



A Lincoln

## Elements of strength: Lincoln Financial Group

*"...our business model is sound, our products and advice are needed more than ever, and we are well-positioned to help you secure your financial futures."*

Dennis Glass,  
President and CEO  
Lincoln Financial Group

Our economy and the financial markets have been experiencing nearly unprecedented turmoil—impacting virtually every financial services company. At Lincoln Financial Group,\* we believe that by better understanding our structure and our core areas of strength, our customers can see how they may benefit from our leadership, now and into the future.

### **Understanding the big picture**

Our holding company, Lincoln National Corporation (NYSE:LNC) and our insurance subsidiaries, such as The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York, each play different but critical roles.

### **The importance of our holding company**

- Provides strategic direction for our business model
- Manages liquidity and sources of capital for the corporation
- Provides access to capital markets through issuing stocks and bonds

### **The importance of our insurance subsidiaries**

In addition to their primary role as the underwriters of insurance policies and contracts, and administrators of the risks assumed by the company, the subsidiaries are major sources of liquidity for the holding company. Two of their additional responsibilities are especially important in the current economic and market conditions:

- Managing their respective separate general accounts
- Managing their respective capital levels required by regulators and measured by rating agencies

\*"Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC). Lincoln Financial Group businesses are subject to financial, market, political, and economic risks, as well as risks inherent to its business operations. New York products are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY. The Lincoln National Life Insurance Company of Fort Wayne, IN, issues products in all other states. *The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so.* The assets and liabilities of the affiliates are separate from Lincoln Financial Group and would be used to meet obligations. Securities distributed by Lincoln Financial Distributors, Inc., a broker/dealer."

## ➤ Our holding company

### Strategic direction for business model

- Diverse but well balanced mix of insurance, retirement, and investment businesses and subsidiaries with a broad product portfolio
- Industry leader with products that help clients with asset management, wealth protection and transfer, retirement planning, and retirement income
- Powerful wholesale and retail distribution networks with a focus on advice and solutions
- A tradition of conservative risk management
- Strong industry relationships with retail firms and others
- A commitment to helping clients secure their financial futures

### Responsible management of liquidity and sources of capital

- **Managing debt:** We redeemed \$500 million in debt at maturity.
- **Preserving capital:** We have cut our quarterly common stock dividend from 41.5 cents to 1 cent, reducing holding company cash needs by \$400 million a year.
- **Reducing expenses:** We announced \$75 million in ongoing expense reductions in the fourth quarter of 2008, and we expect to achieve a total annual savings of \$250 million by the end of this year.

### Provides access to capital markets

The holding company is an SEC registrant with publicly traded securities. This gives the holding company access to the public markets to raise capital, including by issuing stocks or bonds, as market conditions permit.

Please note that the stock price represents the market capitalization of the holding company and that a shift in the stock price, either up or down, doesn't directly alter the subsidiaries' ability to pay claims on insurance policies or annuity contracts.

### Debt ratings for Lincoln National Corporation<sup>1</sup>

These ratings apply to short- and long-term debt issued by Lincoln National Corporation, and they reflect the ratings agencies' opinion of the general credit worthiness of the holding company.

	Commercial Paper	Debt	Debt Rating
A.M. Best	AMB-1	a-	(7th highest of 23)
Standard & Poor's	A-2	A-	(7th highest of 22)
Moody's	P-2	Baa2	(9th highest of 21)
Fitch	F-2	BBB	(9th highest of 21)

<sup>1</sup>As of June 30, 2009 these ratings represent the most recently affirmed ratings by the respective agencies. Individual issuing companies are separately responsible for satisfying their own financial and contractual obligations. All ratings are subject to revision or withdrawal at any time by the rating agencies, and therefore, no assurance can be given that these ratings will be maintained. Ratings are not a recommendation to buy our securities. For more information on ratings, see [www.LincolnFinancial.com/investor](http://www.LincolnFinancial.com/investor).

The current outlooks for the insurance subsidiaries are negative from A.M. Best, Fitch, and Moody's; and stable from Standard & Poor's.

## ➤ The strength of our insurance subsidiaries

### Our commitment is to our customers

A Lincoln insurance policy or annuity contract is issued and underwritten by one of our insurance company subsidiaries, not by our holding company.

### Managing their respective General Accounts:

- The General Accounts hold assets supporting Lincoln insurance policies or annuity contracts.
- These are assets of the respective insurance subsidiaries and are held separately from those of the holding company, Lincoln National Corporation.
- The General Account portfolios of our insurance subsidiaries, including both The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York, are well-diversified.
  - Average bond rating quality of "A"<sup>2</sup>
  - Subprime and alt-A<sup>3</sup> residential mortgage-backed securities represent 2% of total invested assets
  - Commercial mortgage-backed securities
    - 92% rated A or better<sup>2</sup>
    - 84% 2005 or earlier vintage
- Daily fluctuations in our stock price do not affect the ability of our insurance subsidiaries to pay claims such as death benefits or income guarantees.

### Managing their respective capital levels<sup>1</sup>

As of June 30, 2009, these financial strength ratings represent the most recent ratings assigned by the respective agencies. Changes in ratings will not affect our focus on meeting our policy and contract obligations.

#### The Lincoln National Life Insurance Company (Fort Wayne, IN)

A.M. Best	A+ (2nd highest of 16)
Standard & Poor's	AA- (4th highest of 21)
Moody's	A2 (6th highest of 21)
Fitch	A+ (5th highest of 21)

#### Lincoln Life & Annuity Company of New York (Syracuse, NY)

A.M. Best	A+ (2nd highest of 16)
Standard & Poor's	AA- (4th highest of 21)
Moody's	A2 (6th highest of 21)
Fitch	A+ (5th highest of 21)

These ratings apply only to the company's claims-paying ability. The ratings do not imply approval of the product and do not refer to the performance of the product, including underlying investment options, if any.

### Elements of strength—bringing it together

Only by looking at both our proven business model and our ability to meet our ongoing obligations to our customers can one truly appreciate the strength of Lincoln Financial Group. For more information about Lincoln Financial Group and our insurance subsidiaries, please visit [www.LincolnFinancial.com](http://www.LincolnFinancial.com).

<sup>2</sup>Based on the middle ratings from the three rating agencies (S&P, Moody's, and Fitch) and vary slightly from the NAIC ratings.

<sup>3</sup>Alt-A loans are loans to borrowers with prime-type credit scores but no income verification. Alt-A loans fall between prime and subprime loans.



*A Lincoln*

## A tradition of integrity

At Lincoln Financial Group, we have a 100-year heritage of helping people find solutions to their financial challenges—with the same honesty, integrity, and responsibility that you'd expect from our namesake. It's a legacy that we proudly and respectfully continue each day. We believe our continued commitment to strength and stability is indispensable to who we are and critical to your confidence in us. We pride ourselves on being able to identify and deliver sophisticated financial strategies and product solutions for the creation, protection, and enjoyment of wealth. We are committed to helping clients redefine their retirement because we don't believe retirement is an end—it's an opportunity for everyone to start doing what they were meant for all along.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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[www.LincolnFinancial.com](http://www.LincolnFinancial.com)

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

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Financial Group®

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### Important disclosures. Please read.

**Variable insurance company products are sold by prospectus. Investors should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying investment options carefully before investing. The applicable variable product prospectus contains this and other important information about the variable product and the underlying investment options. To request a prospectus call 877 533-0003 or obtain one from your investment representative. Clients should read it carefully before they invest or send money.**

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The oldest Lincoln Financial affiliate, The Lincoln National Life Insurance Company, was founded in 1905 in Fort Wayne, IN. Lincoln Financial Group includes: Lincoln Life & Annuity Company of New York, Lincoln Financial Advisors, Lincoln Financial Distributors, Lincoln UK, and Delaware Investments.

Life insurance and annuities are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN; First Penn-Pacific Life Insurance Company, Schaumburg, IL; and in New York by Lincoln Life & Annuity Company of New York, Syracuse, NY. Financial planning services are offered through Lincoln Financial Advisors and Sagemark Consulting, a division of Lincoln Financial Advisors, a registered investment advisor. Securities are offered by Lincoln Financial Advisors, a broker/dealer (member SIPC), and distributed by Lincoln Financial Distributors, Inc., a broker/dealer (member SIPC), and Delaware Distributors, L.P. Delaware Investments is the marketing name for Delaware Management Holdings, Inc. and its subsidiaries.

Unless otherwise indicated, credit ratings shown in the document are based on ratings provided by the major credit rating agencies (A.M. Best, Fitch, Moody's, and Standard & Poor's) or are based on internal ratings for those securities where external ratings are not available. For securities where the ratings assigned by the major rating agencies are not equivalent, the second highest of the three ratings assigned is used.

Financial data as of December 31, 2008, and subject to change. For more information about Lincoln Financial Group affiliates, go to [www.LincolnFinancial.com](http://www.LincolnFinancial.com).