

LINCOLN NATIONAL CORP

Form 424B5

December 05, 2001

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**Prospectus Supplement**  
(To Prospectus dated April 27, 1998)

# **Lincoln National Corporation**

***\$250,000,000***

***6.20% Notes due 2011***

*Interest payable June 15 and December 15*

**Issue price: 99.688%**

The notes will mature on December 15, 2011. Interest will accrue from December 7, 2001. We may redeem the notes in whole or in part at any time at the redemption prices described on page S-14.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	<b>Price to Public</b>	<b>Discounts and Commissions</b>	<b>Proceeds to Lincoln</b>
Per Note	99.688%	0.650%	99.038%
Total	\$249,220,000	\$1,625,000	\$247,595,000

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect that delivery of the notes will be made to investors on or about December 7, 2001.

**JPMorgan**

**Lehman Brothers**

**Salomon Smith Barney**

**Wachovia Securities**

December 4, 2001



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No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this Prospectus Supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus Supplement or the Prospectus, nor any sale made hereunder and thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained or incorporated by reference herein or therein is correct as of any time subsequent to the date of such information.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The Securities and Exchange Commission allows us to incorporate by reference the information that we file with them, which means that we can disclose important information to you by referring you in this section directly to those documents. The information incorporated by reference is considered to be part of this prospectus supplement. In addition, the information that we file with the SEC in the future will automatically update and supersede the information contained in this prospectus supplement and the accompanying prospectus. We incorporate by reference the documents listed below:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000,

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001, and

Our Current Reports on Form 8-K filed July 30, 2001, August 1, 2001, October 25, 2001, November 6, 2001 and November 21, 2001.

We also incorporate by reference our future filings with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 until the termination of any offering of securities made by this prospectus supplement and the accompanying prospectus. Any statement contained in this prospectus supplement or the accompanying prospectus, or in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein or therein, will be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes the statement. Any such statement or document so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

We will provide without charge to any person to whom this prospectus supplement and the accompanying prospectus is delivered, upon request, a copy of any or all of the documents incorporated by reference herein (other than exhibits not specifically incorporated by reference into the text of such documents). Requests for such documents should be directed to: C. Suzanne Womack, Secretary, in writing at 1500 Market Street, Suite 3900, Philadelphia, Pennsylvania 19102-2112 or by telephone at (215) 448-1400.

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**SUMMARY OF THE OFFERING**

*The following summary describes the 6.20% Notes due 2011 we are offering to you in general terms only. You should read the summary together with the more detailed information that is contained in the rest of this prospectus supplement and in the accompanying prospectus.*

<b>Issuer</b>	Lincoln National Corporation
<b>Notes Offered</b>	\$250 million 6.20% Notes due 2011, referred to as the notes due 2011 or as the notes .
<b>Maturity</b>	December 15, 2011
<b>Issue Date for the Notes</b>	December 7, 2001
<b>Issue Price</b>	99.688%
<b>Interest Payment Dates</b>	Each June 15 and December 15, commencing June 15, 2002.
<b>Optional Redemption</b>	We may redeem the notes at any time at our option. Please read the section Description of the Notes Redemption in this prospectus supplement.
<b>Further Issuances</b>	The notes will be limited initially to \$250 million in aggregate principal amount. We may, however, reopen the notes and issue an unlimited principal amount of additional notes of this series in the future.
<b>Ranking</b>	The notes will constitute senior debt and will rank on a parity with all of our existing and future unsecured and unsubordinated indebtedness.
<b>Form</b>	Fully registered global notes in book-entry form.
<b>Delivery and Clearance</b>	We will deposit the global notes for the 6.20% notes due 2011 with The Depository Trust Company in New York.
<b>How to Reach Us</b>	Our principal executive offices are located at 1500 Market Street, Suite 3900, Philadelphia, Pennsylvania 19102, telephone number (215) 448-1400.

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**LINCOLN NATIONAL CORPORATION**

Lincoln is a holding company with consolidated assets of approximately \$90 billion and shareholders' equity of \$5.4 billion as of September 30, 2001. Through our subsidiaries, we operate multiple insurance and investment management businesses. Our operations are currently divided into five business segments: annuities, life insurance, investment management, Lincoln UK and reinsurance.

*Annuities.* Our annuities business segment is headquartered in Fort Wayne, Indiana and provides tax-deferred investment growth and lifetime income opportunities for our clients through the development and sale of fixed and variable annuities. There are two lines of business within the annuities business segment, individual annuities and employer-sponsored markets. Both lines of business offer fixed annuity and variable annuity products.

*Life Insurance.* Our life insurance business segment is headquartered in Hartford, Connecticut, with additional operations in Schaumburg, Illinois. This business segment focuses on the creation and protection of wealth for its clients through the manufacture and sale of life insurance products. Our Hartford operation offers both single and survivorship versions of universal life, variable universal life and interest-sensitive whole life as well as corporate-owned life insurance and term insurance. This business segment targets the affluent market, which we define as households with at least \$500,000 of investable net worth.

*Investment Management.* Our investment management business segment is headquartered in Philadelphia, Pennsylvania with offices in Fort Wayne, London, Denver, Boston, New York, and Minneapolis. Our investment management business segment provides investment products and services to both individual and institutional investors. Our primary companies within this business segment include Lincoln National Investments, Inc., Lincoln National Investment Companies, Inc. and Delaware Management Holdings, Inc. The operating subsidiaries of Delaware Management Holdings, Inc. offer a broad line of mutual funds, retirement plan services and other investment products including wrap accounts to their retail investors and also offer investment advisory services to their institutional investors which include pension funds, foundations, endowment funds and trusts.

*Lincoln UK.* Lincoln UK is headquartered in Gloucester, England, and is licensed to do business throughout the United Kingdom. Although Lincoln UK transferred its sales force to Inter-Alliance Group PLC in the third quarter of 2000, it continues to manage, administer and accept new deposits on its current block of business and, as required by regulation, accept new business for certain products. Lincoln UK's product portfolio principally consists of unit-linked life and pension products, which are similar to U.S. produced variable life and annuity products.

*Reinsurance.* Our reinsurance business segment, which we refer to as Lincoln Re, is headquartered in Fort Wayne, Indiana, and manages a diversified portfolio of risks in individual and group life, employer stop-loss, financial and international reinsurance markets. Providing customized solutions has been key to this segment's success, leveraging its expertise in risk management, knowledge management, capital management and the capabilities of alliance partners. See "Recent Developments" below.

***Recent Developments***

*Reinsurance Transactions.* On July 29, 2001, Lincoln and Swiss Re announced that Swiss Re will acquire Lincoln's reinsurance operation for \$2.0 billion. In addition, Lincoln will retain approximately \$500 million of capital supporting the reinsurance operation. The transaction structure involves a series of indemnity reinsurance transactions combined with the sale of certain stock companies that comprise Lincoln's reinsurance operation. Under the indemnity reinsurance agreements, Swiss Re will reinsure certain liabilities and obligations of Lincoln. Because Lincoln is not relieved of its legal liability to the ceding companies, the liabilities and obligations associated with the reinsured contracts will remain on the balance sheet of Lincoln with a corresponding reinsurance receivable from Swiss Re.

As the gain on the transaction relates to the indemnity reinsurance agreements, the estimated gain of approximately \$800 million (\$1.3 billion pre-tax) will be recorded as a deferred gain on Lincoln's balance

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sheet at the time of closing in accordance with the requirements of Statement of Financial Accounting Standard No. 113. The deferred gain will be amortized into earnings at the rate that earnings on the reinsured business are expected to emerge, over seven to fifteen years on a declining basis. Closing is anticipated to be late in the fourth quarter of 2001, and is subject to regulatory approvals. Lincoln expects to invest the proceeds from the transaction to expand its other businesses and to repurchase Lincoln securities. As of November 30, 2001, Lincoln may repurchase up to \$684 million of Lincoln securities which is the combined amount available for repurchase under two repurchase authorizations approved by the Board of Directors in November 2000 and July 2001.

Once the transaction closes, Lincoln's future indemnification to Swiss Re on the underlying reinsurance business will be limited to the reinsurance personal accident business. Lincoln's exposure is capped at \$100 million (\$65 million after-tax) for payments under the personal accident programs in excess of \$148 million, which represents the personal accident liabilities, net of the assets for reinsurance recoverable at December 31, 2000. Payments in excess of the net liabilities, up to \$200 million, will be shared on a 50/50 basis between Lincoln and Swiss Re. Lincoln will have no continuing indemnification risk to Swiss Re on other reinsurance lines of business including disability income, HMO excess-of-loss, group carrier medical and property and casualty reinsurance lines.

*September 11, 2001.* Lincoln recorded losses totaling \$33.2 million (\$31.3 million in the reinsurance segment and \$1.9 million in the life insurance segment) in its results from operations for the third quarter of 2001 attributable to the September 11, 2001 terrorist attacks. In October 2001, Lincoln recorded an adjustment of \$3.8 million in its reinsurance segment relating to a reduction in the estimate of unreported claims for the events of September 11, 2001. Based on information received to date regarding the effect on Lincoln of those terrorist attacks, Lincoln does not believe that it has significant remaining individual, group or corporate-owned life insurance exposure in its life insurance segment, or that it has any remaining material concentrations of risk in its reinsurance segment. Lincoln does not directly write property and casualty or disability insurance and has minimal investments in affected New York City real estate which generally are covered by insurance. While, like other insurance and investment management companies, Lincoln's business is affected by general economic, financial market and political conditions, Lincoln does not expect additional insurance exposure, if any, attributable to such tragedy to be material to its business or financial condition. See Forward Looking Statements.

*Offering of Trust Preferred Securities.* We completed a public offering of \$172.5 million of 7.65% Trust Preferred Securities, Series E, issued by Lincoln National Capital V, an affiliated Delaware trust, in November 2001.

*Proposed Redemption of Trust Preferred Securities.* We currently expect to call for redemption all of the \$100 million of 8.35% Trust Originated Preferred Securities, Series B, issued by Lincoln National Capital II, an affiliated Delaware trust, in August 1996. The redemption is expected to occur in the first quarter of 2002.

Lincoln's principal executive offices are located at 1500 Market Street, Suite 3900, Philadelphia, Pennsylvania 19102-2112 and our telephone number is (215) 448-1400.

## **USE OF PROCEEDS**

We intend to use the net proceeds from the sale of the notes in this offering, estimated to be approximately \$247.4 million after deduction of underwriting discounts and expenses, for general corporate purposes, including possible acquisitions. We do not currently have any commitments or understandings with respect to any possible acquisition. Until the funds are needed for such purposes, we intend to use the net proceeds to pay down our short-term debt which bears interest at an approximate weighted average floating interest rate of LIBOR (London Interbank Offering Rate) plus 50 basis points.



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The following table sets forth our consolidated capitalization as of September 30, 2001 on an actual and as adjusted basis. The Actual column reflects our capitalization as of September 30, 2001 on a historical basis, without any adjustments to reflect subsequent or anticipated events. The As Adjusted column reflects the issuance of \$172.5 million of preferred securities on November 19, 2001 and the notes contemplated by this prospectus supplement and the application of the net proceeds from the offering of the preferred securities and this offering to repay short-term debt. See Use of Proceeds .

The following data is qualified in its entirety by, and should be read in conjunction with, the consolidated financial statements and notes thereto and pro forma financial information of Lincoln and its subsidiaries incorporated herein by reference.

	<u>September 30, 2001</u>	
	<u>Actual</u>	<u>As Adjusted</u>
	<b>(In millions)</b>	
Short-term debt (including current maturities of long-term debt)		
\$639.0	\$224.8	
<hr/>		
<hr/>		
Long-term debt less current portion:		
7.625% Notes due 2002(1)		
7.250% Debentures due 2005		
192.1	192.1	
6.500% Notes due 2008		
100.1	100.1	
7% Notes due 2018		
200.3	200.3	
9.125% Debentures due 2024		
119.9	119.9	
Notes offered hereby		
250.0		
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Total long-term debt (less current portion)		
612.4	862.4	
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures, Series B, Series C and Series D(2)		
305.0	305.0	

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Company-obligated mandatorily  
redeemable preferred securities of  
subsidiary trusts holding solely junior  
subordinated debentures, Series E(3)  
172.5

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Total long-term debt (less current  
portion) and preferred securities of  
subsidiary trusts holding solely  
debentures

917.4 1,339.9

Shareholders Equity:

Preferred Stock, without par value:

Authorized: 10,000,000 shares

Issued and outstanding: 23400 shares  
of \$3.00 Convertible Cumulative  
Preferred Stock, Series A

0.8 0.8

Common Stock, without par value:

Authorized: 800,000,000 shares

Issued and outstanding: 189,418,042  
shares

1,252.5 1,252.5

Retained earnings

3,840.2 3,840.2

Foreign currency translation  
adjustment

6.9 6.9

Net unrealized gain on securities  
available-for-sale

247.9 247.9

Net unrealized gain on derivatives

20.3 20.3

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Total shareholders equity

5,368.6 5,368.6

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Total capitalization

\$6,286.0 \$6,708.5

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- (1) These notes, which had a balance of \$100.0 million as of September 30, 2001, mature in July 2002 and accordingly are included above in short-term debt as a current maturity of long-term debt.

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(2) Comprised of the following:

In August 1996, Lincoln National Capital II issued 4,000,000 8.35% Trust Originated Preferred Securities, Series B. The sole assets of Lincoln National Capital II are the 8.35% Junior Subordinated Deferrable Interest Debentures, Series B, issued by Lincoln to the trust. The Series B Debentures will mature on September 30, 2026, which date may be extended to a date not later than September 30, 2045 if certain conditions are met. We currently expect to call for redemption all \$100 million of such Series B preferred securities. The redemption is expected to occur in the first quarter of 2002.

In July 1998, Lincoln National Capital III issued 8,000,000 7.40% Trust Originated Preferred Securities, Series C. The sole assets of Lincoln National Capital III are the 7.40% Junior Subordinated Deferrable Interest Debentures, Series C, issued by Lincoln to the trust. The Series C Debentures will mature on September 30, 2028, which may be extended to September 30, 2047 if certain conditions are met.

In August 1998, Lincoln National Capital IV issued 9,200,000 6.40% Trust Originated Preferred Securities, Series D. The sole assets of Lincoln National Capital IV were the 6.40% Junior Subordinated Deferrable Interest Debentures, Series D issued by Lincoln to the trust which will mature on August 15, 2003. In August 2001, (a) 9,000,000 of such Series D preferred securities and the related common securities and a like amount of the Series D subordinated debentures were retired, and (b) the distribution rate on the 200,000 Series D preferred securities (\$5 million aggregate liquidation amount) and the interest rate on the related Series D subordinated debentures which remain outstanding was reset to 5.67%.

Lincoln owns all of the common securities of Lincoln National Capital II, Lincoln National Capital III and Lincoln National Capital IV. The obligations of Lincoln under certain documents, including without limitation guarantee agreements, constitute a full and unconditional guarantee by Lincoln of the obligations of Lincoln National Capital II, Lincoln National Capital III and Lincoln National Capital IV under the preferred securities. Lincoln National Capital II, Lincoln National Capital III and Lincoln National Capital IV are not subject to the reporting requirements under the Securities Exchange Act of 1934.

- (3) In November 2001, Lincoln National Capital V issued 6,900,000 7.65% Trust Preferred Securities, Series E. The sole assets of Lincoln National Capital V are the 7.65% Junior Subordinated Debentures, Series E, issued by Lincoln to the trust. The Series E Debentures will mature on November 1, 2050. Lincoln owns all of the common securities of Lincoln National Capital V.



The following table sets forth Lincoln's historical ratios of earnings to fixed charges for each of the years in the five year period ended December 31, 2000 and for the nine-month period ended September 30, 2001. In addition, set forth below are pro forma ratios for the nine-month period ended September 30, 2001 giving effect to the redemption of \$215 million of 8 3/4% Cumulative Quarterly Income Preferred Securities, Series A, referred to herein as the Series A preferred securities, in September 2001; the retirement of \$225 million of 6.40% Trust Originated Preferred Securities, Series D, referred to herein as the Series D preferred securities, in August 2001; and the issuance of \$172.5 million of 7.65% Trust Preferred Securities, Series E, referred to herein as the Series E preferred securities, in November 2001.

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

- (1) For purposes of determining this ratio, earnings consist of income before federal income taxes, cumulative effect of accounting change and minority interest adjusted for the difference between income or losses from unconsolidated equity investments and cash distributions from such investments, plus fixed charges. Fixed charges consist of interest and debt expense on short and long term debt and distributions to minority interest preferred securities of subsidiary companies; and the portion of operating leases that are representative of the interest factor.
- (2) Pro forma ratios after giving effect to (a) the net decrease in interest expense due to the redemption of the Series A preferred securities and the retirement of Series D preferred securities with a weighted average distribution rate of 8.26% per year, net of the interest expense on \$48.2 million of short-term debt with a weighted average interest rate of 4.71% per year, and (b) the net increase in interest expense due to the issuance of \$172.5 million of the Series E preferred securities in November 2001. The pro forma ratios do not reflect the proposed redemption of \$100 million of Series B preferred securities expected to occur in the first quarter of 2002.

- (3) Same as the ratio of earning to fixed charges, excluding interest on annuities and financial products, except fixed charges and earnings include interest on annuities and financial products.
- (4) Coverage ratios in 1997 are higher than other historical periods due to the inclusion of a gain on sale of discontinued operations of \$777 million.

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**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following table presents selected consolidated financial data of Lincoln. The data at December 31, 2000, 1999 and 1998 and for each of the three years ended December 31, 2000 are derived from Lincoln's audited financial statements for those years. Selected unaudited financial data at September 30, 2001 and 2000 and for each of the nine month periods ended September 30, 2001 and 2000 reflect, in the opinion of Lincoln, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for these periods. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of results to be expected for the full year. The following data should be read in conjunction with the financial statements and the related notes thereto and the pro forma financial information incorporated by reference in this prospectus supplement and the accompanying prospectus.

	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in millions, except per share data)</b>				
	<b>(Unaudited)</b>				
Total revenue	\$4,907.1	\$5,078.0	\$6,851.5	\$6,803.7	\$6,087.1
Net income(1)	421.0	472.5	621.4	460.4	509.8
<i>Per Share Data:</i>					
Net income diluted	2.18	2.42	3.19	2.30	2.51
Net income basic	2.23	2.47	3.25	2.33	2.54
Common stock dividend	0.92	0.87	1.175	1.115	1.055

	<b>September 30,</b>		<b>December 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in millions, except per share data)</b>				
	<b>(Unaudited)</b>				
Assets	\$90,206.0	\$103,243.1	\$99,844.1	\$103,095.7	\$93,836.3
Long-term debt	712.4	712.2	712.2	712.0	712.2
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures(2)	305.0	745.0	745.0	745.0	745.0
Shareholders' equity	5,368.6	4,538.6	4,954.1	4,263.9	5,387.9
<i>Per Share Data:(3)</i>					

Shareholders' equity (Securities and derivatives at market)

28.29	23.67	25.92	21.76	26.59
Shareholders' equity (Securities and derivatives at cost)				
26.87	25.43	25.85	24.14	23.86

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- (1) Factors affecting the comparability of net income for the three years ended December 31, 2000, 1999 and 1998 include restructuring charges, net of income taxes, of: \$80.2 in 2000; \$18.9 in 1999; and \$34.3 in 1998. Other factors affecting comparability are shown within the results of operations by segment disclosure in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K for the year ended December 31, 2000 incorporated herein by reference.
- (2) Does not reflect the issuance of \$172.5 million of the Series E preferred securities in November 2001.
- (3) Per share amounts were affected by the retirement of 8,384,400 and 5,109,081 shares of common stock in the nine months ended September 30, 2001 and 2000, respectively, and by the retirement of 6,222,581, 7,675,000; and 1,246,562 shares of common stock in 2000, 1999 and 1998, respectively.

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**Table of Contents****PRO FORMA FINANCIAL INFORMATION**

The following pro forma condensed consolidated balance sheet of Lincoln and its subsidiaries as of September 30, 2001 and the pro forma condensed consolidated income statements for the nine months ended September 30, 2001 and the year ended December 31, 2000 have been prepared based on the historical results of operations and financial position of Lincoln and includes Swiss Re's pending acquisition of Lincoln's reinsurance operation that is anticipated to close late in the fourth quarter of 2001 based on an estimated sales price of \$2.0 billion. Pro forma adjustments, which have been prepared by Lincoln's management, and the assumptions on which they are based are described in the accompanying notes to pro forma condensed consolidated financial information.

The pro forma condensed consolidated balance sheet assumes that Lincoln's transaction with Swiss Re was consummated as of September 30, 2001. The pro forma condensed consolidated income statements assume that Lincoln's transaction with Swiss Re was consummated on January 1, 2000.

Lincoln believes that the following pro forma condensed consolidated financial information may not be indicative of the results that actually would have occurred if the divestiture described in this document had been in effect on the dates indicated or indicative of results which may be achieved in the future.

The pro forma condensed consolidated financial information and related notes set forth below are based on certain estimates and assumptions and should be read in conjunction with the audited consolidated financial statements of Lincoln. See Incorporation of Certain Documents by Reference.

**LINCOLN NATIONAL CORPORATION****PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET****September 30, 2001****Unaudited**

	<b>Pro Forma</b>		
	<b>As Reported</b>	<b>Reinsurance Transaction and Stock Sale</b>	<b>Adjustment Consolidated</b>
<b>(In millions)</b>			
<b>Assets:</b>			
Investments	\$36,788.0	\$(1,562.7)	\$ 35,225.3
Cash and invested cash	1,996.3	(57.7)	1,490.4(a) 3,429.0
Assets held in separate accounts	39,479.8		39,479.8
Amounts recoverable from reinsurers	3,818.3	2,231.1	6,049.4
Deferred acquisition costs	3,087.2	(475.1)	2,612.1
Other	5,036.4	(385.0)	500.0(b) 5,151.4

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Total Assets

90,206.0 (249.4) 1,990.4 91,947.0

**Liabilities and Shareholders Equity:**

Insurance and investment contract liabilities

80,440.8 (1,428.6) 79,012.2

Short and long-term debt

1,251.5 1,251.5

Company-obligated mandatorily redeemable securities  
of subsidiary trusts holding solely junior subordinated  
debentures

305.0 305.0

Other liabilities

2,840.1 1,869.6 4,709.7

Deferred gain

1,300.0(c) 1,300.0

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Total Liabilities

84,837.4 441.0 1,300.0 86,578.4

Preferred stock

0.8