

Para nuestros Accionistas  
Нашим акционерам  
AOS NOSSOS Acionistas

致股票持有人

# To Our Stockholders

We are pleased again to provide you, our stockholders, with a positive report on the Company's progress and results of the past year. As we reflect on the outcome for 2005, we are reminded once more of the uniqueness of National Western. From our headquarters in Austin, Texas, we have the ability to communicate who we are to individuals in various continents across the globe in a multitude of languages. Success in business ventures is often predicated on being able to speak the language of your customers and that is something we do extremely well .....literally.

The financial results for 2005 are indicative of the Company's focus on sustainable and profitable growth which provides solid value to our stockholders while delivering on the promises we have made to those who purchase policies from us. Operating

*En el 2005, por tercer  
año consecutivo alcanzamos  
un nuevo récord en  
ganancias operativas.*

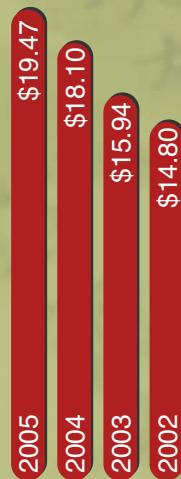
earnings, which exclude variations caused from changes in accounting principles and realized investment gains or losses, produced record results for the third consecutive year in 2005. Earnings from operations exceeded \$70 million for the first time in the Company's history representing a 9% increase over the record established in 2004. Insurance revenues again surpassed \$400 million and grew approximately 6% over the previous high established the year before.

Our unique ability to provide personalized service to individuals around the world from our centralized location in Austin, Texas truly differentiates National Western. Our policy documents, forms and brochures are customized in languages such as Spanish, Portuguese, Mandarin Chinese, and Russian and we have a well-trained staff of multi-lingual

individuals to support these various dialects. Visiting our website, [www.nationalwesternlife.com](http://www.nationalwesternlife.com), you will see these languages conveniently available with the same accessibility and information provided.

Changing demographics in terms of aging populations in the United States and throughout the world provide us with a tremendous opportunity to serve our customers. As life expectancies continue to extend people are becoming more and more concerned about not only providing financial protection for their loved ones, but also of the possibility of outliving their accumulated savings or nest egg. In the United States, it is well-documented about certain segments of the population, the so-called "baby boomers", moving into their retirement years. Recognizing the dual financial needs of protection and asset accumulation, we have pursued a strategy of creating a portfolio that includes products meeting these growing customer demands. Specifically, individuals desire products that include protections and guarantees while still providing the opportunity for reasonable growth potential.

Our response to this trend has been the development of indexed products that provide policyholders the ability to have their policy values tied to a formula that incorporates the performance of an outside equity index. These products offer the opportunity for market-type fund accumulation while still offering the safety of principal and minimum guarantees that have long been the hallmark of traditional life insurance products. We introduced our first indexed annuity product toward the end of the decade in the 1990's and over the subsequent years have followed up with several other versions and features, refining and differentiating our product offerings. In 2002, we ventured into the indexed life arena with an equity-indexed universal life product targeted to residents of countries outside of the United States. Given the overwhelming success of this product, we again expanded our horizons with a domestic version of our equity-indexed universal life product toward the end of 2005 which was developed incorporating the thoughts and perspectives of several of our larger distribution partners in the United States.



Diluted Operating Earnings Per Share



Insurance Revenues (\$ Millions)

We are extremely optimistic about our progressive involvement in this product arena as it is a growing market with even greater long-term growth potential.

Our business strategies have enabled us to produce record operating earnings which has translated to enhanced share value. Shareholders have benefited from this performance as the

Company's stock price has grown at a compounded annual growth rate of over 29% the past three years, including a 24% increase in 2005. During this three-year timeframe, shareholder value has more than doubled from \$319 million to \$706 million.

We have developed a strong capital base providing the resources to fund organic growth and expansion into new markets. As we have communicated in past reports, our preference is to use capital for investing

into our existing businesses. National Western enters 2006 at its strongest point financially in the history of the Company and we are positioned very favorably for long-term growth.

We are in the business of evaluating and accepting risks and we apply this same consideration when addressing our ongoing capital position. Regulators utilize formulas based upon the types of products that a Company offers and the risk characteristics of the investments it makes to derive a level of capital they consider necessary to support its policyholder obligations. The resulting capital figure is referred to as the "risk-based capital" or RBC requirement.

Statutory regulations prohibit insurance companies from publishing or advertising the ratio of their actual capital to their RBC level, however, we can report that our actual capital is five to six times the RBC amount calculated for our business profile.

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*Nossos acionistas  
foram beneficiados  
com o nosso  
desempenho.*

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Indexed Life Sales as % of Total Life Sales

2005	60.0%
2004	58.5%
2003	39.0%
2002	28.3%

Market Price of Class A Common Stock

2005	\$206.91
2004	\$166.50
2003	\$154.78
2002	\$96.00

Indexed Annuity Sales as % of Total Annuity Sales

2005	54.5%
2004	57.0%
2003	40.2%
2002	13.2%

Market Capitalization (\$'s millions)

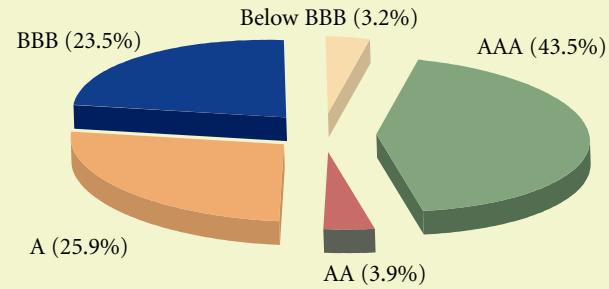
2005	\$706.2
2004	\$563.5
2003	\$518.0
2002	\$319.2

Nonetheless, risk management is fundamental to our endeavors and we employ a variety of risk assessments in a comprehensive overview of our financial and operational risks. The features and guarantees we incorporate into our product designs are tested under various scenarios and possible situations to establish the appropriate risk tolerances. We apply risk management techniques in our investments through credit research and analysis, asset/liability matching, and the appropriate use of derivative instruments. Insurance risk is monitored through experience studies, pro forma analysis, and the prudent use of reinsurance. Taken together, these various applications of risk management techniques have resulted in a solid earnings record, creation of shareholder value, and the absence of unexpected outcomes.

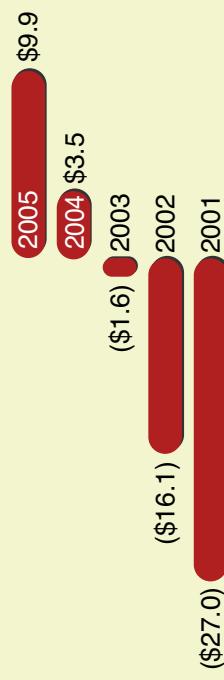
#### 在2005年，公司持續年復一年之強勢投資果效。

Our investment portfolio again performed very well in 2005. Net investment income, excluding derivative gains and losses, rose nearly 6% to \$321.2 million. Investment earnings reflect a portfolio of high quality, suitably diversified fixed income securities managed to properly tandem with the estimated duration of our contractual liabilities to policyholders. Nearly 97% of the portfolio was positioned in investment grade bonds at the end of 2005 and the list of securities under careful watch has shortened from prior years.

There has been much discussion over the past four to five years regarding investment holdings whose values had become impaired due either to economic reasons or malfeasance on the part of corporate management. As reported to you last year, our exposure to these securities was inconsequential relative to our total portfolio with the trend improving year over year. In 2005, we witnessed a continuing of this upward trend in positive realized investment results. Gains of \$9.9 million before tax



Bond Portfolio Quality



Pretax Realized Investment  
Gains (Losses) (\$ Millions)

were achieved and added incrementally to per share earnings for the year.

We monitor compliance not only with laws and regulations but more importantly with honest and ethical conduct in our activities and service to customers. The insurance industry is perhaps one of the most regulated businesses in existence with oversight coming from a multitude of sources. While regulators examine business practices for adherence to rules and statutes, we continuously look for ways to operate more efficiently and meet the needs of our customers.

We have in place a number of compliance, auditing and underwriting procedures which are designed to inhibit illegal activity. Our efforts are directed

toward ensuring that our business behavior complies with the ethical standards established by our Board of Directors and management.

As in 2004, we undertook an extensive self-analysis of our procedures and internal controls surrounding financial reporting and disclosure under an established infrastructure of criteria as required by law for publicly traded companies. In conjunction with this effort, the Audit Committee of the Company Board of Directors established an internal audit function during the year for the purpose of independently reviewing

Company practices and adherence to established procedures. Our independent external auditors, KPMG, again reviewed not only the Company's procedures and processes for effectiveness, but also management's self-assessment of these internal

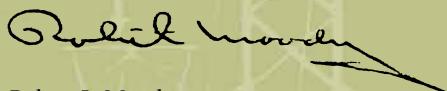
### National Western at a Glance

Company Profile	Domestic Operations	International Operations
Founded in 1956	Licensed in 49 states and several other U.S. Territories	Policies in force with residents in over forty countries
272 Home Office Employees	10,210 licensed independent agents/brokers	3,570 licensed independent agents/brokers
\$6.4 billion in total assets	123,860 annuity contracts and \$2.4 billion of life insurance in force	\$12.2 billion of life insurance in force
Standard & Poors Rating of A (Strong) and A.M. Best Rating of A- (Excellent)	Fixed indexed annuities, traditional fixed annuities, immediate annuities, universal life, term insurance, equity-indexed universal life	Universal life, term insurance, endowments, equity-indexed universal life, traditional fixed annuities

controls and issued their unqualified opinion that met both of the standards prescribed. The Chief Executive Officer and Chief Financial Officer signed certifications attesting to the effectiveness of the Company's internal controls surrounding financial reporting and disclosure and filed these with the Securities and Exchange Commission in conjunction with its annual filing requirements with this agency.

Included in this Annual Report is a complete set of our audited financial statements and, as always, we encourage our stockholders to review the information provided as well as other information available on our website ([www.nationalwesternlife.com](http://www.nationalwesternlife.com)).

We are pleased with our results this past year. As we make our way into 2006, we reflect on the fact that fifty years ago the founder and Chairman of the Board of the Company established what has now



Robert L. Moody  
Chairman of the Board and Chief Executive Officer

become National Western Life Insurance Company with the goal of creating a life insurance company as successful as that founded by his grandfather over one hundred years ago. While we have much further to go, we take great satisfaction in our successes and accomplishments these past fifty years knowing that it took countless dedicated individuals to create the financial strength that is National Western today.

We extend our appreciation and thanks to all of our employees for their commitment in serving our agency force and policyholders. We applaud the independent agents contracted with National Western for their decision to choose us as their business partner and their entrepreneurial spirit in growing with us. Finally, we extend our gratitude to our shareholders for your continued trust and confidence. No matter what language spoken, there is no mistaking our sincere thanks.



Ross R. Moody  
President and Chief Operating Officer

