

NEWS RELEASE
Lincoln Financial Group Reports First Quarter 2014 Results

Operating EPS of \$1.34, up 31%, drives ROE of 12%

Operating Revenues of \$3.2 billion up 10%

Book Value per Share, excluding AOCI, of \$45.63 up 9%

Radnor, PA, April 30, 2014 – Lincoln Financial Group (NYSE: LNC) today reported net income for the first quarter of 2014 of \$329 million, or \$1.21 per diluted share, compared to net income in the first quarter of 2013 of \$239 million, or \$0.86 per diluted share. First quarter income from operations was \$365 million, or \$1.34 per diluted share, compared to \$285 million, or \$1.02 per diluted share, in the first quarter of 2013.

“Lincoln’s strong results in the quarter are a positive start to the year and build on a successful 2013,” said Dennis R. Glass, president and CEO of Lincoln Financial Group. “The combination of ongoing share repurchases and the recently completed repricing of essentially our entire product portfolio will help expand Lincoln’s return on equity over time. At the same time, we are diversifying the company’s risk profile by increasing our emphasis on products without long-dated guarantees.”

(millions of dollars except per share data)	As of or For the Quarter Ended	
	2014	2013
Net Income (Loss)	\$ 329	\$ 239
Net Income (Loss) Available to Common Stockholders	328	239
Net Income (Loss) Per Diluted Share	1.21	0.86
Revenues	3,176	2,839
Income (Loss) from Operations	365	285
Income (Loss) from Operations Per Diluted Share	1.34	1.02
Average Diluted Shares	272.1	278.6
ROE (Income from Operations)	12.2%	10.2%
ROE (Net Income)	11.0%	8.5%
Book Value per Share, Including AOCI	\$ 54.94	\$ 55.33
Book Value per Share, Excluding AOCI	45.63	42.00

Operating Highlights – First Quarter 2014 versus First Quarter 2013

- Consolidated deposits of \$6.4 billion up 5%
- Consolidated account balances of \$209 billion up 13%
- Annuities total deposits of \$3.4 billion up 5%
- Retirement Plan Services total deposits of \$1.8 billion up 5%
- Total Individual Life Insurance sales of \$142 million up 14%
- Group Protection non-medical earned premiums of \$533 million up 12%

There were no notable items in the quarter.

First Quarter 2014 – Segment Results

Annuities

The Annuities segment reported income from operations of \$216 million in the quarter, up 36% from \$159 million in the prior-year quarter. Positive net flows and equity market performance increased fees on assets under management, which contributed to the growth in revenues and earnings.

Gross annuity deposits in the first quarter of \$3.4 billion drove net flows of \$695 million and a 15% increase in account values to \$117 billion compared to the prior-year quarter. Variable annuity deposits of \$2.9 billion were flat with the prior-year quarter. Fixed annuity deposits of \$432 million increased 54% on the strength of indexed annuity sales.

The company continues to focus on shifting the balance of variable annuity sales with and without guaranteed living benefits. Net of reinsurance, variable annuity deposits without a guaranteed living benefit rider as a percentage of total variable annuity deposits were 40%, compared to 32% in the fourth quarter of 2013.

Retirement Plan Services

Retirement Plan Services reported income from operations of \$39 million compared to \$35 million in the prior-year quarter.

Total deposits for the quarter of \$1.8 billion were up 5% versus the prior-year quarter. Several large case terminations in the mid-large market segment led to total net flows of \$(361) million in the quarter. These results represent the ordinary fluctuations that occur in this business. Account values at the end of the

quarter were \$52 billion, a 12% increase over the prior-year quarter, attributed to strong equity markets and positive net flows over the trailing twelve months.

Life Insurance

Life Insurance income from operations was \$120 million compared to \$112 million in the prior-year quarter.

Total life insurance sales in the quarter were \$145 million compared to \$151 million in the prior-year quarter. Total individual life sales, which exclude COLI and BOLI, increased 14% from the prior-year period, driven by strong sales results in indexed universal life, term life and variable universal life. COLI and BOLI sales were down from a strong prior-year quarter and will vary in any given period.

Life insurance average in-force of \$620 billion grew 5% and average account values of \$40 billion increased 7% over the prior-year quarter.

The quarter's earnings were lower than expectations due to elevated mortality, partially offset by strong alternative investment income.

Group Protection

For the first quarter, Group Protection income from operations was \$20 million compared to \$14 million in the prior-year period. The non-medical loss ratio was 74.8%, flat with the prior-year quarter.

Group Protection sales of \$64 million for the quarter were down 10% from the same period last year. The decrease was consistent with expectations following pricing changes implemented at the beginning of the year. Sales results also reinforced the emphasis on sales of employee-paid products, which represented over 60% of total sales.

Non-medical net earned premiums were \$533 million in the first quarter, up 12% over the year-ago period.

Other Operations

Other Operations reported a loss from operations of \$30 million in the quarter versus a loss of \$35 million in the prior-year quarter.

Realized Gains and Losses

Realized gains/losses (after-tax) in the quarter included:

- A net loss from general account investments of \$17 million as compared to a \$4 million net loss in the prior-year quarter.
- A \$7 million variable annuity net derivatives loss, comprising negative hedge program performance of \$14 million and a \$7 million gain associated with the non-performance risk component.

Unrealized Gains and Losses

The company reported a net unrealized gain of \$5.8 billion, pre-tax, on its available-for-sale securities at March 31, 2014. This compares to a net unrealized gain of \$8.7 billion at March 31, 2013, with the year-over-year decrease driven by higher Treasury rates.

Capital

During the quarter, the company repurchased 3.0 million shares of stock at a cost of \$150 million. The quarter's average diluted share count of 272.1 million shares was down 2% from the first quarter of 2013, the result of repurchasing 11.6 million shares of stock at a cost of \$500 million since March 31, 2013.

Book Value

As of March 31, 2014, book value per share, including accumulated other comprehensive income ("AOCI"), of \$54.94 decreased 1% from a year ago. Book value per share, excluding AOCI, of \$45.63 increased 9% from the prior-year period.

This press release may contain statements that are forward-looking, and actual results may differ materially, especially given the current economic and capital markets conditions. Please see the Forward Looking Statements – Cautionary Language that follow for additional factors that may cause actual results to differ materially from our current expectations.

The tables attached to this release define and reconcile income from operations, return on equity ("ROE"), and book value per share excluding AOCI, non-GAAP measures, to net income, ROE, and book value per share including AOCI calculated in accordance with GAAP.

Lincoln Financial Group will discuss the company's first quarter results with investors in a conference call beginning at 10:00 a.m. (ET) on Thursday, May 1, 2014. Interested persons are invited to listen through the internet. Please go to www.LincolnFinancial.com/webcast at least fifteen minutes prior to the event to

register, download and install any necessary streaming media software. Interested persons may also listen to the call by dialing the following numbers:

Dial: (877) 776-4049 (Domestic)

(914) 495-8602 (International)

- Ask for the Lincoln National Conference Call.

The company will also post its first quarter 2014 statistical supplement on its website, www.LincolnFinancial.com/earnings.

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. With headquarters in the Philadelphia region, the companies of Lincoln Financial Group had assets under management of \$209 billion as of March 31, 2014. Through its affiliated companies, Lincoln Financial Group offers: annuities; life, group life, disability and dental insurance; employer-sponsored retirement plans; savings plans; and comprehensive financial planning and advisory services. For more information, including a copy of our most recent SEC reports containing our balance sheets, please visit www.LincolnFinancial.com.

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Definition of Income (Loss) from Operations, Operating Revenues and Return on Equity

Income (loss) from operations, operating revenues and return on equity ("ROE"), as used in the earnings release, are non-GAAP financial measures and do not replace GAAP revenues, net income (loss) and ROE. 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)"): sale or disposal of securities; impairments of securities; change in the fair value of derivative investments, embedded derivatives within certain reinsurance arrangements and our trading securities; change in the fair value of the derivatives we own to hedge our guaranteed death benefit ("GDB") riders within our variable annuities, which is referred to as "GDB derivatives results"; change in the fair value of the embedded derivatives of our guaranteed living benefit ("GLB") riders within our variable annuities accounted for under the Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ("embedded derivative reserves"), net of the change in the fair value of the derivatives we own to hedge the changes in the embedded derivative reserves, the net of which is referred to as "GLB net derivative results"; and 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 under the Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the FASB ASC ("indexed annuity forward-starting option"); change in reserves accounted for under the Financial Services - Insurance - Claim Costs and Liabilities for Future Policy Benefits Subtopic of the FASB ASC resulting from benefit ratio unlocking on our GDB and GLB riders ("benefit ratio unlocking"); income (loss) from the initial adoption of new accounting standards; income (loss) from reserve changes (net of related amortization) on business sold through reinsurance; gain (loss) on early extinguishment of debt; losses from the impairment of intangible assets; and income (loss) from discontinued operations.

Operating revenues represent GAAP revenues excluding the pre-tax effects of the following items, as applicable: excluded realized gain (loss); amortization of deferred front-end loads ("DFEL") arising from changes in GDB and GLB benefit ratio unlocking; amortization of deferred gains arising from the reserve changes on business sold through reinsurance; and revenue adjustments from the initial adoption of new accounting standards.

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

Income (loss) from operations, operating revenues and return on equity (including and excluding average goodwill within average equity), excluding AOCI, using annualized income (loss) from operations are financial measures we use to evaluate and assess our results. Management believes that these performance measures explain the results of the company's ongoing businesses in a manner that allows for a better understanding of the underlying trends in the company's current business because the excluded items are unpredictable and not necessarily indicative of current operating fundamentals or future performance of the business segments, and, in most instances, decisions regarding these items do not necessarily relate to the operations of the individual segments.

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

Lincoln National Corporation
Reconciliation of Net Income to Income from Operations

(millions of dollars, except per share data)

For the Three Months Ended
March 31,

	2014	2013
Total Revenues	\$ 3,176	\$ 2,839
Less:		
Excluded realized gain (loss)	(58)	(91)
Amortization of DFEL on benefit ratio unlocking	-	(1)
Amortization of deferred gains arising from reserve changes on business sold through reinsurance	1	1
Total Operating Revenues	<u>\$ 3,233</u>	<u>\$ 2,930</u>
Net Income (Loss) Available to Common Stockholders - Diluted	\$ 328	\$ 239
Less:		
Adjustment for deferred units of LNC stock in our deferred compensation plans ⁽¹⁾	(1)	-
Net Income (Loss)	<u>329</u>	<u>239</u>
Less ⁽²⁾ :		
Excluded realized gain (loss)	(38)	(60)
Benefit ratio unlocking	2	14
Income (Loss) from Operations	<u>\$ 365</u>	<u>\$ 285</u>
Earnings (Loss) Per Common Share (Diluted)		
Income (loss) from operations	\$ 1.34	\$ 1.02
Net income (loss)	1.21	0.86
Average Stockholders' Equity		
Average equity, including average AOCI	\$ 13,969	\$ 14,918
Average AOCI	<u>2,008</u>	<u>3,695</u>
Average equity, excluding AOCI	11,961	11,223
Average goodwill	<u>2,273</u>	<u>2,273</u>
Average equity, excluding AOCI and goodwill	<u>\$ 9,688</u>	<u>\$ 8,950</u>
Return on Equity, Excluding AOCI		
Net income (loss) with average equity including goodwill	11.0%	8.5%
Income (loss) from operations with average equity including goodwill	12.2%	10.2%
Income (loss) from operations with average equity excluding goodwill	15.1%	12.7%

⁽¹⁾ 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 if the effect of equity classification would be more dilutive to our diluted EPS.

⁽²⁾ We use our 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.

Definition of Book Value Per Share Excluding AOCI

Book value per share excluding AOCI is calculated based upon a non-GAAP financial measure. It is calculated by dividing (a) stockholders' equity excluding AOCI by (b) common shares outstanding. We provide book value per share excluding AOCI to enable investors to analyze the amount of our net worth that is primarily attributable 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. A reconciliation of book value per share to book value per share excluding AOCI as of March 31, 2014 and 2013 is set forth below.

	As of March 31,	
	2014	2013
Book value per share, including AOCI	\$ 54.94	\$ 55.33
Per share impact of AOCI	9.31	13.33
Book value per share, excluding AOCI	45.63	42.00

Lincoln National Corporation
Digest of Earnings

(millions of dollars, except per share data)

	For the Three Months Ended March 31,	
	2014	2013
Revenues	\$ 3,176	\$ 2,839
Net Income (Loss)	\$ 329	\$ 239
Adjustment for deferred units of LNC stock in our deferred compensation plans ⁽¹⁾	(1)	-
Net Income (Loss) Available to Common Stockholders - Diluted	\$ 328	\$ 239
Earnings (Loss) Per Common Share - Basic	\$ 1.25	\$ 0.89
Earnings (Loss) Per Common Share - Diluted ⁽²⁾	1.21	0.86
Average Shares - Basic	262,738,542	270,265,766
Average Shares - Diluted	272,115,004	278,592,099

⁽¹⁾ 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 if the effect of equity classification would be more dilutive to our diluted EPS.

⁽²⁾ In those periods with a loss from continuing operations, shares used in the earnings per share calculation represent basic shares, since using diluted shares would have been anti-dilutive.

Forward Looking Statements — Cautionary Language

Certain statements made in this press release and in other written or oral statements made by Lincoln or on Lincoln's behalf are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). A forward-looking statement is a statement that is not a historical fact and, without limitation, includes any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like: "believe", "anticipate", "expect", "estimate", "project", "will", "shall" and other words or phrases with similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, trends in Lincoln's businesses, prospective services or products, future performance or financial results, and the outcome of contingencies, such as legal proceedings. Lincoln claims the protection afforded by the safe harbor for forward-looking statements provided by the PSLRA.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements. Risks and uncertainties that may cause actual results to vary materially, some of which are described within the forward-looking statements include, among others:

- Deterioration in general economic and business conditions that may affect account values, investment results, guaranteed benefit liabilities, premium levels, claims experience and the level of pension benefit costs, funding and investment results;
- Adverse global capital and credit market conditions could affect our ability to raise capital, if necessary, and may cause us to realize impairments on investments and certain intangible assets, including goodwill and the valuation allowance against deferred tax assets, which may reduce future earnings and/or affect our financial condition and ability to raise additional capital or refinance existing debt as it matures;
- Because of our holding company structure, the inability of our subsidiaries to pay dividends to the holding company in sufficient amounts could harm the holding Company's ability to meet its obligations;
- Legislative, regulatory or tax changes, both domestic and foreign, that affect the cost of, or demand for, our subsidiaries' products, the required amount of reserves and/or surplus, or otherwise affect our ability to conduct business, including changes to statutory reserve requirements related to secondary guarantee universal life and annuities; regulations regarding captive reinsurance arrangements; restrictions on revenue sharing and 12b-1 payments; and the potential for U.S. Federal tax reform;
- Actions taken by reinsurers to raise rates on in force business;
- Declines in or sustained low interest rates causing a reduction in investment income, the interest margins of our businesses, estimated gross profits and demand for our products;
- Rapidly increasing interest rates causing contract holders to surrender life insurance and annuity policies, thereby causing realized investment losses, and reduced hedge performance related to variable annuities;
- Uncertainty about the effect of rules and regulations to be promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act on us and the economy and financial services sector in particular;
- The initiation of legal or regulatory proceedings against us, and the outcome of any legal or regulatory proceedings, such as: adverse actions related to present or past business practices common in businesses in which we compete; adverse decisions in significant actions including, but not limited to, actions brought by federal and state authorities and class action cases; new decisions that result in changes in law; and unexpected trial court rulings;
- A decline in the equity markets causing a reduction in the sales of our subsidiaries' products, a reduction of asset-based fees that our subsidiaries charge on various investment and insurance products, an acceleration of amortization of deferred acquisition costs, or "DAC," value of business acquired, or "VOBA," deferred sales inducements, or "DSI," and deferred front end sales loads, or "DFEL," and an increase in liabilities related to guaranteed benefit features of our subsidiaries' variable annuity products;
- Ineffectiveness of our risk management policies and procedures, including various hedging strategies used to offset the effect of changes in the value of liabilities due to changes in the level and volatility of the equity markets and interest rates;
- A deviation in actual experience regarding future persistency, mortality, morbidity, interest rates or equity market returns from the assumptions used in pricing our subsidiaries' products, in establishing related insurance reserves and in the amortization of DAC, VOBA, DSI and DFEL, which may reduce future earnings;
- Changes in accounting principles generally accepted in the United States, or "GAAP," including convergence with International Financial Reporting Standards ("IFRS"), that may result in unanticipated changes to our net income;
- Lowering of one or more of our debt ratings issued by nationally recognized statistical rating organizations and the adverse effect such action may have on our ability to raise capital and on our liquidity and financial condition;
- Lowering of one or more of the insurer financial strength ratings of our insurance subsidiaries and the adverse effect such action may have on the premium writings, policy retention, profitability of our insurance subsidiaries and liquidity;
- Significant credit, accounting, fraud, corporate governance or other issues that may adversely affect the value of certain investments in our portfolios as well as counterparties to which we are exposed to credit risk requiring that we realize losses on investments;
- Inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others;
- Interruption in telecommunication, information technology or other operational systems or failure to safeguard the confidentiality or privacy of sensitive data on such systems from cyberattacks or other breaches of our data security systems;
- The effect of acquisitions and divestitures, restructurings, product withdrawals and other unusual items;
- The adequacy and collectability of reinsurance that we have purchased;
- Acts of terrorism, a pandemic, war or other man-made and natural catastrophes that may adversely affect our businesses and the cost and availability of reinsurance;
- Competitive conditions, including pricing pressures, new product offerings and the emergence of new competitors, that may affect the level of premiums and fees that our subsidiaries can charge for their products;
- The unknown effect on our subsidiaries' businesses resulting from changes in the demographics of their client base, as aging baby-boomers move from the asset-accumulation stage to the asset-distribution stage of life; and
- Loss of key management, financial planners or wholesalers.

The risks included here are not exhaustive. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC include additional factors which could impact our business and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

Further, it is not possible to assess the impact of all risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, Lincoln disclaims any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this presentation.

The reporting of RBC measures is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities.