

A MESSAGE FROM OUR PRESIDENT AND CEO

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December 15, 2008

All of us at Lincoln Financial are working hard to position the company to weather the difficult and unprecedented market conditions.

A few key points illustrate our stability:

We have a Balanced Mix of Profitable Businesses

Diversity of earnings is always important, and even more so during this period of extreme market volatility. The majority (70%) of our earnings in the third quarter of 2008 came from businesses that are not directly affected by the weakening equity market. Our goal is to provide peace of mind with products

designed to protect American families and help them fund their retirements.

Current Financial Strength Remains High

We have managed our capital and liquidity carefully during 2008, as general weakness throughout the economy became apparent. We ended the third quarter with a risk-based capital ratio, an important measure of financial strength, of approximately 400%*. While pressures so far in the fourth quarter will have lowered that estimate, we continue to believe that our ratio is a solid indication of the underlying stability of the company. In addition, we have taken appropriate steps to preserve capital to strengthen the company, steps such as reducing our common stock dividend, suspending share buy-back programs, and reducing expenses throughout the company. Finally, liquidity is adequate to meet our current corporate obligations going into 2009.

We have a Well-diversified General Account

We placed our general account in a defensive position heading into 2008. With an overall credit quality rating of 'A' on our fixed income portfolio, we consider our general account to be well-positioned recognizing overall credit conditions are weak and could be volatile in future quarters. Exposure to subprime and Alt-A residential mortgage loans, two areas that have received much of the headline attention, represent 2.9% of total invested assets. Our exposure to commercial mortgage-backed securities, another sector beginning to worry investors, represents 4% of the portfolio. While performance of the portfolio is highly dependent on future economic conditions, our exposures to these asset classes are concentrated in higher quality securities rated AA or better and supported by fixed rate and seasoned collateral.

Becoming a Savings & Loan Holding Company is the Right Thing to Do

In November we signed an agreement to acquire Newton County Loan & Savings Bank, FSB, and applied to the Office of Thrift Supervision for savings and loan holding company status. Many of our peers have operated banks or savings and loans for some time, or have announced plans to acquire banks or savings and loans. Over time, owning a thrift may give us more product options to meet evolving consumer product preferences and augment our retirement strategies.

In addition, these actions allowed us to file an application to potentially participate in the U.S. Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program (CPP). Although there is no assurance we will be able to participate in the CPP, in this environment, it is important to have access to multiple sources of capital, if it is needed. More importantly, the primary goal of the program is to add stability to the financial system and permit a return of normal lending by financial institutions to consumers and businesses to spur the economy. We believe companies like Lincoln Financial play an important role in this process.

Let me close by saying that, while markets are often driven by emotion and uncertainty in addition to fundamentals, we will continue to focus our efforts on controlling what we can in this environment to position the company to weather the ongoing turmoil. Thank you for your continuing partnership with Lincoln Financial.

Sincerely
Dennis R. Glass
President and CEO

* The risk-based capital (RBC) ratio is an estimate because the component numbers are only published once a year as part of the annual statutory filing. The inclusion of RBC measures is intended solely for the information of investors and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities.

Helpful Materials

- Learn more about our financial strength ratings.
- For recent information on our investments, please access our General Account Supplement and SEC Filings.
- View the investment portfolio profiles for The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York.
- Read our Corporate Profile for background on Lincoln Financial Group.

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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 is not authorized, nor does it solicit business in the state of New York. The assets and liabilities of the affiliates are separate from Lincoln Financial Group and would be used to meet obligations.

Forward-Looking Statements — Cautionary Language

Certain statements made in this letter are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). A forward-looking statement is a statement that is not a historical fact and, without limitation, includes any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like: "believe," "anticipate," "expect," "estimate," "project," "will," "shall" and other words or phrases with similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, trends in our business, prospective services or products, future performance or financial results and the outcome of contingencies, such as legal proceedings. We claim the protection afforded by the safe harbor for forward-looking statements provided by the PSLRA.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements. Risks and uncertainties that may cause actual results to vary materially, some of which are described within the forward-looking statements, include, among others:

- Continued deterioration in general economic and business conditions, both domestic and foreign, that may affect foreign exchange rates, premium levels, claims experience, the level of pension benefit costs and funding and investment results;
- Continued economic declines and credit market illiquidity could result in higher unrealized losses and cause us to realize additional impairments on investments and certain intangible assets including a valuation allowance against deferred tax assets, which may reduce future earnings and/or affect our financial condition and ability to raise additional capital or refinance existing debt as it matures;
- Uncertainty about the effectiveness of the U.S. Treasury's Troubled Asset Relief Program Capital Purchase Program and our ability to participate in the program;
- Legislative, regulatory or tax changes, both domestic and foreign, that affect the cost of, or demand for, LNC's products, the required amount of reserves and/or surplus, or otherwise affect our ability to conduct business, including changes to statutory reserves and/or risk-based capital ("RBC") requirements related to secondary guarantees under universal life and variable annuity products such as Actuarial Guideline VACARVM ("VACARVM"); restrictions on revenue sharing and 12b-1 payments; and the potential for U.S. Federal tax reform;
- The initiation of legal or regulatory proceedings against LNC or its subsidiaries, and the outcome of any legal or regulatory proceedings, such as: adverse actions related to present or past business practices common in businesses in which LNC and its subsidiaries compete; adverse decisions in significant actions including, but not limited to, actions brought by federal and state authorities and extra-contractual and class action damage cases; new decisions that result in changes in law; and unexpected trial court rulings;
- Changes in interest rates causing a reduction of investment income, the margins of LNC's fixed annuity and life insurance businesses and demand for LNC's products;
- A decline in the equity markets causing a reduction in the sales of LNC's products, a reduction of asset-based fees that LNC charges on various investment and insurance products, an acceleration of amortization of deferred acquisition costs ("DAC"), value of business acquired ("VOBA"), deferred sales inducements ("DSI") and deferred front-end sales loads ("DFEL") and an increase in liabilities related to guaranteed benefit features of LNC's variable annuity products;
- Ineffectiveness of LNC's various hedging strategies used to offset the impact of changes in the value of liabilities due to changes in the level and volatility of the equity markets and interest rates as well as divergence between the performance of the underlying funds and hedging indices;
- A deviation in actual experience regarding future persistency, mortality, morbidity, interest rates or equity market returns from LNC's assumptions used in pricing its products, in establishing related insurance reserves and in the amortization of intangibles that may result in an increase in reserves and a decrease in net income, including as a result of stranger-originated life insurance business;
- Changes in GAAP that may result in unanticipated changes to LNC's net income, including the

impact of Statements of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157") and SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities";

- Lowering of one or more of LNC's debt ratings issued by nationally recognized statistical rating organizations and the adverse impact such action may have on LNC's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of the insurer financial strength ratings of LNC's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention and profitability of its insurance subsidiaries;
- Significant credit, accounting, fraud or corporate governance issues that may adversely affect the value of certain investments in the portfolios of LNC's companies requiring that LNC realize losses on such investments;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including LNC's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions, including LNC's ability to successfully integrate Jefferson-Pilot Corporation businesses acquired on April 3, 2006, to achieve the expected synergies from the merger or to achieve such synergies within our expected timeframe;
- The adequacy and collectibility of reinsurance that LNC has purchased;
- Acts of terrorism, war or other man-made and natural catastrophes that may adversely affect LNC's businesses and the cost and availability of reinsurance;
- Competitive conditions, including pricing pressures, new product offerings and the emergence of new competitors, that may affect the level of premiums and fees that LNC can charge for its products;
- The unknown impact on LNC's business resulting from changes in the demographics of LNC's client base, as aging baby-boomers move from the asset-accumulation stage to the asset-distribution stage of life; and
- Loss of key management, portfolio managers in the Investment Management segment, financial planners or wholesalers.

The risks included here are not exhaustive. "Risk Factors" below as well as our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the Securities and Exchange Commission include additional factors that could impact LNC's business and financial performance, which are incorporated herein by reference. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

Further, it is not possible to assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this letter.

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