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We take exceptional pleasure this year in providing you, our stockholders, with our report on the results in this 50TH year of operations for National Western Life Insurance Company. As we look back at these past fifty years, there were times that the hopes and aspirations of success for the Company were clouded with obstacles and challenges, sometimes seemingly insurmountable. But American business has a history of success stories involving enterprises that started from humble beginnings. Walt Disney, for example, was fired by a newspaper for lacking ideas and he went bankrupt several times before he built Disneyland. Thankfully, National Western has had to face obstacles other than those of Mr. Disney. Our success over the past fifty years comes from a modest financial base built upon with sweat equity and a commitment to succeed. Looking back we are able to say that “our past helps make our future strong.”

Dating from our inception in 1956, the Company has proceeded along a deliberate path of profitable growth. As a financial service provider, the promises contained in our

insurance contracts must be backed by the financial ability and wherewithal to perform in accordance with those promises. We did not take any shortcuts in building National Western Life Insurance Company into what it is today — a multi-billion dollar provider of life insurance products to individuals in forty-nine states of America as well as to residents in approximately forty other countries around the globe. As we look back at our growth, we believe our commitment to solid financial principles and prudent business practices has been affirmed by the results.

Not surprisingly, the financial results for 2006 are again indicative of this consistent focus on sustainable and profitable growth as all important metrics continued their upward climb. Our commitment has been recognized in the market as we persist in attracting new sources of product distributors while strengthening relationships with existing distributors. For the first time in recent memory, the Company's sales in both its domestic and international life lines of business reported increases year over year. Domestic life sales increased a



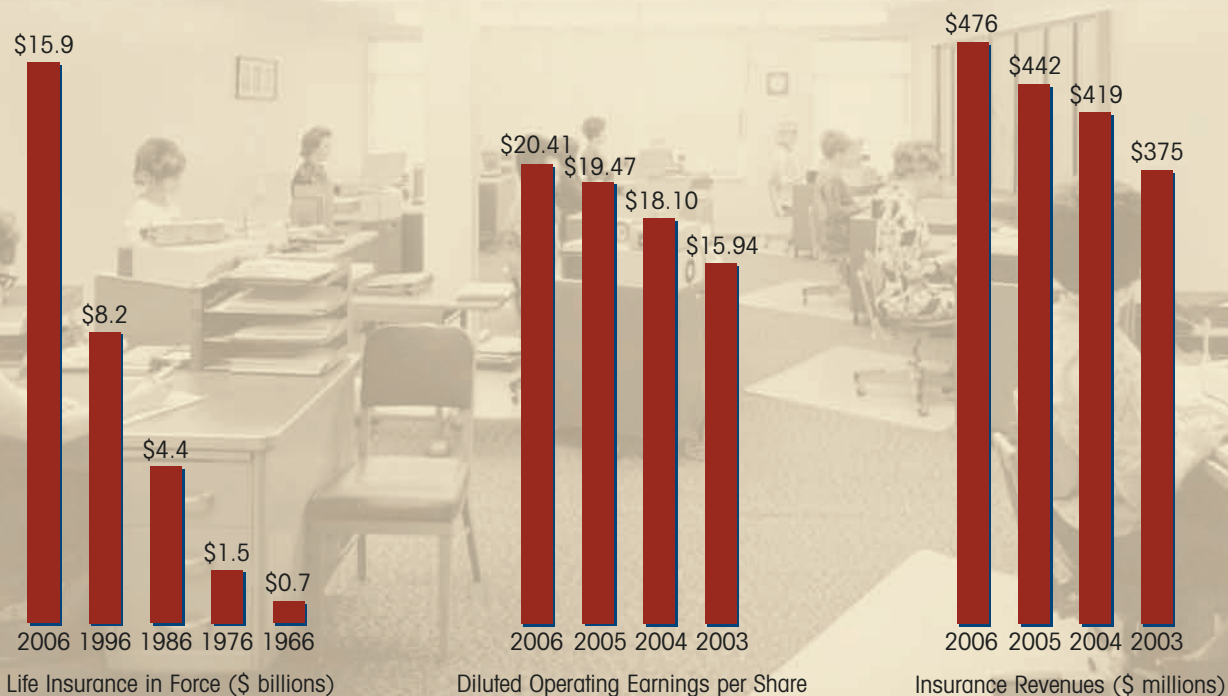
remarkable 149% while international life sales reached a new record level for that product line. This achievement is not dismissed quickly since the emphasis upon life insurance sales reflects our long-term focus in the marketplace and a strategic course of action to build a profitable book of business over a longer time horizon.

Operating earnings, which exclude variations caused from changes in realized investment gains or losses, produced record results for the fourth consecutive year in 2006. Earnings from operations approached \$75 million representing a 5% increase over the record level established in 2005, despite absorbing a sizable charge against earnings in 2006 to comply with stock option accounting rules. The underlying growth in operating earnings supports overall earnings per share results which exhibit the ongoing value desired by our stockholders.

Insurance revenues grew approximately 8% over the previous high established in 2005 fueled by a block of business in force which has nearly doubled in the last decade. With

a perspective that is truly global in breadth, the leadership and management of the Company must be in touch with demographic changes and customer preferences around the world. This requires listening to our independent agency force, which numbered 13,400 at the end of 2006, regarding the direct feedback they receive in homes, business settings, and other meeting places with their clientele about the twin needs to provide protection for their loved ones while managing and accumulating assets in the most advantageous means. Our products and their features, while governed by actuarial science and regulated by various oversight bodies, are designed to meet the needs expressed by the customers of our independent agents.

Business strategies developed over the past fifty years have enabled us to generate both top line insurance revenue growth and more recently record operating earnings. This combination has promoted a market awareness of the intrinsic value of the Company's business model which, in 2006, again translated to enhanced share value. Shareholders benefited during 2006 with an appreciation in



the market price of the Company's Class A common shares in excess of 11%. Coming on the heels of several years of market price appreciation, the Company's stock price has grown at a compounded annual growth rate of over 24% the past four years.

Our business practices have been predicated upon building a strong capital base from which to provide the resources to fund ongoing growth and entrance into new markets. National Western finished 2006 at its strongest point financially in the Company's fifty year history. We intend to leverage this financial point of reference in continuing to build value commensurate with the growth rates we have experienced the past few years.

Keeping with what we know and knowing what we do best helps us in managing our business operations in a focused, no nonsense pattern. We keep a close eye on costs and use technology and other innovations to manage our cost levels. In 2006, we introduced a "web uploader" to our independent agents that allows them to electronically submit applications directly to us in our home office

which are merged and streamlined into our paperless automated work flow system for greater efficiency.

We also seek in making National Western easier to do business with. For our policyholders, we have invested in online resources such as web based credit card payment of premiums. For our independent agents, we are providing more online resources and tools through our proprietary agent website Beacon.

Our success is also driven by initiatives aimed at taking care of our employees. From wellness programs like Weight Watchers and yoga to improved benefit features like zero dollar co-payments on generic drugs, we look for innovative ways to make National Western a workplace of choice. In 2006, our employee turnover was the lowest it has been this side of the new millennium.

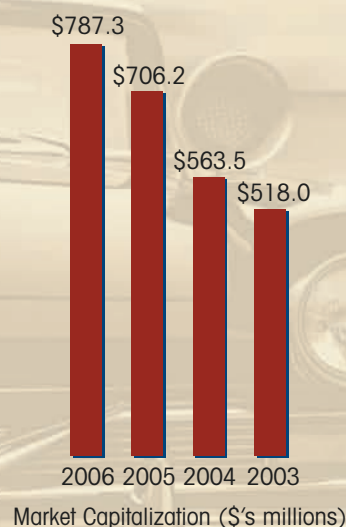
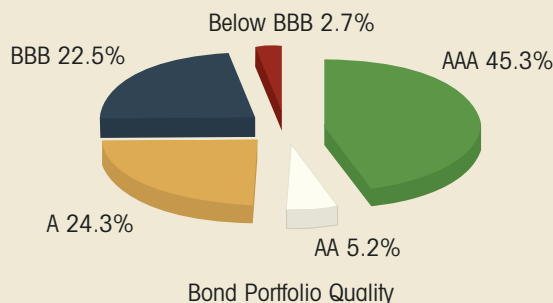
What we also have practiced through most of our fifty years and have become highly competent at is our unique ability to provide personalized service to individuals around the world from our centralized location in Austin, Texas. In our



previous reports to you, we have proudly noted the various dialects our home office staff service such as Spanish, Portuguese, Mandarin Chinese, and Russian. Our communications with nationals in countries using these various languages is performed by highly trained individuals who make their customers feel as if they were speaking with someone right there in their home town. Visiting our website, www.nationalwesternlife.com, you will see these languages conveniently available with the same accessibility and information provided.

Nonetheless, risk management is fundamentally what we do and know best. In our operational endeavors, we employ a variety of risk assessments in a comprehensive overview of our financial and operational risks. We test the features and guarantees incorporated into our product designs under various scenarios and possible situations to establish the appropriate risk tolerances. Risk management techniques are applied in our investments through credit research and analysis, asset/liability matching, and the appropriate use of derivative instruments. Trained actuarial professionals measure and monitor our insurance risk through experience studies, pro forma analysis, and the prudent use of reinsurance. Taken together, these various applications of risk management techniques have produced a solid earnings record, creation of shareholder value, and the absence of financial surprises.

A principle of our fifty years of management is an emphasis on a high quality balance sheet to back the reserves we set aside to meet projected benefit obligations. Our balance sheet is devoid of exotic or frivolous investment categories as we approach our investment of funds prudently with an eye toward the proper risk/return balance. As a result, we can again report that our investment portfolio again performed very well in 2006 with net investment income, excluding derivative gains and losses, rising nearly 5% to \$336.5 million. Investment earnings reflect a portfolio of high quality, suitably diversified fixed income securities which are managed to properly align with the estimated duration of our contractual liabilities to policyholders. Over 97% of the portfolio was positioned in investment grade bonds at the end of 2006.





The landscape has changed considerably the past fifty years and no area has changed as much recently as the area of corporate governance and regulation. The insurance industry is perhaps one of the most regulated businesses in existence with oversight coming from a multitude of sources. As a licensed insurer, we are regulated by the forty-nine state insurance departments in which we do business. 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.

As a company having its shares listed and traded on the NASDAQ exchange, we are also subject to rules and requirements of the Securities and Exchange Commission. These rules have become much more burdensome the past few years due to various public company infractions and the demand for greater transparency and disclosure. We monitor compliance not only with laws and regulations but more importantly with honest and ethical conduct in our activities and service to customers. We have in place a

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
273 Home Office Employees	9,390 licensed independent agents/brokers	4,010 licensed independent agents/brokers
\$6.7 billion in total assets	123,750 annuity contracts and \$2.6 billion of life insurance in force	\$13.3 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

number of compliance, auditing and underwriting procedures which are designed to curtail 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.

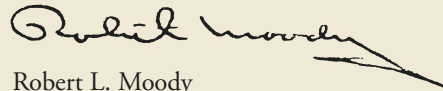
Our independent external auditors, KPMG, again reviewed not only the Company's procedures and internal control processes for effectiveness in 2006 but also management's self-assessment of these internal controls and issued their unqualified opinion that both met the standards prescribed. Our Chief Executive Officer and Chief Financial Officer each 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.

As is our practice, included in this Annual Report is a complete set of our audited financial statements and we encourage our stockholders to review the information provided in this Annual Report as well as other information available on our website (www.nationalwesternlife.com).

We are pleased with the results achieved in National Western's 50th year. As we reflect upon the successes of 2006, we are reminded of fifty years of dedication from many individuals into establishing what National Western Life Insurance Company has become today. While we take satisfaction in a company founded on conservative financial principles and sound business practices, we know that we cannot spend too much time looking back at past achievements. We must continue to grow and meet the needs of our policyholders and independent agents now and into the future in order for them to attain their financial goals. The same principles that have served us well these past fifty years will also guide as we move into our next fifty years.

Our appreciation and thanks go to the Company's Board of Directors for another year of faithful service. The demands upon board directors have expanded immensely the past several years and National Western's directors have responded to meet the additional demands. Their time,

dedication, and input have helped to create the sound business structure in which the Company operates. Our employees work tirelessly in serving our agency force and policyholders and we know that National Western would not be the company it is today without their commitment and effort. We are grateful to the independent agents contracted with us for their decision to represent National Western products and services to their customers around the world. Finally, we extend our gratitude to our shareholders for your continued trust and confidence. Our past truly helps to make our future strong.



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



Ross R. Moody
President and Chief Operating Officer

