

# Financial Strength and Stability

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Building on more than a century of expertise and sound risk management, the Lincoln National Corporation and its insurance company affiliates (together, "Lincoln Financial Group") offers products and services to help people feel in control, confident and financially prepared.

We continue to focus on creating value for our clients, partners, employees and shareholders, and we are confident that our business model is sound, our products and advice are needed more than ever, and we are well-positioned to help our customers take charge of their financial future.

Guided by a veteran management team with decades of industry experience and a history of managing market challenges and industry headwinds, we think through issues and respond with smart, decisive action, and will continue to do so in the current environment.

## At Lincoln National Corporation:



### We have a strong balance sheet.

- Since 2008, we have taken targeted actions to solidify our balance sheet and capital position.
- Today, we target a minimum of \$450 million in holding company cash and have consistently been at that level or above.
- We ended 2019 with a strong capital position of \$9.7 billion in statutory capital.
- Our next debt maturity is not until June 2021. It is a \$300 million maturity, which we can more than cover with our current holding company cash.



### We have consistently demonstrated strong results and are coming off a solid 2019.

- Adjusted operating revenue was \$18.0 billion for 2019.
- Adjusted operating earnings per share (EPS) for 2019 was \$6.71.
- Book value per share — excluding AOCI (accumulated other comprehensive income) — for 2019 was \$71.27, up 5% versus 2018.
- Adjusted operating ROE (return on equity), excluding AOCI, was 9.7%.
- We increased our shareholder dividend by 8%.



### Our strategic initiatives have helped reduce our risk.

- Across our lines of business, we have a broad product portfolio to meet various customer needs.
- Since 2013, we have reduced the percentage of sales with long-term guarantees to 18% from 36%, which lowers our capital market exposure.
- Our group benefits acquisition in 2018 further reduced our exposure to capital markets.



### We have a powerful retail franchise.

- One of our key differentiators is our powerful distribution franchise that we run as a business.
- Our broad product portfolio allows us to make needed adjustments to balance our business objectives and continue to meet customer and adviser needs.
- More than 99,000 producers have sold a Lincoln product over the past 24 months.
- We are participating in more distribution channels, such as property and casualty, and are gaining momentum in other channels, such as independent marketing organizations.



### We have an industry-leading risk management program.

- Our variable annuity hedging program has been recognized as one of the most effective hedge programs in the industry and historically has performed well in stress environments.
- Within our investment portfolio, we are disciplined in matching assets to liabilities.
- We take a disciplined approach to product design and product pricing to both achieve appropriate returns and provide a strong value proposition to consumers.
- We have a rigorous expense management program in place.



### Our investment portfolio is well positioned.

- We have a highly-rated and highly-diversified investment portfolio.
- Our multi-manager investment framework provides us multiple views on credit quality and gives us greater access to investment opportunities.
- We have been focused on selectively reducing risk in our portfolio and have lowered our BBB and below-investment-grade bonds by 2%.
- We have reduced our below-investment-grade exposure on rated assets to 3.8% as of the end of 2019.

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

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Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates including The Lincoln National Life Insurance Company (Fort Wayne, IN) and Lincoln Life & Annuity Company of New York (Syracuse, NY).

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

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## Our insurance companies have strong financial strength ratings<sup>1</sup>

	The Lincoln National Life Insurance Company	Lincoln Life & Annuity Company of New York
A.M. Best	<b>A+</b> (2nd highest of 16)	<b>A+</b> (2nd highest of 16)
Fitch	<b>A+</b> (5th highest of 19)	<b>A+</b> (5th highest of 19)
Moody's	<b>A1</b> (5th highest of 21)	<b>A1</b> (5th highest of 21)
Standard & Poor's	<b>AA-</b> (4th highest of 21)	<b>AA-</b> (4th highest of 21)

<sup>1</sup> These ratings apply only to the claims-paying ability of the issuing company as of March 19, 2020. All ratings are subject to revision or withdrawal at any time by the rating agencies. The ratings are not recommendations to buy, sell or hold our securities or insurance company products. For more information on ratings, including rating agency outlooks, see [LincolnFinancial.com/investor](http://LincolnFinancial.com/investor).



All data are current as of 3/19/2020 and subject to change. Past performance does not guarantee future results.

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