

LINCOLN NATIONAL CORP

Form 8-K

October 03, 2002

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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: June 30, 2002

LINCOLN NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Indiana  
(State of Incorporation)

1-6028  
(Commission File Number)

35-1140070  
(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

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Item 5

Statistical Report for the quarter ended June 30, 2002.

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**LINCOLN STATISTICAL REPORT**

**Second Quarter**

**2002**

Lincoln Financial Group

This document is dated October 2, 2002. It may not be accurate after such date and LNC does not undertake to update or keep it accurate after such date.

The Lincoln Statistical Report included herein is a revised report as of June 30, 2002. The key revisions from the Lincoln Statistical Report as of June 30, 2002 filed on Form 8-K on August 5, 2002 are the following:

Inclusion of a Roll Forward of Deferred Acquisition Costs for the Lincoln Retirement and Life Insurance segments for 2001 and the year-to-date June 30, 2002 and related quarters in those periods (Pages 13, 14, 17 and 18).

Inclusion of a splitout of the Lincoln Retirement Annuity Account Values for 2002 by Fixed Annuities excluding fixed portion of variable contracts, Variable Annuities including fixed portion of variable contracts and Fixed Portion of Variable Contracts (Pages 15 and 16).

Inclusion of Lincoln Retirement's Average Daily Variable Annuity Account Values for 1999, 2000, 2001 and 2002 and the related quarters in those years (Pages 15 and 16).

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**Financial Highlights**

Unaudited [Amounts in Millions, except Per Share]

	For the Quarter Ended June 30				For the Six Months Ended June 30			
	2002 Amount	2001 Amount	Change	% Change	2002 Amount	2001 Amount	Change	% Change
<b>Income from Operations</b>								
Lincoln Retirement*	47.8	90.8	(43.0)	(47.4%)	128.2	173.1	(44.9)	(25.9%)
Life Insurance	73.5	67.1	6.4	9.5%	144.6	135.7	8.9	6.6%
Investment Management	6.6	3.7	2.9	78.4%	14.6	6.1	8.5	139.3%
Lincoln UK	6.7	16.2	(9.5)	(58.6%)	21.1	30.6	(9.5)	(31.0%)
Corporate & Other**	(7.3)	(9.7)	2.4		(19.3)	1.2	(20.5)	
<b>Total Income from Operations</b>	<b>127.2</b>	<b>168.1</b>	<b>(40.9)</b>	<b>(24.3%)</b>	<b>289.2</b>	<b>346.7</b>	<b>(57.5)</b>	<b>(16.6%)</b>
Realized gains (losses) on investments	(52.7)	(11.4)	(41.3)		(120.3)	(24.8)	(95.5)	
Gains (losses) on derivatives	0.3	0.2	0.1		0.4	0.1	0.3	
Reserve increase on business sold through reinsurance	(14.4)	0.0	(14.4)		(14.4)	0.0	(14.4)	
Restructuring charges	(1.0)	(3.9)	2.9		(1.0)	(4.5)	3.5	
<b>Income before Accounting Changes</b>	<b>59.4</b>	<b>153.0</b>	<b>(93.6)</b>		<b>153.9</b>	<b>317.5</b>	<b>(163.6)</b>	
Cumulative effect of accounting changes***	0.0	(11.3)	11.3		0.0	(15.6)	15.6	
<b>Net Income</b>	<b>59.4</b>	<b>141.7</b>	<b>(82.3)</b>	<b>(58.1%)</b>	<b>153.9</b>	<b>301.9</b>	<b>(148.1)</b>	<b>(49.0%)</b>
<b>Earnings per share (diluted)</b>								
<b>Income from Operations</b>	<b>\$ 0.67</b>	<b>\$ 0.88</b>	<b>(\$0.21)</b>	<b>(23.9%)</b>	<b>\$ 1.52</b>	<b>\$ 1.80</b>	<b>(\$0.28)</b>	<b>(15.6%)</b>
Realized gain (losses) on investments	(\$0.27)	(\$0.06)	(\$0.21)		(\$0.62)	(\$0.13)	(\$0.49)	
Gains (losses) on derivatives	\$ 0.00	\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00	
Reserve increase on business sold through reinsurance	(\$0.08)	\$ 0.00	(\$0.08)		(\$0.08)	\$ 0.00	(\$0.08)	
Restructuring charges	(\$0.01)	(\$0.02)	\$ 0.01		(\$0.01)	(\$0.02)	\$ 0.01	
<b>Income before Accounting Changes</b>	<b>\$ 0.31</b>	<b>\$ 0.80</b>	<b>(\$0.49)</b>		<b>\$ 0.81</b>	<b>\$ 1.65</b>	<b>(\$0.84)</b>	
Cumulative effect of accounting changes***	\$ 0.00	(\$0.06)	\$ 0.06		\$ 0.00	(\$0.08)	\$ 0.08	
<b>Net Income</b>	<b>\$ 0.31</b>	<b>\$ 0.74</b>	<b>(\$0.43)</b>	<b>(58.1%)</b>	<b>\$ 0.81</b>	<b>\$ 1.57</b>	<b>(\$0.76)</b>	<b>(48.4%)</b>
<b>Inc. from Oper. before Goodwill Amort.</b>								
Lincoln Retirement*	47.8	91.1	(43.3)	(47.5%)	128.2	173.7	(45.5)	(26.2%)
Life Insurance	73.5	73.0	0.5	0.6%	144.6	147.6	(2.9)	(2.0%)
Investment Management	6.6	7.7	(1.1)	(14.4%)	14.6	14.2	0.4	2.6%
Lincoln UK	6.7	16.4	(9.7)	(59.3%)	21.1	30.9	(9.8)	(31.8%)
Corporate & Other**	(7.3)	(9.2)	1.9		(19.3)	2.0	(21.3)	

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<b>Total</b>	<b>127.2</b>	179.0	(51.7)	(28.9%)	<b>289.2</b>	368.5	(79.2)	(21.5%)
<b>Earnings per share (diluted)</b>								
<b>Inc. from Oper. before Goodwill Amort.</b>	<b>\$ 0.67</b>	\$ 0.93	(\$0.26)	(28.0%)	<b>\$ 1.52</b>	\$ 1.91	(\$0.39)	(20.4%)
<b>Net Income before Goodwill Amort.</b>								
Lincoln Retirement*	<b>10.2</b>	80.2	(70.0)	(87.3%)	<b>57.8</b>	157.1	(99.3)	(63.2%)
Life Insurance	<b>57.4</b>	59.5	(2.1)	(3.5%)	<b>101.6</b>	128.3	(26.7)	(20.8%)
Investment Management	<b>6.2</b>	6.9	(0.8)	(11.0%)	<b>13.2</b>	13.0	0.2	1.6%
Lincoln UK	<b>9.8</b>	17.8	(8.0)	(44.7%)	<b>20.7</b>	32.7	(12.1)	(36.8%)
Corporate & Other**	<b>(24.2)</b>	(11.8)	(12.4)		<b>(39.4)</b>	(7.4)	(32.0)	
<b>Total</b>	<b>59.4</b>	152.6	(93.2)	(61.1%)	<b>153.9</b>	323.7	(169.8)	(52.5%)
<b>Earnings per share (diluted)</b>								
<b>Net Income before Goodwill Amort.</b>	<b>\$ 0.31</b>	\$ 0.79	(\$0.48)	(60.8%)	<b>\$ 0.81</b>	\$ 1.68	(\$0.87)	(51.8%)
<b>Operating Revenue</b>								
Lincoln Retirement*	<b>498.8</b>	522.1	(23.3)	(4.5%)	<b>1002.3</b>	1034.9	(32.6)	(3.1%)
Life Insurance	<b>464.6</b>	465.5	(0.9)	(0.2%)	<b>929.9</b>	933.4	(3.4)	(0.4%)
Investment Management	<b>103.1</b>	111.4	(8.3)	(7.5%)	<b>208.1</b>	224.4	(16.2)	(7.2%)
Lincoln UK	<b>63.4</b>	66.9	(3.4)	(5.1%)	<b>122.2</b>	151.2	(29.0)	(19.2%)
Corporate & Other**	<b>96.1</b>	450.7	(354.6)	(78.7%)	<b>193.2</b>	992.1	(798.9)	(80.5%)
<b>Total Operating Revenue</b>	<b>1226.0</b>	1616.5	(390.5)	(24.2%)	<b>2455.8</b>	3336.0	(880.2)	(26.4%)
<b>Total Revenue</b>								
Lincoln Retirement*	<b>442.6</b>	512.1	(69.6)	(13.6%)	<b>895.6</b>	1022.5	(126.9)	(12.4%)
Life Insurance	<b>439.8</b>	455.7	(15.8)	(3.5%)	<b>863.8</b>	915.3	(51.6)	(5.6%)
Investment Management	<b>102.4</b>	110.3	(7.9)	(7.2%)	<b>205.9</b>	222.6	(16.6)	(7.5%)
Lincoln UK	<b>68.0</b>	68.9	(0.9)	(1.3%)	<b>121.6</b>	153.8	(32.2)	(20.9%)
Corporate & Other**	<b>92.2</b>	452.0	(359.8)	(79.6%)	<b>184.5</b>	983.6	(799.1)	(81.2%)
<b>Total Revenue</b>	<b>1145.0</b>	1599.0	(454.0)	(28.4%)	<b>2271.4</b>	3297.8	(1,026.4)	(31.1%)
<b>Operational Data by Segment:</b> (Billions except where noted)								
<b>Lincoln Retirement*</b>								
Gross Deposits	<b>1.640</b>	1.371	0.269	19.6%	<b>3.354</b>	2.818	0.536	19.0%
Net Cash Flows	<b>0.223</b>	(0.196)	0.419	213.8%	<b>0.311</b>	(0.787)	1.098	139.6%
Account Values (Gross)	<b>49.886</b>	53.658	(3.772)	(7.0%)	<b>49.886</b>	53.658	(3.772)	(7.0%)
Account Values (Net of Reinsurance)	<b>48.116</b>	52.512	(4.396)	(8.4%)	<b>48.116</b>	52.512	(4.397)	(8.4%)
<b>Life Insurance Segment</b>								
First Year Premium- Retail (in millions)	<b>155.801</b>	134.596	21.205	15.8%	<b>295.178</b>	258.836	36.343	14.0%
First Year Premium- COLI (in millions)	<b>46.631</b>	20.976	25.655	122.3%	<b>53.504</b>	28.032	25.473	90.9%
First Year Premium- Total (in millions)	<b>202.432</b>	155.572	46.860	30.1%	<b>348.682</b>	286.867	61.815	21.5%
In-force	<b>244.750</b>	223.272	21.478	9.6%	<b>244.750</b>	223.272	21.479	9.6%
Account Values	<b>11.759</b>	11.066	0.693	6.3%	<b>11.759</b>	11.066	0.693	6.3%
<b>Investment Management Segment</b>								
Retail Deposits	<b>1.356</b>	0.884	0.472	53.4%	<b>2.558</b>	2.050	0.508	24.8%
Retail Net Cash Flows	<b>0.167</b>	(0.148)	0.315	212.8%	<b>0.257</b>	(0.167)	0.424	253.9%

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Institutional In-flows	<b>1.232</b>	1.056	0.176	16.7%	<b>2.708</b>	2.247	0.461	20.5%
Institutional Net Cash Flows	<b>0.455</b>	0.445	0.010	2.2%	<b>1.185</b>	0.027	1.158	4288.9%
Total Net Cash Flows	<b>0.622</b>	0.297	0.325	109.4%	<b>1.442</b>	(0.140)	1.582	1130.2%
Assets Under Management and Inst l	<b>48.738</b>	50.737	(1.998)	(3.9%)	<b>48.738</b>	50.737	(1.999)	(3.9%)
Assets Under Management Insurance Assets	<b>38.476</b>	36.018	2.458	6.8%	<b>38.476</b>	36.018	2.458	6.8%
Assets Under Management Segment	<b>87.214</b>	86.755	0.460	0.5%	<b>87.214</b>	86.755	0.459	0.5%
<b>Consolidated</b>								
Consolidated Domestic Retail Deposits	<b>3.203</b>	2.534	0.669	26.4%	<b>6.250</b>	5.305	0.945	17.8%
Consolidated Domestic Retail Account Balances	<b>77.644</b>	83.250	(5.606)	(6.7%)	<b>77.644</b>	83.250	(5.606)	(6.7%)
Total Retail Net Cash Flows	<b>0.688</b>	(0.073)	0.761	1038.5%	<b>1.066</b>	(0.427)	1.494	349.6%
Total Net Cash Flows	<b>1.143</b>	0.372	0.771	207.4%	<b>2.252</b>	(0.400)	2.652	662.5%
Total Assets Under Management	<b>123.036</b>	128.507	(5.471)	(4.3%)	<b>123.036</b>	128.507	(5.471)	(4.3%)

\* 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, all historical financial data for the former Reinsurance segment was moved into Other Operations. In addition, ongoing amortization of the deferred gain on indemnity reinsurance is shown in Other Operations.

\*\*\* The cumulative effect of accounting changes relates to the adjustment recorded upon adoption of FAS #133 in the 1st qtr. 2001.

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**Financial Highlights**

Unaudited [Amounts in Millions, except Per Share]

	For the Quarter Ended June 30				For the Six Months Ended June 30			
	2002	2001	Change	% Change	2002	2001	Change	% Change
	Amount	Amount			Amount	Amount		
<b>Consolidated</b>								
<b>Operational Data:</b>								
<b>(Millions)</b>								
<b>Balance Sheet Assets</b>								
End of Period	<b>95069.2</b>	96431.2	(1362.0)	(1.4%)	<b>95069.2</b>	96431.2	(1362.0)	(1.4%)
<b>Shareholders Equity</b>								
Beg of Period								
(Securities at Market)	<b>5131.1</b>	5096.4	34.7		<b>5263.5</b>	4954.1	309.4	
End of Period								
(Securities at Market)	<b>5307.9</b>	5055.9	252.0		<b>5307.9</b>	5055.9	252.0	
End of Period								
(Securities at Cost)	<b>4959.6</b>	4952.8	6.8		<b>4959.6</b>	4952.8	6.8	
Average Equity								
(Securities at Cost)	<b>5080.7</b>	4920.2	160.5		<b>5082.0</b>	4936.9	145.1	
<b>Return on Equity</b>								
Inc from								
Operations/Average								
Equity	<b>10.0%</b>	13.7%	(3.6%)		<b>11.4%</b>	14.0%	(2.7%)	
Net Income/Average								
Equity	<b>4.7%</b>	11.5%	(6.8%)		<b>6.1%</b>	12.2%	(6.2%)	
<b>Return on Capital</b>								
Inc from								
Operations/Average								
Capital	<b>8.4%</b>	11.3%	(2.9%)		<b>9.4%</b>	11.6%	(2.2%)	
<b>Common Stock</b>								
<b>Outstanding</b>								
Average for the								
Period Diluted	<b>189.7</b>	192.0	(2.3)	(1.2%)	<b>190.7</b>	192.8	(2.1)	(1.1%)
End of Period								
Assuming Conv of								
Pref	<b>184.5</b>	188.2	(3.7)	(2.0%)	<b>184.5</b>	188.2	(3.7)	(2.0%)
End of Period								
Diluted	<b>186.9</b>	192.9	(6.0)	(3.1%)	<b>186.9</b>	192.9	(6.0)	(3.1%)
Book Value (Securities								
at Market)	<b>\$ 28.77</b>	\$ 26.87	1.90	7.1%	<b>\$ 28.77</b>	\$ 26.87	1.90	7.1%
Book Value (Securities								
at Cost)	<b>\$ 26.88</b>	\$ 26.32	0.56	2.1%	<b>\$ 26.88</b>	\$ 26.32	0.56	2.1%
<b>Cash Returned to</b>								
<b>Shareholders</b>								
Share Repurchase								
dollar amount	<b>175.7</b>	35.1	140.6		<b>226.7</b>	186.8	39.9	
Dividends Declared to								
Shareholders	<b>59.6</b>	56.2	3.4		<b>119.6</b>	114.2	5.4	
	<b>235.3</b>	91.3	144.0		<b>346.3</b>	301.0	45.3	



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*Total Cash Returned  
to Shareholders*

Share Repurchase number of shares	<b>3.885</b>	0.750	3.135		<b>4.885</b>	4.300	0.585	
Dividend Declared on Common Stock per share	\$ <b>0.320</b>	\$ 0.305	\$ 0.015	4.9%	\$ <b>0.640</b>	\$ 0.610	\$ 0.030	4.9%

**For the Quarter Ended June 30**

**For the Six Months Ended June 30**

<i>Comprehensive Income (millions)</i>	<b>2002</b>		<b>2001</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
Net Income	<b>59.4</b>	141.7	<b>153.9</b>	301.9
Foreign Currency Translation	<b>42.8</b>	(19.5)	<b>30.0</b>	(37.3)
Net Unrealized Gains (Losses) on Securities	<b>293.9</b>	(114.2)	<b>130.0</b>	64.2
Gains (Losses) on Derivatives	<b>0.1</b>	3.7	<b>1.2</b>	9.4
Cumulative Effect of Accounting Change	<b>0.0</b>	0.0	<b>0.0</b>	17.6
Minimum Pension Liability Adjustment	<b>(2.6)</b>	0.0	<b>(1.9)</b>	0.0
<b>Comprehensive Income</b>	<b>393.6</b>	11.7	<b>313.2</b>	355.8

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**Financial Highlights**  
Unaudited [Amounts in Millions]

	For the Quarter Ended June 30				For the Six Months Ended June 30			
	2002 Amount	2001 Amount	Change	% Change	2002 Amount	2001 Amount	Change	% Change
<b>Consolidated Condensed Statements of Income</b>								
Revenue:								
Insurance Premiums and Fees	443.2	833.5	(390.3)	(46.8%)	881.4	1,746.9	(865.5)	(49.5%)
Investment Advisory Fees	47.8	49.6	(1.9)	(3.7%)	95.8	99.0	(3.3)	(3.3%)
Net Investment Income	651.0	673.1	(22.0)	(3.3%)	1,299.1	1,346.8	(47.7)	(3.5%)
Realized Gains (Losses) on Investments	(81.5)	(17.9)	(63.6)		(185.0)	(38.4)	(146.6)	
Gains (Losses) on Derivatives	0.4	0.2	0.2		0.6	0.1	0.5	
Other	84.0	60.4	23.7	39.2%	179.5	143.2	36.3	25.3%
<b>Total Revenue</b>	<b>1,145.0</b>	1,599.0	(454.0)	(28.4%)	<b>2,271.4</b>	3,297.8	(1,026.4)	(31.1%)
Benefits and Expenses:								
Benefits	626.1	855.0	(228.9)	(26.8%)	1,229.5	1,761.7	(532.2)	(30.2%)
Underwriting, Acquisition, Insurance and Other Expenses	457.7	540.3	(82.5)	(15.3%)	874.7	1,111.3	(236.6)	(21.3%)
<b>Total Benefits and Expenses</b>	<b>1,083.9</b>	1,395.3	(311.4)	(22.3%)	<b>2,104.3</b>	2,873.0	(768.7)	(26.8%)
Net Income before Federal Taxes	61.1	203.7	(142.6)		167.2	424.8	(257.6)	
Federal Income Taxes	1.7	50.7	(49.0)		13.3	107.3	(94.0)	
<b>Income before Accounting Changes</b>	<b>59.4</b>	153.0	(93.6)		<b>153.9</b>	317.5	(163.6)	
Cumulative Effect of Accounting Changes		(11.3)	11.3			(15.6)	15.6	
<b>Net Income</b>	<b>59.4</b>	141.7	(82.3)	(58.1%)	<b>153.9</b>	301.9	(148.1)	(49.0%)
<b>Income before Tax and Cumulative Effect of Accounting Changes By Segment</b>								
Lincoln Retirement	(0.6)	102.6	(103.2)		46.1	197.9	(151.8)	
Life Insurance	80.5	90.9	(10.4)		144.3	190.0	(45.7)	
Investment Management	7.4	4.6	2.8		15.6	8.1	7.5	
Lincoln UK	9.6	21.2	(11.6)		20.1	40.8	(20.7)	
Corporate and Other	(35.9)	(15.6)	(20.3)		(59.0)	(12.0)	(47.0)	
<b>Income before Tax and Cumulative Effect of Accounting Changes</b>	<b>61.1</b>	203.7	(142.6)		<b>167.2</b>	424.8	(257.6)	
<b>Pre-Tax Realized Gains (Losses) by Segment*</b>								

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Lincoln Retirement	(56.3)	(10.0)	(46.3)	(106.7)	(12.3)	(94.4)
Life Insurance	(24.7)	(9.8)	(14.9)	(66.2)	(18.0)	(48.2)
Investment Management	(0.7)	(1.1)	0.4	(2.2)	(1.8)	(0.4)
Lincoln UK	4.5	2.0	2.5	(0.6)	2.6	(3.2)
Corporate and Other	(3.9)	1.4	(5.3)	(8.8)	(8.7)	(0.1)
<b>Pre-Tax Realized Gains</b>						
<b>(Losses) on Investments and</b>						
<b>Derivatives</b>						
	(81.1)	(17.5)	(63.6)	(184.4)	(38.2)	(146.2)
<b>After-Tax Realized Gains (Losses)</b>						
<b>by Segment*</b>						
Lincoln Retirement	(36.6)	(6.5)	(30.1)	(69.4)	(8.0)	(61.4)
Life Insurance	(16.0)	(6.3)	(9.7)	(43.1)	(11.7)	(31.4)
Investment Management	(0.4)	(0.7)	0.3	(1.4)	(1.2)	(0.2)
Lincoln UK	3.2	1.4	1.8	(0.4)	1.8	(2.2)
Corporate and Other	(2.7)	0.9	(3.5)	(5.6)	(5.6)	
<b>After-Tax Realized Gains</b>						
<b>(Losses) on Investments and</b>						
<b>Derivatives</b>						
	(52.4)	(11.2)	(41.2)	(119.9)	(24.7)	(95.2)

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

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**Financial Highlights***Unaudited [Amounts in Millions, except Retail Account Balances and Assets Managed]*

	As of			
	June 2002	December 2001	Change	% Change
	Amount	Amount		
<b>Consolidated Condensed Balance Sheets</b>				
<b>Assets:</b>				
Investments:				
Securities Available for Sale:				
Fixed Maturities	29,724.6	28,345.7	1,378.9	4.9%
Equities	419.5	470.5	(51.0)	(10.8%)
Mortgage Loans on Real Estate	4,395.4	4,535.5	(140.2)	(3.1%)
Real Estate	258.7	267.9	(9.2)	(3.4%)
Policy Loans	1,906.1	1,939.7	(33.6)	(1.7%)
Other Long-Term Investments	456.0	553.8	(97.9)	(17.7%)
	<u>37,160.1</u>	<u>36,113.1</u>	<u>1,047.0</u>	<u>2.9%</u>
Other Assets:				
Assets Held in Separate Accounts	40,579.6	44,833.4	(4,253.8)	(9.5%)
Other Assets	17,329.5	17,054.8	274.7	1.6%
	<u>95,069.2</u>	<u>98,001.3</u>	<u>(2,932.1)</u>	<u>(3.0%)</u>
<b>Liabilities and Shareholders Equity</b>				
<b>Liabilities:</b>				
Insurance and Investment Contract Liabilities	41,862.1	40,857.2	1,005.0	2.5%
Liabilities Related to Separate Accounts	40,579.6	44,833.4	(4,253.8)	(9.5%)
Other Liabilities	7,319.6	7,047.2	272.4	3.9%
	<u>89,761.4</u>	<u>92,737.8</u>	<u>(2,976.4)</u>	<u>(3.2%)</u>
<b>Shareholders Equity:</b>				
Net Unrealized Gains(Losses) on Securities and Derivatives	348.4	217.2	131.1	60.4%
Other Shareholders Equity	4,959.5	5,046.3	(86.8)	(1.7%)
	<u>5,307.9</u>	<u>5,263.5</u>	<u>44.4</u>	<u>0.8%</u>
	<u>95,069.2</u>	<u>98,001.3</u>	<u>(2,932.1)</u>	<u>(3.0%)</u>

	As of June 30			
	2002 Amount	2001 Amount	Change	% Change
(\$ billions)				
<b>Domestic Retail Account Balances:</b>				
Lincoln Retirement Fixed Annuities	16.909	15.551	1.358	8.7%
Lincoln Retirement Variable Annuities	31.206	36.961	(5.755)	(15.6%)

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Lincoln Retirement Life Insurance		0.157	(0.157)	(100.0%)
Life Insurance Segment Life Insurance	<b>11.759</b>	11.066	0.693	6.3%
Investment Management Annuities	<b>10.896</b>	12.532	(1.636)	(13.1%)
Investment Management Mutual Funds	<b>11.033</b>	12.215	(1.182)	(9.7%)
Investment Management Wrap Fee & Other	<b>1.847</b>	1.774	0.073	4.1%
Consolidating Adjustments	<b>(6.007)</b>	(7.007)	1.000	14.3%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Domestic Account Balance</b>	<b>77.644</b>	83.250	(5.606)	(6.7%)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Assets Managed by Advisor:</b>				
Investment Management Segment	<b>87.214</b>	86.755	0.459	0.5%
Lincoln UK	<b>6.753</b>	7.027	(0.274)	(3.9%)
Policy Loans (within business units)	<b>1.906</b>	1.947	(0.041)	(2.1%)
Non-LNC Affiliates	<b>27.162</b>	32.778	(5.615)	(17.1%)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Assets Managed</b>	<b>123.036</b>	128.507	(5.471)	(4.3%)
	<hr/>	<hr/>	<hr/>	<hr/>

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

<i>For the Year Ended December 31</i>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Revenue</b>						
Lincoln Retirement	<b>1968.3</b>	2133.7	2115.8	2068.1	2023.0	1805.0
Life Insurance	<b>1840.6</b>	1819.0	1760.4	1378.5	544.8	549.2
Investment Management	<b>433.7</b>	490.3	495.5	491.9	459.1	410.5
Lincoln UK	<b>293.3</b>	438.2	446.6	439.7	427.3	393.2
Corporate & Other	<b>1844.7</b>	1970.4	1985.4	1708.9	1444.3	1575.6
<b>Total Revenue</b>	<b>6380.6</b>	6851.5	6803.7	6087.1	4898.5	4733.6
<b>Income from Operations*</b>						
Lincoln Retirement	<b>320.3</b>	362.0	299.4	262.4	223.0	174.6
Life Insurance	<b>279.0</b>	259.9	212.0	149.2	39.9	41.2
Investment Management	<b>14.6</b>	44.1	61.0	43.9	18.1	18.6
Lincoln UK	<b>60.2</b>	61.0	(13.9)	70.9	(108.3)	66.0
Corporate & Other	<b>14.8</b>	(8.0)	(83.1)	4.0	(223.3)	(1.7)
<b>Total Income from Cont Oper</b>	<b>689.0</b>	719.1	475.5	530.4	(50.6)	298.8
Discontinued Operations					110.1	135.3
<b>Income from Operations</b>	<b>689.0</b>	719.1	475.5	530.4	59.4	434.1
<b>Net Income</b>						
Lincoln Retirement	<b>269.2</b>	358.6	291.5	273.8	263.3	204.3
Life Insurance	<b>233.1</b>	249.3	211.5	127.5	39.1	51.8
Investment Management	<b>11.8</b>	37.0	51.6	44.4	25.1	25.0
Lincoln UK	<b>68.9</b>	(13.2)	(18.2)	71.7	(106.8)	66.0
Corporate & Other	<b>7.2</b>	(10.2)	(76.1)	(7.6)	(198.4)	9.3
<b>Total Net Inc from Cont Oper</b>	<b>590.2</b>	621.4	460.4	509.8	22.2	356.4
Discontinued Operations					911.8	157.2
<b>Total Net Income</b>	<b>590.2</b>	621.4	460.4	509.8	934.0	513.6
<b>OTHER DATA</b>						
<b>Assets</b>	<b>98001.3</b>	99844.1	103095.7	93836.3	77174.7	71713.4
<b>Shareholders Equity:</b>						
Securities and Derivatives at Market	<b>5263.5</b>	4954.1	4263.9	5387.9	4982.9	4470.0
Securities and Derivatives at Cost	<b>5046.3</b>	4942.0	4729.6	4835.6	4546.9	4057.1
Average Equity (Sec & Deriv at Cost)	<b>5022.6</b>	4831.9	4818.7	4685.6	4214.1	3866.0
<b>Common Shares Outstanding:</b>						
(millions)						
End of Period Diluted	<b>191.1</b>	195.2	197.0	203.4	204.7	209.5
Average for the Period Diluted	<b>193.3</b>	194.9	200.4	203.3	208.0	210.7
<b>Per Share Data (Diluted)</b>						
Income (Loss) from Continuing Operations	<b>\$ 3.56</b>	\$ 3.69	\$ 2.37	\$ 2.61	(\$0.24)	\$ 1.42
Income from Operations *	<b>\$ 3.56</b>	\$ 3.69	\$ 2.37	\$ 2.61	\$ 0.29	\$ 2.06

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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
<b>Shareholders' Equity:</b>						
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
<b>Return on Equity (see page 30)</b>						
Net Income/Average Equity Inc from Operations/Average Equity	11.8%	12.9%	9.6%	10.9%	22.2%	13.3%
	13.7%	14.9%	9.9%	11.3%	1.4%	11.2%
<b>Market Value of Common Stock</b>						
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

[Additional columns below]

[Continued from above table, first column(s) repeated]

<i>For the Year Ended December 31</i>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>Ten-year compound annual growth</b>
<b>Revenue</b>						
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	
<b>Total Revenue</b>	<b>4586.5</b>	<b>3932.5</b>	<b>4937.1</b>	<b>4742.1</b>	<b>5524.6</b>	<b>1.5%</b>
<b>Income from Operations*</b>						
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	
<b>Total Income from Cont Oper</b>	<b>140.8</b>	<b>218.6</b>	<b>197.6</b>	<b>151.9</b>	<b>108.3</b>	<b>20.3%</b>
Discontinued Operations	165.6	171.1	145.9	88.7	69.4	
<b>Income from Operations</b>	<b>306.5</b>	<b>389.7</b>	<b>343.5</b>	<b>240.6</b>	<b>177.7</b>	<b>14.5%</b>
<b>Net Income</b>						
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	
<b>Total Net Inc from Cont Oper</b>	<b>301.4</b>	<b>165.5</b>	<b>76.4</b>	<b>270.5</b>	<b>132.5</b>	<b>16.1%</b>
Discontinued Operations	180.8	184.4	242.5	88.7	69.4	

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<b>Total Net Income</b>		482.2	349.9	318.9	359.2	201.9	11.3%
<b>OTHER DATA</b>							
<b>Assets</b>		63257.7	48864.8	47825.1	39042.2	33660.3	11.3%
<b>Shareholders Equity:</b>							
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%
<b>Common Shares Outstanding:</b>							
<i>(millions)</i>							
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	
<b>Per Share Data (Diluted)</b>							
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%
<b>Shareholders Equity:</b>							
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%
<b>Return on Equity (see page 30)</b>							
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%	
<b>Market Value of Common Stock</b>							
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	
<b>Close for the Year</b>	\$	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, 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 operations also excludes the recognition of losses and related changes to the deferred gain amortization under indemnity reinsurance resulting from future developments in the business sold through indemnity reinsurance.



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

<i>For the Quarter Ended</i>	<b>Sep 1999</b>	<b>Dec 1999</b>	<b>Mar 2000</b>	<b>Jun 2000</b>	<b>Sep 2000</b>	<b>Dec 2000</b>
<b>Revenue</b>						
Lincoln Retirement	520.5	538.0	548.7	530.5	532.1	522.3
Life Insurance	437.1	473.1	441.7	444.2	453.2	479.9
Investment Management	118.8	126.6	125.8	120.7	123.8	120.0
Lincoln UK	110.5	103.8	112.8	108.2	112.8	104.3
Corporate & Other	455.2	566.4	440.2	489.0	494.1	547.0
<b>Total Revenue</b>	<b>1642.1</b>	<b>1807.9</b>	<b>1669.2</b>	<b>1692.7</b>	<b>1716.1</b>	<b>1773.5</b>
<b>Income from Operations*</b>						
Lincoln Retirement	75.4	73.7	88.5	84.1	102.9	86.4
Life Insurance	52.6	57.0	60.4	62.4	66.5	70.6
Investment Management	14.7	16.5	12.4	13.1	9.9	8.7
Lincoln UK	16.2	(67.1)	15.7	19.3	10.6	15.5
Corporate & Other	(27.5)	(43.5)	(6.5)	(5.9)	0.9	3.5
<b>Income from Operations</b>	<b>131.4</b>	<b>36.6</b>	<b>170.6</b>	<b>173.0</b>	<b>190.7</b>	<b>184.7</b>
<b>Net Income</b>						
Lincoln Retirement	68.4	69.9	91.2	84.4	93.8	89.2
Life Insurance	54.0	59.7	58.1	58.4	67.4	65.4
Investment Management	14.4	19.8	12.3	8.4	9.7	6.6
Lincoln UK	16.4	(72.6)	15.5	19.1	(29.9)	(17.9)
Corporate & Other	(20.9)	(42.2)	(6.8)	(6.8)	(2.3)	5.7
<b>Total Net Income</b>	<b>132.3</b>	<b>34.6</b>	<b>170.2</b>	<b>163.6</b>	<b>138.6</b>	<b>148.9</b>
<b>OTHER DATA</b>						
<b>Assets</b>	<b>96500.7</b>	<b>103095.7</b>	<b>106340.0</b>	<b>103847.6</b>	<b>103243.1</b>	<b>99844.1</b>
<b>Shareholders Equity</b>						
Beg of Period (Sec & Deriv at Market)	4817.4	4662.2	4263.9	4340.4	4223.7	4538.6
End of Period (Sec & Deriv at Market)	4662.2	4263.9	4340.4	4223.7	4538.6	4954.1
End of Period (Sec & Deriv at Cost)	4766.0	4729.6	4751.6	4780.3	4876.3	4942.0
Average Equity (Sec & Deriv at Cost)	4793.9	4774.2	4791.5	4753.0	4867.2	4915.7
<b>Common Shares Outstanding</b>						
Average for the Period Diluted	199.0	197.1	195.8	194.0	195.6	195.6
End of Period Diluted	196.9	197.0	195.1	193.7	196.2	195.2

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*Per Share Data (Diluted)*

Income from Operations *	\$ 0.66	\$ 0.19	\$ 0.87	\$ 0.89	\$ 0.98	\$ 0.94
Net Income	\$ 0.66	\$ 0.18	\$ 0.87	\$ 0.84	\$ 0.71	\$ 0.76

*Shareholders Equity*

Shareholders Equity (Sec & Deriv at Market)	\$ 23.76	\$ 21.76	\$ 22.45	\$ 22.10	\$ 23.67	\$ 25.92
Shareholders Equity (Sec & Deriv at Cost)	\$ 24.28	\$ 24.14	\$ 24.58	\$ 25.01	\$ 25.43	\$ 25.85
Dividends Declared (Com Stk)	\$ 0.275	\$ 0.290	\$ 0.290	\$ 0.290	\$ 0.290	\$ 0.305

*Return on Equity (see page 30)*

Net Income/Average Equity	11.0%	2.9%	14.2%	13.8%	11.4%	12.1%
Inc from Operations/Average Equity	11.0%	3.1%	14.2%	14.6%	15.7%	15.0%

*Market Value of Common Stock*

Highest Price	\$ 57.500	\$ 48.313	\$ 41.375	\$ 40.063	\$ 56.375	\$ 50.938
Lowest Price	\$ 36.000	\$ 36.500	\$ 22.625	\$ 29.000	\$ 35.625	\$ 40.875
Closing Price	\$ 37.563	\$ 40.000	\$ 33.500	\$ 36.125	\$ 48.125	\$ 47.313

[Additional columns below]

[Continued from above table, first column(s) repeated]

<i>For the Quarter Ended</i>	<b>Mar 2001</b>	<b>Jun 2001</b>	<b>Sep 2001</b>	<b>Dec 2001</b>	<b>Mar 2002</b>	<b>Jun 2002</b>
<b>Revenue</b>						
Lincoln Retirement	510.4	512.1	478.2	467.5	453.0	<b>442.6</b>
Life Insurance	459.6	455.7	460.6	464.7	423.9	<b>439.8</b>
Investment Management	112.3	110.3	104.7	106.5	103.5	<b>102.4</b>
Lincoln UK	84.9	68.9	76.3	63.2	53.6	<b>68.0</b>
Corporate & Other	531.6	452.0	489.5	371.7	92.3	<b>92.2</b>
<b>Total Revenue</b>	<b>1698.8</b>	<b>1599.0</b>	<b>1609.3</b>	<b>1473.6</b>	<b>1126.4</b>	<b>1145.0</b>
<b>Income from Operations*</b>						
Lincoln Retirement	82.3	90.8	72.4	74.8	80.4	<b>47.8</b>
Life Insurance	68.6	67.1	70.1	73.2	71.1	<b>73.5</b>
Investment Management	2.4	3.7	3.5	5.1	8.0	<b>6.6</b>
Lincoln UK	14.4	16.2	10.1	19.5	14.4	<b>6.7</b>
Corporate & Other	10.9	(9.7)	(12.9)	26.5	(12.0)	<b>(7.3)</b>
<b>Income from Operations</b>	<b>178.6</b>	<b>168.1</b>	<b>143.2</b>	<b>199.1</b>	<b>162.0</b>	<b>127.2</b>
<b>Net Income</b>						
Lincoln Retirement	76.6	79.9	58.6	54.2	47.6	<b>10.2</b>
Life Insurance	62.9	53.5	64.7	51.9	44.2	<b>57.4</b>
Investment Management	2.0	2.9	2.9	4.0	7.0	<b>6.2</b>
Lincoln UK	14.8	17.6	14.0	22.5	10.8	<b>9.8</b>
Corporate & Other	4.0	(12.2)	(21.2)	36.7	(15.2)	<b>(24.2)</b>
<b>Total Net Income</b>	<b>160.2</b>	<b>141.7</b>	<b>119.1</b>	<b>169.2</b>	<b>94.5</b>	<b>59.4</b>

**OTHER DATA**

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<b>Assets</b>	94122.4	96431.2	90206.0	98001.3	97846.4	<b>95069.2</b>
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**Shareholders Equity**

Beg of Period (Sec & Deriv at Market)	4954.1	5096.4	5055.9	5368.6	5263.5	<b>5131.1</b>
End of Period (Sec & Deriv at Market)	5096.4	5055.9	5368.6	5263.5	5131.1	<b>5307.9</b>
End of Period (Sec & Deriv at Cost)	4882.7	4952.8	5100.4	5046.3	5076.6	<b>4959.5</b>
Average Equity (Sec & Deriv at Cost)	4953.7	4920.2	5085.0	5131.4	5083.3	<b>5080.7</b>

**Common Shares Outstanding**

Average for the Period Diluted	193.7	192.0	194.8	192.8	191.7	<b>189.7</b>
End of Period Diluted	191.3	192.9	193.3	191.1	191.7	<b>186.9</b>

**Per Share Data (Diluted)**

Income from Operations *	\$ 0.92	\$ 0.88	\$ 0.74	\$ 1.03	\$ 0.84	<b>\$ 0.67</b>
Net Income	\$ 0.83	\$ 0.74	\$ 0.61	\$ 0.88	\$ 0.49	<b>\$ 0.31</b>

**Shareholders Equity**

Shareholders Equity (Sec & Deriv at Market)	\$ 27.09	\$ 26.87	\$ 28.29	\$ 28.10	\$ 27.30	<b>\$ 28.77</b>
Shareholders Equity (Sec & Deriv at Cost)	\$ 25.96	\$ 26.32	\$ 26.87	\$ 26.94	\$ 27.02	<b>\$ 26.88</b>
Dividends Declared (Com Stk)	\$ 0.305	\$ 0.305	\$ 0.305	\$ 0.320	\$ 0.320	<b>\$ 0.320</b>

**Return on Equity (see page 30)**

Net Income/Average Equity	12.9%	11.5%	9.4%	13.2%	7.4%	<b>4.7%</b>
Inc from Operations/Average Equity	14.4%	13.7%	11.3%	15.5%	12.7%	<b>10.0%</b>

**Market Value of Common Stock**

Highest Price	\$ 48.250	\$ 52.300	\$ 52.750	\$ 49.450	\$ 53.650	<b>\$ 52.540</b>
Lowest Price	\$ 38.000	\$ 41.280	\$ 41.000	\$ 40.000	\$ 47.200	<b>\$ 40.750</b>
<b>Closing Price</b>	<b>\$ 42.470</b>	<b>\$ 51.750</b>	<b>\$ 46.630</b>	<b>\$ 48.570</b>	<b>\$ 50.730</b>	<b>\$ 42.000</b>

\* 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 operations also excludes the recognition of losses and related changes to the deferred gain amortization under indemnity reinsurance resulting from future developments in the business sold through indemnity reinsurance.

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

<i>For the Quarter Ended June 30</i>	<u>Lincoln Retirement</u>		<u>Life Insurance</u>		<u>Investment Management</u>		<u>Lincoln UK</u>	
	<u>Jun 2002</u>	<u>Jun 2001</u>	<u>Jun 2002</u>	<u>Jun 2001</u>	<u>Jun 2002</u>	<u>Jun 2001</u>	<u>Jun 2002</u>	<u>Jun 2001</u>
<b>Operating Revenue</b>								
Life and annuity premiums	13.1	32.5	47.5	50.7			11.4	8.8
Surrender charges	7.2	8.5	13.5	13.5				
Mortality assessments			123.9	124.8			8.3	8.9
Expense assessments	127.1	138.0	47.2	45.3			27.8	31.4
Health premiums			0.1	0.0			0.7	0.7
Investment advisory fees					68.4	72.7		
Other revenue and fees	(1.3)	3.9	6.7	3.8	22.0	25.7	0.0	0.1
Net investment income	352.7	339.3	225.7	227.4	12.7	13.0	15.3	16.9
Earnings in Unconsolidated Affiliates								
<b>Operating Revenue</b>	<b>498.8</b>	<b>522.1</b>	<b>464.6</b>	<b>465.5</b>	<b>103.1</b>	<b>111.4</b>	<b>63.4</b>	<b>66.9</b>
<b>Operating Benefits and Expenses</b>								
Ins. benefits paid or provided:								
Life and annuity policy benefits	72.5	72.6	103.6	103.5			15.5	15.9
Div accum & div to policyholders			18.2	19.0				
Interest credited to policy bal	221.8	209.7	148.9	141.2				
Health policy benefits			0.0	0.0			3.5	2.0
Underwriting, acquisition, insurance and other expenses	147.2	126.0	88.5	92.0	95.0	101.6	39.3	29.7
Goodwill amortization		0.3		5.9		4.1		0.2
Interest			0.0					
<b>Operating Benefits and Expenses</b>	<b>441.5</b>	<b>408.6</b>	<b>359.3</b>	<b>361.7</b>	<b>95.0</b>	<b>105.7</b>	<b>58.4</b>	<b>47.7</b>
Income from Operations								
Before Tax	57.3	113.6	105.3	103.8	8.1	5.7	5.1	19.1
Federal income taxes	9.5	22.8	31.8	36.7	1.5	2.0	(1.6)	2.9
<b>Income from Operations</b>	<b>47.8</b>	<b>90.8</b>	<b>73.5</b>	<b>67.1</b>	<b>6.6</b>	<b>3.7</b>	<b>6.7</b>	<b>16.2</b>
Restructuring charges	(1.0)	(0.6)		(2.0)				
Realized gains (losses) on investments	(36.6)	(6.7)	(16.4)	(6.4)	(0.4)	(0.7)	3.2	1.4
Gains (losses) on derivatives	0.1	0.1	0.3	0.1				
Reserve increase on business sold through reinsurance								
Gain on sale of subsidiaries								
	<u>Corporate and Other Operations</u>		<u>Consolidating Adjustments</u>				<u>Consolidated</u>	

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	Jun 2002	Jun 2001	Jun 2002	Jun 2001	Jun 2002	Jun 2001
<b>Operating Revenue</b>						
Life and annuity premiums	(3.4)	261.9			68.7	353.9
Surrender charges		0.4	0.6	0.5	21.3	22.8
Mortality assessments	(1.7)	0.0			130.5	133.7
Expense assessments	1.7	(0.0)	10.7	12.8	214.4	227.5
Health premiums	7.6	94.9			8.3	95.7
Investment advisory fees			(20.7)	(23.1)	47.8	49.6
Other revenue and fees	94.3	71.8	(37.1)	(44.9)	84.7	60.3
Net investment income	46.3	78.8	(1.6)	(2.4)	651.0	673.1
Earnings in Unconsolidated Affiliates	(0.6)	0.0			(0.6)	0.0
<b>Operating Revenue</b>	<b>144.2</b>	<b>507.8</b>	<b>(48.1)</b>	<b>(57.1)</b>	<b>1226.0</b>	<b>1616.5</b>
<b>Operating Benefits and Expenses</b>						
Ins. benefits paid or provided:						
Life and annuity policy benefits	(0.1)	181.6			191.5	373.6
Div accum & div to policyholders	0.0	1.2			18.2	20.2
Interest credited to policy bal	3.7	8.7	8.0	10.0	382.5	369.7
Health policy benefits	30.4	89.5			33.9	91.5
Underwriting, acquisition, insurance and other expenses	93.7	206.9	(54.4)	(64.7)	409.3	491.4
Goodwill amortization		0.4		(0.0)		10.9
Interest	26.2	34.5	(1.6)	(2.4)	24.6	32.0
<b>Operating Benefits and Expenses</b>	<b>154.0</b>	<b>522.8</b>	<b>(48.1)</b>	<b>(57.1)</b>	<b>1060.1</b>	<b>1389.3</b>
Income from Operations						
Before Tax	(9.8)	(15.0)		0.0	166.0	227.2
Federal income taxes	(2.5)	(5.3)			38.7	59.1
<b>Income from Operations</b>	<b>(7.3)</b>	<b>(9.7)</b>		<b>0.0</b>	<b>127.2</b>	<b>168.1</b>
Restructuring charges		(1.2)			(1.0)	(3.9)
Realized gains (losses) on investments	(2.4)	0.2	(0.0)	0.8	(52.7)	(11.5)
Gains (losses) on derivatives	(0.1)	(0.1)			0.3	0.2
Reserve increase on business sold through reinsurance	(14.4)				(14.4)	
<b>Income before Accounting Changes</b>	<b>(24.2)</b>	<b>(10.8)</b>	<b>(0.0)</b>	<b>0.8</b>	<b>59.4</b>	<b>153.0</b>
Cumulative effect of accounting changes		(2.2)				(11.3)
<b>Net Income</b>	<b>(24.2)</b>	<b>(13.0)</b>	<b>(0.0)</b>	<b>0.8</b>	<b>59.4</b>	<b>141.7</b>
<b>Inc. from Oper.-before Goodwill Amort</b>	<b>(7.3)</b>	<b>(9.2)</b>			<b>127.2</b>	<b>179.0</b>
<b>Net Income-before Goodwill Amort</b>	<b>(24.2)</b>	<b>(12.6)</b>	<b>(0.0)</b>	<b>0.8</b>	<b>59.4</b>	<b>152.6</b>

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

<i>For the Six Months Ended June 30</i>	Lincoln Retirement		Life Insurance		Investment Management		Lincoln UK	
	Jun 2002	Jun 2001	Jun 2002	Jun 2001	Jun 2002	Jun 2001	Jun 2002	Jun 2001
<b>Operating Revenue</b>								
Life and annuity premiums	25.3	51.6	98.6	101.5			22.8	21.0
Surrender charges	15.1	17.5	25.2	30.6				
Mortality assessments			247.8	249.1			14.8	18.3
Expense assessments	254.8	279.5	94.1	92.7			53.1	75.1
Health premiums			0.1	0.1			1.4	1.4
Investment advisory fees					137.6	145.3		
Other revenue and fees	4.5	5.6	12.4	8.9	45.0	52.0	0.3	0.7
Net investment income	702.6	680.7	451.7	450.4	25.5	27.1	29.9	34.8
Earnings in Unconsolidated Affiliates								
<b>Operating Revenue</b>	<b>1002.3</b>	1034.9	<b>929.9</b>	933.4	<b>208.1</b>	224.4	<b>122.2</b>	151.2
<b>Operating Benefits and Expenses</b>								
Ins. benefits paid or provided:								
Life and annuity policy benefits	127.9	142.4	207.7	203.4			30.5	35.7
Div accum & div to policyholders			36.0	36.6				
Interest credited to policy bal	447.9	419.1	295.2	279.5				
Health policy benefits			0.0	0.0			6.8	6.2
Underwriting, acquisition, insurance and other expenses	272.1	260.6	180.6	190.8	190.4	206.4	64.2	70.8
Goodwill amortization		0.6		11.8		8.1		0.3
Interest			0.0					
<b>Operating Benefits and Expenses</b>	<b>847.9</b>	822.7	<b>719.5</b>	722.1	<b>190.4</b>	214.5	<b>101.6</b>	113.0
Income from Operations Before Tax	154.4	212.2	210.4	211.2	17.8	9.9	20.6	38.2
Federal income taxes	26.2	39.1	65.8	75.5	3.2	3.8	(0.5)	7.6
<b>Income from Operations</b>	<b>128.2</b>	173.1	<b>144.6</b>	135.7	<b>14.6</b>	6.1	<b>21.1</b>	30.6
Restructuring charges	(1.0)	(1.3)		(2.0)				
Realized gains (losses) on investments	(69.5)	(8.1)	(43.4)	(11.8)	(1.4)	(1.2)	(0.4)	1.8
Gains (losses) on derivatives	0.1	0.0	0.3	0.1				
Reserve increase on business sold through reinsurance Gain on sale of subsidiaries								
<b>Income before Accounting Changes</b>	<b>57.8</b>	163.8	<b>101.6</b>	122.0	<b>13.2</b>	4.9	<b>20.7</b>	32.4
Cumulative effect of accounting changes		(7.3)		(5.5)		(0.1)		

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<i>Net Income</i>	<b>57.8</b>	156.5	<b>101.6</b>	116.5	<b>13.2</b>	4.8	<b>20.7</b>	32.4
	<b>128.2</b>	173.7	<b>144.6</b>	147.6	<b>14.6</b>	14.2	<b>21.1</b>	30.9
<i>Net Income-before Goodwill Amort.</i>	<b>57.8</b>	157.1	<b>101.6</b>	128.3	<b>13.2</b>	13.0	<b>20.7</b>	32.7
	<b>Corporate and Other Operations</b>		<b>Consolidating Adjustments</b>		<b>Consolidated</b>			
	<b>Jun 2002</b>	<b>Jun 2001</b>	<b>Jun 2002</b>	<b>Jun 2001</b>	<b>Jun 2002</b>	<b>Jun 2001</b>		
<b>Operating Revenue</b>								
Life and annuity premiums	(3.4)	581.9					<b>143.4</b>	756.0
Surrender charges		1.2	<b>1.1</b>	1.2			<b>41.4</b>	50.6
Mortality assessments	(1.7)	0.0					<b>260.9</b>	267.4
Expense assessments	<b>1.7</b>	(0.0)	<b>21.3</b>	25.0			<b>425.0</b>	472.4
Health premiums	<b>9.3</b>	199.1					<b>10.8</b>	200.5
Investment advisory fees			(41.9)	(46.2)			<b>95.8</b>	99.0
Other revenue and fees	<b>192.3</b>	158.0	(74.4)	(82.8)			<b>180.1</b>	142.3
Net investment income	<b>92.5</b>	160.3	(3.1)	(6.6)			<b>1299.1</b>	1346.8
Earnings in Unconsolidated Affiliates	(0.6)	0.9					(0.6)	0.9
<b>Operating Revenue</b>	<b>290.2</b>	1101.5	(96.9)	(109.4)			<b>2455.8</b>	3336.0
<b>Operating Benefits and Expenses</b>								
Ins. benefits paid or provided:								
Life and annuity policy benefits	<b>1.5</b>	411.1					<b>367.6</b>	792.5
Div accum & div to policyholders	<b>0.0</b>	2.5					<b>36.0</b>	39.1
Interest credited to policy bal	<b>29.5</b>	17.9	<b>16.1</b>	20.2			<b>788.6</b>	736.7
Health policy benefits	<b>30.4</b>	187.1					<b>37.3</b>	193.3
Underwriting, acquisition, insurance and other expenses	<b>204.1</b>	410.7	(109.9)	(123.0)			<b>801.5</b>	1016.2
Goodwill amortization		0.9		(0.0)				21.7
Interest	<b>52.5</b>	73.1	(3.1)	(6.6)			<b>49.5</b>	66.5
<b>Operating Benefits and Expenses</b>	<b>318.0</b>	1103.2	(96.9)	(109.4)			<b>2080.5</b>	2866.1
Income from Operations Before Tax	(27.9)	(6.0)		4.3			<b>375.4</b>	469.9
Federal income taxes	(8.6)	(4.1)		1.3			<b>86.1</b>	123.2
<b>Income from Operations</b>	<b>(19.3)</b>	(1.8)		3.0			<b>289.2</b>	346.7
Restructuring charges		(1.2)					(1.0)	(4.5)
Realized gains (losses) on investments	(5.7)	(6.3)	(0.0)	0.8			(120.3)	(24.8)
Gains (losses) on derivatives	(0.0)	(0.0)					<b>0.4</b>	0.1
Reserve increase on business sold through reinsurance	(14.4)						(14.4)	
Gain on sale of subsidiaries								
<b>Income before Accounting Changes</b>	<b>(39.4)</b>	(9.4)	(0.0)	3.8			<b>153.9</b>	317.5
Cumulative effect of accounting changes		(2.7)						(15.6)
<b>Net Income</b>	<b>(39.4)</b>	(12.1)	(0.0)	3.8			<b>153.9</b>	301.9

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<i>Inc. from Oper.-before Goodwill Amort.</i>	<b>(19.3)</b>	(1.0)		3.0	<b>289.2</b>	368.5
<i>Net Income-before Goodwill Amort.</i>	<b>(39.4)</b>	(11.2)	<b>(0.0)</b>	3.8	<b>153.9</b>	323.7

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*Statement of Consolidated Income*  
*Unaudited [Millions of Dollars]*

<i>For the Year Ended December 31</i>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>YTD Jun 2001</u>	<u>YTD Jun 2002</u>
<b>Operating Revenue</b>							
Life and annuity premiums	756.2	985.6	1183.0	1403.3	<b>1363.4</b>	756.0	<b>143.4</b>
Surrender charges	45.4	91.5	110.2	114.7	<b>101.5</b>	50.6	<b>41.4</b>
Mortality assessments	186.4	380.1	496.4	496.5	<b>533.3</b>	267.4	<b>260.9</b>
Expense assessments	600.3	803.0	930.9	1050.2	<b>909.2</b>	472.4	<b>425.0</b>
Health premiums	572.6	635.1	698.5	409.8	<b>340.6</b>	200.5	<b>10.8</b>
Investment advisory fees	204.9	227.1	223.8	213.1	<b>197.2</b>	99.0	<b>95.8</b>
Other revenue and fees	157.3	261.0	344.5	445.4	<b>351.8</b>	142.3	<b>180.1</b>
Net investment income	2250.8	2681.4	2807.5	2747.1	<b>2679.6</b>	1346.8	<b>1299.1</b>
Earnings in Unconsolidated Affiliates	2.1	3.3	5.8	(0.4)	<b>5.7</b>	0.9	<b>(0.6)</b>
<b>Operating Revenue</b>	<b>4775.9</b>	<b>6068.0</b>	<b>6800.7</b>	<b>6879.8</b>	<b>6482.2</b>	<b>3336.0</b>	<b>2455.8</b>
<b>Operating Benefits and Expenses</b>							
Ins. benefits paid or provided:							
Life and annuity policy benefits	1090.2	1237.7	1546.6	1546.4	<b>1517.9</b>	792.5	<b>367.6</b>
Div accum & div to policyholders	29.7	78.0	88.4	87.6	<b>83.7</b>	39.1	<b>36.0</b>
Interest credited to policy bal	1238.7	1446.2	1510.4	1474.2	<b>1506.0</b>	736.7	<b>788.6</b>
Health policy benefits	833.1	566.9	659.7	449.0	<b>302.1</b>	193.3	<b>37.3</b>
Underwriting, acquisition, insurance and other expenses	1557.3	1844.2	2218.5	2168.4	<b>2004.5</b>	1016.2	<b>801.5</b>
Goodwill amortization	15.6	44.5	49.2	45.1	<b>43.4</b>	21.7	
Interest	92.5	117.1	133.7	139.5	<b>121.0</b>	66.5	<b>49.5</b>
<b>Operating Benefits and Expenses</b>	<b>4857.2</b>	<b>5334.6</b>	<b>6206.4</b>	<b>5910.3</b>	<b>5578.6</b>	<b>2866.1</b>	<b>2080.5</b>
Income from Operations Before Tax	(81.3)	733.4	594.4	969.6	<b>903.6</b>	469.9	<b>375.4</b>
Federal income taxes	(30.6)	203.0	118.9	250.5	<b>214.7</b>	123.2	<b>86.1</b>
<b>Income from Continuing Operations</b>	<b>(50.6)</b>	<b>530.4</b>	<b>475.5</b>	<b>719.1</b>	<b>689.0</b>	<b>346.7</b>	<b>289.2</b>
Discontinued Operations	911.8						
Restructuring charges		(34.3)	(18.9)	(80.2)	<b>(24.7)</b>	(4.5)	<b>(1.0)</b>
Realized gains (losses) on investments	72.9	13.7	3.8	(17.5)	<b>(68.7)</b>	(24.8)	<b>(120.3)</b>
Gains (losses) on derivatives					<b>(4.9)</b>	0.1	<b>0.4</b>
Reserve increase on business sold through reinsurance							<b>(14.4)</b>
Gain on sale of subsidiaries					<b>15.0</b>		
<b>Income before Accounting Changes</b>	<b>934.0</b>	<b>509.8</b>	<b>460.4</b>	<b>621.4</b>	<b>605.8</b>	<b>317.5</b>	<b>153.9</b>
Cumulative Effect of Accounting Changes					<b>(15.6)</b>	(15.6)	
<b>Net Income</b>	<b>934.0</b>	<b>509.8</b>	<b>460.4</b>	<b>621.4</b>	<b>590.2</b>	<b>301.9</b>	<b>153.9</b>

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<i>For the Quarter Ended</i>	<b>Sep 1999</b>	<b>Dec 1999</b>	<b>Mar 2000</b>	<b>Jun 2000</b>	<b>Sep 2000</b>	<b>Dec 2000</b>
<b>Operating Revenue</b>						
Life and annuity premiums	263.8	361.1	331.2	337.1	339.0	396.1
Surrender charges	28.4	29.2	28.7	29.8	25.9	30.3
Mortality assessments	118.2	118.7	118.5	122.5	125.9	129.6
Expense assessments	245.9	238.3	261.1	258.6	273.4	257.1
Health premiums	149.6	233.6	58.4	144.0	117.9	89.4
Investment advisory fees	54.6	54.1	54.0	52.2	53.3	53.6
Other revenue and fees	77.9	71.2	106.1	88.7	106.0	144.6
Net investment income	697.1	700.1	711.1	673.8	690.0	672.1
Earnings in Unconsolidated Affiliates	1.2	1.8	1.0	(3.6)	1.6	0.6
<b>Operating Revenue</b>	<b>1636.7</b>	<b>1808.2</b>	<b>1670.2</b>	<b>1703.0</b>	<b>1733.1</b>	<b>1773.5</b>
<b>Operating Benefits and Expenses</b>						
Ins. benefits paid or provided:						
Life and annuity policy benefits	294.0	572.5	356.1	370.1	390.2	430.0
Div accum & div to policyholders	21.2	23.3	21.7	20.2	18.2	27.4
Interest credited to policy bal	369.7	388.5	373.9	366.8	362.0	371.5
Health policy benefits	189.8	157.8	114.3	119.9	123.0	91.8
Underwriting, acquisition, insurance and other expenses	533.4	630.5	525.7	537.5	532.4	572.9
Goodwill amortization	12.9	14.6	10.2	12.0	12.0	10.9
Interest	33.3	34.7	36.3	35.4	34.4	33.4
<b>Operating Benefits and Expenses</b>	<b>1454.1</b>	<b>1821.8</b>	<b>1438.2</b>	<b>1461.9</b>	<b>1472.2</b>	<b>1537.9</b>
Income from Operations before Tax/Min Int	182.6	(13.6)	232.0	241.1	260.8	235.6
Federal income taxes	51.2	(50.2)	61.6	67.9	70.1	50.9
<b>Inc from Operations before Min Int</b>	<b>131.4</b>	<b>36.6</b>	<b>170.4</b>	<b>173.2</b>	<b>190.7</b>	<b>184.7</b>
Minority Interest			(0.2)	0.2	(0.0)	0.0
<b>Income from Operations</b>	<b>131.4</b>	<b>36.6</b>	<b>170.6</b>	<b>173.0</b>	<b>190.7</b>	<b>184.7</b>
Restructuring charges	(3.2)	(3.6)		(2.7)	(40.5)	(37.0)
Realized gains (losses) on investments	4.1	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						
<b>Income before Accounting Changes</b>	<b>132.3</b>	<b>34.6</b>	<b>170.2</b>	<b>163.6</b>	<b>138.6</b>	<b>148.9</b>
Cumulative Effect of Accounting Changes						
<b>Net Income</b>	<b>132.3</b>	<b>34.6</b>	<b>170.2</b>	<b>163.6</b>	<b>138.6</b>	<b>148.9</b>

[Additional columns below]

[Continued from above table, first column(s) repeated]

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<i>For the Quarter Ended</i>	<u>Mar 2001</u>	<u>Jun 2001</u>	<u>Sep 2001</u>	<u>Dec 2001</u>	<u>Mar 2002</u>	<u>Jun 2002</u>
<b><i>Operating Revenue</i></b>						
Life and annuity premiums	402.1	353.9	336.8	270.7	74.7	<b>68.7</b>
Surrender charges	27.8	22.8	23.2	27.7	20.2	<b>21.3</b>
Mortality assessments	133.7	133.7	133.3	132.6	130.4	<b>130.5</b>
Expense assessments	244.9	227.5	224.4	212.4	210.5	<b>214.4</b>
Health premiums	104.8	95.7	103.9	36.1	2.4	<b>8.3</b>
Investment advisory fees	49.4	49.6	47.2	50.9	48.0	<b>47.8</b>
Other revenue and fees	82.0	60.3	91.5	118.0	95.5	<b>84.7</b>
Net investment income	673.7	673.1	686.2	646.6	648.1	<b>651.0</b>
Earnings in Unconsolidated Affiliates	0.9	0.0	0.4	4.3		<b>(0.6)</b>
	<u>1719.5</u>	<u>1616.5</u>	<u>1646.9</u>	<u>1499.3</u>	<u>1229.8</u>	<u><b>1226.0</b></u>
<b><i>Operating Benefits and Expenses</i></b>						
Ins. benefits paid or provided:						
Life and annuity policy benefits	418.9	373.6	422.6	302.8	176.1	<b>191.5</b>
Div accum & div to policyholders	18.9	20.2	18.0	26.6	17.8	<b>18.2</b>
Interest credited to policy bal	367.1	369.7	378.7	390.6	406.2	<b>382.5</b>
Health policy benefits	101.8	91.5	83.8	25.0	3.3	<b>33.9</b>
Underwriting, acquisition, insurance and other expenses	524.8	491.4	516.0	472.3	392.2	<b>409.3</b>
Goodwill amortization	10.9	10.9	10.9	10.7		
Interest	34.4	32.0	29.6	25.0	24.8	<b>24.6</b>
	<u>1476.7</u>	<u>1389.3</u>	<u>1459.6</u>	<u>1252.9</u>	<u>1020.4</u>	<u><b>1060.1</b></u>
Income from Operations before Tax/Min Int	242.7	227.2	187.3	246.5	209.4	<b>166.0</b>
Federal income taxes	64.1	59.1	44.1	47.4	47.4	<b>38.7</b>
	<u>178.6</u>	<u>168.1</u>	<u>143.2</u>	<u>199.1</u>	<u>162.0</u>	<u><b>127.2</b></u>
<b><i>Inc from Operations before Min Int</i></b>						
Minority Interest	(0.0)	(0.0)	(0.0)	(0.0)		
	<u>178.6</u>	<u>168.1</u>	<u>143.2</u>	<u>199.1</u>	<u>162.0</u>	<u><b>127.2</b></u>
<b><i>Income from Operations</i></b>						
Restructuring charges	(0.7)	(3.9)	0.0	(20.2)		<b>(1.0)</b>
Realized gains (losses) on investments	(13.4)	(11.5)	(23.8)	(20.0)	(67.6)	<b>(52.7)</b>
Gains (losses) on derivatives	(0.1)	0.2	(0.4)	(4.6)	0.1	<b>0.3</b>
Reserve increase on business sold through reinsurance						<b>(14.4)</b>
Gain on sale of subsidiaries				15.0		
	<u>164.5</u>	<u>153.0</u>	<u>119.1</u>	<u>169.2</u>	<u>94.5</u>	<u><b>59.4</b></u>
<b><i>Income before Accounting Changes</i></b>						
Cumulative Effect of Accounting Changes	(4.3)	(11.3)		(0.0)		
	<u>160.2</u>	<u>141.7</u>	<u>119.1</u>	<u>169.2</u>	<u>94.5</u>	<u><b>59.4</b></u>
<b><i>Net Income</i></b>						

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

	Lincoln Retirement		Life Insurance		Investment Management		Lincoln UK	
	Jun 2002	Dec 2001	Jun 2002	Dec 2001	Jun 2002	Dec 2001	Jun 2002	Dec 2001
<b>ASSETS</b>								
<i>Investments</i>								
Corporate bonds	11681.1	10956.5	7273.7	7088.2	439.9	424.2	574.3	512.3
U.S. government bonds	13.3	13.2	74.2	78.2	0.1	0.2		
Foreign government bonds	192.8	145.8	121.5	114.6	1.4	1.9	278.2	326.2
Asset/Mortgage backed securities	2318.4	1945.8	769.8	779.1	38.0	42.5		
State and municipal bonds	24.6	24.3	25.0	17.4				
Preferred stocks-redeemable	55.7	62.7	12.5	13.0	8.8	8.8		
Common stocks	20.5		6.4	7.6			141.9	211.3
Preferred stocks-equity	32.8	38.5	0.7	5.6	2.6	2.6		
Mortgage loans	2297.2	2378.1	1653.2	1701.6	88.5	92.4	0.3	0.3
Real estate							0.2	0.2
Policy loans	474.6	491.4	1423.3	1439.7			8.1	8.6
Other long-term investments	15.2	11.7	19.3	20.9				
<b>Total Investments</b>	<b>17126.3</b>	<b>16068.0</b>	<b>11379.6</b>	<b>11265.9</b>	<b>579.3</b>	<b>572.6</b>	<b>1003.0</b>	<b>1058.8</b>
Allocated investments	3877.4	3481.0	1338.8	1154.7	111.2	102.4		
Notes receivable from LNC	581.1	333.3	136.4	27.6	30.2	82.9		
Invest in unconsol affiliates Cash and invested cash	(107.3)	(24.7)	(23.1)	(36.4)	68.9	55.4	230.0	181.2
Property and equipment			8.0	8.5	44.7	36.5	21.1	39.3
Premium and fees receivable	0.4	0.0	22.4	8.2	35.6	38.5		
Accrued investment income	249.6	245.0	184.2	187.6	9.6	8.9	20.5	20.9
Assets held in separate accounts	30741.3	34324.6	1341.8	1491.0			5520.0	5607.2
Federal income tax recoverable								
Amount recoverable from reinsurers	1149.0	1211.6	879.6	859.5				
Deferred acquisition costs	967.8	912.8	1404.9	1265.6			591.0	587.3
Other intangible assets	146.8	154.5	930.7	964.0	45.8	50.1	243.9	244.0
Goodwill	43.9	43.9	855.1	855.1	300.7	300.7	12.7	12.1
Other	167.4	138.1	393.7	358.4	202.9	212.5	35.7	37.9
<b>Total Assets</b>	<b>54943.7</b>	<b>56888.2</b>	<b>18852.2</b>	<b>18409.7</b>	<b>1429.1</b>	<b>1460.5</b>	<b>7678.0</b>	<b>7788.8</b>

Corporate and Other Operations		Consolidating Adjustments		Consolidated	
Jun 2002	Dec 2001	Jun 2002	Dec 2001	Jun 2002	Dec 2001

**ASSETS****Investments**

Corporate bonds	<b>4024.7</b>	4123.9			<b>23993.6</b>	23105.1
U.S. government bonds	<b>353.9</b>	318.9			<b>441.6</b>	410.5
Foreign government bonds	<b>526.1</b>	586.2			<b>1120.1</b>	1174.7
Asset/Mortgage backed securities	<b>904.8</b>	757.3			<b>4031.0</b>	3524.7
State and municipal bonds	<b>9.1</b>	3.0			<b>58.8</b>	44.7
Preferred stocks-redeemable	<b>2.5</b>	1.4			<b>79.6</b>	85.9
Common stocks	<b>98.9</b>	100.5			<b>267.7</b>	319.3
Preferred stocks-equity	<b>115.8</b>	104.5			<b>151.8</b>	151.2
Mortgage loans	<b>356.1</b>	363.0			<b>4395.4</b>	4535.5
Real estate	<b>258.5</b>	267.7			<b>258.7</b>	267.9
Policy loans					<b>1906.1</b>	1939.7
Other long-term investments	<b>421.6</b>	521.3			<b>456.0</b>	553.8
	<b>7072.0</b>	7147.8			<b>37160.1</b>	36113.1
<b>Total Investments</b>	<b>7072.0</b>	7147.8			<b>37160.1</b>	36113.1
Allocated investments	<b>(1122.3)</b>	50.0	<b>(4205.1)</b>	(4788.2)		
Notes receivable from LNC	<b>(747.2)</b>	(443.7)	<b>(0.5)</b>	(0.1)	<b>0.0</b>	0.0
Invest in unconsol affiliates	<b>7.5</b>	8.1			<b>7.5</b>	8.1
Cash and invested cash	<b>2096.9</b>	3130.5		(210.5)	<b>2265.4</b>	3095.5
Property and equipment	<b>179.6</b>	173.2			<b>253.5</b>	257.5
Premium and fees receivable	<b>417.1</b>	365.6	<b>(14.2)</b>	(12.2)	<b>461.4</b>	400.1
Accrued investment income	<b>92.4</b>	101.0			<b>556.3</b>	563.5
Assets held in separate accounts			<b>2976.5</b>	3410.5	<b>40579.6</b>	44833.4
Federal income tax recoverable			<b>438.4</b>	15.1	<b>438.4</b>	15.1
Amount recoverable from reinsurers	<b>4660.0</b>	4150.6	<b>(178.7)</b>	(191.4)	<b>6509.9</b>	6030.4
Deferred acquisition costs	<b>2.3</b>	33.9	<b>90.6</b>	85.6	<b>3056.6</b>	2885.3
Other intangible assets					<b>1367.3</b>	1412.6
Goodwill	<b>(0.0)</b>	(0.0)			<b>1212.4</b>	1211.8
Other	<b>860.2</b>	865.5	<b>(459.3)</b>	(437.4)	<b>1200.6</b>	1174.9
	<b>13518.5</b>	15582.5	<b>(1352.3)</b>	(2128.6)	<b>95069.2</b>	98001.3
<b>Total Assets</b>	<b>13518.5</b>	15582.5	<b>(1352.3)</b>	(2128.6)	<b>95069.2</b>	98001.3

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

	Lincoln Retirement		Life Insurance		Investment Management		Lincoln UK	
	Jun 2002	Dec 2001	Jun 2002	Dec 2001	Jun 2002	Dec 2001	Jun 2002	Dec 2001
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>								
<b>Liabilities</b>								
Insurance and Inv Contract Liabilities:								
Life and annuity reserves	2664.9	2622.7	13339.2	12955.8			1327.5	1338.1
Health reserves			0.4	0.3			47.2	46.0
Unpaid claims life and health	40.2	31.3	100.3	92.9			40.2	42.4
Unearned premiums			0.0	0.0				
Premium deposit funds	18503.4	17838.9	10.0	13.9			30.1	29.2
Participating policyholders funds			91.9	100.2				
Other policyholders funds			577.3	555.2				
Liab related to separate accounts	30741.3	34324.6	1341.8	1491.0			5520.0	5607.2
Total Insurance and Inv Contract Liabilities	51949.8	54817.5	15460.9	15209.5			6965.0	7063.0
Federal income taxes	80.0	(5.7)	(7.3)	(13.5)	41.7	43.3	(1.8)	(12.2)
Short-term debt				10.0				
Long-term debt Minority Interest in pref. securities of sub Notes payable to LNC						9.3		
Other liabilities	363.1	168.4	460.5	436.3	819.8	866.2	203.3	192.0
Deferred gain on indemnity reinsurance								
<b>Total Liabilities</b>	<b>52392.9</b>	<b>54980.3</b>	<b>15914.2</b>	<b>15642.2</b>	<b>861.6</b>	<b>918.8</b>	<b>7166.5</b>	<b>7242.8</b>
Net unrealized gains (losses) on securities	137.6	79.9	48.5	13.6	2.4	1.5	25.1	15.3
Gains (losses) on derivatives	7.5	0.3	15.5	4.5				
Other shareholders equity	2405.7	1824.9	2874.1	2738.5	565.1	540.3	524.3	566.7
S/Hs equity-minimum pension liability adjustment							(37.8)	(36.0)
Cumulative effect of accounting change		2.8		10.9				
<b>Shareholders Equity</b>	<b>2550.8</b>	<b>1907.9</b>	<b>2938.0</b>	<b>2767.5</b>	<b>567.6</b>	<b>541.7</b>	<b>511.5</b>	<b>546.0</b>
<b>Total Liabilities and S/Hs Equity</b>	<b>54943.7</b>	<b>56888.2</b>	<b>18852.2</b>	<b>18409.7</b>	<b>1429.1</b>	<b>1460.5</b>	<b>7678.0</b>	<b>7788.8</b>

	Corporate and Other Operations		Consolidating Adjustments		Consolidated	
	Jun	Dec	Jun	Dec	Jun	Dec

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	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>						
<b>Liabilities</b>						
Insurance and Inv Contract Liabilities:						
Life and annuity reserves	1397.5	1122.8	(117.8)	(122.4)	18611.2	17917.0
Health reserves	2128.4	2491.5			2176.1	2537.9
Unpaid claims life and health	905.4	920.9			1086.1	1087.5
Unearned premiums	154.3	66.9			154.3	66.9
Premium deposit funds	29.3	105.5	585.0	597.5	19157.8	18585.0
Participating policyholders funds					91.9	100.2
Other policyholders funds	7.4	7.4			584.7	562.7
Liab related to separate accounts			2976.5	3410.5	40579.6	44833.4
<b>Total Insurance and Inv Contract Liabilities</b>	<b>4622.3</b>	4715.0	<b>3443.7</b>	3885.6	<b>82441.8</b>	85690.6
Federal income taxes	(550.7)	(26.7)	438.1	14.8		
Short-term debt	211.0	550.7		(210.5)	211.0	350.2
Long-term debt	1112.3	861.8			1112.3	861.8
Minority Interest in pref. securities of sub	380.0	474.7			380.0	474.7
Notes payable to LNC	361.8	335.0	(361.8)	(344.3)	0.0	0.0
Other liabilities	3321.8	3239.4	(667.5)	(686.3)	4501.1	4216.1
Deferred gain on indemnity reinsurance	1115.2	1144.5			1115.2	1144.5
<b>Total Liabilities</b>	<b>10573.8</b>	11294.3	<b>2852.4</b>	2659.3	<b>89761.4</b>	92737.8
Net unrealized gains (losses) on securities	103.9	77.2	8.2	8.2	325.7	195.7
Gains (losses) on derivatives	(0.3)	(0.8)			22.7	3.9
Other shareholders equity	2841.1	4207.9	(4213.0)	(4796.0)	4997.4	5082.2
S/Hs equity-minimum pension liability adjustment					(37.8)	(36.0)
Cumulative effect of accounting change		3.9				17.6
<b>Shareholders Equity</b>	<b>2944.7</b>	4288.2	<b>(4204.8)</b>	(4787.9)	<b>5307.9</b>	5263.5
<b>Total Liabilities and S/Hs Equity</b>	<b>13518.5</b>	15582.5	<b>(1352.3)</b>	(2128.6)	<b>95069.2</b>	98001.3

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>ASSETS</b>					
<b>Investments</b>					
Corporate bonds	16633.3	22505.2	21119.5	21249.7	<b>23105.1</b>
U.S. government bonds	662.4	1134.6	538.3	542.9	<b>410.5</b>
Foreign government bonds	1804.4	1321.2	1447.5	1321.1	<b>1174.7</b>
Mortgage backed securities	4529.3	5080.5	4404.0	4160.4	<b>3524.7</b>
State and municipal bonds	241.4	16.7	14.7	14.6	<b>44.7</b>
Preferred stocks-redeemable	195.5	174.6	164.7	161.2	<b>85.9</b>
Common stocks	572.3	463.1	514.5	436.6	<b>319.3</b>
Preferred stocks-equity	88.2	79.8	89.5	113.1	<b>151.2</b>
Mortgage loans	3288.1	4393.1	4735.4	4663.0	<b>4535.5</b>
Real estate	576.0	488.7	256.2	282.0	<b>267.9</b>
Policy loans	763.1	1840.0	1892.4	1960.9	<b>1939.7</b>
Other long-term investments	464.8	432.0	401.8	463.3	<b>553.8</b>
	<u>29818.8</u>	<u>37929.5</u>	<u>35578.4</u>	<u>35368.6</u>	<u><b>36113.1</b></u>
<b>Total Investments</b>					
Invest in unconsol affiliates	21.0	18.8	25.8	6.4	<b>8.1</b>
Cash and invested cash	3794.7	2433.4	1895.9	1927.4	<b>3095.5</b>
Property and equipment	189.8	174.8	203.8	228.2	<b>257.5</b>
Premiums and fees receivable	197.5	246.2	259.6	296.7	