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## Statistical Supplement

Second Quarter 2016

**Lincoln Financial Group**  
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**Lincoln Financial Group**  
**Analyst Coverage and Credit Ratings**

<u>Firm</u>	<u>Analyst</u>	<u>Phone Number</u>
Bank of America Merrill Lynch	Seth Weiss	646-855-3783
Barclays Capital	Jay Gelb	212-526-1561
Deutsche Bank	Yaron Kinar	212-250-7927
Dowling & Partners	Humphrey Lee	860-676-7324
Evercore	Thomas Gallagher	212-446-9439
FBR Capital Markets	Randy Binner	703-312-1890
Goldman Sachs	Michael Kovac	212-902-2303
J.P. Morgan Securities	Jimmy Bhullar	212-622-6397
Janney Montgomery Scott	Bob Glasspiegel	860-724-1203
Keefe, Bruyette and Woods	Ryan Krueger	860-722-5930
Morgan Stanley	Nigel Dally	212-761-4132
RBC Capital	Eric Berg	212-618-7593
Sandler O'Neill & Partners, L.P.	John Barnidge	312-281-3412
UBS	Suneet Kamath	212-713-1355

This list is provided for informational purposes only. Lincoln Financial Group does not endorse the analyses, conclusions or recommendations contained in any report issued by these or any other analysts.

	<u>Ratings as of August 3rd, 2016</u>			
	<u>A.M Best</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
<b>Senior Debt Ratings</b>	a-	BBB+	Baa1	A-
<b>Financial Strength Ratings</b>				
Lincoln National Life Insurance Company	A+	A+	A1	AA-
First Penn-Pacific Life Insurance Company	A	A+	A1	A-
Lincoln Life & Annuity Company of New York	A+	A+	A1	AA-

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# Lincoln Financial Group

## Notes

### Computations

The quarterly financial information for the current year may not sum to the corresponding year-to-date amount as both are rounded to millions.

The financial ratios reported herein are calculated using whole dollars instead of dollars rounded to millions.

If the effect of equity classification would result in a more dilutive Earnings Per Share (“EPS”), the numerator used in the calculation of our diluted EPS is adjusted to remove the mark-to-market adjustment for deferred units of LNC stock in our deferred compensation plans. In addition, for any period where a loss from continuing operations is experienced, shares used in the diluted EPS calculation represent basic shares, as using dilutive shares would be anti-dilutive to the calculation. In these periods, we would also exclude the deferred compensation adjustment.

Return on equity (“ROE”) measures how efficiently we generate profits from the resources provided by our net assets. ROE is calculated by dividing annualized net income (loss) (or income (loss) from operations) by average equity, excluding accumulated other comprehensive income (loss) (“AOCI”). Management evaluates consolidated ROE by both including and excluding the effect of average goodwill.

Book value per share, excluding AOCI, is calculated by dividing stockholders’ equity, excluding AOCI, by common shares outstanding. We provide book value per share, excluding AOCI, to enable investors to analyze the amount of our net worth that is attributable primarily to our business operations. Management believes book value per share excluding AOCI is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period, primarily based on changes in interest rates. Book value per share is the most directly comparable GAAP measure.

Pre-tax net margin is calculated by dividing income (loss) from operations before taxes by net revenue, which is defined as total operating revenues less interest credited.

### Definitions

Holding company available liquidity consists of cash and invested cash, excluding cash held as collateral, and certain short-term investments that can be readily converted into cash, net of commercial paper outstanding.

Sales as reported consist of the following:

- Linked-benefit – 15% of total expected premium deposits;
- Universal life (“UL”), indexed universal life (“IUL”), variable universal life (“VUL”) – first year commissionable premiums plus 5% of excess premiums received, including an adjustment for internal replacements of approximately 50% of commissionable premiums;
- Executive Benefits - single premium bank-owned UL and VUL, 15% of single premium deposits, and corporate owned UL and VUL, first year commissionable premiums plus 5% of excess premium received, including an adjustment for internal replacements of approximately 50% of commissionable premiums;
- Term – 100% of annualized first year premiums;
- Annuities – deposits from new and existing customers; and
- Group Protection – annualized first year premiums from new policies.

Throughout the document, “after-DAC” refers to the associated amortization expense of deferred acquisition costs (“DAC”), value of business acquired (“VOBA”), deferred sales inducements (“DSI”) and deferred front-end loads (“DFEL”) and changes in other contract holder funds.

Sources of Earnings are defined as follows:

- Investment spread earnings consist primarily of net investment income, net of interest credited earned on the underlying general account investments supporting our fixed products less related expenses.
- Mortality/morbidity earnings result from mortality margins, morbidity margins, and certain expense assessments and related fees that are a function of the rates priced into the product and level of insurance in force.
- Fees on Assets Under Management (“AUM”) earnings results consist primarily of asset-based fees charged based on variable account values less associated benefits and related expenses.

# Lincoln Financial Group

## Notes

- Variable Annuity (“VA”) Riders earnings consist of fees charged to the contract holder related to guaranteed benefit rider features, less the net valuation premium and associated change in benefit reserves and related expenses.

### Non-GAAP Performance Measures

Non-GAAP measures do not replace the most directly comparable GAAP measures, and we have included detailed reconciliations herein.

We exclude the after-tax effects of the following items from GAAP net income (loss) to arrive at income (loss) from operations:

- Realized gains and losses associated with the following (“excluded realized gain (loss)”):
  - Sales or disposals and impairments of securities;
  - Changes in the fair value of derivatives, embedded derivatives within certain reinsurance arrangements and trading securities (“gain (loss) on the mark-to-market on certain instruments”);
  - Changes in the fair value of the derivatives we own to hedge our guaranteed death benefit (“GDB”) riders reflected within our variable annuities;
  - Changes in the fair value of the embedded derivatives of our guaranteed living benefit (“GLB”) riders reflected within variable annuity net derivative results accounted for at fair value;
  - Changes in the fair value of the derivatives we own to hedge our guaranteed living benefit (“GLB”) riders reflected within variable annuity net derivative results;
  - Changes in the fair value of the embedded derivative liabilities related to index call options we may purchase in the future to hedge contract holder index allocations applicable to future reset periods for our indexed annuity products accounted for at fair value (“indexed annuity forward-starting option”);
- Changes in reserves resulting from benefit ratio unlocking on our GDB and GLB riders (“benefit ratio unlocking”);
- Income (loss) from reserve changes, net of related amortization, on business sold through reinsurance;
- Gains (losses) on early extinguishment of debt;
- Losses from the impairment of intangible assets;
- Income (loss) from discontinued operations; and
- Income (loss) from the initial adoption of new accounting standards.

Operating revenues represent GAAP revenues excluding the pre-tax effects of the following items:

- Excluded realized gain (loss);
- Revenue adjustments from the initial adoption of new accounting standards;
- Amortization of DFEL arising from changes in GDB and GLB benefit ratio unlocking; and
- Amortization of deferred gains arising from reserve changes on business sold through reinsurance.

We use our prevailing federal income tax rate of 35% while taking into account any permanent differences for events recognized differently in our financial statements and federal income tax returns when reconciling our non-GAAP measures to the most comparable GAAP measure.

Management believes that the non-GAAP performance measures discussed above explain the results of our ongoing businesses in a manner that allows for a better understanding of the underlying trends in our current business as the excluded items are unpredictable and not necessarily indicative of current operating fundamentals or future performance of the business segments, and, in many instances, decisions regarding these items do not necessarily relate to the operations of the individual segments. In addition, we believe that our definitions of operating revenues and income from operations provide investors with more valuable measures of our performance as they better reveal trends in our business.

### Statistical Supplement is Dated

The financial data in this document is dated August 3rd, 2016, and has not been updated since that date. Lincoln Financial Group does not intend to update this document.

# Consolidated



**Lincoln Financial Group**  
**Consolidated Statements of Income (Loss)**

Unaudited (millions of dollars, except per share data)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Revenues</b>									
Insurance premiums	\$ 782	\$ 825	\$ 848	\$ 816	\$ 728	-6.9%	\$ 1,572	\$ 1,544	-1.8%
Fee income	1,239	1,469	1,116	1,235	1,288	4.0%	2,460	2,523	2.6%
Net investment income	1,187	1,254	1,200	1,172	1,199	1.0%	2,374	2,371	-0.1%
Realized gain (loss):									
Other-than-temporary impairment (“OTTI”)	(7)	(18)	(16)	(36)	(28)	NM	(20)	(64)	NM
Realized gain (loss), excluding OTTI	17	45	(124)	(78)	(17)	NM	(18)	(95)	NM
Total realized gain (loss)	10	27	(140)	(114)	(45)	NM	(38)	(159)	NM
Amortization of deferred gains on business sold through reinsurance	18	18	18	18	18	0.0%	37	37	0.0%
Other revenues	145	123	130	116	119	-17.9%	280	235	-16.1%
Total revenues	3,381	3,716	3,172	3,243	3,307	-2.2%	6,685	6,551	-2.0%
<b>Expenses</b>									
Interest credited	629	622	632	633	639	1.6%	1,254	1,272	1.4%
Benefits	1,220	1,327	1,262	1,331	1,208	-1.0%	2,456	2,540	3.4%
Commissions and other expenses	1,014	1,432	859	976	978	-3.6%	2,027	1,953	-3.7%
Interest and debt expense	69	67	68	68	68	-1.4%	137	136	-0.7%
Total expenses	2,932	3,448	2,821	3,008	2,893	-1.3%	5,874	5,901	0.5%
Income (loss) from continuing operations before taxes	449	268	351	235	414	-7.8%	811	650	-19.9%
Federal income tax expense (benefit)	105	41	68	27	89	-15.2%	167	117	-29.9%
Net income (loss)	344	227	283	208	325	-5.5%	644	533	-17.2%
Adjustment for LNC stock units in our deferred compensation plans	-	(7)	-	(7)	-	NM	1	(7)	NM
Net income (loss) available to common stockholders – diluted	\$ 344	\$ 220	\$ 283	\$ 201	\$ 325	-5.5%	\$ 645	\$ 526	-18.4%
<b>Earnings (Loss) Per Common Share – Diluted</b>									
Net income (loss)	\$ 1.35	\$ 0.87	\$ 1.14	\$ 0.82	\$ 1.35	0.0%	\$ 2.50	\$ 2.17	-13.2%
<b>ROE, including AOCI</b>									
Net income (loss)	8.9%	6.2%	8.1%	5.9%	8.5%		8.2%	7.2%	

**Lincoln Financial Group**  
**Consolidated Balance Sheets**

Unaudited (millions of dollars)

	As of					
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	Change
<b>ASSETS</b>						
Investments:						
Available-for-sale (“AFS”) securities:						
Corporate bonds	\$ 74,169	\$ 74,432	\$ 74,032	\$ 76,956	\$ 80,129	8.0%
U.S. government bonds	428	438	429	450	464	8.4%
Foreign government bonds	540	532	524	532	530	-1.9%
Mortgage-backed securities	4,476	4,252	4,104	4,028	3,975	-11.2%
Asset-backed collateralized debt obligations	499	515	589	628	687	37.7%
State and municipal bonds	4,418	4,480	4,480	4,744	4,985	12.8%
Hybrid and redeemable preferred securities	892	857	806	726	691	-22.5%
VIEs' fixed maturity securities	598	598	598	599	600	0.3%
Equity securities	227	242	237	245	277	22.0%
Total AFS securities	86,247	86,346	85,799	88,908	92,338	7.1%
Trading securities	1,949	1,914	1,854	1,864	1,812	-7.0%
Mortgage loans on real estate	8,171	8,431	8,678	8,916	9,257	13.3%
Real estate	24	21	17	17	21	-12.5%
Policy loans	2,654	2,647	2,545	2,533	2,507	-5.5%
Derivative investments	1,340	2,020	1,537	2,085	2,613	95.0%
Other investments	1,624	1,820	1,778	2,048	2,039	25.6%
Total investments	102,009	103,199	102,208	106,371	110,587	8.4%
Cash and invested cash	2,327	3,772	3,146	3,177	4,113	76.8%
DAC and VOBA	9,150	8,866	9,510	8,984	8,280	-9.5%
Premiums and fees receivable	415	383	376	401	370	-10.8%
Accrued investment income	1,064	1,116	1,070	1,108	1,070	0.6%
Reinsurance recoverables	5,608	5,559	5,623	5,597	5,540	-1.2%
Funds withheld reinsurance assets	642	639	629	630	628	-2.2%
Goodwill	2,273	2,273	2,273	2,273	2,273	0.0%
Other assets	3,617	3,420	3,454	3,671	5,134	41.9%
Separate account assets	128,079	120,275	123,619	123,506	125,033	-2.4%
Total assets	<u>\$ 255,184</u>	<u>\$ 249,502</u>	<u>\$ 251,908</u>	<u>\$ 255,718</u>	<u>\$ 263,028</u>	3.1%



**Lincoln Financial Group**  
**Consolidated Balance Sheets**

Unaudited (millions of dollars)

	As of					Change
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Liabilities</b>						
Future contract benefits	\$ 20,166	\$ 20,523	\$ 20,708	\$ 21,438	\$ 22,147	9.8%
Other contract holder funds	76,243	76,451	77,362	77,475	77,458	1.6%
Short-term debt	-	-	-	-	250	NM
Long-term debt by rating agency leverage definitions:						
Operating (see note <sup>(2)</sup> on page 6 for details)	1,115	1,115	1,115	1,115	865	-22.4%
Financial	4,384	4,459	4,438	4,535	4,595	4.8%
Reinsurance related embedded derivatives	120	116	87	111	134	11.7%
Funds withheld reinsurance liabilities	718	676	638	597	2,019	181.2%
Deferred gain on business sold through reinsurance	134	116	98	79	61	-54.5%
Payables for collateral on investments	4,587	5,297	4,657	5,017	6,297	37.3%
VIEs' liabilities	3	2	4	-	-	-100.0%
Other liabilities	4,936	6,071	5,565	7,187	8,249	67.1%
Separate account liabilities	128,079	120,275	123,619	123,506	125,033	-2.4%
Total liabilities	<u>240,485</u>	<u>235,101</u>	<u>238,291</u>	<u>241,060</u>	<u>247,108</u>	2.8%
<b>Stockholders' Equity</b>						
Common stock	6,469	6,380	6,298	6,162	6,009	-7.1%
Retained earnings	6,286	6,358	6,474	6,565	6,716	6.8%
AOCI:						
Unrealized investment gains (losses)	2,220	1,940	1,149	2,235	3,501	57.7%
Foreign currency translation adjustment	3	(2)	(5)	(7)	(18)	NM
Funded status of employee benefit plans	(279)	(275)	(299)	(297)	(288)	-3.2%
Total AOCI	<u>1,944</u>	<u>1,663</u>	<u>845</u>	<u>1,931</u>	<u>3,195</u>	64.4%
Total stockholders' equity	<u>14,699</u>	<u>14,401</u>	<u>13,617</u>	<u>14,658</u>	<u>15,920</u>	8.3%
Total liabilities and stockholders' equity	<u>\$ 255,184</u>	<u>\$ 249,502</u>	<u>\$ 251,908</u>	<u>\$ 255,718</u>	<u>\$ 263,028</u>	3.1%

**Lincoln Financial Group**  
**Earnings, Shares and Return on Equity**

Unaudited (millions of dollars, except per share data)

	As of or For the Three Months Ended					Change	As of or For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Income (Loss)</b>									
Net income (loss)	\$ 344	\$ 227	\$ 283	\$ 208	\$ 325	-5.5%	\$ 644	\$ 533	-17.2%
Pre-tax income (loss) from operations	490	364	504	397	489	-0.2%	934	888	-4.9%
After-tax income (loss) from operations <sup>(1)</sup>	371	289	382	314	373	0.5%	724	687	-5.1%
Operating tax rate	24.3%	20.6%	24.2%	20.9%	23.7%		22.5%	22.6%	
<b>Average Stockholders' Equity</b>									
Average equity, including AOCI	\$ 15,461	\$ 14,550	\$ 14,009	\$ 14,137	\$ 15,289	-1.1%	\$ 15,721	\$ 14,713	-6.4%
Average AOCI	2,799	1,804	1,254	1,388	2,563	-8.4%	3,087	1,975	-36.0%
Average equity, excluding AOCI	<u>\$ 12,662</u>	<u>\$ 12,746</u>	<u>\$ 12,755</u>	<u>\$ 12,749</u>	<u>\$ 12,726</u>	0.5%	<u>\$ 12,634</u>	<u>\$ 12,738</u>	0.8%
<b>ROE, excluding AOCI</b>									
Net income (loss)	10.9%	7.1%	8.9%	6.5%	10.2%		10.2%	8.4%	
Income (loss) from operations	11.7%	9.1%	12.0%	9.8%	11.7%		11.5%	10.8%	
<b>Per Share</b>									
Net income (loss) (diluted)	\$ 1.35	\$ 0.87	\$ 1.14	\$ 0.82	\$ 1.35	0.0%	\$ 2.50	\$ 2.17	-13.2%
Income (loss) from operations (diluted)	1.46	1.11	1.54	1.25	1.56	6.8%	2.81	2.80	-0.4%
Dividends declared during the period	0.20	0.20	0.25	0.25	0.25	25.0%	0.40	0.50	25.0%
Book value, including AOCI	\$ 58.58	\$ 58.19	\$ 55.85	\$ 61.33	\$ 68.39	16.7%	\$ 58.58	\$ 68.39	16.7%
Per share impact of AOCI	7.75	6.72	3.47	8.08	13.72	77.0%	7.75	13.72	77.0%
Book value, excluding AOCI	<u>\$ 50.83</u>	<u>\$ 51.47</u>	<u>\$ 52.38</u>	<u>\$ 53.25</u>	<u>\$ 54.67</u>	7.6%	<u>\$ 50.83</u>	<u>\$ 54.67</u>	7.6%
<b>Shares</b>									
Repurchased during the period	2.6	3.7	3.7	5.5	6.2	138.5%	8.6	11.8	37.2%
End-of-period – basic	250.9	247.5	243.8	239.0	232.8	-7.2%	250.9	232.8	-7.2%
End-of-period – diluted	254.1	251.2	246.7	242.2	236.3	-7.0%	254.1	236.3	-7.0%
Average for the period – diluted	255.1	253.2	248.9	245.1	239.9	-6.0%	258.3	242.5	-6.1%

<sup>(1)</sup> See reconciliation to net income (loss) on page 24.

**Lincoln Financial Group**  
**Key Stakeholder Metrics**

Unaudited (millions of dollars, except per share data)

	As of or For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Cash Returned to Common Stockholders</b>									
Shares repurchased	\$ 150	\$ 200	\$ 200	\$ 200	\$ 275	83.3%	\$ 500	\$ 475	-5.0%
Common dividends	51	50	49	61	60	17.6%	102	121	18.6%
Total cash returned to common stockholders	<u>\$ 201</u>	<u>\$ 250</u>	<u>\$ 249</u>	<u>\$ 261</u>	<u>\$ 335</u>	66.7%	<u>\$ 602</u>	<u>\$ 596</u>	-1.0%
<b>Leverage Ratio</b>									
Short-term debt	\$ -	\$ -	\$ -	\$ -	\$ 250	NM			
Long-term debt	5,499	5,574	5,553	5,650	5,460	-0.7%			
Total debt <sup>(1)</sup>	5,499	5,574	5,553	5,650	5,710	3.8%			
Less:									
Operating debt <sup>(2)</sup>	1,115	1,115	1,115	1,115	1,115	0.0%			
25% of capital securities	301	302	302	302	302	0.3%			
Carrying value of fair value hedges	217	292	270	365	423	94.9%			
Total numerator	<u>\$ 3,866</u>	<u>\$ 3,865</u>	<u>\$ 3,866</u>	<u>\$ 3,868</u>	<u>\$ 3,870</u>	0.1%			
Stockholders' equity, excluding unrealized investment gains (losses)	\$ 12,479	\$ 12,461	\$ 12,468	\$ 12,423	\$ 12,419	-0.5%			
Add: 25% of capital securities	301	302	302	302	302	0.3%			
Total numerator	3,866	3,865	3,866	3,868	3,870	0.1%			
Total denominator	<u>\$ 16,646</u>	<u>\$ 16,628</u>	<u>\$ 16,636</u>	<u>\$ 16,593</u>	<u>\$ 16,591</u>	-0.3%			
Leverage ratio	<u>23.2%</u>	<u>23.2%</u>	<u>23.2%</u>	<u>23.3%</u>	<u>23.3%</u>				
<b>Holding Company Available Liquidity</b>	<u>\$ 545</u>	<u>\$ 505</u>	<u>\$ 608</u>	<u>\$ 539</u>	<u>\$ 523</u>	-4.0%			

<sup>(1)</sup> Excludes obligations under capital leases of \$130 million that are reported in other liabilities on our Consolidated Balance Sheets.

<sup>(2)</sup> We have categorized as operating debt the senior notes issued in October 2007 and June 2010 because the proceeds were used as a long-term structured solution to reduce the strain on increasing statutory reserves associated with secondary guarantee UL and term policies and the senior note issued in September 2008 by our primary insurance subsidiary. During the second quarter of 2016, we reclassified the senior note issued by our primary insurance subsidiary into short-term debt.

**Lincoln Financial Group**  
**Segment and Sources of Earnings**

Unaudited (millions of dollars)

	For the Three Months Ended						As of or For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	Change	6/30/15	6/30/16	Change
<b>Income (Loss) from Operations, Pre-Tax</b>									
Annuities	\$ 328	\$ 328	\$ 309	\$ 272	\$ 296	-9.8%	\$ 621	\$ 568	-8.5%
Retirement Plan Services	39	57	45	41	41	5.1%	88	83	-5.7%
Life Insurance	152	46	175	103	175	15.1%	308	278	-9.7%
Group Protection	30	26	20	8	23	-23.3%	20	31	55.0%
Other Operations	(59)	(93)	(45)	(27)	(46)	22.0%	(103)	(72)	30.1%
Income (loss) from operations, before income taxes	<u>\$ 490</u>	<u>\$ 364</u>	<u>\$ 504</u>	<u>\$ 397</u>	<u>\$ 489</u>	-0.2%	<u>\$ 934</u>	<u>\$ 888</u>	-4.9%
<b>Income (Loss) from Operations, After-Tax</b>									
Annuities	\$ 255	\$ 259	\$ 243	\$ 218	\$ 235	-7.8%	\$ 494	\$ 453	-8.3%
Retirement Plan Services	30	42	33	31	31	3.3%	65	61	-6.2%
Life Insurance	105	36	119	75	120	14.3%	215	195	-9.3%
Group Protection	19	17	13	5	15	-21.1%	13	20	53.8%
Other Operations	(38)	(65)	(26)	(15)	(28)	26.3%	(63)	(42)	33.3%
Income (loss) from operations	<u>\$ 371</u>	<u>\$ 289</u>	<u>\$ 382</u>	<u>\$ 314</u>	<u>\$ 373</u>	0.5%	<u>\$ 724</u>	<u>\$ 687</u>	-5.1%
	For the Three Months Ended						For the Trailing Twelve Months		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	Change	6/30/15	6/30/16	Change
<b>Sources of Earnings, Pre-Tax</b>									
Investment spread	\$ 175	\$ 136	\$ 179	\$ 139	\$ 161	-8.0%	\$ 736	\$ 614	-16.6%
Mortality/morbidity	110	48	115	65	118	7.3%	478	346	-27.6%
Fees on AUM	218	282	219	191	220	0.9%	879	913	3.9%
VA riders	46	(9)	36	29	36	-21.7%	167	92	-44.9%
Total sources of earnings, before income taxes	549	457	549	424	535	-2.6%	2,260	1,965	-13.1%
Other Operations	(59)	(93)	(45)	(27)	(46)	22.0%	(188)	(210)	-11.7%
Income (loss) from operations, before income taxes	<u>\$ 490</u>	<u>\$ 364</u>	<u>\$ 504</u>	<u>\$ 397</u>	<u>\$ 489</u>	-0.2%	<u>\$ 2,072</u>	<u>\$ 1,755</u>	-15.3%
<b>Sources of Earnings, Pre-Taxes, Percentage By Component</b>									
Investment spread	32.0%	29.7%	32.6%	32.8%	30.0%		32.6%	31.3%	
Mortality/morbidity	19.9%	10.4%	21.0%	15.3%	22.1%		21.1%	17.6%	
Fees on AUM	39.7%	61.9%	39.9%	45.1%	41.2%		38.9%	46.5%	
VA riders	8.4%	-2.0%	6.5%	6.8%	6.7%		7.4%	4.6%	
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		<u>100.0%</u>	<u>100.0%</u>	

**Lincoln Financial Group**  
**Select Earnings Drivers By Segment**

Unaudited (millions of dollars)

	For the Three Months Ended						For the Six Months Ended			
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	Change	6/30/15	6/30/16	Change	
<b>Annuities</b>										
Operating revenues	\$ 991	\$ 1,060	\$ 1,079	\$ 1,039	\$ 983	-0.8%	\$ 1,981	\$ 2,022	2.1%	
Deposits	3,380	3,304	3,018	2,353	2,113	-37.5%	6,370	4,466	-29.9%	
Net flows	397	536	435	(35)	(452)	NM	593	(486)	NM	
Average account values	125,820	122,668	122,330	118,189	122,383	-2.7%	124,503	120,286	-3.4%	
<b>Retirement Plan Services</b>										
Operating revenues	\$ 270	\$ 282	\$ 276	\$ 267	\$ 270	0.0%	\$ 543	\$ 537	-1.1%	
Deposits	1,862	1,884	2,095	1,791	1,660	-10.8%	3,567	3,452	-3.2%	
Net flows	306	251	(221)	78	4	-98.7%	422	82	-80.6%	
Average account values	55,264	54,184	54,396	52,999	55,127	-0.2%	54,717	53,957	-1.4%	
<b>Life Insurance</b>										
Operating revenues	\$ 1,443	\$ 1,727	\$ 1,348	\$ 1,478	\$ 1,538	6.6%	\$ 2,874	\$ 3,016	4.9%	
Deposits	1,344	1,400	1,542	1,238	1,391	3.5%	2,655	2,630	-0.9%	
Net flows	929	1,019	1,170	830	978	5.3%	1,817	1,808	-0.5%	
Average account values	42,891	42,963	43,269	43,795	44,162	3.0%	42,680	43,979	3.0%	
Average in-force face amount	646,261	651,256	657,846	664,753	671,412	3.9%	644,260	668,083	3.7%	
<b>Group Protection</b>										
Operating revenues	\$ 617	\$ 570	\$ 565	\$ 534	\$ 525	-14.9%	\$ 1,222	\$ 1,059	-13.3%	
Non-medical earned premiums	535	522	516	489	478	-10.7%	1,070	967	-9.6%	
<b>Consolidated</b>										
Operating revenues <sup>(1)</sup>	\$ 3,417	\$ 3,735	\$ 3,354	\$ 3,400	\$ 3,395	-0.6%	\$ 6,811	\$ 6,795	-0.2%	
Deposits	6,586	6,588	6,655	5,382	5,164	-21.6%	12,592	10,548	-16.2%	
Net flows	1,632	1,806	1,384	873	530	-67.5%	2,832	1,404	-50.4%	
Average account values	223,975	219,815	219,995	214,983	221,672	-1.0%	221,900	218,222	-1.7%	

<sup>(1)</sup> See reconciliation to total revenues on page 24.

## Lincoln Financial Group

### Sales By Segment

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Sales</b>									
Annuities:									
With guaranteed living benefits	\$ 2,157	\$ 1,991	\$ 1,698	\$ 1,248	\$ 1,164	-46.0%	\$ 4,139	\$ 2,412	-41.7%
Without guaranteed living benefits	858	747	664	437	471	-45.1%	1,573	908	-42.3%
Variable	3,015	2,738	2,362	1,685	1,635	-45.8%	5,712	3,320	-41.9%
Fixed	365	566	656	668	478	31.0%	658	1,146	74.2%
Total Annuities	<u>\$ 3,380</u>	<u>\$ 3,304</u>	<u>\$ 3,018</u>	<u>\$ 2,353</u>	<u>\$ 2,113</u>	-37.5%	<u>\$ 6,370</u>	<u>\$ 4,466</u>	-29.9%
Retirement Plan Services:									
First-year sales	\$ 673	\$ 706	\$ 902	\$ 393	\$ 431	-36.0%	\$ 1,055	\$ 824	-21.9%
Recurring deposits	1,189	1,178	1,193	1,398	1,229	3.4%	2,512	2,628	4.6%
Total Retirement Plan Services	<u>\$ 1,862</u>	<u>\$ 1,884</u>	<u>\$ 2,095</u>	<u>\$ 1,791</u>	<u>\$ 1,660</u>	-10.8%	<u>\$ 3,567</u>	<u>\$ 3,452</u>	-3.2%
Life Insurance:									
UL	\$ 22	\$ 23	\$ 25	\$ 18	\$ 24	9.1%	\$ 42	\$ 43	2.4%
Linked-benefit	46	52	54	42	51	10.9%	86	94	9.3%
IUL	23	21	27	18	18	-21.7%	38	36	-5.3%
VUL	43	47	58	29	41	-4.7%	88	70	-20.5%
Term	21	20	25	25	30	42.9%	40	54	35.0%
Total individual life insurance	155	163	189	132	164	5.8%	294	297	1.0%
Executive Benefits	46	10	9	7	9	-80.4%	60	16	-73.3%
Total Life Insurance	<u>\$ 201</u>	<u>\$ 173</u>	<u>\$ 198</u>	<u>\$ 139</u>	<u>\$ 173</u>	-13.9%	<u>\$ 354</u>	<u>\$ 313</u>	-11.6%
Group Protection:									
Life	\$ 26	\$ 24	\$ 86	\$ 27	\$ 25	-3.8%	\$ 51	\$ 52	2.0%
Disability	23	22	94	22	30	30.4%	46	52	13.0%
Dental	13	15	43	10	16	23.1%	21	26	23.8%
Total Group Protection	<u>\$ 62</u>	<u>\$ 61</u>	<u>\$ 223</u>	<u>\$ 59</u>	<u>\$ 71</u>	14.5%	<u>\$ 118</u>	<u>\$ 130</u>	10.2%
Percent employee-paid	44.2%	49.5%	47.4%	54.5%	46.4%		52.1%	50.1%	

**Lincoln Financial Group**  
**Operating Revenues and General and Administrative Expenses By Segment**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Operating Revenues</b>									
Annuities	\$ 991	\$ 1,060	\$ 1,079	\$ 1,039	\$ 983	-0.8%	\$ 1,981	\$ 2,022	2.1%
Retirement Plan Services	270	282	276	267	270	0.0%	543	537	-1.1%
Life Insurance	1,443	1,727	1,348	1,478	1,538	6.6%	2,874	3,016	4.9%
Group Protection	617	570	565	534	525	-14.9%	1,222	1,059	-13.3%
Other Operations	96	96	86	82	79	-17.7%	191	161	-15.7%
Total	<u>\$ 3,417</u>	<u>\$ 3,735</u>	<u>\$ 3,354</u>	<u>\$ 3,400</u>	<u>\$ 3,395</u>	-0.6%	<u>\$ 6,811</u>	<u>\$ 6,795</u>	-0.2%
<b>General and Administrative Expenses, Net of Amounts Capitalized <sup>(1)</sup></b>									
Annuities	\$ 118	\$ 113	\$ 120	\$ 114	\$ 114	-3.4%	\$ 227	\$ 229	0.9%
Retirement Plan Services	78	77	80	74	77	-1.3%	149	150	0.7%
Life Insurance	114	105	115	111	115	0.9%	222	226	1.8%
Group Protection	71	70	72	69	71	0.0%	138	140	1.4%
Other Operations	26	56	18	-	9	-65.4%	40	10	-75.0%
Total	<u>\$ 407</u>	<u>\$ 421</u>	<u>\$ 405</u>	<u>\$ 368</u>	<u>\$ 386</u>	-5.2%	<u>\$ 776</u>	<u>\$ 755</u>	-2.7%
<b>General and Administrative Expenses, Net of Amounts Capitalized, as a Percentage of Operating Revenues</b>									
Annuities	11.9%	10.6%	11.1%	11.0%	11.6%		11.5%	11.3%	
Retirement Plan Services	28.9%	27.2%	29.0%	27.7%	28.3%		27.4%	27.9%	
Life Insurance	7.9%	6.1%	8.5%	7.5%	7.5%		7.7%	7.5%	
Group Protection	11.4%	12.2%	12.7%	13.0%	13.5%		11.3%	13.2%	
Other Operations	27.5%	57.9%	22.0%	0.6%	11.7%		21.0%	6.0%	
Total	<u>11.9%</u>	<u>11.3%</u>	<u>12.1%</u>	<u>10.8%</u>	<u>11.4%</u>		<u>11.4%</u>	<u>11.1%</u>	

<sup>(1)</sup> See page 11 for general and administrative expenses capitalized.

**Lincoln Financial Group**  
**Operating Commissions and Other Expenses**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Operating Commissions and Other Expenses Incurred</b>									
General and administrative expenses	\$ 452	\$ 468	\$ 465	\$ 410	\$ 429	-5.1%	\$ 868	\$ 839	-3.3%
Commissions	602	598	623	522	546	-9.3%	1,178	1,068	-9.3%
Media expenses	14	-	-	-	-	-100.0%	28	-	-100.0%
Taxes, licenses and fees	57	63	46	68	64	12.3%	132	133	0.8%
Interest and debt expense	69	67	68	68	68	-1.4%	137	136	-0.7%
Expenses associated with reserve financing and unrelated letters of credit	18	18	18	18	19	5.6%	37	37	0.0%
Total operating commissions and other expenses incurred	<u>1,212</u>	<u>1,214</u>	<u>1,220</u>	<u>1,086</u>	<u>1,126</u>	-7.1%	<u>2,380</u>	<u>2,213</u>	-7.0%
<b>Less Amounts Capitalized</b>									
General and administrative expenses	(45)	(47)	(60)	(42)	(43)	4.4%	(92)	(84)	8.7%
Commissions	(313)	(320)	(340)	(251)	(274)	12.5%	(609)	(525)	13.8%
Taxes, licenses and fees	(8)	(8)	(7)	(8)	(9)	-12.5%	(16)	(17)	-6.3%
Total amounts capitalized	<u>(366)</u>	<u>(375)</u>	<u>(407)</u>	<u>(301)</u>	<u>(326)</u>	10.9%	<u>(717)</u>	<u>(626)</u>	12.7%
Total expenses incurred, net of amounts capitalized, excluding amortization	<u>846</u>	<u>839</u>	<u>813</u>	<u>785</u>	<u>800</u>	-5.4%	<u>1,663</u>	<u>1,587</u>	-4.6%
<b>Amortization</b>									
Amortization of DAC and VOBA	237	674	110	258	244	3.0%	498	501	0.6%
Amortization of intangibles	1	1	1	1	1	0.0%	2	2	0.0%
Total amortization	<u>238</u>	<u>675</u>	<u>111</u>	<u>259</u>	<u>245</u>	2.9%	<u>500</u>	<u>503</u>	0.6%
Total operating commissions and other expenses	<u>\$ 1,084</u>	<u>\$ 1,514</u>	<u>\$ 924</u>	<u>\$ 1,044</u>	<u>\$ 1,045</u>	-3.6%	<u>\$ 2,163</u>	<u>\$ 2,090</u>	-3.4%



**Lincoln Financial Group**  
**Interest Rate Yields and Spreads By Segment**

Unaudited

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Annuities</b>									
Earned rate on reserves	4.20%	4.19%	4.12%	4.12%	4.08%	(12)	4.22%	4.10%	(12)
Variable investment income on reserves <sup>(1)</sup>	0.06%	0.18%	0.15%	0.06%	0.07%	1	0.13%	0.06%	(7)
Net investment income yield on reserves	4.26%	4.37%	4.27%	4.18%	4.15%	(11)	4.35%	4.16%	(19)
Interest rate credited to contract holders	2.61%	2.56%	2.53%	2.60%	2.69%	8	2.63%	2.64%	1
Interest rate spread	1.65%	1.81%	1.74%	1.58%	1.46%	(19)	1.72%	1.52%	(20)
Base spreads excluding variable investment income	1.59%	1.63%	1.59%	1.52%	1.39%	(20)	1.59%	1.46%	(13)
<b>Retirement Plan Services</b>									
Earned rate on reserves	4.61%	4.71%	4.62%	4.58%	4.52%	(9)	4.63%	4.55%	(8)
Variable investment income on reserves <sup>(1)</sup>	0.03%	0.19%	0.12%	0.05%	0.06%	3	0.10%	0.05%	(5)
Net investment income yield on reserves	4.64%	4.90%	4.74%	4.63%	4.58%	(6)	4.73%	4.60%	(13)
Interest rate credited to contract holders	3.01%	3.01%	3.01%	2.98%	3.01%	-	3.01%	3.00%	(1)
Interest rate spread	1.63%	1.89%	1.73%	1.65%	1.57%	(6)	1.72%	1.60%	(12)
Base spreads excluding variable investment income	1.60%	1.70%	1.61%	1.60%	1.51%	(9)	1.62%	1.55%	(7)
<b>Life Insurance</b>									
Earned rate on reserves	5.31%	5.33%	5.33%	5.26%	5.21%	(10)	5.32%	5.22%	(10)
Variable investment income on reserves <sup>(1)</sup>	0.19%	0.42%	0.08%	-0.01%	0.15%	(4)	0.21%	0.08%	(13)
Net investment income yield on reserves	5.50%	5.75%	5.41%	5.25%	5.36%	(14)	5.53%	5.30%	(23)
Interest rate credited to contract holders	3.97%	3.92%	3.97%	3.92%	3.92%	(5)	3.93%	3.92%	(1)
Interest rate spread	1.53%	1.83%	1.44%	1.33%	1.44%	(9)	1.60%	1.38%	(22)
Base spreads excluding variable investment income	1.34%	1.41%	1.36%	1.34%	1.29%	(5)	1.39%	1.30%	(9)
<b>Total <sup>(2)</sup></b>									
Earned rate <sup>(3)</sup>	4.80%	4.86%	4.85%	4.78%	4.72%	(8)	4.81%	4.73%	(8)
Variable investment income <sup>(1) (3)</sup>	0.17%	0.36%	0.09%	-0.01%	0.12%	(5)	0.19%	0.07%	(12)
Net investment income yield <sup>(3)</sup>	4.97%	5.22%	4.94%	4.77%	4.84%	(13)	5.00%	4.80%	(20)
Interest rate credited to contract holders	3.38%	3.34%	3.35%	3.34%	3.36%	(2)	3.36%	3.35%	(1)
Interest rate spread	1.59%	1.88%	1.59%	1.43%	1.48%	(11)	1.64%	1.45%	(19)
Base spreads excluding variable investment income	1.42%	1.52%	1.50%	1.44%	1.36%	(6)	1.45%	1.38%	(7)

<sup>(1)</sup> Variable investment income consists of commercial mortgage loan prepayment and bond make-whole premiums and investment income on alternative investments.

<sup>(2)</sup> Includes the results of all of our business segments and Other Operations.

<sup>(3)</sup> Includes investment yields on reserves and surplus.

# Select Earnings and Operational Data from Business Segments



**Lincoln Financial Group**  
**Annuities – Select Earnings and Operational Data**

Unaudited (millions of dollars)

	As of or For the Three Months Ended					Change	As of or For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Income (Loss) from Operations</b>									
Operating revenues:									
Insurance premiums	\$ 55	\$ 129	\$ 154	\$ 151	\$ 68	23.6%	\$ 135	\$ 219	62.2%
Fee income	531	520	517	493	510	-4.0%	1,041	1,003	-3.7%
Net investment income	247	257	252	251	258	4.5%	494	509	3.0%
Operating realized gain (loss)	45	45	44	44	44	-2.2%	87	87	0.0%
Other revenues	113	109	112	100	103	-8.8%	224	204	-8.9%
Total operating revenues	991	1,060	1,079	1,039	983	-0.8%	1,981	2,022	2.1%
Operating expenses:									
Interest credited	139	134	135	140	144	3.6%	283	283	0.0%
Benefits	90	219	214	216	136	51.1%	218	353	61.9%
Commissions incurred	267	261	257	218	216	-19.1%	516	434	-15.9%
Other expenses incurred	231	220	227	218	210	-9.1%	453	428	-5.5%
Amounts capitalized	(165)	(160)	(146)	(112)	(105)	36.4%	(311)	(217)	30.2%
Amortization	101	58	83	87	86	-14.9%	201	173	-13.9%
Total operating expenses	663	732	770	767	687	3.6%	1,360	1,454	6.9%
Income (loss) from operations before taxes	328	328	309	272	296	-9.8%	621	568	-8.5%
Federal income tax expense (benefit)	73	69	66	54	61	-16.4%	127	115	-9.4%
Income (loss) from operations	\$ 255	\$ 259	\$ 243	\$ 218	\$ 235	-7.8%	\$ 494	\$ 453	-8.3%
<b>Effective Federal Income Tax Rate</b>	22.4%	20.9%	21.4%	19.8%	20.6%		20.4%	20.2%	
<b>Average Equity, Excluding Goodwill and AOCI</b>	\$ 4,073	\$ 4,262	\$ 4,335	\$ 4,381	\$ 4,502	10.5%	\$ 3,980	\$ 4,441	11.6%
<b>ROE, Excluding Goodwill and AOCI</b>	25.0%	24.3%	22.4%	19.9%	20.9%		24.8%	20.4%	
<b>Return on Average Account Values</b>	81	84	79	74	77	(4)	79	75	(4)
<b>Account Values</b>									
Variable annuity account values:									
Average	\$ 108,051	\$ 104,676	\$ 104,052	\$ 99,610	\$ 103,444	-4.3%	\$ 106,647	\$ 101,523	-4.8%
End-of-period	106,600	100,580	103,145	102,902	103,861	-2.6%	106,600	103,861	-2.6%
Fixed annuity account values:									
Average	17,769	17,992	18,278	18,579	18,939	6.6%	17,856	18,763	5.1%
End-of-period	17,935	18,027	18,451	18,829	18,990	5.9%	17,935	18,990	5.9%

**Lincoln Financial Group**  
**Retirement Plan Services – Select Earnings and Operational Data**

Unaudited (millions of dollars)

	As of or For the Three Months Ended					Change	As of or For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Income (Loss) from Operations</b>									
Operating revenues:									
Fee income	\$ 61	\$ 60	\$ 61	\$ 55	\$ 57	-6.6%	\$ 123	\$ 112	-8.9%
Net investment income	206	219	213	207	209	1.5%	414	417	0.7%
Other revenues	3	3	2	5	4	33.3%	6	8	33.3%
Total operating revenues	<u>270</u>	<u>282</u>	<u>276</u>	<u>267</u>	<u>270</u>	0.0%	<u>543</u>	<u>537</u>	-1.1%
Operating expenses:									
Interest credited	123	124	126	125	127	3.3%	245	251	2.4%
Benefits	1	-	-	-	-	-100.0%	1	1	0.0%
Commissions incurred	20	19	19	19	19	-5.0%	40	39	-2.5%
Other expenses incurred	85	83	88	82	84	-1.2%	165	165	0.0%
Amounts capitalized	(7)	(6)	(9)	(6)	(6)	14.3%	(14)	(13)	7.1%
Amortization	9	5	7	6	5	-44.4%	18	11	-38.9%
Total operating expenses	<u>231</u>	<u>225</u>	<u>231</u>	<u>226</u>	<u>229</u>	-0.9%	<u>455</u>	<u>454</u>	-0.2%
Income (loss) from operations before taxes	39	57	45	41	41	5.1%	88	83	-5.7%
Federal income tax expense (benefit)	9	15	12	10	10	11.1%	23	22	-4.3%
Income (loss) from operations	<u>\$ 30</u>	<u>\$ 42</u>	<u>\$ 33</u>	<u>\$ 31</u>	<u>\$ 31</u>	3.3%	<u>\$ 65</u>	<u>\$ 61</u>	-6.2%
<b>Effective Federal Income Tax Rate</b>	24.1%	27.3%	25.4%	25.8%	25.6%		25.6%	25.7%	
<b>Average Equity, Excluding Goodwill and AOCI</b>	\$ 993	\$ 1,010	\$ 1,045	\$ 1,067	\$ 1,098	10.6%	\$ 1,000	\$ 1,083	8.3%
<b>ROE, Excluding Goodwill and AOCI</b>	12.0%	16.4%	12.8%	11.5%	11.2%		13.0%	11.3%	
<b>Pre-tax Net Margin</b>	26.8%	36.2%	29.8%	29.1%	28.8%		29.4%	28.9%	
<b>Return on Average Account Values</b>	22	31	25	23	22	-	24	23	(1)
<b>Net Flows by Market</b>									
Small Market	2	88	190	13	(22)	NM	\$ (17)	\$ (9)	47.1%
Mid - Large Market	555	359	(185)	215	191	-65.6%	943	406	-56.9%
Multi-Fund <sup>®</sup> and Other	(251)	(196)	(226)	(150)	(165)	34.3%	(504)	(315)	37.5%
<b>Net Flows – Trailing Twelve Months</b>	\$ (465)	\$ (264)	\$ 452	\$ 415	\$ 112	124.1%	\$ (465)	\$ 112	124.1%

**Lincoln Financial Group**  
**Life Insurance – Select Earnings and Operational Data**

Unaudited (millions of dollars)

	As of or For the Three Months Ended					Change	As of or For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Income (Loss) from Operations</b>									
Operating revenues:									
Insurance premiums	\$ 160	\$ 166	\$ 174	\$ 172	\$ 177	10.6%	\$ 309	\$ 350	13.3%
Fee income	647	890	538	687	721	11.4%	1,297	1,408	8.6%
Net investment income	626	662	628	611	633	1.1%	1,251	1,244	-0.6%
Operating realized gain (loss)	2	-	(1)	-	-	-100.0%	2	(1)	NM
Other revenues	8	9	9	8	7	-12.5%	15	15	0.0%
Total operating revenues	<u>1,443</u>	<u>1,727</u>	<u>1,348</u>	<u>1,478</u>	<u>1,538</u>	6.6%	<u>2,874</u>	<u>3,016</u>	4.9%
Operating expenses:									
Interest credited	345	344	352	348	349	1.2%	683	697	2.0%
Benefits	673	578	661	740	708	5.2%	1,323	1,448	9.4%
Commissions incurred	160	175	199	147	174	8.8%	322	321	-0.3%
Other expenses incurred	183	182	181	185	193	5.5%	368	378	2.7%
Amounts capitalized	(182)	(193)	(224)	(165)	(198)	-8.8%	(362)	(363)	-0.3%
Amortization	112	595	4	120	137	22.3%	232	257	10.8%
Total operating expenses	<u>1,291</u>	<u>1,681</u>	<u>1,173</u>	<u>1,375</u>	<u>1,363</u>	5.6%	<u>2,566</u>	<u>2,738</u>	6.7%
Income (loss) from operations before taxes	152	46	175	103	175	15.1%	308	278	-9.7%
Federal income tax expense (benefit)	47	10	56	28	55	17.0%	93	83	-10.8%
Income (loss) from operations	<u>\$ 105</u>	<u>\$ 36</u>	<u>\$ 119</u>	<u>\$ 75</u>	<u>\$ 120</u>	14.3%	<u>\$ 215</u>	<u>\$ 195</u>	-9.3%
<b>Effective Federal Income Tax Rate</b>	31.4%	22.5%	31.6%	27.5%	31.3%		30.1%	29.9%	
<b>Average Equity, Excluding Goodwill and AOCI</b>	\$ 6,422	\$ 6,506	\$ 6,435	\$ 6,405	\$ 6,320	-1.6%	\$ 6,324	\$ 6,362	0.6%
<b>ROE, Excluding Goodwill and AOCI</b>	6.5%	2.2%	7.4%	4.7%	7.6%		6.8%	6.1%	
<b>Average Account Values</b>	\$ 42,891	\$ 42,963	\$ 43,269	\$ 43,795	\$ 44,162	3.0%	\$ 42,680	\$ 43,979	3.0%
<b>In-Force Face Amount</b>									
UL and other	\$ 326,026	\$ 328,115	\$ 331,299	\$ 331,690	\$ 333,006	2.1%	\$ 326,026	\$ 333,006	2.1%
Term insurance	322,848	325,522	330,755	335,762	342,366	6.0%	322,848	342,366	6.0%
Total in-force face amount	<u>\$ 648,874</u>	<u>\$ 653,637</u>	<u>\$ 662,054</u>	<u>\$ 667,452</u>	<u>\$ 675,372</u>	4.1%	<u>\$ 648,874</u>	<u>\$ 675,372</u>	4.1%

**Lincoln Financial Group**  
**Group Protection – Select Earnings and Operational Data**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Income (Loss) from Operations</b>									
Operating revenues:									
Insurance premiums	\$ 567	\$ 519	\$ 516	\$ 489	\$ 478	-15.7%	\$ 1,128	\$ 967	-14.3%
Net investment income	47	48	45	42	43	-8.5%	90	86	-4.4%
Other revenues	3	3	4	3	4	33.3%	4	6	50.0%
Total operating revenues	<u>617</u>	<u>570</u>	<u>565</u>	<u>534</u>	<u>525</u>	-14.9%	<u>1,222</u>	<u>1,059</u>	-13.3%
Operating expenses:									
Interest credited	1	-	1	1	1	0.0%	1	1	0.0%
Benefits	421	386	387	340	345	-18.1%	862	685	-20.5%
Commissions incurred	69	62	63	62	61	-11.6%	135	124	-8.1%
Other expenses incurred	93	95	104	93	97	4.3%	187	189	1.1%
Amounts capitalized	(12)	(16)	(27)	(15)	(17)	-41.7%	(30)	(31)	-3.3%
Amortization	15	17	17	45	15	0.0%	47	60	27.7%
Total operating expenses	<u>587</u>	<u>544</u>	<u>545</u>	<u>526</u>	<u>502</u>	-14.5%	<u>1,202</u>	<u>1,028</u>	-14.5%
Income (loss) from operations before taxes	30	26	20	8	23	-23.3%	20	31	55.0%
Federal income tax expense (benefit)	11	9	7	3	8	-27.3%	7	11	57.1%
Income (loss) from operations	<u>\$ 19</u>	<u>\$ 17</u>	<u>\$ 13</u>	<u>\$ 5</u>	<u>\$ 15</u>	-21.1%	<u>\$ 13</u>	<u>\$ 20</u>	53.8%
<b>Effective Federal Income Tax Rate</b>	35.0%	35.0%	35.0%	35.0%	35.0%		35.0%	35.0%	
<b>Average Equity, Excluding Goodwill and AOCI</b>	\$ 1,238	\$ 1,228	\$ 1,217	\$ 1,203	\$ 1,159	-6.4%	\$ 1,239	\$ 1,181	-4.7%
<b>ROE, Excluding Goodwill and AOCI</b>	6.3%	5.4%	4.4%	1.8%	5.1%		2.1%	3.4%	
<b>Loss Ratios by Product Line</b>									
Life	72.0%	70.5%	72.3%	71.1%	70.4%		74.8%	70.8%	
Disability	75.4%	79.3%	79.5%	67.2%	74.8%		77.5%	71.0%	
Dental	72.3%	70.3%	69.1%	73.5%	70.4%		72.6%	71.9%	
Total non-medical	73.6%	74.5%	75.3%	69.6%	72.5%		75.8%	71.0%	

**Lincoln Financial Group**  
**Other Operations – Select Earnings and Operational Data**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Other Operations</b>									
Operating revenues:									
Insurance premiums	\$ 1	\$ 11	\$ 4	\$ 3	\$ 4	300.0%	\$ 1	\$ 9	NM
Net investment income	61	67	62	61	56	-8.2%	125	115	-8.0%
Amortization of deferred gain on business sold through reinsurance	18	18	18	18	18	0.0%	35	35	0.0%
Media revenues	16	-	-	-	-	-100.0%	31	-	-100.0%
Other revenues	-	-	2	-	1	NM	(1)	2	300.0%
Total operating revenues	<u>96</u>	<u>96</u>	<u>86</u>	<u>82</u>	<u>79</u>	-17.7%	<u>191</u>	<u>161</u>	-15.7%
Operating expenses:									
Interest credited	20	20	19	20	19	-5.0%	41	39	-4.9%
Benefits	30	52	31	29	32	6.7%	57	59	3.5%
Media expenses	14	-	-	-	-	-100.0%	28	-	-100.0%
Commissions and other expenses	22	50	13	(8)	6	-72.7%	31	(1)	NM
Interest and debt expenses	69	67	68	68	68	-1.4%	137	136	-0.7%
Total operating expenses	<u>155</u>	<u>189</u>	<u>131</u>	<u>109</u>	<u>125</u>	-19.4%	<u>294</u>	<u>233</u>	-20.7%
Income (loss) from operations before taxes	(59)	(93)	(45)	(27)	(46)	22.0%	(103)	(72)	30.1%
Federal income tax expense (benefit)	(21)	(28)	(19)	(12)	(18)	14.3%	(40)	(30)	25.0%
Income (loss) from operations	<u>\$ (38)</u>	<u>\$ (65)</u>	<u>\$ (26)</u>	<u>\$ (15)</u>	<u>\$ (28)</u>	26.3%	<u>\$ (63)</u>	<u>\$ (42)</u>	33.3%

# **DAC, VOBA, DSI, DFEL & Account Value Roll Forwards**





**Lincoln Financial Group**  
**Consolidated – DAC, VOBA, DSI and DFEL Roll Forwards**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>DAC, VOBA, and DSI</b>									
Balance as of beginning-of-period	\$ 8,391	\$ 9,394	\$ 9,111	\$ 9,766	\$ 9,235	10.1%	\$ 8,447	\$ 9,766	15.6%
Business acquired (sold) through reinsurance	15	2	-	-	-	-100.0%	15	-	-100.0%
Deferrals	375	380	415	309	332	-11.5%	732	640	-12.6%
Operating amortization	(246)	(681)	(117)	(265)	(250)	-1.6%	(515)	(514)	0.2%
Deferrals, net of operating amortization	129	(301)	298	44	82	-36.4%	217	126	-41.9%
Amortization associated with benefit ratio unlocking	1	15	(3)	2	(1)	NM	-	-	NM
Adjustment related to realized (gains) losses	(15)	(26)	20	(4)	(1)	93.3%	(12)	(4)	66.7%
Adjustment related to unrealized (gains) losses	873	27	340	(573)	(793)	NM	727	(1,366)	NM
Balance as of end-of-period	<u>\$ 9,394</u>	<u>\$ 9,111</u>	<u>\$ 9,766</u>	<u>\$ 9,235</u>	<u>\$ 8,522</u>	-9.3%	<u>\$ 9,394</u>	<u>\$ 8,522</u>	-9.3%
<b>DFEL</b>									
Balance as of beginning-of-period	\$ 1,322	\$ 1,797	\$ 1,593	\$ 1,952	\$ 1,696	28.3%	\$ 1,401	\$ 1,952	39.3%
Deferrals	128	141	150	136	150	17.2%	247	286	15.8%
Operating amortization	(73)	(306)	78	(84)	(92)	-26.0%	(149)	(176)	-18.1%
Deferrals, net of operating amortization	55	(165)	228	52	58	5.5%	98	110	12.2%
Amortization associated with benefit ratio unlocking	-	2	(1)	-	-	NM	-	-	NM
Adjustment related to realized (gains) losses	(2)	(3)	1	(1)	1	150.0%	(3)	-	100.0%
Adjustment related to unrealized (gains) losses	422	(38)	131	(307)	(398)	NM	301	(704)	NM
Balance as of end-of-period	<u>\$ 1,797</u>	<u>\$ 1,593</u>	<u>\$ 1,952</u>	<u>\$ 1,696</u>	<u>\$ 1,357</u>	-24.5%	<u>\$ 1,797</u>	<u>\$ 1,357</u>	-24.5%
<b>DAC, VOBA, DSI, and DFEL Balance as of End-of-Period, After-Tax</b>	<b>\$ 4,938</b>	<b>\$ 4,887</b>	<b>\$ 5,079</b>	<b>\$ 4,900</b>	<b>\$ 4,657</b>	<b>-5.7%</b>	<b>\$ 4,938</b>	<b>\$ 4,657</b>	<b>-5.7%</b>

**Lincoln Financial Group**  
**Annuities – Account Value Roll Forwards**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Fixed Annuities</b>									
Balance as of beginning-of-period	\$ 18,651	\$ 18,597	\$ 18,672	\$ 19,082	\$ 19,448	4.3%	\$ 18,661	\$ 19,082	2.3%
Gross deposits	365	566	656	668	478	31.0%	658	1,146	74.2%
Full surrenders and deaths	(377)	(357)	(276)	(285)	(345)	8.5%	(682)	(631)	7.5%
Other contract benefits	(166)	(168)	(176)	(127)	(130)	21.7%	(315)	(256)	18.7%
Net flows	(178)	41	204	256	3	101.7%	(339)	259	176.4%
Reinvested interest credited	117	31	200	103	143	22.2%	263	246	-6.5%
Sales inducements deferred	7	3	6	7	4	-42.9%	12	11	-8.3%
Balance as of end-of-period, gross	18,597	18,672	19,082	19,448	19,598	5.4%	18,597	19,598	5.4%
Reinsurance ceded	(662)	(645)	(631)	(619)	(608)	8.2%	(662)	(608)	8.2%
Balance as of end-of-period, net	<u>\$ 17,935</u>	<u>\$ 18,027</u>	<u>\$ 18,451</u>	<u>\$ 18,829</u>	<u>\$ 18,990</u>	5.9%	<u>\$ 17,935</u>	<u>\$ 18,990</u>	5.9%
<b>Variable Annuities</b>									
Balance as of beginning-of-period	\$ 106,279	\$ 106,600	\$ 100,581	\$ 103,146	\$ 102,903	-3.2%	\$ 104,073	\$ 103,146	-0.9%
Gross deposits	3,015	2,738	2,362	1,685	1,635	-45.8%	5,712	3,320	-41.9%
Full surrenders and deaths	(1,501)	(1,299)	(1,122)	(1,030)	(1,160)	22.7%	(2,903)	(2,191)	24.5%
Other contract benefits	(939)	(944)	(1,009)	(946)	(930)	1.0%	(1,877)	(1,874)	0.2%
Net flows	575	495	231	(291)	(455)	NM	932	(745)	NM
Change in market value and reinvestment	(254)	(6,514)	2,334	48	1,413	NM	1,595	1,460	-8.5%
Balance as of end-of-period, gross	106,600	100,581	103,146	102,903	103,861	-2.6%	106,600	103,861	-2.6%
Reinsurance ceded	-	(1)	(1)	(1)	-	NM	-	-	NM
Balance as of end-of-period, net	<u>\$ 106,600</u>	<u>\$ 100,580</u>	<u>\$ 103,145</u>	<u>\$ 102,902</u>	<u>\$ 103,861</u>	-2.6%	<u>\$ 106,600</u>	<u>\$ 103,861</u>	-2.6%
<b>Total</b>									
Balance as of beginning-of-period	\$ 124,930	\$ 125,197	\$ 119,253	\$ 122,228	\$ 122,351	-2.1%	\$ 122,734	\$ 122,228	-0.4%
Gross deposits	3,380	3,304	3,018	2,353	2,113	-37.5%	6,370	4,466	-29.9%
Full surrenders and deaths	(1,878)	(1,656)	(1,398)	(1,315)	(1,505)	19.9%	(3,585)	(2,822)	21.3%
Other contract benefits	(1,105)	(1,112)	(1,185)	(1,073)	(1,060)	4.1%	(2,192)	(2,130)	2.8%
Net flows	397	536	435	(35)	(452)	NM	593	(486)	NM
Change in market value and reinvestment	(137)	(6,483)	2,534	151	1,556	NM	1,858	1,706	-8.2%
Sales inducements deferred	7	3	6	7	4	-42.9%	12	11	-8.3%
Balance as of end-of-period, gross	125,197	119,253	122,228	122,351	123,459	-1.4%	125,197	123,459	-1.4%
Reinsurance ceded	(662)	(646)	(632)	(620)	(608)	8.2%	(662)	(608)	8.2%
Balance as of end-of-period, net	<u>\$ 124,535</u>	<u>\$ 118,607</u>	<u>\$ 121,596</u>	<u>\$ 121,731</u>	<u>\$ 122,851</u>	-1.4%	<u>\$ 124,535</u>	<u>\$ 122,851</u>	-1.4%

**Lincoln Financial Group**  
**Retirement Plan Services – Account Value Roll Forwards**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>General Account</b>									
Balance as of beginning-of-period	\$ 16,288	\$ 16,469	\$ 16,649	\$ 16,588	\$ 16,727	2.7%	\$ 16,229	\$ 16,588	2.2%
Gross deposits	452	425	562	420	448	-0.9%	870	869	-0.1%
Withdrawals and deaths	(478)	(547)	(821)	(572)	(483)	-1.0%	(1,019)	(1,055)	-3.5%
Net flows	(26)	(122)	(259)	(152)	(35)	-34.6%	(149)	(186)	-24.8%
Transfers between fixed and variable accounts	84	176	71	168	178	111.9%	145	344	137.2%
Reinvestment interest credited	123	126	127	123	126	2.4%	244	250	2.5%
Balance as of end-of-period	<u>\$ 16,469</u>	<u>\$ 16,649</u>	<u>\$ 16,588</u>	<u>\$ 16,727</u>	<u>\$ 16,996</u>	3.2%	<u>\$ 16,469</u>	<u>\$ 16,996</u>	3.2%
<b>Separate Account and Mutual Funds</b>									
Balance as of beginning-of-period	\$ 38,344	\$ 38,520	\$ 36,195	\$ 37,512	\$ 37,772	-1.5%	\$ 37,310	\$ 37,512	0.5%
Gross deposits	1,410	1,459	1,533	1,371	1,212	-14.0%	2,697	2,583	-4.2%
Withdrawals and deaths	(1,078)	(1,086)	(1,495)	(1,141)	(1,173)	-8.8%	(2,126)	(2,315)	-8.9%
Net flows	332	373	38	230	39	-88.3%	571	268	-53.1%
Transfers between fixed and variable accounts	(81)	(161)	(62)	(149)	(155)	-91.4%	(155)	(303)	-95.5%
Change in market value and reinvestment	(75)	(2,537)	1,341	179	778	NM	794	957	20.5%
Balance as of end-of-period	<u>\$ 38,520</u>	<u>\$ 36,195</u>	<u>\$ 37,512</u>	<u>\$ 37,772</u>	<u>\$ 38,434</u>	-0.2%	<u>\$ 38,520</u>	<u>\$ 38,434</u>	-0.2%
<b>Total</b>									
Balance as of beginning-of-period	\$ 54,632	\$ 54,989	\$ 52,844	\$ 54,100	\$ 54,499	-0.2%	\$ 53,539	\$ 54,100	1.0%
Gross deposits	1,862	1,884	2,095	1,791	1,660	-10.8%	3,567	3,452	-3.2%
Withdrawals and deaths	(1,556)	(1,633)	(2,316)	(1,713)	(1,656)	-6.4%	(3,145)	(3,370)	-7.2%
Net flows	306	251	(221)	78	4	-98.7%	422	82	-80.6%
Transfers between fixed and variable accounts	3	15	9	19	23	NM	(10)	41	NM
Change in market value and reinvestment	48	(2,411)	1,468	302	904	NM	1,038	1,207	16.3%
Balance as of end-of-period	<u>\$ 54,989</u>	<u>\$ 52,844</u>	<u>\$ 54,100</u>	<u>\$ 54,499</u>	<u>\$ 55,430</u>	0.8%	<u>\$ 54,989</u>	<u>\$ 55,430</u>	

**Lincoln Financial Group**  
**Life Insurance – Account Value Roll Forwards**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>General Account</b>									
Balance as of beginning-of-period	\$ 34,753	\$ 34,930	\$ 35,213	\$ 35,545	\$ 35,640	2.6%	\$ 34,612	\$ 35,545	2.7%
Deposits	964	1,012	1,082	945	992	2.9%	1,885	1,938	2.8%
Withdrawals and deaths	(299)	(214)	(208)	(317)	(294)	1.7%	(598)	(612)	-2.3%
Net flows	665	798	874	628	698	5.0%	1,287	1,326	3.0%
Contract holder assessments	(830)	(855)	(882)	(868)	(898)	-8.2%	(1,644)	(1,767)	-7.5%
Reinvested interest credited	342	340	340	335	335	-2.0%	675	671	-0.6%
Balance as of end-of-period, gross	34,930	35,213	35,545	35,640	35,775	2.4%	34,930	35,775	2.4%
Reinsurance ceded	(773)	(770)	(763)	(763)	(760)	1.7%	(773)	(760)	1.7%
Balance as of end-of-period, net	<u>\$ 34,157</u>	<u>\$ 34,443</u>	<u>\$ 34,782</u>	<u>\$ 34,877</u>	<u>\$ 35,015</u>	2.5%	<u>\$ 34,157</u>	<u>\$ 35,015</u>	2.5%
<b>Separate Account</b>									
Balance as of beginning-of-period	\$ 9,635	\$ 9,766	\$ 9,213	\$ 9,696	\$ 9,830	2.0%	\$ 9,263	\$ 9,696	4.7%
Deposits	380	388	460	293	399	5.0%	770	692	-10.1%
Withdrawals and deaths	(116)	(167)	(164)	(91)	(119)	-2.6%	(240)	(210)	12.5%
Net flows	264	221	296	202	280	6.1%	530	482	-9.1%
Contract holder assessments	(127)	(132)	(143)	(135)	(143)	-12.6%	(258)	(278)	-7.8%
Change in market value and reinvestment	(6)	(642)	330	67	205	NM	231	272	17.7%
Balance as of end-of-period, gross	9,766	9,213	9,696	9,830	10,172	4.2%	9,766	10,172	4.2%
Reinsurance ceded	(864)	(788)	(809)	(786)	(785)	9.1%	(864)	(785)	9.1%
Balance as of end-of-period, net	<u>\$ 8,902</u>	<u>\$ 8,425</u>	<u>\$ 8,887</u>	<u>\$ 9,044</u>	<u>\$ 9,387</u>	5.4%	<u>\$ 8,902</u>	<u>\$ 9,387</u>	5.4%
<b>Total</b>									
Balance as of beginning-of-period	\$ 44,388	\$ 44,696	\$ 44,426	\$ 45,241	\$ 45,470	2.4%	\$ 43,875	\$ 45,241	3.1%
Deposits	1,344	1,400	1,542	1,238	1,391	3.5%	2,655	2,630	-0.9%
Withdrawals and deaths	(415)	(381)	(372)	(408)	(413)	0.5%	(838)	(822)	1.9%
Net flows	929	1,019	1,170	830	978	5.3%	1,817	1,808	-0.5%
Contract holder assessments	(957)	(987)	(1,025)	(1,003)	(1,041)	-8.8%	(1,902)	(2,045)	-7.5%
Change in market value and reinvestment	336	(302)	670	402	540	60.7%	906	943	4.1%
Balance as of end-of-period, gross	44,696	44,426	45,241	45,470	45,947	2.8%	44,696	45,947	2.8%
Reinsurance ceded	(1,637)	(1,558)	(1,572)	(1,549)	(1,545)	5.6%	(1,637)	(1,545)	5.6%
Balance as of end-of-period, net	<u>\$ 43,059</u>	<u>\$ 42,868</u>	<u>\$ 43,669</u>	<u>\$ 43,921</u>	<u>\$ 44,402</u>	3.1%	<u>\$ 43,059</u>	<u>\$ 44,402</u>	3.1%

# Other Information



## Lincoln Financial Group

### Select Investment Data

Unaudited (millions of dollars)

	As of 6/30/15		As of 12/31/15		As of 6/30/16	
	Amount	%	Amount	%	Amount	%
<b>AFS and Trading Securities, at Fair Value</b>						
AFS securities:						
Corporate bonds	\$ 74,169	84.1%	\$ 74,032	84.5%	\$ 80,129	85.2%
U.S. government bonds	428	0.5%	429	0.5%	464	0.5%
Foreign government bonds	540	0.6%	524	0.6%	530	0.6%
Mortgage-backed securities	4,476	5.1%	4,104	4.7%	3,975	4.2%
Asset-backed collateralized debt obligations	499	0.6%	589	0.7%	687	0.7%
State and municipal bonds	4,418	5.0%	4,480	5.1%	4,985	5.3%
Hybrid and redeemable preferred securities	892	1.0%	806	0.9%	691	0.7%
VIEs' fixed maturity securities	598	0.7%	598	0.7%	600	0.6%
Equity securities	227	0.3%	237	0.3%	277	0.3%
Total AFS securities	86,247	97.9%	85,799	98.0%	92,338	98.1%
Trading securities	1,949	2.1%	1,854	2.0%	1,812	1.9%
Total AFS and trading securities	\$ 88,196	100.0%	\$ 87,653	100.0%	\$ 94,150	100.0%
<b>AFS and Trading Securities, at Amortized Cost</b>						
Fixed maturity securities	\$ 82,746	99.7%	\$ 84,241	99.7%	\$ 85,187	99.7%
Equity securities	213	0.3%	226	0.3%	259	0.3%
Total AFS and trading securities	\$ 82,959	100.0%	\$ 84,467	100.0%	\$ 85,446	100.0%
<b>Percentage of Fixed Maturity AFS Securities, at Amortized Cost</b>						
Investment grade		95.1%		95.1%		94.7%
Below investment grade		4.9%		4.9%		5.3%

**Lincoln Financial Group**  
**Realized Gain (Loss) and Benefit Ratio Unlocking, After-DAC**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Realized Gain (Loss), Pre-Tax</b>									
Total operating realized gain (loss)	\$ 47	\$ 45	\$ 43	\$ 44	\$ 44	-6.4%	\$ 89	\$ 86	-3.4%
Total excluded realized gain (loss)	(37)	(18)	(183)	(158)	(89)	NM	(127)	(245)	-92.9%
Total realized gain (loss), pre-tax	<u>\$ 10</u>	<u>\$ 27</u>	<u>\$ (140)</u>	<u>\$ (114)</u>	<u>\$ (45)</u>	NM	<u>\$ (38)</u>	<u>\$ (159)</u>	NM
<b>Excluded Realized Gain (Loss) Net of Benefit Ratio Unlocking, After-Tax</b>									
Total excluded realized gain (loss)	\$ (23)	\$ (11)	\$ (118)	\$ (102)	\$ (57)	NM	\$ (83)	\$ (159)	-91.6%
Benefit ratio unlocking	(4)	(51)	19	(4)	9	NM	2	4	100.0%
Net gain (loss), after-tax	<u>\$ (27)</u>	<u>\$ (62)</u>	<u>\$ (99)</u>	<u>\$ (106)</u>	<u>\$ (48)</u>	-77.8%	<u>\$ (81)</u>	<u>\$ (155)</u>	-91.4%
<b>Realized Gain (Loss) Net of Benefit Ratio Unlocking, After-Tax</b>									
Realized gain (loss) related to investments	\$ (14)	\$ (26)	\$ (35)	\$ (64)	\$ (47)	NM	\$ (24)	\$ (112)	NM
Variable annuity net derivative results:									
Hedge program performance, including unlocking for GLB reserves hedged	-	(102)	(13)	(94)	(23)	NM	(35)	(117)	NM
GLB non-performance risk component	(8)	84	(43)	67	24	NM	(1)	91	NM
Total variable annuity net derivative results	(8)	(18)	(56)	(27)	1	112.5%	(36)	(26)	27.8%
Indexed annuity forward-starting option	(4)	(18)	(8)	(15)	(2)	50.0%	(19)	(17)	10.5%
Gain (loss) on sale of subsidiaries/businesses	(1)	-	-	-	-	100.0%	(2)	-	100.0%
Excluded realized gain (loss) net of benefit ratio unlocking, after-tax	<u>\$ (27)</u>	<u>\$ (62)</u>	<u>\$ (99)</u>	<u>\$ (106)</u>	<u>\$ (48)</u>	-77.8%	<u>\$ (81)</u>	<u>\$ (155)</u>	-91.4%
<b>Components of Realized Gain (Loss) Related to Investments, After-Tax</b>									
OTII	\$ (5)	\$ (12)	\$ (10)	\$ (23)	\$ (18)	NM	\$ (13)	\$ (42)	NM
Other realized gain (loss) related to certain investments	4	(4)	(12)	(46)	(24)	NM	(5)	(70)	NM
Gain (loss) on the mark-to-market on certain instruments	(13)	(10)	(13)	5	(5)	61.5%	(6)	-	100.0%
Total realized gain (loss) related to investments, after-tax	<u>\$ (14)</u>	<u>\$ (26)</u>	<u>\$ (35)</u>	<u>\$ (64)</u>	<u>\$ (47)</u>	NM	<u>\$ (24)</u>	<u>\$ (112)</u>	NM

**Lincoln Financial Group**  
**Select GAAP to Non-GAAP Reconciliations**

Unaudited (millions of dollars)

	For the Three Months Ended					Change	For the Six Months Ended		
	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16		6/30/15	6/30/16	Change
<b>Revenues</b>									
Total revenues	\$ 3,381	\$ 3,716	\$ 3,172	\$ 3,243	\$ 3,307	-2.2%	\$ 6,685	\$ 6,551	-2.0%
Less:									
Excluded realized gain (loss)	(37)	(18)	(183)	(158)	(89)	NM	(127)	(245)	-92.9%
Amortization of DFEL on benefit ratio unlocking	-	(2)	-	-	-	NM	-	-	NM
Amortization of deferred gains arising from reserve changes on business sold through reinsurance	1	1	1	1	1	0.0%	1	1	0.0%
Operating revenues	<u>\$ 3,417</u>	<u>\$ 3,735</u>	<u>\$ 3,354</u>	<u>\$ 3,400</u>	<u>\$ 3,395</u>	-0.6%	<u>\$ 6,811</u>	<u>\$ 6,795</u>	-0.2%
<b>Net Income</b>									
Net income (loss)	\$ 344	\$ 227	\$ 283	\$ 208	\$ 325	-5.5%	\$ 644	\$ 533	-17.2%
Less:									
Excluded realized gain (loss)	(23)	(11)	(118)	(102)	(57)	NM	(83)	(159)	-91.6%
Benefit ratio unlocking	(4)	(51)	19	(4)	9	NM	2	4	100.0%
Income (loss) from reserve changes (net of related amortization) on business sold through reinsurance	-	-	-	-	-	NM	1	1	0.0%
Income (loss) from operations	<u>\$ 371</u>	<u>\$ 289</u>	<u>\$ 382</u>	<u>\$ 314</u>	<u>\$ 373</u>	0.5%	<u>\$ 724</u>	<u>\$ 687</u>	-5.1%
<b>Earnings (Loss) Per Common Share – Diluted</b>									
Net income (loss)	\$ 1.35	\$ 0.87	\$ 1.14	\$ 0.82	\$ 1.35	0.0%	\$ 2.50	\$ 2.17	-13.2%
Less:									
Excluded realized gain (loss)	(0.09)	(0.04)	(0.48)	(0.41)	(0.25)	NM	(0.32)	(0.65)	NM
Benefit ratio unlocking	(0.02)	(0.20)	0.08	(0.02)	0.04	300.0%	0.01	0.02	100.0%
Income (loss) from operations	<u>\$ 1.46</u>	<u>\$ 1.11</u>	<u>\$ 1.54</u>	<u>\$ 1.25</u>	<u>\$ 1.56</u>	6.8%	<u>\$ 2.81</u>	<u>\$ 2.80</u>	-0.4%