

LINCOLN NATIONAL CORP  
Form 11-K  
March 30, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS  
AND SIMILAR PLANS PURSUANT TO SECTION 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6028

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**THE LINCOLN NATIONAL LIFE INSURANCE COMPANY AGENTS'  
SAVINGS AND PROFIT-SHARING PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Lincoln National Corporation  
1500 Market Street, Suite 3900  
Centre Square West Tower  
Philadelphia, PA 19102**

**REQUIRED INFORMATION**

Financial statements and schedules for the Lincoln National Life Insurance Company Agents' Savings And Profit-Sharing Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, are contained in this Annual Report on Form 11-K.

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Financial  
Statements and  
Supplemental  
Schedule

**The Lincoln  
National Life  
Insurance  
Company  
Agents' Savings  
and  
Profit-Sharing  
Plan**

*December 31,  
2006 and 2005  
and for three  
years ended  
December 31,  
2006, 2005, and  
2004  
With Report of  
Independent  
Registered  
Public  
Accounting  
Firm*

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The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Financial Statements and Supplemental Schedule

*December 31, 2006 and 2005 and for three years ended December 31, 2006, 2005, and 2004*

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**Report of Independent Registered Public Accounting Firm**

Lincoln National Corporation Plan Administrator  
Lincoln National Corporation

We have audited the accompanying statements of net assets available for benefits of The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan as of December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in its net assets available for benefits for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This

supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young, LLP

Philadelphia, Pennsylvania  
March 26, 2007

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Statements of Net Assets Available for Plan Benefits

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Investments:		
Common stock – Lincoln National Corporation (cost: 2006 – \$35,751,944; 2005 – \$37,144,896)	\$ 59,554,426	\$ 53,923,715
Wells Fargo Bank Short-Term Investment Account	1,748,430	800,619
Pooled separate accounts – The Lincoln National Life Insurance Company Separate Accounts (cost: 2006 – \$87,337,123; 2005 – \$76,485,949)	126,882,016	108,129,318
Investment contracts – The Lincoln National Life Insurance Company	16,312,170	14,904,972
Participant loans	4,010,852	3,965,728
Total Investments	<b>208,507,894</b>	181,724,352
Accrued interest receivable	58,106	53,592
Cash	740,328	–
Due from broker	–	48,464
Contributions receivable from participant deferrals	12,646	–
Contributions receivable from Employer companies	–	964,322
Total assets	<b>209,318,974</b>	182,790,730
<b>Liabilities</b>		
Due to broker	21,546	–
Total liabilities	21,546	–
Net assets available for plan benefits	\$ 209,297,428	\$ 182,790,730

*See accompanying notes.*

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Statements of Changes in Net Assets Available for Plan Benefits

	Year ended December 31		
	2006	2005	2004
Investment income:			
Cash dividends – Lincoln National Corporation	\$ 1,431,425	\$ 1,637,253	\$ 1,819,776
Interest:			
The Lincoln National Life Insurance Company Separate Accounts	681,676	690,088	748,249
Other	225,353	236,082	250,743
	907,029	926,170	998,992
	2,338,454	2,563,423	2,818,768
Net realized gain on sale and distributions of investments:			
Lincoln National Corporation common stock	5,504,007	5,362,745	4,070,037
The Lincoln National Life Insurance Company Separate Accounts	5,920,004	3,712,858	1,652,409
	11,424,011	9,075,603	5,722,446
Net change in unrealized appreciation of investments	14,925,196	5,961,900	12,363,106
Contributions:			
Participants	7,889,483	7,297,381	7,452,877
Employer companies	1,960,209	3,068,581	5,199,336
	9,849,692	10,365,962	12,652,213
Transfers (to) from affiliated plans	(204,186)	593,910	3,588,680
Deposit from Jefferson-Pilot 401(k) Plan	14,357,318	–	–
Distributions to participants	(26,009,979)	(29,711,933)	(14,994,001)
Administrative expenses	(173,808)	(168,180)	(128,210)
Net increase (decrease) in net assets available for plan benefits	26,506,698	(1,319,315)	22,023,002
Net assets available for plan benefits at beginning of the year	182,790,730	184,110,045	162,087,043
Net assets available for plan benefits at end of the year	\$ 209,297,428	\$ 182,790,730	\$ 184,110,045

*See accompanying notes.*



The Lincoln National  
Life Insurance  
Company  
Agents' Savings and  
Profit-Sharing Plan

Notes to Financial  
Statements

## **1. Significant Accounting Policies**

### **Investments Valuation and Income Recognition**

The investment in Lincoln National Corporation ("LNC") common stock is valued at the closing sales price reported on the New York Stock Exchange Composite Listing on the last business day of the year.

The Wells Fargo Bank Short-Term Investment Account is valued at cost, which approximates fair value.

The fair value of participation units in pooled separate accounts estimated by The Lincoln National Life Insurance Company ("Lincoln Life") is based on quoted redemption value on the last business day of the year.

The investment contracts are valued at

contract value as estimated by Lincoln Life. As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP")*, investment contracts held by a defined-contribution plan are required to be reported at fair value. The Plan adopted FSP AAG INV-1 in 2006. The adoption did not have a material effect on the Plan's financial statements as interest rates are adjusted to market quarterly. Accordingly, contract value, which represents net contributions plus interest at the contract rate, approximates fair value. The contracts are fully benefit-responsive.

Participant loans are valued at their outstanding balances, which approximate fair value.

The cost of investments sold,

d i s t r i b u t e d o r  
f o r f e i t e d i s  
determined using the  
specific identification  
method. Investment  
purchases and sales  
are accounted for on a  
trade-date basis.

Interest income is  
recorded on the  
accrual basis.  
Dividends are  
recorded on the  
ex-dividend date.

### **Use of Estimates**

P r e p a r a t i o n o f  
financial statements in  
conformity with U.S.  
generally accepted  
accounting principles  
requires management  
to make estimates and  
assumptions that  
affect the amounts  
reported in the  
financial statements  
and accompanying  
notes. Actual results  
could differ from  
those estimates.

## **2. Description of the Plan**

The Lincoln National  
Life Insurance  
Company Agents'  
S a v i n g s a n d  
Profit-Sharing Plan  
(" P l a n ") i s a  
contributory, defined  
contribution plan  
which covers eligible  
full-time agents of  
Lincoln Life, Lincoln  
Financial Advisors  
Corporation, Jefferson  
Pilot Life Insurance

Company, and Lincoln Life & Annuity Company of New York ("Employers"). Effective April 1, 2006, LNC acquired Jefferson-Pilot Financial Corporation. Jefferson-Pilot sponsored a 401(k) plan for their eligible agents. Effective June 1, 2006 a plan amendment granted eligibility to the Plan to the legacy Jefferson-Pilot agents. In addition, on May 31, 2006, formal approval was obtained for the transfer to this Plan of assets from the accounts of those agents in the legacy Jefferson-Pilot 401(k) plan. This increased the net assets of the Plan by \$14.4 million. Effective June 1, 2006, a participant may make pre-tax contributions at a rate of at least 1% but not more than 50% (25% maximum for January 1, 2004 through May 31, 2006) of eligible earnings (9% for highly compensated employees, as defined in the Plan), up to a maximum annual amount as determined under applicable law. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).



The Lincoln  
National Life  
Insurance  
Company  
Agents' Savings and  
Profit-Sharing Plan

Notes to Financial  
Statements  
(continued)

**2. Description of  
the Plan  
(continued)**

In addition to each participant's pre-tax contributions, Employer matching contributions are provided to the Plan. The employer matching contribution for eligible participants, other than former Jefferson-Pilot agents, is equal to 50% of each participant's pre-tax contributions, not to exceed 6% of eligible earnings per pay period. The matching contribution for eligible former Jefferson-Pilot agents is equal to 10% of each participant's pre-tax contribution, not to exceed 6% of eligible compensation. These matching contributions are directed by the

participant. In addition, the employer may contribute an additional discretionary match. The discretionary match is an amount determined by the sole discretion of the LNC Board of Directors. To be eligible, the participant must be employed on the last day of the plan year or have died, retired or become disabled during the year. The amount of the discretionary matching contribution varies according to whether Lincoln Financial Advisors Corporation has met certain performance-based criteria, as determined by the compensation committee of LNC's Board of Directors.

Participants' contributions and earnings thereon are fully vested at all times. Employer contributions vest based upon years of service as defined in the Plan agreement as follows:

Years of Service

Percent Vested

1	0%
2	50%
3 or more	100%

Participants direct the Plan to invest their contributions and the basic Employer matching contributions in any combination of the investment options offered under the Plan. Discretionary matching contributions for the 2005 plan year, deposited in 2006, were initially invested in the LNC Common Stock Account. Participants can immediately direct the investment of the discretionary Employer matching contributions to other investment options.

The Employer has the right to discontinue contributions at any time and terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, all non-vested amounts allocated to



participant accounts would become fully vested.

The Plan may make loans to participants in amounts up to 50% of the vested account value to a maximum of \$50,000 but not more than the total value of the participant's accounts excluding Employer contributions that have not been in the Plan for two full years, less the highest outstanding loan balance in the previous 12-month period. Interest charged on new loans to participants is established monthly based upon the prime rate plus 1%. Loans may be repaid over any period selected by the participant up to a maximum repayment period of five years except that the maximum repayment period may be 20 years for the purchase of a principal residence.



The Lincoln  
National Life  
Insurance  
Company  
Agents' Savings  
and  
Profit-Sharing  
Plan

Notes to  
Financial  
Statements  
(continued)

**2. Description of  
t h e P l a n  
(continued)**

Upon termination of service due to disability or retirement, a participant may elect to receive e i t h e r a l u m p - s u m amount equal to the entire value o f t h e participant's account or an installment option if certain criteria are met; in cases of death, the participant's beneficiary makes that election. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a l u m p - s u m distribution.

Vested account balances less than \$1,000 are immediately distributable under the terms of the Plan, without the participant's consent, unless the participant has made a timely election of rollover to an Individual Retirement Account ("IRA") or other qualified arrangement.

Each participant's account is credited with the participant's contributions, Employer contributions, and applicable investment earnings thereon, and is charged with an allocation of administrative expenses and applicable investment losses. Forfeited non-vested amounts are used to reduce future Employer contributions.

The Lincoln National Life Insurance Company  
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements (continued)

### 3. Investments

The following is a summary of assets held for investment:

	December 31, 2006			December 31, 2005		
	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value
<b>Fair Values</b>						
Common stock – LNC**	<b>896,904</b>	<b>66.400</b>	<b>\$ 59,554,426 *</b>	1,016,853	53.030	\$ 53,923,715 *
Pooled separate account investment contracts underwritten by Lincoln Life:						
Core Equity Account	<b>675,925.619</b>	<b>16.597</b>	<b>11,218,540 *</b>	824,597.484	14.835	12,233,234 *
Medium Capitalization Equity Account	<b>637,440.864</b>	<b>15.038</b>	<b>9,586,154</b>	734,938.419	13.760	10,112,973 *
Short-Term Account	<b>2,474,519.389</b>	<b>3.950</b>	<b>9,774,599</b>	2,149,801.047	3.777	8,120,658
Government/ Corporate Bond Account	<b>478,163.909</b>	<b>9.428</b>	<b>4,508,225</b>	354,494.503	8.943	3,170,138
Large Capitalization Equity Account	<b>845,211.812</b>	<b>9.783</b>	<b>8,268,538</b>	1,115,245.939	9.543	10,643,015 *
Balanced Account	<b>329,975.428</b>	<b>8.897</b>	<b>2,935,692</b>	339,718.660	8.129	2,761,505
High Yield Bond Account	<b>861,514.961</b>	<b>4.386</b>	<b>3,778,949</b>	842,271.585	3.932	3,312,065
Small Capitalization Equity Account	<b>1,004,016.412</b>	<b>8.930</b>	<b>8,966,268</b>	1,178,821.391	8.329	9,818,639 *
Value Equity Account	<b>2,106,200.926</b>	<b>3.048</b>	<b>6,418,858</b>	2,108,301.523	2.572	5,422,130
International Equity Account	<b>1,078,128.890</b>	<b>12.018</b>	<b>12,957,276 *</b>	1,098,341.429	9.766	10,726,842 *
Conservative Balanced Account	<b>327,871.900</b>	<b>2.388</b>	<b>783,056</b>	349,127.833	2.200	768,116
Aggressive Balanced Account	<b>494,596.549</b>	<b>2.815</b>	<b>1,392,190</b>	389,545.026		