity Securities (Fair Value) | 0.543 | 0.604 | 0.550 | 0.470 | |
| Equity Securities (Amortized Cost) | 0.000 | 0.000 | 0.000 | 0.000 | |
| % of Fixed Maturity Securities (Based on Fair Value) | | | | | |

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| | | | | |
|--------------------|-------|-------|-------|-------|
| Treasuries and AAA | 25.6% | 22.8% | 22.1% | 17.2% |
| AA or better | 32.6% | 29.8% | 29.2% | 23.6% |
| BB or less | 7.0% | 8.0% | 6.7% | 8.3% |

| For the Quarter Ended | Jun 2001 | Sep 2001 | Dec 2001 | Mar 2002 | Jun 2002 | Sep 2002 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Investment Income | | | | | | |
| Fixed Maturity Securities | 527.0 | 536.9 | 530.1 | 522.5 | 523.8 | 533.6 |
| Equity Securities | 7.8 | 3.7 | 5.1 | 3.4 | 4.3 | 2.7 |
| Mortgage loans on real estate | 92.4 | 94.2 | 92.4 | 89.5 | 90.2 | 90.8 |
| Real estate | 13.1 | 12.7 | 10.9 | 12.3 | 11.9 | 10.0 |
| Policy loans | 31.4 | 31.0 | 31.6 | 30.2 | 31.1 | 31.1 |
| Invested cash | 19.8 | 14.8 | 11.3 | 12.4 | 9.1 | 7.9 |
| Other investments | 18.2 | 28.2 | 3.5 | 7.8 | 9.8 | (1.2) |
| Investment revenue | 709.7 | 721.4 | 684.8 | 678.1 | 680.2 | 675.0 |
| Investment expense | (29.0) | (28.2) | (31.8) | (23.3) | (22.8) | (22.7) |
| Net Investment Income | 680.7 | 693.3 | 653.1 | 654.8 | 657.4 | 652.4 |
| Gross-up of Tax Exempt Income | 3.0 | 1.5 | 2.1 | 1.5 | 2.0 | 1.5 |
| Adjusted Net Invest Income | 683.8 | 694.8 | 655.2 | 656.3 | 659.4 | 653.9 |
| Mean Invested Assets (Amortized Cost) | 37,094.5 | 37,685.8 | 38,449.3 | 38,169.9 | 38,235.5 | 39,175.8 |
| Ratio of Adjusted Net Invest Inc Over Mean Invested Assets | 7.37% | 7.37% | 6.82% | 6.88% | 6.90% | 6.68% |
| Investment Gains (Losses) | | | | | | |
| Realized Gains (Losses) on | | | | | | |
| Investments | (11.5) | (23.8) | (20.0) | (67.6) | (52.7) | (23.6) |
| Gains (Losses) on Derivatives | 0.2 | (0.4) | (4.6) | 0.1 | 0.3 | 0.2 |
| Incr (Decr) in Unreal | | | | | | |
| Gains on Sec | | | | | | |
| Avail-for-Sale (after DAC/Tax) | (114.2) | 171.8 | (52.2) | (163.9) | 293.8 | 491.9 |
| Incr (Decr) on Derivatives* | 3.7 | (6.7) | 1.2 | 1.2 | 0.0 | 4.6 |
| Securities Available-for-Sale [Billions of Dollars] | | | | | | |
| Fixed Maturity Sec (Fair Value) | 27.874 | 28.932 | 28.346 | 28.841 | 29.725 | 32.037 |
| Fixed Maturity Sec (Amortized Cost) | 27.681 | 28.253 | 27.956 | 27.801 | 28.335 | 30.431 |
| Equity Securities (Fair Value) | 0.534 | 0.478 | 0.470 | 0.439 | 0.419 | 0.397 |
| Equity Securities (Amortized Cost) | 0.477 | 0.453 | 0.444 | 0.253 | 0.255 | 0.389 |
| % of Fixed Maturity Securities (Based on Fair Value) | | | | | | |
| Treasuries and AAA | 19.3% | 17.9% | 17.2% | 17.8% | 18.2% | 20.0% |
| AA or better | 26.0% | 24.3% | 23.6% | 24.7% | 25.0% | 26.7% |

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BB or less 7.8% 7.2% 8.3% 7.5% 6.4% 6.6%

Common Stock / Debt Information
Unaudited [Dollars per Share, except Percentages]

| For the Year Ended December 31 | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|--------|--------|--------|--------|--------|
| | ----- | ----- | ----- | ----- | ----- |
| Common Stock [1] | | | | | |
| Highest Price | 19.032 | 24.125 | 22.188 | 26.875 | 28.500 |
| Lowest Price | 12.625 | 17.344 | 17.313 | 17.313 | 20.375 |
| Closing Price | 18.500 | 21.750 | 17.500 | 26.875 | 26.250 |
| Dividend Payout Ratio [2] | 38.9% | 52.6% | 51.0% | 39.7% | 38.2% |
| Yield [3] | 4.1% | 3.8% | 4.9% | 3.4% | 3.7% |
| Preferred Stock Dividend (Millions) | 17.246 | 17.212 | 17.119 | 8.644 | 0.112 |
| Debt: (End of Period) | | | | | |
| Senior Debt Ratings | | | | | |
| A.M. Best | | | | | |
| Fitch | AA | AA- | AA- | AA- | AA- |
| Moody's | A2 | A2 | A1 | A2 | A2 |
| Standard and Poors | A+ | A+ | A+ | A | A |
| Claims Paying Ratings: | | | | | |
| Lincoln Life - A.M. Best | A+ | A+ | A+ | A+ | A+ |
| Lincoln Life - Fitch | AAA | AAA | AAA | AA+ | AA+ |
| Lincoln Life - Moody's | A1 | A1 | Aa3 | Aa3 | Aa3 |
| Lincoln Life - Standard & Poors | AA- | AA- | AA- | AA- | AA- |
| First Penn - A.M. Best* | A | A+ | A+ | A+ | A+ |
| First Penn - Fitch | | | | | |
| First Penn - Moody's | | | | | |
| First Penn - Standard & Poors* | AA- | AA- | AA- | AA- | AA- |
| LLA of New York - A.M. Best* | | | | | A+ |
| LLA of New York - Fitch* | | | | | |
| LLA of New York - Moody's | | | | | A1 |
| LLA of New York - Standard & Poors* | | | | | AA- |
| Ratios | | | | | |
| Debt to Total Capitalization [4] | 25.7% | 21.1% | 19.9% | 22.8% | 18.8% |
| Debt to Equity [4] | 34.7% | 26.7% | 24.9% | 29.5% | 23.1% |

| For the Quarter Ended | Sep 2000 | Dec 2000 | Mar 2001 | Jun 2001 | Sep 2001 | Dec 2001 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |

Common Stock:

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| | | | | | | |
|---------------|--------|--------|--------|--------|--------|--------|
| Highest Price | 56.375 | 50.938 | 48.250 | 52.300 | 52.750 | 49.450 |
| Lowest Price | 35.625 | 40.875 | 38.000 | 41.280 | 41.000 | 40.000 |
| Closing Price | 48.125 | 47.313 | 42.470 | 51.750 | 46.630 | 48.570 |

| | | | | | | |
|-----------|------|------|------|------|------|------|
| Yield [3] | 2.4% | 2.6% | 2.9% | 2.4% | 2.6% | 2.6% |
|-----------|------|------|------|------|------|------|

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Preferred Stock Dividend (Millions) | 0.021 | 0.013 | 0.019 | 0.018 | 0.017 | 0.017 |
|--|-------|-------|-------|-------|-------|-------|

Debt: (End of Period)

Senior Debt Ratings

| | | | | | | |
|--------------------|----|----|----|----|----|----|
| A.M. Best | a | a | a | a | a | a |
| Fitch | A+ | A+ | A+ | A+ | A+ | A+ |
| Moody's | A2 | A3 | A3 | A3 | A3 | A3 |
| Standard and Poors | A- | A- | A- | A- | A- | A- |

Claims Paying Ratings:

| | | | | | | |
|-------------------------------------|-----|-----|-----|-----|-----|-----|
| Lincoln Life - A.M. Best | A | A | A | A | A | A |
| Lincoln Life - Fitch | AA+ | AA | AA | AA | AA | AA |
| Lincoln Life - Moody's | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 |
| Lincoln Life - Standard & Poors | AA- | AA- | AA- | AA- | AA- | AA- |
| First Penn - A.M. Best* | A | A | A | A | A | A |
| First Penn - Fitch | AA+ | AA | AA | AA | AA | AA |
| First Penn - Moody's | A1 | A1 | A1 | A1 | A1 | A1 |
| First Penn - Standard & Poors* | AA- | AA- | AA- | AA- | AA- | AA- |
| LLA of New York - A.M. Best* | A | A | A | A | A | A |
| LLA of New York - Fitch* | AA+ | AA | AA | AA | AA | AA |
| LLA of New York - Moody's | A1 | A1 | A1 | A1 | A1 | A1 |
| LLA of New York - Standard & Poors* | AA- | AA- | AA- | AA- | AA- | AA- |

Ratios

| | | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|-------|
| Debt to Total Capitalization [4] | 21.2% | 20.8% | 22.2% | 21.2% | 21.1% | 21.4% |
|----------------------------------|-------|-------|-------|-------|-------|-------|

| | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|
| Debt to Equity [4] | 27.1% | 26.4% | 28.4% | 26.7% | 26.6% | 27.0% |
|--------------------|-------|-------|-------|-------|-------|-------|

Common Stock / Debt Information (continued)
Unaudited [Dollars per Share, except Percentages]

| | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|
| For the Year Ended December 31 | 1998 | 1999 | 2000 | 2001 | 2002 |
| | ----- | ----- | ----- | ----- | ----- |

Common Stock [1]

| | | | | | |
|---------------|--------|--------|--------|--------|--------|
| Highest Price | 49.438 | 57.500 | 56.375 | 52.750 | 53.650 |
| Lowest Price | 33.500 | 36.000 | 22.625 | 38.000 | 25.150 |
| Closing Price | 40.907 | 40.000 | 47.313 | 48.570 | 31.580 |

| | | | | | |
|---------------------------|-------|-------|-------|-------|--------|
| Dividend Payout Ratio [2] | 43.9% | 50.5% | 38.3% | 44.9% | 273.5% |
| Yield [3] | 2.7% | 2.9% | 2.6% | 2.6% | 4.2% |

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Preferred Stock Dividend (Millions) | 0.100 | 0.089 | 0.078 | 0.071 | 0.061 |
|--|-------|-------|-------|-------|-------|

Debt: (End of Period)

Senior Debt Ratings

| | | | | | |
|-----------|----|----|----|----|---|
| A.M. Best | | | a | a | a |
| Fitch | A+ | A+ | A+ | A+ | A |

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| | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|
| Moody's | A2 | A2 | A3 | A3 | A3 |
| Standard and Poors | A- | A- | A- | A- | A- |
| Claims Paying Ratings: | | | | | |
| Lincoln Life - A.M. Best | A | A | A | A | A+ |
| Lincoln Life - Fitch | AA+ | AA+ | AA | AA | AA |
| Lincoln Life - Moody's | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 |
| Lincoln Life - Standard & Poors | AA- | AA- | AA- | AA- | AA- |
| First Penn - A.M. Best* | A | A | A | A | A+ |
| First Penn - Fitch | AA+ | AA+ | AA | AA | AA |
| First Penn - Moody's | A1 | A1 | A1 | A1 | A1 |
| First Penn - Standard & Poors* | AA- | AA- | AA- | AA- | AA- |
| LLA of New York - A.M. Best* | A | A | A | A | A+ |
| LLA of New York - Fitch* | AA+ | AA+ | AA | AA | AA |
| LLA of New York - Moody's | A1 | A1 | A1 | A1 | A1 |
| LLA of New York - Standard & Poors* | AA- | AA- | AA- | AA- | AA- |
| Ratios | | | | | |
| Debt to Total Capitalization [4] | 21.2% | 23.2% | 20.8% | 21.4% | 23.1% |
| Debt to Equity [4] | 26.9% | 30.3% | 26.4% | 27.0% | 30.5% |

| For the Quarter Ended | Jun 2002 | Sep 2002 | Dec 2002 | Mar 2003 | Jun 2003 |
|--|-------------|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- | ----- |
| Common Stock: | | | | | |
| Highest Price | 52.540 | 42.080 | 35.950 | 35.700 | 37.500 |
| Lowest Price | 40.750 | 29.120 | 25.150 | 24.730 | 27.870 |
| Closing Price | 42.000 | 30.550 | 31.580 | 28.000 | 35.630 |
| Yield [3] | 3.0% | 4.2% | 4.2% | 4.8% | 3.8% |
| Preferred Stock Dividend (Millions) | 0.015 | 0.015 | 0.015 | 0.014 | 0.016 |
| Debt: (End of Period) | | | | | |
| Senior Debt Ratings | | | | | |
| A.M. Best | a | a | a | a | a |
| Fitch | A+ | A | A | A | A |
| Moody's | A3 | A3 | A3 | A3 | A3 |
| Standard and Poors | A- | A- | A- | A- | A- |
| Claims Paying Ratings: | | | | | |
| Lincoln Life - A.M. Best | A+ | A+ | A+ | A+ | A+ |
| Lincoln Life - Fitch | AA | AA | AA | AA | AA |
| Lincoln Life - Moody's | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 |
| Lincoln Life - Standard & Poors | AA- | AA- | AA- | AA- | AA- |
| First Penn - A.M. Best* | A+ | A+ | A+ | A+ | A+ |
| First Penn - Fitch | AA | AA | AA | AA | AA |
| First Penn - Moody's | A1 | A1 | A1 | A1 | A1 |
| First Penn - Standard & Poors* | AA- | AA- | AA- | AA- | AA- |
| LLA of New York - A.M. Best* | A+ | A+ | A+ | A+ | A+ |
| LLA of New York - Fitch* | AA | AA | AA | AA | AA |
| LLA of New York - Moody's | A1 | A1 | A1 | A1 | A1 |
| LLA of New York - Standard & Poors* | AA- | AA- | AA- | AA- | AA- |

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| | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|
| Ratios | | | | | |
| Debt to Total Capitalization [4] | 22.6% | 23.1% | 23.2% | 23.1% | 22.3% |
| Debt to Equity [4] | 29.0% | 29.9% | 30.5% | 30.0% | 28.7% |

* Rating based on affiliation with Lincoln Life

[1] Stock prices include 2-for-1 splits in June 1993 and June 1999

[2] Indicated dividend divided by net income

[3] Indicated dividend divided by the closing price

[4] Equity used in calculation assumes securities at cost. Minority interest-preferred securities of subsidiary companies (hybrid securities) are considered 50% debt and 50% equity.

Retroactive Adoption of FAS 123
Unaudited (Millions of Dollars)

| | Mar 2001 | Jun 2001 | Sep 2001 | Dec 2001 | Mar 2002 | Jun 2002 | Sep 2002 | Dec 2002 | 2002 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------|
| Net Income | | | | | | | | | |
| Lincoln Retirement : | | | | | | | | | |
| Net Income - As previously reported | 76.6 | 79.9 | 58.6 | 54.2 | 47.6 | 10.2 | (6.0) | 6.0 | 26 |
| Change in Operating & Administrative Expense | (1.6) | (1.6) | (1.6) | (1.6) | (1.5) | (1.6) | (1.6) | (1.6) | (|
| Federal Income Tax | (0.5) | (0.6) | (0.6) | (0.5) | (0.5) | (0.6) | (0.6) | (0.6) | (|
| After Tax Adjustment | (1.1) | (1.0) | (1.0) | (1.1) | (1.0) | (1.0) | (1.0) | (1.0) | (|
| Net Income - Restated | 75.5 | 78.9 | 57.6 | 53.1 | 46.6 | 9.2 | (7.0) | 5.0 | 26 |
| Life Insurance: | | | | | | | | | |
| Net Income - As previously reported | 62.9 | 53.5 | 64.7 | 51.9 | 44.2 | 57.4 | 47.1 | 60.2 | 23 |
| Change in Operating & Administrative Expense | (1.4) | (1.4) | (1.4) | (1.4) | (1.1) | (1.1) | (1.1) | (1.1) | (|
| Federal Income Tax | (0.5) | (0.5) | (0.5) | (0.5) | (0.4) | (0.4) | (0.4) | (0.4) | (|
| After Tax Adjustment | (0.9) | (0.9) | (0.9) | (0.9) | (0.7) | (0.7) | (0.7) | (0.7) | (|
| Net Income - Restated | 62.0 | 52.6 | 63.8 | 51.0 | 43.5 | 56.7 | 46.4 | 59.5 | 22 |
| Investment Management: | | | | | | | | | |
| Net Income - As previously reported | 2.0 | 2.9 | 2.9 | 4.0 | 7.0 | 6.2 | 3.1 | 9.3 | 1 |
| Change in Operating & Administrative Expense | (6.2) | (6.2) | (6.8) | (8.7) | (6.5) | (9.5) | (9.6) | (11.5) | (2 |
| Federal Income Tax | (1.6) | (1.6) | (1.7) | (2.3) | (1.6) | (2.5) | (2.6) | (3.3) | (|
| After Tax Adjustment | (4.6) | (4.6) | (5.1) | (6.4) | (4.9) | (7.0) | (7.0) | (8.2) | (2 |

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| | | | | | | | | | |
|--|--------|-------|--------|--------|--------|--------|---------|--------|-------|
| Net Income - Restated | (2.6) | (1.7) | (2.2) | (2.4) | 2.1 | (0.8) | (3.9) | 1.1 | (|
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Lincoln UK: | | | | | | | | | |
| Net Income - As previously reported | 14.8 | 17.6 | 14.0 | 22.5 | 10.8 | 9.8 | 0.8 | 18.5 | 6 |
| Change in Operating & Administrative Expense | (0.6) | (0.6) | (0.6) | (0.6) | (0.5) | (0.6) | (0.6) | (0.6) | (|
| Federal Income Tax | (0.1) | 0.0 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | (|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| After Tax Adjustment | (0.5) | (0.6) | (0.5) | (0.5) | (0.5) | (0.6) | (0.6) | (0.6) | (|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Income - Restated | 14.3 | 17.0 | 13.5 | 22.0 | 10.3 | 9.2 | 0.2 | 17.9 | 6 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Other Operations: | | | | | | | | | |
| Net Income - As previously reported | 3.9 | 12.2) | (21.1) | 36.6 | (15.1) | (24.2) | (170.5) | (30.8) | |
| Change in Operating & Administrative Expense | (5.4) | (5.3) | (5.3) | (5.3) | (2.6) | (2.4) | (2.4) | (2.4) | (2 |
| Federal Income Tax | (1.9) | (1.9) | (1.7) | (1.8) | (0.9) | (0.8) | (0.8) | (0.8) | (|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| After Tax Adjustment | (3.5) | (3.4) | (3.6) | (3.5) | (1.7) | (1.6) | (1.6) | (1.6) | (1 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Income - Restated | 0.4 | 15.6) | (24.7) | 33.1 | (16.8) | (25.8) | (172.1) | (32.4) | (|
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Consolidated: | | | | | | | | | |
| Net Income - As previously reported | 160.2 | 41.7 | 119.1 | 169.2 | 94.5 | 59.4 | (125.5) | 63.2 | 59 |
| Change in Operating & Administrative Expense | (15.2) | 15.1) | (15.7) | (17.6) | (12.2) | (15.2) | (15.3) | (17.2) | (6 |
| Federal Income Tax | (4.6) | (4.6) | (4.6) | (5.2) | (3.4) | (4.3) | (4.4) | (5.1) | (1 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| After Tax Adjustment | (10.6) | 10.5) | (11.1) | (12.4) | (8.8) | (10.9) | (10.9) | (12.1) | (4 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net Income - Restated | 149.6 | 31.2 | 108.0 | 156.8 | 85.7 | 48.5 | (136.4) | 51.1 | 54 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |