

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

LINCOLN NATIONAL CORP  
Form 8-K  
November 01, 2002

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, 2002

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 5

Statistical Report for the quarter ended September 30, 2002

Financial Highlights  
Unaudited [Amounts in Million  
except Per Share]

|   | For the Quarter Ended September 30 |                |        |          | For the Ni     |
|---|------------------------------------|----------------|--------|----------|----------------|
|   | 2002<br>Amount                     | 2001<br>Amount | Change | % Change | 2002<br>Amount |
| Income from Operations                    |                                    |                |        |          |                |
| Lincoln Retirement*                       | 22.8                               | 72.4           | (49.6) | (68.5%)  | 151.0          |
| Life Insurance                            | 63.4                               | 70.1           | (6.7)  | (9.6%)   | 208.1          |
| Investment Management                     | 4.0                                | 3.5            | 0.5    | 14.3%    | 18.6           |
| Lincoln UK                                | 0.0                                | 10.1           | (10.1) | (100.0%) | 21.1           |
| Corporate & Other**                       | (17.2)                             | (12.9)         | (4.3)  |          | (36.5)         |
| Total Income from Operations              | 73.0                               | 143.2          | (70.2) | (49.0%)  | 362.3          |
| Realized gains (losses) on<br>investments | (23.6)                             | (23.7)         | 0.1    |          | (143.9)        |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Gains (losses) on derivatives                         | 0.2      | (0.4)    | 0.6      |          | 0.5      |
| Reserve increase on business sold through reinsurance | (176.4)  | 0.0      | (176.4)  |          | (190.8)  |
| Restructuring charges                                 | 1.3      | 0.0      | 1.3      |          | 0.3      |
|   | -----    | -----    | -----    | -----    | -----    |
| Income before Accounting Changes                      | (125.5)  | 119.1    | (244.6)  |          | 28.4     |
| Cumulative effect of accounting changes***            | 0.0      | 0.0      | 0.0      |          | 0.0      |
|   | -----    | -----    | -----    | -----    | -----    |
| Net Income  | (125.5)  | 119.1    | (244.6)  | (205.4%) | 28.4     |
|   | =====    | =====    | =====    | =====    | =====    |
| Earnings per share (diluted)                          |          |          |          |          |          |
| Income from Operations                                | \$0.40   | \$0.74   | (\$0.34) | (45.9%)  | \$1.93   |
| Realized gain (losses) on investments                 | (\$0.13) | (\$0.13) | \$0.00   |          | (\$0.77) |
| Gains (losses) on derivatives                         | \$0.00   | \$0.00   | \$0.00   |          | \$0.00   |
| Reserve increase on business sold through reinsurance | (\$0.96) | \$0.00   | (\$0.96) |          | (\$1.01) |
| Restructuring charges                                 | \$0.01   | \$0.00   | \$0.01   |          | \$0.00   |
|   | -----    | -----    | -----    | -----    | -----    |
| Income before Accounting Changes                      | (\$0.68) | \$0.61   | (\$1.29) |          | \$0.15   |
| Cumulative effect of accounting changes***            | \$0.00   | \$0.00   | \$0.00   |          | \$0.00   |
|   | -----    | -----    | -----    | -----    | -----    |
| Net Income  | (\$0.68) | \$0.61   | (\$1.29) | (211.5%) | \$0.15   |
|   | =====    | =====    | =====    | =====    | =====    |
| Inc. from Oper.- before Goodwill Amort.               |          |          |          |          |          |
| Lincoln Retirement*                                   | 22.8     | 72.7     | (49.9)   | (68.7%)  | 151.0    |
| Life Insurance  | 63.4     | 76.0     | (12.5)   | (16.5%)  | 208.1    |
| Investment Management                                 | 4.0      | 7.5      | (3.5)    | (46.4%)  | 18.6     |
| Lincoln UK  | (0.0)    | 10.3     | (10.3)   | (100.2%) | 21.1     |
| Corporate & Other**                                   | (17.2)   | (12.4)   | (4.8)    |          | (36.5)   |
|   | -----    | -----    | -----    | -----    | -----    |
| Total   | 73.0     | 154.1    | (81.1)   | (52.6%)  | 362.3    |
|   | =====    | =====    | =====    | =====    | =====    |
| Earnings per share (diluted)                          |          |          |          |          |          |
| Inc. from Oper.- before Goodwill Amort.               | \$0.40   | \$0.79   | (\$0.39) | (49.4%)  | \$1.92   |
|   | -----    | -----    | -----    | -----    | -----    |
| Net Income - before Goodwill Amort.                   |          |          |          |          |          |
| Lincoln Retirement*                                   | (6.0)    | 58.9     | (64.9)   | (110.2%) | 51.8     |
| Life Insurance  | 47.1     | 70.6     | (23.5)   | (33.3%)  | 148.7    |
| Investment Management                                 | 3.1      | 7.0      | (3.8)    | (55.0%)  | 16.3     |
| Lincoln UK  | 0.8      | 14.2     | (13.3)   | (94.1%)  | 21.5     |
| Corporate & Other**                                   | (170.5)  | (20.7)   | (149.7)  |          | (209.9)  |
|   | -----    | -----    | -----    | -----    | -----    |
| Total   | (125.5)  | 130.0    | (255.4)  | (196.5%) | 28.4     |
|   | =====    | =====    | =====    | =====    | =====    |
| Earnings per share (diluted)                          |          |          |          |          |          |
| Net Income - before Goodwill Amort.                   | (\$0.68) | \$0.67   | (\$1.35) | (201.5%) | \$0.15   |
|   | -----    | -----    | -----    | -----    | -----    |
| Operating Revenue                                     |          |          |          |          |          |
| Lincoln Retirement*                                   | 485.6    | 499.5    | (13.9)   | (2.8%)   | 1487.9   |
| Life Insurance  | 466.8    | 468.9    | (2.1)    | (0.5%)   | 1396.7   |
| Investment Management                                 | 96.0     | 105.5    | (9.4)    | (9.0%)   | 304.2    |
| Lincoln UK  | 68.1     | 70.7     | (2.7)    | (3.8%)   | 190.3    |
| Corporate & Other**                                   | 62.7     | 502.3    | (439.7)  | (87.5%)  | 255.9    |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                         |        |        |         |         |        |
|-------------------------|--------|--------|---------|---------|--------|
| Total Operating Revenue | 1179.1 | 1646.9 | (467.8) | (28.4%) | 3634.9 |
| Total Revenue           |        |        |         |         |        |
| Lincoln Retirement*     | 440.7  | 478.2  | (37.6)  | (7.9%)  | 1336.3 |
| Life Insurance          | 441.6  | 460.6  | (19.0)  | (4.1%)  | 1305.4 |
| Investment Management   | 94.3   | 104.7  | (10.4)  | (9.9%)  | 300.2  |
| Lincoln UK              | 69.3   | 76.3   | (6.9)   | (9.1%)  | 190.9  |
| Corporate & Other**     | 95.1   | 489.5  | (394.4) | (80.6%) | 279.6  |
| Total Revenue           | 1141.0 | 1609.3 | (468.3) | (29.1%) | 3412.4 |

Operational Data by Segment:  
(Billions except where noted)

|   |         |         |         |          |         |
|---|---------|---------|---------|----------|---------|
| Lincoln Retirement*                           |         |         |         |          |         |
| Gross Deposits                                | 1.694   | 1.580   | 0.114   | 7.2%     | 5.048   |
| Net Cash Flows                                | 0.069   | 0.261   | (0.192) | 73.6%    | 0.380   |
| Account Values (Gross)                        | 45.505  | 47.824  | (2.319) | (4.8%)   | 45.505  |
| Account Values (Net of Reinsurance)           | 43.592  | 46.558  | (2.966) | (6.4%)   | 43.592  |
| Life Insurance Segment                        |         |         |         |          |         |
| First Year Premium- Retail (in millions)      | 173.986 | 132.368 | 41.618  | 31.4%    | 469.164 |
| First Year Premium- COLI (in millions)        | 7.831   | 5.069   | 2.761   | 54.5%    | 61.335  |
| First Year Premium- Total (in millions)       | 181.816 | 137.437 | 44.379  | 32.3%    | 530.499 |
| In-force Account Values                       | 248.030 | 227.751 | 20.278  | 8.9%     | 248.030 |
| Investment Management Segment                 |         |         |         |          |         |
| Retail Deposits                               | 1.465   | 0.843   | 0.622   | 73.8%    | 4.023   |
| Retail Net Cash Flows                         | 0.048   | (0.120) | 0.168   | 140.0%   | 0.305   |
| Institutional In-flows                        | 1.162   | 0.883   | 0.279   | 31.6%    | 3.870   |
| Institutional Net Cash Flows                  | 0.349   | (0.155) | 0.504   | (325.2%) | 1.534   |
| Total Net Cash Flows                          | 0.397   | (0.275) | 0.672   | (244.4%) | 1.839   |
| Assets Under Management- Retail and Inst'l    | 43.357  | 44.957  | (1.600) | (3.6%)   | 43.357  |
| Assets Under Management - Insurance Assets    | 40.416  | 37.337  | 3.079   | 8.2%     | 40.416  |
| Assets Under Management - Total Segment       | 83.773  | 82.294  | 1.479   | 1.8%     | 83.773  |
| Consolidated                                  |         |         |         |          |         |
| Consolidated Domestic Retail Deposits         | 3.139   | 2.566   | 0.574   | 22.4%    | 9.389   |
| Consolidated Domestic Retail Account Balances | 71.658  | 74.682  | (3.024) | (4.0%)   | 71.658  |
| Total Retail Net Cash Flows                   | 0.290   | 0.299   | (0.009) | 3.0%     | 1.357   |
| Total Net Cash Flows                          | 0.639   | 0.144   | 0.495   | 343.9%   | 2.891   |
| Total Assets Under Management                 | 113.538 | 117.462 | (3.924) | (3.3%)   | 113.538 |

\* Effective March 7, 2002, the Annuities segment became known as Lincoln Retirement.

\*\* Upon the closing of Swiss Re's acquisition of LNC's reinsurance business on December 7, 2001, for the former Reinsurance segment was moved into "Other Operations." In addition, ongoing a gain on indemnity reinsurance is shown in "Other Operations."

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

\*\*\* The cumulative effect of accounting changes relates to the adjustments recorded upon adoption of EITF 99-20 in the 2nd qtr. 2001.

|  | Financial Highlights                              |         |         |          |                     |         |
|--|---|---------|---------|----------|---------------------|---------|
|  | Unaudited [Amounts in Millions, except Per Share] |         |         |          |                     |         |
|  | For the Quarter Ended September 30                |         |         |          | For the Nine Months |         |
|  | 2002  | 2001    |         |          | 2002                | 2001    |
|  | Amount  | Amount  | Change  | % Change | Amount              | Amount  |
|  | -----   | -----   | -----   | -----    | -----               | -----   |
| Consolidated Operational Data:         |   |         |         |          |                     |         |
| (Millions)                             |   |         |         |          |                     |         |
| Balance Sheet Assets - End of Period   | 90436.2   | 90206.0 | 230.2   | 0.3%     | 90436.2             | 90206.0 |
| Shareholders' Equity                   |   |         |         |          |                     |         |
| Beg of Period (Securities at Market)   | 5307.9  | 5055.9  | 252.0   |          | 5263.5              | 4954.1  |
| End of Period (Securities at Market)   | 5389.0  | 5368.6  | 20.4    |          | 5389.0              | 5368.6  |
| End of Period (Securities at Cost)     | 4544.2  | 5100.4  | (556.2) |          | 4544.2              | 5100.4  |
| Average Equity (Securities at Cost)    | 4891.6  | 5085.0  | (193.4) |          | 5018.5              | 4986.3  |
| Return on Equity                       |   |         |         |          |                     |         |
| Inc from Operations/Average Equity     | 6.0%  | 11.3%   | (5.3%)  |          | 9.6%                | 13.1%   |
| Net Income/Average Equity              | (10.3%)   | 9.4%    | (19.6%) |          | 0.8%                | 11.3%   |
| Return on Capital                      |   |         |         |          |                     |         |
| Inc from Operations/Average Capital    | 5.5%  | 9.7%    | (4.2%)  |          | 8.2%                | 11.0%   |
| Common Stock Outstanding               |   |         |         |          |                     |         |
| Average for the Period - Diluted       | 183.9   | 194.8   | (10.9)  | (5.6%)   | 188.2               | 193.5   |
| End of Period - Assuming Conv of Pref. | 177.5   | 189.8   | (12.3)  | (6.5%)   | 177.5               | 189.8   |
| End of Period - Diluted                | 178.8   | 193.3   | (14.5)  | (7.5%)   | 178.8               | 193.3   |
| Book Value (Securities at Market)      | \$30.37   | \$28.29 | 2.08    | 7.4%     | \$30.37             | \$28.29 |
| Book Value (Securities at Cost)        | \$25.61   | \$26.87 | (1.26)  | (4.7%)   | \$25.61             | \$26.87 |
| Cash Returned to Shareholders          |   |         |         |          |                     |         |
| Share Repurchase - dollar amount       | 247.8   | 182.7   | 65.1    |          | 474.5               | 369.5   |
| Dividends Declared to Shareholders     | 58.8  | 57.7    | 1.1     |          | 178.4               | 171.9   |
| Total Cash Returned to Shareholders    | -----   | -----   | -----   | -----    | -----               | -----   |
|  | 306.6   | 240.4   | 66.2    |          | 652.9               | 541.4   |
|  | =====   | =====   | =====   | =====    | =====               | =====   |
| Share Repurchase - number of           |   |         |         |          |                     |         |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |      |         |         |
|--|---------|---------|---------|------|---------|---------|
| shares   | 7.203   | 4.084   | 3.119   |      | 12.088  | 8.384   |
| Dividend Declared on Common Stock<br>- per share | \$0.320 | \$0.305 | \$0.015 | 4.9% | \$0.960 | \$0.915 |

|  | For the Quarter Ended September 30 |                | For the Nine Months Ended Sep |                |
|--|------------------------------------|----------------|-------------------------------|----------------|
| Comprehensive Income<br>(millions)             | 2002<br>Amount                     | 2001<br>Amount | 2002<br>Amount                | 2001<br>Amount |
|  | -----                              | -----          | -----                         | -----          |
| Net Income                                     | (125.5)                            | 119.1          | 28.4                          | 421.0          |
| Foreign Currency Translation                   | 13.4                               | 22.2           | 43.4                          | (15.0)         |
| Net Unrealized Gains (Losses) on<br>Securities | 491.9                              | (114.2)        | 621.8                         | 235.9          |
| Gains (Losses) on Derivatives                  | 4.6                                | (6.5)          | 5.8                           | 2.9            |
| Cumulative Effect of Accounting<br>Change      | 0.0                                | 0.0            | 0.0                           | 17.6           |
| Minimum Pension Liability<br>Adjustment        | 2.6                                | 0.0            | 0.7                           | 0.0            |
|  | -----                              | -----          | -----                         | -----          |
| Comprehensive Income                           | 387.0                              | 20.6           | 700.1                         | 662.4          |
|  | =====                              | =====          | =====                         | =====          |

Financial Highlights  
Unaudited [Amounts in Millions]

|  | For the Quarter Ended September 30 |                |         |          | For the Nine Months |                |
|--|------------------------------------|----------------|---------|----------|---------------------|----------------|
|  | 2002<br>Amount                     | 2001<br>Amount | Change  | % Change | 2002<br>Amount      | 2001<br>Amount |
|  | -----                              | -----          | -----   | -----    | -----               | -----          |
| Consolidated Condensed Statements<br>of Income             |                                    |                |         |          |                     |                |
| Revenue:   |                                    |                |         |          |                     |                |
| Insurance Premiums and Fees                                | 417.5                              | 821.6          | (404.1) | (49.2%)  | 1,298.9             | 2,568.5        |
| Investment Advisory Fees                                   | 42.9                               | 47.2           | (4.4)   | (9.2%)   | 138.7               | 146.3          |
| Net Investment Income                                      | 647.0                              | 686.2          | (39.2)  | (5.7%)   | 1,946.2             | 2,033.0        |
| Realized Gains (Losses) on<br>Investments                  | (37.1)                             | (37.1)         | 0.1     |          | (222.0)             | (75.5)         |
| Gains (Losses) on Derivatives                              | 0.3                                | (0.6)          | 0.9     |          | 0.8                 | (0.4)          |
| Other  | 70.3                               | 91.9           | (21.5)  | (23.4%)  | 249.8               | 235.1          |
|  | -----                              | -----          | -----   | -----    | -----               | -----          |
| Total Revenue  | 1,141.0                            | 1,609.3        | (468.3) | (29.1%)  | 3,412.4             | 4,907.0        |
| Benefits and Expenses:                                     |                                    |                |         |          |                     |                |
| Benefits   | 671.6                              | 903.1          | (231.5) | (25.6%)  | 1,901.1             | 2,664.8        |
| Underwriting, Acquisition,<br>Insurance and Other Expenses | 695.7                              | 556.5          | 139.2   | 25.0%    | 1,570.4             | 1,667.8        |
|  | -----                              | -----          | -----   | -----    | -----               | -----          |
| Total Benefits and Expenses                                | 1,367.3                            | 1,459.6        | (92.3)  | (6.3%)   | 3,471.6             | 4,332.7        |
|  | -----                              | -----          | -----   | -----    | -----               | -----          |
| Net Income<br>before Federal Taxes                         | (226.3)                            | 149.6          | (376.0) |          | (59.2)              | 574.4          |
| Federal Income Taxes                                       | (100.9)                            | 30.6           | (131.5) |          | (87.6)              | 137.9          |
|  | -----                              | -----          | -----   | -----    | -----               | -----          |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |        |         |          |        |
|--|---------|--------|---------|----------|--------|
| Income before Accounting Changes   | (125.5) | 119.1  | (244.6) | 28.4     | 436.5  |
| Cumulative Effect of Accounting Changes                                  | -       | -      | -       | -        | (15.6) |
| Net Income   | (125.5) | 119.1  | (244.5) | (205.4%) | 421.0  |
| Income before Tax and Cumulative Effect of Accounting Changes By Segment |         |        |         |          |        |
| Lincoln Retirement   | (33.5)  | 61.6   | (95.1)  | 12.6     | 259.5  |
| Life Insurance   | 67.2    | 99.9   | (32.7)  | 211.5    | 289.9  |
| Investment Management  | 3.2     | 5.5    | (2.3)   | 18.8     | 13.6   |
| Lincoln UK   | 1.0     | 15.1   | (14.1)  | 21.1     | 55.9   |
| Corporate and Other  | (264.3) | (32.6) | (231.8) | (323.2)  | (44.5) |
| Income before Tax and Cumulative Effect of Accounting Changes            | (226.3) | 149.6  | (375.9) | (59.2)   | 574.4  |
| Pre-Tax Realized Gains (Losses) by Segment*                              |         |        |         |          |        |
| Lincoln Retirement   | (44.9)  | (21.3) | (23.6)  | (151.6)  | (33.6) |
| Life Insurance   | (25.2)  | (8.2)  | (17.0)  | (91.4)   | (26.3) |
| Investment Management  | (1.8)   | (0.8)  | (1.0)   | (4.0)    | (2.6)  |
| Lincoln UK   | 1.2     | 5.5    | (4.3)   | 0.7      | 8.1    |
| Corporate and Other  | 33.8    | (12.8) | 46.7    | 25.1     | (21.4) |
| Pre-Tax Realized Gains (Losses) on Investments and Derivatives           | (36.8)  | (37.6) | 0.8     | (221.2)  | (75.8) |
| After-Tax Realized Gains (Losses) by Segment*                            |         |        |         |          |        |
| Lincoln Retirement   | (28.8)  | (13.8) | (15.0)  | (98.1)   | (21.9) |
| Life Insurance   | (16.4)  | (5.3)  | (11.1)  | (59.4)   | (17.1) |
| Investment Management  | (1.2)   | (0.5)  | (0.7)   | (2.6)    | (1.7)  |
| Lincoln UK   | 0.9     | 3.9    | (3.0)   | 0.5      | 5.7    |
| Corporate and Other  | 22.1    | (8.4)  | 30.5    | 16.2     | (13.8) |
| After-Tax Realized Gains (Losses) on Investments and Derivatives         | (23.4)  | (24.1) | 0.7     | (143.4)  | (48.8) |

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

Financial Highlights  
Unaudited [Amounts in Millions]

As of

| September<br>2002<br>Amount | December<br>2001<br>Amount | Change |
|-----------------------------|----------------------------|--------|
|-----------------------------|----------------------------|--------|

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Consolidated Condensed Balance  
Sheets

Assets:

Investments:

Securities Available for Sale:

|                                  |          |          |            |
|----------------------------------|----------|----------|------------|
| Fixed Maturities                 | 32,036.8 | 28,345.7 | 3,691.2    |
| Equities                         | 397.4    | 470.5    | (73.0)     |
| Mortgage Loans on Real Estate    | 4,285.2  | 4,535.5  | (250.3)    |
| Real Estate                      | 286.4    | 267.9    | 18.6       |
| Policy Loans                     | 1,899.0  | 1,939.7  | (40.7)     |
| Other Long-Term Investments      | 457.7    | 553.8    | (96.2)     |
|                                  | -----    | -----    | -----      |
| Total Investments                | 39,362.6 | 36,113.1 | 3,249.5    |
| Other Assets:                    |          |          |            |
| Assets Held in Separate Accounts | 34,069.0 | 44,833.4 | (10,764.4) |
| Other Assets                     | 17,004.6 | 17,054.8 | (50.2)     |
|                                  | -----    | -----    | -----      |
| Total Assets                     | 90,436.2 | 98,001.3 | (7,565.1)  |
|                                  | =====    | =====    | =====      |

Liabilities and Shareholders'

Equity

Liabilities:

Insurance and Investment Contract

|  |          |          |            |
|--|----------|----------|------------|
| Liabilities  | 43,618.1 | 40,857.2 | 2,760.9    |
| Liabilities Related to Separate Accounts                   | 34,069.0 | 44,833.4 | (10,764.4) |
| Other Liabilities  | 7,360.1  | 7,047.2  | 312.8      |
|  | -----    | -----    | -----      |
| Total Liabilities  | 85,047.1 | 92,737.8 | (7,690.7)  |
| Shareholders' Equity:                                      |          |          |            |
| Net Unrealized Gains(Losses) on Securities and Derivatives | 844.9    | 217.2    | 627.7      |
| Other Shareholders' Equity                                 | 4,544.2  | 5,046.3  | (502.1)    |
|  | -----    | -----    | -----      |
| Total Shareholders' Equity                                 | 5,389.0  | 5,263.5  | 125.5      |
|  | -----    | -----    | -----      |
| Total Liabilities and Shareholders' Equity                 | 90,436.2 | 98,001.3 | (7,565.1)  |
|  | =====    | =====    | =====      |

As of

|  | September<br>2002<br>Amount | December<br>2001<br>Amount | Change  |
|--|-----------------------------|----------------------------|---------|
|  | -----                       | -----                      | -----   |
| Roll Forward of Deferred Acquisition Costs                                     |                             |                            |         |
| Balance at beginning-of-year   | 2,885.3                     | 3,070.5                    | (185.2) |
| Deferral   | 459.5                       | 714.1                      | (254.6) |
| Amortization   | (249.4)                     | (370.4)                    | 121.0   |
|  | -----                       | -----                      | -----   |
| Operating  | 210.0                       | 343.7                      | (133.6) |
| Adjustment related to realized (gains) losses on securities available-for-sale | 97.3                        | 112.9                      | (15.6)  |
| Adjustment related to unrealized   |                             |                            |         |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |
|---|---------|---------|---------|
| (gains) losses                            |         |         |         |
| on securities available-for-sale          | (304.3) | (187.2) | (117.1) |
| Foreign currency translation adjustment   | 43.2    | (16.0)  | 59.3    |
| Disposition of business                   |         | (425.9) | 425.9   |
| Other                                     | (62.9)  | (12.6)  | (50.3)  |
|   | -----   | -----   | -----   |
| Balance at end-of-year                    | 2,868.7 | 2,885.3 | (16.7)  |
|   | =====   | =====   | =====   |
| Roll Forward of Present Value of In-Force |         |         |         |
| Balance at beginning-of-year              | 1,362.5 | 1,483.3 | (120.8) |
| Amortization                              | (93.5)  | (113.1) | 19.6    |
| Foreign currency translation adjustment   | 18.0    | (7.0)   | 25.0    |
| Other                                     | (0.1)   | (0.7)   | 0.6     |
|   | -----   | -----   | -----   |
| Balance at end-of-year                    | 1,286.9 | 1,362.5 | (75.6)  |
|   | =====   | =====   | =====   |

PAGE 5

Eleven-Year Summary  
Unaudited [Millions of Dollars  
except Per Share Data]

| For the Year Ended December 31 | 2001   | 2000   | 1999   | 1998   | 1997    | 1996   |
|--------------------------------|--------|--------|--------|--------|---------|--------|
|                                | -----  | -----  | -----  | -----  | -----   | -----  |
| Revenue                        |        |        |        |        |         |        |
| Lincoln Retirement             | 1968.3 | 2133.7 | 2115.8 | 2068.1 | 2023.0  | 1805.0 |
| Life Insurance                 | 1840.6 | 1819.0 | 1760.4 | 1378.5 | 544.8   | 549.2  |
| Investment Management          | 433.7  | 490.3  | 495.5  | 491.9  | 459.1   | 410.5  |
| Lincoln UK                     | 293.3  | 438.2  | 446.6  | 439.7  | 427.3   | 393.2  |
| Corporate & Other              | 1844.7 | 1970.4 | 1985.4 | 1708.9 | 1444.3  | 1575.6 |
|                                | -----  | -----  | -----  | -----  | -----   | -----  |
| Total Revenue                  | 6380.6 | 6851.5 | 6803.7 | 6087.1 | 4898.5  | 4733.6 |
|                                | =====  | =====  | =====  | =====  | =====   | =====  |
| Income from Operations*        |        |        |        |        |         |        |
| Lincoln Retirement             | 320.3  | 362.0  | 299.4  | 262.4  | 223.0   | 174.6  |
| Life Insurance                 | 279.0  | 259.9  | 212.0  | 149.2  | 39.9    | 41.2   |
| Investment Management          | 14.6   | 44.1   | 61.0   | 43.9   | 18.1    | 18.6   |
| Lincoln UK                     | 60.2   | 61.0   | (13.9) | 70.9   | (108.3) | 66.0   |
| Corporate & Other              | 14.8   | (8.0)  | (83.1) | 4.0    | (223.3) | (1.7)  |
|                                | -----  | -----  | -----  | -----  | -----   | -----  |
| Total Income from Cont Oper    | 689.0  | 719.1  | 475.5  | 530.4  | (50.6)  | 298.8  |
| Discontinued Operations        |        |        |        |        | 110.1   | 135.3  |
|                                | -----  | -----  | -----  | -----  | -----   | -----  |
| Income from Operations         | 689.0  | 719.1  | 475.5  | 530.4  | 59.4    | 434.1  |
|                                | =====  | =====  | =====  | =====  | =====   | =====  |
| Net Income                     |        |        |        |        |         |        |
| Lincoln Retirement             | 269.2  | 358.6  | 291.5  | 273.8  | 263.3   | 204.3  |
| Life Insurance                 | 233.1  | 249.3  | 211.5  | 127.5  | 39.1    | 51.8   |
| Investment Management          | 11.8   | 37.0   | 51.6   | 44.4   | 25.1    | 25.0   |
| Lincoln UK                     | 68.9   | (13.2) | (18.2) | 71.7   | (106.8) | 66.0   |
| Corporate & Other              | 7.2    | (10.2) | (76.1) | (7.6)  | (198.4) | 9.3    |
|                                | -----  | -----  | -----  | -----  | -----   | -----  |
| Total Net Inc from Cont Oper   | 590.2  | 621.4  | 460.4  | 509.8  | 22.2    | 356.4  |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |          |          |          |          |          |  |
|--|----------|----------|----------|----------|----------|--|
| Discontinued Operations                      |          |          |          |          | 911.8    | 157.2                                    |
| Total Net Income                             | 590.2    | 621.4    | 460.4    | 509.8    | 934.0    | 513.6                                    |
| OTHER DATA                                   |          |          |          |          |          |  |
| Assets                                       | 98001.3  | 99844.1  | 103095.7 | 93836.3  | 77174.7  | 71713.4                                  |
| Shareholders' Equity:                        |          |          |          |          |          |  |
| Securities and Derivatives at Market         | 5263.5   | 4954.1   | 4263.9   | 5387.9   | 4982.9   | 4470.0                                   |
| Securities and Derivatives at Cost           | 5046.3   | 4942.0   | 4729.6   | 4835.6   | 4546.9   | 4057.1                                   |
| Average Equity (Sec & Deriv at Cost)         | 5022.6   | 4831.9   | 4818.7   | 4685.6   | 4214.1   | 3866.0                                   |
| Common Shares Outstanding:                   |          |          |          |          |          |  |
| (millions)                                   |          |          |          |          |          |  |
| End of Period - Diluted                      | 191.1    | 195.2    | 197.0    | 203.4    | 204.7    | 209.5                                    |
| Average for the Period - Diluted             | 193.3    | 194.9    | 200.4    | 203.3    | 208.0    | 210.7                                    |
| Per Share Data (Diluted)                     |          |          |          |          |          |  |
| Income (Loss) from Continuing Operations     | \$3.56   | \$3.69   | \$2.37   | \$2.61   | (\$0.24) | \$1.42                                   |
| Income from Operations*                      | \$3.56   | \$3.69   | \$2.37   | \$2.61   | \$0.29   | \$2.06                                   |
| Net Income from Continuing Operations        | \$3.05   | \$3.19   | \$2.30   | \$2.51   | \$0.11   | \$1.69                                   |
| Net Income                                   | \$3.05   | \$3.19   | \$2.30   | \$2.51   | \$4.49   | \$2.44                                   |
| Shareholders' Equity:                        |          |          |          |          |          |  |
| Shareholders' Equity (Sec & Deriv at Market) | \$28.10  | \$25.92  | \$21.76  | \$26.59  | \$24.63  | \$21.50                                  |
| Shareholders' Equity (Sec & Deriv at Cost)   | \$26.94  | \$25.85  | \$24.14  | \$23.86  | \$22.48  | \$19.51                                  |
| Dividends Declared (Common Stock)            | \$1.235  | \$1.175  | \$1.115  | \$1.055  | \$0.995  | \$0.935                                  |
| Return on Equity (see page 30)               |          |          |          |          |          |  |
| Net Income/Average Equity                    | 11.8%    | 12.9%    | 9.6%     | 10.9%    | 22.2%    | 13.3%                                    |
| Inc from Operations/Average Equity           | 13.7%    | 14.9%    | 9.9%     | 11.3%    | 1.4%     | 11.2%                                    |
| Market Value of Common Stock                 |          |          |          |          |          |  |
| High for the Year                            | \$52.750 | \$56.375 | \$57.500 | \$49.438 | \$39.063 | \$28.500                                 |
| Low for the Year                             | \$38.000 | \$22.625 | \$36.000 | \$33.500 | \$24.500 | \$20.375                                 |
| Close for the Year                           | \$48.570 | \$47.313 | \$40.000 | \$40.907 | \$39.063 | \$26.250                                 |
| For the Year Ended December 31               | 1995     | 1994     | 1993     | 1992     | 1991     | Ten-year<br>Compound<br>annual<br>growth |
| Revenue                                      |          |          |          |          |          |  |
| Lincoln Retirement                           | 1877.1   | 1506.2   | 1603.8   | 1336.2   | 1216.7   | 4.9%                                     |
| Life Insurance                               | 514.9    | 466.2    | 477.5    | 444.4    | 417.3    | 16.0%                                    |
| Investment Management                        | 290.5    |          |          |          |          |  |
| Lincoln UK                                   | 351.5    | 216.0    | 174.9    | 180.6    | 169.6    | 5.6%                                     |
| Corporate & Other                            | 1552.5   | 1744.1   | 2680.9   | 2780.9   | 3721.0   |  |
| Total Revenue                                | 4586.5   | 3932.5   | 4937.1   | 4742.1   | 5524.6   | 1.5%                                     |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |       |
|--|---------|---------|---------|---------|---------|-------|
| Income from Operations*                      |         |         |         |         |         |       |
| Lincoln Retirement                           | 175.2   | 142.4   | 127.1   | 89.4    | 58.3    | 18.6% |
| Life Insurance                               | 35.4    | 34.2    | 37.8    | 46.8    | 31.5    | 24.4% |
| Investment Management                        | 20.6    |         |         |         |         |       |
| Lincoln UK                                   | 45.9    | 17.2    | 11.9    | 9.2     | 14.3    | 15.5% |
| Corporate & Other                            | (136.2) | 24.8    | 20.8    | 6.5     | 4.2     |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Income from Cont Oper                  | 140.8   | 218.6   | 197.6   | 151.9   | 108.3   | 20.3% |
| Discontinued Operations                      | 165.6   | 171.1   | 145.9   | 88.7    | 69.4    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Income from Operations                       | 306.5   | 389.7   | 343.5   | 240.6   | 177.7   | 14.5% |
|  | =====   | =====   | =====   | =====   | =====   | ===== |
| Net Income                                   |         |         |         |         |         |       |
| Lincoln Retirement                           | 248.8   | 142.4   | 127.1   | 89.4    | 58.3    | 16.5% |
| Life Insurance                               | 40.6    | 34.2    | 37.8    | 46.8    | 31.5    | 22.2% |
| Investment Management                        | 27.4    |         |         |         |         |       |
| Lincoln UK                                   | 45.7    | 18.5    | 12.6    | 9.2     | 14.3    |       |
| Corporate & Other                            | (61.1)  | (29.6)  | (101.1) | 125.1   | 28.4    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Net Inc from Cont Oper                 | 301.4   | 165.5   | 76.4    | 270.5   | 132.5   | 16.1% |
| Discontinued Operations                      | 180.8   | 184.4   | 242.5   | 88.7    | 69.4    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Net Income                             | 482.2   | 349.9   | 318.9   | 359.2   | 201.9   | 11.3% |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| OTHER DATA                                   |         |         |         |         |         |       |
| Assets                                       | 63257.7 | 48864.8 | 47825.1 | 39042.2 | 33660.3 | 11.3% |
| Shareholders' Equity:                        |         |         |         |         |         |       |
| Securities and Derivatives at Market         | 4378.1  | 3042.1  | 4072.3  | 2826.8  | 2655.8  | 7.1%  |
| Securities and Derivatives at Cost           | 3679.9  | 3353.1  | 3157.6  | 2664.1  | 2445.8  | 7.5%  |
| Average Equity (Sec & Deriv at Cost)         | 3550.5  | 3288.6  | 3009.0  | 2575.0  | 2335.3  | 8.0%  |
| Common Shares Outstanding:<br>(millions)     |         |         |         |         |         |       |
| End of Period - Diluted                      | 210.3   | 208.3   | 208.3   | 187.7   | 185.4   |       |
| Average for the Period - Diluted             | 209.5   | 208.7   | 206.1   | 186.8   | 189.2   |       |
| Per Share Data (Diluted)                     |         |         |         |         |         |       |
| Income (Loss) from Continuing Operations     | \$0.67  | \$1.05  | \$0.96  | \$0.81  | \$0.57  | 20.1% |
| Income from Operations*                      | \$1.46  | \$1.87  | \$1.67  | \$1.29  | \$0.94  | 14.3% |
| Net Income from Continuing Operations        | \$1.44  | \$0.79  | \$0.37  | \$1.45  | \$0.70  | 15.9% |
| Net Income                                   | \$2.30  | \$1.68  | \$1.55  | \$1.92  | \$1.07  | 11.1% |
| Shareholders' Equity:                        |         |         |         |         |         |       |
| Shareholders' Equity (Sec & Deriv at Market) | \$20.95 | \$14.67 | \$19.69 | \$15.13 | \$14.35 | 7.0%  |
| Shareholders' Equity (Sec & Deriv at Cost)   | \$17.61 | \$16.17 | \$15.27 | \$14.26 | \$13.21 | 7.4%  |
| Dividends Declared (Common Stock)            | \$0.875 | \$0.830 | \$0.775 | \$0.738 | \$0.693 | 5.9%  |
| Return on Equity (see page 30)               |         |         |         |         |         |       |
| Net Income/Average Equity                    | 13.6%   | 10.6%   | 10.6%   | 13.9%   | 8.6%    |       |
| Inc from Operations/Average Equity           | 8.6%    | 11.8%   | 11.4%   | 9.3%    | 7.6%    |       |
| Market Value of Common Stock                 |         |         |         |         |         |       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                    |          |          |          |          |          |       |
|--------------------|----------|----------|----------|----------|----------|-------|
| High for the Year  | \$26.875 | \$22.188 | \$24.125 | \$19.032 | \$13.813 |       |
| Low for the Year   | \$17.313 | \$17.313 | \$17.344 | \$12.625 | \$9.500  |       |
| Close for the Year | \$26.875 | \$17.500 | \$21.750 | \$18.500 | \$13.688 | 13.5% |

\* "Income from Operations" is defined as "Net income less realized gain (loss) on investments, de instruments and associated items, gain (loss) on sale of subsidiaries, restructuring charges, a effect of accounting changes, all net of taxes." Income from operations also excludes the reco gains and losses related to changes in certain reserves and the related changes to the deferred amortization under indemnity reinsurance resulting from developments after the sale in the rein business sold through indemnity reinsurance.

Quarterly Summary  
Unaudited [Millions of Dollars  
except Per Share Data]

| For the Quarter Ended                 | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |     |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-----|
| Revenue                               |             |             |             |             |             |     |
| Lincoln Retirement                    | 538.0       | 548.7       | 530.5       | 532.1       | 522.3       | 5   |
| Life Insurance                        | 473.1       | 441.7       | 444.2       | 453.2       | 479.9       | 4   |
| Investment Management                 | 126.6       | 125.8       | 120.7       | 123.8       | 120.0       | 1   |
| Lincoln UK                            | 103.8       | 112.8       | 108.2       | 112.8       | 104.3       |     |
| Corporate & Other                     | 566.4       | 440.2       | 489.0       | 494.1       | 547.0       | 5   |
| Total Revenue                         | 1807.9      | 1669.2      | 1692.7      | 1716.1      | 1773.5      | 16  |
| Income from Operations*               |             |             |             |             |             |     |
| Lincoln Retirement                    | 73.7        | 88.5        | 84.1        | 102.9       | 86.4        |     |
| Life Insurance                        | 57.0        | 60.4        | 62.4        | 66.5        | 70.6        |     |
| Investment Management                 | 16.5        | 12.4        | 13.1        | 9.9         | 8.7         |     |
| Lincoln UK                            | (67.1)      | 15.7        | 19.3        | 10.6        | 15.5        |     |
| Corporate & Other                     | (43.5)      | (6.5)       | (5.9)       | 0.9         | 3.5         |     |
| Income from Operations                | 36.6        | 170.6       | 173.0       | 190.7       | 184.7       | 1   |
| Net Income                            |             |             |             |             |             |     |
| Lincoln Retirement                    | 69.9        | 91.2        | 84.4        | 93.8        | 89.2        |     |
| Life Insurance                        | 59.7        | 58.1        | 58.4        | 67.4        | 65.4        |     |
| Investment Management                 | 19.8        | 12.3        | 8.4         | 9.7         | 6.6         |     |
| Lincoln UK                            | (72.6)      | 15.5        | 19.1        | (29.9)      | (17.9)      |     |
| Corporate & Other                     | (42.2)      | (6.8)       | (6.8)       | (2.3)       | 5.7         |     |
| Total Net Income                      | 34.6        | 170.2       | 163.6       | 138.6       | 148.9       | 1   |
| OTHER DATA                            |             |             |             |             |             |     |
| Assets                                | 103095.7    | 106340.0    | 103847.6    | 103243.1    | 99844.1     | 941 |
| Shareholders' Equity                  |             |             |             |             |             |     |
| Beg of Period (Sec & Deriv at Market) | 4817.4      | 4263.9      | 4340.4      | 4223.7      | 4538.6      | 49  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |          |          |          |          |          |       |
|--|----------|----------|----------|----------|----------|-------|
| End of Period (Sec & Deriv at Market)        | 4263.9   | 4340.4   | 4223.7   | 4538.6   | 4954.1   | 50    |
| End of Period (Sec & Deriv at Cost)          | 4729.6   | 4751.6   | 4780.3   | 4876.3   | 4942.0   | 48    |
| Average Equity (Sec & Deriv at Cost)         | 4774.2   | 4791.5   | 4753.0   | 4867.2   | 4915.7   | 49    |
| Common Shares Outstanding                    |          |          |          |          |          |       |
| Average for the Period - Diluted             | 197.1    | 195.8    | 194.0    | 195.6    | 195.6    | 1     |
| End of Period - Diluted                      | 197.0    | 195.1    | 193.7    | 196.2    | 195.2    | 1     |
| Per Share Data (Diluted)                     |          |          |          |          |          |       |
| Income from Operations*                      | \$0.19   | \$0.87   | \$0.89   | \$0.98   | \$0.94   | \$    |
| Net Income                                   | \$0.18   | \$0.87   | \$0.84   | \$0.71   | \$0.76   | \$    |
| Shareholders' Equity                         |          |          |          |          |          |       |
| Shareholders' Equity (Sec & Deriv at Market) | \$21.76  | \$22.45  | \$22.10  | \$23.67  | \$25.92  | \$2   |
| Shareholders' Equity (Sec & Deriv at Cost)   | \$24.14  | \$24.58  | \$25.01  | \$25.43  | \$25.85  | \$2   |
| Dividends Declared (Com Stk)                 | \$0.290  | \$0.290  | \$0.290  | \$0.290  | \$0.305  | \$0   |
| Return on Equity (see page 30)               |          |          |          |          |          |       |
| Net Income/Average Equity                    | 2.9%     | 14.2%    | 13.8%    | 11.4%    | 12.1%    | 1     |
| Inc from Operations/Average Equity           | 3.1%     | 14.2%    | 14.6%    | 15.7%    | 15.0%    | 1     |
| Market Value of Common Stock                 |          |          |          |          |          |       |
| Highest Price                                | \$48.313 | \$41.375 | \$40.063 | \$56.375 | \$50.938 | \$48  |
| Lowest Price                                 | \$36.500 | \$22.625 | \$29.000 | \$35.625 | \$40.875 | \$38  |
| Closing Price                                | \$40.000 | \$33.500 | \$36.125 | \$48.125 | \$47.313 | \$42  |
|  | Jun      | Sep      | Dec      | Mar      | Jun      |       |
| For the Quarter Ended                        | 2001     | 2001     | 2001     | 2002     | 2002     |       |
|  | -----    | -----    | -----    | -----    | -----    | ----- |
| Revenue                                      |          |          |          |          |          |       |
| Lincoln Retirement                           | 512.1    | 478.2    | 467.5    | 453.0    | 442.6    | 4     |
| Life Insurance                               | 455.7    | 460.6    | 464.7    | 423.9    | 439.8    | 4     |
| Investment Management                        | 110.3    | 104.7    | 106.5    | 103.5    | 102.4    |       |
| Lincoln UK                                   | 68.9     | 76.3     | 63.2     | 53.6     | 68.0     |       |
| Corporate & Other                            | 452.0    | 489.5    | 371.7    | 92.3     | 92.2     |       |
| Total Revenue                                | 1599.0   | 1609.3   | 1473.6   | 1126.4   | 1145.0   | 11    |
|  | =====    | =====    | =====    | =====    | =====    | ===== |
| Income from Operations*                      |          |          |          |          |          |       |
| Lincoln Retirement                           | 90.8     | 72.4     | 74.8     | 80.4     | 47.8     |       |
| Life Insurance                               | 67.1     | 70.1     | 73.2     | 71.1     | 73.5     |       |
| Investment Management                        | 3.7      | 3.5      | 5.1      | 8.0      | 6.6      |       |
| Lincoln UK                                   | 16.2     | 10.1     | 19.5     | 14.4     | 6.7      |       |
| Corporate & Other                            | (9.7)    | (12.9)   | 26.5     | (12.0)   | (7.3)    | (     |
| Income from Operations                       | 168.1    | 143.2    | 199.1    | 162.0    | 127.2    |       |
|  | =====    | =====    | =====    | =====    | =====    | ===== |
| Net Income                                   |          |          |          |          |          |       |
| Lincoln Retirement                           | 79.9     | 58.6     | 54.2     | 47.6     | 10.2     |       |
| Life Insurance                               | 53.5     | 64.7     | 51.9     | 44.2     | 57.4     |       |
| Investment Management                        | 2.9      | 2.9      | 4.0      | 7.0      | 6.2      |       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                   |        |        |       |        |        |       |
|-------------------|--------|--------|-------|--------|--------|-------|
| Lincoln UK        | 17.6   | 14.0   | 22.5  | 10.8   | 9.8    | (1    |
| Corporate & Other | (12.2) | (21.2) | 36.7  | (15.2) | (24.2) | (1    |
|                   | -----  | -----  | ----- | -----  | -----  | ----- |
| Total Net Income  | 141.7  | 119.1  | 169.2 | 94.5   | 59.4   | (1    |
|                   | =====  | =====  | ===== | =====  | =====  | ===== |

OTHER DATA

|  |          |          |          |          |          |      |
|--|----------|----------|----------|----------|----------|------|
| Assets                                       | 96431.2  | 90206.0  | 98001.3  | 97846.4  | 95069.2  | 904  |
| Shareholders' Equity                         |          |          |          |          |          |      |
| Beg of Period (Sec & Deriv at Market)        | 5096.4   | 5055.9   | 5368.6   | 5263.5   | 5131.1   | 53   |
| End of Period (Sec & Deriv at Market)        | 5055.9   | 5368.6   | 5263.5   | 5131.1   | 5307.9   | 53   |
| End of Period (Sec & Deriv at Cost)          | 4952.8   | 5100.4   | 5046.3   | 5076.6   | 4959.5   | 45   |
| Average Equity (Sec & Deriv at Cost)         | 4920.2   | 5085.0   | 5131.4   | 5083.3   | 5080.7   | 48   |
| Common Shares Outstanding                    |          |          |          |          |          |      |
| Average for the Period - Diluted             | 192.0    | 194.8    | 192.8    | 191.7    | 189.7    | 1    |
| End of Period - Diluted                      | 192.9    | 193.3    | 191.1    | 191.7    | 186.9    | 1    |
| Per Share Data (Diluted)                     |          |          |          |          |          |      |
| Income from Operations*                      | \$0.88   | \$0.74   | \$1.03   | \$0.84   | \$0.67   | \$   |
| Net Income                                   | \$0.74   | \$0.61   | \$0.88   | \$0.49   | \$0.31   | (\$  |
| Shareholders' Equity                         |          |          |          |          |          |      |
| Shareholders' Equity (Sec & Deriv at Market) | \$26.87  | \$28.29  | \$28.10  | \$27.30  | \$28.77  | \$3  |
| Shareholders' Equity (Sec & Deriv at Cost)   | \$26.32  | \$26.87  | \$26.94  | \$27.02  | \$26.88  | \$2  |
| Dividends Declared (Com Stk)                 | \$0.305  | \$0.305  | \$0.320  | \$0.320  | \$0.320  | \$0  |
| Return on Equity (see page 30)               |          |          |          |          |          |      |
| Net Income/Average Equity                    | 11.5%    | 9.4%     | 13.2%    | 7.4%     | 4.7%     | (1   |
| Inc from Operations/Average Equity           | 13.7%    | 11.3%    | 15.5%    | 12.7%    | 10.0%    |      |
| Market Value of Common Stock                 |          |          |          |          |          |      |
| Highest Price                                | \$52.300 | \$52.750 | \$49.450 | \$53.650 | \$52.540 | \$42 |
| Lowest Price                                 | \$41.280 | \$41.000 | \$40.000 | \$47.200 | \$40.750 | \$29 |
| Closing Price                                | \$51.750 | \$46.630 | \$48.570 | \$50.730 | \$42.000 | \$30 |

\* "Income from Operations" is defined as "Net income less realized gain (loss) on investments, derivative instruments and associated items, gain (loss) on sale of subsidiaries, restructuring charges, and cumulative effect of accounting changes, all net of taxes." Income from operation also excludes the recognition of gains and losses related to changes in certain reserves and the related changes to the deferred gain amortization under indemnity reinsurance resulting from developments after the sale in the reinsurance business sold through indemnity reinsurance.

Reconciliation of Business Segments to Consolidated Financial Statements  
Unaudited [Millions of Dollars]

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

| For the Quarter Ended September 30                               | Lincoln Retirement |             | Life Insurance |             | Investme<br>Manageme |
|--|--------------------|-------------|----------------|-------------|----------------------|
|  | Sep<br>2002        | Sep<br>2001 | Sep<br>2002    | Sep<br>2001 | Sep<br>2002          |
| Operating Revenue  |                    |             |                |             |                      |
| Life and annuity premiums  | 13.4               | 13.2        | 48.6           | 46.4        |                      |
| Surrender charges  | 8.7                | 6.5         | 13.4           | 15.6        |                      |
| Mortality assessments  |                    |             | 126.3          | 124.7       |                      |
| Expense assessments  | 109.3              | 132.0       | 49.2           | 46.0        |                      |
| Health premiums  |                    |             | 0.0            | 0.0         |                      |
| Investment advisory fees   |                    |             |                |             | 63.7                 |
| Other revenue and fees   | (4.0)              | 1.2         | 5.1            | 3.0         | 19.9                 |
| Net investment income  | 358.1              | 346.6       | 224.1          | 233.2       | 12.4                 |
| Earnings in Unconsolidated<br>Affiliates                         |                    |             |                |             |                      |
| Operating Revenue  | 485.6              | 499.5       | 466.8          | 468.9       | 96.0                 |
| Operating Benefits and Expenses                                  |                    |             |                |             |                      |
| Ins. benefits paid or provided:                                  |                    |             |                |             |                      |
| Life and annuity policy benefits                                 | 107.8              | 66.3        | 105.2          | 102.3       |                      |
| Div accum & div to policyholders                                 |                    |             | 17.2           | 16.5        |                      |
| Interest credited to policy bal.                                 | 224.2              | 217.2       | 152.6          | 143.5       |                      |
| Health policy benefits   |                    |             | 0.0            | 0.0         |                      |
| Total insurance benefits   | 332.0              | 283.5       | 275.1          | 262.3       |                      |
| Underwriting, acquisition,<br>insurance and other expenses*:     |                    |             |                |             |                      |
| Commissions  | 83.0               | 81.1        | 31.8           | 32.5        |                      |
| Other volume related expenses                                    | 19.6               | 12.7        | 45.8           | 41.4        |                      |
| Operating and administrative<br>expenses                         | 51.4               | 55.3        | 40.0           | 41.6        | 86.6                 |
| Taxes, licenses and fees   | 3.0                | 2.2         | 13.2           | 12.0        | 2.9                  |
| Par policyholder interests                                       |                    |             |                |             |                      |
| Foreign exchange   |                    |             |                |             |                      |
| Subtotal   | 157.0              | 151.3       | 130.7          | 127.5       | 89.5                 |
| Deferral of acquisition costs                                    | (66.1)             | (58.7)      | (78.7)         | (85.3)      |                      |
| DAC amortization   | 47.2               | 35.6        | 23.9           | 29.7        |                      |
| DAC deferral net of amortization                                 | (18.9)             | (23.0)      | (54.8)         | (55.5)      |                      |
| PVIF amortization  | 4.1                | 4.5         | 23.3           | 20.5        |                      |
| Other intangibles amortization                                   |                    |             |                |             | 2.0                  |
| Total underwriting, acquisition,<br>insurance and other expenses | 142.2              | 132.8       | 99.3           | 92.5        | 91.5                 |
| Goodwill amortization  |                    | 0.3         |                | 5.9         |                      |
| Interest   |                    |             |                |             |                      |
| Operating Benefits and Expenses                                  | 474.2              | 416.6       | 374.4          | 360.8       | 91.5                 |
| Income from Operations Before Tax                                | 11.4               | 82.9        | 92.4           | 108.1       | 4.6                  |
| Federal income taxes   | (11.4)             | 10.4        | 29.0           | 38.1        | 0.6                  |
| Income from Operations   | 22.8               | 72.4        | 63.4           | 70.1        | 4.0                  |
| Restructuring charges  |                    |             |                |             | 0.3                  |
| Realized gains (losses) on                                       |                    |             |                |             |                      |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |        |       |       |
|---|--------|--------|--------|-------|-------|
| investments   | (28.0) | (13.5) | (16.9) | (5.3) | (1.2) |
| Gains (losses) on derivatives                         | (0.8)  | (0.3)  | 0.6    | (0.0) |       |
| Reserve increase on business sold through reinsurance |        |        |        |       |       |
| Gain on sale of subsidiaries                          |        |        |        |       |       |
| Income before Accounting Changes                      | (6.0)  | 58.6   | 47.1   | 64.7  | 3.1   |
| Cumulative effect of accounting changes               |        |        |        |       |       |
| Net Income  | (6.0)  | 58.6   | 47.1   | 64.7  | 3.1   |
| Inc. from Oper.-before Goodwill Amort.                | 22.8   | 72.7   | 63.4   | 76.0  | 4.0   |
| Net Income-before Goodwill Amort.                     | (6.0)  | 58.9   | 47.1   | 70.6  | 3.1   |

\* Does not include restructuring charges which is consistent with the definition of "Income from

PAGE

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

| For the Quarter Ended September 30       | Corporate and<br>Other Operations |             | Consolidating<br>Adjustments |             | Consolidated |            |
|--|-----------------------------------|-------------|------------------------------|-------------|--------------|------------|
|  | Sep<br>2002                       | Sep<br>2001 | Sep<br>2002                  | Sep<br>2001 | Sep<br>2002  | Ju<br>2001 |
| Operating Revenue                        |                                   |             |                              |             |              |            |
| Life and annuity premiums                | (2.1)                             | 265.9       |                              |             | 71.6         | 336.       |
| Surrender charges                        |                                   | 0.6         | 0.7                          | 0.5         | 22.8         | 23.        |
| Mortality assessments                    | (0.9)                             | 0.0         |                              |             | 134.1        | 133.       |
| Expense assessments                      | 0.9                               | (0.0)       | 9.8                          | 10.9        | 198.6        | 224.       |
| Health premiums                          | (10.2)                            | 103.3       |                              |             | (9.6)        | 103.       |
| Investment advisory fees                 |                                   |             | (20.8)                       | (20.8)      | 42.9         | 47.        |
| Other revenue and fees                   | 89.7                              | 92.9        | (41.1)                       | (29.5)      | 71.7         | 91.        |
| Net investment income                    | 38.4                              | 80.8        | (1.6)                        | (2.7)       | 647.0        | 686.       |
| Earnings in Unconsolidated<br>Affiliates |                                   | 0.4         |                              |             |              | 0.         |
| Operating Revenue                        | 115.7                             | 543.9       | (53.1)                       | (41.6)      | 1179.1       | 1646.      |
| Operating Benefits and Expenses          |                                   |             |                              |             |              |            |
| Ins. benefits paid or provided:          |                                   |             |                              |             |              |            |
| Life and annuity policy benefits         | (2.4)                             | 235.6       |                              |             | 229.7        | 422.       |
| Div accum & div to policyholders         | 0.0                               | 1.5         |                              |             | 17.2         | 18.        |
| Interest credited to policy bal.         | 32.6                              | 8.7         | 7.9                          | 9.3         | 417.4        | 378.       |
| Health policy benefits                   | 2.6                               | 81.6        |                              |             | 7.3          | 83.        |
| Total insurance benefits                 | 32.8                              | 327.4       | 7.9                          | 9.3         | 671.6        | 903.       |
| Underwriting, acquisition,               |                                   |             |                              |             |              |            |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |        |        |        |         |        |
|---|---------|--------|--------|--------|---------|--------|
| insurance and other expenses*:                                |         |        |        |        |         |        |
| Commissions   | 2.4     | 86.8   | 5.8    | 5.0    | 124.6   | 207.   |
| Other volume related expenses                                 | 18.0    | 16.1   | (19.4) | (17.1) | 63.9    | 53.    |
| Operating and administrative expenses                         | 59.2    | 94.7   | (43.9) | (35.3) | 212.8   | 264.   |
| Taxes, licenses and fees                                      | 6.0     | 11.5   |        |        | 25.1    | 30.    |
| Par policyholder interests                                    |         |        |        |        |         |        |
| Foreign exchange  | 0.4     | (2.5)  |        |        | 0.4     | (2.)   |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Subtotal  | 86.0    | 206.6  | (57.5) | (47.5) | 426.8   | 553.   |
| Deferral of acquisition costs                                 |         | (30.2) | (9.9)  | (8.0)  | (155.5) | (183.) |
| DAC amortization  |         | 26.6   | 8.0    | 7.4    | 90.5    | 109.   |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| DAC deferral net of amortization                              | 0.1     | (3.7)  | (1.9)  | (0.6)  | (64.9)  | (74.)  |
| PVIF amortization   |         |        |        |        | 40.2    | 34.    |
| Other intangibles amortization                                |         | 0.4    |        |        | 2.0     | 2.     |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Total underwriting, acquisition, insurance and other expenses | 86.1    | 203.3  | (59.4) | (48.1) | 404.1   | 516.   |
| Goodwill amortization   |         | 0.5    |        | (0.0)  |         | 10.    |
| Interest  | 25.3    | 32.3   | (1.6)  | (2.7)  | 23.7    | 29.    |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Operating Benefits and Expenses                               | 144.2   | 563.5  | (53.1) | (41.6) | 1099.4  | 1459.  |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Income from Operations Before Tax                             | (28.5)  | (19.7) |        | 0.0    | 79.7    | 187.   |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Federal income taxes  | (11.2)  | (6.8)  |        |        | 6.7     | 44.    |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Income from Operations  | (17.2)  | (12.9) |        | 0.0    | 73.0    | 143.   |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Restructuring charges   | 1.1     | 0.0    |        |        | 1.3     | 0.     |
| Realized gains (losses) on investments                        | 21.6    | (8.3)  |        | 0.0    | (23.6)  | (23.)  |
| Gains (losses) on derivatives                                 | 0.4     | (0.0)  |        |        | 0.2     | (0.)   |
| Reserve increase on business sold through reinsurance         | (176.4) |        |        |        | (176.4) |        |
| Gain on sale of subsidiaries                                  |         |        |        |        |         |        |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Income before Accounting Changes                              | (170.6) | (21.2) |        | 0.0    | (125.5) | 119.   |
| Cumulative effect of accounting changes                       |         |        |        |        |         |        |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Net Income  | (170.6) | (21.2) |        | 0.0    | (125.5) | 119.   |
|   | =====   | =====  | =====  | =====  | =====   | =====  |
| Inc. from Oper.-before Goodwill Amort.                        |         |        |        |        |         |        |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
|   | (17.2)  | (12.4) |        | (0.0)  | 73.0    | 154.   |
|   | -----   | -----  | -----  | -----  | -----   | -----  |
| Net Income-before Goodwill Amort.                             | (170.6) | (20.7) |        | 0.0    | (125.5) | 130.   |
|   | -----   | -----  | -----  | -----  | -----   | -----  |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Unaudited [Millions of Dollars]

| For the Nine Months Ended September 30                        | Lincoln Retirement |          | Life Insurance |          | Investment Management |
|---|--------------------|----------|----------------|----------|-----------------------|
|   | Sep 2002           | Sep 2001 | Sep 2002       | Sep 2001 | Sep 2002              |
| ASSETS  |                    |          |                |          |                       |
| Operating Revenue   |                    |          |                |          |                       |
| Life and annuity premiums                                     | 38.7               | 64.8     | 147.2          | 147.9    |                       |
| Surrender charges   | 23.8               | 24.0     | 38.6           | 46.3     |                       |
| Mortality assessments   |                    |          | 374.2          | 373.8    |                       |
| Expense assessments   | 364.1              | 411.5    | 143.2          | 138.6    |                       |
| Health premiums   |                    |          | 0.1            | 0.1      |                       |
| Investment advisory fees                                      |                    |          |                |          | 201.4                 |
| Other revenue and fees  | 0.6                | 6.7      | 17.5           | 11.9     | 64.9                  |
| Net investment income   | 1060.7             | 1027.3   | 675.8          | 683.6    | 37.9                  |
| Earnings in Unconsolidated Affiliates                         |                    |          |                |          |                       |
| Operating Revenue   | 1487.9             | 1534.4   | 1396.7         | 1402.2   | 304.2                 |
| Operating Benefits and Expenses                               |                    |          |                |          |                       |
| Ins. benefits paid or provided:                               |                    |          |                |          |                       |
| Life and annuity policy benefits                              | 235.8              | 208.6    | 312.9          | 305.7    |                       |
| Div accum & div to policyholders                              |                    |          | 53.2           | 53.1     |                       |
| Interest credited to policy bal.                              | 672.1              | 636.3    | 447.8          | 423.0    |                       |
| Health policy benefits  |                    |          | 0.0            | 0.0      |                       |
| Total insurance benefits                                      | 907.8              | 845.0    | 813.9          | 781.8    |                       |
| Underwriting, acquisition, insurance and other expenses*:     |                    |          |                |          |                       |
| Commissions   | 248.0              | 239.6    | 101.2          | 96.9     |                       |
| Other volume related expenses                                 | 46.5               | 36.7     | 132.0          | 119.5    |                       |
| Operating and administrative expenses                         | 156.6              | 159.2    | 114.1          | 122.7    | 261.1                 |
| Taxes, licenses and fees                                      | 11.9               | 9.2      | 41.7           | 36.8     | 14.5                  |
| Par policyholder interests                                    |                    |          |                |          |                       |
| Foreign exchange  |                    |          |                |          |                       |
| Subtotal  | 463.0              | 444.6    | 389.1          | 375.9    | 275.6                 |
| Deferral of acquisition costs                                 | (188.6)            | (169.0)  | (235.2)        | (218.6)  |                       |
| DAC amortization  | 128.0              | 104.6    | 69.6           | 64.8     |                       |
| DAC deferral net of amortization                              | (60.6)             | (64.4)   | (165.6)        | (153.7)  |                       |
| PVIF amortization   | 11.8               | 13.2     | 56.5           | 61.1     |                       |
| Other intangibles amortization                                |                    |          |                |          | 6.2                   |
| Total underwriting, acquisition, insurance and other expenses | 414.2              | 393.4    | 279.9          | 283.3    | 281.8                 |
| Goodwill amortization   |                    | 0.9      |                | 17.8     |                       |
| Interest  |                    |          | 0.0            |          |                       |
| Operating Benefits and Expenses                               | 1322.1             | 1239.3   | 1093.9         | 1082.9   | 281.8                 |
| Income from Operations Before Tax                             | 165.8              | 295.1    | 302.8          | 319.3    | 22.3                  |
| Federal income taxes  | 14.8               | 49.6     | 94.7           | 113.5    | 3.7                   |
| Income from Operations  | 151.0              | 245.5    | 208.1          | 205.8    | 18.6                  |
| Restructuring charges   | (1.0)              | (1.3)    |                | (2.0)    | 0.3                   |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |        |        |       |
|---|--------|--------|--------|--------|-------|
| Realized gains (losses) on investments                | (97.4) | (21.6) | (60.2) | (17.2) | (2.6) |
| Gains (losses) on derivatives                         | (0.8)  | (0.3)  | 0.9    | 0.1    |       |
| Reserve increase on business sold through reinsurance |        |        |        |        |       |
| Gain on sale of subsidiaries                          |        |        |        |        |       |
| Income before Accounting Changes                      | 51.8   | 222.4  | 148.7  | 186.7  | 16.3  |
| Cumulative effect of accounting changes               |        | (7.3)  |        | (5.5)  |       |
| Net Income  | 51.8   | 215.1  | 148.7  | 181.2  | 16.3  |
| Inc. from Oper.-before Goodwill Amort.                | 151.0  | 246.4  | 208.1  | 223.6  | 18.6  |
| Net Income-before Goodwill Amort.                     | 51.8   | 216.0  | 148.7  | 198.9  | 16.3  |

\* Does not include restructuring charges which is consistent with the definition of "Income from

PA

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

| For the Nine Months Ended September 30 | Corporate and Other Operations |          | Consolidating Adjustments |          | Consolidated |   |
|--|--------------------------------|----------|---------------------------|----------|--------------|---|
|  | Sep 2002                       | Sep 2001 | Sep 2002                  | Sep 2001 | Sep 2002     |   |
| Operating Revenue                      |                                |          |                           |          |              |   |
| Life and annuity premiums              | (5.5)                          | 847.8    |                           |          | 214.9        | 1 |
| Surrender charges                      |                                | 1.8      | 1.8                       | 1.7      | 64.3         |   |
| Mortality assessments                  | (2.7)                          | 0.1      |                           |          | 395.0        |   |
| Expense assessments                    | 2.7                            | (0.0)    | 31.1                      | 36.0     | 623.5        |   |
| Health premiums                        | (0.9)                          | 302.4    |                           |          | 1.2          |   |
| Investment advisory fees               |                                |          | (62.7)                    | (67.0)   | 138.7        |   |
| Other revenue and fees                 | 282.0                          | 250.9    | (115.5)                   | (112.3)  | 251.8        |   |
| Net investment income                  | 130.9                          | 241.1    | (4.7)                     | (9.3)    | 1946.2       | 2 |
| Earnings in Unconsolidated Affiliates  | (0.6)                          | 1.3      |                           |          | (0.6)        |   |
| Operating Revenue                      | 405.9                          | 1645.4   | (150.0)                   | (150.9)  | 3634.9       | 4 |
| Operating Benefits and Expenses        |                                |          |                           |          |              |   |
| Ins. benefits paid or provided:        |                                |          |                           |          |              |   |
| Life and annuity policy benefits       | (0.9)                          | 646.6    |                           |          | 597.3        | 1 |
| Div accum & div to policyholders       | 0.0                            | 4.0      |                           |          | 53.2         |   |
| Interest credited to policy bal.       | 62.1                           | 26.6     | 24.0                      | 29.5     | 1206.0       | 1 |
| Health policy benefits                 | 33.0                           | 268.7    |                           |          | 44.6         |   |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |       |
|--|---------|---------|---------|---------|---------|-------|
| Total insurance benefits   | 94.2    | 946.0   | 24.0    | 29.5    | 1901.1  | 2     |
| Underwriting, acquisition,<br>insurance and other expenses*:     |         |         |         |         |         |       |
| Commissions  | 44.0    | 280.1   | 19.4    | 17.0    | 417.4   |       |
| Other volume related expenses                                    | 58.9    | 47.5    | (53.3)  | (48.0)  | 184.1   |       |
| Operating and administrative<br>expenses                         | 167.5   | 275.3   | (128.5) | (136.1) | 625.4   |       |
| Taxes, licenses and fees   | 20.0    | 35.4    |         |         | 88.0    |       |
| Par policyholder interests                                       |         |         |         |         |         |       |
| Foreign exchange   | 1.0     | (2.5)   |         |         | 1.0     |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Subtotal   | 291.3   | 635.9   | (162.4) | (167.1) | 1315.9  | 1     |
| Deferral of acquisition costs                                    | (1.4)   | (101.8) | (31.5)  | (26.9)  | (459.5) | (     |
| DAC amortization   | 0.2     | 78.9    | 24.6    | 22.8    | 249.4   |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| DAC deferral net of amortization                                 | (1.1)   | (22.9)  | (6.9)   | (4.0)   | (210.0) | (     |
| PVIF amortization  |         |         |         |         | 93.5    |       |
| Other intangibles amortization                                   |         | 1.1     |         |         | 6.2     |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Total underwriting, acquisition,<br>insurance and other expenses | 290.2   | 614.0   | (169.3) | (171.1) | 1205.6  | 1     |
| Goodwill amortization  |         | 1.4     |         | (0.0)   |         |       |
| Interest   | 77.8    | 105.4   | (4.7)   | (9.3)   | 73.1    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Operating Benefits and Expenses                                  | 462.2   | 1666.7  | (150.0) | (151.0) | 3179.8  | 4     |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Income from Operations Before Tax                                | (56.3)  | (21.3)  |         | 0.0     | 455.1   |       |
| Federal income taxes   | (19.8)  | (9.6)   |         |         | 92.8    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Income from Operations   | (36.5)  | (11.7)  |         | 0.0     | 362.3   |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Restructuring charges  | 1.1     | (1.2)   |         |         | 0.3     |       |
| Realized gains (losses) on<br>investments                        | 15.9    | (14.6)  |         | 0.8     | (143.9) |       |
| Gains (losses) on derivatives                                    | 0.4     | (0.0)   |         |         | 0.5     |       |
| Reserve increase on business sold<br>through reinsurance         | (190.8) |         |         |         | (190.8) |       |
| Gain on sale of subsidiaries                                     |         |         |         |         |         |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Income before Accounting Changes                                 | (210.0) | (27.6)  |         | 0.8     | 28.4    |       |
| Cumulative effect of accounting<br>changes                       |         | (2.7)   |         |         |         |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Income   | (210.0) | (30.3)  |         | 0.8     | 28.4    |       |
|  | =====   | =====   | =====   | =====   | =====   | ===== |
| Inc. from Oper.-before Goodwill                                  |         |         |         |         |         |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
|  | (36.5)  | (10.4)  |         | (0.0)   | 362.3   |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Income-before Goodwill Amort.                                | (210.0) | (28.9)  |         | 0.8     | 28.4    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Statement of Consolidated Income  
Unaudited [Millions of Dollars]

| For the Year Ended December 31                                   | 1997   | 1998    | 1999    | 2000    | 2001    |    |
|--|--------|---------|---------|---------|---------|----|
| Operating Revenue  |        |         |         |         |         |    |
| Life and annuity premiums  | 756.2  | 985.6   | 1183.0  | 1403.3  | 1363.4  | 10 |
| Surrender charges  | 45.4   | 91.5    | 110.2   | 114.7   | 101.5   |    |
| Mortality assessments  | 186.4  | 380.1   | 496.4   | 496.5   | 533.3   | 4  |
| Expense assessments  | 600.3  | 803.0   | 930.9   | 1050.2  | 909.2   | 6  |
| Health premiums  | 572.6  | 635.1   | 698.5   | 409.8   | 340.6   | 3  |
| Investment advisory fees   | 204.9  | 227.1   | 223.8   | 213.1   | 197.2   | 1  |
| Other revenue and fees   | 157.3  | 261.0   | 344.5   | 445.4   | 351.8   | 2  |
| Net investment income  | 2250.8 | 2681.4  | 2807.5  | 2747.1  | 2679.6  | 20 |
| Earnings in Unconsolidated<br>Affiliates                         | 2.1    | 3.3     | 5.8     | (0.4)   | 5.7     |    |
| Operating Revenue  | 4775.9 | 6068.0  | 6800.7  | 6879.8  | 6482.2  | 49 |
| Operating Benefits and Expenses                                  |        |         |         |         |         |    |
| Ins. benefits paid or provided:                                  |        |         |         |         |         |    |
| Life and annuity policy benefits                                 | 1090.2 | 1237.7  | 1546.6  | 1546.4  | 1517.9  | 12 |
| Div accum & div to policyholders                                 | 29.7   | 78.0    | 88.4    | 87.6    | 83.7    |    |
| Interest credited to policy bal.                                 | 1238.7 | 1446.2  | 1510.4  | 1474.2  | 1506.0  | 11 |
| Health policy benefits   | 833.1  | 566.9   | 659.7   | 449.0   | 302.1   | 2  |
| Total insurance benefits   | 3191.7 | 3328.9  | 3805.0  | 3557.2  | 3409.7  | 26 |
| Underwriting, acquisition,<br>insurance and other expenses*:     |        |         |         |         |         |    |
| Commissions  | 575.3  | 740.1   | 961.0   | 919.1   | 860.3   | 6  |
| Other volume related expenses                                    | 72.8   | 150.7   | 197.1   | 253.8   | 184.8   | 1  |
| Operating and administrative<br>expenses                         | 830.8  | 995.7   | 1165.3  | 1157.0  | 1050.9  | 7  |
| Taxes, licenses and fees   | 70.1   | 75.9    | 84.0    | 113.0   | 128.3   |    |
| Par policyholder interests                                       | (7.5)  | (4.3)   | 3.3     | 1.1     |         |    |
| Foreign exchange   | (3.5)  | (1.5)   | 1.9     | (2.9)   | (1.4)   |    |
| Subtotal   | 1538.0 | 1956.6  | 2412.6  | 2441.2  | 2223.0  | 16 |
| Deferral of acquisition costs                                    |        |         |         |         | (714.1) | (5 |
| DAC amortization   |        |         |         |         | 370.4   | 3  |
| DAC deferral net of amortization                                 | 1.8    | (208.2) | (314.6) | (423.1) | (343.7) | (2 |
| PVIF amortization  |        | 77.1    | 102.5   | 132.6   | 113.1   |    |
| Other intangibles amortization                                   | 17.6   | 18.8    | 18.0    | 17.7    | 12.1    |    |
| Total underwriting, acquisition,<br>insurance and other expenses | 1557.3 | 1844.3  | 2218.5  | 2168.4  | 2004.5  | 15 |
| Goodwill amortization  | 15.6   | 44.5    | 49.2    | 45.1    | 43.4    |    |
| Interest   | 92.5   | 117.1   | 133.7   | 139.5   | 121.0   |    |
| Operating Benefits and Expenses                                  | 4857.2 | 5334.6  | 6206.4  | 5910.3  | 5578.6  | 43 |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |         |       |
|--|--------|--------|--------|--------|---------|-------|
| Income from Operations Before Tax  | (81.3) | 733.4  | 594.4  | 969.6  | 903.6   | 6     |
| Federal income taxes   | (30.6) | 203.0  | 118.9  | 250.5  | 214.7   | 1     |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Income from Continuing Operations  | (50.6) | 530.4  | 475.5  | 719.1  | 689.0   | 4     |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Discontinued Operations  | 911.8  |        |        |        |         |       |
| Restructuring charges  |        | (34.3) | (18.9) | (80.2) | (24.7)  |       |
| Realized gains (losses) on investments   | 72.9   | 13.7   | 3.8    | (17.5) | (68.7)  | (     |
| Gains (losses) on derivatives  |        |        |        |        | (4.9)   |       |
| Reserve increase on business sold through reinsurance                            |        |        |        |        |         |       |
| Gain on sale of subsidiaries   |        |        |        |        | 15.0    |       |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Income before Accounting Changes   | 934.0  | 509.8  | 460.4  | 621.4  | 605.8   | 4     |
| Cumulative Effect of Accounting Changes  |        |        |        |        | (15.6)  | (     |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Net Income   | 934.0  | 509.8  | 460.4  | 621.4  | 590.2   | 4     |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| -----  |        |        |        |        |         |       |
| Roll Forward of Deferred Acquisition Costs                                       |        |        |        |        |         |       |
| Balance at beginning-of-year   |        |        |        |        | 3070.5  | 30    |
| Deferral   |        |        |        |        | 714.1   | 5     |
| Amortization   |        |        |        |        | (370.4) | (3    |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Operating  |        |        |        |        | 343.7   | 2     |
| Adjustment related to realized (gains) losses on securities available-for-sale   |        |        |        |        | 112.9   |       |
| Adjustment related to unrealized (gains) losses on securities available-for-sale |        |        |        |        | (187.2) | (2    |
| Foreign currency translation adjustment  |        |        |        |        | (16.0)  |       |
| Disposition of business  |        |        |        |        | (425.9) |       |
| Other  |        |        |        |        | (12.6)  |       |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Balance at end-of-year   | =====  | =====  | =====  | =====  | 2885.3  | 30    |
|  | =====  | =====  | =====  | =====  | =====   | ===== |
| Roll Forward of Present Value of In-Force  |        |        |        |        |         |       |
| Balance at beginning-of-year   |        |        |        |        | 1,483.3 | 1,4   |
| Amortization   |        |        |        |        | (113.1) | (     |
| Foreign currency translation adjustment  |        |        |        |        | (7.0)   |       |
| Other  |        |        |        |        | (0.7)   |       |
|  | -----  | -----  | -----  | -----  | -----   | ----- |
| Balance at end-of-year   | =====  | =====  | =====  | =====  | 1362.5  | 13    |
|  | =====  | =====  | =====  | =====  | =====   | ===== |

\* Does not include restructuring charges which is consistent with the definition of "Income from (see page 5).

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Statement of Consolidated Income  
Unaudited [Millions of Dollars]

| For the Quarter Ended  | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
|--|-------------|-------------|-------------|-------------|-------------|
| Operating Revenue  |             |             |             |             |             |
| Life and annuity premiums  | 361.1       | 331.2       | 337.1       | 339.0       | 396.1       |
| Surrender charges  | 29.2        | 28.7        | 29.8        | 25.9        | 30.3        |
| Mortality assessments  | 118.7       | 118.5       | 122.5       | 125.9       | 129.6       |
| Expense assessments  | 238.3       | 261.1       | 258.6       | 273.4       | 257.1       |
| Health premiums  | 233.6       | 58.4        | 144.0       | 117.9       | 89.4        |
| Investment advisory fees   | 54.1        | 54.0        | 52.2        | 53.3        | 53.6        |
| Other revenue and fees   | 71.2        | 106.1       | 88.7        | 106.0       | 144.6       |
| Net investment income  | 700.1       | 711.1       | 673.8       | 690.0       | 672.1       |
| Earnings in Unconsolidated Affiliates                            | 1.8         | 1.0         | (3.6)       | 1.6         | 0.6         |
| Operating Revenue  | 1808.2      | 1670.2      | 1703.0      | 1733.1      | 1773.5      |
| Operating Benefits and Expenses                                  |             |             |             |             |             |
| Ins. benefits paid or provided:                                  |             |             |             |             |             |
| Life and annuity policy benefits                                 | 572.5       | 356.1       | 370.1       | 390.2       | 430.0       |
| Div accum & div to policyholders                                 | 23.3        | 21.7        | 20.2        | 18.2        | 27.4        |
| Interest credited to policy bal.                                 | 388.5       | 373.9       | 366.8       | 362.0       | 371.5       |
| Health policy benefits   | 157.8       | 114.3       | 119.9       | 123.0       | 91.8        |
| Total insurance benefits   | 1142.0      | 866.0       | 877.0       | 893.5       | 920.7       |
| Underwriting, acquisition,<br>insurance and other expenses*:     |             |             |             |             |             |
| Commissions  | 289.3       | 194.2       | 251.9       | 238.5       | 234.6       |
| Other volume related expenses                                    | 17.2        | 50.5        | 54.2        | 62.9        | 86.2        |
| Operating and administrative<br>expenses                         | 351.4       | 299.6       | 268.8       | 270.3       | 318.4       |
| Taxes, licenses and fees   | 10.6        | 32.8        | 21.6        | 26.3        | 32.4        |
| Par policyholder interests                                       | 4.2         | (1.5)       | 1.6         | 1.4         | (0.5)       |
| Foreign exchange   | 1.8         | (0.2)       | (1.0)       | (0.5)       | (1.1)       |
| Subtotal   | 674.5       | 575.3       | 597.1       | 598.8       | 670.0       |
| Deferral of acquisition costs<br>DAC amortization                |             |             |             |             |             |
| DAC deferral net of amortization                                 | (87.0)      | (86.2)      | (95.0)      | (107.0)     | (134.8)     |
| PVIF amortization  | 38.4        | 31.9        | 31.0        | 36.2        | 33.5        |
| Other intangibles amortization                                   | 4.7         | 4.7         | 4.3         | 4.3         | 4.3         |
| Total underwriting, acquisition,<br>insurance and other expenses | 630.5       | 525.7       | 537.5       | 532.4       | 572.9       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Goodwill amortization                                 | 14.6   | 10.2   | 12.0   | 12.0   | 10.9   |
| Interest  | 34.7   | 36.3   | 35.4   | 34.4   | 33.4   |
| Operating Benefits and Expenses                       | 1821.8 | 1438.2 | 1461.9 | 1472.2 | 1537.9 |
| Income from Operations before Tax/Min Int.            | (13.6) | 232.0  | 241.1  | 260.8  | 235.6  |
| Federal income taxes                                  | (50.2) | 61.6   | 67.9   | 70.1   | 50.9   |
| Inc from Operations before Min Int                    | 36.6   | 170.6  | 173.0  | 190.7  | 184.7  |
| Minority Interest                                     |        | (0.2)  | 0.2    | (0.0)  | 0.0    |
| Income from Operations                                | 36.6   | 170.6  | 173.0  | 190.7  | 184.7  |
| Restructuring charges                                 | (3.6)  |        | (2.7)  | (40.5) | (37.0) |
| Realized gains (losses) on investments                | 1.6    | (0.4)  | (6.7)  | (11.6) | 1.2    |
| Gains (losses) on derivatives                         |        |        |        |        |        |
| Reserve increase on business sold through reinsurance |        |        |        |        |        |
| Gain on sale of subsidiaries                          |        |        |        |        |        |
| Income before Accounting Changes                      | 34.6   | 170.2  | 163.6  | 138.6  | 148.9  |
| Cumulative Effect of Accounting Changes               |        |        |        |        |        |
| Net Income  | 34.6   | 170.2  | 163.6  | 138.6  | 148.9  |

Roll Forward of Deferred Acquisition Costs

|  |  |  |  |  |   |
|--|--|--|--|--|---|
| Balance at beginning-of-period   |  |  |  |  | 3 |
| Deferral   |  |  |  |  | ( |
| Amortization   |  |  |  |  |   |
| Operating  |  |  |  |  |   |
| Adjustment related to realized (gains) losses on securities available-for-sale   |  |  |  |  |   |
| Adjustment related to unrealized (gains) losses on securities available-for-sale |  |  |  |  | ( |
| Foreign currency translation adjustment  |  |  |  |  |   |
| Disposition of business  |  |  |  |  |   |
| Other  |  |  |  |  |   |
| Balance at end-of-year   |  |  |  |  | 2 |

Roll Forward of Present Value of In-Force

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Balance at beginning-of-period  
 Amortization  
 Foreign currency translation  
 adjustment  
 Other

Balance at end-of-year

| For the Quarter Ended  | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 |
|--|-------------|-------------|-------------|-------------|-------------|
| Operating Revenue  |             |             |             |             |             |
| Life and annuity premiums  | 353.9       | 336.8       | 270.7       | 74.7        | 68.7        |
| Surrender charges  | 22.8        | 23.2        | 27.7        | 20.2        | 21.3        |
| Mortality assessments  | 133.7       | 133.3       | 132.6       | 130.4       | 130.5       |
| Expense assessments  | 227.5       | 224.4       | 212.4       | 210.5       | 214.4       |
| Health premiums  | 95.7        | 103.9       | 36.1        | 2.4         | 8.3         |
| Investment advisory fees   | 49.6        | 47.2        | 50.9        | 48.0        | 47.8        |
| Other revenue and fees   | 60.3        | 91.5        | 118.0       | 95.5        | 84.7        |
| Net investment income  | 673.1       | 686.2       | 646.6       | 648.1       | 651.0       |
| Earnings in Unconsolidated Affiliates                            | 0.0         | 0.4         | 4.3         |             | (0.6)       |
| Operating Revenue  | 1616.5      | 1646.9      | 1499.3      | 1229.8      | 1226.0      |
| Operating Benefits and Expenses                                  |             |             |             |             |             |
| Ins. benefits paid or provided:                                  |             |             |             |             |             |
| Life and annuity policy benefits                                 | 373.6       | 422.6       | 302.8       | 176.1       | 191.5       |
| Div accum & div to policyholders                                 | 20.2        | 18.0        | 26.6        | 17.8        | 18.2        |
| Interest credited to policy bal.                                 | 369.7       | 378.7       | 390.6       | 406.2       | 382.5       |
| Health policy benefits   | 91.5        | 83.8        | 25.0        | 3.3         | 33.9        |
| Total insurance benefits   | 855.0       | 903.1       | 744.9       | 603.4       | 626.1       |
| Underwriting, acquisition,<br>insurance and other expenses*:     |             |             |             |             |             |
| Commissions  | 217.6       | 207.9       | 217.9       | 144.2       | 148.6       |
| Other volume related expenses                                    | 58.9        | 53.1        | 29.1        | 54.7        | 65.5        |
| Operating and administrative<br>expenses                         | 242.6       | 264.0       | 297.3       | 208.5       | 204.1       |
| Taxes, licenses and fees   | 30.8        | 30.6        | 30.4        | 38.3        | 24.6        |
| Par policyholder interests                                       | 0.0         |             |             |             |             |
| Foreign exchange   | 2.0         | (2.5)       | 1.1         | 0.0         | 0.6         |
| Subtotal   | 551.9       | 553.1       | 575.9       | 445.7       | 443.4       |
| Deferral of acquisition costs                                    | (175.1)     | (183.4)     | (194.5)     | (147.9)     | (156.1)     |
| DAC amortization   | 88.3        | 109.2       | 66.7        | 70.9        | 88.1        |
| DAC deferral net of amortization                                 | (86.7)      | (74.1)      | (127.9)     | (77.0)      | (68.0)      |
| PVIF amortization  | 23.6        | 34.4        | 21.8        | 21.3        | 31.9        |
| Other intangibles amortization                                   | 2.6         | 2.6         | 2.5         | 2.2         | 2.0         |
| Total underwriting, acquisition,<br>insurance and other expenses | 491.4       | 516.0       | 472.3       | 392.2       | 409.3       |
| Goodwill amortization  | 10.9        | 10.9        | 10.7        |             |             |
| Interest   | 32.0        | 29.6        | 25.0        | 24.8        | 24.6        |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |         |        |        |         |   |
|--|--------|---------|--------|--------|---------|---|
| Operating Benefits and Expenses  | 1389.3 | 1459.6  | 1252.9 | 1020.4 | 1060.1  | 1 |
| Income from Operations before Tax/Min Int.   | 227.2  | 187.3   | 246.5  | 209.4  | 166.0   |   |
| Federal income taxes   | 59.1   | 44.1    | 47.4   | 47.4   | 38.7    |   |
| Inc from Operations before Min Int   | 168.1  | 143.2   | 199.1  | 162.0  | 127.2   |   |
| Minority Interest  | (0.0)  | (0.0)   | (0.0)  |        |         |   |
| Income from Operations   | 168.1  | 143.2   | 199.1  | 162.0  | 127.2   |   |
| Restructuring charges  | (3.9)  | 0.0     | (20.2) |        | (1.0)   |   |
| Realized gains (losses) on investments   | (11.5) | (23.8)  | (20.0) | (67.6) | (52.7)  |   |
| Gains (losses) on derivatives  | 0.2    | (0.4)   | (4.6)  | 0.1    | 0.3     |   |
| Reserve increase on business sold through reinsurance                                    |        |         |        |        | (14.4)  |   |
| Gain on sale of subsidiaries   |        |         | 15.0   |        |         |   |
| Income before Accounting Changes   | 153.0  | 119.1   | 169.2  | 94.5   | 59.4    |   |
| Cumulative Effect of Accounting Changes  | (11.3) |         | (0.0)  |        |         |   |
| Net Income   | 141.7  | 119.1   | 169.2  | 94.5   | 59.4    |   |
| -----  |        |         |        |        |         |   |
| Roll Forward of Deferred Acquisition Costs   |        |         |        |        |         |   |
| Balance at beginning-of-period   | 2963.4 | 3129.1  | 3087.2 | 2885.3 | 3114.9  | 3 |
| Deferral   | 175.1  | 183.4   | 194.5  | 147.9  | 156.1   |   |
| Amortization   | (88.3) | (109.2) | (66.7) | (70.9) | (88.1)  |   |
| Operating Adjustment related to realized (gains) losses on securities available-for-sale | 86.8   | 74.2    | 127.9  | 77.0   | 68.0    |   |
| Adjustment related to unrealized (gains) losses on securities available-for-sale         | 17.8   | 23.9    | 49.5   | 41.9   | 32.5    |   |
| Foreign currency translation adjustment  | 55.8   | (157.0) | 68.1   | 114.9  | (152.1) |   |
| Disposition of business  | (0.2)  | 23.8    | (7.2)  | (12.2) | 41.7    |   |
| Other  | 5.5    | (6.7)   | (14.3) | 8.0    | (48.3)  |   |
| Balance at end-of-year   | 3129.1 | 3087.2  | 2885.3 | 3114.9 | 3056.6  | 2 |
| -----  |        |         |        |        |         |   |
| Roll Forward of Present Value of In-Force  |        |         |        |        |         |   |
| Balance at beginning-of-period   | 1436.0 | 1412.3  | 1387.4 | 1362.5 | 1,336.1 | 1 |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Amortization                            | (23.6) | (34.4) | (21.8) | (21.3) | (31.9) |
| Foreign currency translation adjustment | (0.1)  | 10.3   | (3.2)  | (5.1)  | 17.4   |
| Other                                   |        | (0.7)  |        |        | (0.1)  |
|   | -----  | -----  | -----  | -----  | -----  |
| Balance at end-of-year                  | 1412.3 | 1387.4 | 1362.5 | 1336.1 | 1321.4 |
|   | =====  | =====  | =====  | =====  | =====  |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

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

|                                    | Lincoln Retirement |          | Life Insurance |          | Investment Management |
|------------------------------------|--------------------|----------|----------------|----------|-----------------------|
|                                    | Sep 2002           | Dec 2001 | Sep 2002       | Dec 2001 | Sep 2002              |
| ASSETS                             |                    |          |                |          |                       |
| Investments                        |                    |          |                |          |                       |
| Corporate bonds                    | 12619.1            | 10956.5  | 7683.1         | 7088.2   | 473.9                 |
| U.S. government bonds              | 13.6               | 13.2     | 82.5           | 78.2     | 0.1                   |
| Foreign government bonds           | 215.0              | 145.8    | 121.0          | 114.6    | 1.0                   |
| Asset/Mortgage backed securities   | 2964.8             | 1945.8   | 883.7          | 779.1    | 47.3                  |
| State and municipal bonds          | 51.8               | 24.3     | 29.9           | 17.4     |                       |
| Preferred stocks-redeemable        | 53.7               | 62.7     | 12.1           | 13.0     | 8.9                   |
| Common stocks                      | 18.1               |          | 7.2            | 7.6      |                       |
| Preferred stocks-equity            | 34.0               | 38.5     |                | 5.6      | 2.7                   |
| Mortgage loans                     | 2224.1             | 2378.1   | 1622.7         | 1701.6   | 86.3                  |
| Real estate                        | (0.0)              |          |                |          |                       |
| Policy loans                       | 467.3              | 491.4    | 1423.6         | 1439.7   |                       |
| Other long-term investments        | 23.3               | 11.7     | 21.8           | 20.9     |                       |
| Total Investments                  | 18684.8            | 16068.0  | 11887.7        | 11265.9  | 620.1                 |
| Allocated investments              | 3664.1             | 3481.0   | 1273.3         | 1154.7   | 96.9                  |
| Notes receivable from LNC          | 431.3              | 333.3    | 181.2          | 27.6     | 43.1                  |
| Invest in unconsol affiliates      |                    |          |                |          |                       |
| Cash and invested cash             | (65.7)             | (24.7)   | (14.3)         | (36.4)   | 64.1                  |
| Property and equipment             | 1.1                |          | 7.8            | 8.5      | 46.0                  |
| Premium and fees receivable        | 1.7                | 0.0      | 27.1           | 8.2      | 32.4                  |
| Accrued investment income          | 251.8              | 245.0    | 191.4          | 187.6    | 9.3                   |
| Assets held in separate accounts   | 25354.3            | 34324.6  | 1195.9         | 1491.0   |                       |
| Federal income tax recoverable     |                    |          |                |          |                       |
| Amount recoverable from reinsurers | 1131.6             | 1211.6   | 882.8          | 859.5    |                       |
| Deferred acquisition costs         | 843.9              | 912.8    | 1362.2         | 1265.6   |                       |
| Other intangible assets            |                    |          |                |          | 43.8                  |
| Present value of in-force          | 142.7              | 154.5    | 907.4          | 964.0    |                       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|              |         |         |         |         |        |
|--------------|---------|---------|---------|---------|--------|
| Goodwill     | 63.9    | 43.9    | 855.1   | 855.1   | 300.7  |
| Other        | 174.4   | 138.1   | 374.2   | 358.4   | 191.7  |
|              | -----   | -----   | -----   | -----   | -----  |
| Total Assets | 50680.0 | 56888.2 | 19131.7 | 18409.7 | 1448.3 |
|              | =====   | =====   | =====   | =====   | =====  |

|                                       | Corporate and<br>Other Operations |             | Consolidating<br>Adjustments |             |
|---------------------------------------|-----------------------------------|-------------|------------------------------|-------------|
|                                       | Sep<br>2002                       | Dec<br>2001 | Sep<br>2002                  | Dec<br>2001 |
|                                       | -----                             | -----       | -----                        | -----       |
| ASSETS                                |                                   |             |                              |             |
| Investments                           |                                   |             |                              |             |
| Corporate bonds                       | 4114.0                            | 4123.9      |                              |             |
| U.S. government bonds                 | 399.1                             | 318.9       |                              |             |
| Foreign government bonds              | 417.3                             | 586.2       |                              |             |
| Asset/Mortgage backed securities      | 947.9                             | 757.3       |                              |             |
| State and municipal bonds             | 16.1                              | 3.0         |                              |             |
| Preferred stocks-redeemable           | 2.2                               | 1.4         |                              |             |
| Common stocks                         | 88.5                              | 100.5       |                              |             |
| Preferred stocks-equity               | 123.6                             | 104.5       |                              |             |
| Mortgage loans                        | 351.9                             | 363.0       |                              |             |
| Real estate                           | 286.2                             | 267.7       |                              |             |
| Policy loans                          |                                   |             |                              |             |
| Other long-term investments           | 412.6                             | 521.3       | (0.0)                        | (0.0)       |
|                                       | -----                             | -----       | -----                        | -----       |
| Total Investments                     | 7159.3                            | 7147.8      | (0.0)                        | (0.0)       |
|                                       | -----                             | -----       | -----                        | -----       |
| Allocated investments                 | (509.6)                           | 50.0        | (4524.6)                     | (4788.2)    |
| Notes receivable from LNC             | (655.1)                           | (443.7)     | (0.6)                        | (0.1)       |
| Invest in unconsol affiliates         |                                   | 8.1         |                              |             |
| Cash and invested cash                | 1383.6                            | 3130.5      |                              | (210.5)     |
| Property and equipment                | 178.9                             | 173.2       |                              |             |
| Premium and fees receivable           | 516.1                             | 365.6       |                              | (12.2)      |
| Accrued investment income             | 90.9                              | 101.0       |                              |             |
| Assets held in separate accounts      |                                   |             | 2694.0                       | 3410.5      |
| Federal income tax recoverable        |                                   |             | 292.9                        | 15.1        |
| Amount recoverable from<br>reinsurers | 5247.8                            | 4150.6      | (167.8)                      | (191.4)     |
| Deferred acquisition costs            | 2.2                               | 33.9        | 88.5                         | 85.6        |
| Other intangible assets               |                                   |             |                              |             |
| Present value of in-force             |                                   |             |                              |             |
| Goodwill                              | (0.0)                             | (0.0)       |                              |             |
| Other                                 | 850.6                             | 865.5       | (459.2)                      | (437.4)     |
|                                       | -----                             | -----       | -----                        | -----       |
| Total Assets                          | 14264.7                           | 15582.5     | (2076.8)                     | (2128.6)    |
|                                       | =====                             | =====       | =====                        | =====       |

Reconciliation of Business Segments to Consolidated Balance Sheet

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Unaudited [Millions of Dollars]

| LIABILITIES and SHAREHOLDERS' EQUITY              | Lincoln Retirement |             | Life Insurance |             | Investm<br>Managem |
|---|--------------------|-------------|----------------|-------------|--------------------|
|   | Sep<br>2002        | Dec<br>2001 | Sep<br>2002    | Dec<br>2001 | Sep<br>2002        |
| Liabilities                                       |                    |             |                |             |                    |
| Insurance and Inv Contract                        |                    |             |                |             |                    |
| Liabilities:                                      |                    |             |                |             |                    |
| Life and annuity reserves                         | 2696.0             | 2622.7      | 13507.5        | 12955.8     |                    |
| Health reserves                                   |                    |             | 0.4            | 0.3         |                    |
| Unpaid claims - life and health                   | 41.5               | 31.3        | 95.0           | 92.9        |                    |
| Unearned premiums                                 |                    |             | 0.0            | 0.0         |                    |
| Premium deposit funds                             | 19388.7            | 17838.9     | 18.1           | 13.9        |                    |
| Participating policyholders' funds                |                    |             | 90.5           | 100.2       |                    |
| Other policyholders' funds                        |                    |             | 588.3          | 555.2       |                    |
| Liab related to separate accounts                 | 25354.3            | 34324.6     | 1195.9         | 1491.0      |                    |
| Total Insurance and Inv Contract Liabilities      | 47480.5            | 54817.5     | 15495.7        | 15209.5     |                    |
| Federal income taxes                              | 196.1              | (5.7)       | 123.5          | (13.5)      | 42.9               |
| Short-term debt                                   |                    |             |                | 10.0        |                    |
| Long-term debt                                    |                    |             |                |             |                    |
| Minority Interest in pref. securities of sub.     |                    |             |                |             |                    |
| Notes payable to LNC                              |                    |             |                |             |                    |
| Other liabilities                                 | 233.2              | 168.4       | 440.2          | 436.3       | 837.3              |
| Deferred gain on indemnity reinsurance            |                    |             |                |             |                    |
| Total Liabilities                                 | 47909.8            | 54980.3     | 16059.3        | 15642.2     | 880.1              |
| Net unrealized gains (losses) on securities       | 356.6              | 79.9        | 202.8          | 13.6        | 7.8                |
| Gains (losses) on derivatives                     | 11.1               | 0.3         | 17.0           | 4.5         |                    |
| Other shareholders' equity                        | 2402.5             | 1824.9      | 2852.6         | 2738.5      | 560.3              |
| S/Hs' equity-minimum pension liability adjustment |                    |             |                |             |                    |
| Cumulative effect of accounting change            |                    | 2.8         |                | 10.9        |                    |
| Shareholders' Equity                              | 2770.2             | 1907.9      | 3072.4         | 2767.5      | 568.1              |
| Total Liabilities and S/Hs' Equity                | 50680.0            | 56888.2     | 19131.7        | 18409.7     | 1448.3             |

Corporate and  
Other Operations

Consolidating  
Adjustments

LIABILITIES and SHAREHOLDERS'

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

EQUITY

|   | Sep<br>2002 | Dec<br>2001 | Sep<br>2002 | Dec<br>2001 |
|---|-------------|-------------|-------------|-------------|
|   | -----       | -----       | -----       | -----       |
| Liabilities                                       |             |             |             |             |
| Insurance and Inv Contract                        |             |             |             |             |
| Liabilities:                                      |             |             |             |             |
| Life and annuity reserves                         | 1731.8      | 1122.8      | (94.8)      | (122.4)     |
| Health reserves                                   | 2399.9      | 2491.5      |             |             |
| Unpaid claims - life and health                   | 927.6       | 920.9       |             |             |
| Unearned premiums                                 | 185.7       | 66.9        |             |             |
| Premium deposit funds                             | 30.3        | 105.5       | 586.9       | 597.5       |
| Participating policyholders' funds                |             |             |             |             |
| Other policyholders' funds                        | 7.4         | 7.4         |             |             |
| Liab related to separate accounts                 |             |             | 2694.0      | 3410.5      |
|   | -----       | -----       | -----       | -----       |
| Total Insurance and Inv Contract Liabilities      | 5282.7      | 4715.0      | 3186.1      | 3885.6      |
| Federal income taxes                              | (651.4)     | (26.7)      | 292.6       | 14.8        |
| Short-term debt                                   | 120.0       | 550.7       |             | (210.5)     |
| Long-term debt                                    | 1118.1      | 861.8       |             |             |
| Minority Interest in pref. securities of sub.     | 390.6       | 474.7       |             |             |
| Notes payable to LNC                              | 363.4       | 335.0       | (363.4)     | (344.3)     |
| Other liabilities                                 | 3611.8      | 3239.4      | (667.8)     | (686.3)     |
| Deferred gain on indemnity reinsurance            | 1069.5      | 1144.5      |             |             |
|   | -----       | -----       | -----       | -----       |
| Total Liabilities                                 | 11304.8     | 11294.3     | 2447.5      | 2659.3      |
|   | -----       | -----       | -----       | -----       |
| Net unrealized gains (losses) on securities       | 204.0       | 77.2        | 6.4         | 8.2         |
| Gains (losses) on derivatives                     | (0.8)       | (0.8)       |             |             |
| Other shareholders' equity                        | 2756.7      | 4207.9      | (4530.7)    | (4796.0)    |
| S/Hs' equity-minimum pension liability adjustment |             |             |             |             |
| Cumulative effect of accounting change            |             | 3.9         |             |             |
|   | -----       | -----       | -----       | -----       |
| Shareholders' Equity                              | 2959.9      | 4288.2      | (4524.3)    | (4787.9)    |
|   | -----       | -----       | -----       | -----       |
| Total Liabilities and S/Hs' Equity                | 14264.7     | 15582.5     | (2076.8)    | (2128.6)    |
|   | =====       | =====       | =====       | =====       |

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

ASSETS

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   | 1997<br>----- | 1998<br>----- | 1999<br>----- |
|---|---------------|---------------|---------------|
| Investments                             |               |               |               |
| Corporate bonds                         | 16633.3       | 22505.2       | 21119.5       |
| U.S. government bonds                   | 662.4         | 1134.6        | 538.3         |
| Foreign government bonds                | 1804.4        | 1321.2        | 1447.5        |
| Mortgage backed securities              | 4529.3        | 5080.5        | 4404.0        |
| State and municipal bonds               | 241.4         | 16.7          | 14.7          |
| Preferred stocks-redeemable             | 195.5         | 174.6         | 164.7         |
| Common stocks                           | 572.3         | 463.1         | 514.5         |
| Preferred stocks-equity                 | 88.2          | 79.8          | 89.5          |
| Mortgage loans                          | 3288.1        | 4393.1        | 4735.4        |
| Real estate                             | 576.0         | 488.7         | 256.2         |
| Policy loans                            | 763.1         | 1840.0        | 1892.4        |
| Other long-term investments             | 464.8         | 432.0         | 401.8         |
|   | -----         | -----         | -----         |
| Total Investments                       | 29818.8       | 37929.5       | 35578.4       |
|   | -----         | -----         | -----         |
| Invest in unconsol affiliates           | 21.0          | 18.8          | 25.8          |
| Cash and invested cash                  | 3794.7        | 2433.4        | 1895.9        |
| Property and equipment                  | 189.8         | 174.8         | 203.8         |
| Premiums and fees receivable            | 197.5         | 246.2         | 259.6         |
| Accrued investment income               | 423.0         | 528.5         | 533.2         |
| Assets held in separate accounts        | 37138.8       | 43408.9       | 53654.2       |
| Federal income taxes recoverable        |               | 204.1         | 345.0         |
| Amounts recoverable from reinsurers     | 2350.8        | 3127.1        | 3954.3        |
| Deferred acquisition costs              | 1623.8        | 1964.4        | 2800.3        |
| Other intangible assets                 | 124.7         | 95.1          | 92.3          |
| Present value of in-force               | 489.2         | 1753.3        | 1654.2        |
| Goodwill                                | 457.7         | 1484.3        | 1423.0        |
| Other                                   | 544.8         | 468.0         | 675.7         |
|   | -----         | -----         | -----         |
| Total Assets                            | 77174.7       | 93836.3       | 103095.7      |
|   | =====         | =====         | =====         |
| <br>                                    |               |               |               |
| LIABILITIES and SHAREHOLDERS' EQUITY    |               |               |               |
| <br>                                    |               |               |               |
| Liabilities                             |               |               |               |
| Insurance and Inv Contract Liabilities: |               |               |               |
| Life and annuity reserves               | 8228.7        | 16434.2       | 17071.4       |
| Health reserves                         | 2300.4        | 2600.1        | 2507.8        |
| Unpaid claims-life and health           | 682.0         | 1043.4        | 1269.8        |
| Unearned premiums                       | 55.3          | 62.3          | 75.8          |
| Premium deposit funds                   | 19803.0       | 20171.9       | 19624.1       |
| Participating policyholders' funds      | 79.8          | 142.7         | 132.0         |
| Other policyholders' funds              | 180.6         | 438.4         | 472.6         |
| Liab related to separate accounts       | 37138.8       | 43408.9       | 53654.2       |
|   | -----         | -----         | -----         |
| Total Ins and Inv Contr Liabilities     | 68468.5       | 84301.9       | 94807.7       |
| <br>                                    |               |               |               |
| Federal income taxes                    | 487.8         |               |               |
| Short-term debt                         | 297.2         | 314.6         | 460.2         |
| Long-term debt                          | 511.0         | 712.2         | 712.0         |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |          |
|---|---------|---------|----------|
| Minority Interest - pref sec of a sub                           | 315.0   | 745.0   | 745.0    |
| Other liabilities   | 2112.2  | 2374.6  | 2107.0   |
| Deferred gain on indemnity reinsurance                          |         |         |          |
| Total Liabilities   | 72191.8 | 88448.3 | 98831.9  |
| S/Hs' equity-unrealized gains (losses)-cont op.                 | 436.0   | 552.4   | (465.7)  |
| S/Hs' equity-foreign currency                                   | 46.2    | 50.0    | 30.0     |
| S/Hs' equity-minimum pension liability adjustment               |         |         |          |
| S/Hs' equity-other  | 4500.7  | 4785.5  | 4699.6   |
| Cumulative effect of accounting change                          |         |         |          |
| Total Shareholders' Equity                                      | 4982.9  | 5387.9  | 4263.9   |
| Total Liabilities and Shareholders' Equity                      | 77174.7 | 93836.3 | 103095.7 |
| Shareholders' Equity Per Share [Book Value, Securities at Cost] | \$22.48 | \$23.86 | \$24.14  |
| Common shares outstanding                                       | 202.3   | 202.6   | 196.0    |

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

|                               | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |    |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|----|
| ASSETS                        |             |             |             |             |             |    |
| Investments                   |             |             |             |             |             |    |
| Corporate bonds               | 21119.5     | 21188.0     | 20719.1     | 21064.7     | 21249.7     | 21 |
| U.S. government bonds         | 538.3       | 572.4       | 566.2       | 575.5       | 542.9       |    |
| Foreign government bonds      | 1447.5      | 1416.4      | 1377.4      | 1277.7      | 1321.1      | 1  |
| Mortgage backed securities    | 4404.0      | 4393.4      | 4242.4      | 4172.5      | 4160.4      | 4  |
| State and municipal bonds     | 14.7        | 14.7        | 14.1        | 14.3        | 14.6        |    |
| Preferred stocks - redeemable | 164.7       | 159.7       | 159.2       | 159.5       | 161.2       |    |
| Common stocks                 | 514.5       | 496.4       | 467.8       | 479.9       | 436.6       |    |
| Preferred stocks-equity       | 89.5        | 91.3        | 92.2        | 90.3        | 113.1       |    |
| Mortgage loans                | 4735.4      | 4833.9      | 4783.8      | 4767.3      | 4663.0      | 4  |
| Real estate                   | 256.2       | 283.4       | 282.1       | 297.6       | 282.0       |    |
| Policy loans                  | 1892.4      | 1896.3      | 1914.7      | 1935.6      | 1960.9      | 1  |
| Other long-term investments   | 401.8       | 428.8       | 438.2       | 470.5       | 463.3       |    |
| Total Investments             | 35578.4     | 35774.6     | 35057.2     | 35305.4     | 35368.6     | 35 |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |          |          |          |          |         |       |
|--|----------|----------|----------|----------|---------|-------|
| Invest in unconsol affiliates              | 25.8     |          | (0.9)    | 5.8      | 6.4     |       |
| Cash and invested cash                     | 1895.9   | 1510.1   | 1619.3   | 1435.9   | 1927.4  | 2     |
| Property and equipment                     | 203.8    | 207.7    | 205.5    | 213.8    | 228.2   |       |
| Premiums and fees receivable               | 259.6    | 190.2    | 247.8    | 240.8    | 296.7   |       |
| Accrued investment income                  | 533.2    | 575.0    | 544.0    | 569.2    | 546.4   |       |
| Assets held in separate accounts           | 53654.2  | 56907.6  | 54924.2  | 54410.9  | 50579.9 | 44    |
| Federal income taxes recoverable           | 345.0    | 300.4    | 246.1    | 267.3    | 207.5   |       |
| Amount recoverable from                    |          |          |          |          |         |       |
| reinsurers                                 | 3954.3   | 3851.0   | 3775.3   | 3774.7   | 3747.7  | 3     |
| Deferred acquisition costs                 | 2800.3   | 2870.4   | 2968.0   | 3048.0   | 3070.5  | 2     |
| Other intangible assets                    | 92.3     | 86.7     | 82.3     | 78.1     | 73.7    |       |
| Present value of in-force                  | 1654.2   | 1618.8   | 1564.3   | 1520.3   | 1483.3  | 1     |
| Goodwill                                   | 1423.0   | 1349.6   | 1335.4   | 1296.6   | 1286.0  | 1     |
| Other                                      | 675.7    | 1097.8   | 1279.1   | 1076.4   | 1021.6  | 1     |
|  | -----    | -----    | -----    | -----    | -----   | ----- |
| Total Assets                               | 103095.7 | 106340.0 | 103847.6 | 103243.1 | 99844.1 | 94    |
|  | =====    | =====    | =====    | =====    | =====   | ===== |
| LIABILITIES and SHAREHOLDERS' EQUITY       |          |          |          |          |         |       |
| Liabilities                                |          |          |          |          |         |       |
| Insurance and Inv Contract                 |          |          |          |          |         |       |
| Liabilities:                               |          |          |          |          |         |       |
| Life and annuity reserves                  | 17071.4  | 17172.1  | 17247.3  | 17500.0  | 17841.2 | 17    |
| Health reserves                            | 2507.8   | 2547.4   | 2494.2   | 2520.2   | 2523.8  | 2     |
| Unpaid claims-life and health              | 1269.8   | 1177.3   | 1204.1   | 1202.8   | 1316.6  | 1     |
| Unearned premiums                          | 75.8     | 57.1     | 52.8     | 51.8     | 46.5    |       |
| Premium deposit funds                      | 19624.1  | 18899.3  | 18407.2  | 18072.1  | 17715.5 | 17    |
| Participating policyholders' funds         | 132.0    | 130.7    | 130.4    | 135.4    | 139.4   |       |
| Other policyholders' funds                 | 472.6    | 478.9    | 490.6    | 500.7    | 522.2   |       |
| Liab related to separate account           | 53654.2  | 56907.6  | 54924.2  | 54410.9  | 50579.9 | 44    |
|  | -----    | -----    | -----    | -----    | -----   | ----- |
| Total Ins and Inv Contr                    |          |          |          |          |         |       |
| Liabilities                                | 94807.7  | 97370.5  | 94950.8  | 94394.0  | 90685.1 | 84    |
| Federal income taxes                       |          |          |          |          |         |       |
| Short-term debt                            | 460.2    | 474.2    | 355.7    | 330.3    | 312.9   |       |
| Long-term debt                             | 712.0    | 712.0    | 712.1    | 712.2    | 712.2   |       |
| Minority Interest - pref sec of sub        | 745.0    | 745.0    | 745.0    | 745.0    | 745.0   |       |
| Notes payable to LNC                       |          |          |          |          |         |       |
| Other liabilities                          | 2107.0   | 2697.9   | 2860.3   | 2522.9   | 2434.7  | 2     |
| Deferred gain on indemnity reinsurance     |          |          |          |          |         |       |
|  | -----    | -----    | -----    | -----    | -----   | ----- |
| Total Liabilities                          | 98831.9  | 101999.6 | 99623.9  | 98704.5  | 94890.0 | 89    |
|  | -----    | -----    | -----    | -----    | -----   | ----- |
| S/Hs' equity-unrealized gns (losses)- inv. | (465.7)  | (411.2)  | (556.6)  | (337.7)  | 12.0    |       |
| S/Hs' equity- gains (losses)-derivatives   |          |          |          |          |         |       |
| S/Hs' equity-foreign currency              | 30.0     | 22.8     | 21.8     | 19.9     | 21.9    |       |
| S/Hs' equity-minimum pension liability adj |          |          |          |          |         |       |
| S/Hs' equity-other                         | 4699.6   | 4728.8   | 4758.5   | 4856.4   | 4920.1  | 4     |
| Cumulative effect of accounting change     |          |          |          |          |         |       |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  | -----    | -----    | -----    | -----    | -----   | ----- |
|--|----------|----------|----------|----------|---------|-------|
| Total Shareholders' Equity   | 4263.9   | 4340.4   | 4223.7   | 4538.6   | 4954.1  | 5     |
| Total Liabilities<br>and Shareholders' Equity                      | 103095.7 | 106340.0 | 103847.6 | 103243.1 | 99844.1 | 94    |
| Shareholders' Equity Per Share<br>[Book Value, Securities at Cost] | \$24.14  | \$24.58  | \$25.01  | \$25.43  | \$25.85 | \$    |
| Common shares outstanding  | 196.0    | 193.3    | 191.1    | 191.8    | 191.2   |       |
|  | Jun      | Sep      | Dec      | Mar      | Jun     |       |
|  | 2001     | 2001     | 2001     | 2002     | 2002    |       |
|  | -----    | -----    | -----    | -----    | -----   | ----- |
| ASSETS   |          |          |          |          |         |       |
| Investments  |          |          |          |          |         |       |
| Corporate bonds  | 22116.6  | 23424.3  | 23105.1  | 23470.4  | 23993.6 | 25    |
| U.S. government bonds  | 510.0    | 467.7    | 410.5    | 429.1    | 441.6   |       |
| Foreign government bonds   | 1236.3   | 1160.3   | 1174.7   | 1180.1   | 1120.1  | 1     |
| Mortgage backed securities   | 3844.6   | 3765.6   | 3524.7   | 3613.9   | 4031.0  | 4     |
| State and municipal bonds  | 14.1     | 14.4     | 44.7     | 62.6     | 58.8    |       |
| Preferred stocks - redeemable                                      | 152.2    | 99.3     | 85.9     | 84.6     | 79.6    |       |
| Common stocks  | 373.3    | 311.2    | 319.3    | 284.4    | 267.7   |       |
| Preferred stocks-equity  | 160.8    | 166.5    | 151.2    | 154.2    | 151.8   |       |
| Mortgage loans   | 4652.8   | 4663.1   | 4535.5   | 4448.2   | 4395.4  | 4     |
| Real estate  | 306.9    | 288.8    | 267.9    | 258.2    | 258.7   |       |
| Policy loans   | 1947.4   | 1943.4   | 1939.7   | 1918.0   | 1906.1  | 1     |
| Other long-term investments  | 480.9    | 483.4    | 553.8    | 459.6    | 456.0   |       |
| Total Investments  | 35796.0  | 36788.0  | 36113.1  | 36363.1  | 37160.1 | 39    |
| Invest in unconsol affiliates                                      | 6.1      | 6.5      | 8.1      | 8.1      | 7.5     |       |
| Cash and invested cash   | 1501.9   | 1996.3   | 3095.5   | 1699.5   | 2265.4  | 1     |
| Property and equipment   | 251.4    | 261.0    | 257.5    | 266.4    | 253.5   |       |
| Premiums and fees receivable                                       | 303.7    | 264.5    | 400.1    | 376.3    | 461.4   |       |
| Accrued investment income  | 573.2    | 615.1    | 563.5    | 577.1    | 556.3   |       |
| Assets held in separate accounts                                   | 47140.2  | 39479.8  | 44833.4  | 44916.7  | 40579.6 | 34    |
| Federal income taxes recoverable                                   | 177.5    | 35.3     | 15.1     | 551.3    | 438.4   |       |
| Amount recoverable from<br>reinsurers                              | 3662.0   | 3818.3   | 6030.4   | 6096.3   | 6509.9  | 7     |
| Deferred acquisition costs   | 3129.1   | 3087.2   | 2885.3   | 3114.9   | 3056.6  | 2     |
| Other intangible assets  | 66.7     | 64.1     | 50.1     | 47.9     | 45.8    |       |
| Present value of in-force  | 1412.3   | 1387.4   | 1362.5   | 1336.1   | 1321.4  | 1     |
| Goodwill   | 1263.6   | 1253.2   | 1211.8   | 1211.5   | 1212.4  | 1     |
| Other  | 1147.7   | 1149.4   | 1174.9   | 1280.9   | 1200.6  | 1     |
| Total Assets   | 96431.2  | 90206.0  | 98001.3  | 97846.4  | 95069.2 | 90    |
| LIABILITIES and SHAREHOLDERS'<br>EQUITY                            |          |          |          |          |         |       |
| Liabilities  |          |          |          |          |         |       |
| Insurance and Inv Contract<br>Liabilities:                         |          |          |          |          |         |       |
| Life and annuity reserves  | 17865.3  | 17990.8  | 17917.0  | 18014.6  | 18611.2 | 19    |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |         |         |       |
|---|---------|---------|---------|---------|---------|-------|
| Health reserves   | 2533.9  | 2573.2  | 2537.9  | 2492.4  | 2176.1  | 2     |
| Unpaid claims-life and health                                   | 1136.5  | 1206.6  | 1087.5  | 1153.6  | 1086.1  | 1     |
| Unearned premiums   | 19.0    | 8.1     | 66.9    | 66.5    | 154.3   |       |
| Premium deposit funds   | 17715.9 | 18509.7 | 18585.0 | 18669.6 | 19157.8 | 20    |
| Participating policyholders' funds                              | 135.2   | 118.3   | 100.2   | 98.6    | 91.9    |       |
| Other policyholders' funds                                      | 541.4   | 554.3   | 562.7   | 571.9   | 584.7   |       |
| Liab related to separate accounts                               | 47140.2 | 39479.8 | 44833.4 | 44916.7 | 40579.6 | 34    |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Ins and Inv Contr Liabilities                             | 87087.2 | 80440.8 | 85690.6 | 85983.9 | 82441.8 | 77    |
| Federal income taxes  |         |         |         |         |         |       |
| Short-term debt   | 351.3   | 539.0   | 350.2   | 510.2   | 211.0   |       |
| Long-term debt  | 712.4   | 712.4   | 861.8   | 861.8   | 1112.3  | 1     |
| Minority Interest - pref sec of a sub                           | 745.0   | 305.0   | 474.7   | 376.2   | 380.0   |       |
| Notes payable to LNC  |         |         |         | (0.0)   | 0.0     |       |
| Other liabilities   | 2479.4  | 2840.2  | 4216.1  | 3864.6  | 4501.1  | 4     |
| Deferred gain on indemnity reinsurance                          |         |         | 1144.5  | 1118.6  | 1115.2  | 1     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Liabilities   | 91375.3 | 84837.4 | 92737.8 | 92715.3 | 89761.4 | 85    |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| S/Hs' equity-unrealized gns (losses)- inv.                      | 76.2    | 247.9   | 195.7   | 31.8    | 325.7   |       |
| S/Hs' equity- gains (losses)-derivatives                        | 9.4     | 2.9     | 3.9     | 22.6    | 22.7    |       |
| S/Hs' equity-foreign currency                                   | (15.3)  | 6.9     | (8.1)   | (20.9)  | 21.9    |       |
| S/Hs' equity-minimum pension liability adj                      |         |         | (36.0)  | (35.2)  | (37.8)  |       |
| S/Hs' equity-other  | 4968.2  | 5093.4  | 5090.4  | 5132.7  | 4975.4  | 4     |
| Cumulative effect of accounting change                          | 17.6    | 17.6    | 17.6    |         |         |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Shareholders' Equity                                      | 5055.9  | 5368.6  | 5263.5  | 5131.1  | 5307.9  | 5     |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Liabilities and Shareholders' Equity                      | 96431.2 | 90206.0 | 98001.3 | 97846.4 | 95069.2 | 90    |
|   | =====   | =====   | =====   | =====   | =====   | ===== |
| Shareholders' Equity Per Share [Book Value, Securities at Cost] | \$26.32 | \$26.87 | \$26.94 | \$27.02 | \$26.88 | \$    |
| Common shares outstanding                                       | 188.2   | 189.8   | 187.3   | 187.9   | 184.5   |       |

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

|                                |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|
| For the Year Ended December 31 | 1997  | 1998  | 1999  | 2000  | 20    |
|                                | ----- | ----- | ----- | ----- | ----- |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |         |
|--|--------|--------|--------|--------|---------|
| Operating Revenue  |        |        |        |        |         |
| Premiums   | 84.2   | 53.9   | 65.2   | 64.3   | 77.1    |
| Surrender charges  | 29.8   | 33.5   | 37.9   | 41.8   | 31.1    |
| Expense assessments  | 367.2  | 459.9  | 536.2  | 628.4  | 537.1   |
| Other revenue and fees   | 1.2    | 1.7    | 14.5   | 11.0   | 16.1    |
| Net investment income  | 1477.1 | 1501.6 | 1474.2 | 1393.5 | 1370.1  |
|  | -----  | -----  | -----  | -----  | -----   |
| Operating Revenue  | 1959.5 | 2050.6 | 2128.0 | 2138.9 | 2033.1  |
|  | -----  | -----  | -----  | -----  | -----   |
| Operating Benefits and Expenses                                  |        |        |        |        |         |
| Benefits paid or provided:                                       |        |        |        |        |         |
| Benefits   | 292.6  | 271.6  | 259.1  | 254.7  | 263.1   |
| Interest credited to policy bal.                                 | 974.4  | 955.2  | 925.2  | 866.1  | 863.1   |
|  | -----  | -----  | -----  | -----  | -----   |
| Total benefits   | 1267.0 | 1226.8 | 1184.3 | 1120.8 | 1127.1  |
| Underwriting, acquisition,<br>insurance and other expenses*:     |        |        |        |        |         |
| Commissions  | 226.5  | 236.7  | 341.4  | 326.8  | 336.1   |
| Other volume related expenses                                    | 34.1   | 33.1   | 42.8   | 52.0   | 49.1    |
| Operating and administrative<br>expenses                         | 157.9  | 194.0  | 208.6  | 200.6  | 225.1   |
| Taxes, licenses and fees   | 16.9   | 13.8   | 0.3    | 9.3    | 13.1    |
| Par policyholder interests                                       | (3.2)  | -      | -      | -      | -       |
|  | -----  | -----  | -----  | -----  | -----   |
| Subtotal   | 432.1  | 477.6  | 593.2  | 588.8  | 625.1   |
| Deferral of acquisition costs                                    | -      | -      | -      | -      | (240.1) |
| DAC amortization   | -      | -      | -      | -      | 125.1   |
|  | -----  | -----  | -----  | -----  | -----   |
| DAC deferral net of amortization                                 | (17.2) | 9.7    | (47.7) | (37.5) | (115.1) |
| PVIF amortization  | -      | 11.4   | 15.3   | 24.2   | 14.1    |
| Other intangibles amortization                                   | -      | -      | -      | -      | -       |
| Total underwriting, acquisition,<br>insurance and other expenses | 415.0  | 498.8  | 560.8  | 575.5  | 524.1   |
| Goodwill amortization  | -      | 2.2    | 2.0    | (0.6)  | 1.1     |
| Interest   | -      | -      | -      | -      | -       |
|  | -----  | -----  | -----  | -----  | -----   |
| Operating Benefits and Expenses                                  | 1682.0 | 1727.8 | 1747.1 | 1695.7 | 1653.1  |
|  | -----  | -----  | -----  | -----  | -----   |
| Income from Operations Before Tax                                | 277.5  | 322.8  | 380.9  | 443.2  | 379.1   |
| Federal income taxes   | 54.5   | 60.4   | 81.4   | 81.2   | 59.1    |
|  | -----  | -----  | -----  | -----  | -----   |
| Income from Operations   | 223.0  | 262.4  | 299.4  | 362.0  | 320.1   |
|  | -----  | -----  | -----  | -----  | -----   |
| Realized gains (losses) on<br>investments                        | 40.3   | 11.4   | (7.9)  | (3.4)  | (42.1)  |
| Gains (losses) on derivatives                                    | -      | -      | -      | -      | (0.1)   |
| Restructuring charges  | -      | -      | -      | -      | (1.1)   |
|  | -----  | -----  | -----  | -----  | -----   |
| Income before Accounting Changes                                 | 263.3  | 273.8  | 291.5  | 358.6  | 276.1   |
| Cumulative effect of accounting<br>changes                       | -      | -      | -      | -      | (7.1)   |
|  | -----  | -----  | -----  | -----  | -----   |
| Net Income   | 263.3  | 273.8  | 291.5  | 358.6  | 269.1   |
|  | =====  | =====  | =====  | =====  | =====   |
| Inc from Oper -before Goodwill<br>Amort.                         | 223.0  | 264.6  | 301.5  | 361.4  | 321.1   |
| Net Income -before Goodwill                                      |        |        |        |        |         |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |       |
|--|--------|--------|--------|--------|-------|
| Amort.                                 | 263.3  | 276.0  | 293.6  | 358.0  | 270   |
| Effective tax rate                     | 19.6%  | 18.7%  | 21.4%  | 18.3%  | 15.   |
| Operating Revenue                      | 1959.5 | 2050.6 | 2128.0 | 2138.9 | 2033  |
| Realized gains (losses) on investments | 63.5   | 17.5   | (12.1) | (5.2)  | (64   |
| Gains (losses) on derivatives          |        |        |        |        | (0    |
|  | -----  | -----  | -----  | -----  | ----- |
| Total Revenue                          | 2023.0 | 2068.1 | 2115.8 | 2133.7 | 1968  |
|  | =====  | =====  | =====  | =====  | ===== |
| Average capital                        | 1373.0 | 1592.6 | 1562.0 | 1601.8 | 1828  |
| Return on average capital              | 16.2%  | 16.5%  | 19.2%  | 22.6%  | 17.   |

-----  
Roll Forward of Deferred Acquisition Costs

|  |  |  |  |  |       |
|--|--|--|--|--|-------|
| Balance at beginning-of-period   |  |  |  |  | 812   |
| Deferral   |  |  |  |  | 240   |
| Amortization   |  |  |  |  | (125  |
|  |  |  |  |  | ----- |
| Operating Adjustment related to realized (gains) losses on securities available-for-sale |  |  |  |  | 115   |
| Adjustment related to unrealized (gains) losses on securities available-for-sale         |  |  |  |  | 68    |
| Other**  |  |  |  |  | (90   |
|  |  |  |  |  | 6     |
|  |  |  |  |  | ----- |
| Balance at end-of-period   |  |  |  |  | 912   |
|  |  |  |  |  | ===== |
| Roll Forward of Present Value of In-Force  |  |  |  |  |       |
| Balance at beginning-of-period   |  |  |  |  | 169   |
| Amortization   |  |  |  |  | (14   |
| Other  |  |  |  |  | ----- |
| Balance at end-of-period   |  |  |  |  | 154   |
|  |  |  |  |  | ===== |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

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

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 |
|--|-------------|-------------|-------------|-------------|
|  | -----       | -----       | -----       | -----       |
| Operating Revenue  |             |             |             |             |
| Premiums   | 21.0        | 13.3        | 16.8        | 18.0        |
| Surrender charges  | 9.8         | 11.1        | 11.2        | 10.4        |
| Expense assessments  | 140.5       | 155.1       | 155.7       | 163.4       |
| Other revenue and fees   | 6.4         | 2.2         | 0.6         | 4.6         |
| Net investment income  | 366.0       | 362.9       | 345.8       | 349.8       |
|  | -----       | -----       | -----       | -----       |
| Operating Revenue  | 543.7       | 544.6       | 530.1       | 546.2       |
|  | -----       | -----       | -----       | -----       |
| Operating Benefits and Expenses                                  |             |             |             |             |
| Benefits paid or provided:                                       |             |             |             |             |
| Benefits   | 77.2        | 61.6        | 65.7        | 68.4        |
| Interest credited to policy bal.                                 | 234.1       | 228.2       | 219.4       | 205.4       |
|  | -----       | -----       | -----       | -----       |
| Total benefits   | 311.3       | 289.8       | 285.1       | 273.7       |
| Underwriting, acquisition,<br>insurance and other expenses*:     |             |             |             |             |
| Commissions  | 86.5        | 83.1        | 75.4        | 83.8        |
| Other volume related expenses                                    | 15.1        | 14.5        | 14.1        | 11.3        |
| Operating and administrative<br>expenses                         | 53.8        | 44.4        | 46.0        | 55.5        |
| Taxes, licenses and fees   | (7.9)       | 2.8         | 1.5         | 4.6         |
| Par policyholder interests                                       | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       |
| Subtotal   | 147.5       | 144.8       | 136.9       | 155.2       |
| Deferral of acquisition costs                                    | -           | -           | -           | -           |
| DAC amortization   | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       |
| DAC deferral net of amortization                                 | (23.3)      | (6.2)       | (1.6)       | (11.3)      |
| PVIF amortization  | 10.5        | 6.0         | 4.5         | 4.1         |
| Other intangibles amortization                                   | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       |
| Total underwriting, acquisition,<br>insurance and other expenses | 134.7       | 144.5       | 139.8       | 147.9       |
| Goodwill amortization  | 0.5         | (1.5)       | 0.3         | 0.3         |
| Interest   | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       |
| Operating Benefits and Expenses                                  | 446.5       | 432.8       | 425.2       | 421.9       |
|  | -----       | -----       | -----       | -----       |
| Income from Operations Before Tax                                | 97.2        | 111.8       | 104.8       | 124.2       |
| Federal income taxes   | 23.5        | 23.3        | 20.7        | 21.3        |
|  | -----       | -----       | -----       | -----       |
| Income from Operations   | 73.7        | 88.5        | 84.1        | 102.9       |
|  | -----       | -----       | -----       | -----       |
| Realized gains (losses) on<br>investments                        | (3.7)       | 2.7         | 0.3         | (9.1)       |
| Gains (losses) on derivatives                                    |             |             |             |             |
| Restructuring charges  |             |             |             |             |
|  | -----       | -----       | -----       | -----       |
| Income before Accounting Changes                                 | 69.9        | 91.2        | 84.4        | 93.8        |
| Cumulative effect of accounting<br>changes                       |             |             |             |             |
|  | -----       | -----       | -----       | -----       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Net Income                             | 69.9   | 91.2   | 84.4   | 93.8   |
|  | =====  | =====  | =====  | =====  |
| Inc from Oper -before Goodwill Amort.  | 74.2   | 87.0   | 84.4   | 103.2  |
| Net Income -before Goodwill Amort.     | 70.4   | 89.7   | 84.7   | 94.1   |
| Effective tax rate                     | 24.2%  | 20.8%  | 19.7%  | 17.1%  |
| Operating Revenue                      | 543.7  | 544.6  | 530.1  | 546.2  |
| Realized gains (losses) on investments | (5.8)  | 4.2    | 0.4    | (14.1) |
| Gains (losses) on derivatives          | -----  | -----  | -----  | -----  |
| Total Revenue                          | 538.0  | 548.7  | 530.5  | 532.1  |
|  | =====  | =====  | =====  | =====  |
| Average capital                        | 1559.0 | 1438.4 | 1647.7 | 1635.2 |
| Return on average capital              | 18.9%  | 24.6%  | 20.4%  | 25.2%  |

-----  
Roll Forward of Deferred Acquisition Costs

Balance at beginning-of-quarter  
Deferral  
Amortization

Operating  
Adjustment related to realized (gains) losses on securities available-for-sale  
Adjustment related to unrealized (gains) losses on securities available-for-sale  
Other\*\*

Balance at end-of-quarter

Roll Forward of Present Value of In-Force

Balance at beginning-of-quarter  
Amortization  
Other

Balance at end-of-quarter

|                     | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 |
|---------------------|-------------|-------------|-------------|-------------|
|                     | -----       | -----       | -----       | -----       |
| Operating Revenue   |             |             |             |             |
| Premiums            | 32.5        | 13.2        | 12.7        | 12.2        |
| Surrender charges   | 8.5         | 6.5         | 7.2         | 7.9         |
| Expense assessments | 138.0       | 132.0       | 126.2       | 127.7       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Other revenue and fees  | 3.9    | 1.2    | 10.0   | 5.8    |
| Net investment income   | 339.3  | 346.6  | 342.6  | 349.9  |
|   | -----  | -----  | -----  | -----  |
| Operating Revenue   | 522.1  | 499.5  | 498.7  | 503.5  |
|   | -----  | -----  | -----  | -----  |
| Operating Benefits and Expenses                               |        |        |        |        |
| Benefits paid or provided:                                    |        |        |        |        |
| Benefits  | 72.6   | 66.3   | 55.3   | 55.4   |
| Interest credited to policy bal.                              | 209.7  | 217.2  | 227.5  | 226.1  |
|   | -----  | -----  | -----  | -----  |
| Total benefits  | 282.3  | 283.5  | 282.8  | 281.5  |
| Underwriting, acquisition, insurance and other expenses*:     |        |        |        |        |
| Commissions   | 85.8   | 81.1   | 96.7   | 82.4   |
| Other volume related expenses                                 | 12.8   | 12.7   | 13.1   | 10.0   |
| Operating and administrative expenses                         | 52.4   | 55.3   | 66.4   | 53.0   |
| Taxes, licenses and fees                                      | 2.7    | 2.2    | 4.5    | 4.7    |
| Par policyholder interests                                    | -      | -      | -      | -      |
|   | -----  | -----  | -----  | -----  |
| Subtotal  | 153.7  | 151.3  | 180.7  | 150.2  |
| Deferral of acquisition costs                                 | (60.2) | (58.7) | (71.9) | (61.7) |
| DAC amortization  | 28.3   | 35.6   | 20.8   | 32.7   |
|   | -----  | -----  | -----  | -----  |
| DAC deferral net of amortization                              | (31.9) | (23.0) | (51.0) | (29.1) |
| PVIF amortization   | 4.1    | 4.5    | 1.4    | 3.8    |
| Other intangibles amortization                                | -      | -      | -      | -      |
|   | -----  | -----  | -----  | -----  |
| Total underwriting, acquisition, insurance and other expenses | 126.0  | 132.8  | 131.1  | 124.9  |
| Goodwill amortization   | 0.3    | 0.3    | 0.3    | -      |
| Interest  | -      | -      | -      | -      |
|   | -----  | -----  | -----  | -----  |
| Operating Benefits and Expenses                               | 408.6  | 416.6  | 414.2  | 406.4  |
|   | -----  | -----  | -----  | -----  |
| Income from Operations Before Tax                             | 113.6  | 82.9   | 84.5   | 97.1   |
| Federal income taxes  | 22.8   | 10.4   | 9.7    | 16.7   |
|   | -----  | -----  | -----  | -----  |
| Income from Operations  | 90.8   | 72.4   | 74.8   | 80.4   |
|   | -----  | -----  | -----  | -----  |
| Realized gains (losses) on investments                        | (6.7)  | (13.5) | (20.7) | (32.8) |
| Gains (losses) on derivatives                                 | (0.1)  | (0.3)  | 0.1    | 0.0    |
| Restructuring charges   | (0.6)  | 0.0    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  |
| Income before Accounting Changes                              | 83.6   | 58.6   | 54.2   | 47.6   |
| Cumulative effect of accounting changes                       | (3.7)  | 0.0    | 0.0    | 0.0    |
|   | -----  | -----  | -----  | -----  |
| Net Income  | 79.9   | 58.6   | 54.2   | 47.6   |
|   | =====  | =====  | =====  | =====  |
| Inc from Oper -before Goodwill Amort.                         | 91.1   | 72.7   | 75.1   | 80.4   |
| Net Income -before Goodwill Amort.                            | 80.2   | 58.9   | 54.5   | 47.6   |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Effective tax rate                     | 20.1%  | 12.6%  | 11.5%  | 17.2%  |
| Operating Revenue                      | 522.1  | 499.5  | 498.7  | 503.5  |
| Realized gains (losses) on investments | (10.3) | (20.8) | (31.3) | (50.5) |
| Gains (losses) on derivatives          | 0.2    | (0.5)  | 0.2    | 0.0    |
|  | -----  | -----  | -----  | -----  |
| Total Revenue                          | 512.1  | 478.2  | 467.5  | 453.0  |
|  | =====  | =====  | =====  | =====  |
| Average capital                        | 1787.1 | 1902.9 | 1824.9 | 2041.6 |
| Return on average capital              | 20.3%  | 15.2%  | 16.4%  | 15.8%  |

-----

Roll Forward of Deferred Acquisition Costs

|  |        |        |        |         |
|--|--------|--------|--------|---------|
| Balance at beginning-of-quarter  | 762.6  | 831.3  | 781.2  | 912.8   |
| Deferral   | 60.2   | 58.7   | 71.9   | 61.7    |
| Amortization   | (28.3) | (35.6) | (20.8) | (32.7)  |
|  | -----  | -----  | -----  | -----   |
| Operating  | 31.9   | 23.0   | 51.0   | 29.1    |
| Adjustment related to realized (gains) losses on securities available-for-sale   | 4.9    | 16.4   | 34.1   | 25.7    |
| Adjustment related to unrealized (gains) losses on securities available-for-sale | 31.9   | (89.7) | 46.5   | 78.2    |
| Other**  | (0.0)  | 0.3    | (0.0)  | (14.8)  |
|  | -----  | -----  | -----  | -----   |
| Balance at end-of-quarter  | 831.3  | 781.2  | 912.8  | 1,031.0 |
|  | =====  | =====  | =====  | =====   |

Roll Forward of Present Value of In-Force

|                                 |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|
| Balance at beginning-of-quarter | 164.6 | 160.4 | 155.9 | 154.5 |
| Amortization                    | (4.2) | (4.5) | (1.4) | (3.8) |
| Other                           |       |       |       |       |
|                                 | ----- | ----- | ----- | ----- |
| Balance at end-of-quarter       | 160.4 | 155.9 | 154.5 | 150.7 |
|                                 | ===== | ===== | ===== | ===== |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

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

Lincoln Retirement  
Annuity Account Value Roll Forward  
Unaudited [Billions of Dollars]

1997 1998 1999 2000 2001



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |      |
|--|---------|---------|---------|---------|------|
| Fixed Annuities- Bal Beg-of-Year                 | 17.634  | 17.214  | 18.111  | 18.210  | 16.6 |
| Gross Deposits                                   | 1.632   | 1.452   | 2.563   | 2.074   | 3.3  |
| Withdrawals (incl charges) & deaths              | (2.220) | (2.468) | (2.521) | (3.283) | (2.4 |
| Net cash flows                                   | (0.588) | (1.016) | 0.042   | (1.209) | 0.8  |
| Transfer from (to) var annuities                 | (1.336) | (0.356) | (0.783) | (1.329) | (0.4 |
| Interest credited                                | 0.978   | 0.994   | 0.840   | 0.944   | 0.9  |
| Acq of new business/companies                    | 0.527   | 1.274   |         |         |      |
| Fixed Annuities-Gross                            | 17.214  | 18.111  | 18.210  | 16.615  | 18.0 |
| Reinsurance Ceded                                | (1.757) | (1.606) | (1.419) | (1.221) | (1.5 |
| Fixed Annuities-Bal End -of-Year                 | 15.458  | 16.505  | 16.791  | 15.394  | 16.4 |
| Fixed Annuities Incremental Deposits*            | 1.412   | 1.265   | 2.310   | 1.918   | 3.2  |
| Variable Annuities-Bal Beg-of-Year               | 20.383  | 27.346  | 33.358  | 41.493  | 39.4 |
| Gross Deposits                                   | 2.695   | 2.791   | 2.553   | 3.165   | 3.0  |
| Withdrawals (incl charges) & deaths              | (2.038) | (3.019) | (3.760) | (4.830) | (3.8 |
| Net cash flows                                   | 0.657   | (0.228) | (1.207) | (1.665) | (0.7 |
| Transfer from (to) fixed annuities               | 1.335   | 0.389   | 0.787   | 1.320   | 0.4  |
| Invest inc & change in mkt value                 | 4.971   | 5.414   | 8.555   | (1.721) | (4.4 |
| Acq(sale) of new business/companies              |         | 0.437   |         |         |      |
| Var Annuities-Bal End-of-Year                    | 27.346  | 33.358  | 41.493  | 39.427  | 34.6 |
| Variable Annuities Incremental Deposits*         | 2.585   | 2.641   | 2.409   | 2.667   | 2.6  |
| Total Annuities - Bal Beg-of-Year                | 38.017  | 44.561  | 51.469  | 59.704  | 56.0 |
| Gross Deposits                                   | 4.327   | 4.244   | 5.116   | 5.239   | 6.4  |
| Withdrawals (incl charges) & deaths              | (4.258) | (5.487) | (6.281) | (8.113) | (6.3 |
| Net cash flows                                   | 0.069   | (1.244) | (1.165) | (2.874) | 0.1  |
| Transfers  | (0.001) | 0.033   | 0.004   | (0.009) | 0.0  |
| Interest credited & change in mkt value          | 5.949   | 6.408   | 9.395   | (0.777) | (3.5 |
| Acq of new business/companies                    | 0.527   | 1.711   |         |         |      |
| Total Gross Annuities-Bal End-of-Year            | 44.561  | 51.469  | 59.704  | 56.043  | 52.6 |
| Reinsurance Ceded                                | (1.757) | (1.606) | (1.419) | (1.221) | (1.5 |
| Total Annuities (Net of Ceded) - Bal End-of-Year | 42.804  | 49.863  | 58.284  | 54.821  | 51.1 |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |       |       |                |                |              |
|--|-------|-------|----------------|----------------|--------------|
| Total Annuities Incremental Deposits*                              | 3.997 | 3.906 | 4.719          | 4.585          | 5.8          |
| Var Ann Under Agree - Included above                               |       | 0.649 | 0.719          | 0.941          | 1.0          |
| Fixed Annuities - excluding fixed portion of variable contracts    |       |       |                |                |              |
| Deposits   |       |       | 0.709          | 0.459          | 1.7          |
| Withdrawals  |       |       | (1.367)        | (2.271)        | (1.6)        |
| Net Flows  |       |       | (0.658)        | (1.812)        | 0.1          |
| Gross Fixed Account Values   |       |       |                |                |              |
| Reinsurance Ceded  |       |       |                |                |              |
| Net Fixed Account Values   |       |       |                |                |              |
| Variable Annuities - including fixed portion of variable contracts |       |       |                |                |              |
| Deposits   |       |       | 4.407          | 4.780          | 4.6          |
| Withdrawals  |       |       | (4.915)        | (5.842)        | (4.7)        |
| Net Flows  |       |       | (0.508)        | (1.062)        | (0.0)        |
| Variable Account Values  |       |       |                |                |              |
| Fixed Portion of Variable Contracts                                |       |       |                |                |              |
| Deposits   |       |       | 1.853          | 1.615          | 1.6          |
| Withdrawals  |       |       | (1.154)        | (1.012)        | (0.8)        |
| Net Flows  |       |       | 0.699          | 0.603          | 0.7          |
| Fixed Portion of Variable Account Values                           |       |       |                |                |              |
| -----  |       |       |                |                |              |
| Average Daily Variable Account Values                              |       |       | 35.932         | 41.776         | 35.5         |
| Annuity Product Spread Information**                               |       |       |                |                |              |
| Net Investment Income  |       |       | 7.22%          | 7.38%          | 7.3          |
| Interest Credited  |       |       | 5.13%          | 5.24%          | 5.3          |
| Spread   |       |       | -----<br>2.09% | -----<br>2.14% | -----<br>2.0 |

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

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

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Lincoln Retirement  
Annuity Account Value Roll Forward  
Unaudited [Billions of Dollars]

|  | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 |
|--|-------------|-------------|-------------|-------------|
|  | -----       | -----       | -----       | -----       |
| Fixed Annuities-Bal<br>Beg-of-Quarter      | 18.406      | 18.210      | 17.615      | 17.200      |
| Gross Deposits                             | 0.741       | 0.589       | 0.490       | 0.513       |
| Withdrawals (incl charges) &<br>deaths     | (0.782)     | (0.875)     | (0.796)     | (0.802)     |
| Net cash flows                             | (0.040)     | (0.287)     | (0.307)     | (0.288)     |
| Transfer from (to) var annuities           | (0.300)     | (0.550)     | (0.346)     | (0.217)     |
| Interest credited                          | 0.144       | 0.241       | 0.238       | 0.235       |
| Acq of new business/companies              | -----       | -----       | -----       | -----       |
| Fixed Annuities-Gross                      | 18.210      | 17.615      | 17.200      | 16.930      |
| Reinsurance Ceded                          | (1.419)     | (1.371)     | (1.316)     | (1.270)     |
| Fixed Annuities-Bal<br>End-of-Quarter      | 16.791      | 16.244      | 15.884      | 15.660      |
| Fixed Annuities Incremental<br>Deposits*   | 0.582       | 0.560       | 0.447       | 0.464       |
| Variable Annuities-Bal<br>Beg-of-Quarter   | 35.613      | 41.493      | 44.640      | 43.097      |
| Gross Deposits                             | 0.634       | 0.797       | 0.793       | 0.729       |
| Withdrawals (incl charges) &<br>deaths     | (1.084)     | (1.210)     | (1.168)     | (1.253)     |
| Net cash flows                             | (0.450)     | (0.413)     | (0.375)     | (0.524)     |
| Transfer from (to) fixed<br>annuities      | 0.303       | 0.549       | 0.343       | 0.216       |
| Invest inc & change in mkt value           | 6.027       | 3.011       | (1.511)     | (0.046)     |
| Acq(sale) of new<br>business/companies     | -----       | -----       | -----       | -----       |
| Var Annuities-Bal End-of-Quarter           | 41.493      | 44.640      | 43.097      | 42.743      |
| Variable Annuities Incremental<br>Deposits | 0.592       | 0.732       | 0.699       | 0.586       |
| Total Annuities -Bal<br>Beg-of-Quarter     | 54.020      | 59.704      | 62.255      | 60.297      |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Gross Deposits   | 1.375   | 1.386   | 1.283   | 1.242   |
| Withdrawals (incl charges) & deaths                                | (1.865) | (2.085) | (1.964) | (2.055) |
| Net cash flows   | (0.490) | (0.700) | (0.682) | (0.812) |
| Transfers  | 0.003   | (0.001) | (0.003) | (0.001) |
| Interest credited & change in mkt value                            | 6.171   | 3.252   | (1.273) | 0.189   |
| Acq of new business/companies                                      | -----   | -----   | -----   | -----   |
| Total Gross Annuities-Bal End-of-Quarter                           | 59.704  | 62.255  | 60.297  | 59.673  |
| Reinsurance Ceded  | (1.419) | (1.371) | (1.316) | (1.270) |
| Total Annuities (Net of Ceded) - Bal End-of-Qtr                    | 58.284  | 60.884  | 58.981  | 58.403  |
| Total Annuities Incremental Deposits*                              | 1.174   | 1.292   | 1.145   | 1.050   |
| Var Ann Under Agree - Included above                               | 0.719   | 0.866   | 0.868   | 0.962   |
| -----  |         |         |         |         |
| Fixed Annuities - excluding fixed portion of variable contracts    |         |         |         |         |
| Deposits   | 0.275   | 0.134   | 0.126   | 0.114   |
| Withdrawals  | (0.428) | (0.612) | (0.557) | (0.532) |
| Net Flows  | (0.152) | (0.479) | (0.431) | (0.417) |
| Gross Fixed Account Values   |         |         |         |         |
| Reinsurance Ceded  |         |         |         |         |
| Net Fixed Account Values   |         |         |         |         |
| Variable Annuities - including fixed portion of variable contracts |         |         |         |         |
| Deposits   | 1.100   | 1.252   | 1.157   | 1.128   |
| Withdrawals  | (1.438) | (1.473) | (1.408) | (1.523) |
| Net Flows  | (0.338) | (0.221) | (0.251) | (0.395) |
| Variable Account Values  |         |         |         |         |
| Fixed Portion of Variable Contracts                                |         |         |         |         |
| Deposits   | 0.466   | 0.455   | 0.364   | 0.399   |
| Withdrawals  | (0.354) | (0.263) | (0.240) | (0.270) |
| Net Flows  | 0.112   | 0.192   | 0.124   | 0.129   |
| Fixed Portion of Variable Account Values                           |         |         |         |         |
| Average Daily Variable Account Values                              | 37.845  | 42.185  | 42.182  | 43.055  |
| -----  |         |         |         |         |
| Annuity Product Spread Information**                               |         |         |         |         |
| Net Investment Income  | 7.26%   | 7.35%   | 7.41%   | 7.40%   |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   | 5.15%   | 5.33%   | 5.37%   | 5.12%   |
|---|---------|---------|---------|---------|
|   | -----   | -----   | -----   | -----   |
| Interest Credited                       | 5.15%   | 5.33%   | 5.37%   | 5.12%   |
| Spread                                  | 2.11%   | 2.02%   | 2.04%   | 2.28%   |
|   | Jun     | Sep     | Dec     | Mar     |
|   | 2001    | 2001    | 2001    | 2002    |
|   | -----   | -----   | -----   | -----   |
| Fixed Annuities-Bal                     |         |         |         |         |
| Beg-of-Quarter                          | 16.599  | 16.697  | 17.317  | 18.004  |
| Gross Deposits                          | 0.668   | 0.896   | 1.218   | 0.906   |
| Withdrawals (incl charges) & deaths     | (0.574) | (0.525) | (0.562) | (0.730) |
| Net cash flows                          | 0.094   | 0.372   | 0.656   | 0.176   |
| Transfer from (to) var annuities        | (0.222) | 0.021   | (0.213) | (0.232) |
| Interest credited                       | 0.226   | 0.228   | 0.244   | 0.230   |
| Acq of new business/companies           | -----   | -----   | -----   | -----   |
| Fixed Annuities-Gross                   | 16.697  | 17.317  | 18.004  | 18.178  |
| Reinsurance Ceded                       | (1.146) | (1.266) | (1.514) | (1.645) |
| Fixed Annuities-Bal                     |         |         |         |         |
| End-of-Quarter                          | 15.551  | 16.051  | 16.491  | 16.533  |
| Fixed Annuities Incremental Deposits*   | 0.611   | 0.873   | 1.193   | 0.881   |
| Variable Annuities-Bal                  |         |         |         |         |
| Beg-of-Quarter                          | 34.733  | 36.961  | 30.506  | 34.638  |
| Gross Deposits                          | 0.703   | 0.684   | 0.793   | 0.808   |
| Withdrawals (incl charges) & deaths     | (0.993) | (0.795) | (0.818) | (0.896) |
| Net cash flows                          | (0.290) | (0.111) | (0.025) | (0.088) |
| Transfer from (to) fixed annuities      | 0.227   | (0.023) | 0.213   | 0.234   |
| Invest inc & change in mkt value        | 2.291   | (6.321) | 3.944   | 0.366   |
| Acq(sale) of new business/companies     | -----   | -----   | -----   | -----   |
| Var Annuities-Bal End-of-Quarter        | 36.961  | 30.506  | 34.638  | 35.150  |
| Variable Annuities Incremental Deposits | 0.612   | 0.604   | 0.725   | 0.725   |
| Total Annuities -Bal                    |         |         |         |         |
| Beg-of-Quarter                          | 51.332  | 53.658  | 47.824  | 52.643  |
| Gross Deposits                          | 1.371   | 1.580   | 2.011   | 1.714   |
| Withdrawals (incl charges) & deaths     | (1.567) | (1.320) | (1.380) | (1.626) |
| Net cash flows                          | (0.196) | 0.261   | 0.631   | 0.088   |
| Transfers                               | 0.005   | (0.002) |         | 0.002   |
| Interest credited & change in mkt       |         |         |         |         |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| value  | 2.517   | (6.093) | 4.188   | 0.596   |
| Acq of new business/companies  |         |         |         |         |
| Total Gross Annuities-Bal  |         |         |         |         |
| End-of-Quarter   | 53.658  | 47.824  | 52.643  | 53.329  |
| Reinsurance Ceded  | (1.146) | (1.266) | (1.514) | (1.645) |
| Total Annuities (Net of Ceded) -<br>Bal End-of-Qtr                       | 52.512  | 46.558  | 51.129  | 51.684  |
| Total Annuities Incremental<br>Deposits*                                 | 1.223   | 1.477   | 1.918   | 1.606   |
| Var Ann Under Agree - Included<br>above                                  | 0.975   | 0.907   | 1.077   | 1.207   |
| -----  |         |         |         |         |
| Fixed Annuities - excluding fixed<br>portion of variable contracts       |         |         |         |         |
| Deposits   | 0.329   | 0.489   | 0.734   | 0.505   |
| Withdrawals  | (0.356) | (0.340) | (0.352) | (0.463) |
| Net Flows  | (0.027) | 0.149   | 0.382   | 0.042   |
| Gross Fixed Account Values   |         |         |         | 9.761   |
| Reinsurance Ceded  |         |         |         | (1.645) |
| Net Fixed Account Values   |         |         |         | 8.116   |
| Variable Annuities - including<br>fixed portion of variable<br>contracts |         |         |         |         |
| Deposits   | 1.042   | 1.091   | 1.277   | 1.209   |
| Withdrawals  | (1.211) | (0.979) | (1.028) | (1.163) |
| Net Flows  | (0.169) | 0.112   | 0.249   | 0.046   |
| Variable Account Values  |         |         |         | 43.568  |
| Fixed Portion of Variable<br>Contracts                                   |         |         |         |         |
| Deposits   | 0.339   | 0.407   | 0.484   | 0.401   |
| Withdrawals  | (0.218) | (0.184) | (0.210) | (0.267) |
| Net Flows  | 0.121   | 0.223   | 0.274   | 0.134   |
| Fixed Portion of Variable Account<br>Values                              |         |         |         | 8.417   |
| Average Daily Variable Account<br>Values                                 | 36.499  | 34.399  | 33.216  | 34.341  |
| -----  |         |         |         |         |

Annuity Product Spread Information\*\*

|                       |       |       |       |       |
|-----------------------|-------|-------|-------|-------|
| Net Investment Income | 7.45% | 7.33% | 7.26% | 7.15% |
| Interest Credited     | 5.29% | 5.34% | 5.28% | 5.14% |
| Spread                | 2.16% | 1.99% | 1.98% | 2.01% |

\* 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 i

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

product investment portfolios divided by average earning assets. The average crediting rate is interest credited on annuity products less bonus credits and excess DCA interest, divided by account values net of co-insured account values. Fixed account values reinsured under modified agreements are included in account values for this calculation since assets (and therefore margins) under these agreements.

Life Insurance Segment  
Income Statements  
Unaudited [Millions of Dollars]

|  | 1997  | 1998    | 1999    | 2000    | 2001    |
|--|-------|---------|---------|---------|---------|
|  | ----- | -----   | -----   | -----   | -----   |
| Operating Revenue  |       |         |         |         |         |
| Premiums   | 64.8  | 185.9   | 235.8   | 227.3   | 212.4   |
| Surrender charges  | 9.8   | 52.1    | 66.3    | 66.4    | 66.1    |
| Mortality assessments  | 161.2 | 350.1   | 444.6   | 465.2   | 499.4   |
| Expense assessments  | 28.6  | 146.2   | 165.8   | 191.8   | 191.4   |
| Other revenue and fees   | 9.0   | 2.6     | 9.8     | 14.2    | 17.9    |
| Net investment income  | 268.2 | 642.6   | 840.1   | 871.5   | 910.2   |
|  | ----- | -----   | -----   | -----   | -----   |
| Operating Revenue  | 541.5 | 1379.5  | 1762.6  | 1836.4  | 1897.5  |
|  | ----- | -----   | -----   | -----   | -----   |
| Operating Benefits and Expenses                                  |       |         |         |         |         |
| Benefits paid or provided:                                       |       |         |         |         |         |
| Benefits   | 143.6 | 371.2   | 430.5   | 411.5   | 418.5   |
| Div accum & div to policyholders                                 | 20.4  | 70.7    | 81.5    | 80.8    | 78.5    |
| Interest credited to policy bal.                                 | 153.0 | 393.1   | 493.8   | 525.4   | 569.9   |
|  | ----- | -----   | -----   | -----   | -----   |
| Total benefits   | 317.0 | 835.1   | 1,005.8 | 1,017.8 | 1,067.0 |
| Underwriting, acquisition,<br>insurance and other expenses*:     |       |         |         |         |         |
| Commissions  | 41.8  | 107.5   | 163.4   | 152.8   | 142.1   |
| Other volume related expenses                                    | 42.0  | 122.7   | 185.6   | 200.9   | 176.4   |
| Operating and administrative<br>expenses                         | 77.1  | 144.9   | 171.2   | 164.4   | 161.0   |
| Taxes, licenses and fees   | 16.6  | 29.7    | 51.8    | 48.5    | 49.2    |
| Par policyholder interests                                       | (9.3) | (4.3)   | 3.3     | 1.1     | -       |
|  | ----- | -----   | -----   | -----   | -----   |
| Subtotal   | 168.2 | 400.6   | 575.2   | 567.6   | 528.7   |
| Deferral of acquisition costs                                    | -     | -       | -       | -       | (324.8) |
| DAC amortization   | -     | -       | -       | -       | 95.0    |
|  | ----- | -----   | -----   | -----   | -----   |
| DAC deferral net of amortization                                 | 3.9   | (159.3) | (235.0) | (286.5) | (229.8) |
| PVIF amortization  | -     | 51.9    | 58.8    | 103.7   | 75.9    |
| Other intangibles amortization                                   | -     | -       | -       | -       | -       |
|  | ----- | -----   | -----   | -----   | -----   |
| Total underwriting, acquisition,<br>insurance and other expenses | 172.1 | 293.1   | 399.1   | 384.8   | 374.7   |
| Goodwill amortization  | 0.1   | 19.7    | 23.4    | 23.7    | 23.7    |
| Interest   | -     | -       | -       | -       | 0.0     |
|  | ----- | -----   | -----   | -----   | -----   |
| Operating Benefits and Expenses                                  | 489.3 | 1147.8  | 1428.2  | 1426.3  | 1465.4  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |       |         |         |        |        |
|---|-------|---------|---------|--------|--------|
| Income from Operations Before Tax       | 52.3  | 231.6   | 334.3   | 410.1  | 432.1  |
| Federal income taxes                    | 12.4  | 82.4    | 122.3   | 150.1  | 153.0  |
| Income from Operations                  | 39.9  | 149.2   | 212.0   | 259.9  | 279.0  |
| Realized gains (losses) on investments  | (0.8) | (1.7)   | (0.5)   | (10.7) | (38.5) |
| Gains (losses) on derivatives           |       |         |         |        | 1.6    |
| Restructuring charges                   | 0.0   | (20.0)  | 0.0     | 0.0    | (3.5)  |
| Income before Accounting Changes        | 39.1  | 127.5   | 211.5   | 249.3  | 238.6  |
| Cumulative effect of accounting changes |       |         |         |        | (5.5)  |
| Net Income                              | 39.1  | 127.5   | 211.5   | 249.3  | 233.1  |
| Inc from Oper -before Goodwill Amort.   | 40.0  | 168.9   | 235.4   | 283.6  | 302.7  |
| Net Income -before Goodwill Amort.      | 39.2  | 147.1   | 234.9   | 273.0  | 256.7  |
| Effective tax rate                      | 23.7% | 35.6%   | 36.6%   | 36.6%  | 35.4%  |
| Operating Revenue                       | 541.5 | 1,379.5 | 1,762.6 | 1836.4 | 1897.5 |
| Realized gains (losses) on investments  | 3.2   | (1.0)   | (2.2)   | (17.4) | (57.6) |
| Gains (losses) on derivatives           |       |         |         |        | 0.7    |
| Total Revenue                           | 544.8 | 1378.5  | 1760.4  | 1819.0 | 1840.6 |
| Average capital                         | 384.9 | 1948.0  | 2712.3  | 2640.2 | 2731.5 |
| Return on average capital               | 10.4% | 7.7%    | 7.8%    | 9.8%   | 10.2%  |

Roll Forward of Deferred Acquisition Costs

|  |  |  |  |  |         |
|--|--|--|--|--|---------|
| Balance at beginning-of-period   |  |  |  |  | 1,079.3 |
| Deferral   |  |  |  |  | 324.8   |
| Amortization   |  |  |  |  | (95.0)  |
| Operating Adjustment related to realized (gains) losses on securities available-for-sale |  |  |  |  | 229.8   |
| Adjustment related to unrealized (gains) losses on securities available-for-sale         |  |  |  |  | 43.0    |
| Other**  |  |  |  |  | (89.0)  |
| Balance at end-of-period   |  |  |  |  | 1,265.6 |
| Roll Forward of Present Value of In-Force  |  |  |  |  |         |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                                |         |
|--------------------------------|---------|
| Balance at beginning-of-period | 1,040.5 |
| Amortization                   | (75.9)  |
| Other                          | (0.7)   |
|                                | -----   |
| Balance at end-of-period       | 964.0   |
|                                | =====   |

\* Does not include restructuring charges which is consistent with the definition of "Income from

\*\* Includes the transfer of the Legacy Life block of business from the Lincoln Retirement segment 2002.

PAGE 2

Life Insurance Segment  
Income Statements  
Unaudited [Millions of Dollars]

| For the Quarter Ended  | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 | Ma<br>2000 |
|--|-------------|-------------|-------------|-------------|-------------|------------|
|  | -----       | -----       | -----       | -----       | -----       | -----      |
| Operating Revenue  |             |             |             |             |             |            |
| Premiums   | 71.1        | 53.0        | 56.3        | 50.9        | 67.1        | 50.0       |
| Surrender charges  | 18.0        | 16.2        | 16.5        | 13.8        | 19.9        | 17.0       |
| Mortality assessments  | 113.9       | 112.2       | 114.5       | 116.3       | 122.1       | 124.0      |
| Expense assessments  | 48.0        | 45.3        | 44.1        | 46.9        | 55.5        | 47.0       |
| Other revenue and fees                                       | 3.9         | 3.2         | 3.6         | 3.8         | 3.7         | 5.0        |
| Net investment income  | 214.8       | 215.6       | 215.5       | 220.6       | 219.7       | 223.0      |
|  | -----       | -----       | -----       | -----       | -----       | -----      |
| Operating Revenue  | 469.6       | 445.5       | 450.5       | 452.4       | 488.0       | 467.0      |
|  | -----       | -----       | -----       | -----       | -----       | -----      |
| Operating Benefits and Expenses                              |             |             |             |             |             |            |
| Benefits paid or provided:                                   |             |             |             |             |             |            |
| Benefits   | 112.8       | 98.4        | 96.3        | 95.8        | 121.0       | 99.0       |
| Div accum & div to policyholders                             | 21.0        | 20.4        | 18.7        | 16.4        | 25.3        | 17.0       |
| Interest credited to policy bal.                             | 122.3       | 126.3       | 128.7       | 134.0       | 136.5       | 138.0      |
|  | -----       | -----       | -----       | -----       | -----       | -----      |
| Total benefits   | 256.1       | 245.0       | 243.8       | 246.2       | 282.9       | 255.0      |
| Underwriting, acquisition,<br>insurance and other expenses*: |             |             |             |             |             |            |
| Commissions  | 58.7        | 32.2        | 34.2        | 39.8        | 46.6        | 33.0       |
| Other volume related expenses                                | 67.0        | 43.5        | 44.8        | 48.6        | 64.0        | 34.0       |
| Operating and administrative<br>expenses                     | 46.3        | 40.4        | 40.8        | 39.4        | 43.8        | 40.0       |
| Taxes, licenses and fees                                     | 17.2        | 13.4        | 9.8         | 11.4        | 13.9        | 12.0       |
| Par policyholder interests                                   | 4.2         | (1.5)       | 1.6         | 1.4         | (0.5)       | (0.0)      |
|  | -----       | -----       | -----       | -----       | -----       | -----      |
| Subtotal   | 193.3       | 128.0       | 131.1       | 140.7       | 167.9       | 121.0      |
| Deferral of acquisition costs                                | -           | -           | -           | -           | -           | (64.0)     |
| DAC amortization   | -           | -           | -           | -           | -           | 19.0       |
|  | -----       | -----       | -----       | -----       | -----       | -----      |
| DAC deferral net of amortization                             | (92.1)      | (53.2)      | (53.6)      | (76.8)      | (103.0)     | (45.0)     |
| PVIF amortization  | 16.5        | 24.6        | 23.4        | 31.0        | 24.7        | 22.0       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| Other intangibles amortization   | -      | -      | -      | -      | -      | -      |
| Total underwriting, acquisition, insurance and other expenses                            | 117.8  | 99.4   | 100.9  | 94.9   | 89.6   | 98.0   |
| Goodwill amortization  | 6.0    | 5.9    | 5.9    | 5.9    | 5.9    | 5.0    |
| Interest   | -      | -      | -      | -      | -      | -      |
| Operating Benefits and Expenses  | 379.9  | 350.3  | 350.6  | 347.0  | 378.4  | 360.0  |
| Income from Operations Before Tax  | 89.8   | 95.2   | 99.9   | 105.4  | 109.6  | 107.0  |
| Federal income taxes   | 32.8   | 34.8   | 37.4   | 38.9   | 39.0   | 38.0   |
| Income from Operations   | 57.0   | 60.4   | 62.4   | 66.5   | 70.6   | 68.0   |
| Realized gains (losses) on investments   | 2.8    | (2.4)  | (4.0)  | 1.0    | (5.2)  | (5.0)  |
| Gains (losses) on derivatives  |        |        |        |        |        | (0.0)  |
| Restructuring charges  |        |        |        |        |        |        |
| Income before Accounting Changes   | 59.7   | 58.1   | 58.4   | 67.4   | 65.4   | 63.0   |
| Cumulative effect of accounting changes  |        |        |        |        |        | (0.0)  |
| Net Income   | 59.7   | 58.1   | 58.4   | 67.4   | 65.4   | 62.0   |
| Inc from Oper -before Goodwill Amort.  | 63.0   | 66.3   | 68.4   | 72.4   | 76.5   | 74.0   |
| Net Income -before Goodwill Amort.   | 65.8   | 64.0   | 64.4   | 73.4   | 71.3   | 68.0   |
| Effective tax rate   | 36.5%  | 36.5%  | 37.5%  | 36.9%  | 35.6%  | 36.1%  |
| Operating Revenue  | 469.6  | 445.5  | 450.5  | 452.4  | 488.0  | 467.0  |
| Realized gains (losses) on investments   | 3.4    | (3.8)  | (6.3)  | 0.8    | (8.1)  | (8.0)  |
| Gains (losses) on derivatives  |        |        |        |        |        | (0.0)  |
| Total Revenue  | 473.1  | 441.7  | 444.2  | 453.2  | 479.9  | 459.0  |
| Average capital  | 2686.0 | 2655.3 | 2615.0 | 2650.5 | 2640.0 | 2729.0 |
| Return on average capital  | 8.5%   | 9.1%   | 9.6%   | 10.0%  | 10.7%  | 10.1%  |
| -----  |        |        |        |        |        |        |
| Roll Forward of Deferred Acquisition Costs   |        |        |        |        |        |        |
| Balance at beginning-of-quarter  |        |        |        |        |        | 1079.0 |
| Deferral   |        |        |        |        |        | 64.0   |
| Amortization   |        |        |        |        |        | (19.0) |
| Operating Adjustment related to realized (gains) losses on securities available-for-sale |        |        |        |        |        | 45.0   |
| Adjustment related to unrealized   |        |        |        |        |        | 7.0    |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |         |        |        |       |
|---|--------|--------|---------|--------|--------|-------|
| (gains) losses  |        |        |         |        |        |       |
| on securities available-for-sale                              |        |        |         |        |        | (68.  |
| Other**   |        |        |         |        |        | 0.    |
| Balance at end-of-quarter                                     | -----  | -----  | -----   | -----  | -----  | ----- |
|   | =====  | =====  | =====   | =====  | =====  | ===== |
| 1064.   |        |        |         |        |        |       |
| Roll Forward of Present Value of In-Force                     |        |        |         |        |        |       |
| Balance at beginning-of-quarter                               |        |        |         |        |        | 1040. |
| Amortization  |        |        |         |        |        | (22.  |
| Other   |        |        |         |        |        |       |
| Balance at end-of-quarter                                     | -----  | -----  | -----   | -----  | -----  | ----- |
|   | =====  | =====  | =====   | =====  | =====  | ===== |
| 1017.   |        |        |         |        |        |       |
| For the Quarter Ended   |        |        |         |        |        |       |
|   | Jun    | Sep    | Dec     | Mar    | Jun    | Se    |
|   | 2001   | 2001   | 2001    | 2002   | 2002   | 200   |
|   | -----  | -----  | -----   | -----  | -----  | ----- |
| Operating Revenue   |        |        |         |        |        |       |
| Premiums  | 50.7   | 46.4   | 64.4    | 51.1   | 47.6   | 48.   |
| Surrender charges   | 13.5   | 15.6   | 19.9    | 11.7   | 13.5   | 13.   |
| Mortality assessments   | 124.8  | 124.7  | 125.5   | 123.9  | 123.9  | 126.  |
| Expense assessments   | 45.3   | 46.0   | 52.8    | 46.9   | 47.2   | 49.   |
| Other revenue and fees  | 3.8    | 3.0    | 6.0     | 5.7    | 6.7    | 5.    |
| Net investment income   | 227.4  | 233.2  | 226.6   | 226.0  | 225.7  | 224.  |
| Operating Revenue   | -----  | -----  | -----   | -----  | -----  | ----- |
|   | 465.5  | 468.9  | 495.2   | 465.3  | 464.6  | 466.  |
|   | -----  | -----  | -----   | -----  | -----  | ----- |
| Operating Benefits and Expenses                               |        |        |         |        |        |       |
| Benefits paid or provided:                                    |        |        |         |        |        |       |
| Benefits  | 103.5  | 102.3  | 112.9   | 104.1  | 103.6  | 105.  |
| Div accum & div to policyholders                              | 19.0   | 16.5   | 25.4    | 17.8   | 18.2   | 17.   |
| Interest credited to policy bal.                              | 141.2  | 143.5  | 146.9   | 146.3  | 148.9  | 152.  |
| Total benefits  | -----  | -----  | -----   | -----  | -----  | ----- |
|   | 263.8  | 262.3  | 285.1   | 268.1  | 270.8  | 275.  |
| Underwriting, acquisition, insurance and other expenses*:     |        |        |         |        |        |       |
| Commissions   | 31.1   | 32.5   | 45.1    | 34.6   | 34.8   | 31.   |
| Other volume related expenses                                 | 43.3   | 41.4   | 56.9    | 42.7   | 43.6   | 45.   |
| Operating and administrative expenses                         | 40.7   | 41.6   | 38.3    | 37.1   | 37.1   | 40.   |
| Taxes, licenses and fees                                      | 12.3   | 12.0   | 12.5    | 13.2   | 15.3   | 13.   |
| Par policyholder interests                                    | 0.0    | -      | -       | -      | -      | -     |
| Subtotal  | -----  | -----  | -----   | -----  | -----  | ----- |
|   | 127.3  | 127.5  | 152.8   | 127.5  | 130.8  | 130.  |
| Deferral of acquisition costs                                 | (68.8) | (85.3) | (106.3) | (74.3) | (82.2) | (78.  |
| DAC amortization  | 15.8   | 29.7   | 30.2    | 22.1   | 23.6   | 23.   |
| DAC deferral net of amortization                              | -----  | -----  | -----   | -----  | -----  | ----- |
|   | (53.0) | (55.5) | (76.1)  | (52.3) | (58.6) | (54.  |
| PVIF amortization   | 17.7   | 20.5   | 14.7    | 16.9   | 16.3   | 23.   |
| Other intangibles amortization                                | -      | -      | -       | -      | -      | -     |
| Total underwriting, acquisition, insurance and other expenses | -----  | -----  | -----   | -----  | -----  | ----- |
|   | 92.0   | 92.5   | 91.4    | 92.1   | 88.5   | 99.   |
| Goodwill amortization   | 5.9    | 5.9    | 5.9     | -      | -      | -     |
| Interest  | -      | -      | 0.0     | 0.0    | 0.0    | -     |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |        |         |
|--|--------|--------|--------|--------|--------|---------|
| Operating Benefits and Expenses  | 361.7  | 360.8  | 382.5  | 360.2  | 359.3  | 374.0   |
| Income from Operations Before Tax  | 103.8  | 108.1  | 112.7  | 105.1  | 105.3  | 92.0    |
| Federal income taxes   | 36.7   | 38.1   | 39.5   | 34.0   | 31.8   | 29.0    |
| Income from Operations   | 67.1   | 70.1   | 73.2   | 71.1   | 73.5   | 63.0    |
| Realized gains (losses) on investments   | (6.4)  | (5.3)  | (21.3) | (26.9) | (16.4) | (16.0)  |
| Gains (losses) on derivatives  | 0.1    | (0.0)  | 1.5    | 0.0    | 0.3    | 0.0     |
| Restructuring charges  | (2.0)  |        | (1.5)  |        |        |         |
| Income before Accounting Changes   | 58.8   | 64.7   | 51.9   | 44.2   | 57.4   | 47.0    |
| Cumulative effect of accounting changes  | (5.3)  | 0.0    | (0.0)  | 0.0    | 0.0    | 0.0     |
| Net Income   | 53.5   | 64.7   | 51.9   | 44.2   | 57.4   | 47.0    |
| Inc from Oper -before Goodwill Amort.  | 73.0   | 76.0   | 79.1   | 71.1   | 73.5   | 63.0    |
| Net Income -before Goodwill Amort.   | 59.5   | 70.6   | 57.8   | 44.2   | 57.4   | 47.0    |
| Effective tax rate   | 35.3%  | 35.2%  | 35.0%  | 32.3%  | 30.2%  | 31.3%   |
| Operating Revenue  | 465.5  | 468.9  | 495.2  | 465.3  | 464.6  | 466.0   |
| Realized gains (losses) on investments   | (10.0) | (8.2)  | (31.1) | (41.4) | (25.4) | (25.0)  |
| Gains (losses) on derivatives  | 0.2    | (0.1)  | 0.6    | 0.0    | 0.6    | 0.0     |
| Total Revenue  | 455.7  | 460.6  | 464.7  | 423.9  | 439.8  | 441.0   |
| Average capital  | 2715.7 | 2736.3 | 2744.4 | 2801.9 | 2865.8 | 2852.0  |
| Return on average capital  | 9.9%   | 10.2%  | 10.7%  | 10.2%  | 10.3%  | 8.9%    |
| -----  |        |        |        |        |        |         |
| Roll Forward of Deferred Acquisition Costs   |        |        |        |        |        |         |
| Balance at beginning-of-quarter  | 1064.1 | 1151.1 | 1156.0 | 1265.6 | 1385.3 | 1404.0  |
| Deferral   | 68.8   | 85.3   | 106.3  | 74.3   | 82.2   | 78.0    |
| Amortization   | (15.8) | (29.7) | (30.2) | (22.1) | (23.6) | (23.0)  |
| Operating Adjustment related to realized (gains) losses on securities available-for-sale | 53.0   | 55.5   | 76.1   | 52.3   | 58.6   | 54.0    |
| Adjustment related to unrealized (gains) losses on securities available-for-sale         | 13.3   | 7.2    | 14.7   | 15.8   | 11.2   | 11.0    |
| Other**  | 20.7   | (59.6) | 18.5   | 34.0   | (51.9) | (109.0) |
| Balance at end-of-quarter  | 1151.1 | 1156.0 | 1265.6 | 1385.3 | 1404.9 | 1362.0  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Roll Forward of Present Value of  
In-Force

|                                 |        |        |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Balance at beginning-of-quarter | 1017.6 | 999.9  | 978.7  | 964.0  | 947.1  | 930.7  |
| Amortization                    | (17.7) | (20.5) | (14.7) | (16.9) | (16.3) | (23.0) |
| Other                           |        | (0.7)  |        |        | (0.1)  |        |
|                                 | -----  | -----  | -----  | -----  | -----  | -----  |
| Balance at end-of-quarter       | 999.9  | 978.7  | 964.0  | 947.1  | 930.7  | 907.7  |
|                                 | =====  | =====  | =====  | =====  | =====  | =====  |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

\*\* Includes the transfer of the Legacy Life block of business from the Lincoln Retirement segment in the first quarter of 2002.

Life Insurance Segment  
Operational Data  
Unaudited [Millions of Dollars]

|   | 1997   | 1998    | 1999    | 2000    | 2001    |
|---|--------|---------|---------|---------|---------|
|   | -----  | -----   | -----   | -----   | -----   |
| First Year Premiums by Product<br>(Millions)      |        |         |         |         |         |
| Universal Life                                    | 114.0  | 233.0   | 342.9   | 289.3   | 292.7   |
| Variable Universal Life                           | 52.9   | 101.3   | 142.2   | 218.7   | 228.6   |
| Whole Life  | 5.4    | 20.0    | 23.9    | 22.4    | 26.3    |
| Term  | 33.0   | 48.0    | 45.9    | 41.9    | 30.8    |
|   | -----  | -----   | -----   | -----   | -----   |
| Total Retail                                      | 205.3  | 402.3   | 555.0   | 572.3   | 578.4   |
| Corporate Owned Life Insurance (COLI)             | 0.0    | 4.0     | 14.7    | 87.0    | 47.3    |
|   | -----  | -----   | -----   | -----   | -----   |
| Total   | 205.3  | 406.3   | 569.7   | 659.3   | 625.6   |
|   | -----  | -----   | -----   | -----   | -----   |
| First Year Premiums by<br>Distribution (Millions) |        |         |         |         |         |
| Lincoln Financial Advisors                        | 71.0   | 35.0    | 188.3   | 200.6   | 196.1   |
| Lincoln Financial Distributors                    | 134.3  | 356.3   | 367.9   | 444.7   | 413.0   |
| Other*  | 0.0    | 15.0    | 13.5    | 14.0    | 16.6    |
|   | -----  | -----   | -----   | -----   | -----   |
| Total by Distribution                             | 205.3  | 406.3   | 569.7   | 659.3   | 625.6   |
|   | =====  | =====   | =====   | =====   | =====   |
| Life Insurance In-Force<br>(Billions)             |        |         |         |         |         |
| Universal Life & Other                            | 32.827 | 105.837 | 109.288 | 115.872 | 121.168 |
| Term Insurance                                    | 30.337 | 67.076  | 85.701  | 100.130 | 113.226 |
|   | -----  | -----   | -----   | -----   | -----   |
| Total Life Segment In-Force                       | 63.164 | 172.914 | 194.988 | 216.002 | 234.394 |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

| For the Quarter Ended                             | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
|---|-------------|-------------|-------------|-------------|-------------|
| First Year Premiums by Product<br>(Millions)      |             |             |             |             |             |
| Universal Life                                    | 113.2       | 72.3        | 63.7        | 72.4        | 80.9        |
| Variable Universal Life                           | 55.6        | 44.0        | 44.5        | 55.1        | 75.1        |
| Whole Life  | 8.0         | 3.9         | 4.5         | 6.0         | 8.0         |
| Term  | 11.0        | 13.1        | 12.1        | 9.1         | 7.6         |
| Total Retail                                      | 187.8       | 133.3       | 124.8       | 142.6       | 171.6       |
| Corporate Owned Life Insurance (COLI)             | 4.0         | 12.7        | 19.5        | 5.8         | 49.0        |
| Total   | 191.9       | 146.0       | 144.3       | 148.4       | 220.7       |
| First Year Premiums by<br>Distribution (Millions) |             |             |             |             |             |
| Lincoln Financial Advisors                        | 72.8        | 46.1        | 37.0        | 51.3        | 66.2        |
| Lincoln Financial Distributors                    | 115.0       | 96.8        | 104.4       | 92.9        | 150.6       |
| Other*  | 4.1         | 3.0         | 2.9         | 4.2         | 3.9         |
| Total by Distribution                             | 191.9       | 146.0       | 144.3       | 148.4       | 220.7       |
| Insurance In-Force (Billions)                     |             |             |             |             |             |
| Universal Life & Other                            | 109.288     | 108.817     | 110.448     | 112.884     | 115.872     |
| Term Insurance                                    | 85.701      | 92.857      | 97.039      | 98.424      | 100.130     |
| Total Segment In-Force                            | 194.988     | 201.674     | 207.487     | 211.308     | 216.002     |
| For the Quarter Ended                             |             |             |             |             |             |
|   | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 | Sep<br>2002 |
| First Year Premiums by Product<br>(Millions)      |             |             |             |             |             |
| Universal Life                                    | 67.4        | 97.5        | 86.4        | 98.9        | 132.9       |
| Variable Universal Life                           | 50.1        | 70.2        | 39.0        | 42.4        | 26.1        |
| Whole Life  | 6.7         | 10.4        | 5.2         | 6.4         | 7.7         |
| Term  | 8.1         | 9.1         | 8.7         | 8.1         | 7.3         |
| Total Retail                                      | 132.4       | 187.2       | 139.4       | 155.8       | 174.0       |
| Corporate Owned Life Insurance (COLI)             | 5.1         | 14.2        | 6.9         | 46.6        | 7.8         |
| Total   | 137.4       | 201.3       | 146.3       | 202.4       | 181.8       |
| First Year Premiums by<br>Distribution (Millions) |             |             |             |             |             |
| Lincoln Financial Advisors                        | 41.8        | 68.0        | 41.5        | 48.3        | 46.9        |
| Lincoln Financial Distributors                    | 90.4        | 129.5       | 100.9       | 151.6       | 132.7       |
| Other*  | 5.2         | 3.8         | 3.8         | 2.6         | 2.2         |
| Total by Distribution                             | 137.4       | 201.3       | 146.3       | 202.4       | 181.8       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                               |         |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|---------|
| Insurance In-Force (Billions) |         |         |         |         |         |
| Universal Life & Other        | 119.029 | 121.168 | 122.316 | 123.674 | 124.085 |
| Term Insurance                | 108.723 | 113.226 | 117.752 | 121.076 | 123.945 |
|                               | -----   | -----   | -----   | -----   | -----   |
| Total Segment In-Force        | 227.751 | 234.394 | 240.068 | 244.750 | 248.030 |

\* Other consists of distribution arrangements with third-party intermediaries.

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

|  | 1997    | 1998    | 1999    | 2000    | 2001    |
|--|---------|---------|---------|---------|---------|
|  | -----   | -----   | -----   | -----   | -----   |
| Universal Life-Bal Beg-of-Year                     | 2.530   | 2.558   | 6.259   | 6.650   | 6.976   |
| Deposits   | 0.278   | 0.675   | 1.017   | 0.955   | 1.043   |
| Withdrawals & deaths                               | (0.399) | (0.701) | (0.452) | (0.426) | (0.319) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows                                     | (0.121) | (0.026) | 0.564   | 0.528   | 0.724   |
| Policyholder assessments                           |         |         | (0.544) | (0.584) | (0.598) |
| Interest credited                                  | 0.149   | 0.350   | 0.370   | 0.382   | 0.405   |
| Acq of new business/transfers<br>between segments  | 0.000   | 3.378   | 0.000   | 0.000   | 0.000   |
|  | -----   | -----   | -----   | -----   | -----   |
| Universal Life-Bal End of Year (1)                 | 2.558   | 6.259   | 6.650   | 6.976   | 7.508   |
|  | -----   | -----   | -----   | -----   | -----   |
| Variable Universal Life-Bal<br>Beg-of-Year         | 0.339   | 0.480   | 1.200   | 1.605   | 1.808   |
| Deposits   | 0.106   | 0.193   | 0.326   | 0.607   | 0.584   |
| Withdrawals & deaths                               | (0.040) | (0.100) | (0.099) | (0.132) | (0.251) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows                                     | 0.065   | 0.093   | 0.228   | 0.475   | 0.332   |
| Policyholder assessments                           |         | 0.000   | (0.084) | (0.141) | (0.170) |
| Invest inc & chg in mkt value                      | 0.076   | 0.105   | 0.370   | (0.130) | (0.225) |
| Acq of new business/transfers<br>between segments  | 0.000   | 0.522   | (0.110) | 0.000   | 0.000   |
|  | -----   | -----   | -----   | -----   | -----   |
| Variable Universal Life -Bal<br>End-of-Year        | 0.480   | 1.200   | 1.605   | 1.808   | 1.746   |
|  | -----   | -----   | -----   | -----   | -----   |
| Interest Sensitive Whole Life -<br>Bal Beg-of-Year |         |         | 1.784   | 1.963   | 2.062   |
| Deposits   |         | 0.340   | 0.355   | 0.322   | 0.307   |
| Withdrawals & deaths                               |         | (0.294) | (0.162) | (0.168) | (0.200) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows                                     |         | 0.046   | 0.193   | 0.154   | 0.107   |
| Policyholder assessments                           |         |         | (0.168) | (0.168) | (0.164) |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Interest credited                                 |         | 0.096   | 0.109   | 0.113   | 0.118   |
| Acq of new business/transfers<br>between segments |         | 1.642   | 0.045   |         |         |
| Int Sensitive Whole Life-Bal End<br>-of -Year     |         | 1.784   | 1.963   | 2.062   | 2.123   |
| -----   |         |         |         |         |         |
| Total Segment- Life Insurance<br>Account Values   |         |         |         |         |         |
| Bal Beg-of-Year                                   | 2.869   | 3.038   | 9.243   | 10.217  | 10.847  |
| Deposits  | 0.384   | 1.207   | 1.698   | 1.884   | 1.934   |
| Withdrawals & deaths                              | (0.439) | (1.095) | (0.713) | (0.727) | (0.771) |
| Net cash flows                                    | (0.056) | 0.113   | 0.985   | 1.158   | 1.163   |
| Policyholder assessments                          |         |         | (0.795) | (0.893) | (0.931) |
| Invest inc & change in market<br>value            | 0.225   | 0.551   | 0.849   | 0.364   | 0.299   |
| Acq of new business/transfers<br>between segments |         | 5.542   | (0.065) |         |         |
| Total Segment -Bal End-of-Year                    | 3.038   | 9.243   | 10.217  | 10.847  | 11.377  |
|   | =====   | =====   | =====   | =====   | =====   |

(1) Includes fixed investment option of VUL products.

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

| For the Quarter Ended                             | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
|---|-------------|-------------|-------------|-------------|-------------|
|   | -----       | -----       | -----       | -----       | -----       |
| Universal Life-Bal Beg-of-Quarter                 | 6.519       | 6.650       | 6.729       | 6.782       | 6.878       |
| Deposits  | 0.306       | 0.252       | 0.212       | 0.227       | 0.265       |
| Withdrawals & deaths                              | (0.124)     | (0.121)     | (0.111)     | (0.080)     | (0.114)     |
| Net cash flows                                    | 0.182       | 0.131       | 0.101       | 0.146       | 0.151       |
| Policyholder assessments                          | (0.145)     | (0.145)     | (0.143)     | (0.146)     | (0.150)     |
| Interest credited                                 | 0.093       | 0.093       | 0.095       | 0.096       | 0.097       |
| Acq of new business/transfers<br>between segments |             |             |             | 0.000       |             |
| Universal Life-Bal End-of-Quarter (1)             | 6.650       | 6.729       | 6.782       | 6.878       | 6.976       |
| Variable Universal Life-Bal Beg<br>of Quarter     | 1.285       | 1.605       | 1.771       | 1.764       | 1.812       |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Deposits   | 0.107   | 0.112   | 0.128   | 0.123   | 0.245   |
| Withdrawals & deaths   | (0.025) | (0.019) | (0.028) | (0.037) | (0.048) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows   | 0.082   | 0.093   | 0.100   | 0.085   | 0.197   |
| Policyholder assessments   | (0.024) | (0.032) | (0.033) | (0.036) | (0.041) |
| Invest inc & chg in mkt value                                      | 0.262   | 0.105   | (0.074) | (0.001) | (0.160) |
| Acq of new business/transfers<br>between segments                  |         |         |         | 0.000   |         |
|  | -----   | -----   | -----   | -----   | -----   |
| Variable Universal Life -Bal<br>End-of-Quarter                     | 1.605   | 1.771   | 1.764   | 1.812   | 1.808   |
|  | -----   | -----   | -----   | -----   | -----   |
| Interest Sensitive Whole Life -<br>Bal Beg-of-Quarter              | 1.922   | 1.963   | 1.970   | 1.993   | 2.026   |
|  |         |         |         |         |         |
| Deposits   | 0.113   | 0.060   | 0.071   | 0.079   | 0.113   |
| Withdrawals & deaths   | (0.050) | (0.042) | (0.037) | (0.033) | (0.056) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows   | 0.062   | 0.018   | 0.034   | 0.045   | 0.057   |
| Policyholder assessments   | (0.048) | (0.039) | (0.040) | (0.040) | (0.050) |
| Interest credited  | 0.026   | 0.028   | 0.028   | 0.027   | 0.029   |
| Acq of new business/transfers<br>between segments                  |         |         |         |         |         |
|  | -----   | -----   | -----   | -----   | -----   |
| Int Sensitive Whole Life-Bal<br>End-of-Quarter                     | 1.963   | 1.970   | 1.993   | 2.026   | 2.062   |
|  | -----   | -----   | -----   | -----   | -----   |
| -----  |         |         |         |         |         |
| Total Segment- Life Insurance Account Values<br>Bal Beg-of-Quarter | 9.726   | 10.217  | 10.470  | 10.538  | 10.716  |
|  |         |         |         |         |         |
| Deposits   | 0.526   | 0.424   | 0.411   | 0.428   | 0.622   |
| Withdrawals & deaths   | (0.199) | (0.182) | (0.176) | (0.151) | (0.218) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows   | 0.327   | 0.242   | 0.235   | 0.277   | 0.404   |
| Policyholder assessments   | (0.216) | (0.215) | (0.216) | (0.221) | (0.241) |
| Invest inc & change in market<br>value                             | 0.381   | 0.227   | 0.048   | 0.123   | (0.033) |
| Acq of new business/transfers<br>between segments                  | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |
|  | -----   | -----   | -----   | -----   | -----   |
| Total Segment -Bal End-of-Quarter                                  | 10.217  | 10.470  | 10.538  | 10.716  | 10.847  |
|  | =====   | =====   | =====   | =====   | =====   |
| -----  |         |         |         |         |         |
| For the Quarter Ended  | Jun     | Sep     | Dec     | Mar     | Jun     |
|  | 2001    | 2001    | 2001    | 2002    | 2002    |
|  | -----   | -----   | -----   | -----   | -----   |
| Universal Life-Bal Beg-of-Quarter                                  | 7.063   | 7.216   | 7.315   | 7.508   | 7.622   |
|  |         |         |         |         |         |
| Deposits   | 0.270   | 0.233   | 0.314   | 0.248   | 0.364   |
| Withdrawals & deaths   | (0.071) | (0.085) | (0.073) | (0.098) | (0.096) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net cash flows   | 0.199   | 0.147   | 0.241   | 0.150   | 0.268   |
| Policyholder assessments   | (0.147) | (0.150) | (0.153) | (0.158) | (0.158) |
| Interest credited  | 0.100   | 0.102   | 0.105   | 0.104   | 0.106   |
| Acq of new business/transfers                                      |         |         |         |         |         |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| between segments  | 0.000   |         |         | 0.018   |         |
| Universal Life-Bal End-of-Quarter (1)                           | 7.216   | 7.315   | 7.508   | 7.622   | 7.838   |
| Variable Universal Life-Bal Beg of Quarter                      | 1.633   | 1.766   | 1.527   | 1.746   | 1.919   |
| Deposits  | 0.138   | 0.124   | 0.186   | 0.129   | 0.147   |
| Withdrawals & deaths  | (0.060) | (0.055) | (0.088) | (0.055) | (0.057) |
| Net cash flows  | 0.078   | 0.069   | 0.098   | 0.074   | 0.090   |
| Policyholder assessments  | (0.041) | (0.042) | (0.045) | (0.047) | (0.046) |
| Invest inc & chg in mkt value                                   | 0.096   | (0.266) | 0.166   | 0.013   | (0.186) |
| Acq of new business/transfers between segments                  | 0.000   | 0.000   |         | 0.132   |         |
| Variable Universal Life -Bal End-of-Quarter                     | 1.766   | 1.527   | 1.746   | 1.919   | 1.776   |
| Interest Sensitive Whole Life - Bal Beg-of-Quarter              | 2.068   | 2.084   | 2.096   | 2.123   | 2.126   |
| Deposits  | 0.069   | 0.077   | 0.105   | 0.063   | 0.066   |
| Withdrawals & deaths  | (0.043) | (0.054) | (0.061) | (0.051) | (0.039) |
| Net cash flows  | 0.027   | 0.022   | 0.044   | 0.012   | 0.026   |
| Policyholder assessments  | (0.040) | (0.041) | (0.047) | (0.042) | (0.039) |
| Interest credited   | 0.030   | 0.030   | 0.030   | 0.033   | 0.032   |
| Acq of new business/transfers between segments                  |         |         |         |         |         |
| Int Sensitive Whole Life-Bal End-of-Quarter                     | 2.084   | 2.096   | 2.123   | 2.126   | 2.145   |
| -----   |         |         |         |         |         |
| Total Segment- Life Insurance Account Values Bal Beg-of-Quarter | 10.764  | 11.066  | 10.939  | 11.377  | 11.667  |
| Deposits  | 0.477   | 0.434   | 0.605   | 0.440   | 0.577   |
| Withdrawals & deaths  | (0.173) | (0.195) | (0.222) | (0.204) | (0.192) |
| Net cash flows  | 0.304   | 0.239   | 0.383   | 0.236   | 0.385   |
| Policyholder assessments  | (0.228) | (0.232) | (0.246) | (0.246) | (0.244) |
| Invest inc & change in market value                             | 0.226   | (0.134) | 0.301   | 0.151   | (0.049) |
| Acq of new business/transfers between segments                  | 0.000   | 0.000   | 0.000   | 0.150   | 0.000   |
| Total Segment -Bal End-of-Quarter                               | 11.066  | 10.939  | 11.377  | 11.667  | 11.759  |

(1) Includes fixed investment option of VUL products.

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Investment Management  
Income Statements  
Unaudited [Millions of Dollars]

| For the Year Ended December 31    | 1997  | 1998  | 1999  | 2000  | 2001  |
|-----------------------------------|-------|-------|-------|-------|-------|
|                                   | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue                 |       |       |       |       |       |
| Investment advisory fees -        |       |       |       |       |       |
| External                          | 229.9 | 249.0 | 248.6 | 231.6 | 197.2 |
| Investment advisory fees -        |       |       |       |       |       |
| Insurance Assets                  | 68.5  | 82.5  | 83.6  | 88.9  | 87.5  |
| Other revenue and fees            | 76.3  | 92.5  | 106.6 | 115.9 | 99.2  |
| Net investment income             | 72.8  | 67.0  | 56.9  | 57.7  | 53.6  |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Operating Revenue                 | 447.5 | 491.0 | 495.6 | 494.2 | 437.4 |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Operating Benefits and Expenses   |       |       |       |       |       |
| Underwriting, acquisition,        |       |       |       |       |       |
| insurance and other expenses*:    |       |       |       |       |       |
| Operating and administrative      |       |       |       |       |       |
| expenses                          | 366.2 | 366.9 | 350.2 | 375.4 | 364.8 |
| Taxes, licenses and fees          | 12.4  | 15.9  | 16.4  | 17.1  | 22.2  |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Subtotal                          | 378.5 | 382.7 | 366.6 | 392.5 | 387.0 |
| Other intangibles amortization    | 17.6  | 18.8  | 17.7  | 16.3  | 10.8  |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition,  |       |       |       |       |       |
| insurance and other expenses      | 396.1 | 401.5 | 384.3 | 408.7 | 397.8 |
| Goodwill amortization             | 15.5  | 16.3  | 16.2  | 16.2  | 16.2  |
| Interest                          | 0.1   | 0.4   | 0.0   | 0.0   | 0.0   |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Operating Benefits and Expenses   | 411.8 | 418.2 | 400.5 | 425.0 | 414.1 |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Income from Operations Before Tax | 35.8  | 72.8  | 95.1  | 69.2  | 23.4  |
| Federal income taxes              | 17.7  | 28.9  | 34.1  | 25.1  | 8.7   |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Income from Operations            | 18.1  | 43.9  | 61.0  | 44.1  | 14.6  |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Realized gains (losses) on        |       |       |       |       |       |
| investments                       | 7.0   | 0.5   | (0.1) | (2.5) | (2.4) |
| Gains (losses) on derivatives     |       |       |       |       | 0.0   |
| Restructuring charges             | 0.0   | 0.0   | (9.2) | (4.6) | (0.4) |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Income before Accounting Changes  | 25.1  | 44.4  | 51.6  | 37.0  | 11.9  |
| Cumulative effect of accounting   |       |       |       |       |       |
| changes                           |       |       |       |       | (0.1) |
|                                   | ----- | ----- | ----- | ----- | ----- |
| Net Income                        | 25.1  | 44.4  | 51.6  | 37.0  | 11.8  |
|                                   | ===== | ===== | ===== | ===== | ===== |
| Income from Operations-           |       |       |       |       |       |
| before Goodwill Amortization      | 33.6  | 60.3  | 77.2  | 60.3  | 30.9  |
| before Goodwill & Intang. Amort   | 45.2  | 72.6  | 88.7  | 70.9  | 37.9  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Net Income -before Goodwill                  |       |       |       |       |       |
| Amortization                                 | 40.6  | 60.8  | 67.9  | 53.2  | 28.0  |
| Net Income -before Goodwill & Intang. Amort. | 52.2  | 73.1  | 79.4  | 63.8  | 35.0  |
| Operating Revenue                            | 447.5 | 491.0 | 495.6 | 494.2 | 437.4 |
| Realized gains (losses) on investments       | 11.6  | 0.9   | (0.1) | (3.9) | (3.7) |
| Gains (losses) on derivatives                | ----- | ----- | ----- | ----- | ----- |
| Total Revenue                                | 459.1 | 491.9 | 495.5 | 490.3 | 433.7 |
|  | ===== | ===== | ===== | ===== | ===== |
| Average Capital (Securities at Cost)         | 653.3 | 642.3 | 593.9 | 575.2 | 543.7 |
| Return on Capital                            | 2.8%  | 6.8%  | 10.3% | 7.7%  | 2.7%  |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

Investment Management  
Income Statements  
Unaudited [Millions of Dollars]

| For the Quarter Ended   | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
|---|-------------|-------------|-------------|-------------|-------------|
|   | -----       | -----       | -----       | -----       | -----       |
| Operating Revenue   |             |             |             |             |             |
| Investment advisory fees - External                           | 60.3        | 60.0        | 57.9        | 56.9        | 56.7        |
| Investment advisory fees - Insurance Assets                   | 22.1        | 21.0        | 22.3        | 22.5        | 23.1        |
| Other revenue and fees  | 29.8        | 31.9        | 31.0        | 26.4        | 26.6        |
| Net investment income   | 13.9        | 13.0        | 12.6        | 18.3        | 13.8        |
|   | -----       | -----       | -----       | -----       | -----       |
| Operating Revenue   | 26.1        | 126.0       | 123.8       | 124.1       | 120.2       |
|   | -----       | -----       | -----       | -----       | -----       |
| Operating Benefits and Expenses                               |             |             |             |             |             |
| Underwriting, acquisition, insurance and other expenses*:     |             |             |             |             |             |
| Operating and administrative expenses                         | 88.4        | 92.7        | 90.5        | 96.3        | 95.9        |
| Taxes, licenses and fees                                      | 3.6         | 5.5         | 4.8         | 3.6         | 3.2         |
|   | -----       | -----       | -----       | -----       | -----       |
| Subtotal  | 92.0        | 98.2        | 95.3        | 99.9        | 99.1        |
| Other intangibles amortization                                | 4.4         | 4.4         | 4.0         | 4.0         | 4.0         |
|   | -----       | -----       | -----       | -----       | -----       |
| Total underwriting, acquisition, insurance and other expenses | 96.3        | 102.5       | 99.3        | 103.9       | 103.0       |
| Goodwill amortization   | 4.1         | 4.1         | 4.1         | 4.1         | 4.1         |
| Interest  | 0.0         | 0.0         | 0.0         | 0.0         | (0.0)       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Operating Benefits & Expenses                  | 100.4       | 106.6       | 103.3       | 107.9       | 107.1       |
| Income from Operations Before Tax              | 25.7        | 19.4        | 20.5        | 16.2        | 13.1        |
| Federal income taxes                           | 9.1         | 7.0         | 7.4         | 6.3         | 4.4         |
| Income from Operations                         | 16.5        | 12.4        | 13.1        | 9.9         | 8.7         |
| Realized gains (losses) on investments         | 0.4         | (0.1)       | (2.0)       | (0.2)       | (0.2)       |
| Gains (losses) on derivatives                  |             |             |             |             |             |
| Restructuring charges                          | 2.9         | 0.0         | (2.7)       | 0.0         | (1.9)       |
| Income before Accounting Changes               | 19.8        | 12.3        | 8.4         | 9.7         | 6.6         |
| Cumulative effect of accounting changes        |             |             |             |             |             |
| Net Income                                     | 19.8        | 12.3        | 8.4         | 9.7         | 6.6         |
| Inc from Oper -before Goodwill Amortization    | 20.6        | 16.5        | 17.1        | 14.0        | 12.7        |
| Inc from Oper -before Goodwill & Intang. Amort | 23.3        | 19.4        | 19.7        | 16.6        | 15.2        |
| Net Income -before Goodwill Amortization       | 23.9        | 16.4        | 12.4        | 13.7        | 10.6        |
| Net Income -before Goodwill & Intang. Amort    | 26.6        | 19.2        | 15.0        | 16.3        | 13.1        |
| Operating Revenue                              | 126.1       | 126.0       | 123.8       | 124.1       | 120.2       |
| Realized gains (losses) on investments         | 0.6         | (0.2)       | (3.1)       | (0.4)       | (0.3)       |
| Gains (losses) on derivatives                  |             |             |             |             |             |
| Total Revenue                                  | 126.6       | 125.8       | 120.7       | 123.8       | 120.0       |
| Average Capital (Securities at Cost)           | 84.2        | 581.5       | 593.0       | 567.7       | 558.5       |
| Return on Capital                              | 11.3%       | 8.6%        | 8.8%        | 7.0%        | 6.2%        |
| For the Quarter Ended                          | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 |
| Operating Revenue                              |             |             |             |             |             |
| Investment advisory fees - External            | 51.1        | 46.2        | 49.3        | 48.0        | 47.8        |
| Investment advisory fees - Insurance Assets    | 21.6        | 21.8        | 22.0        | 21.2        | 20.7        |
| Other revenue and fees                         | 25.7        | 23.9        | 23.4        | 23.0        | 22.0        |
| Net investment income                          | 13.0        | 13.6        | 12.8        | 12.8        | 12.7        |
| Operating Revenue                              | 111.4       | 105.5       | 107.6       | 105.1       | 103.1       |
| Operating Benefits and Expenses                |             |             |             |             |             |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Underwriting, acquisition,<br>insurance and other expenses*:<br>Operating and administrative<br>expenses | 94.1  | 88.0  | 88.4  | 86.9  | 87.6  |
| Taxes, licenses and fees   | 5.3   | 4.8   | 5.7   | 6.3   | 5.3   |
|  | ----- | ----- | ----- | ----- | ----- |
| Subtotal   | 99.4  | 92.8  | 94.1  | 93.2  | 92.9  |
| Other intangibles amortization   | 2.3   | 2.3   | 2.3   | 2.2   | 2.0   |
|  | ----- | ----- | ----- | ----- | ----- |
| Total underwriting, acquisition,<br>insurance and other expenses   | 101.6 | 95.1  | 96.4  | 95.4  | 95.0  |
| Goodwill amortization  | 4.1   | 4.1   | 4.1   | 0.0   | 0.0   |
| Interest   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
|  | ----- | ----- | ----- | ----- | ----- |
| Operating Benefits & Expenses  | 105.7 | 99.2  | 100.4 | 95.4  | 95.0  |
|  | ----- | ----- | ----- | ----- | ----- |
| Income from Operations Before Tax  | 5.7   | 6.3   | 7.1   | 9.7   | 8.1   |
| Federal income taxes   | 2.0   | 2.9   | 2.1   | 1.7   | 1.5   |
|  | ----- | ----- | ----- | ----- | ----- |
| Income from Operations   | 3.7   | 3.5   | 5.1   | 8.0   | 6.6   |
|  | ----- | ----- | ----- | ----- | ----- |
| Realized gains (losses) on<br>investments  | (0.7) | (0.5) | (0.7) | (1.0) | (0.4) |
| Gains (losses) on derivatives  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Restructuring charges  | 0.0   | 0.0   | (0.4) | 0.0   | 0.0   |
|  | ----- | ----- | ----- | ----- | ----- |
| Income before Accounting Changes   | 3.0   | 2.9   | 4.0   | 7.0   | 6.2   |
| Cumulative effect of accounting<br>changes   | (0.1) | 0.0   | 0.0   | 0.0   | 0.0   |
|  | ----- | ----- | ----- | ----- | ----- |
| Net Income   | 2.9   | 2.9   | 4.0   | 7.0   | 6.2   |
|  | ===== | ===== | ===== | ===== | ===== |
| Inc from Oper -before<br>Goodwill Amortization   | 7.7   | 7.5   | 9.1   | 8.0   | 6.6   |
| Inc from Oper -before<br>Goodwill & Intang. Amort  | 9.2   | 9.0   | 10.6  | 9.4   | 7.9   |
| Net Income -before<br>Goodwill Amortization  | 6.9   | 7.0   | 8.1   | 7.0   | 6.2   |
| Net Income -before<br>Goodwill & Intang. Amort   | 8.4   | 8.5   | 9.5   | 8.4   | 7.5   |
| Operating Revenue  | 111.4 | 105.5 | 107.6 | 105.1 | 103.1 |
| Realized gains (losses) on<br>investments  | (1.1) | (0.8) | (1.1) | (1.5) | (0.7) |
| Gains (losses) on derivatives  |       |       |       |       |       |
|  | ----- | ----- | ----- | ----- | ----- |
| Total Revenue  | 110.3 | 104.7 | 106.5 | 103.5 | 102.4 |
|  | ===== | ===== | ===== | ===== | ===== |
| Average Capital (Securities at<br>Cost)  | 542.8 | 543.1 | 540.6 | 546.1 | 568.6 |
| Return on Capital  | 2.7%  | 2.5%  | 3.8%  | 5.8%  | 4.6%  |

\* Does not include restructuring charges which is consistent with the definition of "Income from (see page 5).

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

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

|  | 1997    | 1998    | 1999    | 2000    | 2001    |       |
|--|---------|---------|---------|---------|---------|-------|
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Retail Fixed - Bal Beg-of-Year                             | 5.853   | 8.125   | 8.217   | 7.423   | 6.608   | 6     |
| Fund Sales   | 0.961   | 1.165   | 0.991   | 0.770   | 0.876   | 0     |
| Redemptions  | (1.271) | (1.235) | (1.424) | (1.401) | (1.050) | (0)   |
| Net Money Market   | (0.069) | (0.140) | (0.110) | (0.207) | (0.047) | (0)   |
| Transfers  | (0.220) | 0.132   | 0.177   | (0.168) | 0.403   | 0     |
| Net Cash Flows(1)  | (0.599) | (0.078) | (0.366) | (1.006) | 0.183   | 0     |
| Market   | 0.324   | 0.170   | (0.428) | 0.097   | 0.329   | 0     |
| Acquisitions/addition of Assets<br>under Administration(1) | 2.547   |         |         | 0.094   |         |       |
| Balance End-of-Year  | 8.125   | 8.217   | 7.423   | 6.608   | 7.120   | 7     |
| Retail Equity - Bal Beg-of-Year                            | 13.152  | 17.754  | 22.080  | 23.384  | 21.523  | 21    |
| Fund Sales   | 2.953   | 3.581   | 3.271   | 4.116   | 2.816   | 2     |
| Redemptions  | (1.926) | (2.460) | (4.971) | (4.431) | (2.839) | (2)   |
| Net Money Market   | 0.000   | (0.002) | (0.001) | 0.001   | 0.000   | (0)   |
| Transfers  | 0.209   | 0.730   | (0.143) | (0.178) | (0.538) | (0)   |
| Net Cash Flows(1)  | 1.236   | 1.849   | (1.844) | (0.493) | (0.561) | (0)   |
| Market   | 3.323   | 2.476   | 3.148   | (1.710) | (2.974) | (5)   |
| Acquisitions/addition of Assets<br>under Administration(1) | 0.043   |         |         | 0.342   |         |       |
| Balance at End-of-Year                                     | 17.754  | 22.080  | 23.384  | 21.523  | 17.987  | 15    |
| Total Retail - Bal Beg-of-Year                             | 19.005  | 25.879  | 30.297  | 30.807  | 28.130  | 28    |
| Retail Sales-Annuities                                     | 2.163   | 2.238   | 1.561   | 1.782   | 1.702   | 1     |
| Retail Sales-Mutual Funds                                  | 1.218   | 1.913   | 2.153   | 2.578   | 1.522   | 1     |
| Retail Sales-Managed Acct. &<br>Other                      | 0.533   | 0.596   | 0.550   | 0.525   | 0.468   | 0     |
| Total Retail Sales   | 3.914   | 4.747   | 4.264   | 4.886   | 3.692   | 2     |
| Redemptions  | (3.197) | (3.695) | (6.395) | (5.833) | (3.889) | (3)   |
| Net Money Market   | (0.068) | (0.141) | (0.111) | (0.206) | (0.047) | (0)   |
| Transfers  | (0.011) | 0.862   | 0.034   | (0.346) | (0.135) | (0)   |
| Net Cash Flows(1)  | 0.637   | 1.773   | (2.208) | (1.499) | (0.379) | (0)   |
| Market   | 3.647   | 2.647   | 2.720   | (1.613) | (2.645) | (4)   |
| Acquisitions/addition of Assets<br>under Administration(1) | 2.590   |         |         | 0.435   |         |       |
| Balance at End-of-Year                                     | 25.879  | 30.297  | 30.807  | 28.130  | 25.107  | 23    |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                                   |         |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
| Institutional Fixed - Bal         |         |         |         |         |         |         |
| Beg-of-Year                       | 3.580   | 5.708   | 6.955   | 6.936   | 6.111   | 6.111   |
| Inflows                           | 2.509   | 2.169   | 2.000   | 0.771   | 0.643   | 0.643   |
| Withdrawals/Terminations          | (0.787) | (1.242) | (1.699) | (1.973) | (1.228) | (1.228) |
| Transfers                         | 0.013   | (0.074) | (0.001) | (0.005) | 0.017   | 0.017   |
| Net Cash Flows                    | 1.735   | 0.853   | 0.300   | (1.207) | (0.568) | (0.568) |
| Market                            | 0.343   | 0.394   | (0.319) | 0.382   | (0.053) | (0.053) |
| Acquisitions                      | 0.051   |         |         |         |         |         |
| Balance at End-of-Year            | 5.708   | 6.955   | 6.936   | 6.111   | 5.490   | 5.490   |
| Institutional Equity - Bal        |         |         |         |         |         |         |
| Beg-of-Year                       | 22.886  | 24.871  | 24.235  | 23.631  | 19.112  | 19.112  |
| Inflows                           | 2.465   | 3.840   | 5.248   | 2.730   | 3.182   | 3.182   |
| Withdrawals/Terminations          | (6.447) | (7.441) | (7.801) | (7.209) | (2.878) | (2.878) |
| Transfers                         | (0.068) | 0.047   | 0.011   | (0.008) | 0.036   | 0.036   |
| Net Cash Flows                    | (4.049) | (3.555) | (2.542) | (4.487) | 0.340   | 0.340   |
| Market                            | 6.035   | 2.919   | 1.938   | (0.032) | (1.638) | (1.638) |
| Acquisitions                      |         |         |         |         |         |         |
| Balance at End-of-Year            | 24.871  | 24.235  | 23.631  | 19.112  | 17.814  | 17.814  |
| Total Institutional - Bal         |         |         |         |         |         |         |
| Beg-of-Year                       | 26.465  | 30.579  | 31.191  | 30.568  | 25.223  | 25.223  |
| Inflows                           | 4.975   | 6.009   | 7.248   | 3.501   | 3.825   | 3.825   |
| Withdrawals/Terminations          | (7.234) | (8.683) | (9.500) | (9.182) | (4.106) | (4.106) |
| Transfers                         | (0.055) | (0.027) | 0.010   | (0.014) | 0.053   | 0.053   |
| Net Cash Flows                    | (2.314) | (2.702) | (2.242) | (5.694) | (0.228) | (0.228) |
| Market                            | 6.377   | 3.313   | 1.619   | 0.350   | (1.691) | (1.691) |
| Acquisitions                      | 0.051   |         |         |         |         |         |
| Balance at End-of-Year            | 30.579  | 31.191  | 30.568  | 25.223  | 23.304  | 23.304  |
| Total Retail/Institutional - At   |         |         |         |         |         |         |
| End-of-Year                       | 56.458  | 61.488  | 61.375  | 53.354  | 48.411  | 48.411  |
| Insurance Assets - At End-of-Year | 35.684  | 39.432  | 35.934  | 35.686  | 38.119  | 38.119  |
| Total Assets Under Management     |         |         |         |         |         |         |
| At End-of-Year                    | 92.142  | 100.920 | 97.309  | 89.040  | 86.530  | 86.530  |

(1) Retail assets under management have been restated to include assets under administration for which the segment receives asset based revenues beginning in January of 2000. Net Cash Flows Assets Under Administration are:

0.018 0.081 0



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  | Assets Under Management Roll Forward |             |             |             |             |       |
|--|--------------------------------------|-------------|-------------|-------------|-------------|-------|
|  | Unaudited [Billions of Dollars]      |             |             |             |             |       |
|  | Dec<br>1999                          | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |       |
|  | -----                                | -----       | -----       | -----       | -----       | ----- |
| Retail Fixed - Bal-Beg-of-Qtr                      | 7.680                                | 7.424       | 7.057       | 6.764       | 6.631       | 6     |
| Fund Sales   | 0.181                                | 0.168       | 0.166       | 0.223       | 0.212       | 0     |
| Redemptions  | (0.403)                              | (0.456)     | (0.339)     | (0.328)     | (0.277)     | (0)   |
| Net Money Market                                   | (0.030)                              | (0.067)     | (0.058)     | (0.031)     | (0.051)     | 0     |
| Transfers  | 0.154                                | (0.102)     | (0.046)     | (0.031)     | 0.010       | 0     |
| Net Cash Flows(1)                                  | (0.098)                              | (0.457)     | (0.277)     | (0.167)     | (0.106)     | 0     |
| Market   | (0.158)                              | (0.003)     | (0.017)     | 0.035       | 0.081       | 0     |
| Acquisitions/addition of Assets<br>under Admin.(1) | 0.000                                | 0.094       | 0.000       | 0.000       | 0.000       | 0     |
| Balance at End-of-Qtr                              | 7.424                                | 7.057       | 6.764       | 6.631       | 6.606       | 6     |
| Retail Equity - Bal-Beg-of-Qtr                     | 20.873                               | 23.383      | 24.478      | 23.496      | 24.047      | 21    |
| Fund Sales   | 0.894                                | 1.234       | 0.884       | 0.927       | 1.071       | 0     |
| Redemptions  | (1.120)                              | (1.565)     | (0.989)     | (1.040)     | (0.837)     | (0)   |
| Net Money Market                                   | 0.000                                | 0.000       | 0.000       | 0.001       | 0.000       | 0     |
| Transfers  | (0.086)                              | (0.091)     | 0.018       | (0.036)     | (0.069)     | (0)   |
| Net Cash Flows(1)                                  | (0.312)                              | (0.423)     | (0.087)     | (0.148)     | 0.165       | (0)   |
| Market   | 2.822                                | 1.176       | (0.895)     | 0.699       | (2.689)     | (3)   |
| Acquisitions/addition of Assets<br>under Admin.(1) | 0.000                                | 0.342       | 0.000       | 0.000       | 0.000       | 0     |
| Balance at End-of-Qtr                              | 23.383                               | 24.478      | 23.496      | 24.047      | 21.523      | 18    |
| Total Retail - Bal-Beg-of-Qtr                      | 28.553                               | 30.807      | 31.535      | 30.260      | 30.679      | 28    |
| Retail Sales-Annuities                             | 0.409                                | 0.379       | 0.358       | 0.456       | 0.589       | 0     |
| Retail Sales-Mutual Funds                          | 0.587                                | 0.876       | 0.586       | 0.554       | 0.562       | 0     |
| Retail Sales-Managed Acct. &<br>Other              | 0.079                                | 0.148       | 0.106       | 0.140       | 0.131       | 0     |
| Total Retail Sales                                 | 1.075                                | 1.403       | 1.050       | 1.150       | 1.283       | 1     |
| Redemptions  | (1.523)                              | (2.021)     | (1.329)     | (1.368)     | (1.114)     | (1)   |
| Net Money Market                                   | (0.030)                              | (0.067)     | (0.058)     | (0.030)     | (0.051)     | 0     |
| Transfers  | 0.068                                | (0.193)     | (0.027)     | (0.067)     | (0.059)     | (0)   |
| Net Cash Flows(1)                                  | (0.410)                              | (0.879)     | (0.364)     | (0.315)     | 0.059       | (0)   |
| Market   | 2.664                                | 1.173       | (0.911)     | 0.734       | (2.608)     | (3)   |
| Acquisitions/addition of Assets<br>under Admin.(1) | 0.000                                | 0.435       | 0.000       | 0.000       | 0.000       | 0     |
| Balance at End-of-Qtr                              | 30.807                               | 31.535      | 30.260      | 30.679      | 28.130      | 25    |
| Institutional Fixed -<br>Bal-Beg-of-Qtr            | 7.218                                | 6.937       | 6.873       | 6.485       | 6.276       | 6     |
| Inflows  | 0.420                                | 0.180       | 0.148       | 0.308       | 0.135       | 0     |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |             |             |             |             |             |         |
|--|-------------|-------------|-------------|-------------|-------------|---------|
| Withdrawals/Terminations                           | (0.781)     | (0.353)     | (0.520)     | (0.532)     | (0.568)     | (0.781) |
| Transfers  | 0.001       | (0.005)     | (0.001)     | 0.000       | 0.001       | 0.001   |
| Net Cash Flows                                     | (0.360)     | (0.178)     | (0.373)     | (0.224)     | (0.433)     | (0.360) |
| Market   | 0.079       | 0.114       | (0.015)     | 0.015       | 0.269       | 0.079   |
| Balance at End-of-Qtr                              | 6.937       | 6.873       | 6.485       | 6.276       | 6.112       | 5.957   |
| Institutional Equity -<br>Bal-Beg-of-Qtr           | 23.098      | 23.631      | 20.304      | 20.241      | 19.044      | 19.044  |
| Inflows  | 0.934       | 0.904       | 0.669       | 0.407       | 0.750       | 0.934   |
| Withdrawals/Terminations                           | (2.043)     | (3.333)     | (1.354)     | (1.154)     | (1.368)     | (2.043) |
| Transfers  | (0.010)     | (0.004)     | 0.002       | (0.013)     | 0.007       | (0.010) |
| Net Cash Flows                                     | (1.119)     | (2.433)     | (0.683)     | (0.760)     | (0.611)     | (1.119) |
| Market   | 1.652       | (0.894)     | 0.620       | (0.438)     | 0.680       | 1.652   |
| Balance at End-of-Qtr                              | 23.631      | 20.304      | 20.241      | 19.044      | 19.113      | 17.494  |
| Total Institutional -<br>Bal-Beg-of-Qtr            | 30.316      | 30.568      | 27.177      | 26.726      | 25.320      | 25.320  |
| Inflows  | 1.354       | 1.084       | 0.817       | 0.715       | 0.885       | 1.354   |
| Withdrawals/Terminations                           | (2.824)     | (3.686)     | (1.874)     | (1.686)     | (1.936)     | (2.824) |
| Transfers  | (0.009)     | (0.009)     | 0.001       | (0.012)     | 0.008       | (0.009) |
| Net Cash Flows                                     | (1.479)     | (2.611)     | (1.056)     | (0.983)     | (1.043)     | (1.479) |
| Market   | 1.731       | (0.780)     | 0.605       | (0.423)     | 0.949       | 1.731   |
| Balance at End-of-Qtr                              | 30.568      | 27.177      | 26.726      | 25.320      | 25.225      | 23.746  |
| Total Retail/Inst - At End-of-Qtr                  | 61.375      | 58.712      | 56.986      | 55.998      | 53.355      | 48.240  |
| Insurance Assets-End-of-Qtr                        | 35.934      | 35.541      | 34.891      | 34.981      | 35.686      | 36.000  |
| Total Assets Under Management<br>At End-of-Qtr     | 97.309      | 94.253      | 91.877      | 90.979      | 89.041      | 84.240  |
|  |             | 0.006       | 0.000       | 0.011       | 0.001       | 0.000   |
|  | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 |         |
| Retail Fixed - Bal-Beg-of-Qtr                      | 6.750       | 6.767       | 7.205       | 7.120       | 7.087       | 7.087   |
| Fund Sales   | 0.204       | 0.206       | 0.218       | 0.292       | 0.272       | 0.204   |
| Redemptions  | (0.286)     | (0.262)     | (0.242)     | (0.291)     | (0.306)     | (0.286) |
| Net Money Market                                   | (0.030)     | 0.005       | (0.031)     | (0.003)     | (0.002)     | (0.030) |
| Transfers  | (0.003)     | 0.388       | (0.027)     | (0.040)     | 0.021       | (0.003) |
| Net Cash Flows(1)                                  | (0.115)     | 0.337       | (0.083)     | (0.042)     | (0.015)     | (0.115) |
| Market   | 0.131       | 0.101       | (0.002)     | 0.009       | 0.096       | 0.131   |
| Acquisitions/addition of Assets<br>under Admin.(1) | 0.000       | 0.000       | 0.000       | 0.000       | 0.000       | 0.000   |
| Balance at End-of-Qtr                              | 6.767       | 7.205       | 7.120       | 7.087       | 7.168       | 7.087   |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Retail Equity - Bal-Beg-of-Qtr                  | 18.254  | 19.754  | 15.871  | 17.988  | 18.254  | 16.610  |
| Fund Sales                                      | 0.681   | 0.638   | 0.580   | 0.910   | 1.084   | 1.084   |
| Redemptions                                     | (0.667) | (0.654) | (0.607) | (0.791) | (0.881) | (0.881) |
| Net Money Market                                | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |
| Transfers                                       | (0.046) | (0.441) | 0.019   | 0.014   | (0.022) | (0.022) |
| Net Cash Flows(1)                               | (0.032) | (0.456) | (0.008) | 0.133   | 0.182   | 0.182   |
| Market  | 1.532   | (3.427) | 2.125   | 0.134   | (1.826) | (1.826) |
| Acquisitions/addition of Assets under Admin.(1) | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |
| Balance at End-of-Qtr                           | 19.754  | 15.871  | 17.988  | 18.254  | 16.610  | 13.254  |
| Total Retail - Bal-Beg-of-Qtr                   | 25.004  | 26.521  | 23.076  | 25.108  | 25.342  | 23.076  |
| Retail Sales-Annuities                          | 0.403   | 0.434   | 0.324   | 0.590   | 0.601   | 0.601   |
| Retail Sales-Mutual Funds                       | 0.354   | 0.335   | 0.348   | 0.452   | 0.562   | 0.562   |
| Retail Sales-Managed Acct. & Other              | 0.127   | 0.074   | 0.126   | 0.160   | 0.194   | 0.194   |
| Total Retail Sales                              | 0.884   | 0.843   | 0.798   | 1.202   | 1.356   | 1.356   |
| Redemptions                                     | (0.952) | (0.915) | (0.850) | (1.082) | (1.186) | (1.186) |
| Net Money Market                                | (0.030) | 0.005   | (0.031) | (0.003) | (0.002) | (0.002) |
| Transfers                                       | (0.049) | (0.053) | (0.008) | (0.027) | (0.001) | (0.001) |
| Net Cash Flows(1)                               | (0.148) | (0.120) | (0.091) | 0.091   | 0.167   | 0.167   |
| Market  | 1.663   | (3.326) | 2.123   | 0.143   | (1.730) | (1.730) |
| Acquisitions/addition of Assets under Admin.(1) | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |
| Balance at End-of-Qtr                           | 26.521  | 23.076  | 25.108  | 25.342  | 23.778  | 21.076  |
| Institutional Fixed - Bal-Beg-of-Qtr            | 5.891   | 5.810   | 5.640   | 5.490   | 6.018   | 6.018   |
| Inflows   | 0.233   | 0.020   | 0.080   | 0.804   | 0.663   | 0.663   |
| Withdrawals/Terminations                        | (0.112) | (0.493) | (0.191) | (0.239) | (0.161) | (0.161) |
| Transfers                                       | 0.010   | 0.001   | 0.002   | (0.001) | 0.000   | 0.000   |
| Net Cash Flows                                  | 0.131   | (0.472) | (0.109) | 0.564   | 0.503   | 0.503   |
| Market  | (0.212) | 0.302   | (0.041) | (0.036) | 0.323   | 0.323   |
| Balance at End-of-Qtr                           | 5.810   | 5.640   | 5.490   | 6.018   | 6.844   | 7.164   |
| Institutional Equity - Bal-Beg-of-Qtr           | 17.312  | 18.406  | 16.241  | 17.814  | 18.641  | 18.641  |
| Inflows   | 0.823   | 0.863   | 0.615   | 0.672   | 0.569   | 0.569   |
| Withdrawals/Terminations                        | (0.501) | (0.555) | (0.624) | (0.512) | (0.635) | (0.635) |
| Transfers                                       | (0.008) | 0.009   | 0.016   | 0.006   | 0.018   | 0.018   |
| Net Cash Flows                                  | 0.314   | 0.317   | 0.007   | 0.166   | (0.047) | (0.047) |
| Market  | 0.780   | (2.482) | 1.566   | 0.661   | (0.477) | (3.019) |
| Balance at End-of-Qtr                           | 18.406  | 16.241  | 17.814  | 18.641  | 18.116  | 14.622  |
| Total Institutional - Bal-Beg-of-Qtr            | 23.203  | 24.216  | 21.881  | 23.304  | 24.659  | 24.659  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                                   |         |         |         |         |         |       |
|-----------------------------------|---------|---------|---------|---------|---------|-------|
| Inflows                           | 1.056   | 0.883   | 0.695   | 1.476   | 1.232   | 1     |
| Withdrawals/Terminations          | (0.613) | (1.048) | (0.815) | (0.751) | (0.796) | (0)   |
| Transfers                         | 0.002   | 0.010   | 0.018   | 0.005   | 0.019   | 0     |
|                                   | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Cash Flows                    | 0.445   | (0.155) | (0.102) | 0.730   | 0.455   | 0     |
| Market                            | 0.568   | (2.180) | 1.525   | 0.625   | (0.154) | (3)   |
|                                   | -----   | -----   | -----   | -----   | -----   | ----- |
| Balance at End-of-Qtr             | 24.216  | 21.881  | 23.304  | 24.659  | 24.960  | 22    |
|                                   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Retail/Inst - At End-of-Qtr | 50.736  | 44.957  | 48.412  | 50.001  | 48.738  | 43    |
|                                   | -----   | -----   | -----   | -----   | -----   | ----- |
| Insurance Assets-End-of-Qtr       | 36.018  | 37.337  | 38.119  | 37.171  | 38.476  | 40    |
|                                   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Assets Under Management     | -----   | -----   | -----   | -----   | -----   | ----- |
| At End-of-Qtr                     | 86.754  | 82.294  | 86.531  | 87.172  | 87.214  | 83    |
|                                   | =====   | =====   | =====   | =====   | =====   | ===== |

(1) Retail assets under management have been restated to include assets under administration for which the segment receives asset based revenues beginning in January of 2000. Net Cash Flows Assets Under Administration are:

|                                  |       |       |       |       |       |   |
|----------------------------------|-------|-------|-------|-------|-------|---|
| Assets Under Administration are: | 0.013 | 0.007 | 0.034 | 0.090 | 0.061 | 0 |
|----------------------------------|-------|-------|-------|-------|-------|---|

Lincoln UK  
Income Statements  
Unaudited [Millions of Dollars]

| For the Year Ended December 31                               | 1997   | 1998   | 1999   | 2000  | 2001  |       |
|--|--------|--------|--------|-------|-------|-------|
|  | -----  | -----  | -----  | ----- | ----- | ----- |
| Operating Revenue  |        |        |        |       |       |       |
| Premiums   | 145.4  | 156.6  | 145.1  | 148.4 | 46.1  |       |
| Mortality assessments  | 25.2   | 29.3   | 27.1   | 31.4  | 33.9  |       |
| Expense assessments  | 166.1  | 153.6  | 182.3  | 178.1 | 134.8 | 1     |
| Other revenue and fees                                       | 3.3    | 11.2   | 13.8   | 6.9   | 1.3   |       |
| Net investment income  | 85.1   | 87.9   | 75.3   | 70.3  | 64.8  |       |
|  | -----  | -----  | -----  | ----- | ----- | ----- |
| Operating Revenue  | 425.2  | 438.6  | 443.6  | 435.0 | 280.9 | 2     |
|  | -----  | -----  | -----  | ----- | ----- | ----- |
| Operating Benefits and Expenses                              |        |        |        |       |       |       |
| Benefits paid or provided:                                   |        |        |        |       |       |       |
| Benefits   | 339.6  | 151.0  | 306.2  | 178.5 | 83.4  |       |
| Underwriting, acquisition,<br>insurance and other expenses*: |        |        |        |       |       |       |
| Commissions  | 58.4   | 52.6   | 54.5   | 37.7  | 10.8  |       |
| Operating and administrative<br>expenses                     | 159.5  | 125.8  | 153.0  | 140.5 | 80.0  |       |
|  | -----  | -----  | -----  | ----- | ----- | ----- |
| Subtotal   | 217.9  | 178.5  | 207.4  | 178.2 | 90.8  |       |
| Deferral of acquisition costs                                | -      | -      | -      | -     | (4.2) |       |
| DAC amortization   | -      | -      | -      | -     | 38.5  |       |
|  | -----  | -----  | -----  | ----- | ----- | ----- |
| DAC deferral net of amortization                             | (33.4) | (16.0) | (12.4) | (2.8) | 34.3  |       |
| PVIF amortization  | -      | 13.2   | 28.4   | 4.7   | 22.5  |       |
| Other intangibles amortization                               | -      | -      | -      | -     | -     |       |
|  | -----  | -----  | -----  | ----- | ----- | ----- |
| Total underwriting, acquisition,                             |        |        |        |       |       |       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |       |        |        |         |       |
|---|---------|-------|--------|--------|---------|-------|
| insurance and other expenses            | 184.5   | 175.6 | 223.5  | 180.0  | 147.6   | 1     |
| Goodwill amortization                   | -       | 6.3   | 7.0    | 4.0    | 0.6     |       |
| Interest                                | -       | -     | -      | -      | -       |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Operating Benefits and Expenses         | 524.1   | 332.9 | 536.7  | 362.6  | 231.7   | 1     |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Income from Operations Before Tax       | (99.0)  | 105.8 | (93.1) | 72.4   | 49.2    |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Federal income taxes                    | 9.3     | 34.8  | (79.2) | 11.3   | (11.1)  |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Income from Operations                  | (108.3) | 70.9  | (13.9) | 61.0   | 60.2    |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Realized gains (losses) on investments  | 1.5     | 0.8   | 2.1    | 2.3    | 8.7     |       |
| Restructuring charges                   | 0.0     | 0.0   | (6.5)  | (76.5) | 0.0     |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Income before Accounting Changes        | (106.8) | 71.7  | (18.2) | (13.2) | 68.9    |       |
| Cumulative effect of accounting changes |         |       |        |        | 0.0     |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Net Income                              | (106.8) | 71.7  | (18.2) | (13.2) | 68.9    |       |
|   | =====   | ===== | =====  | =====  | =====   | ===== |
| Inc from Oper -before Goodwill Amort.   | (108.3) | 77.2  | (6.9)  | 65.1   | 60.9    |       |
| Net Income -before Goodwill Amort.      | (106.8) | 78.0  | (11.3) | (9.2)  | 69.6    |       |
| Effective tax rate                      | (9.4%)  | 32.9% | 85.1%  | 15.7%  | (22.5%) | 1     |
| Operating revenue                       | 425.2   | 438.6 | 443.6  | 435.0  | 280.9   | 2     |
| Realized gains (losses) on investments  | 2.1     | 1.1   | 3.0    | 3.2    | 12.4    |       |
| Gains(losses) on derivatives            | 0.0     | 0.0   | 0.0    | 0.0    | 0.0     |       |
|   | -----   | ----- | -----  | -----  | -----   | ----- |
| Total Revenue                           | 427.3   | 439.7 | 446.6  | 438.2  | 293.3   | 2     |
|   | =====   | ===== | =====  | =====  | =====   | ===== |
| Average capital                         | 618.1   | 517.7 | 551.2  | 488.2  | 559.7   | 5     |
| Return on average capital               | (17.5%) | 13.7% | (2.5%) | 12.5%  | 10.8%   |       |

Roll Forward of Deferred Acquisition Costs

|   |  |  |  |  |        |       |
|---|--|--|--|--|--------|-------|
| Balance at beginning-of-year              |  |  |  |  | 635.0  | 6     |
| Deferral                                  |  |  |  |  | 4.2    |       |
| Amortization                              |  |  |  |  | (38.5) | (     |
|   |  |  |  |  | -----  | ----- |
| Operating                                 |  |  |  |  | (34.3) | (     |
| Foreign currency translation adjustment   |  |  |  |  | (16.0) |       |
| Other                                     |  |  |  |  | 2.7    |       |
|   |  |  |  |  | -----  | ----- |
| Balance at end-of-year                    |  |  |  |  | 587.3  | 5     |
|   |  |  |  |  | =====  | ===== |
| Roll Forward of Present Value of In-Force |  |  |  |  |        |       |
| Balance at beginning-of-year              |  |  |  |  | 273.6  | 2     |
| Amortization                              |  |  |  |  | (22.5) | (     |
| Foreign currency translation adjustment   |  |  |  |  | (7.0)  |       |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                        |       |      |
|------------------------|-------|------|
| Other                  | ----- | ---- |
| Balance at end-of-year | 244.0 | 2    |
|                        | ===== | ==== |

\* Does not include restructuring charges which is consistent with the definition of "Income from (see page 5).

| Lincoln UK<br>Income Statements<br>Unaudited [Millions of Dollars] |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| For the Quarter Ended  | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
|  | -----       | -----       | -----       | -----       | -----       |
| Operating Revenue  |             |             |             |             |             |
| Premiums   | 38.7        | 39.0        | 36.3        | 32.5        | 40.5        |
| Mortality assessments  | 5.0         | 6.3         | 8.0         | 9.6         | 7.5         |
| Expense assessments  | 37.2        | 46.5        | 44.3        | 52.6        | 34.6        |
| Other revenue and fees   | 3.8         | 2.4         | 1.3         | 2.0         | 1.3         |
| Net investment income  | 17.7        | 18.9        | 18.5        | 16.1        | 16.7        |
|  | -----       | -----       | -----       | -----       | -----       |
| Operating Revenue  | 102.4       | 113.2       | 108.4       | 112.8       | 100.6       |
|  | -----       | -----       | -----       | -----       | -----       |
| Operating Benefits and Expenses                                    |             |             |             |             |             |
| Benefits paid or provided:   |             |             |             |             |             |
| Benefits   | 211.8       | 35.0        | 37.4        | 51.9        | 54.2        |
| Underwriting, acquisition,<br>insurance and other expenses*:       |             |             |             |             |             |
| Commissions  | 14.8        | 13.8        | 11.1        | 9.3         | 3.5         |
| Operating and administrative expenses                              | 34.1        | 44.9        | 36.9        | 39.4        | 19.3        |
|  | -----       | -----       | -----       | -----       | -----       |
| Subtotal   | 48.9        | 58.8        | 48.0        | 48.7        | 22.7        |
| Deferral of acquisition costs                                      | -           | -           | -           | -           | -           |
| DAC amortization   | -           | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       | -----       |
| DAC deferral net of amortization                                   | (8.8)       | (3.7)       | (7.6)       | (4.6)       | 13.1        |
| PVIF amortization  | 11.3        | 1.3         | 3.1         | 1.2         | (0.9)       |
| Other intangibles amortization                                     | -           | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       | -----       |
| Total underwriting, acquisition,<br>insurance and other expenses   | 51.4        | 56.4        | 43.5        | 45.2        | 34.9        |
| Goodwill amortization  | 3.3         | 1.3         | 1.3         | 1.2         | 0.2         |
| Interest   | -           | -           | -           | -           | -           |
|  | -----       | -----       | -----       | -----       | -----       |
| Operating Benefits and Expenses                                    | 266.6       | 92.8        | 82.2        | 98.3        | 89.3        |
|  | -----       | -----       | -----       | -----       | -----       |
| Income from Operations Before Tax                                  | (164.2)     | 20.4        | 26.2        | 14.5        | 11.3        |
| Federal income taxes   | (97.1)      | 4.7         | 6.9         | 3.9         | (4.2)       |
|  | -----       | -----       | -----       | -----       | -----       |
| Income from Operations   | (67.1)      | 15.7        | 19.3        | 10.6        | 15.5        |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |       |       |        |         |
|---|---------|-------|-------|--------|---------|
| Realized gains (losses) on investments  | 1.0     | (0.2) | (0.1) | (0.0)  | 2.6     |
| Restructuring charges                   | (6.5)   | 0.0   | 0.0   | (40.5) | (36.1)  |
| Income before Accounting Changes        | (72.6)  | 15.5  | 19.1  | (29.9) | (17.9)  |
| Cumulative effect of accounting changes |         |       |       |        |         |
| Net Income                              | (72.6)  | 15.5  | 19.1  | (29.9) | (17.9)  |
| Inc from Oper -before Goodwill Amort.   | (63.8)  | 17.1  | 20.5  | 11.8   | 15.7    |
| Net Income -before Goodwill Amort.      | (69.3)  | 16.8  | 20.4  | (28.7) | (17.8)  |
| Effective tax rate                      | 59.1%   | 22.9% | 26.4% | 27.2%  | (37.1%) |
| Operating revenue                       | 102.4   | 113.2 | 108.4 | 112.8  | 100.6   |
| Realized gains (losses) on investments  | 1.4     | (0.4) | (0.2) | (0.0)  | 3.8     |
| Total Revenue                           | 103.8   | 112.8 | 108.2 | 112.8  | 104.3   |
| Average capital                         | 585.0   | 516.4 | 500.8 | 486.5  | 448.9   |
| Return on average capital               | (45.9%) | 12.2% | 15.4% | 8.7%   | 13.8%   |

Roll Forward of Deferred Acquisition Costs

Balance at beginning-of-year  
Deferral  
Amortization

Operating  
Foreign currency translation  
adjustment  
Other

Balance at end-of-year

Roll Forward of Present Value of In-Force

Balance at beginning-of-year  
Amortization  
Foreign currency translation adjustment  
Other

Balance at end-of-year

For the Quarter Ended

Jun 2001      Sep 2001      Dec 2001      Mar 2002      Jun 2002

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |       |        |           |       |         |
|--|-------|--------|-----------|-------|---------|
| Operating Revenue  |       |        |           |       |         |
| Premiums   | 9.6   | 11.8   | 11.9      | 12.1  | 12.1    |
| Mortality assessments  | 8.9   | 8.5    | 7.1       | 6.5   | 8.3     |
| Expense assessments  | 31.4  | 35.5   | 24.1      | 25.3  | 27.8    |
| Other revenue and fees   | 0.1   | 0.0    | 0.6       | 0.3   | 0.0     |
| Net investment income  | 16.9  | 14.8   | 15.2      | 14.7  | 15.3    |
| Operating Revenue  | 66.9  | 70.7   | 58.9      | 58.8  | 63.4    |
| Operating Benefits and Expenses                                  |       |        |           |       |         |
| Benefits paid or provided:                                       |       |        |           |       |         |
| Benefits   | 17.9  | 20.7   | 20.8      | 18.3  | 19.0    |
| Underwriting, acquisition,<br>insurance and other expenses*:     |       |        |           |       |         |
| Commissions  | 3.3   | 2.6    | 1.9       | 1.3   | 1.9     |
| Operating and administrative expenses                            | 17.6  | 19.7   | 24.1      | 16.6  | 18.3    |
| Subtotal   | 20.9  | 22.3   | 25.9      | 17.9  | 20.2    |
| Deferral of acquisition costs                                    | (1.1) | (1.3)  | (0.9)     | (0.9) | (1.0)   |
| DAC amortization   | 8.0   | 9.9    | 6.0       | 7.2   | 8.4     |
| DAC deferral net of amortization                                 | 6.9   | 8.7    | 5.0       | 6.2   | 7.4     |
| PVIF amortization  | 1.8   | 9.4    | 5.6       | 0.7   | 11.7    |
| Other intangibles amortization                                   | -     | -      | -         | -     | -       |
| Total underwriting, acquisition,<br>insurance and other expenses | 29.7  | 40.3   | 36.5      | 24.9  | 39.3    |
| Goodwill amortization  | 0.2   | 0.2    | 0.2       | -     | -       |
| Interest   | -     | -      | -         | -     | -       |
| Operating Benefits and Expenses                                  | 47.7  | 61.1   | 57.5      | 43.2  | 58.4    |
| Income from Operations Before Tax                                | 19.1  | 9.6    | 1.4       | 15.6  | 5.1     |
| Federal income taxes   | 2.9   | (0.5)  | (18.1)    | 1.1   | (1.6)   |
| Income from Operations   | 16.2  | 10.1   | 19.5      | 14.4  | 6.7     |
| Realized gains (losses) on<br>investments                        | 1.4   | 3.9    | 3.0       | (3.6) | 3.2     |
| Restructuring charges  | 0.0   | 0.0    | 0.0       | 0.0   | 0.0     |
| Income before Accounting Changes                                 | 17.6  | 14.0   | 22.5      | 10.8  | 9.8     |
| Cumulative effect of accounting<br>changes                       |       |        |           |       |         |
| Net Income   | 17.6  | 14.0   | 22.5      | 10.8  | 9.8     |
| Inc from Oper -before Goodwill<br>Amort.                         | 16.4  | 10.3   | 19.7      | 14.4  | 6.7     |
| Net Income -before Goodwill<br>Amort.                            | 17.8  | 14.2   | 22.7      | 10.8  | 9.8     |
| Effective tax rate   | 15.3% | (5.7%) | (1337.4%) | 7.3%  | (31.3%) |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Operating revenue                      | 66.9  | 70.7  | 58.9  | 58.8  | 63.4  |
| Realized gains (losses) on investments | 2.0   | 5.5   | 4.3   | (5.1) | 4.5   |
| Total Revenue                          | 68.9  | 76.3  | 63.2  | 53.6  | 68.0  |
| Average capital                        | 553.2 | 575.4 | 561.3 | 510.0 | 485.3 |
| Return on average capital              | 11.7% | 7.0%  | 13.9% | 11.3% | 5.5%  |

Roll Forward of Deferred Acquisition Costs

|   |       |       |       |        |        |
|---|-------|-------|-------|--------|--------|
| Balance at beginning-of-year            | 585.1 | 583.4 | 589.7 | 587.3  | 569.4  |
| Deferral                                | 1.1   | 1.3   | 0.9   | 0.9    | 1.0    |
| Amortization                            | (8.0) | (9.9) | (6.0) | (7.2)  | (8.4)  |
| Operating                               | (6.9) | (8.7) | (5.0) | (6.2)  | (7.5)  |
| Foreign currency translation adjustment | (0.2) | 23.8  | (7.2) | (12.2) | 41.7   |
| Other                                   | 5.4   | (8.8) | 9.9   | 0.5    | (12.6) |
| Balance at end-of-year                  | 583.4 | 589.7 | 587.3 | 569.4  | 591.0  |

Roll Forward of Present Value of In-Force

|   |       |       |       |       |        |
|---|-------|-------|-------|-------|--------|
| Balance at beginning-of-year            | 253.8 | 251.9 | 252.8 | 244.0 | 238.3  |
| Amortization                            | (1.8) | (9.4) | (5.6) | (0.7) | (11.7) |
| Foreign currency translation adjustment | (0.1) | 10.3  | (3.2) | (5.1) | 17.4   |
| Other                                   |       |       |       |       |        |
| Balance at end-of-year                  | 251.9 | 252.8 | 244.0 | 238.3 | 243.9  |

\* Does not include restructuring charges which is consistent with the definition of "Income from Operations" (see page 5).

Lincoln UK  
Operational Data  
Unaudited [Millions of Dollars]

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| For the Year Ended December 31              | 1997    | 1998    | 1999    | 2000    | 2001    |
| Unit Linked Assets - Beg-of-Year (Billions) | 5.074   | 5.643   | 6.265   | 7.220   | 6.441   |
| Deposits                                    | 0.569   | 0.473   | 0.537   | 0.554   | 0.481   |
| Withdrawals (incl. chgs) & Deaths           | (0.503) | (0.547) | (0.566) | (0.644) | (0.529) |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Net Cash Flows                         | 0.066   | (0.074) | (0.029) | (0.090) | (0.048) |
| Inv Inc & Chg in Mkt Val               | 0.682   | 0.662   | 1.154   | (0.154) | (0.617) |
| Acq of new business/companies          | 0.000   | 0.000   | 0.000   | 0.000   | 0.000   |
| Foreign currency adjustment            | (0.179) | 0.035   | (0.170) | (0.536) | (0.169) |
|  | -----   | -----   | -----   | -----   | -----   |
| Unit Linked Assets - End-of-Year       | 5.643   | 6.265   | 7.220   | 6.441   | 5.607   |
|  | =====   | =====   | =====   | =====   | =====   |
| Individual Life In-force<br>(Billions) | 25.026  | 25.002  | 25.698  | 24.290  | 20.878  |
| Exchange Rate - Dollars to Pounds      |         |         |         |         |         |
| For-the-Period                         | 1.644   | 1.658   | 1.617   | 1.518   | 1.441   |
| End-of-Period                          | 1.651   | 1.660   | 1.615   | 1.493   | 1.456   |
| For the Quarter Ended                  | Dec     | Mar     | Jun     | Sep     | Dec     |
|  | 1999    | 2000    | 2000    | 2000    | 2000    |
|  | -----   | -----   | -----   | -----   | -----   |
| Unit Linked Assets                     |         |         |         |         |         |
| Balance-Beg-of-Quarter (Billions)      | 6.568   | 7.220   | 7.031   | 6.726   | 6.499   |
| Deposits                               | 0.156   | 0.159   | 0.134   | 0.145   | 0.116   |
| Withdrawals (incl. chgs) & Deaths      | (0.158) | (0.170) | (0.162) | (0.159) | (0.153) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net Cash Flows                         | (0.002) | (0.011) | (0.028) | (0.014) | (0.037) |
| Inv Inc & Chg in Mkt Val               | 0.784   | (0.077) | 0.047   | (0.025) | (0.100) |
| Acq of new business/companies          |         |         |         |         |         |
| Foreign currency adjustment            | (0.130) | (0.101) | (0.324) | (0.189) | 0.078   |
|  | -----   | -----   | -----   | -----   | -----   |
| Unit Linked Assets -<br>End-of-Quarter | 7.220   | 7.031   | 6.726   | 6.499   | 6.441   |
|  | =====   | =====   | =====   | =====   | =====   |
| Individual Life In-force<br>(Billions) | 25.698  | 26.514  | 25.225  | 24.535  | 24.290  |
| Exchange Rate - Dollars to Pounds      |         |         |         |         |         |
| For-the-Quarter                        | 1.625   | 1.599   | 1.536   | 1.482   | 1.454   |
| End-of-Quarter                         | 1.615   | 1.591   | 1.517   | 1.475   | 1.493   |
| For the Quarter Ended                  | Sep     | Dec     | Mar     | Jun     | Sep     |
|  | 2001    | 2001    | 2002    | 2002    | 2002    |
|  | -----   | -----   | -----   | -----   | -----   |
| Unit Linked Assets                     |         |         |         |         |         |
| Balance-Beg-of-Quarter (Billions)      | 5.768   | 5.218   | 5.607   | 5.618   | 5.520   |
| Deposits                               | 0.128   | 0.111   | 0.114   | 0.115   | 0.119   |
| Withdrawals (incl. chgs) & Deaths      | (0.136) | (0.115) | (0.127) | (0.137) | (0.126) |
|  | -----   | -----   | -----   | -----   | -----   |
| Net Cash Flows                         | (0.009) | (0.004) | (0.013) | (0.022) | (0.006) |
| Inv Inc & Chg in Mkt Val               | (0.768) | 0.457   | 0.141   | (0.479) | (0.812) |
| Acq of new business/companies          |         |         |         |         |         |
| Foreign currency adjustment            | 0.226   | (0.063) | (0.117) | 0.403   | 0.123   |
|  | -----   | -----   | -----   | -----   | -----   |
| Unit Linked Assets -<br>End-of-Quarter | 5.218   | 5.607   | 5.618   | 5.520   | 4.825   |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  | =====  | =====  | =====  | =====  | =====  |
|--|--------|--------|--------|--------|--------|
| Individual Life In-force<br>(Billions) | 21.299 | 20.878 | 20.010 | 20.401 | 19.815 |
| Exchange Rate - Dollars to Pounds      |        |        |        |        |        |
| For-the-Quarter                        | 1.442  | 1.448  | 1.423  | 1.464  | 1.555  |
| End-of-Quarter                         | 1.474  | 1.456  | 1.426  | 1.532  | 1.569  |

Other Operations  
Unaudited [Millions of Dollars]

| For the Year Ended December 31                             | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    |
|--|---------|---------|---------|---------|---------|---------|
|  | -----   | -----   | -----   | -----   | -----   | -----   |
| Revenue  |         |         |         |         |         |         |
| Lincoln Financial Advisors                                 | 125.3   | 286.4   | 317.0   | 377.5   | 360.7   | 241.5   |
| Lincoln Financial Distributors                             | 20.5    | 33.5    | 107.5   | 119.9   | 113.4   | 71.5    |
| Total Distribution   | 145.8   | 319.9   | 424.4   | 497.4   | 474.0   | 313.0   |
| Reinsurance  | 1362.3  | 1581.2  | 1824.1  | 1770.6  | 1699.4  | 1431.5  |
| Amortization of deferred gain on<br>indemnity reinsurance* |         |         |         |         | 20.4    |         |
| Other [Including<br>Consolidating Adjustments]             | (105.9) | (192.7) | (277.5) | (292.6) | (360.4) | (261.5) |
| Operating Revenue  | 1402.2  | 1708.3  | 1971.0  | 1975.4  | 1833.4  | 1491.5  |
| Realized gains (losses) on<br>investments                  | 42.1    | 0.5     | 14.4    | (5.0)   | 8.2     | (21.5)  |
| Gains (losses) on derivatives                              |         |         |         |         | (9.7)   | (1.5)   |
| Gain on sale of reinsurance<br>subsidiaries                |         |         |         |         | 12.8    |         |
| Total Revenue  | 1444.3  | 1708.9  | 1985.4  | 1970.4  | 1844.7  | 1477.5  |
| Income (Loss)  |         |         |         |         |         |         |
| Lincoln Financial Advisors                                 | (5.3)   | (23.7)  | (20.8)  | (11.7)  | (15.9)  | (21.5)  |
| Lincoln Financial Distributors                             | (11.2)  | (8.2)   | (14.0)  | (18.5)  | (30.7)  | (21.5)  |
| Total Distribution   | (16.5)  | (31.9)  | (34.8)  | (30.2)  | (46.6)  | (43.0)  |
| Reinsurance  | (150.1) | 104.9   | 40.1    | 122.5   | 128.8   | 91.5    |
| Amortization of deferred gain on<br>indemnity reinsurance* |         |         |         |         | 12.9    |         |
| LNC Financing  | (31.6)  | (51.5)  | (83.5)  | (84.9)  | (77.9)  | (61.5)  |
| Other Corporate  | (25.1)  | (17.5)  | (5.0)   | (15.4)  | (2.4)   | (11.5)  |
| Inc (Loss) from Operations                                 | (223.3) | 4.0     | (83.1)  | (8.0)   | 14.8    | (11.5)  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |        |        |        |        |       |
|---|---------|--------|--------|--------|--------|-------|
| Realized gains (losses) on investments                | 24.9    | 2.7    | 10.2   | (3.2)  | 5.9    | (1    |
| Gains (losses) on derivatives                         |         |        |        |        | (6.3)  | (     |
| Gain on sale of reinsurance subsidiaries              |         |        |        |        | 15.0   |       |
| Reserve increase on business sold through reinsurance |         |        |        |        |        |       |
| Restructuring charges                                 | 0.0     | (14.3) | (3.2)  | 1.0    | (19.5) | (     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Income before Accounting Changes                      | (198.4) | (7.6)  | (76.1) | (10.2) | 9.9    | (2    |
| Cumulative effect of accounting changes               |         |        |        |        | (2.7)  | (     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Total Net Income (Loss)                               | (198.4) | (7.6)  | (76.1) | (10.2) | 7.2    | (2    |
|   | =====   | =====  | =====  | =====  | =====  | ===== |

|   |         |        |        |        |        |       |
|---|---------|--------|--------|--------|--------|-------|
|   | Dec     | Mar    | Jun    | Sep    | Dec    |       |
| For the Quarter Ended                                   | 1999    | 2000   | 2000   | 2000   | 2000   | 2     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Revenue   |         |        |        |        |        |       |
| Lincoln Financial Advisors                              | 104.0   | 86.4   | 90.0   | 91.3   | 109.8  | 8     |
| Lincoln Financial Distributors                          | 34.2    | 29.3   | 28.1   | 27.5   | 35.0   | 2     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Total Distribution                                      | 138.2   | 115.8  | 118.1  | 118.8  | 144.8  | 10    |
| Reinsurance   | 575.1   | 392.7  | 458.9  | 457.9  | 461.0  | 51    |
| Amortization of deferred gain on indemnity reinsurance* |         |        |        |        |        |       |
| Other [Including Consolidating Adjustments]             | (147.0) | (67.6) | (86.7) | (79.2) | (59.2) | (8    |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Operating Revenue                                       | 566.4   | 440.9  | 490.3  | 497.5  | 546.6  | 54    |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Realized gains (losses) on investments                  | 0.0     | (0.8)  | (1.3)  | (3.4)  | 0.4    | (1    |
| Gains (losses) on derivatives                           |         |        |        |        |        |       |
| Gain on sale of reinsurance subsidiaries                |         |        |        |        |        |       |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Total Revenue   | 566.4   | 440.2  | 489.0  | 494.1  | 547.0  | 53    |
|   | =====   | =====  | =====  | =====  | =====  | ===== |

Income (Loss)

|   |        |        |        |        |        |       |
|---|--------|--------|--------|--------|--------|-------|
| Lincoln Financial Advisors                              | 2.7    | (7.4)  | (2.9)  | (3.1)  | 1.6    | (     |
| Lincoln Financial Distributors                          | (3.7)  | (3.3)  | (5.2)  | (5.0)  | (5.1)  | (     |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Total Distribution                                      | (1.0)  | (10.7) | (8.1)  | (8.0)  | (3.4)  | (1    |
| Reinsurance   | (19.5) | 31.9   | 25.8   | 28.2   | 36.6   | 4     |
| Amortization of deferred gain on indemnity reinsurance* | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |       |
| LNC Financing   | (21.6) | (21.9) | (22.2) | (20.9) | (19.8) | (2    |
| Other Corporate   | (1.4)  | (5.7)  | (1.5)  | 1.6    | (9.8)  | (     |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Inc (Loss) from Oper                                    | (43.5) | (6.5)  | (5.9)  | 0.9    | 3.5    | 1     |
|   | -----  | -----  | -----  | -----  | -----  | ----- |

Realized gains (losses) on

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |       |       |       |       |       |
|---|--------|-------|-------|-------|-------|-------|
| investments   | 1.3    | (0.4) | (0.8) | (3.2) | 1.2   | (     |
| Gains (losses) on derivatives                         |        |       |       |       |       |       |
| Gain on sale of reinsurance subsidiaries              |        |       |       |       |       |       |
| Reserve increase on business sold through reinsurance |        |       |       |       |       |       |
| Restructuring charges                                 |        |       |       |       | 1.0   |       |
|   | -----  | ----- | ----- | ----- | ----- | ----- |
| Income before Accounting Changes                      | (42.2) | (6.8) | (6.8) | (2.3) | 5.7   |       |
| Cumulative effect of accounting changes               |        |       |       |       |       | (     |
|   | -----  | ----- | ----- | ----- | ----- | ----- |
| Total Net Income (Loss)                               | (42.2) | (6.8) | (6.8) | (2.3) | 5.7   |       |
|   | =====  | ===== | ===== | ===== | ===== | ===== |

|   |         |        |        |        |        |       |
|---|---------|--------|--------|--------|--------|-------|
|   | Jun     | Sep    | Dec    | Mar    | Jun    |       |
| For the Quarter Ended                                   | 2001    | 2001   | 2001   | 2002   | 2002   | 2     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Revenue   |         |        |        |        |        |       |
| Lincoln Financial Advisors                              | 83.8    | 78.9   | 116.7  | 75.9   | 78.1   | 7     |
| Lincoln Financial Distributors                          | 20.7    | 32.0   | 35.0   | 29.4   | 29.3   | 3     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Total Distribution                                      | 104.5   | 111.0  | 151.7  | 105.3  | 107.4  | 10    |
| Reinsurance   | 451.4   | 467.4  | 265.6  | 0.0    | 0.0    |       |
| Amortization of deferred gain on indemnity reinsurance* |         |        | 20.4   | 24.1   | 22.1   | 2     |
| Other [Including Consolidating Adjustments]             | (105.2) | (76.0) | (98.7) | (32.2) | (33.4) | (6    |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Operating Revenue                                       | 450.7   | 502.3  | 339.0  | 97.1   | 96.1   | 6     |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Realized gains (losses) on investments                  | 1.4     | (12.8) | 29.5   | (4.9)  | (3.8)  | 3     |
| Gains (losses) on derivatives                           | (0.1)   | (0.0)  | (9.7)  | 0.1    | (0.1)  |       |
| Gain on sale of reinsurance subsidiaries                |         |        | 12.8   | 0.0    | 0.0    |       |
|   | -----   | -----  | -----  | -----  | -----  | ----- |
| Total Revenue   | 452.0   | 489.5  | 371.7  | 92.3   | 92.2   | 9     |
|   | =====   | =====  | =====  | =====  | =====  | ===== |

|   |        |        |        |        |        |       |
|---|--------|--------|--------|--------|--------|-------|
| Income (Loss)   |        |        |        |        |        |       |
| Lincoln Financial Advisors                              | (12.3) | (4.2)  | 7.4    | (9.1)  | (7.7)  | (     |
| Lincoln Financial Distributors                          | (11.5) | (7.8)  | (4.5)  | (6.2)  | (7.3)  | (1    |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Total Distribution                                      | (23.8) | (12.0) | 3.0    | (15.4) | (15.0) | (2    |
| Reinsurance   | 34.1   | 17.2   | 30.7   | 0.0    | 0.0    |       |
| Amortization of deferred gain on indemnity reinsurance* | 0.0    | 0.0    | 12.9   | 15.7   | 14.4   | 1     |
| LNC Financing   | (22.0) | (19.5) | (14.7) | (8.2)  | (9.6)  | (1    |
| Other Corporate   | 2.0    | 1.5    | (5.3)  | (4.1)  | 2.9    |       |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Inc (Loss) from Oper                                    | (9.7)  | (12.9) | 26.5   | (12.0) | (7.3)  | (1    |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Realized gains (losses) on investments                  | 1.0    | (8.3)  | 19.7   | (3.3)  | (2.4)  | 2     |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |        |        |        |        |        |       |
|---|--------|--------|--------|--------|--------|-------|
| Gains (losses) on derivatives                         | (0.1)  | (0.0)  | (6.3)  | 0.1    | (0.1)  |       |
| Gain on sale of reinsurance subsidiaries              | 0.0    | 0.0    | 15.0   | 0.0    | 0.0    |       |
| Reserve increase on business sold through reinsurance |        |        |        |        | (14.4) | (17)  |
| Restructuring charges                                 | (1.2)  | 0.0    | (18.3) | 0.0    | 0.0    |       |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Income before Accounting Changes                      | (10.0) | (21.2) | 36.7   | (15.2) | (24.2) | (17)  |
| Cumulative effect of accounting changes               | (2.2)  | 0.0    | (0.0)  | 0.0    | 0.0    |       |
|   | -----  | -----  | -----  | -----  | -----  | ----- |
| Total Net Income (Loss)                               | (12.2) | (21.2) | 36.7   | (15.2) | (24.2) | (17)  |
|   | =====  | =====  | =====  | =====  | =====  | ===== |

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

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

|   | 1997    | 1998    | 1999    | 2000    | 2001    |       |
|---|---------|---------|---------|---------|---------|-------|
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Deposits - For the Year                 |         |         |         |         |         |       |
| Lincoln Retirement - Fixed Annuities    | 1.632   | 1.452   | 2.563   | 2.074   | 3.342   | 2     |
| Lincoln Retirement - Variable Annuities | 2.695   | 2.791   | 2.553   | 3.165   | 3.067   | 2     |
| Lincoln Retirement - Life Insurance     | 0.000   | 0.000   | 0.017   | 0.014   | 0.012   | 0     |
| Life Insurance Segment - Life Insurance | 0.384   | 1.207   | 1.698   | 1.884   | 1.934   | 1     |
| Inv Mgmt - Annuities                    | 2.163   | 2.238   | 1.561   | 1.782   | 1.702   | 1     |
| Inv Mgmt - Mutual Funds(1)              | 1.218   | 1.913   | 2.153   | 2.578   | 1.522   | 1     |
| Inv Mgmt - Wrap Fee & Other             | 0.533   | 0.596   | 0.550   | 0.525   | 0.468   | 0     |
| Consolidating Adjustments               | (0.966) | (1.041) | (0.499) | (0.406) | (1.039) | (0)   |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Gross Deposits                          | 7.658   | 9.157   | 10.597  | 11.617  | 11.008  | 7     |
| Account Balances - End of Year          |         |         |         |         |         |       |
| Lincoln Retirement - Fixed Annuities    | 15.458  | 16.505  | 16.791  | 15.394  | 16.491  |       |
| Lincoln Retirement - Variable Annuities | 27.346  | 33.358  | 41.493  | 39.427  | 34.638  |       |
| Lincoln Retirement - Life Insurance     |         |         | 0.155   | 0.160   | 0.149   |       |
| Life Insurance Segment - Life Insurance | 3.038   | 9.243   | 10.217  | 10.847  | 11.377  |       |
| Inv Mgmt - Annuities                    | 10.991  | 14.257  | 15.557  | 13.527  | 11.835  |       |
| Inv Mgmt - Mutual Funds(1)              | 12.484  | 13.528  | 13.632  | 13.261  | 11.552  |       |
| Inv Mgmt - Wrap Fee & Other             | 2.403   | 2.512   | 1.618   | 1.342   | 1.719   |       |
| Consolidating Adjustments               | (6.806) | (8.891) | (9.175) | (7.753) | (6.717) |       |
|   | -----   | -----   | -----   | -----   | -----   | ----- |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

| Account Balances                        | 64.914      | 80.512      | 90.288      | 86.205      | 81.044      |         |
|---|-------------|-------------|-------------|-------------|-------------|---------|
|   | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 | 2001    |
|   | -----       | -----       | -----       | -----       | -----       | -----   |
| Deposits - For the Quarter              |             |             |             |             |             |         |
| Lincoln Retirement - Fixed Annuities    | 0.741       | 0.589       | 0.490       | 0.513       | 0.482       | 0.482   |
| Lincoln Retirement - Variable Annuities | 0.634       | 0.797       | 0.793       | 0.729       | 0.846       | 0.846   |
| Lincoln Retirement - Life Insurance     | 0.005       | 0.003       | 0.003       | 0.004       | 0.004       | 0.004   |
| Life Insurance Segment - Life Insurance | 0.526       | 0.424       | 0.411       | 0.428       | 0.622       | 0.622   |
| Inv Mgmt - Annuities                    | 0.409       | 0.379       | 0.358       | 0.456       | 0.589       | 0.589   |
| Inv Mgmt - Mutual Funds(1)              | 0.587       | 0.876       | 0.586       | 0.554       | 0.562       | 0.562   |
| Inv Mgmt - Managed Acct. & Other        | 0.079       | 0.148       | 0.106       | 0.140       | 0.131       | 0.131   |
| Consolidating Adjustments               | (0.118)     | (0.099)     | (0.062)     | (0.100)     | (0.145)     | (0.145) |
| Gross Deposits                          | 2.864       | 3.116       | 2.685       | 2.724       | 3.091       | 3.091   |
| Account Balances - End of Quarter       |             |             |             |             |             |         |
| Lincoln Retirement - Fixed Annuities    | 16.791      | 16.244      | 15.884      | 15.660      | 15.394      | 15.394  |
| Lincoln Retirement - Variable Annuities | 41.493      | 44.640      | 43.097      | 42.743      | 39.427      | 39.427  |
| Lincoln Retirement - Life Insurance     | 0.155       | 0.169       | 0.165       | 0.166       | 0.160       | 0.160   |
| Life Insurance Segment - Life Insurance | 10.217      | 10.470      | 10.538      | 10.716      | 10.847      | 10.847  |
| Inv Mgmt - Annuities                    | 15.557      | 15.557      | 14.888      | 14.853      | 13.527      | 13.527  |
| Inv Mgmt - Mutual Funds(1)              | 13.632      | 14.671      | 14.069      | 14.571      | 13.261      | 13.261  |
| Inv Mgmt - Managed Acct. & Other        | 1.618       | 1.309       | 1.304       | 1.256       | 1.342       | 1.342   |
| Consolidating Adjustments               | (9.175)     | (8.768)     | (8.419)     | (8.644)     | (7.753)     | (7.753) |
| Account Balances                        | 90.288      | 94.292      | 91.526      | 91.322      | 86.205      | 79.131  |
|   | -----       | -----       | -----       | -----       | -----       | -----   |
|   | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 | 2002    |
|   | -----       | -----       | -----       | -----       | -----       | -----   |
| Deposits - For the Quarter              |             |             |             |             |             |         |
| Lincoln Retirement - Fixed Annuities    | 0.668       | 0.896       | 1.218       | 0.906       | 0.853       | 0.853   |
| Lincoln Retirement - Variable Annuities | 0.703       | 0.684       | 0.793       | 0.808       | 0.787       | 0.787   |
| Lincoln Retirement - Life Insurance     | 0.004       | 0.003       | 0.002       |             |             |         |
| Life Insurance Segment - Life Insurance | 0.477       | 0.434       | 0.605       | 0.440       | 0.577       | 0.577   |
| Inv Mgmt - Annuities                    | 0.403       | 0.434       | 0.324       | 0.590       | 0.601       | 0.601   |
| Inv Mgmt - Mutual Funds(1)              | 0.354       | 0.335       | 0.348       | 0.452       | 0.562       | 0.562   |
| Inv Mgmt - Managed Acct. & Other        | 0.127       | 0.074       | 0.126       | 0.160       | 0.194       | 0.194   |
| Consolidating Adjustments               | (0.202)     | (0.295)     | (0.279)     | (0.309)     | (0.371)     | (0.371) |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |         |         |     |
|---|---------|---------|---------|---------|---------|-----|
| Gross Deposits                          | 2.534   | 2.566   | 3.137   | 3.047   | 3.203   | 3.  |
| Account Balances - End of Quarter       |         |         |         |         |         |     |
| Lincoln Retirement - Fixed Annuities    | 15.551  | 16.051  | 16.491  | 16.533  | 16.909  | 17. |
| Lincoln Retirement - Variable Annuities | 36.961  | 30.506  | 34.638  | 35.150  | 31.206  | 25. |
| Lincoln Retirement - Life Insurance     | 0.157   | 0.134   | 0.149   |         |         |     |
| Life Insurance Segment - Life Insurance | 11.066  | 10.939  | 11.377  | 11.667  | 11.759  | 11. |
| Inv Mgmt - Annuities                    | 12.532  | 10.714  | 11.835  | 11.920  | 10.896  | 9.  |
| Inv Mgmt - Mutual Funds(1)              | 12.215  | 10.726  | 11.552  | 11.597  | 11.033  | 10. |
| Inv Mgmt - Managed Acct. & Other        | 1.774   | 1.635   | 1.719   | 1.821   | 1.847   | 1.  |
| Consolidating Adjustments               | (7.007) | (6.023) | (6.717) | (6.684) | (6.007) | (4. |
| Account Balances                        | 83.250  | 74.682  | 81.044  | 82.005  | 77.644  | 71. |

Total Domestic Net Flows  
Unaudited [Billions of Dollars]

| For the Year                                    | 1998    | 1999    | 2000    | 2001    | YTD<br>Sep<br>2001 |   |
|---|---------|---------|---------|---------|--------------------|---|
| Lincoln Retirement                              | (1.244) | (1.165) | (2.874) | 0.105   | (0.526)            | 0 |
| Life Insurance Segment                          | 0.113   | 0.985   | 1.158   | 1.163   | 0.780              | 0 |
| Investment Management Segment-<br>Retail(1)     | 1.772   | (2.209) | (1.499) | (0.379) | (0.287)            | 0 |
| Consolidating Adjustments                       | (0.158) | 1.276   | 1.406   | (0.150) | (0.097)            | 0 |
| Total Retail Net Flows                          | 0.483   | (1.114) | (1.810) | 0.739   | (0.129)            | 1 |
| Investment Management Segment-<br>Institutional | (2.702) | (2.240) | (5.694) | (0.228) | (0.128)            | 1 |
| Total Net Flows                                 | (2.219) | (3.354) | (7.504) | 0.511   | (0.257)            | 2 |

| For the Quarter                             | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |    |
|---|-------------|-------------|-------------|-------------|-------------|----|
| Lincoln Retirement                          | (0.490)     | (0.700)     | (0.682)     | (0.812)     | (0.681)     | (0 |
| Life Insurance Segment                      | 0.327       | 0.242       | 0.235       | 0.277       | 0.404       | 0  |
| Investment Management Segment-<br>Retail(1) | (0.410)     | (0.879)     | (0.364)     | (0.315)     | 0.059       | (0 |
| Consolidating Adjustments                   | 0.463       | 0.717       | 0.342       | 0.194       | 0.152       | 0  |
| Total Retail Net Flows                      | (0.111)     | (0.620)     | (0.470)     | (0.657)     | (0.065)     | (0 |
| Investment Management Segment-<br>Insttit.  | (1.479)     | (2.611)     | (1.056)     | (0.983)     | (1.043)     | (0 |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                                | -----   | -----   | -----   | -----   | -----   | ----- |
|--------------------------------|---------|---------|---------|---------|---------|-------|
| Total Net Flows                | (1.590) | (3.231) | (1.526) | (1.640) | (1.109) | (0)   |
|                                | -----   | -----   | -----   | -----   | -----   | ----- |
|                                | Jun     | Sep     | Dec     | Mar     | Jun     |       |
|                                | 2001    | 2001    | 2001    | 2002    | 2002    |       |
|                                | -----   | -----   | -----   | -----   | -----   | ----- |
| Lincoln Retirement             | (0.196) | 0.261   | 0.631   | 0.088   | 0.223   | 0     |
| Life Insurance Segment         | 0.304   | 0.239   | 0.383   | 0.236   | 0.385   | 0     |
| Investment Management Segment- |         |         |         |         |         |       |
| Retail(1)                      | (0.148) | (0.120) | (0.091) | 0.091   | 0.167   | 0     |
| Consolidating Adjustments      | (0.034) | (0.081) | (0.053) | (0.037) | (0.086) | (0)   |
|                                | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Retail Net Flows         | (0.074) | 0.299   | 0.871   | 0.378   | 0.688   | 0     |
| Investment Management Segment- |         |         |         |         |         |       |
| Instit.                        | 0.445   | (0.155) | (0.102) | 0.730   | 0.455   | 0     |
|                                | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Net Flows                | 0.371   | 0.144   | 0.769   | 1.108   | 1.143   | 0     |
|                                | -----   | -----   | -----   | -----   | -----   | ----- |

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

(1) Retail assets under management have been restated to include assets under administration beginning in January of 2000. See details on pages 28 and 29.

PAG

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

| December 31                  | 1997    | 1998    | 1999    | 2000    |       |
|------------------------------|---------|---------|---------|---------|-------|
|                              | -----   | -----   | -----   | -----   | ----- |
| Assets Managed by Source     |         |         |         |         |       |
| LNC's Investments and Cash:  |         |         |         |         |       |
| Fixed maturity securities    | 24.066  | 30.233  | 27.689  | 27.450  | 28    |
| Equity securities            | 0.660   | 0.543   | 0.604   | 0.550   | 0     |
| Other investments            | 5.092   | 7.154   | 7.286   | 7.369   | 7     |
|                              | -----   | -----   | -----   | -----   | ----- |
| Total LNC Investments(1)     | 29.819  | 37.929  | 35.578  | 35.369  | 36    |
| Separate accounts            | 37.139  | 43.409  | 53.654  | 50.580  | 44    |
| Cash and Invested Cash       | 3.795   | 2.433   | 1.896   | 1.927   | 3     |
| Discontinued Operations      |         |         |         |         |       |
| Total LNC                    | 70.752  | 83.772  | 91.128  | 87.876  | 84    |
|                              | -----   | -----   | -----   | -----   | ----- |
| Non-affiliate assets managed | 48.331  | 50.061  | 49.314  | 43.397  | 42    |
|                              | -----   | -----   | -----   | -----   | ----- |
| Total Assets Managed         | 119.083 | 133.833 | 140.443 | 131.273 | 126   |
|                              | =====   | =====   | =====   | =====   | ===== |

Assets Managed by Advisor

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|   |         |         |         |         |       |
|---|---------|---------|---------|---------|-------|
| Investment Management segment(1)<br>(See page 22 for additional detail) | 56.457  | 61.488  | 61.374  | 53.354  | 48    |
| DLIA-Corp<br>(Assets managed internally-see page 22)                    | 35.684  | 39.432  | 35.934  | 35.686  | 38    |
| Lincoln (UK)  | 6.775   | 7.573   | 8.589   | 7.873   | 6     |
| Policy Loans (within business units)                                    | 0.763   | 1.840   | 1.892   | 1.961   | 1     |
| Non-LNC Affiliates  | 19.404  | 23.500  | 32.654  | 32.399  | 30    |
|   | -----   | -----   | -----   | -----   | ----- |
| Total Assets Managed  | 119.083 | 133.833 | 140.443 | 131.273 | 126   |
|   | =====   | =====   | =====   | =====   | ===== |

|                |             |             |             |             |             |
|----------------|-------------|-------------|-------------|-------------|-------------|
| End of Quarter | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
|                | -----       | -----       | -----       | -----       | -----       |

|                              |         |         |         |         |         |       |
|------------------------------|---------|---------|---------|---------|---------|-------|
| Assets Managed by Source     |         |         |         |         |         |       |
| LNC's Investments and Cash:  |         |         |         |         |         |       |
| Fixed maturity securities    | 27.689  | 27.745  | 27.078  | 27.264  | 27.450  | 27    |
| Equity securities            | 0.604   | 0.588   | 0.560   | 0.570   | 0.550   | 0     |
| Other investments            | 7.286   | 7.442   | 7.419   | 7.471   | 7.369   | 7     |
|                              | -----   | -----   | -----   | -----   | -----   | ----- |
| Total LNC Investments(1)     | 35.578  | 35.775  | 35.057  | 35.305  | 35.369  | 35    |
| Separate accounts            | 53.654  | 56.908  | 54.924  | 54.411  | 50.580  | 44    |
| Cash and invested cash       | 1.896   | 1.510   | 1.619   | 1.436   | 1.927   | 2     |
|                              | -----   | -----   | -----   | -----   | -----   | ----- |
| Total LNC                    | 91.128  | 94.192  | 91.601  | 91.152  | 87.876  | 82    |
|                              | -----   | -----   | -----   | -----   | -----   | ----- |
| Non-affiliate assets managed | 49.314  | 47.150  | 45.945  | 45.119  | 43.397  | 41    |
|                              | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Assets Managed         | 140.443 | 141.342 | 137.546 | 136.271 | 131.273 | 124   |
|                              | =====   | =====   | =====   | =====   | =====   | ===== |

|   |         |         |         |         |         |       |
|---|---------|---------|---------|---------|---------|-------|
| Assets Managed by Advisor   |         |         |         |         |         |       |
| Investment Management segment(1)<br>(See page 23 for additional detail) |         |         |         |         |         |       |
| DLIA-Corp<br>(Assets managed internally-see page 23)                    | 35.934  | 35.541  | 34.891  | 34.981  | 35.686  | 36    |
| Lincoln (UK)  | 8.589   | 8.423   | 8.058   | 7.838   | 7.873   | 7     |
| Policy Loans (within business units)                                    | 1.892   | 1.896   | 1.915   | 1.936   | 1.961   | 1     |
| Non-LNC Affiliates  | 32.653  | 36.770  | 35.696  | 35.518  | 32.397  | 30    |
|   | -----   | -----   | -----   | -----   | -----   | ----- |
| Total Assets Managed  | 140.443 | 141.342 | 137.546 | 136.271 | 131.273 | 124   |
|   | =====   | =====   | =====   | =====   | =====   | ===== |

|                |             |             |             |             |             |
|----------------|-------------|-------------|-------------|-------------|-------------|
| End of Quarter | Jun<br>2001 | Sep<br>2001 | Dec<br>2001 | Mar<br>2002 | Jun<br>2002 |
|                | -----       | -----       | -----       | -----       | -----       |

|                             |        |        |        |        |        |    |
|-----------------------------|--------|--------|--------|--------|--------|----|
| Assets Managed by Source    |        |        |        |        |        |    |
| LNC's Investments and Cash: |        |        |        |        |        |    |
| Fixed maturity securities   | 27.874 | 28.932 | 28.346 | 28.841 | 29.725 | 32 |
| Equity securities           | 0.534  | 0.478  | 0.470  | 0.439  | 0.419  | 0  |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |     |
|--|---------|---------|---------|---------|---------|-----|
| Other investments  | 7.388   | 7.379   | 7.297   | 7.084   | 7.016   | 6   |
| Total LNC Investments (1)  | 35.796  | 36.788  | 36.113  | 36.363  | 37.160  | 39  |
| Separate accounts  | 47.140  | 39.480  | 44.833  | 44.917  | 40.580  | 34  |
| Cash and invested cash   | 1.502   | 1.996   | 3.095   | 1.700   | 2.265   | 1   |
| Total LNC  | 84.438  | 78.264  | 84.042  | 82.979  | 80.005  | 75  |
| Non-affiliate assets managed   | 44.069  | 39.198  | 42.199  | 43.708  | 43.031  | 38  |
| Total Assets Managed   | 128.507 | 117.462 | 126.241 | 126.687 | 123.036 | 113 |
| Assets Managed by Advisor  |         |         |         |         |         |     |
| Investment Management segment (1)<br>(See page 23 for additional detail) | 50.736  | 44.957  | 48.412  | 50.001  | 48.738  | 43  |
| DLIA-Corp<br>(Assets managed internally-see page 23)                     | 36.018  | 37.337  | 38.119  | 37.171  | 38.476  | 40  |
| Lincoln (UK)   | 7.027   | 6.474   | 6.847   | 6.772   | 6.753   | 6   |
| Policy Loans (within business units)                                     | 1.947   | 1.943   | 1.940   | 1.918   | 1.906   | 1   |
| Non-LNC Affiliates   | 32.778  | 26.751  | 30.923  | 30.825  | 27.163  | 21  |
| Total Assets Managed   | 128.507 | 117.462 | 126.241 | 126.687 | 123.036 | 113 |

(1) Retail assets under management have been restated to include assets under administration beginning in January of 2000. See details on pages 28 and 29.

Consolidated Investment Data  
Unaudited [Millions of Dollars  
except as noted]

For the Year Ended December 31

Net Investment Income

Fixed Maturity Securities  
Equity Securities  
Mortgage loans on real estate  
Real estate  
Policy loans  
Invested cash  
Other investments

Investment revenue  
Investment expense

Net Investment Income

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Gross-up of Tax Exempt Income

Adjusted Net Invest Income

Mean Invested Assets (Cost Basis)

Ratio of Adjusted Net Invest Inc  
Over Mean Invested Assets

Investment Gains

Realized Gains (Losses) on  
Investments  
Gains(Losses) on Derivatives

Incr (Decr) in Unreal Gains on  
Sec  
Avail-for-Sale (after DAC/Tax)  
Incr (Decr) on Derivatives\*  
Incr (Decr) in Foreign Exchange  
Incr (Decr) in minimum pension  
liability

Securities Available-for-Sale  
[Billions of Dollars at End of  
Year]

Fixed Maturity Sec (Market)  
Fixed Maturity Sec (Adjusted  
Cost)

Equity Securities (Market)  
Equity Securities (Adjusted Cost)

% of Fixed Maturity Securities  
(Based on Market)  
Treasuries and AAA  
AA or better  
BB or less

|                                | 1998   | 1999   | 2000   | 2001   | YTD<br>Sep<br>2001 |
|--------------------------------|--------|--------|--------|--------|--------------------|
| For the Year Ended December 31 | -----  | -----  | -----  | -----  | -----              |
| Net Investment Income          |        |        |        |        |                    |
| Fixed Maturity Securities      | 2065.8 | 2232.9 | 2148.7 | 2121.0 | 1590.9             |
| Equity Securities              | 22.8   | 20.1   | 19.5   | 17.6   | 12.5               |
| Mortgage loans on real estate  | 383.6  | 369.2  | 373.8  | 374.5  | 282.2              |
| Real estate                    | 86.8   | 64.1   | 51.8   | 49.5   | 38.6               |
| Policy loans                   | 99.5   | 116.5  | 125.0  | 125.3  | 93.8               |
| Invested cash                  | 156.8  | 110.3  | 87.2   | 68.4   | 57.1               |
| Other investments              | 88.4   | 51.8   | 66.8   | 69.5   | 66.1               |
|                                | -----  | -----  | -----  | -----  | -----              |
| Investment revenue             | 2903.7 | 2964.8 | 2872.8 | 2825.8 | 2140.9             |
| Investment expense             | 222.3  | 157.3  | 125.7  | 146.2  | 108.0              |
|                                | -----  | -----  | -----  | -----  | -----              |
| Net Investment Income          | 2681.4 | 2807.5 | 2747.1 | 2679.6 | 2033.0             |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Gross-up of Tax Exempt Income  | 11.6        | 8.1         | 7.8         | 7.2         | 5.0         |
| Adjusted Net Invest Income   | 2693.0      | 2815.6      | 2754.9      | 2686.8      | 2038.0      |
| Mean Invested Assets (Cost Basis)  | 36573.8     | 39027.5     | 37471.3     | 37616.9     | 37339.4     |
| Ratio of Adjusted Net Invest Inc<br>Over Mean Invested Assets            | 7.36%       | 7.21%       | 7.35%       | 7.14%       | 7.28%       |
| Investment Gains   |             |             |             |             |             |
| Realized Gains (Losses) on<br>Investments                                | 13.7        | 3.8         | (17.5)      | (68.7)      | (48.6)      |
| Gains(Losses) on Derivatives   | 0.0         | 0.0         | 0.0         | (4.9)       | (0.2)       |
| Incr (Decr) in Unreal Gains on<br>Sec                                    |             |             |             |             |             |
| Avail-for-Sale (after DAC/Tax)   | 116.4       | (1018.1)    | 477.7       | 183.7       | 236.0       |
| Incr (Decr) on Derivatives*  |             |             |             | 21.4        | 20.2        |
| Incr (Decr) in Foreign Exchange  | 3.8         | (19.9)      | (8.1)       | (30.0)      | (15.0)      |
| Incr (Decr) in minimum pension<br>liability                              |             |             |             | (36.0)      | 0.0         |
| Securities Available-for-Sale<br>[Billions of Dollars at End of<br>Year] |             |             |             |             |             |
| Fixed Maturity Sec (Market)  | 30.233      | 27.689      | 27.450      | 28.346      | 28.932      |
| Fixed Maturity Sec (Adjusted<br>Cost)                                    | 28.640      | 28.357      | 27.373      | 27.956      | 28.253      |
| Equity Securities (Market)   | 0.543       | 0.604       | 0.550       | 0.470       | 0.478       |
| Equity Securities (Adjusted Cost)  | 0.437       | 0.482       | 0.458       | 0.444       | 0.453       |
| % of Fixed Maturity Securities<br>(Based on Market)                      |             |             |             |             |             |
| Treasuries and AAA   | 25.6%       | 22.8%       | 22.1%       | 17.2%       | 17.9%       |
| AA or better   | 32.6%       | 29.8%       | 29.2%       | 23.6%       | 24.3%       |
| BB or less   | 7.0%        | 8.0%        | 6.7%        | 8.3%        | 7.2%        |
| -----  |             |             |             |             |             |
| For the Quarter Ended  | Dec<br>1999 | Mar<br>2000 | Jun<br>2000 | Sep<br>2000 | Dec<br>2000 |
| -----  |             |             |             |             |             |
| Net Investment Income  |             |             |             |             |             |
| Fixed Maturity Securities  | 548.0       | 541.3       | 544.4       | 525.3       | 537.7       |
| Equity Securities  | 6.9         | 3.7         | 5.7         | 3.6         | 6.5         |
| Mortgage loans on real estate  | 94.5        | 92.0        | 95.1        | 94.4        | 92.3        |
| Real estate  | 12.5        | 11.2        | 12.5        | 11.8        | 16.3        |
| Policy loans   | 29.9        | 30.7        | 30.9        | 30.5        | 32.9        |
| Invested cash  | 22.0        | 27.2        | 15.1        | 26.5        | 18.4        |
| Other investments  | 20.9        | 35.1        | 2.0         | 26.9        | 2.9         |
| Investment revenue   | 734.9       | 741.1       | 705.7       | 719.1       | 706.9       |
| Investment expense   | 34.8        | 30.0        | 31.8        | 29.0        | 34.8        |
| -----  |             |             |             |             |             |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |       |
|--|---------|---------|---------|---------|---------|-------|
| Net Investment Income  | 700.1   | 711.1   | 673.8   | 690.0   | 672.1   |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Gross-up of Tax Exempt Income  | 2.6     | 1.5     | 2.3     | 1.4     | 2.6     |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Adjusted Net Invest Income   | 702.7   | 712.6   | 676.1   | 691.5   | 674.7   |       |
|  | =====   | =====   | =====   | =====   | =====   | ===== |
| Mean Invested Assets (Cost Basis)  | 38438.6 | 38237.4 | 37306.1 | 37250.8 | 37090.8 | 37    |
| Ratio of Adjusted Net Invest Inc<br>Over Mean Invested Assets            | 7.31%   | 7.45%   | 7.25%   | 7.43%   | 7.28%   |       |
| Investment Gains   |         |         |         |         |         |       |
| Realized Gains (Losses) on<br>Investments                                | 1.6     | (0.4)   | (6.7)   | (11.6)  | 1.2     |       |
| Gains (Losses) on Derivatives  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |       |
| Incr (Decr) in Unreal Gains on<br>Sec                                    |         |         |         |         |         |       |
| Avail-for-Sale (after DAC/Tax)   | (361.9) | 54.5    | (145.4) | 218.8   | 349.8   |       |
| Incr (Decr) on Derivatives*  |         |         | .2      | 1.2     | 0.0     |       |
| Incr (Decr) in Foreign Exchange  | (10.2)  | (7.3)   | (0.9)   | (2.0)   | 2.0     |       |
| Incr (Decr) in minimum pension<br>liability                              |         |         | (36.0)  | 0.7     | (2.6)   |       |
| Securities Available-for-Sale<br>[Billions of Dollars at End of<br>Year] |         |         |         |         |         |       |
| Fixed Maturity Sec (Market)  | 27.689  | 27.745  | 27.078  | 27.264  | 27.450  | 2     |
| Fixed Maturity Sec (Adjusted<br>Cost)                                    | 28.357  | 28.295  | 27.788  | 27.727  | 27.373  | 2     |
| Equity Securities (Market)   | 0.604   | 0.588   | 0.560   | 0.570   | 0.550   |       |
| Equity Securities (Adjusted Cost)  | 0.482   | 0.475   | 0.446   | 0.450   | 0.458   |       |
| % of Fixed Maturity Securities<br>(Based on Market)                      |         |         |         |         |         |       |
| Treasuries and AAA   | 22.8%   | 22.7%   | 22.3%   | 22.3%   | 22.1%   |       |
| AA or better   | 29.8%   | 29.5%   | 29.3%   | 29.4%   | 29.2%   |       |
| BB or less   | 8.0%    | 7.4%    | 7.4%    | 6.8%    | 6.7%    |       |
|  | Jun     | Sep     | Dec     | Mar     | Jun     |       |
| For the Quarter Ended  | 2001    | 2001    | 2001    | 2002    | 2002    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Net Investment Income  |         |         |         |         |         |       |
| Fixed Maturity Securities  | 527.0   | 536.9   | 530.1   | 522.5   | 523.8   |       |
| Equity Securities  | 7.8     | 3.7     | 5.1     | 3.4     | 4.3     |       |
| Mortgage loans on real estate  | 92.4    | 94.2    | 92.4    | 89.5    | 90.2    |       |
| Real estate  | 13.1    | 12.7    | 10.9    | 12.3    | 11.9    |       |
| Policy loans   | 31.4    | 31.0    | 31.6    | 30.2    | 31.1    |       |
| Invested cash  | 19.8    | 14.8    | 11.3    | 12.4    | 9.1     |       |
| Other investments  | 18.2    | 28.2    | 3.5     | 7.8     | 9.8     |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |
| Investment revenue   | 709.7   | 721.4   | 684.8   | 678.0   | 680.2   |       |
| Investment expense   | 36.6    | 35.2    | 38.2    | 29.9    | 29.2    |       |
|  | -----   | -----   | -----   | -----   | -----   | ----- |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Net Investment Income  | 673.1   | 686.2   | 646.6   | 648.1   | 651.0   |
| Gross-up of Tax Exempt Income  | 3.0     | 1.5     | 2.1     | 1.5     | 2.0     |
| Adjusted Net Invest Income   | 676.1   | 687.7   | 648.7   | 649.7   | 653.0   |
| Mean Invested Assets (Cost Basis)  | 37094.5 | 37685.8 | 38449.3 | 38169.9 | 38235.5 |
| Ratio of Adjusted Net Invest Inc<br>Over Mean Invested Assets            | 7.29%   | 7.30%   | 6.75%   | 6.81%   | 6.83%   |
| Investment Gains   |         |         |         |         |         |
| Realized Gains (Losses) on<br>Investments                                | (11.5)  | (23.8)  | (20.0)  | (67.6)  | (52.7)  |
| Gains (Losses) on Derivatives  | 0.2     | (0.4)   | (4.6)   | 0.1     | 0.3     |
| Incr (Decr) in Unreal Gains on<br>Sec                                    |         |         |         |         |         |
| Avail-for-Sale (after DAC/Tax)   | (114.2) | 171.8   | (52.2)  | (163.9) | 293.8   |
| Incr (Decr) on Derivatives*  | 3.7     | (6.7)   | 1.2     | 1.2     | 0.0     |
| Incr (Decr) in Foreign Exchange  | (19.5)  | 22.2    | (14.9)  | (12.8)  | 42.8    |
| Incr (Decr) in minimum pension<br>liability                              |         |         | (36.0)  | 0.7     | (2.6)   |
| Securities Available-for-Sale<br>[Billions of Dollars at End of<br>Year] |         |         |         |         |         |
| Fixed Maturity Sec (Market)  | 27.874  | 28.932  | 28.346  | 28.841  | 29.725  |
| Fixed Maturity Sec (Adjusted<br>Cost)                                    | 27.681  | 28.253  | 27.956  | 28.831  | 29.133  |
| Equity Securities (Market)   | 0.534   | 0.478   | 0.470   | 0.439   | 0.419   |
| Equity Securities (Adjusted Cost)  | 0.477   | 0.453   | 0.444   | 0.398   | 0.374   |
| % of Fixed Maturity Securities<br>(Based on Market)                      |         |         |         |         |         |
| Treasuries and AAA   | 19.3%   | 17.9%   | 17.2%   | 17.8%   | 18.2%   |
| AA or better   | 26.0%   | 24.3%   | 23.6%   | 24.7%   | 25.0%   |
| BB or less   | 7.8%    | 7.2%    | 8.3%    | 7.5%    | 6.4%    |

\* 2001 includes the cumulative effect of accounting change related to the adjustment recorded upon adoption of FAS #133.

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

| For the Year Ended December 31 | 1991   | 1992   | 1993   | 1994   |
|--------------------------------|--------|--------|--------|--------|
| Common Stock [1]               |        |        |        |        |
| Highest Price                  | 13.813 | 19.032 | 24.125 | 22.188 |

Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|  |        |        |        |        |   |
|--|--------|--------|--------|--------|---|
| Lowest Price                           | 9.500  | 12.625 | 17.344 | 17.313 | 1 |
| Closing Price                          | 13.688 | 18.500 | 21.750 | 17.500 | 2 |
| Dividend Payout Ratio [2]              | 63.5%  | 38.9%  | 52.6%  | 51.0%  |   |
| Yield [3]                              | 5.3%   | 4.1%   | 3.8%   | 4.9%   |   |
| Preferred Stock Dividend<br>(Millions) | 13.033 | 17.246 | 17.212 | 17.119 |   |
| Debt: (End of Period)                  |        |        |        |        |   |
| Senior Debt Ratings                    |        |        |        |        |   |
| A.M. Best                              |        |        |        |        |   |
| Fitch                                  |        | AA     | AA-    | AA-    |   |
| Moody's                                |        | A2     | A2     | A1     |   |
| Standard and Poors                     |        | A+     | A+     | A+     |   |
| Claims Paying Ratings:                 |        |        |        |        |   |
| Lincoln Life - A.M. Best               |        | A+     | A+     | A+     |   |
| Lincoln Life - Fitch                   |        | AAA    | AAA    | AAA    |   |
| Lincoln Life - Moody's                 |        | A1     | A1     | Aa3    |   |
| Lincoln Life - Standard & Poors        |        | AA-    | AA-    | AA-    |   |
| First Penn - A.M. Best*                |        | A      | A+     | A+     |   |
| First Penn - Fitch                     |        |        |        |        |   |
| First Penn - Moody's                   |        |        |        |        |   |
| First Penn - Standard & Poors*         |        | AA-    | AA-    | AA-    |   |
| LLA of New York - A.M. Best*           |        |        |        |        |   |
| LLA of New York - Fitch*               |        |        |        |        |   |
| LLA of New York - Moody's              |        |        |        |        |   |
| LLA of New York - Standard &<br>Poors* |        |        |        |        |   |
| Ratios                                 |        |        |        |        |   |
| Debt to Total Capitalization [4]       |        | 25.7%  | 21.1%  | 19.9%  |   |
| Debt to Equity [4]                     |        | 34.7%  | 26.7%  | 24.9%  |   |

| For the Year Ended December 31         | 1996   | 1997   | 1998   | 1999   | 2000   |   |
|--|--------|--------|--------|--------|--------|---|
| Common Stock [1]                       |        |        |        |        |        |   |
| Highest Price                          | 28.500 | 39.063 | 49.438 | 57.500 | 56.375 | 5 |
| Lowest Price                           | 20.375 | 24.500 | 33.500 | 36.000 | 22.625 | 3 |
| Closing Price                          | 26.250 | 39.063 | 40.907 | 40.000 | 47.313 | 4 |
| Dividend Payout Ratio [2]              | 38.2%  | 22.8%  | 43.9%  | 50.5%  | 38.3%  |   |
| Yield [3]                              | 3.7%   | 2.7%   | 2.7%   | 2.9%   | 2.6%   |   |
| Preferred Stock Dividend<br>(Millions) | 0.112  | 0.106  | 0.100  | 0.089  | 0.078  |   |
| Debt: (End of Period)                  |        |        |        |        |        |   |
| Senior Debt Ratings                    |        |        |        |        |        |   |
| A.M. Best                              |        |        |        |        |        | a |
| Fitch                                  | AA-    | AA-    | A+     | A+     | A+     |   |
| Moody's                                | A2     | A2     | A2     | A2     | A3     |   |



Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                                     |        |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|--------|
| 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     |
| First Penn - Moody's                |        | 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     |
| 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]    | 18.8%  | 17.0%  | 21.2%  | 23.2%  | 20.8%  |
| Debt to Equity [4]                  | 23.1%  | 20.5%  | 26.9%  | 30.3%  | 26.3%  |
|                                     | Dec    | Mar    | Jun    | Sep    | Dec    |
| For the Quarter Ended               | 1999   | 2000   | 2000   | 2000   | 2000   |
| Common Stock:                       |        |        |        |        |        |
| Highest Price                       | 48.313 | 41.375 | 40.063 | 56.375 | 50.938 |
| Lowest Price                        | 36.500 | 22.625 | 29.000 | 35.625 | 40.875 |
| Closing Price                       | 40.000 | 33.500 | 36.125 | 48.125 | 47.313 |
| Yield [3]                           | 2.9%   | 3.5%   | 3.2%   | 2.4%   | 2.6%   |
| Preferred Stock Dividend (Millions) | 0.014  | 0.022  | 0.022  | 0.021  | 0.013  |
| Debt: (End of Period)               |        |        |        |        |        |
| Senior Debt Ratings                 |        |        |        |        |        |
| A.M. Best                           |        |        |        | a      | a      |
| Fitch                               | A+     | A+     | A+     | A+     | A+     |
| Moody's                             | A2     | A2     | A2     | A2     | 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                              |        |        |        |        |        |

## Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

|                                  |       |       |       |       |       |
|----------------------------------|-------|-------|-------|-------|-------|
| Debt to Total Capitalization [4] | 23.2% | 23.3% | 21.8% | 21.2% | 20.8% |
| Debt to Equity [4]               | 30.3% | 30.4% | 28.0% | 27.0% | 26.3% |

|                       |       |       |       |       |       |
|-----------------------|-------|-------|-------|-------|-------|
|                       | Jun   | Sep   | Dec   | Mar   | Jun   |
| For the Quarter Ended | 2001  | 2001  | 2001  | 2002  | 2002  |
|                       | ----- | ----- | ----- | ----- | ----- |

|               |        |        |        |        |        |
|---------------|--------|--------|--------|--------|--------|
| Common Stock: |        |        |        |        |        |
| Highest Price | 52.300 | 52.750 | 49.450 | 53.650 | 52.540 |
| Lowest Price  | 41.280 | 41.000 | 40.000 | 47.200 | 40.750 |
|               | -----  | -----  | -----  | -----  | -----  |
| Closing Price | 51.750 | 46.630 | 48.570 | 50.730 | 42.000 |
|               | -----  | -----  | -----  | -----  | -----  |

|           |      |      |      |      |      |
|-----------|------|------|------|------|------|
| Yield [3] | 2.4% | 2.6% | 2.6% | 2.5% | 3.0% |
|-----------|------|------|------|------|------|

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Preferred Stock Dividend<br>(Millions) | 0.018 | 0.017 | 0.017 | 0.016 | 0.015 |
|--|-------|-------|-------|-------|-------|

Debt: (End of Period)

### Senior Debt Ratings

|                    |    |    |    |    |    |
|--------------------|----|----|----|----|----|
| A.M. Best          | 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] | 21.2% | 21.1% | 21.4% | 22.7% | 22.6% |
| Debt to Equity [4]               | 27.0% | 26.7% | 27.2% | 29.4% | 29.2% |

\* Rating based on affiliation with Lincoln Life

[1] Stock prices shown above include 2-for-1 splits in June 1993, and June 1999

[2] Indicated dividend divided by net income

[3] Indicated dividend divided by the closing price

[4] Equity used in calculation assumes securities at cost. Minority interest-preferred securities subsidiary companies (hybrid securities) are considered 50% debt and 50% equity.

Return on Equity/Return on Capital: In order to accommodate the various perspectives, LNC presents two separate Return on Equity numbers on pages 2, 5 and 6 of this Statistical Report. "Net Income Divided by Average Shareholders' Equity" tends to fluctuate from period to period due to the realization of gains and losses on investments or sale of subsidiaries. "Income from Operations

## Edgar Filing: LINCOLN NATIONAL CORP - Form 8-K

Divided by Average Shareholders' Equity" is less volatile but leaves out an important element earnings for a company that has a long-term goal of enhancing shareholder value by realizing investment gains.

Return on capital measures the effectiveness of LNC's use of its total capital, which is made equity, debt and hybrid securities. Return on capital is calculated by dividing income from operations (after adding back after-tax interest expense) by average capital. The difference return on capital and return on equity presents the effect of leveraging on LNC's consolidated results.