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LINCOLN NATIONAL CORP  
Form 8-K  
October 29, 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: September 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<br>Number | Description   |
|-------------------|---|
| 99.1              | Lincoln National Corporation Statistical Supplement for the Quarter<br>Ended September 30, 2003 |

Item 12. Results of Operations and Financial Condition

See Item 9, Regulation FD Disclosure, above.

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## Lincoln Financial Group Statistical Report Third Quarter 2003

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NOTES

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### Definitions and Presentation

- \* Income from Operations 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, net of related deferred gain amortization, gains or on losses on sale of subsidiaries and certain other items. Income from Operations 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.
- \* Operating revenue represents revenue excluding, as applicable, realized gains and losses on investments and derivatives, deferred gain amortization related to reserve changes on business sold through reinsurance, gains or losses on sale of subsidiaries, and certain other items.
- \* 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 gain on 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 September 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 2000, 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 [Millions of Dollars,  
except Common Share Data]

For the Quarter Ended September 30

For the Nine M

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|   | 2003<br>Amount | 2002<br>Amount | Change   | % Change | 2003<br>Amount | 2002<br>Amount |
|---|----------------|----------------|----------|----------|----------------|----------------|
| Net Income  | 133.3          | (136.4)        | 269.7    | 197.7%   | 317.6          | (2.0)          |
| Less:   |                |                |          |          |                |                |
| Realized gains (losses) on investments            | 6.4            | (23.6)         | 30.0     |          | (53.0)         | (143.0)        |
| Gains (losses) on derivatives                     | 5.9            | 0.1            | 5.8      |          | 4.1            | 0.0            |
| Amortization of deferred gain-reserve development | (18.5)         | (176.4)        | 157.9    |          | (18.7)         | (190.0)        |
| Restructuring charges                             | (12.9)         | 1.3            | (14.3)   |          | (25.4)         | 0.0            |
| Loss on early retirement of subordinated debt     | (3.7)          | -              | (3.7)    |          | (3.7)          |                |
| Income from Operations                            | 156.0          | 62.1           | 93.9     | 151.2%   | 414.1          | 331.0          |
| Net Income - By Segment                           |                |                |          |          |                |                |
| Lincoln Retirement                                | 102.0          | (7.0)          | 109.1    | 1,550.5% | 190.6          | 48.0           |
| Life Insurance                                    | 55.8           | 46.4           | 9.4      | 20.3%    | 169.9          | 146.0          |
| Investment Management                             | 6.3            | (3.9)          | 10.2     | 264.5%   | 12.0           | (2.0)          |
| Lincoln UK  | 11.5           | 0.2            | 11.2     | 4,502.5% | 30.7           | 19.0           |
| Corporate & Other                                 | (42.4)         | (172.1)        | 129.8    |          | (85.6)         | (214.0)        |
| Total   | 133.3          | (136.4)        | 269.7    | 197.7%   | 317.6          | (2.0)          |
| Income from Operations - By Segment               |                |                |          |          |                |                |
| Lincoln Retirement                                | 94.3           | 21.8           | 72.6     | 333.6%   | 237.8          | 147.0          |
| Life Insurance                                    | 58.7           | 62.7           | (4.0)    | (6.4%)   | 191.2          | 205.0          |
| Investment Management                             | 9.7            | (3.0)          | 12.6     | 424.1%   | 15.5           | (0.0)          |
| Lincoln UK  | 11.3           | (0.6)          | 11.9     | 1,963.8% | 30.6           | 19.0           |
| Corporate & Other                                 | (18.0)         | (18.8)         | 0.8      |          | (61.0)         | (41.0)         |
| Total   | 156.0          | 62.1           | 93.9     | 151.2%   | 414.1          | 331.0          |
| Earnings per share (diluted)                      |                |                |          |          |                |                |
| Net Income  | \$0.74         | (\$0.74)       | \$1.49   | 200.2%   | \$1.77         | (\$0.00)       |
| Less:   |                |                |          |          |                |                |
| Realized gains (losses) on investments            | \$0.01         | (\$0.13)       | \$0.15   |          | (\$0.32)       | (\$0.70)       |
| Gains (losses) on derivatives                     | \$0.03         | \$0.00         | \$0.03   |          | \$0.02         | \$0.00         |
| Amortization of deferred gain-reserve development | (\$0.10)       | (\$0.96)       | \$0.86   |          | (\$0.10)       | (\$1.00)       |
| Restructuring charges                             | (\$0.07)       | \$0.01         | (\$0.08) |          | (\$0.14)       | \$0.00         |
| Loss on early retirement of subordinated debt     | (\$0.02)       | \$0.00         | (\$0.02) |          | (\$0.02)       | \$0.00         |
| Income from Operations                            | \$0.87         | \$0.34         | \$0.53   | 156.4%   | \$2.31         | \$1.70         |
| Revenue   | 1,268.8        | 1,163.4        | 105.4    | 9.1%     | 3,581.3        | 3,446.0        |
| Less:   |                |                |          |          |                |                |
| Realized Gains (Losses) on Investments            | 9.8            | (37.1)         | 46.8     | 126.4%   | (81.5)         | (222.0)        |
| Gains (Losses) on                                 |                |                |          |          |                |                |

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|   |         |         |      |      |         |        |
|---|---------|---------|------|------|---------|--------|
| Derivatives                                       | 9.1     | 0.3     | 8.9  |      | 6.3     | 0.     |
| Amortization of deferred gain-reserve development | 3.7     | (1.4)   | 5.1  |      | 3.3     | (1.    |
| Operating Revenue                                 | 1,246.2 | 1,201.6 | 44.6 | 3.7% | 3,653.2 | 3,669. |

|                       |         |         |        |         |         |        |
|-----------------------|---------|---------|--------|---------|---------|--------|
| Revenue - By Segment  |         |         |        |         |         |        |
| Lincoln Retirement    | 536.3   | 440.7   | 95.6   | 21.7%   | 1,420.5 | 1,336. |
| Life Insurance        | 468.9   | 441.6   | 27.3   | 6.2%    | 1,400.5 | 1,305. |
| Investment Management | 121.7   | 97.5    | 24.1   | 24.7%   | 340.2   | 310.   |
| Lincoln UK            | 67.3    | 91.8    | (24.5) | (26.7%) | 196.3   | 225.   |
| Corporate & Other     | 74.8    | 91.8    | (17.1) | (18.6%) | 223.9   | 268.   |
| Total                 | 1,268.8 | 1,163.4 | 105.4  | 9.1%    | 3,581.3 | 3,446. |

|                               |         |         |        |         |         |        |
|-------------------------------|---------|---------|--------|---------|---------|--------|
| Operating Revenue- By Segment |         |         |        |         |         |        |
| Lincoln Retirement            | 516.0   | 485.6   | 30.4   | 6.3%    | 1,478.5 | 1,487. |
| Life Insurance                | 470.8   | 466.8   | 4.1    | 0.9%    | 1,417.8 | 1,396. |
| Investment Management         | 121.4   | 99.3    | 22.1   | 22.3%   | 340.3   | 314.   |
| Lincoln UK                    | 67.0    | 90.6    | (23.6) | (26.0%) | 196.1   | 224.   |
| Corporate & Other             | 70.9    | 59.4    | 11.6   | 19.5%   | 220.5   | 245.   |
| Total                         | 1,246.2 | 1,201.6 | 44.6   | 3.7%    | 3,653.2 | 3,669. |

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

|   |         |         |         |        |         |        |
|---|---------|---------|---------|--------|---------|--------|
| Lincoln Retirement                        |         |         |         |        |         |        |
| Gross Deposits                            | 1.578   | 1.694   | (0.116) | (6.8%) | 4.365   | 5.04   |
| Net Flows                                 | 0.277   | 0.068   | 0.209   | 307.6% | 0.472   | 0.37   |
| Account Values (Gross)                    | 52.841  | 45.504  | 7.337   | 16.1%  | 52.841  | 45.50  |
| Account Values (Net of Reinsurance)       | 50.576  | 43.591  | 6.986   | 16.0%  | 50.577  | 43.59  |
| Life Insurance Segment                    |         |         |         |        |         |        |
| First Year Premium-Retail (in millions)   | 207.974 | 173.986 | 33.989  | 19.5%  | 552.157 | 469.16 |
| First Year Premium-COLI (in millions)     | 23.692  | 7.831   | 15.861  | 202.6% | 96.049  | 61.33  |
| First Year Premium-Total (in millions)    | 231.666 | 181.816 | 49.850  | 27.4%  | 648.206 | 530.49 |
| In-force                                  | 273.335 | 248.030 | 25.305  | 10.2%  | 273.335 | 248.03 |
| Account Values                            | 12.958  | 11.726  | 1.232   | 10.5%  | 12.958  | 11.72  |
| Investment Management Segment             |         |         |         |        |         |        |
| Retail Deposits                           | 1.494   | 1.465   | 0.029   | 2.0%   | 3.917   | 4.02   |
| Retail Net Flows                          | 0.370   | 0.048   | 0.322   | 672.3% | 0.686   | 0.30   |
| Institutional In-flows                    | 1.943   | 1.162   | 0.781   | 67.2%  | 3.881   | 3.87   |
| Institutional Net Flows                   | 0.799   | 0.348   | 0.451   | 129.6% | 1.417   | 1.53   |
| Total Net Flows                           | 1.169   | 0.396   | 0.773   | 195.2% | 2.104   | 1.83   |
| Assets Under Management-Retail and Inst'l |         |         |         |        |         |        |
|   | 55.129  | 43.362  | 11.767  | 27.1%  | 55.129  | 43.36  |

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|  |         |         |        |       |         |         |
|--|---------|---------|--------|-------|---------|---------|
| Assets Under Management - Insurance Assets           | 42.984  | 40.416  | 2.569  | 6.4%  | 42.984  | 40.416  |
| Assets Under Management - Total Segment Consolidated | 98.113  | 83.778  | 14.335 | 17.1% | 98.113  | 83.778  |
| Consolidated Domestic Retail Deposits                | 3.370   | 3.206   | 0.165  | 5.1%  | 9.210   | 9.520   |
| Consolidated Domestic Retail Account Balances        | 83.788  | 71.594  | 12.194 | 17.0% | 83.788  | 71.594  |
| Total Retail Net Flows                               | 0.965   | 0.545   | 0.419  | 76.8% | 2.256   | 1.700   |
| Total Net Flows                                      | 1.799   | 0.901   | 0.897  | 99.5% | 3.687   | 3.240   |
| Total Assets Under Management                        | 130.840 | 110.682 | 20.159 | 18.2% | 130.840 | 110.682 |

Financial Highlights  
Unaudited [Millions of Dollars except Common Share Data]

|   | For the Quarter Ended September 30 |                |          |          | For the Ni |                |
|---|------------------------------------|----------------|----------|----------|------------|----------------|
|   | 2003<br>Amount                     | 2002<br>Amount | Change   | % Change |            | 2003<br>Amount |
| Balance Sheet Assets - End of Period                | 100,839.9                          | 90,483.9       | 10,356.0 | 11.4%    | 100,839.9  | 90,483.9       |
| Shareholders' Equity                                |                                    |                |          |          |            |                |
| Beg of Period (including AOCI)                      | 5,815.9                            | 5,352.8        | 463.1    |          | 5,347.5    | 5,347.5        |
| End of Period (including AOCI)                      | 5,586.4                            | 5,436.8        | 149.6    |          | 5,347.5    | 5,347.5        |
| End of Period (excluding AOCI)                      | 4,790.6                            | 4,591.8        | 198.9    |          | 4,790.6    | 4,790.6        |
| Average Equity (excluding AOCI)                     | 4,784.5                            | 4,944.0        | (159.5)  |          | 4,712.8    | 4,712.8        |
| Return on Equity                                    |                                    |                |          |          |            |                |
| Net Income/Average Equity (excluding AOCI)          | 11.1%                              | (11.0%)        | 22.2%    |          | 9.0%       | 9.0%           |
| Inc from Operations/Average Equity (excluding AOCI) | 13.0%                              | 5.0%           | 8.0%     |          | 11.7%      | 11.7%          |
| Return on Capital                                   |                                    |                |          |          |            |                |
| Inc from Operations/Average Capital                 | 10.6%                              | 4.8%           | 5.9%     |          | 9.7%       | 9.7%           |
| Common Stock Outstanding                            |                                    |                |          |          |            |                |
| Average for the Period - Diluted                    | 179.9                              | 183.2          | (3.4)    | (1.9%)   | 179.1      | 179.1          |
| End of Period - Assuming Conv of Pref.              | 178.3                              | 177.5          | 0.8      | 0.5%     | 178.3      | 178.3          |
| End of Period - Diluted                             | 179.9                              | 178.2          | 1.6      | 0.9%     | 179.9      | 179.9          |
| Book Value (including AOCI)                         | 31.34                              | 30.64          | 0.70     | 2.3%     | 31.34      | 31.34          |
| Book Value (excluding AOCI)                         | 26.87                              | 25.87          | 1.00     | 3.9%     | 26.87      | 26.87          |
| Cash Returned to Shareholders                       |                                    |                |          |          |            |                |
| Share Repurchase - dollar amount                    | 0.0                                | 247.8          | (247.8)  |          | 0.0        | 0.0            |
| Dividends Declared to Shareholders                  | 59.6                               | 58.8           | 0.8      |          | 180.4      | 180.4          |

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|   |         |         |         |       |         |
|---|---------|---------|---------|-------|---------|
| Total Cash Returned to Shareholders           | 59.6    | 306.6   | (247.0) |       | 180.4   |
|   | =====   | =====   | =====   | ===== | =====   |
| Share Repurchase - number of shares           | 0.000   | 7.203   | (7.203) |       | 0.000   |
| Dividend Declared on Common Stock - per share | \$0.335 | \$0.320 | \$0.015 | 4.7%  | \$1.005 |

|   | For the Quarter Ended September 30 |         |  | For the Ni |
|---|------------------------------------|---------|--|------------|
|   | 2003                               | 2002    |  | 2003       |
|   | Amount                             | Amount  |  | Amount     |
|   | -----                              | -----   |  | -----      |
| Comprehensive Income                        |                                    |         |  |            |
| Net Income                                  | 133.3                              | (136.4) |  | 317.6      |
| Foreign Currency Translation                | (1.3)                              | 13.4    |  | (16.2)     |
| Net Unrealized Gains (Losses) on Securities | (313.4)                            | 491.9   |  | 51.2       |
| Gains (Losses) on Derivatives               | (5.6)                              | 4.7     |  | (5.1)      |
| Minimum Pension Liability Adjustment        | (0.2)                              | 2.6     |  | (1.1)      |
| Comprehensive Income                        | (187.0)                            | 376.1   |  | 378.7      |

Financial Highlights  
Unaudited [Amounts in Million]

|   | For the Quarter Ended September 30 |         |         |          | For the Ni |
|---|------------------------------------|---------|---------|----------|------------|
|   | 2003                               | 2002    | Change  | % Change | 2003       |
|   | Amount                             | Amount  |         |          | Amount     |
|   | -----                              | -----   | -----   | -----    | -----      |
| Consolidated Condensed Statements of Income             |                                    |         |         |          |            |
| Revenue:  |                                    |         |         |          |            |
| Insurance Premiums and Fees                             | 427.4                              | 412.2   | 15.2    | 3.7%     | 1,244.3    |
| Investment Advisory Fees                                | 53.2                               | 42.9    | 10.3    | 24.1%    | 146.8      |
| Net Investment Income                                   | 664.4                              | 652.4   | 12.1    | 1.9%     | 1,979.3    |
| Realized Gains (Losses) on Investments                  | 9.8                                | (37.1)  | 46.8    |          | (81.5)     |
| Gains (Losses) on Derivatives                           | 9.1                                | 0.3     | 8.9     |          | 6.3        |
| Amortization of Deferred Gain on Indemnity Reinsurance  | 18.3                               | 22.1    | (3.8)   | (17.1%)  | 54.9       |
| Other   | 86.6                               | 70.7    | 15.9    | 22.4%    | 231.3      |
| Total Revenue   | 1,268.8                            | 1,163.4 | 105.4   | 9.1%     | 3,581.3    |
| Benefits and Expenses:                                  |                                    |         |         |          |            |
| Benefits  | 639.2                              | 941.6   | (302.4) | (32.1%)  | 1,845.4    |
| Underwriting, Acquisition, Insurance and Other Expenses | 451.0                              | 462.5   | (11.6)  | (2.5%)   | 1,334.1    |
| Total Benefits and Expenses                             | 1,090.2                            | 1,404.1 | (314.0) | (22.4%)  | 3,179.5    |

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|                             |       |         |       |        |       |
|-----------------------------|-------|---------|-------|--------|-------|
|                             | ----- | -----   | ----- | -----  | ----- |
| Income before Federal Taxes | 178.7 | (240.7) | 419.4 |        | 401.8 |
| Federal Income Taxes        | 45.4  | (104.3) | 149.7 |        | 84.2  |
|                             | ----- | -----   | ----- | -----  | ----- |
| Net Income                  | 133.3 | (136.4) | 269.7 | 197.7% | 317.6 |
|                             | ===== | =====   | ===== | =====  | ===== |

|                              |        |         |       |       |         |
|------------------------------|--------|---------|-------|-------|---------|
| Income before Tax By Segment |        |         |       |       |         |
| Lincoln Retirement           | 135.9  | (35.1)  | 171.0 |       | 221.7   |
| Life Insurance               | 80.8   | 66.1    | 14.6  |       | 245.2   |
| Investment Management        | 10.3   | (5.4)   | 15.7  |       | 19.4    |
| Lincoln UK                   | 17.6   | 0.4     | 17.2  |       | 47.2    |
| Corporate and Other          | (66.0) | (266.8) | 200.8 |       | (131.7) |
|                              | -----  | -----   | ----- | ----- | -----   |
| Income before Tax            | 178.7  | (240.7) | 419.4 |       | 401.8   |

|   |       |        |        |       |        |
|---|-------|--------|--------|-------|--------|
| Pre-Tax Realized Gains (Losses)<br>by Segment*                      |       |        |        |       |        |
| Lincoln Retirement  | 20.3  | (44.9) | 65.2   |       | (58.1) |
| Life Insurance  | (1.9) | (25.2) | 23.2   |       | (17.4) |
| Investment Management   | 0.2   | (1.8)  | 2.0    |       | (0.1)  |
| Lincoln UK  | 0.3   | 1.2    | (1.0)  |       | 0.2    |
| Corporate and Other   | 0.1   | 33.8   | (33.7) |       | 0.1    |
|   | ----- | -----  | -----  | ----- | -----  |
| Pre-Tax Realized Gains (Losses)<br>on Investments and Derivatives   | 18.9  | (36.8) | 55.7   |       | (75.2) |
| After-Tax Realized Gains (Losses)<br>by Segment*                    |       |        |        |       |        |
| Lincoln Retirement  | 13.2  | (28.8) | 42.0   |       | (37.7) |
| Life Insurance  | (1.3) | (16.3) | 15.1   |       | (11.3) |
| Investment Management   | 0.1   | (1.2)  | 1.3    |       | (0.1)  |
| Lincoln UK  | 0.2   | 0.9    | (0.7)  |       | 0.2    |
| Corporate and Other   | 0.1   | 22.0   | (21.9) |       | 0.1    |
|   | ----- | -----  | -----  | ----- | -----  |
| After-Tax Realized Gains (Losses)<br>on Investments and Derivatives | 12.3  | (23.5) | 35.8   |       | (48.9) |

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

Financial Highlights  
Unaudited [Millions of Dollars, except Common Shares]

As of

|  |           |          |        |          |
|--|-----------|----------|--------|----------|
|  | September | December |        |          |
|  | 2003      | 2002     |        |          |
|  | Amount    | Amount   | Change | % Change |



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|  |           |          |         |        |
|--|-----------|----------|---------|--------|
| Consolidated Condensed Balance Sheets                      |           |          |         |        |
| Assets:  |           |          |         |        |
| Investments:   |           |          |         |        |
| Securities Available for Sale:                             |           |          |         |        |
| Fixed Maturities   | 35,383.9  | 32,767.5 | 2,616.5 | 8.0    |
| Equities   | 243.0     | 337.2    | (94.3)  | (28.0) |
| Mortgage Loans on Real Estate                              | 4,151.5   | 4,205.5  | (53.9)  | (1.3)  |
| Real Estate  | 249.8     | 279.7    | (29.9)  | (10.7) |
| Policy Loans   | 1,910.5   | 1,945.6  | (35.2)  | (1.8)  |
| Other Long-Term Investments                                | 484.7     | 464.4    | 20.3    | 4.4    |
| Total Investments  | 42,423.3  | 39,999.9 | 2,423.5 | 6.1    |
| Other Assets:  |           |          |         |        |
| Assets Held in Separate Accounts                           | 41,283.4  | 36,178.3 | 5,105.1 | 14.1   |
| Other Assets   | 17,133.2  | 17,006.5 | 126.7   | 0.7    |
| Total Assets   | 100,839.9 | 93,184.6 | 7,655.3 | 8.2    |
| Liabilities and Shareholders' Equity                       |           |          |         |        |
| Liabilities:   |           |          |         |        |
| Insurance and Investment Contract Liabilities              | 46,716.2  | 44,845.3 | 1,870.9 | 4.2    |
| Liabilities Related to Separate Accounts                   | 41,283.4  | 36,178.3 | 5,105.1 | 14.1   |
| Other Liabilities  | 7,254.0   | 6,813.6  | 440.4   | 6.5    |
| Total Liabilities  | 95,253.5  | 87,837.2 | 7,416.4 | 8.4    |
| Shareholders' Equity:                                      |           |          |         |        |
| Net Unrealized Gains(Losses) on Securities and Derivatives | 827.7     | 781.6    | 46.0    | 5.9    |
| Minimum Pension Liability Adjustment                       | (99.0)    | (97.8)   | (1.1)   | (1.1)  |
| Foreign Currency Translation Adjustment                    | 67.0      | 39.8     | 27.2    | 68.2   |
| Other Shareholders' Equity                                 | 4,790.6   | 4,623.9  | 166.8   | 3.6    |
| Total Shareholders' Equity                                 | 5,586.4   | 5,347.5  | 238.9   | 4.5    |
| Total Liabilities and Shareholders' Equity                 | 100,839.9 | 93,184.6 | 7,655.3 | 8.2    |

|  | As of                       |                            |         |         |
|--|-----------------------------|----------------------------|---------|---------|
|  | September<br>2003<br>Amount | December<br>2002<br>Amount | Change  | % Chang |
| Roll Forward of Deferred Acquisition Costs                                       |                             |                            |         |         |
| Balance at beginning of year   | 2,970.9                     | 2,885.3                    | 85.6    | 3.0     |
| Deferral   | 454.8                       | 627.3                      | (172.5) | (27.5)  |
| Amortization   | (232.0)                     | (346.7)                    | 114.7   | 33.1    |
| Included in Total Benefits and Expenses  | 222.7                       | 280.6                      | (57.9)  | (20.6)  |
| Adjustment related to realized (gains) losses on securities available-for-sale   | (22.3)                      | 115.0                      | (137.3) | (119.4) |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (271.2)                     | (338.5)                    | 67.3    | 19.9    |
| Foreign currency translation adjustment  | 19.2                        | 56.9                       | (37.7)  | (66.3)  |
| Other  | -                           | (28.4)                     | 28.4    | 100.0   |

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|   |         |         |         |        |
|---|---------|---------|---------|--------|
| Balance at end-of-period                  | 2,919.4 | 2,970.9 | (55.6)  | (1.9)  |
| Roll Forward of Present Value of In-Force |         |         |         |        |
| Balance at beginning-of-year              | 1,250.1 | 1,362.5 | (112.4) | (8.2)  |
| Amortization                              | (65.8)  | (136.5) | 70.6    | 51.8   |
| Foreign currency translation adjustment   | 8.2     | 24.1    | (15.9)  | (66.1) |
| Balance at end-of-period                  | 1,192.5 | 1,250.1 | (57.7)  | (4.6)  |

Eleven-Year Summary  
Unaudited [Millions of Dollars  
except Common 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    | 354.7    | 291.5     | 273.8    |
| Life Insurance                 | 206.1    | 229.3    | 246.0    | 211.5     | 127.5    |
| Investment Management          | (1.4)    | (9.0)    | 17.9     | 51.6      | 44.4     |
| Lincoln UK                     | 37.7     | 66.8     | (15.1)   | (18.2)    | 71.7     |
| Corporate & Other              | (247.3)  | (6.6)    | (18.2)   | (76.1)    | (7.6)    |
| Total Net Inc from Cont Oper   | 48.8     | 545.7    | 585.3    | 460.4     | 509.8    |
| Discontinued Operations        | -        | -        | -        | -         | -        |
| Total Net Income               | 48.8     | 545.7    | 585.3    | 460.4     | 509.8    |
| Income from Operations         |          |          |          |           |          |
| Lincoln Retirement             | 183.4    | 316.2    | 358.1    | 299.4     | 262.4    |
| Life Insurance                 | 269.0    | 275.3    | 256.7    | 212.0     | 149.2    |
| Investment Management          | 1.8      | (6.1)    | 25.0     | 61.0      | 43.9     |
| Lincoln UK                     | 34.6     | 58.1     | 59.2     | (13.9)    | 70.9     |
| Corporate & Other              | (57.2)   | 1.0      | (16.0)   | (83.1)    | 4.0      |
| Total Income from Cont Oper    | 431.6    | 644.4    | 683.0    | 475.5     | 530.4    |
| Discontinued Operations        | -        | -        | -        | -         | -        |
| Income from Operations         | 431.6    | 644.4    | 683.0    | 475.5     | 530.4    |
| OTHER DATA                     |          |          |          |           |          |
| Assets                         | 93,184.6 | 98,041.6 | 99,870.6 | 103,095.7 | 93,836.3 |

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|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Shareholders' Equity                       |         |         |         |         |         |
| Including AOCI                             | 5,347.5 | 5,303.8 | 4,980.6 | 4,263.9 | 5,387.9 |
| Excluding AOCI                             | 4,612.9 | 5,130.6 | 4,946.6 | 4,699.5 | 4,785.5 |
| Average Equity (excluding AOCI)            | 4,983.3 | 5,057.1 | 4,831.4 | 4,786.2 | 4,636.3 |
| Common Shares Outstanding (millions)       |         |         |         |         |         |
| End of Period - Diluted                    | 178.5   | 189.3   | 193.2   | 197.0   | 203.4   |
| Average for the Period - Diluted           | 184.6   | 191.5   | 193.0   | 200.4   | 203.3   |
| Per Share Data (Diluted)                   |         |         |         |         |         |
| Net Income from Continuing Operations      | \$0.26  | \$2.85  | \$3.03  | \$2.30  | \$2.51  |
| Net Income                                 | \$0.26  | \$2.85  | \$3.03  | \$2.30  | \$2.51  |
| Income (Loss) from Continuing Operations   | \$2.34  | \$3.37  | \$3.54  | \$2.37  | \$2.61  |
| Income from Operations*                    | \$2.34  | \$3.37  | \$3.54  | \$2.37  | \$2.61  |
| Shareholders' Equity Per Share             |         |         |         |         |         |
| Shareholders' Equity (Includes AOCI)       | \$30.10 | \$28.32 | \$26.05 | \$21.76 | \$26.59 |
| Shareholders' Equity (Excludes accum AOCI) | \$25.97 | \$27.39 | \$25.88 | \$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%   | 12.1%   | 9.6%    | 11.0%   |
| Inc from Operations/Average Equity         | 8.7%    | 12.7%   | 14.1%   | 9.9%    | 11.4%   |
| Market Value of Common Stock               |         |         |         |         |         |
| High for the Year                          | \$53.65 | \$52.75 | \$56.38 | \$57.50 | \$49.44 |
| Low for the Year                           | \$25.15 | \$38.00 | \$22.63 | \$36.00 | \$33.50 |
| Close for the Year                         | \$31.58 | \$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    |         |         |         |

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|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| 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    |
|  | =====    | =====    | =====    | =====    | =====    |
| 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: 2000, 2001, and 2002 have been restated for the adoption of the fair value method of accounting for stock options under FAS 123.

|                       | Quarterly Summary  |             |             |             |             |             |
|-----------------------|--|-------------|-------------|-------------|-------------|-------------|
|                       | Unaudited [Millions of Dollars,<br>except Common Share Data] |             |             |             |             |             |
| For the Quarter Ended | Sep<br>2001  | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 | Sep<br>2002 | Dec<br>2002 |
|                       | -----  | -----       | -----       | -----       | -----       | -----       |
| Revenue               |  |             |             |             |             |             |
| Lincoln Retirement    | 478.2  | 467.5       | 453.0       | 442.6       | 440.7       | 451.4       |

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|  |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|
| Life Insurance                                 | 460.6    | 464.7    | 423.9    | 439.8    | 441.6    | 479.6    |
| Investment Management                          | 108.8    | 110.8    | 107.3    | 106.1    | 97.5     | 102.2    |
| Lincoln UK                                     | 85.0     | 53.4     | 53.2     | 80.5     | 91.8     | 51.8     |
| Corporate & Other                              | 485.3    | 367.4    | 88.5     | 88.5     | 91.8     | 103.6    |
|  | -----    | -----    | -----    | -----    | -----    | -----    |
| Total Revenue                                  | 1,618.0  | 1,463.8  | 1,126.0  | 1,157.5  | 1,163.4  | 1,188.6  |
|  | =====    | =====    | =====    | =====    | =====    | =====    |
| Net Income                                     |          |          |          |          |          |          |
| Lincoln Retirement                             | 57.6     | 53.1     | 46.6     | 9.2      | (7.0)    | 5.0      |
| Life Insurance                                 | 63.8     | 50.9     | 43.5     | 56.7     | 46.4     | 59.5     |
| Investment Management                          | (2.1)    | (2.4)    | 2.1      | (0.8)    | (3.9)    | 1.1      |
| Lincoln UK                                     | 13.5     | 22.0     | 10.3     | 9.3      | 0.2      | 17.9     |
| Corporate & Other                              | (24.6)   | 33.2     | (16.8)   | (25.8)   | (172.1)  | (32.6)   |
|  | -----    | -----    | -----    | -----    | -----    | -----    |
| Total Net Income                               | 108.0    | 156.9    | 85.6     | 48.5     | (136.4)  | 51.0     |
|  | =====    | =====    | =====    | =====    | =====    | =====    |
| Income from Operations                         |          |          |          |          |          |          |
| Lincoln Retirement                             | 71.4     | 73.7     | 79.4     | 46.8     | 21.8     | 35.4     |
| Life Insurance                                 | 69.1     | 72.3     | 70.4     | 72.8     | 62.7     | 63.1     |
| Investment Management                          | (1.6)    | (1.3)    | 3.1      | (0.3)    | (3.0)    | 2.1      |
| Lincoln UK                                     | 9.6      | 19.0     | 13.8     | 6.1      | (0.6)    | 15.3     |
| Corporate & Other                              | (16.3)   | 23.0     | (13.6)   | (8.9)    | (18.8)   | (15.9)   |
|  | -----    | -----    | -----    | -----    | -----    | -----    |
| Income from Operations                         | 132.2    | 186.7    | 153.1    | 116.4    | 62.1     | 100.0    |
|  | =====    | =====    | =====    | =====    | =====    | =====    |
| OTHER DATA                                     |          |          |          |          |          |          |
| Assets   | 90,242.4 | 98,041.6 | 97,888.5 | 95,114.2 | 90,483.9 | 93,184.6 |
| Shareholders' Equity                           |          |          |          |          |          |          |
| Beg of Period (including AOCI)                 | 5,088.9  | 5,405.0  | 5,303.8  | 5,173.2  | 5,352.8  | 5,436.8  |
| End of Period (including AOCI)                 | 5,405.0  | 5,303.8  | 5,173.2  | 5,352.8  | 5,436.8  | 5,347.5  |
| End of Period (excluding AOCI)                 | 5,129.8  | 5,130.6  | 5,174.7  | 5,020.3  | 4,591.8  | 4,612.9  |
| Average Equity (excluding AOCI)                | 5,124.8  | 5,179.0  | 5,179.8  | 5,165.8  | 4,944.0  | 4,643.6  |
| Common Shares Outstanding                      |          |          |          |          |          |          |
| Average for the Period - Diluted               | 192.8    | 190.9    | 190.0    | 188.5    | 183.2    | 178.4    |
| End of Period - Diluted                        | 191.2    | 189.3    | 190.2    | 186.1    | 178.2    | 178.5    |
| Per Share Data (Diluted)                       |          |          |          |          |          |          |
| Net Income                                     | \$0.56   | \$0.82   | \$0.45   | \$0.26   | (\$0.74) | \$0.29   |
| Income from Operations                         | \$0.69   | \$0.98   | \$0.81   | \$0.62   | \$0.34   | \$0.56   |
| Shareholders' Equity                           |          |          |          |          |          |          |
| Shareholders' Equity (including AOCI)          | 28.48    | 28.32    | 27.53    | 29.01    | 30.64    | 30.10    |
| Shareholders' Equity (excluding AOCI)          | 27.03    | 27.39    | 27.54    | 27.21    | 25.87    | 25.97    |
| Dividends Declared (Common Stock)              | 0.305    | 0.320    | 0.320    | 0.320    | 0.320    | 0.335    |
| Return on Equity                               |          |          |          |          |          |          |
| Net Income/Average Equity Inc from Operations/ | 8.4%     | 12.1%    | 6.6%     | 3.8%     | (11.0%)  | 4.4%     |

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|                              |          |          |          |          |          |          |
|------------------------------|----------|----------|----------|----------|----------|----------|
| Average Equity               | 10.3%    | 14.4%    | 11.8%    | 9.0%     | 5.0%     | 8.6%     |
| Market Value of Common Stock |          |          |          |          |          |          |
| Highest Price                | \$52.750 | \$49.450 | \$53.650 | \$52.540 | \$42.080 | \$35.950 |
| Lowest Price                 | \$41.000 | \$40.000 | \$47.200 | \$40.750 | \$29.120 | \$25.150 |
| Closing Price                | \$46.630 | \$48.570 | \$50.730 | \$42.000 | \$30.550 | \$31.580 |

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

| For the Quarter Ended September 30                          | Lincoln Retirement |              | Life Insurance |              | Investment Management |
|---|--------------------|--------------|----------------|--------------|-----------------------|
|   | Sep<br>2003        | Sep<br>2002  | Sep<br>2003    | Sep<br>2002  | Sep<br>2003           |
| Revenue   |                    |              |                |              |                       |
| Life and annuity premiums                                   | 7.8                | 13.4         | 45.2           | 48.6         |                       |
| Surrender charges   | 7.4                | 8.7          | 13.7           | 13.4         |                       |
| Mortality assessments                                       |                    |              | 130.2          | 126.3        |                       |
| Expense assessments   | 115.2              | 103.9        | 48.9           | 49.2         |                       |
| Health premiums   |                    |              | 0.0            | 0.0          |                       |
| Investment advisory fees                                    |                    |              |                |              | 78.7                  |
| Other revenue and fees                                      | 8.3                | (4.0)        | 6.4            | 5.1          | 29.5                  |
| Net investment income                                       | 377.4              | 363.5        | 226.4          | 224.1        | 13.2                  |
| Realized gains (losses)<br>on investments                   | 18.6               | (43.8)       | (1.7)          | (25.9)       | 0.2                   |
| Gains (losses) on derivatives                               | 1.7                | (1.1)        | (0.3)          | 0.7          |                       |
| <b>Total Revenue</b>  | <b>536.3</b>       | <b>440.7</b> | <b>468.9</b>   | <b>441.6</b> | <b>121.7</b>          |
| Operating Benefits and Expenses                             |                    |              |                |              |                       |
| Ins. benefits paid or provided:                             |                    |              |                |              |                       |
| Life and annuity policy benefits                            | 44.6               | 107.8        | 118.5          | 105.2        |                       |
| Div accum & div to policyholders                            |                    |              | 15.9           | 17.2         |                       |
| Interest credited to policy bal.                            | 216.5              | 224.2        | 150.7          | 152.6        |                       |
| Health policy benefits                                      |                    |              | 0.0            | 0.0          |                       |
| <b>Total insurance benefits</b>                             | <b>261.1</b>       | <b>332.0</b> | <b>285.1</b>   | <b>275.1</b> |                       |
| Underwriting, acquisition,<br>insurance and other expenses: |                    |              |                |              |                       |
| Commissions   | 80.7               | 83.0         | 34.4           | 31.8         |                       |
| Other volume related expenses                               | 16.1               | 19.6         | 48.3           | 45.8         |                       |
| Operating and administrative<br>expenses                    | 57.0               | 53.0         | 41.7           | 41.1         | 101.6                 |
| Restructuring charges                                       | 8.4                |              | 2.5            |              | 5.3                   |
| Taxes, licenses and fees                                    | 3.7                | 3.0          | 16.1           | 13.2         | 2.4                   |
| Par policyholder interests                                  |                    |              |                |              |                       |
| Foreign exchange  |                    |              |                |              |                       |
| <b>Subtotal</b>   | <b>166.0</b>       | <b>158.6</b> | <b>143.0</b>   | <b>131.8</b> | <b>109.3</b>          |

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|   |        |        |        |        |       |
|---|--------|--------|--------|--------|-------|
| Deferral of acquisition costs   | (63.6) | (66.0) | (88.0) | (78.6) |       |
| DAC amortization  | 33.6   | 47.1   | 21.1   | 23.9   |       |
|   | -----  | -----  | -----  | -----  | ----- |
| DAC deferral net of amortization  | (30.0) | (18.9) | (66.9) | (54.8) |       |
| PVIF amortization   | 3.3    | 4.1    | 26.9   | 23.3   |       |
| Other intangibles amortization  |        |        |        |        | 2.0   |
| Total underwriting, acquisition,<br>insurance and other expenses                      | 139.3  | 143.8  | 103.0  | 100.4  | 111.3 |
| Goodwill amortization   |        |        |        |        |       |
| Interest  | 0.0    |        |        |        |       |
|   | -----  | -----  | -----  | -----  | ----- |
| Benefits and Expenses   | 400.3  | 475.8  | 388.1  | 375.5  | 111.3 |
|   | -----  | -----  | -----  | -----  | ----- |
| Income Before Federal Income<br>Tax and<br>Cumulative Effect of Accounting<br>Changes | 135.9  | (35.1) | 80.8   | 66.1   | 10.3  |
| Federal income taxes  | 33.9   | (28.0) | 24.9   | 19.7   | 4.0   |
| Income Before Cumulative Effect of<br>Accounting Changes                              | 102.0  | (7.0)  | 55.8   | 46.4   | 6.3   |
|   | -----  | -----  | -----  | -----  | ----- |
| Cumulative effect of accounting<br>changes  |        |        |        |        |       |
|   | -----  | -----  | -----  | -----  | ----- |
| Net Income  | 102.0  | (7.0)  | 55.8   | 46.4   | 6.3   |
|   | =====  | =====  | =====  | =====  | ===== |
| Less:   |        |        |        |        |       |
| Restructuring charges   | (5.5)  |        | (1.6)  |        | (3.5) |
| Realized gains (losses) on<br>investments   | 12.1   | (28.0) | (1.1)  | (16.9) | 0.1   |
| Gains (losses) on derivatives   | 1.1    | (0.8)  | (0.2)  | 0.6    |       |
| Reserve development on business<br>sold through reinsurance/Amortization<br>of gain   |        |        |        |        |       |
| Gain on sale of subsidiaries  |        |        |        |        |       |
| Cumulative effect of accounting<br>changes  |        |        |        |        |       |
| Loss on early retirement of<br>subordinated debt                                      |        |        |        |        |       |
|   | -----  | -----  | -----  | -----  | ----- |
| Income from Operations  | 94.3   | 21.8   | 58.7   | 62.7   | 9.7   |
|   | =====  | =====  | =====  | =====  | ===== |

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

| For the Quarter Ended September 30 | Corporate and<br>Other Operations |             | Consolidating<br>Adjustments |             | Consolidated |             |
|------------------------------------|-----------------------------------|-------------|------------------------------|-------------|--------------|-------------|
|                                    | Sep<br>2003                       | Sep<br>2002 | Sep<br>2003                  | Sep<br>2002 | Sep<br>2003  | Sep<br>2002 |
|                                    | -----                             | -----       | -----                        | -----       | -----        | -----       |

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|  |        |        |        |        |         |        |
|--|--------|--------|--------|--------|---------|--------|
| Revenue  |        |        |        |        |         |        |
| Life and annuity premiums                                |        | (2.1)  |        |        | 69.1    | 71.    |
| Surrender charges  |        |        | 0.5    | 0.7    | 21.5    | 22.    |
| Mortality assessments                                    | (1.0)  | (0.9)  |        |        | 137.9   | 134.   |
| Expense assessments                                      | 1.0    | 0.9    | 10.2   | 9.8    | 198.5   | 193.   |
| Health premiums  | (0.0)  | (10.2) |        |        | 0.4     | (9.)   |
| Investment advisory fees                                 |        |        | (25.5) | (24.1) | 53.2    | 42.    |
| Amortization of deferred gain                            | 18.3   | 22.1   |        |        | 18.3    | 22.    |
| Amortization of deferred gain-reserve development        | 3.7    | (1.4)  |        |        | 3.7     | (1.)   |
| Other revenue and fees                                   | 110.0  | 94.4   | (74.0) | (67.9) | 82.9    | 72.    |
| Net investment income                                    | 32.3   | 38.4   | (0.8)  | (1.6)  | 664.4   | 652.   |
| Earnings in Unconsolidated Affiliates                    |        |        |        |        |         |        |
| Realized gains (losses) on investments                   | (7.6)  | 33.2   |        |        | 9.8     | (37.)  |
| Gains (losses) on derivatives                            | 7.7    | 0.6    |        |        | 9.1     | 0.     |
|  | -----  | -----  | -----  | -----  | -----   | -----  |
| Total Revenue  | 164.4  | 174.9  | (89.6) | (83.1) | 1,268.8 | 1,163. |
|  | -----  | -----  | -----  | -----  | -----   | -----  |
| Benefits and Expenses                                    |        |        |        |        |         |        |
| Ins. benefits paid or provided:                          |        |        |        |        |         |        |
| Life and annuity policy benefits                         | 42.7   | (2.4)  |        |        | 227.1   | 229.   |
| Div accum & div to policyholders                         | 0.0    | 0.0    |        |        | 15.9    | 17.    |
| Interest credited to policy bal.                         | 31.8   | 32.6   | 6.6    | 7.9    | 405.6   | 417.   |
| Health policy benefits                                   | (42.8) | 2.6    |        |        | (41.5)  | 7.     |
| Reserve developments on Reins. business sold             | 32.1   | 270.0  |        |        | 32.1    | 270.   |
|  | -----  | -----  | -----  | -----  | -----   | -----  |
| Total insurance benefits                                 | 63.8   | 302.8  | 6.6    | 7.9    | 639.2   | 941.   |
| Underwriting, acquisition, insurance and other expenses: |        |        |        |        |         |        |
| Commissions  | 20.0   | 2.4    | 7.8    | 5.8    | 144.1   | 124.   |
| Other volume related expenses                            | 55.7   | 44.7   | (29.5) | (46.2) | 90.5    | 63.    |
| Operating and administrative expenses                    | 55.6   | 61.6   | (65.7) | (47.2) | 209.8   | 228.   |
| Restructuring charges                                    | 3.6    | (1.7)  |        |        | 19.8    | (2.)   |
| Loss on early retirement of subordinated debt            | 5.6    |        |        |        | 5.6     |        |
| Taxes, licenses and fees                                 | 4.2    | 6.0    |        |        | 26.4    | 24.    |
| Par policyholder interests                               |        |        |        |        |         |        |
| Foreign exchange   |        | 0.4    |        |        |         | 0.     |
|  | -----  | -----  | -----  | -----  | -----   | -----  |
| Subtotal   | 144.7  | 113.5  | (87.4) | (87.6) | 496.2   | 439.   |
| Deferral of acquisition costs                            |        |        | (13.9) | (9.9)  | (165.7) | (155.) |
| DAC amortization   | 0.1    | 0.1    | 5.9    | 8.1    | 67.9    | 113.   |
|  | -----  | -----  | -----  | -----  | -----   | -----  |
| DAC deferral net of amortization                         | 0.1    | 0.1    | (8.0)  | (1.9)  | (97.8)  | (42.)  |
| PVIF amortization  |        |        |        |        | 29.6    | 40.    |
| Other intangibles amortization                           |        |        |        |        | 2.0     | 2.     |
| Total underwriting, acquisition,                         |        |        |        |        |         |        |



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|  |        |         |        |        |         |        |
|--|--------|---------|--------|--------|---------|--------|
| insurance and other expenses   | 144.8  | 113.6   | (95.4) | (89.4) | 430.0   | 438.   |
| Goodwill amortization  |        |         |        |        |         |        |
| Interest   | 21.8   | 25.3    | (0.8)  | (1.6)  | 21.0    | 23.    |
|  | -----  | -----   | -----  | -----  | -----   | -----  |
| Total Benefits and Expenses  | 230.4  | 441.7   | (89.6) | (83.1) | 1,090.2 | 1,404. |
|  | -----  | -----   | -----  | -----  | -----   | -----  |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes           | (66.0) | (266.8) | (0.0)  | 0.0    | 178.7   | (240.  |
| Federal income taxes   | (23.6) | (94.7)  |        |        | 45.4    | (104.  |
| Income Before Cumulative Effect of   |        |         |        |        |         |        |
|  | -----  | -----   | -----  | -----  | -----   | -----  |
| Accounting Changes   | (42.4) | (172.1) | (0.0)  | 0.0    | 133.3   | (136.  |
|  | -----  | -----   | -----  | -----  | -----   | -----  |
| Cumulative effect of accounting changes  |        |         |        |        |         |        |
|  | -----  | -----   | -----  | -----  | -----   | -----  |
| Net Income   | (42.4) | (172.1) | (0.0)  | 0.0    | 133.3   | (136.  |
|  | =====  | =====   | =====  | =====  | =====   | =====  |
| Less:  |        |         |        |        |         |        |
| Restructuring charges  | (2.4)  | 1.1     |        |        | (12.9)  | 1.     |
| Realized gains (losses) on investments   | (4.9)  | 21.6    |        |        | 6.4     | (23.   |
| Gains (losses) on derivatives  | 5.0    | 0.4     |        |        | 5.9     | 0.     |
| Reserve development on business sold through reinsurance/Amortization of deferred gain | (18.5) | (176.4) |        |        | (18.5)  | (176.  |
| Gain on sale of subsidiaries   |        |         |        |        |         |        |
| Cumulative effect of accounting changes  |        |         |        |        |         |        |
| Loss on early retirement of subordinated debt  | (3.7)  |         |        |        | (3.7)   |        |
|  | -----  | -----   | -----  | -----  | -----   | -----  |
| Income from Operations   | (18.0) | (18.8)  | (0.0)  | 0.0    | 156.0   | 62.    |
|  | =====  | =====   | =====  | =====  | =====   | =====  |

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

| For the Nine Months Ended September 30 | Lincoln Retirement |          | Life Insurance |          | Investment Management |
|--|--------------------|----------|----------------|----------|-----------------------|
|  | Sep 2003           | Sep 2002 | Sep 2003       | Sep 2002 | Sep 2003              |
| Revenue                                | -----              | -----    | -----          | -----    | -----                 |

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|   |         |         |         |         |       |
|---|---------|---------|---------|---------|-------|
| Life and annuity premiums   | 16.3    | 38.7    | 142.6   | 147.2   |       |
| Surrender charges   | 22.7    | 23.8    | 37.5    | 38.6    |       |
| Mortality assessments   |         |         | 388.2   | 374.2   |       |
| Expense assessments   | 317.1   | 345.7   | 146.8   | 143.2   |       |
| Health premiums   |         |         | 0.1     | 0.1     |       |
| Investment advisory fees  |         |         |         |         | 221.8 |
| Other revenue and fees  | 8.2     | 0.6     | 19.5    | 17.5    | 81.1  |
| Net investment income   | 1114.2  | 1079.1  | 683.0   | 675.8   | 37.4  |
| Realized gains (losses)<br>on investments                                       | (57.3)  | (150.5) | (16.9)  | (92.7)  | (0.1) |
| Gains (losses) on derivatives   | (0.8)   | (1.2)   | (0.4)   | 1.4     |       |
|   | -----   | -----   | -----   | -----   | ----- |
| Total Revenue   | 1420.5  | 1336.3  | 1400.5  | 1305.4  | 340.2 |
|   | -----   | -----   | -----   | -----   | ----- |
| Operating Benefits and Expenses   |         |         |         |         |       |
| Ins. benefits paid or provided:   |         |         |         |         |       |
| Life and annuity policy benefits  | 144.5   | 235.8   | 332.8   | 312.9   |       |
| Div accum & div to policyholders  |         |         | 47.8    | 53.2    |       |
| Interest credited to policy bal.  | 653.6   | 672.1   | 450.7   | 447.8   |       |
| Health policy benefits  |         |         | 0.0     | 0.0     |       |
|   | -----   | -----   | -----   | -----   | ----- |
| Total insurance benefits  | 798.1   | 907.8   | 831.3   | 813.9   |       |
| Underwriting, acquisition,<br>insurance and other expenses:                     |         |         |         |         |       |
| Commissions   | 221.7   | 248.0   | 97.5    | 101.2   |       |
| Other volume related expenses   | 44.7    | 46.5    | 145.7   | 132.0   |       |
| Operating and administrative expenses   | 167.7   | 161.4   | 120.8   | 117.5   | 301.3 |
| Restructuring charges   | 14.6    | 1.6     | 15.3    |         | 5.3   |
| Taxes, licenses and fees  | 13.7    | 11.9    | 44.3    | 41.7    | 8.2   |
| Par policyholder interests  |         |         |         |         |       |
| Foreign exchange  |         |         |         |         |       |
|   | -----   | -----   | -----   | -----   | ----- |
| Subtotal  | 462.4   | 469.4   | 423.6   | 392.4   | 314.8 |
| Deferral of acquisition costs   | (162.5) | (188.6) | (258.7) | (235.1) |       |
| DAC amortization  | 93.0    | 128.0   | 97.5    | 69.5    |       |
|   | -----   | -----   | -----   | -----   | ----- |
| DAC deferral net of amortization  | (69.4)  | (60.6)  | (161.2) | (165.6) |       |
| PVIF amortization   | 7.7     | 11.8    | 61.5    | 56.5    |       |
| Other intangibles amortization  |         |         |         |         | 6.0   |
|   | -----   | -----   | -----   | -----   | ----- |
| Total underwriting, acquisition,<br>insurance and other expenses                | 400.7   | 420.6   | 324.0   | 283.3   | 320.7 |
|   | -----   | -----   | -----   | -----   | ----- |
| Benefits and Expenses   | 1198.8  | 1328.4  | 1155.3  | 1097.2  | 320.7 |
|   | -----   | -----   | -----   | -----   | ----- |
| Income Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes |         |         |         |         |       |
|   | 221.7   | 7.9     | 245.2   | 208.2   | 19.4  |
| Federal income taxes  | 31.1    | (40.9)  | 75.3    | 61.6    | 7.5   |
|   | -----   | -----   | -----   | -----   | ----- |
| Income Before Cumulative Effect of<br>Accounting Changes                        | 190.6   | 48.7    | 169.9   | 146.6   | 12.0  |
| Cumulative effect of accounting changes   |         |         |         |         |       |
|   | -----   | -----   | -----   | -----   | ----- |
| Net Income  | 190.6   | 48.7    | 169.9   | 146.6   | 12.0  |
|   | =====   | =====   | =====   | =====   | ===== |

Less:

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|  |              |              |              |              |             |
|--|--------------|--------------|--------------|--------------|-------------|
| Restructuring charges  | (9.5)        | (1.0)        | (10.0)       |              | (3.5)       |
| Realized gains (losses) on investments   | (37.2)       | (97.4)       | (11.0)       | (60.2)       | (0.1)       |
| Gains (losses) on derivatives  | (0.5)        | (0.8)        | (0.3)        | 0.9          |             |
| Reserve development on business sold through reinsurance/Amortization of deferred gain |              |              |              |              |             |
| Gain on sale of subsidiaries   |              |              |              |              |             |
| Cumulative effect of accounting changes  |              |              |              |              |             |
| Loss on early retirement of subordinated debt  |              |              |              |              |             |
| Income from Operations   | <u>237.8</u> | <u>147.9</u> | <u>191.2</u> | <u>205.9</u> | <u>15.5</u> |

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

| For the Nine Months Ended September 30                   | Corporate and Other Operations |              | Consolidating Adjustments |                | Consol         |
|--|--------------------------------|--------------|---------------------------|----------------|----------------|
|  | Sep 2003                       | Sep 2002     | Sep 2003                  | Sep 2002       | Sep 2003       |
| Revenue  |                                |              |                           |                |                |
| Life and annuity premiums                                |                                | (5.5)        |                           |                | 200.3          |
| Surrender charges  |                                |              | 1.5                       | 1.8            | 61.8           |
| Mortality assessments                                    | (2.9)                          | (2.7)        |                           |                | 412.4          |
| Expense assessments                                      | 2.9                            | 2.7          | 30.4                      | 31.1           | 566.4          |
| Health premiums  | 1.8                            | (0.9)        |                           |                | 3.4            |
| Investment advisory fees                                 |                                |              | (75.0)                    | (73.5)         | 146.8          |
| Amortization of deferred gain                            | 54.9                           | 68.3         |                           |                | 54.9           |
| Amortization of deferred gain-reserve development        | 3.3                            | (1.4)        |                           |                | 3.3            |
| Other revenue and fees                                   | 320.9                          | 297.2        | (210.7)                   | (199.0)        | 227.9          |
| Net investment income                                    | 99.6                           | 130.9        | (2.9)                     | (4.7)          | 1,979.3        |
| Earnings in Unconsolidated Affiliates                    |                                | (0.6)        |                           |                |                |
| Realized gains (losses) on investments                   | (7.4)                          | 24.5         |                           |                | (81.5)         |
| Gains (losses) on derivatives                            | 7.5                            | 0.6          |                           |                | 6.3            |
| Total Revenue  | <u>480.6</u>                   | <u>513.0</u> | <u>(256.7)</u>            | <u>(244.2)</u> | <u>3,581.3</u> |
| Benefits and Expenses                                    |                                |              |                           |                |                |
| Ins. benefits paid or provided:                          |                                |              |                           |                |                |
| Life and annuity policy benefits                         | 33.0                           | (0.9)        |                           |                | 569.3          |
| Div accum & div to policyholders                         | 0.0                            | 0.0          |                           |                | 47.8           |
| Interest credited to policy bal.                         | 97.2                           | 62.1         | 19.8                      | 24.0           | 1221.2         |
| Health policy benefits                                   | (31.3)                         | 33.0         |                           |                | (25.0)         |
| Reserve developments on Reins. business sold             | 32.1                           | 292.2        |                           |                | 32.1           |
| Total insurance benefits                                 | <u>131.0</u>                   | <u>386.4</u> | <u>19.8</u>               | <u>24.0</u>    | <u>1,845.4</u> |
| Underwriting, acquisition, insurance and other expenses: |                                |              |                           |                |                |

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|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Commissions  | 58.0    | 44.0    | 22.5    | 19.4    | 402.7   |
| Other volume related expenses  | 153.9   | 142.4   | (116.7) | (136.8) | 227.5   |
| Operating and administrative expenses  | 175.9   | 174.9   | (160.9) | (139.3) | 663.0   |
| Restructuring charges  | 3.6     | (1.7)   |         |         | 38.8    |
| Loss on early retirement of subordinated debt  | 5.6     |         |         |         | 5.6     |
| Taxes, licenses and fees   | 14.0    | 20.0    |         |         | 80.2    |
| Par policyholder interests   |         |         |         |         |         |
| Foreign exchange   | (0.0)   | 1.0     |         |         | (0.0)   |
|  | -----   | -----   | -----   | -----   | -----   |
| Subtotal   | 410.9   | 380.5   | (255.2) | (256.6) | 1417.7  |
| Deferral of acquisition costs  |         | (1.4)   | (31.8)  | (31.5)  | (454.8) |
| DAC amortization   | 0.2     | 0.3     | 13.4    | 24.6    | 232.0   |
|  | -----   | -----   | -----   | -----   | -----   |
| DAC deferral net of amortization   | 0.2     | (1.1)   | (18.4)  | (6.9)   | (222.7) |
| PVIF amortization  |         |         |         |         | 65.8    |
| Other intangibles amortization   |         |         |         |         | 6.0     |
| Total underwriting, acquisition, insurance and other expenses                          | 411.1   | 379.4   | (273.6) | (263.6) | 1266.8  |
| Interest   | 70.2    | 77.8    | (2.9)   | (4.7)   | 67.3    |
|  | -----   | -----   | -----   | -----   | -----   |
| Total Benefits and Expenses  | 612.3   | 843.6   | (256.7) | (244.2) | 3,179.5 |
|  | -----   | -----   | -----   | -----   | -----   |
| Income from Before Federal Income Tax and Cumulative Effect of Accounting Changes      | (131.7) | (330.6) | 0.0     | 0.0     | 401.8   |
| Federal income taxes   | (46.1)  | (115.8) | (0.0)   |         | 84.2    |
| Income Before Cumulative Effect of Accounting Changes                                  | (85.6)  | (214.8) | 0.0     | 0.0     | 317.6   |
|  | -----   | -----   | -----   | -----   | -----   |
| Cumulative effect of accounting changes  |         |         |         |         |         |
|  | -----   | -----   | -----   | -----   | -----   |
| Net Income   | (85.6)  | (214.8) | 0.0     | 0.0     | 317.6   |
|  | =====   | =====   | =====   | =====   | =====   |
| Less:  |         |         |         |         |         |
| Restructuring charges  | (2.4)   | 1.1     |         |         | (25.3)  |
| Realized gains (losses) on investments   | (4.8)   | 15.9    | 0.0     |         | (53.0)  |
| Gains (losses) on derivatives  | 4.9     | 0.4     |         |         | 4.1     |
| Reserve development on business sold through reinsurance/Amortization of deferred gain | (18.7)  | (190.8) |         |         | (18.7)  |
| Gain on sale of subsidiaries   |         |         |         |         |         |
| Cumulative effect of accounting changes  |         |         |         |         |         |
| Loss on early retirement of subordinated debt  | (3.7)   |         |         |         | (3.7)   |
|  | -----   | -----   | -----   | -----   | -----   |
| Income from Operations   | (61.0)  | (41.3)  | 0.0     | 0.0     | 414.1   |
|  | =====   | =====   | =====   | =====   | =====   |

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Statement of Consolidated Income  
Unaudited [Millions of Dollars]

| For the Year Ended December 31                                       | 1998           | 1999           | 2000           | 2001           | 2002           | YTD<br>Sep<br>2002 |
|--|----------------|----------------|----------------|----------------|----------------|--------------------|
|  | -----          | -----          | -----          | -----          | -----          | -----              |
| <b>Revenue</b>   |                |                |                |                |                |                    |
| Life and annuity premiums  | 985.6          | 1183.0         | 1403.3         | 1363.4         | 295.6          | 214.8              |
| Surrender charges  | 91.5           | 110.2          | 114.7          | 101.5          | 87.8           | 64.8               |
| Mortality assessments  | 380.1          | 496.4          | 496.5          | 533.3          | 530.3          | 395.8              |
| Expense assessments  | 773.8          | 896.0          | 1013.1         | 880.1          | 792.7          | 605.8              |
| Health premiums  | 635.1          | 698.5          | 409.8          | 340.6          | 20.3           | 1.8                |
| Investment advisory fees   | 227.1          | 223.8          | 213.1          | 197.2          | 183.3          | 138.8              |
| Amortization of deferred gain  |                |                |                | 20.4           | 75.2           | 68.8               |
| Amortization of deferred gain-reserve development                    |                |                |                |                | (0.8)          | (1.8)              |
| Other revenue and fees   | 261.0          | 344.5          | 441.1          | 328.7          | 299.5          | 218.8              |
| Net investment income  | 2,710.6        | 2,842.5        | 2,784.1        | 2,708.7        | 2,631.9        | 1,964.8            |
| Earnings in Unconsolidated Affiliates                                | 3.3            | 5.8            | (0.4)          | 5.7            | (0.6)          | (0.8)              |
| Realized gains (losses) on investments                               | 19.0           | 3.0            | (28.3)         | (92.4)         | (280.9)        | (222.8)            |
| Gains (losses) on derivatives  |                |                |                | (9.3)          | 1.2            | 0.8                |
| <b>Total Revenue</b>   | <b>6,087.1</b> | <b>6,803.7</b> | <b>6,847.1</b> | <b>6,378.0</b> | <b>4,635.5</b> | <b>3,446.8</b>     |
| <b>Benefits and Expenses</b>   |                |                |                |                |                |                    |
| Ins. benefits paid or provided:                                      |                |                |                |                |                |                    |
| Life and annuity policy benefits                                     | 1,237.7        | 1,546.6        | 1,546.4        | 1,517.9        | 811.3          | 597.8              |
| Div accum & div to policyholders                                     | 78.0           | 88.4           | 87.6           | 83.7           | 76.0           | 53.8               |
| Interest credited to policy bal.                                     | 1,446.2        | 1,510.4        | 1,474.2        | 1,506.0        | 1,617.1        | 1,206.8            |
| Health policy benefits   | 566.9          | 659.7          | 449.0          | 302.1          | 49.7           | 44.8               |
| Reserve developments on Reins. business sold                         |                |                |                |                | 305.4          | 292.8              |
| <b>Total insurance benefits</b>                                      | <b>3,328.9</b> | <b>3,805.0</b> | <b>3,557.2</b> | <b>3,409.7</b> | <b>2,859.5</b> | <b>2,193.8</b>     |
| Underwriting, acquisition, insurance and other expenses:             |                |                |                |                |                |                    |
| Commissions  | 740.1          | 961.0          | 919.1          | 860.3          | 579.4          | 417.8              |
| Other volume related expenses  | 150.7          | 197.1          | 253.8          | 184.8          | 256.8          | 184.8              |
| Operating and administrative expenses                                | 997.9          | 1165.3         | 1208.4         | 1114.5         | 928.0          | 668.8              |
| Restructuring charges  | 52.8           | 27.4           | 104.9          | 38.0           | (2.2)          | (0.8)              |
| Loss on early retirement of subordinated debt                        |                |                |                |                |                |                    |
| Taxes, licenses and fees   | 73.1           | 77.9           | 107.5          | 122.9          | 106.8          | 84.8               |
| Par policyholder interests   | (4.3)          | 3.3            | 1.1            |                |                |                    |
| Foreign exchange   | (1.5)          | 1.9            | (2.9)          | (1.4)          | 0.3            | 1.8                |
| <b>Subtotal</b>  | <b>2,008.8</b> | <b>2,433.8</b> | <b>2,592.0</b> | <b>2,319.1</b> | <b>1,869.0</b> | <b>1,354.8</b>     |
| Deferral of acquisition costs  |                |                |                | (714.1)        | (627.3)        | (459.8)            |
| DAC amortization   |                |                |                | 367.8          | 346.7          | 283.8              |
| <b>DAC deferral net of amortization</b>                              | <b>(208.2)</b> | <b>(314.6)</b> | <b>(427.5)</b> | <b>(346.3)</b> | <b>(280.6)</b> | <b>(175.8)</b>     |
| PVIF amortization  | 77.1           | 102.5          | 132.6          | 113.1          | 136.5          | 93.8               |
| Other intangibles amortization                                       | 18.8           | 18.0           | 17.7           | 12.1           | 8.2            | 6.8                |
| <b>Total underwriting, acquisition, insurance and other expenses</b> | <b>1,896.5</b> | <b>2,239.7</b> | <b>2,314.9</b> | <b>2,098.0</b> | <b>1,733.2</b> | <b>1,278.8</b>     |
| Goodwill amortization  | 44.5           | 49.2           | 45.1           | 43.4           |                |                    |
| Interest   | 117.1          | 133.7          | 139.5          | 121.0          | 96.6           | 73.8               |

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|  |         |         |         |         |         |        |
|--|---------|---------|---------|---------|---------|--------|
| Total Benefits and Expenses  | 5,386.9 | 6,227.6 | 6,056.7 | 5,672.1 | 4,689.3 | 3,545. |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes           | 700.2   | 576.1   | 790.5   | 705.9   | (53.8)  | (98.   |
| Federal income taxes   | 190.4   | 115.7   | 205.2   | 144.7   | (102.6) | (96.   |
| Income Before Cumulative Effect of Accounting Changes                                  | 509.8   | 460.4   | 585.3   | 561.2   | 48.8    | (2.    |
| Cumulative effect of accounting changes  |         |         |         | (15.6)  |         |        |
| Net Income   | 509.8   | 460.4   | 585.3   | 545.7   | 48.8    | (2.    |
| Less:  |         |         |         |         |         |        |
| Restructuring charges  | (34.3)  | (18.9)  | (80.2)  | (24.7)  | 2.0     | 0.     |
| Realized gains (losses) on investments   | 13.7    | 3.8     | (17.5)  | (68.7)  | (177.2) | (143.  |
| Gains (losses) on derivatives  |         |         |         | (4.9)   | 0.8     | 0.     |
| Reserve development on business sold through reinsurance/Amortization of deferred gain |         |         |         |         | (199.1) | (190.  |
| Gain on sale of subsidiaries   |         |         |         | 15.0    | (9.4)   |        |
| Cumulative Effect of Accounting Changes  |         |         |         | (15.6)  |         |        |
| Loss on early retirement of subordinated debt  |         |         |         |         |         |        |
| Income from Operations   | 530.4   | 475.5   | 683.0   | 644.4   | 431.6   | 331.   |
| Roll Forward of Deferred Acquisition Costs   |         |         |         |         |         |        |
| Balance at beginning-of-year   |         |         |         | 3,070.5 | 2,885.3 | 2,885. |
| Deferral   |         |         |         | 714.1   | 627.3   | 459.   |
| Amortization   |         |         |         | (367.8) | (346.7) | (283.  |
| Included in Total Benefits and Expenses  |         |         |         | 346.3   | 280.6   | 175.   |
| Adjustment related to realized (gains) losses on securities available-for-sale         |         |         |         | 112.9   | 115.0   | 97.    |
| Adjustment related to unrealized (gains) losses on securities available-for-sale       |         |         |         | (187.2) | (338.5) | (304.  |
| Foreign currency translation adjustment  |         |         |         | (16.0)  | 56.9    | 43.    |
| 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 | 2,868. |
| Roll Forward of Present Value of In-Force  |         |         |         |         |         |        |
| Balance at beginning-of-year   |         |         |         | 1,483.3 | 1,362.5 | 1,362. |

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|   |                |                |                |
|---|----------------|----------------|----------------|
| Amortization                            | (113.1)        | (136.5)        | (93.1)         |
| Foreign currency translation adjustment | (7.0)          | 24.1           | 18.1           |
| Other                                   | (0.7)          | (0.0)          | (0.1)          |
| Balance at end-of-year                  | <u>1,362.5</u> | <u>1,250.1</u> | <u>1,286.1</u> |

Note: 2000, 2001, and 2002 have been restated for the adoption of the fair value method of accounting for stock options under FAS 123.

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Statement of Consolidated Income  
Unaudited [Millions of Dollars]

| For the Quarter Ended                                    | Sep<br>2001    | Dec<br>2001    | Mar<br>2002    | Jun<br>2002    | Sep<br>2002    |
|--|----------------|----------------|----------------|----------------|----------------|
|  | -----          | -----          | -----          | -----          | -----          |
| Revenue  |                |                |                |                |                |
| Life and annuity premiums                                | 336.8          | 270.7          | 74.7           | 68.7           | 71.6           |
| Surrender charges  | 23.2           | 27.7           | 20.2           | 21.3           | 22.8           |
| Mortality assessments                                    | 133.3          | 132.6          | 130.4          | 130.5          | 134.1          |
| Expense assessments                                      | 217.4          | 205.9          | 203.9          | 208.0          | 193.2          |
| Health premiums  | 103.9          | 36.1           | 2.4            | 8.3            | (9.6)          |
| Investment advisory fees                                 | 47.2           | 50.9           | 48.0           | 47.8           | 42.9           |
| Amortization of deferred gain                            |                | 20.4           | 24.2           | 22.0           | 22.1           |
| Amortization of deferred gain-reserve development        |                |                |                |                | (1.4)          |
| Other revenue and fees                                   | 100.2          | 87.9           | 70.8           | 75.1           | 72.1           |
| Net investment income                                    | 693.3          | 653.1          | 654.8          | 657.4          | 652.4          |
| Earnings in Unconsolidated Affiliates                    | 0.4            | 4.3            |                | (0.6)          |                |
| Realized gains (losses) on investments                   | (37.1)         | (16.8)         | (103.5)        | (81.5)         | (37.1)         |
| Gains (losses) on derivatives                            | (0.5)          | (8.9)          | 0.1            | 0.4            | 0.3            |
| Total Revenue  | <u>1,618.0</u> | <u>1,463.8</u> | <u>1,126.0</u> | <u>1,157.5</u> | <u>1,163.4</u> |
| Benefits and Expenses                                    |                |                |                |                |                |
| Ins. benefits paid or provided:                          |                |                |                |                |                |
| Life and annuity policy benefits                         | 422.6          | 302.8          | 176.1          | 191.5          | 229.7          |
| Div accum & div to policyholders                         | 18.0           | 26.6           | 17.8           | 18.2           | 17.2           |
| Interest credited to policy bal.                         | 378.7          | 390.6          | 406.2          | 382.5          | 417.4          |
| Health policy benefits                                   | 83.8           | 25.0           | 3.3            | 33.9           | 7.3            |
| Reserve developments on Reins. business sold             |                |                |                | 22.2           | 270.0          |
| Total insurance benefits                                 | <u>903.1</u>   | <u>744.9</u>   | <u>603.4</u>   | <u>648.3</u>   | <u>941.6</u>   |
| Underwriting, acquisition, insurance and other expenses: |                |                |                |                |                |
| Commissions  | 207.9          | 217.9          | 144.2          | 148.6          | 124.6          |
| Other volume related expenses                            | 53.1           | 29.1           | 54.7           | 65.5           | 63.9           |
| Operating and administrative expenses                    | 279.7          | 314.9          | 220.7          | 219.4          | 228.1          |
| Restructuring charges                                    | (0.0)          | 31.0           |                | 1.6            | (2.1)          |
| Loss on early retirement of subordinated debt            |                |                |                |                |                |
| Taxes, licenses and fees                                 | 30.0           | 28.4           | 36.6           | 23.5           | 24.1           |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Par policyholder interests  |         |         |         |         |         |
| Foreign exchange  | (2.5)   | 1.1     | 0.0     | 0.6     | 0.4     |
|   | -----   | -----   | -----   | -----   | -----   |
| Subtotal  | 568.3   | 622.4   | 456.2   | 459.2   | 439.1   |
| Deferral of acquisition costs   | (183.4) | (194.5) | (147.9) | (156.1) | (155.5) |
| DAC amortization  | 118.0   | 56.8    | 70.4    | 100.5   | 113.0   |
|   | -----   | -----   | -----   | -----   | -----   |
| DAC deferral net of amortization  | (65.4)  | (137.7) | (77.5)  | (55.5)  | (42.5)  |
| PVIF amortization   | 34.4    | 21.8    | 21.3    | 31.9    | 40.2    |
| Other intangibles amortization  | 2.6     | 2.5     | 2.2     | 2.0     | 2.0     |
|   | -----   | -----   | -----   | -----   | -----   |
| Total underwriting, acquisition,<br>insurance and other expenses                | 539.9   | 509.0   | 402.2   | 437.6   | 438.8   |
| Goodwill amortization   | 10.9    | 10.7    |         |         |         |
| Interest  | 29.6    | 25.0    | 24.8    | 24.6    | 23.7    |
| Total Benefits and Expenses   | 1,483.5 | 1,289.7 | 1,030.4 | 1,110.5 | 1,404.1 |
|   | -----   | -----   | -----   | -----   | -----   |
| Income Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | 134.5   | 174.2   | 95.5    | 46.9    | (240.7) |
| Federal income taxes  | 26.4    | 17.3    | 9.9     | (1.6)   | (104.3) |
| Income Before Cumulative Effect of<br>Accounting Changes                        | 108.0   | 156.9   | 85.6    | 48.5    | (136.4) |
|   | -----   | -----   | -----   | -----   | -----   |
| Cumulative effect of accounting changes   |         | (0.0)   |         |         |         |
|   | -----   | -----   | -----   | -----   | -----   |
| Net Income  | 108.0   | 156.9   | 85.6    | 48.5    | (136.4) |
|   | -----   | -----   | -----   | -----   | -----   |
| Less:   |         |         |         |         |         |
| Restructuring charges   | 0.0     | (20.2)  |         | (1.0)   | 1.3     |
| Realized gains (losses) on investments  | (23.8)  | (20.0)  | (67.6)  | (52.7)  | (23.6)  |
| Gains (losses) on derivatives   | (0.4)   | (4.6)   | 0.1     | 0.3     | 0.1     |
| Reserve increase on business sold through<br>reinsurance                        |         |         |         | (14.4)  | (176.4) |
| Gain on sale of subsidiaries  |         | 15.0    |         |         |         |
| Cumulative Effect of Accounting Changes   |         | (0.0)   |         |         |         |
| Loss on early retirement of subordinated debt                                   |         |         |         |         |         |
|   | -----   | -----   | -----   | -----   | -----   |
| Income from Operations  | 132.2   | 186.7   | 153.1   | 116.4   | 62.1    |
|   | =====   | =====   | =====   | =====   | =====   |
| Roll Forward of Deferred Acquisition Costs                                      |         |         |         |         |         |
| Balance at beginning-of-period  | 3,129.1 | 3,087.2 | 2,885.3 | 3,114.9 | 3,056.6 |
| Deferral  | 183.4   | 194.5   | 147.9   | 156.1   | 155.5   |
| Amortization  | (118.0) | (56.8)  | (70.4)  | (100.5) | (113.0) |
|   | -----   | -----   | -----   | -----   | -----   |
| Included in Total Benefits and Expenses   | 65.4    | 137.7   | 77.5    | 55.5    | 42.5    |
| Adjustment related to realized (gains)<br>losses                                |         |         |         |         |         |
| on securities available-for-sale  | 23.9    | 49.5    | 41.9    | 32.5    | 22.9    |
| Adjustment related to unrealized (gains)<br>losses                              |         |         |         |         |         |
| on securities available-for-sale  | (157.0) | 68.1    | 114.9   | (152.1) | (267.1) |
| Foreign currency translation adjustment   | 23.8    | (7.2)   | (12.2)  | 41.7    | 13.8    |
| Disposition of business   |         | (425.9) |         |         |         |
| Other   | 2.1     | (24.2)  | 7.5     | (35.7)  | (0.0)   |
|   | -----   | -----   | -----   | -----   | -----   |
| Balance at end-of-period  | 3,087.2 | 2,885.3 | 3,114.9 | 3,056.6 | 2,868.7 |
|   | =====   | =====   | =====   | =====   | =====   |



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Roll Forward of Present Value of In-Force

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Balance at beginning-of-period          | 1,412.3 | 1,387.4 | 1,362.5 | 1,336.1 | 1,321.4 |
| Amortization                            | (34.4)  | (21.8)  | (21.3)  | (31.9)  | (40.2)  |
| Foreign currency translation adjustment | 10.3    | (3.2)   | (5.1)   | 17.4    | 5.7     |
| Other                                   | (0.7)   |         |         | (0.1)   |         |
|   | -----   | -----   | -----   | -----   | -----   |
| Balance at end-of-period                | 1,387.4 | 1,362.5 | 1,336.1 | 1,321.4 | 1,286.9 |
|   | =====   | =====   | =====   | =====   | =====   |

| For the Quarter Ended                                    | Dec<br>2002 | Mar<br>2003 | Jun<br>2003 | Sep<br>2003 |
|--|-------------|-------------|-------------|-------------|
|  | -----       | -----       | -----       | -----       |
| Revenue  |             |             |             |             |
| Life and annuity premiums                                | 80.7        | 65.3        | 65.9        | 69.1        |
| Surrender charges  | 23.5        | 18.9        | 21.3        | 21.5        |
| Mortality assessments                                    | 135.3       | 138.9       | 135.6       | 137.9       |
| Expense assessments                                      | 187.6       | 177.1       | 190.9       | 198.5       |
| Health premiums  | 19.1        | 3.0         | 0.1         | 0.4         |
| Investment advisory fees                                 | 44.7        | 44.2        | 49.4        | 53.2        |
| Amortization of deferred gain                            | 6.9         | 18.4        | 18.2        | 18.3        |
| Amortization of deferred gain-reserve development        | 0.5         | (0.2)       | (0.2)       | 3.7         |
| Other revenue and fees                                   | 81.5        | 70.6        | 74.5        | 82.9        |
| Net investment income                                    | 667.3       | 654.6       | 660.2       | 664.4       |
| Earnings in Unconsolidated Affiliates                    |             |             |             |             |
| Realized gains (losses) on investments                   | (58.9)      | (89.6)      | (1.7)       | 9.8         |
| Gains (losses) on derivatives                            | 0.3         | (1.9)       | (1.0)       | 9.1         |
|  | -----       | -----       | -----       | -----       |
| Total Revenue  | 1,188.6     | 1,099.3     | 1,213.2     | 1,268.8     |
|  | -----       | -----       | -----       | -----       |
| Benefits and Expenses                                    |             |             |             |             |
| Ins. benefits paid or provided:                          |             |             |             |             |
| Life and annuity policy benefits                         | 214.0       | 187.1       | 155.1       | 227.1       |
| Div accum & div to policyholders                         | 22.8        | 14.4        | 17.6        | 15.9        |
| Interest credited to policy bal.                         | 411.1       | 409.3       | 406.3       | 405.6       |
| Health policy benefits                                   | 5.1         | 2.3         | 14.2        | (41.5)      |
| Reserve developments on Reins. business sold             | 13.2        |             |             | 32.1        |
|  | -----       | -----       | -----       | -----       |
| Total insurance benefits                                 | 666.2       | 613.0       | 593.2       | 639.2       |
| Underwriting, acquisition, insurance and other expenses: |             |             |             |             |
| Commissions  | 162.0       | 125.7       | 132.9       | 144.1       |
| Other volume related expenses                            | 72.6        | 71.5        | 65.4        | 90.5        |
| Operating and administrative expenses                    | 259.7       | 217.8       | 235.5       | 209.8       |
| Restructuring charges                                    | (1.7)       | 5.5         | 13.5        | 19.8        |
| Loss on early retirement of subordinated debt            |             |             |             | 5.6         |
| Taxes, licenses and fees                                 | 22.6        | 30.6        | 23.1        | 26.4        |
| Par policyholder interests                               |             |             |             |             |
| Foreign exchange   | (0.6)       | (0.0)       |             |             |
|  | -----       | -----       | -----       | -----       |
| Subtotal   | 514.6       | 451.2       | 470.3       | 496.2       |
| Deferral of acquisition costs                            | (167.8)     | (148.5)     | (140.6)     | (165.7)     |
| DAC amortization   | 62.8        | 100.1       | 64.0        | 67.9        |
|  | -----       | -----       | -----       | -----       |
| DAC deferral net of amortization                         | (105.0)     | (48.4)      | (76.5)      | (97.8)      |
| PVIF amortization  | 43.0        | 22.7        | 13.6        | 29.6        |
| Other intangibles amortization                           | 2.0         | 2.0         | 2.0         | 2.0         |

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|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Total underwriting, acquisition,<br>insurance and other expenses                    | 454.5   | 427.5   | 409.3   | 430.0   |
| Goodwill amortization   |         |         |         |         |
| Interest  | 23.5    | 23.3    | 23.0    | 21.0    |
| Total Benefits and Expenses   | 1,144.2 | 1,063.9 | 1,025.5 | 1,090.2 |
| Income Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes     | 44.4    | 35.4    | 187.7   | 178.7   |
| Federal income taxes  | (6.6)   | (6.1)   | 45.0    | 45.4    |
| Income Before Cumulative Effect of<br>Accounting Changes                            | 51.0    | 41.6    | 142.7   | 133.3   |
| Cumulative effect of accounting changes   |         |         |         |         |
| Net Income  | 51.0    | 41.6    | 142.7   | 133.3   |
| Less:   |         |         |         |         |
| Restructuring charges   | 1.7     | (3.6)   | (8.8)   | (12.9)  |
| Realized gains (losses) on investments  | (33.3)  | (58.2)  | (1.1)   | 6.4     |
| Gains (losses) on derivatives   | 0.2     | (1.2)   | (0.6)   | 5.9     |
| Reserve increase on business sold<br>through reinsurance                            | (8.2)   | (0.1)   | (0.1)   | (18.5)  |
| Gain on sale of subsidiaries  | (9.4)   |         |         |         |
| Cumulative Effect of Accounting Changes   |         |         |         |         |
| Loss on early retirement of subordinated debt                                       |         |         |         | (3.7)   |
| Income from Operations  | 100.0   | 104.8   | 153.3   | 156.0   |
| Roll Forward of Deferred Acquisition Costs  |         |         |         |         |
| Balance at beginning-of-period  | 2,868.7 | 2,970.9 | 2,919.0 | 2,697.1 |
| Deferral  | 167.8   | 148.5   | 140.6   | 165.7   |
| Amortization  | (62.8)  | (100.1) | (64.0)  | (67.9)  |
| Included in Total Benefits and Expenses   | 105.0   | 48.4    | 76.5    | 97.8    |
| Adjustment related to realized (gains)<br>losses on securities available-for-sale   | 17.8    | 30.0    | 8.3     | (60.6)  |
| Adjustment related to unrealized (gains)<br>losses on securities available-for-sale | (34.2)  | (119.4) | (334.0) | 182.2   |
| Foreign currency translation adjustment   | 13.7    | (10.9)  | 27.2    | 2.8     |
| Disposition of business   |         |         |         |         |
| Other   |         |         |         |         |
| Balance at end-of-period  | 2,970.9 | 2,919.0 | 2,697.1 | 2,919.4 |
| Roll Forward of Present Value of In-Force   |         |         |         |         |
| Balance at beginning-of-period  | 1,286.9 | 1,250.1 | 1,223.1 | 1,220.8 |
| Amortization  | (43.0)  | (22.7)  | (13.6)  | (29.6)  |
| Foreign currency translation adjustment   | 6.1     | (4.3)   | 11.2    | 1.3     |
| Other   | 0.1     |         |         |         |
| Balance at end-of-period  | 1,250.1 | 1,223.1 | 1,220.8 | 1,192.5 |

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

| ASSETS                             | Lincoln Retirement |             | Life Insurance |             | Investmen   | Managemen |
|------------------------------------|--------------------|-------------|----------------|-------------|-------------|-----------|
|                                    | Sep<br>2003        | Dec<br>2002 | Sep<br>2003    | Dec<br>2002 | Sep<br>2003 |           |
| Investments                        |                    |             |                |             |             |           |
| Corporate bonds                    | 14,239.2           | 12,928.9    | 8,397.4        | 7,879.1     | 527.3       |           |
| U.S. government bonds              | 53.8               | 41.1        | 70.2           | 87.0        | 0.1         |           |
| Foreign government bonds           | 337.0              | 259.2       | 170.7          | 136.5       | 3.8         |           |
| Asset/Mortgage backed securities   | 3,190.5            | 3,243.5     | 1,194.3        | 937.0       | 59.2        |           |
| State and municipal bonds          | 90.8               | 67.8        | 44.7           | 30.4        | 1.2         |           |
| Preferred stocks-redeemable        | 34.8               | 55.6        | 23.6           | 12.5        |             |           |
| Common stocks                      | -                  | 0.1         | 0.0            | 1.5         |             |           |
| Preferred stocks-equity            | 34.1               | 33.6        |                |             | 2.8         |           |
| Mortgage loans                     | 2,148.7            | 2,210.3     | 1,579.5        | 1,572.6     | 75.4        |           |
| Real estate                        |                    |             |                |             |             |           |
| Policy loans                       | 448.4              | 469.5       | 1,455.2        | 1,468.2     |             |           |
| Other long-term investments        | 34.4               | 27.9        | 14.7           | 23.7        |             |           |
| Total Investments                  | 20,611.7           | 19,337.5    | 12,950.3       | 12,148.5    | 669.7       |           |
| Allocated investments              | 3,625.1            | 3,757.4     | 1,232.7        | 1,250.7     | 95.3        |           |
| Notes receivable from LNC          | 367.3              | 358.8       | 237.2          | 207.7       | 35.5        |           |
| Invest in unconsol affiliates      |                    |             |                |             |             |           |
| Cash and invested cash             | (64.0)             | (76.7)      | (50.0)         | (22.7)      | 80.3        |           |
| Property and equipment             | 6.8                | 1.5         | 2.0            | 7.7         | 40.6        |           |
| Premium and fees receivable        | 2.8                | 0.7         | 20.9           | 32.0        | 45.4        |           |
| Accrued investment income          | 250.6              | 256.7       | 192.3          | 171.7       | 9.5         |           |
| Assets held in separate accounts   | 30,479.1           | 26,934.1    | 1,601.5        | 1,310.4     |             |           |
| Federal income tax recoverable     |                    |             |                |             |             |           |
| Amount recoverable from reinsurers | 1,289.5            | 1,169.7     | 991.6          | 920.5       |             |           |
| Deferred acquisition costs         | 761.3              | 855.8       | 1,483.4        | 1,424.5     |             |           |
| Other intangible assets            |                    |             |                |             | 35.9        |           |
| Present value of in-force          | 115.0              | 122.7       | 828.5          | 890.1       |             |           |
| Goodwill                           | 64.1               | 64.1        | 855.1          | 855.1       | 300.7       |           |
| Other                              | 127.6              | 114.1       | 408.1          | 395.6       | 212.1       |           |
| Total Assets                       | 57,636.8           | 52,896.4    | 20,753.5       | 19,591.6    | 1,525.1     | 1,        |

| ASSETS | Corporate and<br>Other Operations |             | Consolidating<br>Adjustments |             |  |  |
|--------|-----------------------------------|-------------|------------------------------|-------------|--|--|
|        | Sep<br>2003                       | Dec<br>2002 | Sep<br>2003                  | Dec<br>2002 |  |  |
|        |                                   |             |                              |             |  |  |

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|                                    |          |          |           |           |       |       |
|------------------------------------|----------|----------|-----------|-----------|-------|-------|
| Investments                        |          |          |           |           |       |       |
| Corporate bonds                    | 4,479.7  | 4,011.1  |           |           |       |       |
| U.S. government bonds              | 378.3    | 385.4    |           |           |       |       |
| Foreign government bonds           | 508.5    | 405.6    |           |           |       |       |
| Asset/Mortgage backed securities   | 548.7    | 787.8    |           |           |       |       |
| State and municipal bonds          | 27.2     | 16.2     |           |           |       |       |
| Preferred stocks-redeemable        | 7.2      | 2.1      |           |           |       |       |
| Common stocks                      | 76.0     | 97.4     |           |           |       |       |
| Preferred stocks-equity            | 74.3     | 72.9     |           |           |       |       |
| Mortgage loans                     | 347.7    | 341.0    |           |           |       |       |
| Real estate                        | 249.5    | 279.5    |           |           |       |       |
| Policy loans                       |          |          |           |           |       |       |
| Other long-term investments        | 433.4    | 412.8    | (0.0)     | (0.0)     |       |       |
|                                    | -----    | -----    | -----     | -----     | ----- | ----- |
| Total Investments                  | 7,130.5  | 6,811.9  | (0.0)     | (0.0)     |       |       |
|                                    | =====    | =====    | =====     | =====     | ===== | ===== |
| Allocated investments              | 20.1     | (468.2)  | (4,983.2) | (4,639.9) |       |       |
| Notes receivable from LNC          | (640.0)  | (617.6)  | (0.0)     | (0.5)     |       |       |
| Invest in unconsol affiliates      |          |          |           |           |       |       |
| Cash and invested cash             | 1,860.1  | 1,530.4  |           |           |       |       |
| Property and equipment             | 169.6    | 169.3    |           |           |       |       |
| Premium and fees receivable        | 237.4    | 143.2    |           |           |       |       |
| Accrued investment income          | 81.1     | 77.0     |           |           |       |       |
| Assets held in separate accounts   |          |          | 3,510.8   | 2,856.0   |       |       |
| Federal income tax recoverable     |          |          |           | 317.7     |       |       |
| Amount recoverable from reinsurers | 5,508.4  | 5,450.1  | (251.7)   | (260.3)   |       |       |
| Deferred acquisition costs         | 1.9      | 2.2      | 81.9      | 90.8      |       |       |
| Other intangible assets            |          |          |           |           |       |       |
| Present value of in-force          |          |          |           |           |       |       |
| Goodwill                           | (0.0)    | (0.0)    |           |           |       |       |
| Other                              | 655.1    | 853.2    | (333.7)   | (407.0)   |       |       |
|                                    | -----    | -----    | -----     | -----     | ----- | ----- |
| Total Assets                       | 15,034.2 | 13,951.4 | (1,975.9) | (2,043.4) |       |       |
|                                    | =====    | =====    | =====     | =====     | ===== | ===== |

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

|   | Lincoln Retirement |             | Life Insurance |             | Investm<br>Managem |
|---|--------------------|-------------|----------------|-------------|--------------------|
| LIABILITIES and SHAREHOLDERS' EQUITY    | Sep<br>2003        | Dec<br>2002 | Sep<br>2003    | Dec<br>2002 | Sep<br>2003        |
|   | -----              | -----       | -----          | -----       | -----              |
| Liabilities                             |                    |             |                |             |                    |
| Insurance and Inv Contract Liabilities: |                    |             |                |             |                    |
| Life and annuity reserves               | 2,684.2            | 2,718.5     | 14,377.1       | 13,780.9    |                    |
| Health reserves                         |                    |             | 0.3            | 0.3         |                    |
| Unpaid claims - life and health         | 50.6               | 48.3        | 112.6          | 108.3       |                    |
| Unearned premiums                       |                    |             | 0.0            | 0.0         |                    |
| Premium deposit funds                   | 20,961.2           | 19,921.6    | 19.2           | 18.3        |                    |
| Participating policyholders' funds      |                    |             | 179.2          | 156.7       |                    |
| Other policyholders' funds              |                    |             | 652.9          | 603.5       |                    |
| Liab related to separate accounts       | 30,479.1           | 26,934.1    | 1,601.5        | 1,310.4     |                    |

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|  |          |          |          |          |         |
|--|----------|----------|----------|----------|---------|
| Total Insurance and Inv Contract Liabilities               | 54,175.1 | 49,622.4 | 16,942.8 | 15,978.4 |         |
| Federal income taxes                                       | 358.6    | 218.6    | 173.0    | 95.7     | 18.8    |
| Short-term debt  |          |          |          |          |         |
| Long-term debt   |          |          |          |          |         |
| Junior subordinated debentures issued to affiliated trusts |          |          |          |          |         |
| Notes payable to LNC                                       | 2.7      | 0.2      |          |          |         |
| Other liabilities  | 164.0    | 94.5     | 500.4    | 443.9    | 891.6   |
| Deferred gain on indemnity reinsurance                     |          |          |          |          |         |
| Total Liabilities  | 54,700.4 | 49,935.7 | 17,616.2 | 16,518.0 | 910.4   |
| Net unrealized gains (losses) on securities                | 522.8    | 309.8    | 271.5    | 178.0    | 3.2     |
| Gains (losses) on derivatives*                             | 10.4     | 10.6     | 13.7     | 16.7     |         |
| Other shareholders' equity                                 | 2,403.2  | 2,640.3  | 2,852.8  | 2,879.6  | 614.1   |
| S/Hs' equity-minimum pension liability adjustment          |          |          | (0.7)    | (0.7)    | (2.6)   |
| Cumulative effect of accounting change                     |          |          |          |          |         |
| Shareholders' Equity                                       | 2,936.4  | 2,960.7  | 3,137.3  | 3,073.6  | 614.7   |
| Total Liabilities and S/Hs' Equity                         | 57,636.8 | 52,896.4 | 20,753.5 | 19,591.6 | 1,525.1 |

| LIABILITIES and SHAREHOLDERS' EQUITY                       | Corporate and Other Operations |          | Consolidating Adjustments |          |
|--|--------------------------------|----------|---------------------------|----------|
|  | Sep 2003                       | Dec 2002 | Sep 2003                  | Dec 2002 |
| Liabilities  |                                |          |                           |          |
| Insurance and Inv Contract Liabilities:                    |                                |          |                           |          |
| Life and annuity reserves                                  | 2,180.6                        | 2,209.4  | (94.0)                    | (94.7)   |
| Health reserves  | 2,611.0                        | 2,640.2  |                           |          |
| Unpaid claims - life and health                            | 832.5                          | 577.1    | (2.8)                     |          |
| Unearned premiums  | 26.9                           | 141.2    |                           |          |
| Premium deposit funds                                      | 135.1                          | 40.1     | 535.6                     | 508.1    |
| Participating policyholders' funds                         |                                |          |                           |          |
| Other policyholders' funds                                 | 18.6                           | 7.4      |                           |          |
| Liab related to separate accounts                          |                                |          | 3,510.8                   | 2,856.0  |
| Total Insurance and Inv Contract Liabilities               | 5,804.6                        | 5,615.4  | 3,949.5                   | 3,269.4  |
| Federal income taxes                                       | (512.6)                        | (655.3)  | 0.8                       | 318.5    |
| Short-term debt  | 90.9                           | 153.0    |                           |          |
| Long-term debt   | 1,118.5                        | 1,119.2  |                           |          |
| Junior subordinated debentures issued to affiliated trusts | 333.6                          | 392.7    |                           |          |
| Notes payable to LNC                                       | 238.4                          | 308.7    | (240.9)                   | (308.9)  |
| Other liabilities  | 3,668.1                        | 3,277.6  | (701.3)                   | (681.5)  |
| Deferred gain on indemnity reinsurance                     | 949.0                          | 977.1    |                           |          |

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|   |          |          |           |           |  |
|---|----------|----------|-----------|-----------|--|
| Total Liabilities                           | 11,691.2 | 11,188.6 | 3,008.1   | 2,597.4   |  |
| Net unrealized gains (losses) on securities | (24.4)   | 228.2    | 5.2       | 5.2       |  |
| Gains (losses) on derivatives*              | 0.1      | 1.0      |           |           |  |
| Other shareholders' equity                  | 3,428.9  | 2,595.2  | (4,962.9) | (4,645.9) |  |
| Minimum pension liability adjustment        | (61.6)   | (61.6)   |           |           |  |
| Cumulative effect of accounting change      |          |          |           |           |  |
| Shareholders' Equity                        | 3,343.0  | 2,762.9  | (4,960.7) | (4,640.7) |  |
| Total Liabilities and S/Hs' Equity          | 15,034.2 | 13,951.4 | (1,952.6) | (2,043.4) |  |

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

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

| ASSETS                              | 1998     | 1999     | 2000     | 2001     | 2002     |
|-------------------------------------|----------|----------|----------|----------|----------|
| Investments                         |          |          |          |          |          |
| Corporate bonds                     | 22,505.2 | 21,119.5 | 21,249.7 | 23,105.1 | 25,934.7 |
| U.S. government bonds               | 1,134.6  | 538.3    | 542.9    | 410.5    | 513.6    |
| Foreign government bonds            | 1,321.2  | 1,447.5  | 1,321.1  | 1,174.7  | 1,110.2  |
| Mortgage backed securities          | 5,080.5  | 4,404.0  | 4,160.4  | 3,524.7  | 5,015.5  |
| State and municipal bonds           | 16.7     | 14.7     | 14.6     | 44.7     | 114.4    |
| Preferred stocks-redeemable         | 174.6    | 164.7    | 161.2    | 85.9     | 79.0     |
| Common stocks                       | 463.1    | 514.5    | 436.6    | 319.3    | 228.0    |
| Preferred stocks-equity             | 79.8     | 89.5     | 113.1    | 151.2    | 109.2    |
| Mortgage loans                      | 4,393.1  | 4,735.4  | 4,663.0  | 4,535.5  | 4,205.5  |
| Real estate                         | 488.7    | 256.2    | 282.0    | 267.9    | 279.7    |
| Policy loans                        | 1,840.0  | 1,892.4  | 1,960.9  | 1,939.7  | 1,945.6  |
| Other long-term investments         | 432.0    | 401.8    | 463.3    | 553.8    | 464.4    |
| Total Investments                   | 37,929.5 | 35,578.4 | 35,368.6 | 36,113.1 | 39,999.9 |
| Invest in unconsol affiliates       | 18.8     | 25.8     | 6.4      | 8.1      |          |
| Cash and invested cash              | 2,433.4  | 1,895.9  | 1,927.4  | 3,095.5  | 1,690.5  |
| Property and equipment              | 174.8    | 203.8    | 228.2    | 257.5    | 242.1    |
| Premiums and fees receivable        | 246.2    | 259.6    | 296.7    | 400.1    | 212.9    |
| Accrued investment income           | 528.5    | 533.2    | 546.4    | 563.5    | 536.7    |
| Assets held in separate accounts    | 43,408.9 | 53,654.2 | 50,579.9 | 44,833.4 | 36,178.3 |
| Federal income taxes recoverable    | 204.1    | 345.0    | 234.1    | 55.5     | 317.7    |
| Amounts recoverable from reinsurers | 3,127.1  | 3,954.3  | 3,747.7  | 6,030.4  | 7,280.0  |
| Deferred acquisition costs          | 1,964.4  | 2,800.3  | 3,070.5  | 2,885.3  | 2,970.9  |
| Other intangible assets             | 95.1     | 92.3     | 73.7     | 50.1     | 41.8     |
| Present value of in-force           | 1,753.3  | 1,654.2  | 1,483.3  | 1,362.5  | 1,250.1  |
| Goodwill                            | 1,484.3  | 1,423.0  | 1,286.0  | 1,211.8  | 1,233.2  |

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|  |          |           |          |          |          |
|--|----------|-----------|----------|----------|----------|
| Other  | 468.0    | 675.7     | 1,021.6  | 1,174.9  | 1,230.3  |
| Total Assets   | 93,836.3 | 103,095.7 | 99,870.6 | 98,041.6 | 93,184.6 |
| LIABILITIES and SHAREHOLDERS' EQUITY                       |          |           |          |          |          |
| Liabilities  |          |           |          |          |          |
| Insurance and Investment Contract Liabilities:             |          |           |          |          |          |
| Life and annuity reserves                                  | 16,434.2 | 17,071.4  | 17,841.2 | 17,917.0 | 19,950.3 |
| Health reserves  | 2,600.1  | 2,507.8   | 2,523.8  | 2,537.9  | 2,689.0  |
| Unpaid claims-life and health                              | 1,043.4  | 1,269.8   | 1,316.6  | 1,087.5  | 778.4    |
| Unearned premiums  | 62.3     | 75.8      | 46.5     | 66.9     | 141.2    |
| Premium deposit funds                                      | 20,171.9 | 19,624.1  | 17,715.5 | 18,585.0 | 20,518.8 |
| Participating policyholders' funds                         | 142.7    | 132.0     | 139.4    | 100.2    | 156.7    |
| Other policyholders' funds                                 | 438.4    | 472.6     | 522.2    | 562.7    | 610.9    |
| Liab related to separate accounts                          | 43,408.9 | 53,654.2  | 50,579.9 | 44,833.4 | 36,178.3 |
| Total Ins and Inv Contr Liabilities                        | 84,301.9 | 94,807.7  | 90,685.1 | 85,690.6 | 81,023.6 |
| Federal income taxes                                       |          |           |          |          |          |
| Short-term debt  | 314.6    | 460.2     | 312.9    | 350.2    | 153.0    |
| Long-term debt   | 712.2    | 712.0     | 712.2    | 861.8    | 1,119.2  |
| Junior subordinated debentures issued to affiliated trusts |          |           |          |          |          |
|  | 745.0    | 745.0     | 745.0    | 474.7    | 392.7    |
| Other liabilities  | 2,374.6  | 2,107.0   | 2,434.7  | 4,216.1  | 4,171.5  |
| Deferred gain on indemnity reinsurance                     |          |           |          | 1,144.5  | 977.1    |
| Total Liabilities  | 88,448.3 | 98,831.9  | 94,890.0 | 92,737.8 | 87,837.2 |
| S/Hs' equity-unrealized gains (losses)-cont op.            |          |           |          |          |          |
|  | 552.4    | (465.7)   | 12.0     | 199.6    | 781.6    |
| S/Hs' equity-foreign currency                              | 50.0     | 30.0      | 21.9     | (8.1)    | 50.8     |
| S/Hs' equity-minimum pension liability adjustment          |          |           |          | (36.0)   | (97.8)   |
| S/Hs' equity-other   | 4,785.5  | 4,699.6   | 4,946.7  | 5,130.7  | 4,612.9  |
| Cumulative effect of accounting change                     |          |           |          | 17.6     |          |
| Total Shareholders' Equity                                 | 5,387.9  | 4,263.9   | 4,980.6  | 5,303.8  | 5,347.5  |
| Total Liabilities and Shareholders' Equity                 | 93,836.3 | 103,095.7 | 99,870.6 | 98,041.6 | 93,184.6 |
| Shareholders' Equity Per Share                             |          |           |          |          |          |
| Book Value, Excluding AOCI                                 | \$23.62  | \$23.98   | \$25.88  | \$27.39  | \$25.97  |
| Common shares outstanding                                  | 202.6    | 196.0     | 191.2    | 187.3    | 177.6    |

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

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|   | Sep<br>2001     | Dec<br>2001     | Mar<br>2002     | Jun<br>2002     | Sep<br>2002     | Dec<br>2002     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>ASSETS</b>                               |                 |                 |                 |                 |                 |                 |
| Investments                                 |                 |                 |                 |                 |                 |                 |
| Corporate bonds                             | 23,424.3        | 23,105.1        | 23,470.4        | 23,993.6        | 25,484.6        | 25,934.7        |
| U.S. government bonds                       | 467.7           | 410.5           | 429.1           | 441.6           | 495.3           | 513.6           |
| Foreign government bonds                    | 1,160.3         | 1,174.7         | 1,180.1         | 1,120.1         | 1,038.6         | 1,110.2         |
| Mortgage backed securities                  | 3,765.6         | 3,524.7         | 3,613.9         | 4,031.0         | 4,843.7         | 5,015.5         |
| State and municipal bonds                   | 14.4            | 44.7            | 62.6            | 58.8            | 97.8            | 114.4           |
| Preferred stocks - redeemable               | 99.3            | 85.9            | 84.6            | 79.6            | 76.8            | 79.0            |
| Common stocks                               | 311.2           | 319.3           | 284.4           | 267.7           | 237.2           | 228.0           |
| Preferred stocks-equity                     | 166.5           | 151.2           | 154.2           | 151.8           | 160.3           | 109.2           |
| Mortgage loans                              | 4,663.1         | 4,535.5         | 4,448.2         | 4,395.4         | 4,285.2         | 4,205.5         |
| Real estate                                 | 288.8           | 267.9           | 258.2           | 258.7           | 286.4           | 279.7           |
| Policy loans                                | 1,943.4         | 1,939.7         | 1,918.0         | 1,906.1         | 1,899.0         | 1,945.6         |
| Other long-term investments                 | 483.4           | 553.8           | 459.6           | 456.0           | 457.7           | 464.4           |
| <b>Total Investments</b>                    | <b>36,788.0</b> | <b>36,113.1</b> | <b>36,363.1</b> | <b>37,160.1</b> | <b>39,362.6</b> | <b>39,999.9</b> |
| Invest in unconsol affiliates               | 6.5             | 8.1             | 8.1             | 7.5             |                 |                 |
| Cash and invested cash                      | 1,996.3         | 3,095.5         | 1,699.5         | 2,265.4         | 1,599.9         | 1,690.5         |
| Property and equipment                      | 261.0           | 257.5           | 266.4           | 253.5           | 252.7           | 242.1           |
| Premiums and fees receivable                | 264.5           | 400.1           | 376.3           | 461.4           | 577.2           | 212.9           |
| Accrued investment income                   | 615.1           | 563.5           | 577.1           | 556.3           | 568.2           | 536.7           |
| Assets held in separate accounts            | 39,479.8        | 44,833.4        | 44,916.7        | 40,579.6        | 34,069.0        | 36,178.3        |
| Federal income taxes recoverable            | 71.6            | 55.5            | 593.4           | 483.4           | 340.7           | 317.7           |
| Amount recoverable from reinsurers          | 3,818.3         | 6,030.4         | 6,096.3         | 6,509.9         | 7,094.5         | 7,280.0         |
| Deferred acquisition costs                  | 3,087.2         | 2,885.3         | 3,114.9         | 3,056.6         | 2,868.7         | 2,970.9         |
| Other intangible assets                     | 64.1            | 50.1            | 47.9            | 45.8            | 43.8            | 41.8            |
| Present value of in-force                   | 1,387.4         | 1,362.5         | 1,336.1         | 1,321.4         | 1,286.9         | 1,250.1         |
| Goodwill                                    | 1,253.2         | 1,211.8         | 1,211.5         | 1,212.4         | 1,232.7         | 1,233.2         |
| Other                                       | 1,149.4         | 1,174.9         | 1,280.9         | 1,200.6         | 1,187.1         | 1,230.3         |
| <b>Total Assets</b>                         | <b>90,242.4</b> | <b>98,041.6</b> | <b>97,888.5</b> | <b>95,114.2</b> | <b>90,483.9</b> | <b>93,184.6</b> |
| <b>LIABILITIES and SHAREHOLDERS' EQUITY</b> |                 |                 |                 |                 |                 |                 |
| Liabilities                                 |                 |                 |                 |                 |                 |                 |
| Insurance and Inv Contract                  |                 |                 |                 |                 |                 |                 |
| Liabilities:                                |                 |                 |                 |                 |                 |                 |
| Life and annuity reserves                   | 17,990.8        | 17,917.0        | 18,014.6        | 18,611.2        | 19,142.5        | 19,950.3        |
| Health reserves                             | 2,573.2         | 2,537.9         | 2,492.4         | 2,176.1         | 2,448.3         | 2,689.0         |
| Unpaid claims - life and health             | 1,206.6         | 1,087.5         | 1,153.6         | 1,086.1         | 1,100.9         | 778.4           |
| Unearned premiums                           | 8.1             | 66.9            | 66.5            | 154.3           | 185.8           | 141.2           |
| Premium deposit funds                       | 18,509.7        | 18,585.0        | 18,669.6        | 19,157.8        | 20,054.4        | 20,518.8        |
| Participating policyholders' funds          | 118.3           | 100.2           | 98.6            | 91.9            | 90.5            | 156.7           |
| Other policyholders' funds                  | 554.3           | 562.7           | 571.9           | 584.7           | 595.7           | 610.9           |
| Liab related to separate accounts           | 39,479.8        | 44,833.4        | 44,916.7        | 40,579.6        | 34,069.0        | 36,178.3        |
| <b>Total Ins and Inv Contr Liabilities</b>  | <b>80,440.8</b> | <b>85,690.6</b> | <b>85,983.9</b> | <b>82,441.8</b> | <b>77,687.1</b> | <b>81,023.6</b> |
| Federal income taxes                        |                 |                 |                 |                 |                 |                 |



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|  |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Short-term debt  | 539.0           | 350.2           | 510.2           | 211.0           | 120.0           | 153.0           |
| Long-term debt   | 712.4           | 861.8           | 861.8           | 1,112.3         | 1,118.1         | 1,119.2         |
| Junior subordinated debentures issued to affiliated trusts | 305.0           | 474.7           | 376.2           | 380.0           | 390.6           | 392.7           |
| Notes payable to LNC                                       |                 |                 | (0.0)           | 0.0             | (0.0)           | (0.0)           |
| Other liabilities  | 2,840.2         | 4,216.1         | 3,864.6         | 4,501.1         | 4,661.9         | 4,171.5         |
| Deferred gain on indemnity reinsurance                     |                 | 1144.5          | 1,118.6         | 1,115.2         | 1,069.5         | 977.1           |
| <b>Total Liabilities</b>                                   | <b>84,837.4</b> | <b>92,737.8</b> | <b>92,715.3</b> | <b>89,761.4</b> | <b>85,047.1</b> | <b>87,837.2</b> |
| S/Hs' equity-unrealized gns (losses)- inv.                 | 247.9           | 195.7           | 31.8            | 325.7           | 817.5           | 753.3           |
| S/Hs' equity- gains (losses)- derivatives*                 | 2.9             | 3.9             | 22.6            | 22.7            | 27.3            | 28.3            |
| S/Hs' equity-foreign currency                              | 6.9             | (8.0)           | (20.8)          | 22.0            | 35.4            | 50.8            |
| S/Hs' equity-minimum pension liability adj                 |                 | (36.0)          | (35.2)          | (37.8)          | (35.2)          | (97.8)          |
| S/Hs' equity-other   | 5,129.8         | 5,130.6         | 5,174.7         | 5,020.3         | 4,591.8         | 4,612.9         |
| Cumulative effect of accounting change                     | 17.4            | 17.6            |                 |                 |                 |                 |
| <b>Total Shareholders' Equity</b>                          | <b>5,405.0</b>  | <b>5,303.8</b>  | <b>5,173.2</b>  | <b>5,352.8</b>  | <b>5,436.8</b>  | <b>5,347.5</b>  |
| <b>Total Liabilities and Shareholders' Equity</b>          | <b>90,242.4</b> | <b>98,041.6</b> | <b>97,888.5</b> | <b>95,114.2</b> | <b>90,483.9</b> | <b>93,184.6</b> |
| <b>Shareholders' Equity Per Share</b>                      |                 |                 |                 |                 |                 |                 |
| Book Value, Excluding AOCI                                 | \$27.03         | \$27.39         | \$27.54         | \$27.21         | \$25.87         | \$25.97         |
| Common shares outstanding                                  | 189.8           | 187.3           | 187.9           | 184.5           | 177.5           | 177.6           |

\* Cumulative effect of accounting change recorded upon the adoption of FAS 133 in the 1st quarter 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           | YTD<br>Sep<br>2002 |
|--|----------------|----------------|----------------|----------------|----------------|--------------------|
| Revenue                                |                |                |                |                |                |                    |
| Premiums                               | 53.9           | 65.2           | 64.3           | 77.5           | 47.4           | 38.7               |
| Surrender charges                      | 33.5           | 37.9           | 41.8           | 31.2           | 31.2           | 23.8               |
| Expense assessments                    | 430.7          | 501.3          | 591.3          | 508.6          | 446.2          | 345.7              |
| Other revenue and fees                 | 1.7            | 14.5           | 11.0           | 16.7           | 3.3            | 0.6                |
| Net investment income                  | 1,530.8        | 1,509.1        | 1,430.5        | 1,399.1        | 1,457.5        | 1,079.1            |
| Realized gains (losses) on investments | 17.5           | (12.1)         | (5.2)          | (64.5)         | (196.6)        | (150.5)            |
| Gains (losses) on derivatives          | 0.0            | 0.0            | 0.0            | (0.3)          | (1.2)          | (1.2)              |
| <b>Total Revenue</b>                   | <b>2,068.1</b> | <b>2,115.8</b> | <b>2,133.7</b> | <b>1,968.3</b> | <b>1,787.7</b> | <b>1,336.3</b>     |

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|  |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|
| Operating Benefits and Expenses                                      |         |         |         |         |         |         |
| Benefits paid or provided:   |         |         |         |         |         |         |
| Benefits   | 271.6   | 259.1   | 254.7   | 263.9   | 314.1   | 235.8   |
| Interest credited to policy bal.                                     | 955.2   | 925.2   | 866.1   | 863.8   | 903.8   | 672.1   |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Total insurance benefits   | 1,226.8 | 1,184.3 | 1,120.8 | 1,127.7 | 1,217.9 | 907.8   |
| Underwriting, acquisition,<br>insurance and other expenses           |         |         |         |         |         |         |
| Commissions  | 236.7   | 341.4   | 326.8   | 336.3   | 320.8   | 248.0   |
| Other volume related expenses  | 33.1    | 42.8    | 52.0    | 49.7    | 64.6    | 46.5    |
| Operating and administrative<br>expenses                             | 194.0   | 208.6   | 206.6   | 231.8   | 231.3   | 161.4   |
| Restructuring charges  | 0.0     | 0.0     | 0.0     | 2.0     | 1.6     | 1.6     |
| Taxes, licenses and fees   | 13.8    | 0.3     | 9.3     | 13.7    | 11.5    | 11.9    |
| Par policyholder interests   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Subtotal   | 477.6   | 593.2   | 594.8   | 633.6   | 629.8   | 469.4   |
| Deferral of acquisition costs  |         |         |         | (240.9) | (243.9) | (188.6) |
| DAC amortization   |         |         |         | 125.5   | 157.7   | 128.0   |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| DAC deferral net of amortization                                     | 9.7     | (47.7)  | (37.5)  | (115.4) | (86.2)  | (60.6)  |
| PVIF amortization  | 11.4    | 15.3    | 24.2    | 14.7    | 31.8    | 11.8    |
| Other intangibles amortization                                       | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Total underwriting, acquisition,<br>insurance and other expenses     | 498.8   | 560.8   | 581.5   | 532.8   | 575.4   | 420.6   |
| Goodwill amortization  | 2.2     | 2.0     | (0.6)   | 1.2     | 0.0     | 0.0     |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Total Benefits and Expenses  | 1,727.8 | 1,747.1 | 1,701.7 | 1,661.8 | 1,793.3 | 1,328.4 |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Income from Before Federal<br>Income Tax and<br>Cumulative Effect of |         |         |         |         |         |         |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Accounting Changes   | 340.3   | 368.7   | 432.0   | 306.5   | (5.6)   | 7.9     |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Federal income taxes   | 66.5    | 77.2    | 77.3    | 34.1    | (59.3)  | (40.9)  |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Income Before Cumulative<br>Effect of                                |         |         |         |         |         |         |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Accounting Changes   | 273.8   | 291.5   | 354.7   | 272.4   | 53.7    | 48.7    |
| Cumulative effect of accounting<br>changes                           | 0.0     | 0.0     | 0.0     | (7.3)   | 0.0     | 0.0     |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Net Income   | 273.8   | 291.5   | 354.7   | 265.1   | 53.7    | 48.7    |
|  | =====   | =====   | =====   | =====   | =====   | =====   |
| Less:  |         |         |         |         |         |         |
| Realized gains (losses) on<br>investments                            | 11.4    | (7.9)   | (3.4)   | (42.3)  | (127.8) | (97.4)  |
| Gains (losses) on derivatives  | 0.0     | 0.0     | 0.0     | (0.2)   | (0.8)   | (0.8)   |
| Restructuring charges  | 0.0     | 0.0     | 0.0     | (1.3)   | (1.0)   | (1.0)   |
| Cumulative effect of accounting<br>changes                           | 0.0     | 0.0     | 0.0     | (7.3)   | 0.0     | 0.0     |
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Income from Operations   | 262.4   | 299.4   | 358.1   | 316.2   | 183.4   | 147.9   |
|  | =====   | =====   | =====   | =====   | =====   | =====   |
| Effective tax rate on<br>Income from Operations                      | 18.7%   | 21.4%   | 18.1%   | 15.3%   | 5.4%    | 8.2%    |

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|  |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|
| Revenue  | 2,068.1 | 2,115.8 | 2,133.7 | 1,968.3 | 1,787.7 | 1,336.3 |
| Less:  |         |         |         |         |         |         |
| Realized gains (losses) on investments           | 17.5    | (12.1)  | (5.2)   | (64.5)  | (196.6) | (150.5) |
| Gains (losses) on derivatives                    | 0.0     | 0.0     | 0.0     | (0.3)   | (1.2)   | (1.2)   |
| Operating Revenue                                | 2,050.6 | 2,128.0 | 2,138.9 | 2,033.1 | 1,985.5 | 1,487.9 |
| Average capital                                  | 1,592.6 | 1,562.0 | 1602.9  | 1,831.4 | 2,339.6 | 2,284.5 |
| Net Income return on average capital             | 17.2%   | 18.7%   | 22.1%   | 14.5%   | 2.3%    | 2.8%    |
| Income from operations return on average capital | 16.5%   | 19.2%   | 22.3%   | 17.3%   | 7.8%    | 8.6%    |

Roll Forward of Deferred Acquisition Costs

|  |         |         |         |
|--|---------|---------|---------|
| Balance at beginning-of-period   | 812.5   | 912.8   | 912.8   |
| Deferral   | 240.9   | 243.9   | 188.6   |
| Amortization   | (125.5) | (157.7) | (128.0) |
| Included in Total Benefits and Expenses  | 115.4   | 86.2    | 60.6    |
| Adjustment related to realized (gains) losses on securities available-for-sale   | 68.2    | 73.0    | 56.9    |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (90.0)  | (201.4) | (171.5) |
| Other*   | 6.7     | (14.8)  | (14.8)  |
| Balance at end-of-period   | 912.8   | 855.8   | 843.9   |

Roll Forward of Present Value of In-Force

|                                |        |        |        |
|--------------------------------|--------|--------|--------|
| Balance at beginning-of-period | 169.2  | 154.5  | 154.5  |
| Amortization                   | (14.7) | (31.8) | (11.8) |
| Other                          |        |        |        |
| Balance at end-of-period       | 154.5  | 122.7  | 142.7  |

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

Note: 2000, 2001, and 2002 have been restated for the adoption of the fair value method of accounting for stock options under FAS 123.

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

|                       |             |             |             |            |
|-----------------------|-------------|-------------|-------------|------------|
| For the Quarter Ended | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Ju<br>2002 |
|                       | -----       | -----       | -----       | -----      |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Revenue   |        |        |        |        |
| Premiums  | 13.2   | 12.7   | 12.2   | 13.0   |
| Surrender charges   | 6.5    | 7.2    | 7.9    | 7.0    |
| Expense assessments   | 124.9  | 119.7  | 121.0  | 120.0  |
| Other revenue and fees  | 1.2    | 10.0   | 5.8    | (1.0)  |
| Net investment income   | 353.7  | 349.1  | 356.6  | 359.0  |
| Realized gains (losses) on investments  | (20.8) | (31.3) | (50.5) | (56.0) |
| Gains (losses) on derivatives   | (0.5)  | 0.2    | 0.0    | (0.0)  |
|   | -----  | -----  | -----  | -----  |
| Total Revenue   | 478.2  | 467.5  | 453.0  | 442.0  |
|   | -----  | -----  | -----  | -----  |
| Benefits and Expenses   |        |        |        |        |
| Benefits paid or provided:  |        |        |        |        |
| Benefits  | 66.3   | 55.3   | 55.4   | 72.0   |
| Interest credited to policy balances  | 217.2  | 227.5  | 226.1  | 221.0  |
|   | -----  | -----  | -----  | -----  |
| Total insurance benefits  | 283.5  | 282.8  | 281.5  | 294.0  |
| Underwriting, acquisition,<br>insurance and other expenses:                     |        |        |        |        |
| Commissions   | 81.1   | 96.7   | 82.4   | 82.0   |
| Other volume related expenses   | 12.7   | 13.1   | 10.0   | 16.0   |
| Operating and administrative expenses   | 56.9   | 68.0   | 54.6   | 53.0   |
| Restructuring charges   | 0.0    | 0.0    | 0.0    | 1.0    |
| Taxes, licenses and fees  | 2.2    | 4.5    | 4.7    | 4.0    |
| Par policyholder interests  | 0.0    | 0.0    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  |
| Subtotal  | 152.9  | 182.3  | 151.8  | 159.0  |
| Deferral of acquisition costs   | (58.7) | (71.9) | (61.7) | (60.0) |
| DAC amortization  | 35.6   | 20.9   | 32.7   | 48.0   |
|   | -----  | -----  | -----  | -----  |
| DAC deferral net of amortization  | (23.0) | (51.0) | (29.1) | (12.0) |
| PVIF amortization   | 4.5    | 1.4    | 3.8    | 3.0    |
| Other intangibles amortization  | 0.0    | 0.0    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  |
| Total underwriting, acquisition,<br>insurance and other expenses                | 134.4  | 132.7  | 126.5  | 150.0  |
| Goodwill amortization   | 0.3    | 0.3    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  |
| Total Benefits and Expenses   | 418.2  | 415.8  | 408.0  | 444.0  |
|   | -----  | -----  | -----  | -----  |
| Income Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | 60.0   | 51.8   | 45.1   | (2.0)  |
| Federal income taxes  | 2.5    | (1.4)  | (1.5)  | (11.0) |
|   | -----  | -----  | -----  | -----  |
| Income Before Cumulative Effect of<br>Accounting Changes                        | 57.6   | 53.1   | 46.6   | 9.0    |
|   | -----  | -----  | -----  | -----  |
| Cumulative effect of accounting changes   | 0.0    | 0.0    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  |
| Net Income  | 57.6   | 53.1   | 46.6   | 9.0    |
|   | =====  | =====  | =====  | =====  |
| Less:   |        |        |        |        |
| Realized gains (losses) on investments  | (13.5) | (20.7) | (32.8) | (36.0) |
| Gains (losses) on derivatives   | (0.3)  | 0.1    | 0.0    | 0.0    |
| Restructuring charges   | 0.0    | 0.0    | 0.0    | (1.0)  |
| Cumulative effect of accounting changes   | 0.0    | 0.0    |        |        |
|   | -----  | -----  | -----  | -----  |
| Income from Operations  | 71.4   | 73.7   | 79.4   | 46.0   |

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|  | =====   | =====   | =====   | =====   |
|--|---------|---------|---------|---------|
| Effective tax rate on                            |         |         |         |         |
| Income from Operations                           | 12.2%   | 11.1%   | 16.9%   | 16.0%   |
| Revenue  | 478.2   | 467.5   | 453.0   | 442.0   |
| Less:  |         |         |         |         |
| Realized gains (losses) on investments           | (20.8)  | (31.3)  | (50.5)  | (56.1)  |
| Gains (losses) on derivatives                    | (0.5)   | 0.2     | 0.0     | (0.1)   |
|  | -----   | -----   | -----   | -----   |
| Operating Revenue                                | 499.5   | 498.7   | 503.5   | 498.8   |
|  | =====   | =====   | =====   | =====   |
| Average capital                                  | 1,906.4 | 1,828.9 | 2,046.1 | 2,396.0 |
| Net Income return on average capital             | 12.1%   | 11.6%   | 9.1%    | 1.5%    |
| Income from operations return on average capital | 15.0%   | 16.1%   | 15.5%   | 7.8%    |

-----

Roll Forward of Deferred Acquisition Costs

|   |        |        |         |        |
|---|--------|--------|---------|--------|
| Balance at beginning-of-quarter   | 831.3  | 781.2  | 912.8   | 1031.0 |
| Deferral  | 58.7   | 71.9   | 61.7    | 60.0   |
| Amortization  | (35.6) | (20.9) | (32.7)  | (48.0) |
|   | -----  | -----  | -----   | -----  |
| Included in Total Benefits and Expenses   | 23.0   | 51.0   | 29.1    | 12.0   |
| Adjustment related to realized (gains) losses<br>on securities available-for-sale   | 16.4   | 34.1   | 25.7    | 20.0   |
| Adjustment related to unrealized (gains) losses<br>on securities available-for-sale | (89.7) | 46.5   | 78.2    | (96.0) |
| Other*  | 0.3    | (0.0)  | (14.8)  |        |
|   | -----  | -----  | -----   | -----  |
| Balance at end-of-quarter   | 781.2  | 912.8  | 1,031.0 | 967.0  |
|   | =====  | =====  | =====   | =====  |

Roll Forward of Present Value of In-Force

|                                 |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|
| Balance at beginning-of-quarter | 160.4 | 155.9 | 154.5 | 150.0 |
| Amortization                    | (4.5) | (1.4) | (3.8) | (3.0) |
| Other                           |       |       |       |       |
|                                 | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter       | 155.9 | 154.5 | 150.7 | 146.0 |
|                                 | ===== | ===== | ===== | ===== |

For the Quarter Ended

|  | Dec    | Mar    | Jun   | Se    |
|--|--------|--------|-------|-------|
|  | 2002   | 2003   | 2003  | 2003  |
|  | -----  | -----  | ----- | ----- |
| Revenue                                |        |        |       |       |
| Premiums                               | 8.7    | 5.5    | 3.0   | 7.0   |
| Surrender charges                      | 7.4    | 6.9    | 8.5   | 7.0   |
| Expense assessments                    | 100.6  | 97.6   | 104.3 | 115.0 |
| Other revenue and fees                 | 2.7    | (1.4)  | 1.3   | 8.0   |
| Net investment income                  | 378.3  | 367.0  | 369.8 | 377.0 |
| Realized gains (losses) on investments | (46.1) | (76.8) | 0.9   | 18.0  |
| Gains (losses) on derivatives          | (0.1)  | (1.0)  | (1.5) | 1.0   |
|  | -----  | -----  | ----- | ----- |
| Total Revenue                          | 451.4  | 397.8  | 486.4 | 536.0 |
|  | -----  | -----  | ----- | ----- |

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|   |        |        |        |       |
|---|--------|--------|--------|-------|
| Benefits and Expenses   |        |        |        |       |
| Benefits paid or provided:  |        |        |        |       |
| Benefits  | 78.4   | 65.0   | 34.8   | 44.   |
| Interest credited to policy balances  | 231.7  | 220.1  | 217.1  | 216.  |
|   | -----  | -----  | -----  | ----- |
| Total insurance benefits  | 310.1  | 285.1  | 251.9  | 261.  |
| Underwriting, acquisition,<br>insurance and other expenses:                     |        |        |        |       |
| Commissions   | 72.8   | 66.8   | 74.2   | 80.   |
| Other volume related expenses   | 18.1   | 14.0   | 14.7   | 16.   |
| Operating and administrative expenses   | 69.9   | 54.0   | 56.6   | 57.   |
| Restructuring charges   | 0.0    | 0.0    | 6.2    | 8.    |
| Taxes, licenses and fees  | (0.5)  | 5.7    | 4.3    | 3.    |
| Par policyholder interests  | 0.0    | 0.0    | 0.0    | 0.    |
|   | -----  | -----  | -----  | ----- |
| Subtotal  | 160.4  | 140.4  | 156.0  | 166.  |
| Deferral of acquisition costs   | (55.3) | (47.8) | (51.0) | (63.  |
| DAC amortization  | 29.6   | 31.0   | 28.5   | 33.   |
|   | -----  | -----  | -----  | ----- |
| DAC deferral net of amortization  | (25.7) | (16.8) | (22.6) | (30.  |
| PVIF amortization   | 20.0   | 2.3    | 2.1    | 3.    |
| Other intangibles amortization  | 0.0    | 0.0    | 0.0    | 0.    |
|   | -----  | -----  | -----  | ----- |
| Total underwriting, acquisition,<br>insurance and other expenses                | 154.8  | 125.9  | 135.5  | 139.  |
| Goodwill amortization   | 0.0    | 0.0    | 0.0    | 0.    |
|   | -----  | -----  | -----  | ----- |
| Total Benefits and Expenses   | 464.8  | 411.0  | 387.4  | 400.  |
|   | -----  | -----  | -----  | ----- |
| Income Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes |        |        |        |       |
|   | (13.4) | (13.3) | 99.0   | 135.  |
| Federal income taxes  |        |        |        |       |
|   | (18.4) | (20.1) | 17.3   | 33.   |
|   | -----  | -----  | -----  | ----- |
| Income Before Cumulative Effect of<br>Accounting Changes                        |        |        |        |       |
|   | 5.0    | 6.9    | 81.7   | 102.  |
|   | -----  | -----  | -----  | ----- |
| Cumulative effect of accounting changes   |        |        |        |       |
|   | 0.0    | 0.0    | 0.0    | 0.    |
|   | -----  | -----  | -----  | ----- |
| Net Income  |        |        |        |       |
|   | 5.0    | 6.9    | 81.7   | 102.  |
|   | =====  | =====  | =====  | ===== |
| Less:   |        |        |        |       |
| Realized gains (losses) on investments  | (30.4) | (50.3) | 1.0    | 12.   |
| Gains (losses) on derivatives   | (0.0)  | (0.2)  | (1.4)  | 1.    |
| Restructuring charges   | 0.0    | 0.0    | (4.0)  | (5.   |
| Cumulative effect of accounting changes   |        |        |        |       |
|   | -----  | -----  | -----  | ----- |
| Income from Operations  |        |        |        |       |
|   | 35.4   | 57.4   | 86.1   | 94.   |
|   | =====  | =====  | =====  | ===== |
| Effective tax rate on<br>Income from Operations                                 |        |        |        |       |
|   | (8.1%) | 11.0%  | 18.6%  | 24.0  |
| Revenue   |        |        |        |       |
|   | 451.4  | 397.8  | 486.4  | 536.  |
| Less:   |        |        |        |       |
| Realized gains (losses) on investments  | (46.1) | (76.8) | 0.9    | 18.   |
| Gains (losses) on derivatives   | (0.1)  | (1.0)  | (1.5)  | 1.    |
|   | -----  | -----  | -----  | ----- |
| Operating Revenue   |        |        |        |       |
|   | 497.6  | 475.5  | 487.0  | 516.  |
|   | =====  | =====  | =====  | ===== |

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|  |         |         |         |        |
|--|---------|---------|---------|--------|
| Average capital                                  | 2,504.9 | 2,526.3 | 2,262.3 | 2,386. |
| Net Income return on average capital             | 0.8%    | 1.1%    | 14.4%   | 17.1   |
| Income from operations return on average capital | 5.7%    | 9.1%    | 15.2%   | 15.8   |

-----  
Roll Forward of Deferred Acquisition Costs

|   |        |        |         |       |
|---|--------|--------|---------|-------|
| Balance at beginning-of-quarter   | 843.9  | 855.8  | 820.6   | 653.  |
| Deferral  | 55.3   | 47.8   | 51.0    | 63.   |
| Amortization  | (29.6) | (31.0) | (28.5)  | (33.  |
|   | -----  | -----  | -----   | ----- |
| Included in Total Benefits and Expenses   | 25.7   | 16.8   | 22.6    | 30.   |
| Adjustment related to realized (gains) losses<br>on securities available-for-sale   | 16.1   | 21.8   | 7.9     | (31.  |
| Adjustment related to unrealized (gains) losses<br>on securities available-for-sale | (29.9) | (73.9) | (197.9) | 109.  |
| Other*  |        |        |         |       |
|   | -----  | -----  | -----   | ----- |
| Balance at end-of-quarter   | 855.8  | 820.6  | 653.1   | 761.  |
|   | =====  | =====  | =====   | ===== |

Roll Forward of Present Value of In-Force

|                                 |        |       |       |       |
|---------------------------------|--------|-------|-------|-------|
| Balance at beginning-of-quarter | 142.7  | 122.7 | 120.4 | 118.  |
| Amortization                    | (20.0) | (2.3) | (2.1) | (3.   |
| Other                           |        |       |       |       |
|                                 | -----  | ----- | ----- | ----- |
| Balance at end-of-quarter       | 122.7  | 120.4 | 118.3 | 115.  |
|                                 | =====  | ===== | ===== | ===== |

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

Lincoln Retirement  
Annuity Account Value Rollforward  
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  |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| 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) -<br>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   |
| Fixed Annuities - excluding fixed portion<br>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<br>portion of variable contracts |         |         |         |         |         |
| Deposits  |         | 4.407   | 4.780   | 4.697   | 4.571   |
| Withdrawals   |         | (4.915) | (5.842) | (4.700) | (4.489) |



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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| 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

\*\* For the annuity products spread, the yield on earning assets is calculated as net investment income on 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 mutual co-insurance agreements are included in account values for this calculation since assets (and their margin) are retained under these agreements.

Lincoln Retirement  
Annuity Account Value Rollforward  
Unaudited [Billions of Dollars]

|                                     | Dec<br>2000 | Mar<br>2001 | Jun<br>2001 | Sep<br>2001 | 2002    |
|-------------------------------------|-------------|-------------|-------------|-------------|---------|
| Fixed Annuities-Bal Beg-of-Quarter  | 16.929      | 16.615      | 16.598      | 16.696      | 17.000  |
| Gross Deposits                      | 0.482       | 0.560       | 0.668       | 0.896       | 1.000   |
| Withdrawals (incl charges) & deaths | (0.810)     | (0.787)     | (0.574)     | (0.525)     | (0.600) |
| Net flows                           | (0.328)     | (0.227)     | 0.094       | 0.372       | 0.400   |
| Transfer from (to) var annuities    | (0.216)     | (0.014)     | (0.222)     | 0.021       | (0.100) |
| Interest credited                   | 0.230       | 0.225       | 0.226       | 0.228       | 0.200   |
| Acq of new business/companies       |             |             |             |             |         |
| Fixed Annuities-Gross               | 16.615      | 16.598      | 16.696      | 17.317      | 18.000  |
| Reinsurance Ceded                   | (1.221)     | (1.169)     | (1.146)     | (1.266)     | (1.200) |
| Fixed Annuities-Bal End-of-Quarter  | 15.394      | 15.430      | 15.551      | 16.051      | 16.800  |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Fixed Annuities Incremental Deposits*           | 0.447   | 0.536   | 0.611   | 0.873   | 1.000   |
| Variable Annuities-Bal Beg-of-Quarter           | 42.743  | 39.427  | 34.733  | 36.961  | 30.000  |
| Gross Deposits                                  | 0.846   | 0.887   | 0.703   | 0.684   | 0.000   |
| Withdrawals (incl charges) & deaths             | (1.199) | (1.250) | (0.993) | (0.795) | (0.000) |
| Net flows                                       | (0.353) | (0.363) | (0.290) | (0.111) | (0.000) |
| Transfer from (to) fixed annuities              | 0.212   | 0.011   | 0.227   | (0.023) | 0.000   |
| Invest inc & change in mkt value                | (3.175) | (4.342) | 2.291   | (6.321) | 3.000   |
| Acq(sale) of new business/companies             |         |         |         |         |         |
| Var Annuities-Bal End-of-Quarter                | 39.427  | 34.733  | 36.961  | 30.506  | 34.000  |
| Variable Annuities Incremental Deposits         | 0.650   | 0.683   | 0.612   | 0.604   | 0.000   |
| Total Annuities - Bal Beg-of-Quarter            | 59.673  | 56.042  | 51.331  | 53.657  | 47.000  |
| Gross Deposits                                  | 1.328   | 1.447   | 1.371   | 1.580   | 2.000   |
| Withdrawals (incl charges) & deaths             | (2.009) | (2.037) | (1.567) | (1.320) | (1.000) |
| Net flows                                       | (0.681) | (0.590) | (0.196) | 0.261   | 0.000   |
| Transfers                                       | (0.004) | (0.003) | 0.005   | (0.002) | 0.000   |
| Interest credited & change in mkt value         | (2.945) | (4.117) | 2.517   | (6.093) | 4.000   |
| Acq of new business/companies                   |         |         |         |         |         |
| Total Gross Annuities - Bal End-of-Quarter      | 56.042  | 51.331  | 53.657  | 47.823  | 52.000  |
| Reinsurance Ceded                               | (1.221) | (1.169) | (1.146) | (1.266) | (1.000) |
| Total Annuities (Net of Ceded) - Bal End-of-Qtr | 54.821  | 50.162  | 52.512  | 46.557  | 51.000  |
| Total Annuities Incremental Deposits*           | 1.097   | 1.219   | 1.223   | 1.477   | 1.000   |
| Var Ann Under Agree - Included above            | 0.941   | 0.904   | 0.975   | 0.907   | 1.000   |

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

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Fixed Annuities - excluding fixed portion<br>of variable contracts    |         |         |         |         |         |
| Deposits  | 0.085   | 0.160   | 0.329   | 0.489   | 0.000   |
| Withdrawals   | (0.570) | (0.556) | (0.356) | (0.340) | (0.000) |
| Net Flows   | (0.485) | (0.396) | (0.027) | 0.149   | 0.000   |
| Gross Fixed Account Values  |         |         |         |         |         |
| Reinsurance Ceded   |         |         |         |         |         |
| Net Fixed Account Values  |         |         |         |         |         |
| Variable Annuities - including fixed portion<br>of variable contracts |         |         |         |         |         |
| Deposits  | 1.243   | 1.287   | 1.042   | 1.091   | 1.000   |
| Withdrawals   | (1.439) | (1.481) | (1.211) | (0.979) | (1.000) |
| Net Flows   | (0.196) | (0.194) | (0.169) | 0.112   | 0.000   |

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|  |         |         |         |         |     |
|--|---------|---------|---------|---------|-----|
| Variable Account Values                  |         |         |         |         |     |
| Fixed Portion of Variable Contracts      |         |         |         |         |     |
| Deposits                                 | 0.397   | 0.400   | 0.339   | 0.407   | 0.  |
| Withdrawals                              | (0.240) | (0.231) | (0.218) | (0.184) | (0. |
| Net Flows                                | 0.157   | 0.169   | 0.121   | 0.223   | 0.  |
| Fixed Portion of Variable Account Values |         |         |         |         |     |
| Average Daily Variable Account Values    | 39.682  | 38.180  | 36.499  | 34.399  | 33. |
| -----                                    |         |         |         |         |     |
| Annuity Product Spread Information**     |         |         |         |         |     |
| Net Investment Income***                 | 7.37%   | 7.50%   | 7.45%   | 7.33%   | 7.  |
| Interest Credited                        | 5.14%   | 5.40%   | 5.29%   | 5.34%   | 5.  |
| Spread***                                | 2.23%   | 2.09%   | 2.16%   | 1.99%   | 1.  |

Lincoln Retirement  
Annuity Account Value Rollforward  
Unaudited [Billions of Dollars] (continued)

|                                       | Jun<br>2002 | Sep<br>2002 | Dec<br>2002 | Mar<br>2003 | 2003  |
|---------------------------------------|-------------|-------------|-------------|-------------|-------|
|                                       | -----       | -----       | -----       | -----       | ----- |
| Fixed Annuities-Bal Beg-of-Quarter    | 18.178      | 18.679      | 19.562      | 20.086      | 20.   |
| Gross Deposits                        | 0.853       | 1.091       | 0.822       | 0.776       | 0.    |
| Withdrawals (incl charges) & deaths   | (0.551)     | (0.825)     | (0.531)     | (0.524)     | (0.   |
| Net flows                             | 0.302       | 0.265       | 0.291       | 0.253       | 0.    |
| Transfer from (to) var annuities      | (0.032)     | 0.379       | (0.007)     | 0.046       | (0.   |
| Interest credited                     | 0.231       | 0.238       | 0.240       | 0.226       | 0.    |
| Acq of new business/companies         |             |             |             |             |       |
| Fixed Annuities-Gross                 | 18.679      | 19.562      | 20.086      | 20.611      | 20.   |
| Reinsurance Ceded                     | (1.770)     | (1.913)     | (2.003)     | (2.075)     | (2.   |
| Fixed Annuities-Bal End-of-Quarter    | 16.910      | 17.650      | 18.085      | 18.537      | 18.   |
| Fixed Annuities Incremental Deposits* | 0.839       | 1.072       | 0.808       | 0.753       | 0.    |
| Variable Annuities-Bal Beg-of-Quarter | 35.150      | 31.206      | 25.942      | 27.438      | 26.   |
| Gross Deposits                        | 0.787       | 0.603       | 0.545       | 0.648       | 0.    |
| Withdrawals (incl charges) & deaths   | (0.866)     | (0.800)     | (0.763)     | (0.806)     | (0.   |
| Net flows                             | (0.079)     | (0.197)     | (0.217)     | (0.158)     | (0.   |
| Transfer from (to) fixed annuities    | 0.032       | (0.388)     | 0.000       | (0.048)     | 0.    |
| Invest inc & change in mkt value      | (3.897)     | (4.679)     | 1.713       | (0.759)     | 3.    |
| Acq(sale) of new business/companies   |             |             |             |             |       |
| Var Annuities-Bal End-of-Quarter      | 31.206      | 25.942      | 27.438      | 26.474      | 30.   |

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|  |         |         |         |         |     |
|--|---------|---------|---------|---------|-----|
| Variable Annuities Incremental Deposits  | 0.744   | 0.573   | 0.528   | 0.629   | 0.  |
| Total Annuities - Bal Beg-of-Quarter   | 53.328  | 49.885  | 45.504  | 47.524  | 47. |
| Gross Deposits   | 1.640   | 1.694   | 1.368   | 1.424   | 1.  |
| Withdrawals (incl charges) & deaths  | (1.417) | (1.626) | (1.294) | (1.329) | (1. |
| Net flows  | 0.223   | 0.068   | 0.074   | 0.095   | 0.  |
| Transfers  | 0.000   | (0.009) | (0.006) | (0.002) | (0. |
| Interest credited & change in mkt value  | (3.666) | (4.441) | 1.953   | (0.532) | 4.  |
| Acq of new business/companies  |         |         |         |         |     |
| Total Gross Annuities - Bal End-of-Quarter   | 49.885  | 45.504  | 47.524  | 47.085  | 51. |
| Reinsurance Ceded  | (1.770) | (1.913) | (2.003) | (2.075) | (2. |
| Total Annuities (Net of Ceded) - Bal End-of-Qtr  | 48.115  | 43.591  | 45.522  | 45.010  | 49. |
| Total Annuities Incremental Deposits*  | 1.583   | 1.645   | 1.336   | 1.382   | 1.  |
| Var Ann Under Agree - Included above   | 1.175   | 1.083   | 1.186   | 1.355   | 1.  |
| * Incremental Deposits represent gross deposits reduced by transfers from other Lincoln Retirement |         |         |         |         |     |
| -----  |         |         |         |         |     |
| Fixed Annuities - excluding fixed portion<br>of variable contracts                                 |         |         |         |         |     |
| Deposits   | 0.430   | 0.559   | 0.351   | 0.368   | 0.  |
| Withdrawals  | (0.267) | (0.516) | (0.228) | (0.208) | (0. |
| Net Flows  | 0.163   | 0.042   | 0.123   | 0.160   | 0.  |
| Gross Fixed Account Values   | 10.048  | 10.219  | 10.475  | 10.759  | 11. |
| Reinsurance Ceded  | (1.770) | (1.913) | (2.003) | (2.075) | (2. |
| Net Fixed Account Values   | 8.278   | 8.306   | 8.473   | 8.684   | 8.  |
| Variable Annuities - including fixed portion<br>of variable contracts                              |         |         |         |         |     |
| Deposits   | 1.210   | 1.135   | 1.017   | 1.056   | 1.  |
| Withdrawals  | (1.150) | (1.109) | (1.066) | (1.121) | (1. |
| Net Flows  | 0.060   | 0.026   | (0.049) | (0.065) | (0. |
| Variable Account Values  | 39.839  | 35.286  | 37.050  | 36.327  | 40. |
| Fixed Portion of Variable Contracts  |         |         |         |         |     |
| Deposits   | 0.423   | 0.532   | 0.472   | 0.408   | 0.  |
| Withdrawals  | (0.284) | (0.309) | (0.303) | (0.316) | (0. |
| Net Flows  | 0.139   | 0.223   | 0.169   | 0.093   | 0.  |
| Fixed Portion of Variable Account Values   | 8.632   | 9.344   | 9.612   | 9.853   | 9.  |
| Average Daily Variable Account Values  | 33.502  | 28.023  | 27.431  | 26.907  | 29. |

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Annuity Product Spread Information\*\*

|                          |       |       |       |       |    |
|--------------------------|-------|-------|-------|-------|----|
| Net Investment Income*** | 7.11% | 6.87% | 6.89% | 6.61% | 6. |
| Interest Credited        | 4.92% | 4.76% | 4.72% | 4.42% | 4. |
| Spread***                | 2.18% | 2.11% | 2.17% | 2.19% | 2. |

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

\*\* For the annuity products spread, the yield on earning assets is calculated as net investment fixed product investment portfolios divided by average earning assets. The average crediting 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 under modified co-insurance agreements are included in account values for this calculation since (and therefore margin) are retained under these agreements.

\*\*\* The net investment income and spread reported above includes earnings from mortgage loan prep make-wholes. The impact of prepayments and make-wholes on investment income and spread was 0.3rd quarter of 2003, 0.05% in the 2nd quarter of 2003, and 0.09% in the 3rd quarter of 2003.

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   |
| Surrender charges   | 52.1    | 66.3    | 66.4    | 66.1    |
| Mortality assessments                                       | 350.1   | 444.6   | 465.2   | 499.4   |
| Expense assessments   | 146.2   | 165.8   | 191.8   | 191.4   |
| Other revenue and fees                                      | 2.6     | 9.8     | 14.2    | 17.9    |
| Net investment income                                       | 642.6   | 840.1   | 871.5   | 910.2   |
| 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 |
|   | -----   | -----   | -----   | -----   |
| Benefits and Expenses                                       |         |         |         |         |
| Benefits paid or provided:                                  |         |         |         |         |
| Benefits  | 371.3   | 430.4   | 411.5   | 418.6   |
| 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   |
| Total insurance benefits                                    | 835.1   | 1,005.8 | 1,017.8 | 1,067.0 |
| Underwriting, acquisition,<br>insurance and other expenses: |         |         |         |         |
| Commissions   | 107.5   | 163.4   | 152.8   | 142.1   |
| Other volume related expenses                               | 122.7   | 185.6   | 200.9   | 176.4   |
| Operating and administrative expenses                       | 146.0   | 171.2   | 169.4   | 166.8   |
| Restructuring Charges                                       | 30.8    | 0.0     | 0.0     | 5.4     |
| Taxes, licenses and fees                                    | 29.7    | 51.8    | 48.5    | 49.2    |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| 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   | 572.6   | 539.9   |
| Deferral of acquisition costs  |         |         | 0.0     | (324.8) |
| DAC amortization   |         |         | 0.0     | 95.0    |
|  | -----   | -----   | -----   | -----   |
| DAC deferral net of amortization   | (159.3) | (235.0) | (286.5) | (229.8) |
| PVIF amortization  | 51.9    | 58.8    | 103.7   | 75.9    |
| Other intangibles amortization   | 0.0     | 0.0     | 0.0     | 0.0     |
|  | -----   | -----   | -----   | -----   |
| Total underwriting, acquisition,<br>insurance and other expenses                     | 325.0   | 399.1   | 389.8   | 385.9   |
| Goodwill amortization  | 19.7    | 23.4    | 23.7    | 23.7    |
|  | -----   | -----   | -----   | -----   |
| Total Benefits and Expenses  | 1,179.8 | 1,428.2 | 1,431.4 | 1,476.6 |
|  | -----   | -----   | -----   | -----   |
| Income from Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | 198.7   | 332.2   | 387.6   | 364.0   |
| Federal income taxes   | 71.2    | 120.6   | 141.6   | 129.2   |
|  | -----   | -----   | -----   | -----   |
| Income Before Cumulative Effect of<br>Accounting Changes                             | 127.5   | 211.5   | 246.0   | 234.8   |
|  | -----   | -----   | -----   | -----   |
| Cumulative effect of accounting changes  | 0.0     | 0.0     | 0.0     | (5.5)   |
|  | -----   | -----   | -----   | -----   |
| Net Income   | 127.5   | 211.5   | 246.0   | 229.3   |
|  | =====   | =====   | =====   | =====   |
| 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   | 256.7   | 275.3   |
|  | =====   | =====   | =====   | =====   |
| Effective tax rate on<br>Income from Operations                                      | 35.6%   | 36.6%   | 36.6%   | 35.4%   |
| Revenue  | 1378.5  | 1,760.4 | 1,819.0 | 1,840.6 |
| 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 |
|  | =====   | =====   | =====   | =====   |
| Average capital  | 1,948.0 | 2,712.3 | 2,641.3 | 2,734.4 |
| Net Income return on average capital   | 6.5%    | 7.8%    | 9.3%    | 8.4%    |
| Income from operations return on average capital                                     | 7.7%    | 7.8%    | 9.7%    | 10.1%   |

-----

Roll Forward of Deferred Acquisition Costs

|   |       |       |       |         |
|---|-------|-------|-------|---------|
| Balance at beginning-of-period                |       |       |       | 1,079.3 |
| Deferral                                      |       |       |       | 324.8   |
| Amortization                                  |       |       |       | (95.0)  |
|   | ----- | ----- | ----- | -----   |
| Included in Total Benefits and Expenses       |       |       |       | 229.8   |
| Adjustment related to realized (gains) losses |       |       |       |         |

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|   |       |       |       |       |         |
|---|-------|-------|-------|-------|---------|
| on securities available-for-sale  |       |       |       |       | 43.0    |
| Adjustment related to unrealized (gains) losses<br>on securities available-for-sale |       |       |       |       | (89.0)  |
| Other*  |       |       |       |       | 2.5     |
| Balance at end-of-period  | ----- | ----- | ----- | ----- | 1,265.6 |
| Roll Forward of Present Value of In-Force   | ===== | ===== | ===== | ===== |         |
| Balance at beginning-of-period  |       |       |       |       | 1,040.5 |
| Amortization  |       |       |       |       | (75.9)  |
| Other   |       |       |       |       | (0.7)   |
| Balance at end-of-period  | ----- | ----- | ----- | ----- | 964.0   |
|   | ===== | ===== | ===== | ===== |         |

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

Note: 2000, 2001, and 2002 have been restated for the adoption of the fair value method of accounting under FAS 123.

Life Insurance Segment  
Income Statements  
Unaudited [Millions of Dollars]

| For the Quarter Ended                                       | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 | Sep<br>2002 | Dec<br>2002 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | -----       | -----       | -----       | -----       | -----       | -----       |
| Revenue   |             |             |             |             |             |             |
| Premiums  | 46.4        | 64.4        | 51.1        | 47.6        | 48.6        | 56.4        |
| Surrender charges   | 15.6        | 19.9        | 11.7        | 13.5        | 13.4        | 15.5        |
| Mortality assessments                                       | 124.7       | 125.5       | 123.9       | 123.9       | 126.3       | 127.3       |
| Expense assessments   | 46.0        | 52.8        | 46.9        | 47.2        | 49.2        | 56.3        |
| Other revenue and fees                                      | 3.0         | 6.0         | 5.7         | 6.7         | 5.1         | 6.2         |
| Net investment income                                       | 233.2       | 226.6       | 226.0       | 225.7       | 224.1       | 223.3       |
| Realized gains (losses) on<br>investments                   | (8.2)       | (31.1)      | (41.4)      | (25.4)      | (25.9)      | (5.5)       |
| Gains (losses) on derivatives                               | (0.1)       | 0.6         | 0.0         | 0.6         | 0.7         | 0.1         |
| Total Revenue   | 460.6       | 464.7       | 423.9       | 439.8       | 441.6       | 479.6       |
| Benefits and Expenses                                       |             |             |             |             |             |             |
| Benefits paid or provided:                                  |             |             |             |             |             |             |
| Benefits  | 102.3       | 112.9       | 104.1       | 103.6       | 105.2       | 114.6       |
| Div accum & div to policyholders                            | 16.5        | 25.4        | 17.8        | 18.2        | 17.2        | 22.8        |
| Interest credited to policy bal.                            | 143.5       | 146.9       | 146.3       | 148.9       | 152.6       | 150.7       |
| Total insurance benefits                                    | 262.3       | 285.1       | 268.1       | 270.8       | 275.1       | 288.0       |
| Underwriting, acquisition,<br>insurance and other expenses: |             |             |             |             |             |             |
| Commissions   | 32.5        | 45.1        | 34.6        | 34.8        | 31.8        | 38.6        |
| Other volume related expenses                               | 41.4        | 56.9        | 42.7        | 43.6        | 45.8        | 58.3        |
| Operating and administrative<br>expenses                    | 43.1        | 39.8        | 38.2        | 38.2        | 41.1        | 44.7        |

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|  |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|
| Restructuring charges  | 0.0     | 2.3     | 0.0     | 0.0     | 0.0     | 0.0     |
| Taxes, licenses and fees   | 12.0    | 12.5    | 13.2    | 15.3    | 13.2    | 11.5    |
| Par policyholder interests   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Foreign exchange   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Subtotal   | 129.0   | 156.5   | 128.6   | 132.0   | 131.8   | 153.2   |
| Deferral of acquisition costs  | (85.3)  | (106.3) | (74.3)  | (82.2)  | (78.6)  | (101.4) |
| DAC amortization   | 29.7    | 30.2    | 22.1    | 23.6    | 23.9    | 36.3    |
| DAC deferral net of amortization   | (55.5)  | (76.1)  | (52.3)  | (58.6)  | (54.8)  | (65.1)  |
| PVIF amortization  | 20.5    | 14.7    | 16.9    | 16.3    | 23.3    | 17.4    |
| Other intangibles amortization   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Total underwriting, acquisition, insurance and other expenses                | 94.0    | 95.1    | 93.2    | 89.6    | 100.4   | 105.5   |
| Goodwill amortization  | 5.9     | 5.9     | 0.0     | 0.0     | 0.0     | 0.0     |
| Total Benefits and Expenses  | 362.2   | 386.2   | 361.3   | 360.4   | 375.5   | 393.6   |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 98.4    | 78.4    | 62.6    | 79.4    | 66.1    | 86.0    |
| Federal income taxes   | 34.7    | 27.5    | 19.1    | 22.7    | 19.7    | 26.5    |
| Income Before Cumulative Effect of Accounting Changes                        | 63.8    | 50.9    | 43.5    | 56.7    | 46.4    | 59.5    |
| Cumulative effect of accounting changes                                      | 0.0     | (0.0)   | 0.0     | 0.0     | 0.0     | 0.0     |
| Net Income   | 63.8    | 50.9    | 43.5    | 56.7    | 46.4    | 59.5    |
| Less:  |         |         |         |         |         |         |
| Realized gains (losses) on investments                                       | (5.3)   | (21.3)  | (26.9)  | (16.4)  | (16.9)  | (3.6)   |
| Gains (losses) on derivatives  | (0.0)   | 1.5     | 0.0     | 0.3     | 0.6     | 0.1     |
| Restructuring charges  | 0.0     | (1.5)   | 0.0     | 0.0     | 0.0     | 0.0     |
| Cumulative effect of accounting changes                                      | 0.0     | (0.0)   | 0.0     | 0.0     | 0.0     | 0.0     |
| Income from Operations   | 69.1    | 72.3    | 70.4    | 72.8    | 62.7    | 63.1    |
| Effective tax rate on Income from Operations                                 | 35.2%   | 35.0%   | 32.3%   | 30.1%   | 31.3%   | 31.0%   |
| Revenue  | 460.6   | 464.7   | 423.9   | 439.8   | 441.6   | 479.6   |
| Less:  |         |         |         |         |         |         |
| Realized gains (losses) on investments                                       | (8.2)   | (31.1)  | (41.4)  | (25.4)  | (25.9)  | (5.5)   |
| Gains (losses) on derivatives  | (0.1)   | 0.6     | 0.0     | 0.6     | 0.7     | 0.1     |
| Operating Revenue  | 468.9   | 495.2   | 465.3   | 464.6   | 466.8   | 485.0   |
| Average capital  | 2,739.3 | 2,748.0 | 2,805.9 | 2,870.1 | 2,857.6 | 2,851.5 |
| Net Income return on average capital   | 9.3%    | 7.4%    | 6.2%    | 7.9%    | 6.5%    | 8.3%    |
| Income from operations return on average capital                             | 10.1%   | 10.5%   | 10.0%   | 10.1%   | 8.8%    | 8.8%    |

Roll Forward of Deferred Acquisition Costs



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|  |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|
| Balance at beginning-of-quarter  | 1,151.1 | 1,156.0 | 1,265.6 | 1,385.3 | 1,404.9 | 1,362.2 | 1,424.5 |
| Deferral   | 85.3    | 106.3   | 74.3    | 82.2    | 78.6    | 101.4   | 101.4   |
| Amortization   | (29.7)  | (30.2)  | (22.1)  | (23.6)  | (23.9)  | (36.3)  | (36.3)  |
| Included in Total Benefits and Expenses  | 55.5    | 76.1    | 52.3    | 58.6    | 54.8    | 65.1    | 65.1    |
| Adjustment related to realized (gains) losses on securities available-for-sale   | 7.2     | 14.7    | 15.8    | 11.2    | 11.7    | 1.0     | 1.0     |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | (59.6)  | 18.5    | 34.0    | (51.9)  | (109.3) | (3.7)   | (3.7)   |
| Other*   | 1.8     | 0.3     | 17.6    | 1.7     |         |         |         |
| Balance at end-of-quarter  | 1,156.0 | 1,265.6 | 1,385.3 | 1,404.9 | 1,362.2 | 1,424.5 | 1,424.5 |
| Roll Forward of Present Value of In-Force  |         |         |         |         |         |         |         |
| Balance at beginning-of-quarter  | 999.9   | 978.7   | 964.0   | 947.1   | 930.7   | 907.4   | 907.4   |
| Amortization   | (20.5)  | (14.7)  | (16.9)  | (16.3)  | (23.3)  | (17.4)  | (17.4)  |
| Other  | (0.7)   |         |         | (0.1)   |         | 0.1     | 0.1     |
| Balance at end-of-quarter  | 978.7   | 964.0   | 947.1   | 930.7   | 907.4   | 890.1   | 890.1   |

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

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 |
| 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 |

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|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| 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                          | Dec     | Mar     | Jun     | Sep     | Dec     |
|  | 2000    | 2001    | 2001    | 2001    | 2001    |
|  | -----   | -----   | -----   | -----   | -----   |
| First Year Premiums by Product (Millions)      |         |         |         |         |         |
| Universal Life                                 | 80.9    | 57.7    | 70.0    | 67.4    | 97.5    |
| Variable Universal Life                        | 75.1    | 56.0    | 52.2    | 50.1    | 70.2    |
| Whole Life                                     | 8.0     | 4.1     | 5.1     | 6.7     | 10.4    |
| Term   | 7.6     | 6.5     | 7.2     | 8.1     | 9.1     |
|  | -----   | -----   | -----   | -----   | -----   |
| Total Retail                                   | 171.6   | 124.2   | 134.6   | 132.4   | 187.2   |
| Corporate Owned Life Insurance (COLI)          | 49.0    | 7.1     | 21.0    | 5.1     | 14.2    |
|  | -----   | -----   | -----   | -----   | -----   |
| Total  | 220.7   | 131.3   | 155.6   | 137.4   | 201.3   |
|  | -----   | -----   | -----   | -----   | -----   |
| First Year Premiums by Distribution (Millions) |         |         |         |         |         |
| Lincoln Financial Advisors                     | 66.2    | 38.1    | 48.2    | 41.8    | 68.0    |
| Lincoln Financial Distributors                 | 150.6   | 89.1    | 104.0   | 90.4    | 129.5   |
| Other*   | 3.9     | 4.2     | 3.4     | 5.2     | 3.8     |
|  | -----   | -----   | -----   | -----   | -----   |
| Total by Distribution                          | 220.7   | 131.3   | 155.6   | 137.4   | 201.3   |
|  | =====   | =====   | =====   | =====   | =====   |
| Insurance In-Force (Billions)                  |         |         |         |         |         |
| Universal Life & Other                         | 115.872 | 116.747 | 118.007 | 119.029 | 121.168 |
| Term Insurance                                 | 100.130 | 102.467 | 105.265 | 108.723 | 113.226 |
|  | -----   | -----   | -----   | -----   | -----   |
| Total Segment In-Force                         | 216.002 | 219.214 | 223.272 | 227.751 | 234.394 |
|  | =====   | =====   | =====   | =====   | =====   |
| For the Quarter Ended                          | Jun     | Sep     | Dec     | Mar     | Jun     |
|  | 2002    | 2002    | 2002    | 2003    | 2003    |
|  | -----   | -----   | -----   | -----   | -----   |
| 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     |

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|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| 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   | 1.100   |
| Withdrawals & deaths                           | (0.701) | (0.452) | (0.426) | (0.319) | (0.251) |
| Net flows                                      | (0.026) | 0.564   | 0.528   | 0.724   | 0.849   |
| Policyholder assessments                       | 0.000   | (0.544) | (0.584) | (0.598) | (0.600) |
| Interest credited                              | 0.350   | 0.370   | 0.382   | 0.405   | 0.420   |
| Acq of new business/transfers between segments | 3.378   | 0.000   | 0.000   | 0.000   | 0.000   |
| Universal Life-Bal End of Year (1)             | 6.259   | 6.650   | 6.976   | 7.508   | 8.000   |
| Variable Universal Life-Bal Beg-of-Year        | 0.480   | 1.200   | 1.605   | 1.808   | 1.900   |
| Deposits                                       | 0.193   | 0.326   | 0.607   | 0.584   | 0.600   |
| Withdrawals & deaths                           | (0.100) | (0.099) | (0.132) | (0.251) | (0.250) |
| Net flows                                      | 0.093   | 0.228   | 0.475   | 0.332   | 0.350   |
| Policyholder assessments                       | 0.000   | (0.084) | (0.141) | (0.170) | (0.170) |
| Invest inc & chg in mkt value                  | 0.105   | 0.370   | (0.130) | (0.225) | (0.225) |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Acq of new business/transfers between segments                  | 0.522   | (0.110) | 0.000   | 0.000   | 0.000   |
| Variable Universal Life -Bal End-of-Year                        | 1.200   | 1.605   | 1.808   | 1.746   | 1.808   |
| 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   | 0.307   |
| Withdrawals & deaths  | (0.294) | (0.162) | (0.168) | (0.200) | (0.200) |
| Net flows   | 0.046   | 0.193   | 0.154   | 0.107   | 0.107   |
| Policyholder assessments  | 0.000   | (0.168) | (0.168) | (0.164) | (0.164) |
| Interest credited   | 0.096   | 0.109   | 0.113   | 0.118   | 0.118   |
| 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   | 2.123   |
| -----   |         |         |         |         |         |
| Total Segment- Life Insurance Account Values<br>Bal Beg-of-Year | 3.038   | 9.243   | 10.217  | 10.847  | 11.377  |
| Deposits  | 1.207   | 1.698   | 1.884   | 1.934   | 2.000   |
| Withdrawals & deaths  | (1.095) | (0.713) | (0.727) | (0.771) | (0.771) |
| Net flows   | 0.113   | 0.985   | 1.158   | 1.163   | 1.163   |
| Policyholder assessments  |         | (0.795) | (0.893) | (0.931) | (0.931) |
| Invest inc & change in market value                             | 0.551   | 0.849   | 0.364   | 0.299   | 0.299   |
| Acq of new business/transfers between segments                  | 5.542   | (0.065) |         |         | 0.000   |
| Total Segment -Bal End-of-Year                                  | 9.243   | 10.217  | 10.847  | 11.377  | 12.000  |

(1) Includes fixed investment option of VUL products.

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

|  | Dec<br>2000 | Mar<br>2001 | Jun<br>2001 | Se<br>2001 |
|--|-------------|-------------|-------------|------------|
|  | -----       | -----       | -----       | -----      |
| Universal Life-Bal Beg-of-Quarter              | 6.878       | 6.976       | 7.063       | 7.216      |
| Deposits                                       | 0.265       | 0.227       | 0.270       | 0.233      |
| Withdrawals & deaths                           | (0.114)     | (0.091)     | (0.071)     | (0.088)    |
| Net flows                                      | 0.151       | 0.136       | 0.199       | 0.145      |
| Policyholder assessments                       | (0.150)     | (0.147)     | (0.147)     | (0.150)    |
| Interest credited                              | 0.097       | 0.098       | 0.100       | 0.100      |
| Acq of new business/transfers between segments | 0.000       | 0.000       | 0.000       | 0.000      |
| Universal Life-Bal End-of-Quarter (1)          | 6.976       | 7.063       | 7.216       | 7.316      |

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|  |         |         |         |        |
|--|---------|---------|---------|--------|
| Variable Universal Life-Bal Beg of Quarter                         | 1.812   | 1.808   | 1.633   | 1.76   |
| Deposits   | 0.245   | 0.136   | 0.138   | 0.12   |
| Withdrawals & deaths   | (0.048) | (0.049) | (0.060) | (0.05) |
| Net flows  | 0.197   | 0.087   | 0.078   | 0.06   |
| Policyholder assessments   | (0.041) | (0.041) | (0.041) | (0.04) |
| Invest inc & chg in mkt value                                      | (0.160) | (0.221) | 0.096   | (0.26) |
| Acq of new business/transfers between segments                     | 0.000   | 0.000   | 0.000   | 0.00   |
| Variable Universal Life -Bal End-of-Quarter                        | 1.808   | 1.633   | 1.766   | 1.52   |
| Interest Sensitive Whole Life - Bal Beg-of-Quarter                 | 2.026   | 2.062   | 2.068   | 2.08   |
| Deposits   | 0.113   | 0.056   | 0.069   | 0.07   |
| Withdrawals & deaths   | (0.056) | (0.041) | (0.043) | (0.05) |
| Net flows  | 0.057   | 0.014   | 0.027   | 0.02   |
| Policyholder assessments   | (0.050) | (0.037) | (0.040) | (0.04) |
| Interest credited  | 0.029   | 0.028   | 0.030   | 0.03   |
| Acq of new business/transfers between segments                     | 0.000   | 0.000   | 0.000   | 0.00   |
| Int Sensitive Whole Life-Bal End-of-Quarter                        | 2.062   | 2.068   | 2.084   | 2.09   |
| -----  |         |         |         |        |
| Total Segment- Life Insurance Account Values<br>Bal Beg-of-Quarter | 10.716  | 10.847  | 10.764  | 11.06  |
| Deposits   | 0.622   | 0.418   | 0.477   | 0.43   |
| Withdrawals & deaths   | (0.218) | (0.181) | (0.173) | (0.19) |
| Net flows  | 0.404   | 0.237   | 0.304   | 0.23   |
| Policyholder assessments   | (0.241) | (0.225) | (0.228) | (0.23) |
| Invest inc & change in market value                                | (0.033) | (0.094) | 0.226   | (0.13) |
| Acq of new business/transfers between segments                     | 0.000   | 0.000   | 0.000   | 0.00   |
| Total Segment -Bal End-of-Quarter                                  | 10.847  | 10.764  | 11.066  | 10.93  |
|  | =====   | =====   | =====   | =====  |
|  | Jun     | Sep     | Dec     | Ma     |
|  | 2002    | 2002    | 2002    | 200    |
|  | -----   | -----   | -----   | -----  |
| Universal Life-Bal Beg-of-Quarter                                  | 7.622   | 7.838   | 7.987   | 8.21   |
| Deposits   | 0.364   | 0.310   | 0.410   | 0.31   |
| Withdrawals & deaths   | (0.096) | (0.108) | (0.125) | (0.10) |
| Net flows  | 0.268   | 0.201   | 0.286   | 0.21   |
| Policyholder assessments   | (0.158) | (0.162) | (0.170) | (0.16) |
| Interest credited  | 0.106   | 0.110   | 0.108   | 0.10   |
| Acq of new business/transfers between segments                     | 0.000   | 0.000   | 0.000   | 0.00   |
| Universal Life-Bal End-of-Quarter (1)                              | 7.838   | 7.987   | 8.211   | 8.35   |
|  | -----   | -----   | -----   | -----  |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Variable Universal Life-Bal Beg of Quarter         | 1.919   | 1.776   | 1.575   | 1.690   |
| Deposits   | 0.147   | 0.102   | 0.126   | 0.111   |
| Withdrawals & deaths                               | (0.057) | (0.034) | (0.047) | (0.033) |
| Net flows  | 0.090   | 0.068   | 0.079   | 0.088   |
| Policyholder assessments                           | (0.046) | (0.046) | (0.047) | (0.044) |
| Invest inc & chg in mkt value                      | (0.186) | (0.224) | 0.083   | (0.033) |
| Acq of new business/transfers between segments     | 0.000   | 0.000   | 0.000   | 0.000   |
| Variable Universal Life -Bal End-of-Quarter        | 1.776   | 1.575   | 1.690   | 1.688   |
| Interest Sensitive Whole Life - Bal Beg-of-Quarter | 2.126   | 2.145   | 2.164   | 2.186   |
| Deposits   | 0.066   | 0.073   | 0.100   | 0.051   |
| Withdrawals & deaths                               | (0.039) | (0.045) | (0.063) | (0.044) |
| Net flows  | 0.026   | 0.027   | 0.037   | 0.007   |
| Policyholder assessments                           | (0.039) | (0.040) | (0.046) | (0.033) |
| Interest credited                                  | 0.032   | 0.031   | 0.031   | 0.033   |
| Acq of new business/transfers between segments     | 0.000   | 0.000   | 0.000   | 0.000   |
| Int Sensitive Whole Life-Bal End-of-Quarter        | 2.145   | 2.164   | 2.186   | 2.186   |
| -----  |         |         |         |         |
| Total Segment- Life Insurance Account Values       |         |         |         |         |
| Bal Beg-of-Quarter                                 | 11.667  | 11.759  | 11.726  | 12.086  |
| Deposits   | 0.577   | 0.484   | 0.636   | 0.488   |
| Withdrawals & deaths                               | (0.192) | (0.187) | (0.234) | (0.193) |
| Net flows  | 0.385   | 0.297   | 0.402   | 0.295   |
| Policyholder assessments                           | (0.244) | (0.248) | (0.263) | (0.251) |
| Invest inc & change in market value                | (0.049) | (0.082) | 0.222   | 0.100   |
| Acq of new business/transfers between segments     | 0.000   | 0.000   | 0.000   | 0.000   |
| Total Segment -Bal End-of-Quarter                  | 11.759  | 11.726  | 12.086  | 12.233  |
|  | =====   | =====   | =====   | =====   |

(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  |
|---|-------|-------|-------|-------|
|   | ----- | ----- | ----- | ----- |
| Revenue                                     |       |       |       |       |
| Investment advisory fees - External         | 249.0 | 248.6 | 231.6 | 197.2 |
| Investment advisory fees - Insurance Assets | 100.2 | 103.0 | 112.4 | 105.0 |
| Other revenue and fees                      | 92.5  | 106.6 | 115.9 | 99.2  |

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|  |       |       |       |        |
|--|-------|-------|-------|--------|
| Net investment income  | 67.0  | 56.9  | 57.7  | 53.6   |
| Realized gains (losses) on investments   | 0.9   | (0.1) | (3.9) | (3.7)  |
| Gains (losses) on derivatives  | 0.0   | 0.0   | 0.0   | 0.0    |
|  | ----- | ----- | ----- | -----  |
| Total Revenue  | 509.6 | 514.9 | 513.7 | 451.2  |
|  | ----- | ----- | ----- | -----  |
| Benefits and Expenses  |       |       |       |        |
| Underwriting, acquisition,<br>insurance and other expenses:                          |       |       |       |        |
| Operating and administrative expenses  | 384.7 | 369.6 | 424.9 | 410.2  |
| Restructuring Charges  | 0.0   | 12.5  | 7.1   | 0.6    |
| Taxes, licenses and fees   | 13.1  | 10.3  | 11.6  | 16.8   |
|  | ----- | ----- | ----- | -----  |
| Subtotal   | 397.8 | 392.4 | 443.6 | 427.5  |
| Other intangibles amortization   | 18.8  | 17.7  | 16.3  | 10.8   |
|  | ----- | ----- | ----- | -----  |
| Total underwriting, acquisition,<br>insurance and other expenses                     | 416.6 | 410.1 | 459.9 | 438.3  |
| Goodwill amortization  | 16.3  | 16.2  | 16.2  | 16.2   |
| Interest on notes payable  | 0.4   | 0.0   | 0.0   | 0.0    |
|  | ----- | ----- | ----- | -----  |
| Total Benefits and Expenses  | 433.3 | 426.3 | 476.1 | 454.6  |
|  | ----- | ----- | ----- | -----  |
| Income from Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | 76.3  | 88.6  | 37.6  | (3.3)  |
| Federal income taxes   | 31.9  | 37.0  | 19.8  | 5.5    |
|  | ----- | ----- | ----- | -----  |
| Income Before Cumulative Effect of<br>Accounting Changes                             | 44.4  | 51.6  | 17.9  | (8.9)  |
|  | ----- | ----- | ----- | -----  |
| Cumulative effect of accounting changes  | 0.0   | 0.0   | 0.0   | (0.1)  |
|  | ----- | ----- | ----- | -----  |
| Net Income   | 44.4  | 51.6  | 17.9  | (9.0)  |
|  | ===== | ===== | ===== | =====  |
| Less:  |       |       |       |        |
| Realized gains (losses) on investments   | 0.5   | (0.1) | (2.5) | (2.4)  |
| Gains (losses) on derivatives  | 0.0   | 0.0   | 0.0   | 0.0    |
| Restructuring charges  | 0.0   | (9.2) | (4.6) | (0.4)  |
| Cumulative effect of accounting changes  | 0.0   | 0.0   | 0.0   | (0.1)  |
|  | ----- | ----- | ----- | -----  |
| Income from Operations   | 43.9  | 61.0  | 25.0  | (6.1)  |
|  | ===== | ===== | ===== | =====  |
| Net Income   |       |       |       |        |
| - before Goodwill Amortization   | 60.8  | 67.9  | 34.1  | 7.3    |
| Net Income   |       |       |       |        |
| -before Goodwill & Intang. Amort.  | 73.1  | 79.4  | 44.7  | 14.3   |
|  |       |       |       |        |
| Inc from Oper -before<br>Goodwill Amortization                                       | 60.3  | 77.2  | 41.3  | 10.1   |
| Income from Operations   |       |       |       |        |
| - before Goodwill & Intang. Amort  | 72.6  | 88.7  | 51.8  | 17.1   |
|  |       |       |       |        |
| Revenue  | 509.6 | 514.9 | 513.7 | 451.2  |
| Less:  |       |       |       |        |
| Realized gains (losses) on investments   | 0.9   | (0.1) | (3.9) | (3.7)  |
| Gains (losses) on derivatives  | 0.0   | 0.0   | 0.0   | 0.0    |
|  | ----- | ----- | ----- | -----  |
| Operating Revenue  | 508.7 | 515.0 | 517.6 | 454.9  |
|  | ===== | ===== | ===== | =====  |
| Average Capital (Securities at Cost)   | 642.3 | 593.7 | 582.0 | 557.0  |
| Net Income return on average capital   | 6.9%  | 8.7%  | 3.1%  | (1.6%) |

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Inc. from oper. return on average capital 6.8% 10.3% 4.3% (1.1%)

Note: 2000, 2001, and 2002 have been restated for the adoption of the fair value method of accounting under FAS 123.

PAGE

Investment Management  
Income Statements  
Unaudited [Millions of Dollars]

| For the Quarter Ended  | Sep<br>2001<br>----- | Dec<br>2001<br>----- | Mar<br>2002<br>----- | Jun<br>2002<br>----- | Sep<br>2002<br>----- |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenue  |                      |                      |                      |                      |                      |
| Investment advisory fees - External  | 46.2                 | 49.3                 | 48.0                 | 47.8                 | 42.0                 |
| Investment advisory fees - Insurance Assets  | 26.0                 | 26.3                 | 25.0                 | 24.3                 | 24.0                 |
| Other revenue and fees   | 23.9                 | 23.4                 | 23.0                 | 22.0                 | 19.0                 |
| Net investment income  | 13.6                 | 12.8                 | 12.8                 | 12.7                 | 12.0                 |
| Realized gains (losses) on investments   | (0.8)                | (1.1)                | (1.5)                | (0.7)                | (1.0)                |
| Gains (losses) on derivatives  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
| Total Revenue  | 108.8                | 110.8                | 107.3                | 106.1                | 97.0                 |
| Benefits and Expenses  |                      |                      |                      |                      |                      |
| Underwriting, acquisition,<br>insurance and other expenses:                          |                      |                      |                      |                      |                      |
| Operating and administrative expenses  | 99.0                 | 101.3                | 97.2                 | 100.8                | 99.0                 |
| Restructuring Charges  | 0.0                  | 0.6                  | 0.0                  | 0.0                  | (0.0)                |
| Taxes, licenses and fees   | 4.2                  | 3.6                  | 4.6                  | 4.2                  | 1.0                  |
| Subtotal   | 103.2                | 105.5                | 101.8                | 105.0                | 100.0                |
| Other intangibles amortization   | 2.3                  | 2.3                  | 2.2                  | 2.0                  | 2.0                  |
| Total underwriting, acquisition,<br>insurance and other expenses                     | 105.5                | 107.8                | 103.9                | 107.0                | 102.0                |
| Goodwill amortization  | 4.1                  | 4.1                  | 0.0                  | 0.0                  | 0.0                  |
| Interest on notes payable  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
| Total Benefits and Expenses  | 109.5                | 111.9                | 103.9                | 107.0                | 102.0                |
| Income from Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | (0.7)                | (1.1)                | 3.4                  | (1.0)                | (5.0)                |
| Federal income taxes   | 1.4                  | 1.3                  | 1.3                  | (0.2)                | (1.0)                |
| Income Before Cumulative Effect of<br>Accounting Changes                             | (2.1)                | (2.4)                | 2.1                  | (0.8)                | (3.0)                |
| Cumulative effect of accounting changes  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
| Net Income   | (2.1)                | (2.4)                | 2.1                  | (0.8)                | (3.0)                |
| Less:  |                      |                      |                      |                      |                      |
| Realized gains (losses) on investments   | (0.5)                | (0.7)                | (1.0)                | (0.4)                | (1.0)                |
| Gains (losses) on derivatives  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |



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|  |        |        |       |        |       |
|--|--------|--------|-------|--------|-------|
| Restructuring charges                            | 0.0    | (0.4)  | 0.0   | 0.0    | 0     |
| Cumulative effect of accounting changes          | 0.0    | 0.0    | 0.0   | 0.0    | 0     |
|  | -----  | -----  | ----- | -----  | ----- |
| Income from Operations                           | (1.6)  | (1.3)  | 3.1   | (0.3)  | (3    |
|  | =====  | =====  | ===== | =====  | ===== |
| Net Income -before                               |        |        |       |        |       |
| Goodwill Amortization                            | 1.9    | 1.7    | 2.1   | (0.8)  | (3    |
| Net Income -before                               |        |        |       |        |       |
| Goodwill & Intang. Amort                         | 3.4    | 3.2    | 3.5   | 0.6    | (2    |
| Inc from Oper -before                            |        |        |       |        |       |
| Goodwill Amortization                            | 2.5    | 2.8    | 3.1   | (0.3)  | (3    |
| Inc from Oper -before                            |        |        |       |        |       |
| Goodwill & Intang. Amort                         | 3.9    | 4.2    | 4.5   | 1.0    | (1    |
| Revenue  | 108.8  | 110.8  | 107.3 | 106.1  | 97    |
| Less:  |        |        |       |        |       |
| Realized gains (losses) on investments           | (0.8)  | (1.1)  | (1.5) | (0.7)  | (1    |
| Gains (losses) on derivatives                    | 0.0    | 0.0    | 0.0   | 0.0    | 0     |
|  | -----  | -----  | ----- | -----  | ----- |
| Operating Revenue                                | 109.7  | 111.8  | 108.9 | 106.7  | 99    |
|  | =====  | =====  | ===== | =====  | ===== |
| Average Capital (Securities at Cost)             | 556.7  | 555.4  | 562.7 | 587.2  | 586   |
| Net Income return on average capital             | (1.5%) | (1.7%) | 1.5%  | (0.5%) | (2.   |
| Income from operations return on average capital | (1.1%) | (0.9%) | 2.2%  | (0.2%) | (2.   |

| For the Quarter Ended  | Dec   | Mar   | Jun   | Sep   |
|--|-------|-------|-------|-------|
|  | 2002  | 2003  | 2003  | 2003  |
|  | ----- | ----- | ----- | ----- |
| Revenue  |       |       |       |       |
| Investment advisory fees - External  | 44.7  | 44.2  | 49.4  | 53.2  |
| Investment advisory fees - Insurance Assets  | 24.2  | 24.1  | 25.4  | 25.5  |
| Other revenue and fees   | 22.1  | 22.0  | 29.5  | 29.5  |
| Net investment income  | 12.7  | 12.1  | 12.1  | 13.2  |
| Realized gains (losses) on investments   | (1.5) | (0.4) | 0.1   | 0.2   |
| Gains (losses) on derivatives  | 0.0   | 0.0   | 0.0   | 0.0   |
|  | ----- | ----- | ----- | ----- |
| Total Revenue  | 102.2 | 102.1 | 116.4 | 121.7 |
|  | ----- | ----- | ----- | ----- |
| Benefits and Expenses  |       |       |       |       |
| Underwriting, acquisition,<br>insurance and other expenses:                          |       |       |       |       |
| Operating and administrative expenses  | 95.8  | 95.2  | 104.4 | 101.6 |
| Restructuring Charges  | 0.0   | 0.0   | 0.0   | 5.3   |
| Taxes, licenses and fees   | 2.4   | 3.0   | 2.8   | 2.4   |
|  | ----- | ----- | ----- | ----- |
| Subtotal   | 98.2  | 98.2  | 107.2 | 109.3 |
| Other intangibles amortization   | 2.0   | 2.0   | 2.0   | 2.0   |
|  | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition,<br>insurance and other expenses                     | 100.2 | 100.2 | 109.2 | 111.3 |
| Goodwill amortization  | 0.0   | 0.0   | 0.0   | 0.0   |
| Interest on notes payable  | 0.0   | 0.0   | 0.0   | 0.0   |
|  | ----- | ----- | ----- | ----- |
| Total Benefits and Expenses  | 100.2 | 100.2 | 109.2 | 111.3 |
|  | ----- | ----- | ----- | ----- |
| Income from Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | 2.0   | 1.9   | 7.2   | 10.3  |
| Federal income taxes   | 0.9   | 0.8   | 2.6   | 4.0   |

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|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Income Before Cumulative Effect of Accounting Changes | -----<br>1.1   | -----<br>1.0   | -----<br>4.6   | -----<br>6.3   |
| Cumulative effect of accounting changes               | -----<br>0.0   | -----<br>0.0   | -----<br>0.0   | -----<br>0.0   |
| Net Income  | -----<br>1.1   | -----<br>1.0   | -----<br>4.6   | -----<br>6.3   |
| Less:   |                |                |                |                |
| Realized gains (losses) on investments                | (0.9)          | (0.3)          | 0.0            | 0.1            |
| Gains (losses) on derivatives                         | 0.0            | 0.0            | 0.0            | 0.0            |
| Restructuring charges                                 | 0.0            | 0.0            | 0.0            | (3.5)          |
| Cumulative effect of accounting changes               | 0.0            | 0.0            | 0.0            | 0.0            |
| Income from Operations                                | -----<br>2.1   | -----<br>1.3   | -----<br>4.5   | -----<br>9.7   |
| Net Income -before                                    |                |                |                |                |
| Goodwill Amortization                                 | 1.1            | 1.0            | 4.6            | 6.3            |
| Net Income -before                                    |                |                |                |                |
| Goodwill & Intang. Amort                              | 2.4            | 2.4            | 5.8            | 7.6            |
| Inc from Oper -before                                 |                |                |                |                |
| Goodwill Amortization                                 | 2.1            | 1.3            | 4.5            | 9.7            |
| Inc from Oper -before                                 |                |                |                |                |
| Goodwill & Intang. Amort                              | 3.4            | 2.6            | 5.8            | 11.0           |
| Revenue   | 102.2          | 102.1          | 116.4          | 121.7          |
| Less:   |                |                |                |                |
| Realized gains (losses) on investments                | (1.5)          | (0.4)          | 0.1            | 0.2            |
| Gains (losses) on derivatives                         | 0.0            | 0.0            | 0.0            | 0.0            |
| Operating Revenue                                     | -----<br>103.6 | -----<br>102.5 | -----<br>116.3 | -----<br>121.4 |
| Average Capital (Securities at Cost)                  | 588.8          | 597.6          | 588.6          | 600.4          |
| Net Income return on average capital                  | 0.8%           | 0.7%           | 3.1%           | 4.2%           |
| Income from operations return on average capital      | 1.4%           | 0.9%           | 3.1%           | 6.4%           |

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

|   | 1998    | 1999    | 2000    | 2001    | 2002  |
|---|---------|---------|---------|---------|-------|
|   | -----   | -----   | -----   | -----   | ----- |
| Retail Fixed - Bal Beg-of-Year                          | 8.125   | 8.219   | 7.423   | 6.607   | 7.1   |
| Fund Sales  | 1.166   | 0.991   | 0.769   | 0.876   | 1.2   |
| Redemptions   | (1.234) | (1.424) | (1.401) | (1.051) | (1.1) |
| Net Money Market  | (0.141) | (0.111) | (0.207) | (0.046) | (0.0) |
| Transfers   | 0.132   | 0.177   | (0.168) | 0.405   | 0.2   |
| Net Flows(1)  | (0.077) | (0.367) | (1.007) | 0.184   | 0.1   |
| Market  | 0.170   | (0.429) | 0.098   | 0.329   | 0.3   |
| Acquisitions/addition of Assets under Administration(1) |         |         | 0.094   |         |       |

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|  |         |         |         |         |      |
|--|---------|---------|---------|---------|------|
| Balance End-of-Year  | 8.219   | 7.423   | 6.607   | 7.120   | 7.6  |
| Retail Equity - Bal Beg-of-Year                            | 17.754  | 22.081  | 23.384  | 21.523  | 17.9 |
| Fund Sales   | 3.581   | 3.270   | 4.116   | 2.817   | 4.4  |
| Redemptions  | (2.459) | (4.972) | (4.431) | (2.838) | (3.6 |
| Net Money Market   | (0.001) | (0.001) | 0.001   |         |      |
| Transfers  | 0.730   | (0.144) | (0.178) | (0.538) | (0.1 |
| Net Flows(1)   | 1.851   | (1.847) | (0.492) | (0.560) | 0.6  |
| Market   | 2.476   | 3.150   | (1.711) | (2.976) | (3.6 |
| Acquisitions/addition of Assets<br>under Administration(1) |         |         | 0.342   |         |      |
| Balance at End-of-Year                                     | 22.081  | 23.384  | 21.523  | 17.987  | 14.9 |
| Total Retail - Bal Beg-of-Year                             | 25.879  | 30.300  | 30.807  | 28.130  | 25.1 |
| Retail Sales-Annuities                                     | 2.240   | 1.561   | 1.782   | 1.701   | 2.7  |
| Retail Sales-Mutual Funds                                  | 1.912   | 2.151   | 2.577   | 1.523   | 1.8  |
| Retail Sales-Managed Acct. & Other                         | 0.595   | 0.549   | 0.525   | 0.469   | 1.1  |
| Total Retail Sales   | 4.747   | 4.261   | 4.885   | 3.693   | 5.6  |
| Redemptions  | (3.693) | (6.396) | (5.832) | (3.889) | (4.8 |
| Net Money Market   | (0.142) | (0.112) | (0.206) | (0.046) | (0.0 |
| Transfers  | 0.862   | 0.033   | (0.346) | (0.133) | 0.0  |
| Net Flows(1)   | 1.774   | (2.214) | (1.500) | (0.375) | 0.8  |
| Market   | 2.647   | 2.721   | (1.613) | (2.648) | (3.3 |
| Acquisitions/addition of Assets<br>under Administration(1) |         |         | 0.435   |         |      |
| Balance at End-of-Year                                     | 30.300  | 30.807  | 28.130  | 25.107  | 22.5 |
| -----  |         |         |         |         |      |
| Institutional Fixed - Bal Beg-of-Year                      | 5.708   | 6.955   | 6.936   | 6.111   | 5.4  |
| Inflows  | 2.169   | 2.001   | 0.771   | 0.643   | 2.2  |
| Withdrawals/Terminations                                   | (1.242) | (1.700) | (1.973) | (1.229) | (1.1 |
| Transfers  | (0.074) | (0.001) | (0.005) | 0.017   | 0.0  |
| Net Flows  | 0.853   | 0.300   | (1.207) | (0.569) | 1.1  |
| Market   | 0.394   | (0.319) | 0.382   | (0.052) | 0.6  |
| Acquisitions   |         |         |         |         |      |
| Balance at End-of-Year                                     | 6.955   | 6.936   | 6.111   | 5.490   | 7.2  |
| Institutional Equity - Bal Beg-of-Year                     | 24.871  | 24.235  | 23.631  | 19.112  | 17.8 |
| Inflows  | 3.840   | 5.249   | 2.730   | 3.183   | 2.9  |
| Withdrawals/Terminations                                   | (7.441) | (7.800) | (7.209) | (2.879) | (1.9 |
| Transfers  | 0.047   | 0.012   | (0.008) | 0.035   | 0.0  |
| Net Flows  | (3.555) | (2.539) | (4.486) | 0.338   | 0.9  |
| Market   | 2.919   | 1.935   | (0.033) | (1.636) | (2.0 |
| Acquisitions   |         |         |         |         |      |
| Balance at End-of-Year                                     | 24.235  | 23.631  | 19.112  | 17.814  | 16.7 |

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|   |         |         |         |         |       |
|---|---------|---------|---------|---------|-------|
| Total Institutional - Bal Beg-of-Year       | 30.579  | 31.191  | 30.568  | 25.223  | 23.3  |
| Inflows                                     | 6.009   | 7.250   | 3.501   | 3.826   | 5.1   |
| Withdrawals/Terminations                    | (8.683) | (9.500) | (9.182) | (4.109) | (3.1) |
| Transfers                                   | (0.027) | 0.011   | (0.013) | 0.052   | 0.0   |
| Net Flows                                   | (2.702) | (2.239) | (5.693) | (0.231) | 2.1   |
| Market                                      | 3.313   | 1.616   | 0.349   | (1.688) | (1.4) |
| Acquisitions                                | -----   | -----   | -----   | -----   | ----- |
| Balance at End-of-Year                      | 31.191  | 30.568  | 25.223  | 23.304  | 23.9  |
|   | -----   | -----   | -----   | -----   | ----- |
| Total Retail/Institutional - At End-of-Year | 61.490  | 61.375  | 53.354  | 48.411  | 46.4  |
|   | -----   | -----   | -----   | -----   | ----- |
| Insurance Assets - At End-of-Year           | 39.432  | 35.934  | 35.686  | 38.119  | 41.1  |
|   | -----   | -----   | -----   | -----   | ----- |
| Total Assets Under Management               |         |         |         |         |       |
| At End-of-Year                              | 100.922 | 97.309  | 89.040  | 86.530  | 87.5  |
|   | =====   | =====   | =====   | =====   | ===== |

(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.

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

|   | Dec<br>2000 | Mar<br>2001 | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 |
|---|-------------|-------------|-------------|-------------|-------------|
|   | -----       | -----       | -----       | -----       | -----       |
| Retail Fixed - Bal-Beg-of-Qtr                       | 6.631       | 6.607       | 6.752       | 6.769       | 7.208       |
| Fund Sales  | 0.212       | 0.248       | 0.203       | 0.207       | 0.218       |
| Redemptions   | (0.277)     | (0.261)     | (0.285)     | (0.262)     | (0.242)     |
| Net Money Market                                    | (0.051)     | 0.010       | (0.030)     | 0.005       | (0.031)     |
| Transfers   | 0.010       | 0.047       | (0.002)     | 0.388       | (0.027)     |
|   | -----       | -----       | -----       | -----       | -----       |
| Net Flows (1)                                       | (0.106)     | 0.043       | (0.114)     | 0.338       | (0.083)     |
| Market  | 0.082       | 0.102       | 0.131       | 0.101       | (0.003)     |
| Acquisitions/addition of Assets<br>under Admin. (1) | 0.000       | 0.000       | 0.000       | 0.000       | 0.000       |
|   | -----       | -----       | -----       | -----       | -----       |
| Balance at End-of-Qtr                               | 6.607       | 6.752       | 6.769       | 7.208       | 7.122       |
|   | -----       | -----       | -----       | -----       | -----       |

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|   |         |         |         |         |         |   |
|---|---------|---------|---------|---------|---------|---|
| Retail Equity - Bal-Beg-of-Qtr                  | 24.047  | 21.523  | 18.253  | 19.754  | 15.871  | 1 |
| Fund Sales                                      | 1.071   | 0.917   | 0.681   | 0.638   | 0.580   |   |
| Redemptions                                     | (0.837) | (0.911) | (0.666) | (0.653) | (0.607) | ( |
| Net Money Market                                | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |   |
| Transfers                                       | (0.069) | (0.070) | (0.047) | (0.441) | 0.019   |   |
| Net Flows(1)                                    | 0.165   | (0.064) | (0.032) | (0.456) | (0.008) |   |
| Market  | (2.690) | (3.205) | 1.532   | (3.427) | 2.126   |   |
| Acquisitions/addition of Assets under Admin.(1) | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |   |
| Balance at End-of-Qtr                           | 21.523  | 18.253  | 19.754  | 15.871  | 17.989  | 1 |
| Total Retail - Bal-Beg-of-Qtr                   | 30.679  | 28.130  | 25.005  | 26.523  | 23.079  | 2 |
| Retail Sales-Annuities                          | 0.589   | 0.540   | 0.403   | 0.434   | 0.323   |   |
| Retail Sales-Mutual Funds                       | 0.563   | 0.483   | 0.355   | 0.336   | 0.348   |   |
| Retail Sales-Managed Acct. & Other              | 0.131   | 0.142   | 0.127   | 0.074   | 0.127   |   |
| Total Retail Sales                              | 1.283   | 1.165   | 0.885   | 0.845   | 0.798   |   |
| Redemptions                                     | (1.114) | (1.173) | (0.951) | (0.915) | (0.850) | ( |
| Net Money Market                                | (0.051) | 0.010   | (0.030) | 0.005   | (0.031) | ( |
| Transfers                                       | (0.059) | (0.023) | (0.049) | (0.053) | (0.009) | ( |
| Net Flows(1)                                    | 0.059   | (0.021) | (0.146) | (0.118) | (0.091) |   |
| Market  | (2.608) | (3.103) | 1.663   | (3.326) | 2.123   |   |
| Acquisitions/addition of Assets under Admin.(1) | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |   |
| Balance at End-of-Qtr                           | 28.130  | 25.005  | 26.523  | 23.079  | 25.111  | 2 |
| Institutional Fixed - Bal-Beg-of-Qtr            | 6.276   | 6.112   | 5.891   | 5.810   | 5.640   |   |
| Inflows   | 0.135   | 0.310   | 0.233   | 0.020   | 0.080   |   |
| Withdrawals/Terminations                        | (0.568) | (0.432) | (0.112) | (0.493) | (0.192) | ( |
| Transfers                                       | 0.001   | 0.003   | 0.010   | 0.001   | 0.002   | ( |
| Net Flows                                       | (0.433) | (0.119) | 0.131   | (0.472) | (0.109) |   |
| Market  | 0.269   | (0.102) | (0.212) | 0.302   | (0.041) | ( |
| Balance at End-of-Qtr                           | 6.112   | 5.891   | 5.810   | 5.640   | 5.490   |   |
| Institutional Equity - Bal-Beg-of-Qtr           | 19.044  | 19.113  | 17.312  | 18.406  | 16.241  | 1 |
| Inflows   | 0.750   | 0.881   | 0.823   | 0.863   | 0.615   |   |
| Withdrawals/Terminations                        | (1.368) | (1.199) | (0.501) | (0.555) | (0.624) | ( |
| Transfers                                       | 0.007   | 0.018   | (0.008) | 0.009   | 0.016   |   |
| Net Flows                                       | (0.611) | (0.299) | 0.313   | 0.317   | 0.007   |   |
| Market  | 0.680   | (1.502) | 0.780   | (2.482) | 1.567   |   |
| Balance at End-of-Qtr                           | 19.113  | 17.312  | 18.406  | 16.241  | 17.815  | 1 |
| Total Institutional - Bal-Beg-of-Qtr            | 25.320  | 25.225  | 23.203  | 24.216  | 21.881  | 2 |
| Inflows   | 0.885   | 1.192   | 1.056   | 0.883   | 0.696   |   |
| Withdrawals/Terminations                        | (1.936) | (1.631) | (0.613) | (1.048) | (0.816) | ( |

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|  |         |         |        |         |         |   |
|--|---------|---------|--------|---------|---------|---|
| Transfers                                      | 0.008   | 0.022   | 0.002  | 0.010   | 0.018   |   |
| Net Flows                                      | (1.043) | (0.417) | 0.445  | (0.155) | (0.103) |   |
| Market   | 0.949   | (1.605) | 0.568  | (2.180) | 1.526   |   |
| Balance at End-of-Qtr                          | 25.225  | 23.203  | 24.216 | 21.881  | 23.305  | 2 |
| Total Retail/Inst - At End-of-Qtr              | 53.355  | 48.209  | 50.739 | 44.960  | 48.415  | 5 |
| Insurance Assets-End-of-Qtr                    | 35.686  | 36.324  | 36.018 | 37.337  | 38.119  | 3 |
| Total Assets Under Management<br>At End-of-Qtr | 89.041  | 84.533  | 86.757 | 82.297  | 86.534  | 8 |

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

|   |       |       |       |       |       |  |
|---|-------|-------|-------|-------|-------|--|
| Net Cash Flows from Assets Under Admin: | 0.001 | 0.027 | 0.013 | 0.007 | 0.034 |  |
|---|-------|-------|-------|-------|-------|--|

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

|  | Jun<br>2002 | Sep<br>2002 | Dec<br>2002 | Mar<br>2003 | Jun<br>2003 |   |
|--|-------------|-------------|-------------|-------------|-------------|---|
| Retail Fixed - Bal-Beg-of-Qtr                      | 7.088       | 7.169       | 7.516       | 7.633       | 7.907       |   |
| Fund Sales   | 0.272       | 0.325       | 0.328       | 0.424       | 0.469       |   |
| Redemptions  | (0.306)     | (0.277)     | (0.311)     | (0.327)     | (0.318)     | ( |
| Net Money Market                                   | (0.002)     | (0.009)     | (0.035)     | 0.001       | (0.006)     | ( |
| Transfers  | 0.021       | 0.134       | 0.092       | 0.062       | (0.055)     | ( |
| Net Flows(1)                                       | (0.015)     | 0.174       | 0.074       | 0.159       | 0.090       | ( |
| Market   | 0.096       | 0.174       | 0.043       | 0.115       | 0.193       | ( |
| Acquisitions/addition of Assets<br>under Admin.(1) | 0.000       | 0.000       | 0.000       | 0.000       | 0.000       |   |
| Balance at End-of-Qtr                              | 7.169       | 7.516       | 7.633       | 7.907       | 8.190       |   |
| Retail Equity - Bal-Beg-of-Qtr                     | 18.253      | 16.611      | 13.703      | 14.914      | 14.286      | 1 |
| Fund Sales   | 1.084       | 1.140       | 1.345       | 0.717       | 0.813       |   |
| Redemptions  | (0.881)     | (1.137)     | (0.881)     | (0.803)     | (0.612)     | ( |
| Net Money Market                                   | 0.000       | 0.000       | 0.000       | 0.000       | 0.000       |   |
| Transfers  | (0.022)     | (0.128)     | (0.036)     | (0.059)     | 0.011       |   |
| Net Flows(1)                                       | 0.182       | (0.126)     | 0.428       | (0.145)     | 0.213       |   |
| Market   | (1.824)     | (2.782)     | 0.784       | (0.484)     | 2.408       |   |
| Acquisitions/addition of Assets<br>under Admin.(1) | 0.000       | 0.000       | 0.000       | 0.000       | 0.000       |   |
| Balance at End-of-Qtr                              | 16.611      | 13.703      | 14.914      | 14.286      | 16.906      | 1 |

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|   |         |         |         |         |         |       |
|---|---------|---------|---------|---------|---------|-------|
| Total Retail - Bal-Beg-of-Qtr                       | 25.340  | 23.779  | 21.219  | 22.547  | 22.192  | 2     |
| Retail Sales-Annuities                              | 0.601   | 0.756   | 0.806   | 0.488   | 0.528   |       |
| Retail Sales-Mutual Funds                           | 0.562   | 0.416   | 0.399   | 0.450   | 0.558   |       |
| Retail Sales-Managed Acct. & Other                  | 0.194   | 0.293   | 0.469   | 0.202   | 0.196   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Retail Sales                                  | 1.356   | 1.465   | 1.673   | 1.141   | 1.282   |       |
| Redemptions   | (1.186) | (1.414) | (1.192) | (1.130) | (0.930) | (     |
| Net Money Market                                    | (0.002) | (0.009) | (0.035) | 0.001   | (0.006) | (     |
| Transfers   | (0.001) | 0.006   | 0.056   | 0.003   | (0.044) |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Flows (1)                                       | 0.167   | 0.048   | 0.502   | 0.014   | 0.302   |       |
| Market  | (1.728) | (2.608) | 0.826   | (0.369) | 2.601   |       |
| Acquisitions/addition of Assets<br>under Admin. (1) | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Balance at End-of-Qtr                               | 23.779  | 21.219  | 22.547  | 22.192  | 25.096  | 2     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| -----   |         |         |         |         |         |       |
| Institutional Fixed - Bal-Beg-of-Qtr                | 6.019   | 6.844   | 7.208   | 7.238   | 7.606   |       |
| Inflows   | 0.663   | 0.530   | 0.283   | 0.592   | 0.126   |       |
| Withdrawals/Terminations                            | (0.161) | (0.308) | (0.438) | (0.308) | (0.188) | (     |
| Transfers   | 0.000   | 0.007   | (0.002) | 0.002   | 0.003   | (     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Flows   | 0.503   | 0.229   | (0.157) | 0.286   | (0.059) |       |
| Market  | 0.323   | 0.134   | 0.187   | 0.083   | 0.207   | (     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Balance at End-of-Qtr                               | 6.844   | 7.208   | 7.238   | 7.606   | 7.754   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Institutional Equity - Bal-Beg-of-Qtr               | 18.643  | 18.119  | 14.936  | 16.710  | 15.919  | 1     |
| Inflows   | 0.569   | 0.631   | 1.040   | 0.494   | 0.727   |       |
| Withdrawals/Terminations                            | (0.635) | (0.523) | (0.322) | (0.459) | (0.381) | (     |
| Transfers   | 0.018   | 0.011   | 0.010   | 0.008   | 0.002   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Flows   | (0.047) | 0.119   | 0.728   | 0.044   | 0.348   |       |
| Market  | (0.476) | (3.302) | 1.046   | (0.835) | 3.339   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Balance at End-of-Qtr                               | 18.119  | 14.936  | 16.710  | 15.919  | 19.607  | 2     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Institutional - Bal-Beg-of-Qtr                | 24.661  | 24.963  | 22.143  | 23.948  | 23.526  | 2     |
| Inflows   | 1.232   | 1.162   | 1.323   | 1.086   | 0.853   |       |
| Withdrawals/Terminations                            | (0.796) | (0.831) | (0.760) | (0.767) | (0.568) | (     |
| Transfers   | 0.019   | 0.017   | 0.008   | 0.010   | 0.005   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Flows   | 0.455   | 0.348   | 0.572   | 0.330   | 0.289   |       |
| Market  | (0.153) | (3.168) | 1.233   | (0.752) | 3.546   |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Balance at End-of-Qtr                               | 24.963  | 22.143  | 23.948  | 23.526  | 27.360  | 2     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Retail/Inst - At End-of-Qtr                   | 48.742  | 43.362  | 46.495  | 45.718  | 52.456  | 5     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Insurance Assets-End-of-Qtr                         | 38.476  | 40.416  | 41.104  | 42.130  | 43.857  | 4     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Assets Under Management<br>At End-of-Qtr      | 87.218  | 83.778  | 87.599  | 87.848  | 96.313  | 9     |
|   | =====   | =====   | =====   | =====   | =====   | ===== |

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

Net Cash Flows from Assets Under Admin: 0.061 0.045 0.068 0.068 0.059

Lincoln UK  
Income Statements  
Unaudited [Millions of Dollars]

| For the Year Ended December 31   | 1998         | 1999          | 2000          | 2001         |
|--|--------------|---------------|---------------|--------------|
| Revenue  |              |               |               |              |
| Premiums   | 156.6        | 145.1         | 148.4         | 46.0         |
| Mortality assessments  | 29.3         | 27.1          | 31.4          | 33.0         |
| Expense assessments  | 153.6        | 182.3         | 178.1         | 134.0        |
| Other revenue and fees   | 11.2         | 13.8          | 2.6           | (1.0)        |
| Net investment income  | 87.9         | 75.3          | 70.3          | 64.0         |
| Realized gains (losses) on investments                                       | 1.1          | 3.0           | 3.2           | 12.0         |
| Gains (losses) on derivatives  | 0.0          | 0.0           | 0.0           | 0.0          |
| <b>Total Revenue</b>   | <b>439.7</b> | <b>446.6</b>  | <b>433.8</b>  | <b>290.0</b> |
| Benefits and Expenses  |              |               |               |              |
| Benefits paid or provided:   |              |               |               |              |
| Benefits   | 151.0        | 306.2         | 178.5         | 83.0         |
| Underwriting, acquisition, insurance and other expenses:                     |              |               |               |              |
| Commissions  | 52.6         | 54.5          | 37.7          | 10.0         |
| Operating and administrative expenses  | 125.8        | 153.0         | 142.5         | 82.0         |
| Restructuring Charges  | 0.0          | 10.0          | 99.4          | 0.0          |
| <b>Subtotal</b>  | <b>178.5</b> | <b>217.4</b>  | <b>279.5</b>  | <b>93.0</b>  |
| Deferral of acquisition costs  |              |               |               | (4.0)        |
| DAC amortization   |              |               |               | 35.0         |
| DAC deferral net of amortization   | (16.0)       | (12.4)        | (7.2)         | 31.0         |
| PVIF amortization  | 13.2         | 28.4          | 4.7           | 22.0         |
| Other intangibles amortization   | 0.0          | 0.0           | 0.0           | 0.0          |
| <b>Total underwriting, acquisition, insurance and other expenses</b>         | <b>175.6</b> | <b>233.5</b>  | <b>277.0</b>  | <b>147.0</b> |
| Goodwill amortization  | 6.3          | 7.0           | 4.0           | 0.0          |
| <b>Total Benefits and Expenses</b>   | <b>332.9</b> | <b>546.7</b>  | <b>459.6</b>  | <b>231.0</b> |
| Income Before Federal Income Tax and Cumulative Effect of Accounting Changes | 106.9        | (100.1)       | (25.7)        | 59.0         |
| Federal income taxes   | 35.2         | (81.8)        | (10.6)        | (7.0)        |
| <b>Income Before Cumulative Effect of Accounting Changes</b>                 | <b>71.7</b>  | <b>(18.2)</b> | <b>(15.1)</b> | <b>66.0</b>  |



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|  |       |        |        |         |
|--|-------|--------|--------|---------|
| Cumulative effect of accounting changes          | 0.0   | 0.0    | 0.0    | 0.0     |
| Net Income                                       | 71.7  | (18.2) | (15.1) | 66.4    |
| Less:  |       |        |        |         |
| Realized gains (losses) on investments           | 0.8   | 2.1    | 2.3    | 8.2     |
| Restructuring charges                            | 0.0   | (6.5)  | (76.5) | 0.0     |
| Cumulative effect of accounting changes          | 0.0   | 0.0    | 0.0    | 0.0     |
| Income from Operations                           | 70.9  | (13.9) | 59.2   | 58.2    |
| Effective tax rate on<br>Income from Operations  | 32.9% | 85.1%  | 15.9%  | (24.2)% |
| Revenue  | 439.7 | 446.6  | 433.8  | 290.0   |
| Less:  |       |        |        |         |
| Realized gains (losses) on investments           | 1.1   | 3.0    | 3.2    | 12.0    |
| Gains(losses) on derivatives                     |       |        |        |         |
| Operating Revenue                                | 438.6 | 443.6  | 430.6  | 278.0   |
| Average capital                                  | 472.5 | 520.4  | 494.0  | 593.0   |
| Net Income return on average capital             | 15.2% | (3.5%) | (3.1%) | 11.3%   |
| Income from operations return on average capital | 15.0% | (2.7%) | 12.0%  | 9.8%    |

Roll Forward of Deferred Acquisition Costs

|   |        |
|---|--------|
| Balance at beginning-of-year            | 635.0  |
| Deferral                                | 4.0    |
| Amortization                            | (35.0) |
| Included in Total Benefits and Expenses | (31.0) |
| Foreign currency translation adjustment | (16.0) |
| Other                                   | 0.0    |
| Balance at end-of-year                  | 587.0  |

Roll Forward of Present Value of In-Force

|   |        |
|---|--------|
| Balance at beginning-of-year            | 273.0  |
| Amortization                            | (22.0) |
| Foreign currency translation adjustment | (7.0)  |
| Other                                   | 0.0    |
| Balance at end-of-year                  | 244.0  |

Note: 2000, 2001, and 2002 have been restated for the adoption of the fair value method of accounting under FAS 123.

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Income Statements  
Unaudited [Millions of Dollars]

| For the Quarter Ended   | Sep<br>2001 | Dec<br>2001  | Mar<br>2002 | Jun<br>2002 | Sep<br>2002  | Dec<br>2002   |
|---|-------------|--------------|-------------|-------------|--------------|---------------|
| Revenue   |             |              |             |             |              |               |
| Premiums  | 11.8        | 11.9         | 12.1        | 12.1        | 12.4         | 14.2          |
| Mortality assessments   | 8.5         | 7.1          | 6.5         | 8.3         | 8.7          | 8.9           |
| Expense assessments   | 35.5        | 24.1         | 25.3        | 27.8        | 29.4         | 22.8          |
| Other revenue and fees  | 8.8         | (9.2)        | (0.2)       | 12.5        | 24.5         | (11.9)        |
| Net investment income   | 14.8        | 15.2         | 14.7        | 15.3        | 15.6         | 16.6          |
| Realized gains (losses) on investments  | 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           |
| <b>Total Revenue</b>  | <b>85.0</b> | <b>53.4</b>  | <b>53.2</b> | <b>80.5</b> | <b>91.8</b>  | <b>51.8</b>   |
| Benefits and Expenses   |             |              |             |             |              |               |
| Benefits paid or provided:  |             |              |             |             |              |               |
| Benefits  | 20.7        | 20.8         | 18.3        | 19.0        | 23.8         | 23.1          |
| Underwriting, acquisition,<br>insurance and other expenses:                     |             |              |             |             |              |               |
| Commissions   | 2.6         | 1.9          | 1.3         | 1.9         | 1.6          | 1.3           |
| Operating and administrative expenses   | 20.3        | 24.7         | 17.3        | 18.9        | 20.2         | 20.6          |
| Restructuring Charges   | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          | (1.7)         |
| <b>Subtotal</b>   | <b>22.9</b> | <b>26.6</b>  | <b>18.6</b> | <b>20.9</b> | <b>21.8</b>  | <b>20.2</b>   |
| Deferral of acquisition costs   | (1.3)       | (0.9)        | (0.9)       | (1.0)       | (0.9)        | (0.6)         |
| DAC amortization  | 18.7        | (3.8)        | 6.7         | 20.9        | 33.8         | (11.5)        |
| <b>DAC deferral net of amortization</b>   | <b>17.4</b> | <b>(4.8)</b> | <b>5.8</b>  | <b>19.9</b> | <b>33.0</b>  | <b>(12.1)</b> |
| PVIF amortization   | 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           |
| <b>Total underwriting, acquisition,<br/>insurance and other expenses</b>        | <b>49.6</b> | <b>27.4</b>  | <b>25.0</b> | <b>52.5</b> | <b>67.6</b>  | <b>13.6</b>   |
| Goodwill amortization   | 0.2         | 0.2          | 0.0         | 0.0         | 0.0          | 0.0           |
| <b>Total Benefits and Expenses</b>  | <b>70.5</b> | <b>48.4</b>  | <b>43.3</b> | <b>71.5</b> | <b>91.4</b>  | <b>36.7</b>   |
| Income Before Federal Income Tax and<br>Cumulative Effect of Accounting Changes | 14.5        | 5.1          | 9.8         | 9.0         | 0.4          | 15.1          |
| Federal income taxes  | 1.0         | (16.9)       | (0.5)       | (0.3)       | 0.2          | (2.8)         |
| <b>Income Before Cumulative Effect of<br/>Accounting Changes</b>                | <b>13.5</b> | <b>22.0</b>  | <b>10.3</b> | <b>9.3</b>  | <b>0.2</b>   | <b>17.9</b>   |
| Cumulative effect of accounting changes   | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          | 0.0           |
| <b>Net Income</b>   | <b>13.5</b> | <b>22.0</b>  | <b>10.3</b> | <b>9.3</b>  | <b>0.2</b>   | <b>17.9</b>   |
| Less:   |             |              |             |             |              |               |
| Realized gains (losses) on investments  | 3.9         | 3.0          | (3.6)       | 3.2         | 0.9          | 0.8           |
| Restructuring charges   | 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           |
| <b>Income from Operations</b>   | <b>9.6</b>  | <b>19.0</b>  | <b>13.8</b> | <b>6.1</b>  | <b>(0.6)</b> | <b>15.3</b>   |
| Effective tax rate on<br>Income from Operations                                 | (6.8%)      | (2,417.1%)   | 7.2%        | (37.0%)     | 25.4%        | (26.1%)       |

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|  |       |       |       |       |        |       |
|--|-------|-------|-------|-------|--------|-------|
| Revenue  | 85.0  | 53.4  | 53.2  | 80.5  | 91.8   | 51.8  |
| Less:  |       |       |       |       |        |       |
| Realized gains (losses) on investments           | 5.5   | 4.3   | (5.1) | 4.5   | 1.2    | 1.2   |
| Operating Revenue                                | 79.5  | 49.1  | 58.3  | 75.9  | 90.6   | 50.6  |
| Average capital                                  | 607.3 | 596.3 | 585.2 | 544.9 | 525.3  | 544.0 |
| Net Income return on average capital             | 8.9%  | 14.7% | 7.0%  | 6.8%  | 0.2%   | 13.2% |
| Income from operations return on average capital | 6.3%  | 12.7% | 9.5%  | 4.5%  | (0.5%) | 11.3% |

Roll Forward of Deferred Acquisition Costs

|   |        |       |        |        |        |       |
|---|--------|-------|--------|--------|--------|-------|
| Balance at beginning-of-year            | 583.4  | 589.7 | 587.3  | 569.4  | 591.0  | 571.8 |
| Deferral                                | 1.3    | 0.9   | 0.9    | 1.0    | 0.9    | 0.6   |
| Amortization                            | (18.7) | 3.8   | (6.7)  | (20.9) | (33.8) | 11.5  |
| Included in Total Benefits and Expenses | (17.4) | 4.8   | (5.8)  | (19.9) | (33.0) | 12.1  |
| Foreign currency translation adjustment | 23.8   | (7.2) | (12.2) | 41.6   | 13.8   | 13.7  |
| Other                                   |        |       |        |        |        |       |
| Balance at end-of-year                  | 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            | 251.9 | 252.8 | 244.0 | 238.3  | 243.9  | 236.8 |
| Amortization                            | (9.4) | (5.6) | (0.7) | (11.7) | (12.8) | (5.5) |
| Foreign currency translation adjustment | 10.3  | (3.2) | (5.1) | 17.4   | 5.7    | 6.1   |
| Other                                   |       |       |       |        |        |       |
| Balance at end-of-year                  | 252.8 | 244.0 | 238.3 | 243.9  | 236.8  | 237.4 |

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Lincoln UK  
Operational Data  
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   | 5.607   |
| Deposits                                    | 0.473   | 0.537   | 0.554   | 0.481   | 0.453   |
| Withdrawals (incl. chgs) & Deaths           | (0.547) | (0.566) | (0.644) | (0.529) | (0.519) |
| Net Flows                                   | (0.074) | (0.029) | (0.090) | (0.048) | (0.066) |
| Inv Inc & Chg in Mkt Val                    | 0.662   | 1.154   | (0.154) | (0.617) | (1.004) |
| Acq of new business/companies               |         |         |         |         |         |
| Foreign currency adjustment                 | 0.035   | (0.170) | (0.536) | (0.169) | 0.542   |
| Unit Linked Assets - End-of-Year            | 6.265   | 7.220   | 6.441   | 5.607   | 5.079   |

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|                                     |         |         |         |         |         |       |
|-------------------------------------|---------|---------|---------|---------|---------|-------|
| Individual Life In-force (Billions) | 25.002  | 25.698  | 24.290  | 20.878  | 18.896  |       |
| Exchange Rate - Dollars to Pounds   |         |         |         |         |         |       |
| For-the-Period                      | 1.658   | 1.617   | 1.518   | 1.441   | 1.503   |       |
| End-of-Period                       | 1.660   | 1.615   | 1.493   | 1.456   | 1.610   |       |
| For the Quarter Ended               |         |         |         |         |         |       |
|                                     | Dec     | Mar     | Jun     | Sep     | Dec     | Ma    |
|                                     | 2000    | 2001    | 2001    | 2001    | 2001    | 200   |
|                                     | -----   | -----   | -----   | -----   | -----   | ----- |
| Unit Linked Assets                  |         |         |         |         |         |       |
| Balance-Beg-of-Quarter (Billions)   | 6.499   | 6.441   | 5.677   | 5.768   | 5.218   | 5.60  |
| Deposits                            | 0.116   | 0.132   | 0.111   | 0.128   | 0.111   | 0.11  |
| Withdrawals (incl. chgs) & Deaths   | (0.153) | (0.147) | (0.131) | (0.136) | (0.115) | (0.12 |
|                                     | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Flows                           | (0.037) | (0.015) | (0.020) | (0.009) | (0.004) | (0.01 |
| Inv Inc & Chg in Mkt Val            | (0.100) | (0.421) | 0.115   | (0.768) | 0.457   | 0.14  |
| Acq of new business/companies       |         |         |         |         |         |       |
| Foreign Currency Adjustment         | 0.078   | (0.328) | (0.004) | 0.226   | (0.063) | (0.11 |
|                                     | -----   | -----   | -----   | -----   | -----   | ----- |
| Unit Linked Assets - End-of-Quarter | 6.441   | 5.677   | 5.768   | 5.218   | 5.607   | 5.61  |
|                                     | =====   | =====   | =====   | =====   | =====   | ===== |
| Individual Life In-force (Billions) | 24.290  | 21.894  | 21.519  | 21.299  | 20.878  | 20.01 |
| Exchange Rate - Dollars to Pounds   |         |         |         |         |         |       |
| For-the-Quarter                     | 1.454   | 1.455   | 1.421   | 1.442   | 1.448   | 1.42  |
| End-of-Quarter                      | 1.493   | 1.416   | 1.415   | 1.474   | 1.456   | 1.42  |
| For the Quarter Ended               |         |         |         |         |         |       |
|                                     | Jun     | Sep     | Dec     | Mar     | Jun     | Se    |
|                                     | 2002    | 2002    | 2002    | 2003    | 2003    | 200   |
|                                     | -----   | -----   | -----   | -----   | -----   | ----- |
| Unit Linked Assets                  |         |         |         |         |         |       |
| Balance-Beg-of-Quarter (Billions)   | 5.618   | 5.520   | 4.825   | 5.079   | 4.748   | 5.46  |
| Deposits                            | 0.115   | 0.119   | 0.104   | 0.094   | 0.090   | 0.11  |
| Withdrawals (incl. chgs) & Deaths   | (0.137) | (0.126) | (0.129) | (0.153) | (0.137) | (0.15 |
|                                     | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Flows                           | (0.022) | (0.006) | (0.025) | (0.059) | (0.047) | (0.03 |
| Inv Inc & Chg in Mkt Val            | (0.479) | (0.812) | 0.146   | (0.184) | 0.549   | 0.20  |
| Acq of new business/companies       |         |         |         |         |         |       |
| Foreign Currency Adjustment         | 0.403   | 0.123   | 0.133   | (0.087) | 0.218   | 0.05  |
|                                     | -----   | -----   | -----   | -----   | -----   | ----- |
| Unit Linked Assets - End-of-Quarter | 5.520   | 4.825   | 5.079   | 4.748   | 5.468   | 5.69  |
|                                     | =====   | =====   | =====   | =====   | =====   | ===== |
| Individual Life In-force (Billions) | 20.401  | 19.815  | 18.896  | 18.512  | 19.138  | 19.25 |
| Exchange Rate - Dollars to Pounds   |         |         |         |         |         |       |
| For-the-Quarter                     | 1.464   | 1.555   | 1.570   | 1.605   | 1.618   | 1.61  |
| End-of-Quarter                      | 1.532   | 1.569   | 1.610   | 1.580   | 1.656   | 1.66  |

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Other Operations  
Unaudited [Millions of Dollars]

| For the Year Ended December 31                          | 1998    | 1999    | 2000    | 2001    |
|---|---------|---------|---------|---------|
|   | -----   | -----   | -----   | -----   |
| Revenue   | 1,691.1 | 1,966.0 | 1,946.9 | 1,827.0 |
| Less:   |         |         |         |         |
| Realized gains (losses) on investments                  | 0.5     | 14.4    | (5.0)   | 8.0     |
| Gains (losses) on derivatives                           | 0.0     | 0.0     | 0.0     | (9.0)   |
| Amortization of deferred gain-reserve development       | 0.0     | 0.0     | 0.0     | 0.0     |
| Gain on sale of reinsurance subsidiaries                | 0.0     | 0.0     | 0.0     | 12.0    |
|   | -----   | -----   | -----   | -----   |
| Operating Revenue                                       | 1,690.6 | 1,951.6 | 1,951.9 | 1,815.0 |
|   | =====   | =====   | =====   | =====   |
| Operating Revenue by Source:                            |         |         |         |         |
| Lincoln Financial Advisors                              | 286.4   | 317.0   | 377.5   | 360.0   |
| Lincoln Financial Distributors                          | 33.5    | 107.5   | 119.9   | 113.0   |
|   | -----   | -----   | -----   | -----   |
| Total Distribution                                      | 319.9   | 424.4   | 497.4   | 474.0   |
| Reinsurance   | 1,581.2 | 1,824.1 | 1,770.6 | 1,699.0 |
| Amortization of deferred gain on indemnity reinsurance* | 0.0     | 0.0     | 0.0     | 20.0    |
| Other [Including Consolidating Adjustments]             | (210.5) | (296.9) | (316.0) | (377.0) |
|   | -----   | -----   | -----   | -----   |
| Total Operating Revenue                                 | 1,690.6 | 1,951.6 | 1,951.9 | 1,815.0 |
|   | =====   | =====   | =====   | =====   |
| <hr style="border-top: 1px dashed black;"/>             |         |         |         |         |
| Income (Loss)   |         |         |         |         |
| Net Loss  | (7.6)   | (76.1)  | (18.2)  | (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 development/Amortization of deferred gain       | 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)   |
| Loss on early retirement of subordinated debt           | 0.0     | 0.0     | 0.0     | 0.0     |
|   | -----   | -----   | -----   | -----   |
| Operating Income (Loss)                                 | 4.0     | (83.1)  | (16.0)  | 1.0     |
|   | =====   | =====   | =====   | =====   |
| Income (Loss) from Operations by Source:                |         |         |         |         |
| Lincoln Financial Advisors                              | (23.7)  | (20.8)  | (15.4)  | (20.0)  |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Lincoln Financial Distributors                          | (8.2)  | (14.0) | (19.6) | (33.0) |
| Total Distribution                                      | (31.9) | (34.8) | (35.0) | (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)  | (18.6) | (9.0)  |
| Income (Loss) from Operations                           | 4.0    | (83.1) | (16.0) | 1.0    |

| For the Quarter Ended                                   | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 | Sep<br>2002 | De<br>2002 |
|---|-------------|-------------|-------------|-------------|-------------|------------|
| Revenue   | 485.3       | 367.4       | 88.5        | 88.5        | 91.8        | 103.0      |
| Less:   |             |             |             |             |             |            |
| Realized gains (losses) on investments                  | (12.8)      | 29.5        | (4.9)       | (3.8)       | 33.2        | 1.0        |
| Gains (losses) on derivatives                           | (0.0)       | (9.7)       | 0.1         | (0.1)       | 0.6         | 0.0        |
| Amort. of deferred gain-reserve development             | 0.0         | 0.0         | 0.0         | 0.0         | (1.4)       | 0.0        |
| Gain on sale of reinsurance subsidiaries                | 0.0         | 12.8        | 0.0         | 0.0         | 0.0         | (8.0)      |
| Operating Revenue                                       | 498.2       | 334.7       | 93.3        | 92.4        | 59.4        | 109.0      |
| Operating Revenue by Source:                            |             |             |             |             |             |            |
| Lincoln Financial Advisors                              | 78.9        | 116.7       | 75.9        | 78.1        | 74.4        | 89.0       |
| Lincoln Financial Distributors                          | 32.0        | 35.0        | 29.4        | 29.3        | 31.8        | 36.0       |
| Total Distribution                                      | 111.0       | 151.7       | 105.3       | 107.4       | 106.2       | 126.0      |
| Reinsurance   | 467.4       | 265.6       |             | 0.0         | 0.0         | 0.0        |
| Amortization of deferred gain on indemnity reinsurance* | 0.0         | 20.4        | 24.1        | 22.1        | 22.1        | 6.0        |
| Other [Including Consolidating Adjustments]             | (80.2)      | (102.9)     | (36.0)      | (37.1)      | (68.9)      | (23.0)     |
| Total Operating Revenue                                 | 498.2       | 334.7       | 93.3        | 92.4        | 59.4        | 109.0      |

|   |        |        |        |        |         |        |
|---|--------|--------|--------|--------|---------|--------|
| Income (Loss)                                     |        |        |        |        |         |        |
| Net Income (Loss)                                 | (24.6) | 33.2   | (16.8) | (25.8) | (172.1) | (32.0) |
| Less:   |        |        |        |        |         |        |
| Realized gains (losses) on investments            | (8.3)  | 19.7   | (3.3)  | (2.4)  | 21.6    | 0.0    |
| Gains (losses) on derivatives                     | (0.0)  | (6.3)  | 0.1    | (0.1)  | 0.4     | 0.0    |
| Gain on sale of reinsurance subsidiaries          | 0.0    | 15.0   | 0.0    | 0.0    | 0.0     | (9.0)  |
| Reserve development/Amortization of deferred gain | 0.0    | 0.0    | 0.0    | (14.4) | (176.4) | (8.0)  |
| Restructuring charges                             | 0.0    | (18.3) | 0.0    | 0.0    | 1.1     | 0.0    |
| Cumulative effect of accounting                   |        |        |        |        |         |        |

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|   |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|
| changes   | 0.0    | (0.0)  | 0.0    | 0.0    | 0.0    | 0.0    |
| Loss on early retirement of subordinated debt           | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  | -----  | -----  |
| Income (Loss) from Operations                           | (16.3) | 23.0   | (13.6) | (8.9)  | (18.8) | (15.0) |
|   | =====  | =====  | =====  | =====  | =====  | =====  |
| Income from Operations by Source:                       |        |        |        |        |        |        |
| Lincoln Financial Advisors                              | (5.3)  | 6.4    | (10.1) | (8.7)  | (8.9)  | (3.6)  |
| Lincoln Financial Distributors                          | (8.4)  | (5.1)  | (6.6)  | (7.6)  | (13.1) | (8.4)  |
|   | -----  | -----  | -----  | -----  | -----  | -----  |
| Total Distribution                                      | (13.7) | 1.3    | (16.6) | (16.3) | (22.0) | (11.9) |
| Reinsurance   | 17.2   | 30.7   | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortization of deferred gain on indemnity reinsurance* | 0.0    | 12.9   | 15.7   | 14.4   | 14.4   | 4.4    |
| LNC Financing   | (19.5) | (14.7) | (8.2)  | (10.2) | (11.0) | (13.0) |
| Other Corporate   | (0.3)  | (7.1)  | (4.4)  | 3.2    | (0.2)  | 4.4    |
|   | -----  | -----  | -----  | -----  | -----  | -----  |
| Income(Loss) from Operations                            | (16.3) | 23.0   | (13.6) | (8.9)  | (18.8) | (15.0) |
|   | =====  | =====  | =====  | =====  | =====  | =====  |

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

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

PAGE

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

Account Balances 80.5

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

|   | 1999        | 2000        | 2001        | 2002        | YTD<br>Sep<br>2002 | YTD<br>Sep<br>2001 |
|---|-------------|-------------|-------------|-------------|--------------------|--------------------|
|   | -----       | -----       | -----       | -----       | -----              | -----              |
| Deposits - For the Year                 |             |             |             |             |                    |                    |
| Lincoln Retirement - Fixed Annuities    | 2.563       | 2.074       | 3.342       | 3.672       | 2.850              | 2.33               |
| Lincoln Retirement - Variable Annuities | 2.553       | 3.165       | 3.067       | 2.743       | 2.198              | 2.03               |
| Lincoln Retirement - Life Insurance     | 0.017       | 0.014       | 0.012       | 0.000       | 0.000              | 0.00               |
| Life Insurance Segment - Life Insurance | 1.698       | 1.884       | 1.934       | 2.138       | 1.502              | 1.59               |
| Inv Mgmt - Annuities                    | 1.561       | 1.782       | 1.701       | 2.751       | 1.946              | 1.58               |
| Inv Mgmt - Mutual Funds (1)             | 2.151       | 2.577       | 1.523       | 1.829       | 1.430              | 1.65               |
| Inv Mgmt - Managed Acct. & Other        | 0.549       | 0.525       | 0.469       | 1.115       | 0.646              | 0.67               |
| Consolidating Adjustments               | (0.499)     | (0.765)     | (0.608)     | (1.576)     | (1.051)            | (0.67)             |
|   | -----       | -----       | -----       | -----       | -----              | -----              |
| Gross Deposits                          | 10.593      | 11.256      | 11.439      | 12.671      | 9.522              | 9.21               |
|   | =====       | =====       | =====       | =====       | =====              | =====              |
| 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      |                    |                    |
|   | =====       | =====       | =====       | =====       |                    |                    |
|   | Dec<br>2000 | Mar<br>2001 | Jun<br>2001 | Sep<br>2001 | Dec<br>2001        | M<br>2001          |
|   | -----       | -----       | -----       | -----       | -----              | -----              |
| Deposits - For the Quarter              |             |             |             |             |                    |                    |
| Lincoln Retirement - Fixed Annuities    | 0.482       | 0.560       | 0.668       | 0.896       | 1.218              | 0.9                |
| Lincoln Retirement - Variable Annuities | 0.846       | 0.887       | 0.703       | 0.684       | 0.793              | 0.8                |
| Lincoln Retirement - Life Insurance     | 0.004       | 0.003       | 0.004       | 0.003       | 0.002              | 0.0                |
| Life Insurance Segment - Life Insurance | 0.622       | 0.418       | 0.477       | 0.434       | 0.605              | 0.4                |
| Inv Mgmt - Annuities                    | 0.589       | 0.540       | 0.403       | 0.434       | 0.323              | 0.5                |
| Inv Mgmt - Mutual Funds (1)             | 0.563       | 0.483       | 0.355       | 0.336       | 0.348              | 0.4                |
| Inv Mgmt - Managed Acct. & Other        | 0.131       | 0.142       | 0.127       | 0.074       | 0.127              | 0.1                |
| Consolidating Adjustments               | (0.240)     | (0.146)     | (0.110)     | (0.193)     | (0.159)            | (0.2               |
|   | -----       | -----       | -----       | -----       | -----              | -----              |
| Gross Deposits                          | 2.996       | 2.886       | 2.627       | 2.669       | 3.258              | 3.0                |
|   | -----       | -----       | -----       | -----       | -----              | -----              |
| Account Balances - End of Quarter       |             |             |             |             |                    |                    |
| Lincoln Retirement - Fixed Annuities    | 15.394      | 15.430      | 15.551      | 16.051      | 16.491             | 16.5               |
| Lincoln Retirement - Variable Annuities | 39.427      | 34.733      | 36.961      | 30.506      | 34.638             | 35.1               |
| Lincoln Retirement - Life Insurance     | 0.160       | 0.147       | 0.157       | 0.134       | 0.149              |                    |
| Life Insurance Segment - Life Insurance | 10.847      | 10.764      | 11.066      | 10.939      | 11.377             | 11.6               |
| Inv Mgmt - Annuities                    | 13.527      | 11.822      | 12.532      | 10.714      | 11.835             | 11.9               |
| Inv Mgmt - Mutual Funds (1)             | 13.261      | 11.530      | 12.215      | 10.726      | 11.552             | 11.5               |



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|   | 1.342   | 1.653   | 1.774   | 1.635   | 1.719   | 1.8   |
|---|---------|---------|---------|---------|---------|-------|
|   | (7.757) | (6.601) | (7.092) | (6.002) | (6.676) | (6.6  |
| Account Balances                        | 86.201  | 79.479  | 83.164  | 74.704  | 81.086  | 82.0  |
|   | Jun     | Sep     | Dec     | Mar     | Jun     | Se    |
|   | 2002    | 2002    | 2002    | 2003    | 2003    | 200   |
| Deposits - For the Quarter              |         |         |         |         |         |       |
| Lincoln Retirement - Fixed Annuities    | 0.853   | 1.091   | 0.822   | 0.776   | 0.778   | 0.77  |
| Lincoln Retirement - Variable Annuities | 0.787   | 0.603   | 0.545   | 0.648   | 0.584   | 0.80  |
| Lincoln Retirement - Life Insurance     |         |         |         |         |         |       |
| Life Insurance Segment - Life Insurance | 0.577   | 0.484   | 0.636   | 0.486   | 0.526   | 0.58  |
| Inv Mgmt - Annuities                    | 0.601   | 0.756   | 0.806   | 0.488   | 0.528   | 0.57  |
| Inv Mgmt - Mutual Funds (1)             | 0.562   | 0.416   | 0.399   | 0.450   | 0.558   | 0.64  |
| Inv Mgmt - Managed Acct. & Other        | 0.194   | 0.293   | 0.469   | 0.202   | 0.196   | 0.27  |
| Consolidating Adjustments               | (0.333) | (0.437) | (0.525) | (0.171) | (0.211) | (0.28 |
| Gross Deposits                          | 3.240   | 3.206   | 3.151   | 2.880   | 2.960   | 3.37  |
| Account Balances - End of Quarter       |         |         |         |         |         |       |
| Lincoln Retirement - Fixed Annuities    | 16.910  | 17.650  | 18.085  | 18.537  | 18.696  | 18.86 |
| Lincoln Retirement - Variable Annuities | 31.206  | 25.942  | 27.438  | 26.474  | 30.457  | 31.70 |
| Lincoln Retirement - Life Insurance     |         |         |         |         |         |       |
| Life Insurance Segment - Life Insurance | 11.759  | 11.726  | 12.086  | 12.233  | 12.663  | 12.95 |
| Inv Mgmt - Annuities                    | 10.896  | 9.327   | 9.981   | 9.660   | 11.002  | 11.39 |
| Inv Mgmt - Mutual Funds (1)             | 11.033  | 10.069  | 10.297  | 10.241  | 11.357  | 11.61 |
| Inv Mgmt - Managed Acct. & Other        | 1.847   | 1.820   | 2.270   | 2.292   | 2.737   | 3.03  |
| Consolidating Adjustments               | (6.000) | (4.940) | (5.123) | (4.891) | (5.628) | (5.79 |
| Account Balances                        | 77.651  | 71.594  | 75.034  | 74.546  | 81.284  | 83.78 |

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 |

Dec Mar Jun Sep Dec M

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| For the Quarter                           | 2000    | 2001    | 2001    | 2001    | 2001    | 2001  |
|---|---------|---------|---------|---------|---------|-------|
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Lincoln Retirement                        | (0.681) | (0.590) | (0.196) | 0.261   | 0.631   | 0.0   |
| Life Insurance Segment                    | 0.404   | 0.237   | 0.304   | 0.239   | 0.383   | 0.2   |
| Investment Management Segment- Retail (1) | 0.059   | (0.021) | (0.146) | (0.118) | (0.091) | 0.0   |
| Consolidating Adjustments                 | 0.092   | 0.163   | 0.042   | (0.002) | (0.169) | 0.0   |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Retail Net Flows                    | (0.126) | (0.211) | 0.004   | 0.380   | 0.754   | 0.4   |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Investment Management Segment- Instit.    | (1.043) | (0.417) | 0.445   | (0.155) | (0.103) | 0.7   |
| Consolidating Adjustments                 | (0.013) | (0.020) | 0.018   | (0.030) | 0.016   | 0.0   |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Net Flows                           | (1.182) | (0.648) | 0.467   | 0.195   | 0.667   | 1.1   |
|   | =====   | =====   | =====   | =====   | =====   | ===== |

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

| For the Year                                 | 1999        | 2000        | 2001        | 2002        | YTD<br>Sep<br>2002 | YTD<br>Sep<br>2002 |
|--|-------------|-------------|-------------|-------------|--------------------|--------------------|
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Lincoln Retirement                           | (1.165)     | (2.874)     | 0.105       | 0.453       | 0.379              | 0.47               |
| Life Insurance Segment                       | 0.985       | 1.158       | 1.163       | 1.320       | 0.918              | 0.97               |
| Investment Management Segment- Retail (1)    | (2.209)     | (1.499)     | (0.375)     | 0.806       | 0.304              | 0.68               |
| Consolidating Adjustments                    | 1.276       | 1.022       | (0.035)     | (0.082)     | 0.104              | 0.12               |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Total Retail Net Flows                       | (1.114)     | (2.194)     | 0.927       | 2.496       | 1.705              | 2.25               |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Investment Management Segment- Institutional | (2.240)     | (5.694)     | (0.231)     | 2.106       | 1.535              | 1.41               |
| Consolidating Adjustments                    |             | 0.035       | (0.015)     | (0.005)     | 0.004              | 0.01               |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Total Net Flows                              | (3.354)     | (7.854)     | 0.681       | 4.608       | 3.244              | 3.68               |
|  | =====       | =====       | =====       | =====       | =====              | =====              |
| For the Quarter                              | Jun<br>2002 | Sep<br>2002 | Dec<br>2002 | Mar<br>2003 | Jun<br>2003        | Sep<br>2003        |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Lincoln Retirement                           | 0.223       | 0.068       | 0.074       | 0.095       | 0.099              | 0.27               |
| Life Insurance Segment                       | 0.385       | 0.297       | 0.402       | 0.296       | 0.324              | 0.35               |
| Investment Management Segment- Retail (1)    | 0.167       | 0.048       | 0.502       | 0.014       | 0.302              | 0.37               |
| Consolidating Adjustments                    | (0.038)     | 0.133       | (0.187)     | 0.162       | (0.003)            | (0.03)             |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Total Retail Net Flows                       | 0.737       | 0.545       | 0.791       | 0.568       | 0.723              | 0.96               |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Investment Management Segment- Instit.       | 0.455       | 0.348       | 0.572       | 0.330       | 0.289              | 0.79               |
| Consolidating Adjustments                    | (0.026)     | 0.008       | 0.001       | (0.030)     | 0.009              | 0.03               |
|  | -----       | -----       | -----       | -----       | -----              | -----              |
| Total Net Flows                              | 1.166       | 0.901       | 1.364       | 0.868       | 1.021              | 1.79               |
|  | =====       | =====       | =====       | =====       | =====              | =====              |

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

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(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.

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

| For the Year Ended December 31  | 1998    | 1999    | 2000    | 2001    |
|---|---------|---------|---------|---------|
|   | -----   | -----   | -----   | -----   |
| <b>Assets Managed by Source</b>   |         |         |         |         |
| LNC's Investments and Cash  |         |         |         |         |
| Fixed maturity securities   | 30.233  | 27.689  | 27.450  | 28.340  |
| Equity securities   | 0.543   | 0.604   | 0.550   | 0.470   |
| Other investments   | 7.154   | 7.286   | 7.369   | 7.290   |
|   | -----   | -----   | -----   | -----   |
| Total LNC Investments(1)  | 37.929  | 35.578  | 35.369  | 36.110  |
| Separate accounts   | 43.409  | 53.654  | 50.580  | 44.830  |
| Cash and Invested Cash  | 2.433   | 1.896   | 1.927   | 3.090   |
| Discontinued Operations   |         |         |         |         |
|   | -----   | -----   | -----   | -----   |
| Total LNC   | 83.772  | 91.128  | 87.876  | 84.040  |
|   | -----   | -----   | -----   | -----   |
| Non-affiliate assets managed  | 50.061  | 49.314  | 41.861  | 38.420  |
|   | -----   | -----   | -----   | -----   |
| Total Assets Managed  | 133.833 | 140.443 | 129.737 | 122.460 |
|   | =====   | =====   | =====   | =====   |
| <b>Assets Managed by Advisor</b>  |         |         |         |         |
| Investment Management segment(1)<br>(See page 27 for additional detail) |         |         |         |         |
| DLIA-Corp   | 39.432  | 35.934  | 35.686  | 38.110  |
| (Assets managed internally-see page 27)                                 |         |         |         |         |
| Lincoln (UK)  | 7.573   | 8.589   | 7.873   | 6.840   |
| Policy Loans (within business units)                                    | 1.840   | 1.892   | 1.961   | 1.940   |
| Non-LNC Affiliates  | 23.497  | 32.653  | 30.863  | 27.140  |
|   | -----   | -----   | -----   | -----   |
| Total Assets Managed  | 133.833 | 140.443 | 129.737 | 122.460 |
|   | =====   | =====   | =====   | =====   |
|   |         |         |         |         |
|   | Dec     | Mar     | Jun     | Sep     |
|   | 2000    | 2001    | 2001    | 2001    |
|   | -----   | -----   | -----   | -----   |
| <b>Assets Managed by Source</b>   |         |         |         |         |
| LNC's Investments and Cash:   |         |         |         |         |
| Fixed Maturities  | 27.450  | 27.811  | 27.874  | 28.930  |
| Equity securities   | 0.550   | 0.560   | 0.534   | 0.470   |
| Other investments   | 7.369   | 7.374   | 7.388   | 7.370   |
|   | -----   | -----   | -----   | -----   |
| Total LNC Investments(1)  | 35.369  | 35.744  | 35.796  | 36.780  |
| Separate accounts   | 50.580  | 44.506  | 47.140  | 39.480  |
| Cash and invested cash  | 1.927   | 2.015   | 1.502   | 1.990   |
|   | -----   | -----   | -----   | -----   |
| Total LNC   | 87.876  | 82.266  | 84.438  | 78.260  |

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|  |             |             |             |           |
|--|-------------|-------------|-------------|-----------|
| Non-affiliate assets managed   | 41.861      | 38.416      | 40.109      | 35.88     |
| Total Assets Managed   | 129.737     | 120.682     | 124.547     | 114.15    |
| Assets Managed by Advisor  |             |             |             |           |
| Investment Management segment (1)<br>(See page 27 for additional detail) | 53.355      | 48.209      | 50.739      | 44.96     |
| DLIA-Corp<br>(Assets managed internally-see page 27)                     | 35.686      | 36.324      | 36.018      | 37.33     |
| Lincoln (UK)   | 7.873       | 7.012       | 7.027       | 6.47      |
| Policy Loans (within business units)                                     | 1.961       | 1.947       | 1.947       | 1.94      |
| Non-LNC Affiliates   | 30.862      | 27.190      | 28.815      | 23.43     |
| Total Assets Managed   | 129.737     | 120.682     | 124.547     | 114.15    |
| For the Quarter Ended  |             |             |             |           |
|  | Jun<br>2002 | Sep<br>2002 | Dec<br>2002 | Ma<br>200 |
| Assets Managed by Source   |             |             |             |           |
| LNC's Investments and Cash:  |             |             |             |           |
| Fixed Maturities   | 29.725      | 32.037      | 32.767      | 33.88     |
| Equity securities  | 0.419       | 0.397       | 0.337       | 0.24      |
| Other investments  | 7.016       | 6.928       | 6.895       | 6.87      |
| Total LNC Investments (1)  | 37.160      | 39.363      | 40.000      | 41.00     |
| Separate accounts  | 40.580      | 34.069      | 36.178      | 34.77     |
| Cash and invested cash   | 2.265       | 1.600       | 1.691       | 1.63      |
| Total LNC  | 80.005      | 75.031      | 77.869      | 77.41     |
| Non-affiliate assets managed   | 39.531      | 35.650      | 38.052      | 37.50     |
| Total Assets Managed   | 119.536     | 110.682     | 115.921     | 114.92    |
| Assets Managed by Advisor  |             |             |             |           |
| Investment Management segment (1)<br>(See page 27 for additional detail) | 48.742      | 43.362      | 46.495      | 45.71     |
| DLIA-Corp<br>(Assets managed internally-see page 27)                     | 38.476      | 40.416      | 41.104      | 42.13     |
| Lincoln (UK)   | 6.753       | 6.068       | 6.351       | 5.96      |
| Policy Loans (within business units)                                     | 1.906       | 1.899       | 1.946       | 1.92      |
| Non-LNC Affiliates   | 23.659      | 18.937      | 20.026      | 19.18     |
| Total Assets Managed   | 119.536     | 110.682     | 115.921     | 114.92    |

(1) Retail assets under management have been restated to include assets under administration beginning in 2002. See details on pages 26 and 27.

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Consolidated Investment Data  
Unaudited [Millions of Dollars, except Common Share Data]

| 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  |
| 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  |
| 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  |
| 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  |
| Mean Invested Assets (Amortized Cost)                                | 36,573.8 | 39,027.5  | 37,471.3 | 37,616.9 |
| Ratio of Adjusted Net Invest Inc<br>Over Mean Invested Assets        | 7.44%    | 7.30%     | 7.45%    | 7.22%    |
| Investment Gains (Losses)  |          |           |          |          |
| Realized Gains (Losses) on<br>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<br>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<br>[Billions of Dollars]               |          |           |          |          |
| Fixed Maturity Sec (Fair Value)                                      | 30.233   | 27.689    | 27.450   | 28.346   |
| Fixed Maturity Sec (Amortized Cost)                                  | 28.640   | 28.357    | 27.373   | 27.956   |
| Equity Securities (Fair Value)                                       | 0.543    | 0.604     | 0.550    | 0.470    |
| Equity Securities (Amortized Cost)                                   | 0.437    | 0.481     | 0.458    | 0.444    |
| % of Fixed Maturity Securities<br>(Based on Fair Value)              |          |           |          |          |
| 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%     |

Sep Dec Mar Jun Sep Dec

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| For the Quarter Ended           | 2001     | 2001     | 2002     | 2002     | 2002     | 2002     |
|---------------------------------|----------|----------|----------|----------|----------|----------|
|                                 | -----    | -----    | -----    | -----    | -----    | -----    |
| Net Investment Income           |          |          |          |          |          |          |
| Fixed Maturity Securities       | 536.9    | 530.1    | 522.5    | 523.8    | 533.6    | 537.0    |
| Equity Securities               | 3.7      | 5.1      | 3.4      | 4.3      | 2.7      | 5.1      |
| Mortgage loans on real estate   | 94.2     | 92.4     | 89.5     | 90.2     | 90.8     | 86.4     |
| Real estate                     | 12.7     | 10.9     | 12.3     | 11.9     | 10.0     | 13.2     |
| Policy loans                    | 31.0     | 31.6     | 30.2     | 31.1     | 31.1     | 42.0     |
| Invested cash                   | 14.8     | 11.3     | 12.4     | 9.1      | 7.9      | 8.2      |
| Other investments               | 28.2     | 3.5      | 7.8      | 9.8      | (1.2)    | (0.1)    |
|                                 | -----    | -----    | -----    | -----    | -----    | -----    |
| Investment revenue              | 721.4    | 684.8    | 678.1    | 680.2    | 675.0    | 691.7    |
| Investment expense              | (28.2)   | (31.8)   | (23.3)   | (22.8)   | (22.7)   | (24.4)   |
|                                 | -----    | -----    | -----    | -----    | -----    | -----    |
| Net Investment Income           | 693.3    | 653.1    | 654.8    | 657.4    | 652.4    | 667.3    |
|                                 | -----    | -----    | -----    | -----    | -----    | -----    |
| Gross-up of Tax Exempt Income   | 1.5      | 2.1      | 1.5      | 2.0      | 1.5      | 2.6      |
|                                 | -----    | -----    | -----    | -----    | -----    | -----    |
| Adjusted Net Invest Income      | 694.8    | 655.2    | 656.3    | 659.4    | 653.9    | 669.9    |
|                                 | =====    | =====    | =====    | =====    | =====    | =====    |
| Mean Invested Assets            |          |          |          |          |          |          |
| (Amortized Cost)                | 37,685.8 | 38,449.3 | 38,169.9 | 38,235.5 | 39,175.8 | 39,733.1 |
| Ratio of Adjusted Net Invest    |          |          |          |          |          |          |
| Inc Over Mean Invested Assets   | 7.37%    | 6.82%    | 6.88%    | 6.90%    | 6.68%    | 6.74%    |
| Investment Gains (Losses)       |          |          |          |          |          |          |
| Realized Gains (Losses) on      |          |          |          |          |          |          |
| Investments                     | (23.8)   | (20.0)   | (67.6)   | (52.7)   | (23.6)   | (33.3)   |
| Gains (Losses) on Derivatives   | (0.4)    | (4.6)    | 0.1      | 0.3      | 0.1      | 0.2      |
| Incr (Decr) in Unreal Gains     |          |          |          |          |          |          |
| on Sec Avail-for-Sale           |          |          |          |          |          |          |
| (after DAC/Tax)                 | 171.8    | (52.2)   | (163.9)  | 293.8    | 491.9    | (64.3)   |
| 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) | 28.932   | 28.346   | 28.841   | 29.725   | 32.037   | 32.767   |
| Fixed Maturity Sec              |          |          |          |          |          |          |
| (Amortized Cost)                | 28.253   | 27.956   | 27.801   | 28.335   | 30.431   | 31.103   |
| Equity Securities (Fair Value)  | 0.478    | 0.470    | 0.439    | 0.419    | 0.397    | 0.337    |
| Equity Securities               |          |          |          |          |          |          |
| (Amortized Cost)                | 0.453    | 0.444    | 0.253    | 0.255    | 0.389    | 0.334    |
| % of Fixed Maturity Securities  |          |          |          |          |          |          |
| (Based on Fair Value)           |          |          |          |          |          |          |
| Treasuries and AAA              | 17.9%    | 17.2%    | 17.8%    | 18.2%    | 20.0%    | 20.1%    |
| AA or better                    | 24.3%    | 23.6%    | 24.7%    | 25.0%    | 26.7%    | 25.8%    |
| BB or less                      | 7.2%     | 8.3%     | 7.5%     | 6.4%     | 6.6%     | 6.6%     |

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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<br>(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                  | Dec<br>2000 | Mar<br>2001 | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | -----       | -----       | -----       | -----       | -----       | -----       |
| Common Stock:                          |             |             |             |             |             |             |
| Highest Price                          | 50.938      | 48.250      | 52.300      | 52.750      | 49.450      | 53.650      |
| Lowest Price                           | 40.875      | 38.000      | 41.280      | 41.000      | 40.000      | 47.200      |
| Closing Price                          | 47.313      | 42.470      | 51.750      | 46.630      | 48.570      | 50.730      |
| Yield [3]                              | 2.6%        | 2.9%        | 2.4%        | 2.6%        | 2.6%        | 2.5%        |
| Preferred Stock Dividend<br>(Millions) | 0.013       | 0.019       | 0.018       | 0.017       | 0.017       | 0.016       |

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Debt: (End of Period)

Senior Debt Ratings

|                    |    |    |    |    |    |    |
|--------------------|----|----|----|----|----|----|
| A.M. Best [5]      | a  | a  | a  | a  | a  | a  |
| Fitch              | A+ | A+ | A+ | A+ | A+ | A+ |
| Moody's            | A3 | 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*             | AA  | AA  | AA  | AA  | AA  | AA  |
| First Penn - Fitch                  | A   | A   | A   | A   | A   | A   |
| 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] | 20.8% | 22.2% | 21.2% | 21.1% | 21.4% | 22.7% |
| Debt to Equity [4]               | 26.3% | 28.4% | 26.7% | 26.6% | 27.0% | 29.1% |

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

| 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<br>(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  |
| 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- |



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|                                     |     |     |     |     |     |
|-------------------------------------|-----|-----|-----|-----|-----|
| 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% | 23.2% |
| Debt to Equity [4]               | 26.9% | 30.3% | 26.3% | 27.0% | 30.5% |

| For the Quarter Ended | Sep<br>2002 | Dec<br>2002 | Mar<br>2003 | Jun<br>2003 | Sep<br>2003 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
|                       | -----       | -----       | -----       | -----       | -----       |
| <b>Common Stock:</b>  |             |             |             |             |             |
| Highest Price         | 42.080      | 35.950      | 35.700      | 37.500      | 38.640      |
| Lowest Price          | 29.120      | 25.150      | 24.730      | 27.870      | 34.630      |
| Closing Price         | 30.550      | 31.580      | 28.000      | 35.630      | 35.380      |

|           |      |      |      |      |      |
|-----------|------|------|------|------|------|
| Yield [3] | 4.2% | 4.2% | 4.8% | 3.8% | 3.8% |
|-----------|------|------|------|------|------|

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Preferred Stock Dividend<br>(Millions) | 0.015 | 0.015 | 0.014 | 0.016 | 0.014 |
|--|-------|-------|-------|-------|-------|

### Debt: (End of Period)

#### Senior Debt Ratings

|                    |    |    |    |    |    |
|--------------------|----|----|----|----|----|
| A.M. Best [5]      | 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- |

### Ratios

|                                  |       |       |       |       |       |
|----------------------------------|-------|-------|-------|-------|-------|
| Debt to Total Capitalization [4] | 23.1% | 23.2% | 23.1% | 22.3% | 21.6% |
| Debt to Equity [4]               | 29.9% | 30.5% | 30.0% | 28.7% | 27.5% |

\* 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

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[3] Indicated dividend divided by the closing price

[4] Equity used in calculation assumes securities at cost. Minority interest—Junior subordinated issued to affiliated trusts (hybrid securities) are considered 50% debt and 50% equity.

[5] In October 2003, A.M. Best changed their notching practices for life insurance companies and affirmed Lincoln's senior debt rating as "a-".

Retroactive Adoption of FAS 123  
Unaudited (Millions of Dollars)

|  | Mar<br>2001 | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 | Sep<br>2002 | Dec<br>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         | 35   |
| 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         | 35   |
| Life Insurance:                              |             |             |             |             |             |             |             |             |      |
| Net Income - As previously reported          | 62.9        | 53.5        | 64.7        | 51.9        | 44.2        | 57.4        | 47.1        | 60.2        | 24   |
| 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        | 24   |
| Investment Management:                       |             |             |             |             |             |             |             |             |      |
| Net Income - As previously reported          | 2.0         | 2.9         | 2.9         | 4.0         | 7.0         | 6.2         | 3.1         | 9.3         | 3    |
| 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)       | (1   |
| Net Income - Restated                        | (2.6)       | (1.7)       | (2.2)       | (2.4)       | 2.1         | (0.8)       | (3.9)       | 1.1         | 1    |

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|  |        |        |        |        |        |        |         |        |    |
|--|--------|--------|--------|--------|--------|--------|---------|--------|----|
| Lincoln UK:                                  |        |        |        |        |        |        |         |        |    |
| Net Income - As previously reported          | 14.8   | 17.6   | 14.0   | 22.5   | 10.8   | 9.8    | 0.8     | 18.5   | (1 |
| 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   | (1 |
| Other Operations:                            |        |        |        |        |        |        |         |        |    |
| Net Income - As previously reported          | 3.9    | (12.2) | (21.1) | 36.6   | (15.1) | (24.2) | (170.5) | (30.8) | (1 |
| Change in Operating & Administrative Expense | (5.4)  | (5.3)  | (5.3)  | (5.3)  | (2.6)  | (2.4)  | (2.4)   | (2.4)  | (1 |
| 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)  | (  |
| Net Income - Restated                        | 0.4    | (15.6) | (24.7) | 33.1   | (16.8) | (25.8) | (172.1) | (32.4) | (1 |
| Consolidated:                                |        |        |        |        |        |        |         |        |    |
| Net Income - As previously reported          | 160.2  | 141.7  | 119.1  | 169.2  | 94.5   | 59.4   | (125.5) | 63.2   | 62 |
| Change in Operating & Administrative Expense | (15.2) | (15.1) | (15.7) | (17.6) | (12.2) | (15.2) | (15.3)  | (17.2) | (5 |
| 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) | (3 |
| Net Income - Restated                        | 149.6  | 131.2  | 108.0  | 156.8  | 85.7   | 48.5   | (136.4) | 51.1   | 58 |