



1996
Annual Report
NATIONAL WESTERN LIFE INSURANCE COMPANY

CONTENTS:

- 1 Financial Highlights
- 2 Letter to Stockholders
- 7 Investments
- 8 Marketing
- 9 Summary of Selected
Financial Data
- 10 Directors
- 11 Officers
- 12 Corporate Information
- 13 Form 10-K, *including audited
financial statements and
Independent Auditors' Report.*

FINANCIAL HIGHLIGHTS

(In thousands except per share data)

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|--|------------|----------|---------|---------|---------|
| INCOME STATEMENT: | | | | | |
| Insurance revenues | \$ 309,597 | 289,650 | 275,132 | 268,501 | 262,673 |
| Realized gains (losses) on investments | 1,612 | (2,415) | 1,626 | 3,206 | 15,710 |
| Total revenues | 311,209 | 287,235 | 276,758 | 271,707 | 278,383 |
| Earnings from continuing operations | 46,215 | 35,634 | 37,172 | 34,892 | 36,683 |
| Earnings (losses) from discontinued operations | - | (16,350) | (2,936) | 21,832 | 26,728 |
| Net earnings | 46,215 | 19,284 | 34,236 | 56,724 | 63,411 |

BALANCE SHEET:

| | | | | | |
|--------------------------------|--------------|-----------|-----------|-----------|-----------|
| Insurance operations assets | \$ 3,119,572 | 2,952,282 | 2,682,997 | 2,568,750 | 2,534,495 |
| Discontinued operations assets | 1,257 | 6,177 | 232,057 | 372,301 | 164,002 |
| Total assets | 3,120,829 | 2,958,459 | 2,915,054 | 2,941,051 | 2,698,497 |
| Total stockholders' equity | 352,860 | 311,987 | 275,134 | 242,718 | 186,091 |

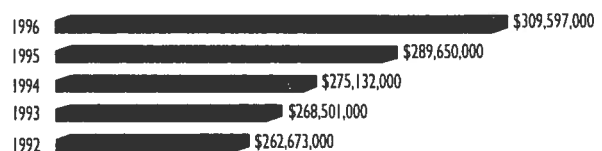
PER SHARE DATA:

| | | | | | |
|--|----------|--------|--------|-------|-------|
| Earnings from continuing operations: | | | | | |
| Insurance operations | \$ 12.94 | 10.67 | 10.36 | 7.84 | 7.57 |
| Net realized gains (losses) on investments | 0.30 | (0.45) | 0.30 | 0.60 | 2.98 |
| Cumulative effect of change in accounting for income taxes | - | - | - | 1.58 | - |
| Earnings from continuing operations | 13.24 | 10.22 | 10.66 | 10.02 | 10.55 |
| Earnings (losses) from discontinued operations | - | (4.69) | (0.84) | 6.27 | 7.68 |
| Net earnings | 13.24 | 5.53 | 9.82 | 16.29 | 18.23 |
| Book value | 101.07 | 89.36 | 78.88 | 69.65 | 53.51 |
| Market price of class A common stock | 87.00 | 56.00 | 34.75 | 45.50 | 47.00 |

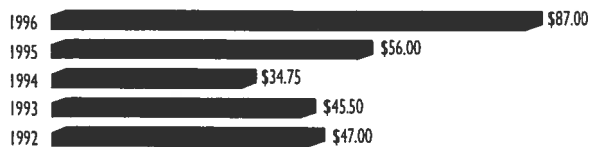
BOOK VALUE PER SHARE



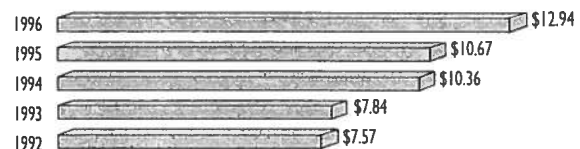
INSURANCE REVENUES



MARKET PRICE OF CLASS A COMMON STOCK



INSURANCE OPERATIONS EARNINGS PER SHARE





or National Western Life and our stockholders, policyholders, and agents, 1996 was a year of success with continued improvement and growth in many areas. The Company recognized record earnings from insurance operations for the year, excluding realized gains and losses on investments, totaling \$45.2 million in 1996, an increase of 21.4% over 1995 earnings. The strong operating performance again enabled the Company to substantially increase its capital position. At December 31, 1996, stockholders' equity totaled \$352.9 million, reflecting an increase of over 13% from 1995. Assets now total \$3.12 billion while life insurance in force reached a new milestone exceeding the \$8 billion mark at \$8.15 billion as of year-end 1996.

FINANCIAL CONDITION

Continued capital growth is one of National Western Life's most important strategic goals. An increasing capital position provides additional protection for our policyholders and added value for our stockholders. Strong capitalization is also important in the ratings process and marketing efforts to new customers. One of the primary reasons for the Company's strong claims-paying ability ratings from independent rating agencies is its capital position. While many other companies have received downgrades in their ratings in recent years, National Western Life has maintained its strong ratings of "A- (Excellent)" with A.M. Best Company and "A+ (Good)" with Standard and Poor's Corporation. Because of the importance of a strong capital base, the Company plans to continue to reinvest earnings to increase capital and finance future business development.

THE COMPANY RECOGNIZED RECORD EARNINGS FROM INSURANCE OPERATIONS FOR THE YEAR, EXCLUDING REALIZED GAINS AND LOSSES ON INVESTMENTS, TOTALING \$45.2 MILLION IN 1996, AN INCREASE OF 21.4% OVER 1995 EARNINGS.

In maintaining its solid financial condition, National Western Life starts with a core philosophy of conservative investments. Investments are concentrated in investment grade debt securities with small holdings in higher-risk investments such as equity securities, mortgage loans, and real estate. As of December 31, 1996, below investment grade debt securities, non-performing mortgage loans, and foreclosed real estate represented less than 1% of the Company's entire investment portfolio. This conservative philosophy produces consistent investment returns with significantly lower exposure to losses.

Liquidity and cash flow stability are also important factors in the Company's investment philosophy. That is why 86% of the investment portfolio is composed of marketable debt securities. Within the debt securities portfolio, the Company emphasizes noncallable corporate securities and, to a lesser extent, mortgage-backed securities. The mortgage-backed securities consist almost entirely of the more predictable planned amortization class collateralized mortgage obligations. While market conditions and interest rates have been volatile over the past several years, the stability of National Western Life's investment portfolio has resulted in continued strong, consistent returns.

OPERATING RESULTS

Net earnings of \$46.2 million for 1996 were over double the earnings performance for 1995. The substantial increase in net earnings was partially due to the cessation of losses from the Company's brokerage subsidiary, The Westcap Corporation. Losses from discontinued brokerage operations totaled \$16.4 million in 1995, while 1996 reflected no such losses.

While 1996 earnings were not impacted by the discontinued brokerage operations segment, insurance operations posted record earnings totaling \$45.2 million in 1996 compared to \$37.2 million and \$36.1 million in 1995 and 1994, respectively. Increases in universal life insurance and annuity revenues and net investment income, coupled with lower expenses, resulted in the record earnings. Lower expenses were primarily from decreases in life insurance benefit claims,

policy acquisition costs, and state guaranty fund assessments. Also, 1995 earnings included a \$5.7 million tax benefit resulting from the Company's subsidiary brokerage losses, and earnings for 1994 included a comparable \$2.9 million tax benefit. The tax benefits were recognized in accordance with the Company's tax allocation agreement with its subsidiaries. Excluding the tax benefit, earnings from insurance operations for 1996 were actually up \$13.7 million from 1995 due to the increases in revenues and lower expenses as described above.

DISCONTINUED BROKERAGE OPERATIONS

As previously reported, subsequent to discontinuing its brokerage operations in 1995, on April 12, 1996, The Westcap Corporation and its wholly owned subsidiary, Westcap Enterprises, Inc., separately filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. National Western Life agreed to participate in the reorganization plan which is subject to approval by Westcap's creditors and the Bankruptcy Court. The Creditors' Committee, the debtor Westcap, and National Western Life are currently engaged in discussions relating to the possible settlement of all claims by the creditors against Westcap and the claims of Westcap against National Western Life. However, no prediction can be made at this time as to the outcome of such settlement discussions.

National Western Life's investment in Westcap was completely written off during 1995. However, a \$1,000,000 cash infusion was made to Westcap on March 18, 1997, for operational expenses incurred during its bankruptcy. This contribution will be reflected as losses from discontinued operations in the first quarter of 1997. Any additional losses from discontinued operations will depend primarily on results of Westcap bankruptcy proceedings.

LOOKING FORWARD

Management remains firmly committed to continued improvements in product development, marketing, policyowner services, and financial performance, all of which result in positive returns for our policyholders, stockholders, and agents. The Company continues to develop new, competitive life insurance and annuity products for both the domestic and international markets. Additionally, systems improvements were recently made to enhance service to our policyholders as well as our agents. Looking at financial performance, National Western Life will continue to practice strict expense control management, along with controlled premium growth and conservative investment of funds which has produced excellent operating results as reflected in 1996 and previous years. The Company's excellent financial performance, which is key to increasing stockholder value, has also been recognized in the market performance of its stock. The market price of National Western Life's Class A common stock increased to \$87.00 at year-end 1996, reflecting appreciation of 55% for 1996.

THE MARKET PRICE OF NATIONAL WESTERN LIFE'S CLASS A
COMMON STOCK INCREASED TO \$87.00 AT YEAR-END 1996,
REFLECTING APPRECIATION OF 55% FOR 1996.

While 1996 was certainly a successful year for National Western Life, it is the future which is most important to the Company and our policyholders, stockholders, and agents. That is why management is committed to meeting future industry and market challenges by following proven strategies and adapting to changing conditions and environments as needed.



Para National Western Life y sus accionistas, asegurados, y agentes, 1996 fue un año de gran éxito con continuada mejoría y crecimiento en muchas áreas. La Compañía obtuvo ganancias sobresalientes por operaciones de seguros durante el año, excluyendo las ganancias y pérdidas en inversiones realizadas, por un total de \$45.2 millones en 1996, un aumento del 21.4% sobre las ganancias de 1995. El manejo de operaciones nuevamente ha permitido que la Compañía aumente substancialmente su posición de capital. Al 31 de diciembre de 1996, el capital contable de los accionistas totalizaba \$352.9 millones, reflejando un aumento de más de 13% sobre 1995. Los Activos ahora totalizan \$3.12 mil millones mientras que el seguro de vida en vigor alcanza nuevos índices sobrepasando la marca de \$8 mil millones a \$8.15 mil millones a finales de 1996.

CONDICIÓN FINANCIERA

El continuo aumento de capital es una de las más importantes metas estratégicas de National Western Life. Una posición de incremento en el capital brinda protección adicional para nuestros asegurados y valor agregado para nuestros accionistas. Una capitalización sólida también es importante en el proceso de calificación y en los esfuerzos de mercadeo con nuevos clientes. Una de las principales razones de la clasificación de gran capacidad para el pago de reclamos que goza la Compañía, asignada por compañías independientes de clasificación, es su situación de capital. Mientras que muchas otras compañías han recibido clasificaciones inferiores en los últimos años, National Western Life ha mantenido su fuerte clasificación de "A- (Excelente)" con la Compañía A.M. Best y "A+ (Buena)" con la Corporación Standard and Poor's. Debido a la gran importancia de una base fuerte de capital, la Compañía planea reinvertir las ganancias para aumentar el capital y para financiar el desarrollo futuro del negocio.

LA COMPAÑÍA OBTUVO GANANCIAS SOBRESALIENTES POR OPERACIONES DE SEGUROS DURANTE EL AÑO, EXCLUYENDO LAS GANANCIAS Y PÉRDIDAS EN INVERSIONES REALIZADAS, POR UN TOTAL DE \$45.2 MILLONES EN 1996, UN AUMENTO DEL 21.4% SOBRE LAS GANANCIAS DE 1995.

Al mantener su sólida condición financiera, National Western Life empieza con una filosofía de inversión conservadora. Las inversiones están concentradas en valores de deuda del grado de inversión con menor participación en inversiones de alto riesgo como son acciones ordinarias, préstamos hipotecarios, y bienes raíces. A partir del 31 de diciembre de 1996, los valores de deuda por debajo del grado de inversión, préstamos hipotecarios en incumplimiento, y bienes raíces no redimidos, representaban menos del 1% del total de la cartera de inversión de la Compañía. Esta filosofía conservadora produce ganancias consistentes con una significativamente menor exposición a la pérdida.

Liquidez y estabilidad del flujo de caja también son factores importantes de la filosofía de inversión de la Compañía. Esta es la razón por la cual el 86% de la cartera de inversión está compuesta de valores de deuda negociables. Dentro de la cartera de valores de deuda, la Compañía hace énfasis en acciones corporativas no cancelables y, hasta cierto punto menos en valores respaldados por hipotecas. Los valores respaldados por hipotecas consisten casi en su totalidad de la clase más previsible de amortización planeada obligaciones hipotecarias colaterales. Mientras que las condiciones del mercado y las tasas de interés han sido volátiles en los años pasados, la estabilidad de la cartera de inversión de National Western Life ha resultado en una continua y consistente fuerte ganancia.

RESULTADOS DE OPERACIÓN

Las ganancias netas de \$46.2 millones en 1996 representan más del doble de las ganancias obtenidas en 1995. El aumento considerable de las ganancias netas se debió parcialmente a la eliminación de pérdidas de la subsidiaria de corretaje de la Compañía, The Westcap Corporation. Las pérdidas del cierre de operaciones de corretaje totalizaron \$16.4 millones en 1995, mientras que 1996 no reflejó ninguna pérdida de este tipo.

EL VALOR EN EL MERCADO DE LAS ACCIONES COMUNES DE CLASE A DE NATIONAL WESTERN LIFE AUMENTÓ A \$87.00 A FINALES DE 1996, REFLEJANDO UN AUMENTO DEL 55% PARA 1996.

Mientras que las ganancias de 1996 no fueron impactadas por la discontinuación del segmento de operaciones de corretaje, las operaciones de seguros registraron ganancias totalizando \$45.2 millones en 1996 comparadas a \$37.2 millones y \$36.1 millones en 1995 y 1994, respectivamente. Las ganancias de seguros de vida universal y anualidades y las ganancias netas por inversiones, junto con menores gastos, resultaron en las ganancias mayores. La disminución de los gastos se debió principalmente por la reducción en reclamos de beneficios de seguros de vida, los costos de adquisición de póliza, y la tasación de fondos de garantía del estado. También, las ganancias de 1995 incluyeron \$5.7 millones de crédito de impuestos resultantes de las pérdidas de la subsidiaria de corretaje de la Compañía, y las ganancias de 1994 incluyeron un crédito de impuesto comparable de \$2.9 millones. Los créditos por impuestos fueron reconocidos de acuerdo a la asignación de impuestos de la Compañía acordada con sus subsidiarias. Excluyendo el crédito por impuestos, las ganancias por operaciones de seguros para 1996 realmente subieron \$13.7 millones sobre 1995 debido al aumento en las ganancias y en la reducción de los gastos descritos anteriormente.

DESCONTINUACIÓN DE LAS OPERACIONES DE CORRETAJE

Tal como se reportó anteriormente, después de la discontinuación de las operaciones de corretaje en 1995, el 12 de abril de 1996, la Corporación Westcap y su subsidiaria, Westcap Enterprises, Inc., enviaron voluntariamente por separado una solicitud para reorganizarse bajo el Capítulo 11 del Código de Quiebra de los Estados Unidos. La Compañía National Western Life estuvo de acuerdo en participar en el plan de reorganización, el cual está sujeto a la aprobación de los acreedores de Westcap y la Corte de Quiebra. El Comité de Acreedores, el deudor Westcap, y National Western Life están actualmente en conversaciones relacionadas con el posible arreglo de todos los reclamos de los acreedores en contra de la Westcap y los reclamos de la Westcap en contra de National Western Life. Pero, no puede hacerse ninguna predicción en estos momentos del resultado de las conversaciones para llegar a un arreglo.

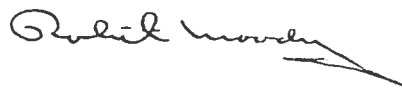
La inversión de National Western Life en Westcap fue completamente cancelada durante 1995. No obstante, una infusión en efectivo de \$1,000,000 fue hecha a Westcap el 18 de marzo de 1997, para los gastos de operación durante la quiebra. Esta contribución estará reflejada como pérdidas por operaciones discontinuadas en el primer trimestre de 1997. Cualquier pérdida adicional por operaciones discontinuadas dependerá primordialmente en los resultados del proceso de quiebra de Westcap.

MIRANDO HACIA EL FUTURO

La administración se mantiene firmemente comprometida a continuar la mejoría del desarrollo de productos, mercadeo, servicio a los asegurados, y el comportamiento financiero, los cuales resultan en ganancias positivas para nuestros asegurados, accionistas y agentes. La Compañía continúa desarrollando nuevos, productos de seguros de vida y anualidades competitivas tanto para el mercado doméstico como internacional. Además, mejoras en los sistemas de datos han sido establecidos recientemente para mejorar el servicio a los asegurados así como para nuestros agentes. Al observar el comportamiento financiero, National Western Life continuará practicando una administración estricta de control de gastos, en conjunto con el aumento controlado de primas y de inversión conservadora de fondos la cual ha producido excelente resultados de operación tal como está ilustrado en 1996 y años anteriores. El excelente comportamiento financiero de la Compañía, el cual es clave para aumentar el valor para los accionistas, también ha sido reconocido en el comportamiento de sus acciones en el mercado. El precio en el mercado de las acciones comunes de Clase A de National Western Life aumentó a \$87.00 a finales de 1996, reflejando un aumento del 55% para 1996.

LA CARTA DE ESTE AÑO HA SIDO TRADUCIDA COMO UN SERVICIO ESPECIAL A NUESTROS ACCIONISTAS, ASEGURADOS, AGENTES Y EMPLEADOS DE HABLA HISPANA.

Mientras que 1996 ciertamente fue un año de gran éxito para National Western Life, el futuro es lo más importante para la Compañía y nuestros asegurados, accionistas y agentes. Por esta razón la administración está comprometida en alcanzar los retos futuros de la industria y del mercado, siguiendo estrategias comprobadas y adaptándose a las condiciones cambiantes y del medio según sea necesario.



Robert L. Moody
*Chairman of the Board and
Chief Executive Officer*
*Presidente de la Junta Directiva y
Director Ejecutivo*



Ross R. Moody
*President and
Chief Operating Officer*
*Presidente y Funcionario
Ejecutivo de Operaciones*

National Western Life's investment philosophy emphasizes the preservation of principal, diversification of assets, liquidity, and prudent handling of policyholders' and stockholders' funds. The Company's primary objectives are to obtain the maximum possible yield while protecting principal and providing adequate liquidity to meet the current and long-term cash needs of the Company. National Western Life's conservative investment philosophy has produced a high quality, predominantly investment grade debt securities portfolio. Additionally, the Company's investments in mortgage loans and real estate, often viewed as having higher risks than debt securities, represented only 7.6% of total investments at December 31, 1996, a percentage lower than industry averages.

DEBT SECURITIES

National Western Life's high grade debt securities portfolio is comprised of a diversified mix of government, corporate, public utility, and mortgage-backed securities. Investments in mortgage-backed securities consist primarily of collateralized mortgage obligations, but also include some pass-through securities. While the primary goal is to hold securities until maturity, National Western Life effectively manages its portfolio by monitoring and reacting quickly to changes in the value of securities and ratings. The Company's investment strategy focuses on managing prepayment, extension, and credit risks while maintaining appropriate matching of assets with liabilities. Purchases in 1996 consisted primarily of investment grade corporate securities from a variety of industries, such as the retail, manufacturing, transportation, and utility sectors. Thorough credit analysis is performed on potential investments including examination of a company's credit and industry outlook, financial ratios and trends, management's strengths and weaknesses, expected capital requirements, and event risks.

Collateralized mortgage obligations (CMOs) as a percentage of total investments declined slightly to 26% in 1996. Also, over 90% of the CMO portfolio is invested in planned amortization class I (PAC) tranches that provide more stable cash flow patterns than pass-through securities or other CMO classes. The overall credit quality of NWL's debt securities portfolio at December 31, 1996, was high, with 74% of the securities rated "A" or better by Moody's Investors Service rating agency and less than 2% in below investment grade securities. The portfolio is also very liquid with less than 5% in privately placed securities.

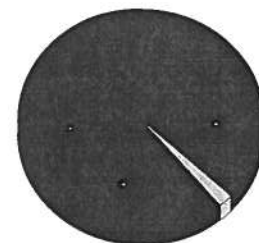
MORTGAGE LOANS

National Western Life also applies strict analysis to mortgage loan investments, which increases returns and minimizes credit and default risks. The Company invests in loans on high quality, income producing properties such as shopping centers, free standing retail stores, office and industrial buildings, and selected apartment buildings in major metropolitan growth areas that offer a potential for property value appreciation. The Company uses rigid underwriting guidelines and seeks diversification of property types and geographic locations to enhance yields and spread risks. Adherence to these guidelines has continued to improve the quality of the mortgage loan portfolio while reducing defaults. The mortgage loan portfolio represented 7.0% of the Company's total investments as of December 31, 1996. Only \$36,000 of loans were in default at year-end 1996, and reductions in interest income due to restructured loans and loans in default were not significant for 1996.

INVESTMENT PERFORMANCE

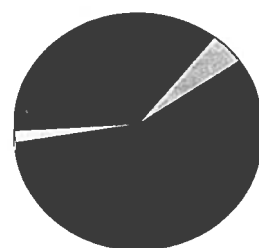
While the performance of an investment portfolio is significantly affected by factors that can be controlled by management, investment performance is also impacted by uncontrollable market and interest rate conditions. That is why quality, liquidity, and cash flow predictability of the portfolio must be collectively analyzed and managed to achieve desired results. Although market conditions and interest rates have been volatile over the past several years, National Western Life's investment portfolio has shown stability and has continued to produce solid yields. Because National Western Life remains committed to its proven investment philosophy, strong investment results should continue to enhance the Company's future financial performance.

ALLOCATION OF INVESTMENTS



- 86.0% Debt Securities
- 7.0% Mortgage Loans
- 5.1% Policy Loans
- 1.9% Other

SECURITIES CREDIT QUALITY



- 36.8% Aaa and U.S. Government
- 4.6% Aa
- 32.5% A
- 24.3% Baa
- 1.8% Ba and Not Rated

National Western Life's marketing efforts are directed by separate Domestic and International Divisions to effectively target and serve the different needs of our policyholders and agents. The Domestic Division coordinates all sales efforts in the United States. Products marketed include a broad portfolio of individual whole life, universal life, and term insurance plans, endowments, and annuities, including standard supplementary riders. Annuities sold include flexible premium deferred annuities, single premium deferred annuities, and single premium immediate annuities. These products include both tax-qualified and non-qualified annuities. Group annuities are also sold primarily in the tax-qualified market.

The International Division is responsible for sales to residents of countries and territories other than the United States, located primarily in Central and South America, the Caribbean, and the Pacific Rim. The primary products marketed internationally include individual whole life, universal life, and term insurance plans specifically designed to meet the needs of the Company's international clients. The international products are typically sold to foreign nationals who have substantial financial resources. By marketing exclusively to this group, sales typically produce a higher average policy size and claims experience similar to that in the United States.

National Western Life's distribution methods are primarily through broker-agents, who are independent contractors compensated on a commission basis. The total contracted broker-agents numbered over 7,300 at December 31, 1996. Many of the domestic broker-agents are contracted through independent marketing organizations. These organizations have well developed agent networks and extensive experience, financial resources, and success in marketing life insurance and annuity products. The international broker-agents are a significantly smaller group than the domestic force. However, these broker-agents have been carefully selected and are proven producers, many of whom have been associated with the Company for 20 or more years.

WHILE NWL'S ANNUITY PRODUCTION IS ALMOST ENTIRELY FROM THE UNITED STATES, ABOUT 62% OF 1996 LIFE INSURANCE PREMIUMS AND DEPOSITS WERE FROM THE INTERNATIONAL MARKET.

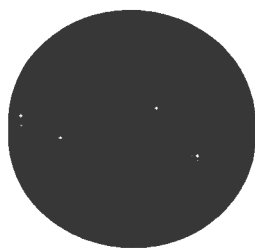
For the year ended December 31, 1996, 84% of collected direct life insurance and annuity premiums and deposits were from the United States domestic market. The highest producing states included Texas, which accounted for 18%, and California, Pennsylvania, and Michigan, which accounted for 10%, 8%, and 5%, respectively. Premiums and deposits collected in 1996 from the international market comprised 16% of the Company's total business, almost all of which was for individual life insurance.

The Company's strong sales in the domestic market are primarily from annuity production. Of the \$307 million in total premiums and deposits collected in the domestic market in 1996, over \$273 million was from annuity sales. The majority of these sales are from single premium deferred annuities, which continue to show solid sales since their introduction in 1994.

While National Western Life's annuity production is almost entirely from the United States, about 62% of life insurance premiums and deposits collected in 1996 were from the international market. In fact, the Company has a long presence and significant experience in the international market and has accepted applications from foreign nationals for over 30 years. Foreign business is forwarded by broker-agents to the Company for acceptance and issuance. National Western Life maintains strict underwriting controls and procedures on the international business it accepts. Except for a small block of business, a currency clause is included in each foreign policy stating that premium and claim "dollars" refer to lawful currency of the United States. This minimizes exposure to foreign currency risks.

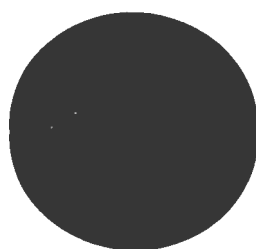
Looking forward, National Western Life will continue to emphasize annuity sales in the domestic market and life insurance sales in both the domestic and international markets. The Company is also allocating additional resources to increase domestic life insurance sales and is committed to enhancing and developing new life insurance and annuity products to continue to meet the needs of its customers in the ever changing insurance industry.

1996 PREMIUMS AND DEPOSITS BY MARKET



- 84% U.S. Domestic Market
- 16% International Market

1996 PREMIUMS AND DEPOSITS BY PRODUCT



- 75% Annuities
- 19% Universal Life Insurance
- 6% Traditional Life and Other

S U M M A R Y O F S E L E C T E D F I N A N C I A L D A T A

| (In thousands except per share data) | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|------------------|----------------|----------------|----------------|----------------|
| INCOME STATEMENT | | | | | |
| Revenues: | | | | | |
| Life and annuity premiums | \$ 16,611 | 17,390 | 18,938 | 18,624 | 21,365 |
| Universal life and investment annuity contract revenues | 75,966 | 69,783 | 64,711 | 67,778 | 56,543 |
| Net investment income | 214,302 | 201,816 | 190,021 | 180,252 | 184,149 |
| Other income | 2,718 | 661 | 1,462 | 1,847 | 616 |
| Realized gains (losses) on investments | 1,612 | (2,415) | 1,626 | 3,206 | 15,710 |
| Total revenues | 311,209 | 287,235 | 276,758 | 271,707 | 278,383 |
| Expenses: | | | | | |
| Policyholder benefits | 33,313 | 37,336 | 32,790 | 34,646 | 34,234 |
| Amortization of deferred policy acquisition costs | 30,361 | 33,675 | 32,131 | 33,159 | 25,085 |
| Universal life and investment annuity contract interest | 151,475 | 142,940 | 129,064 | 130,875 | 135,792 |
| Other insurance operating expenses | 25,722 | 27,084 | 29,394 | 28,959 | 27,870 |
| Total expenses | 240,871 | 241,035 | 223,379 | 227,639 | 222,981 |
| Federal income taxes | 24,123 | 10,566 | 16,207 | 14,696 | 18,719 |
| Earnings before cumulative effect of change in accounting principle and discontinued operations | 46,215 | 35,634 | 37,172 | 29,372 | 36,683 |
| Cumulative effect of change in accounting for income taxes | - | - | - | 5,520 | - |
| Earnings (losses) from discontinued operations | - | (16,350) | (2,936) | 21,832 | 26,728 |
| Net earnings | \$ 46,215 | 19,284 | 34,236 | 56,724 | 63,411 |
| Per Share: | | | | | |
| Earnings before cumulative effect of change in accounting principle and discontinued operations | \$ 13.24 | 10.22 | 10.66 | 8.44 | 10.55 |
| Cumulative effect of change in accounting for income taxes | - | - | - | 1.58 | - |
| Earnings (losses) from discontinued operations | - | (4.69) | (0.84) | 6.27 | 7.68 |
| Net earnings | \$ 13.24 | 5.53 | 9.82 | 16.29 | 18.23 |
| BALANCE SHEET | | | | | |
| Total assets | \$ 3,120,829 | 2,958,459 | 2,915,054 | 2,941,051 | 2,698,497 |
| Total liabilities | \$ 2,767,969 | 2,646,472 | 2,639,920 | 2,698,333 | 2,512,406 |
| Stockholder's equity | \$ 352,860 | 311,987 | 275,134 | 242,718 | 186,091 |



ROBERT L. MOODY

Chairman of the Board, Chief Executive Officer,
National Western Life Insurance Company
Investments
Galveston, Texas
NWL Director - 1964 to present

ROSS R. MOODY

President, Chief Operating Officer,
National Western Life Insurance Company
Austin, Texas
NWL Director - 1981 to present

ARTHUR O. DUMMER

President, The Donner Company
Salt Lake City, Utah
NWL Director - 1980 to present

HARRY L. EDWARDS

Retired, Former President and
Chief Operating Officer,
National Western Life Insurance Company
Austin, Texas
NWL Director - 1969 to present

E. DOUGLAS MCLEOD

Director of Development, Moody Foundation
Galveston, Texas
NWL Director - 1979 to present

CHARLES D. MILOS, JR.

Senior Vice President - Investment Analyst,
National Western Life Insurance Company
Galveston, Texas
NWL Director - 1981 to present

FRANCES A. MOODY

Investments
Dallas, Texas
NWL Director - 1990 to present

RUSSELL S. MOODY

Investments
Austin, Texas
NWL Director - 1988 to present

LOUIS E. PAULS, JR.

President, Louis Pauls & Company
Investments
Galveston, Texas
NWL Director - 1971 to present

E.J. PEDERSON

Executive Vice President,
The University of Texas Medical Branch
Galveston, Texas
NWL Director - 1992 to present

ROBERT L. MOODY
Chairman of the Board and Chief Executive Officer

ROSS R. MOODY
President and Chief Operating Officer

ROBERT L. BUSBY, III, CPA, FLMI, CLU, ChFC
Senior Vice President - Chief Administrative Officer,
Chief Financial Officer and Treasurer

CHARLES P. BAILEY, FLMI, CLU
Senior Vice President - Information Services

RICHARD M. EDWARDS
Senior Vice President - International Marketing

PAUL D. FACEY, FSA, MAAA, FCIA, FLMI
Senior Vice President - Chief Actuary

CHARLES D. MILOS, JR.
Senior Vice President - Investment Analyst

ARTHUR W. PICKERING, CLU
Senior Vice President - Domestic Marketing

PATRICIA L. SCHEUER, CFA
Senior Vice President - Chief Investment Officer

ROBERT J. ANTONOWICH, CLU, ChFC, LLIF
Vice President - Marketing

CAROL JACKSON
Vice President - Human Resources

VINCENT L. KASCH, CPA
Vice President - Controller and Assistant Treasurer

JAMES A. KINCL
Vice President - Salary Savings

DORIS KRUSE, ALHC, ACS
Vice President - Policy Benefits

JAMES R. NAISER, FLMI
Vice President - Systems Development

JAMES P. PAYNE, JD
Vice President - Secretary

AL R. STEGER, FLMI, CLU, ChFC, AALU
Vice President - Risk Selection

B. BEN TAYLOR, ASA, MAAA
Vice President - Actuarial Services

LARRY D. WHITE, FLMI
Vice President - Policyowner Services

SCOTT E. ARENDALE
Assistant Vice President - International Sales
Department

LARRY E. CARSON, CPA, FLMI
Assistant Vice President - Assistant Controller

ROBIN R. HULSEY, FLMI, ACS
Assistant Vice President - Administrative Services

JO NELL MORRIS, FLMI, ACS
Assistant Vice President - Policyowner Services

ELLEN C. OTTE
Assistant Secretary

**DONNA L. RICHARDSON, FLMI, AIAA,
ACS, SILAF**
Assistant Vice President - Agent Contracting
& Licensing

LURA L. ROGERS, ACS
Assistant Vice President - Marketing

MARGARET M. SIMPSON, ACS
Assistant Secretary

DONALD G. WOTIPKA, JD
Assistant Vice President - Staff Attorney



EXECUTIVE OFFICES

National Western Life Insurance Company,
850 East Anderson Lane, Austin, Texas 78752-1602, Telephone: (512) 836-1010.

ACCOUNTANTS

KPMG Peat Marwick LLP, 111 Congress Avenue, Suite 1100, Austin, Texas 78701.

GENERAL COUNSEL

Will D. Davis, Heath Davis & McCalla, Attorneys at Law, Austin, Texas 78701.

SUBSIDIARIES

NWL 806 Main, Inc., Austin, Texas, principal activity: commercial investments.
NWL Investments, Inc., Austin, Texas, principal activity: commercial investments.
NWL Properties, Inc., Austin, Texas, principal activity: commercial investments.
The Westcap Corporation, Houston, Texas, principal activity: U.S. government
and municipal securities dealer in reorganization bankruptcy.

STOCK TRANSFER AGENT

Boston EquiServe, Investor Relations Department,
Mail Stop: 45-02-64, P.O. Box 8040, Boston, Massachusetts 02266-8040,
Telephone: (617) 575-3170.

Communications regarding stock transfer requirements, lost certificates, and change of address should be directed to the transfer agent or to the Office of the Corporate Secretary of National Western Life Insurance Company.

STOCK INFORMATION

Shares of National Western Life Insurance Company are traded on The Nasdaq Stock Market under the symbol NWLIA.

ANNUAL STOCKHOLDERS' MEETING

The annual meeting of stockholders will be at 10:00 a.m. (CDT) on June 20, 1997, at National Western Life Insurance Company's executive offices.

FORM 10-K

National Western Life Insurance Company's 1996 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is included in this annual report. Additional copies are available upon request without charge.

INVESTOR RELATIONS

Direct inquiries to Chief Financial Officer, 850 East Anderson Lane, Austin, Texas 78752-1602,
Telephone: (512) 719-2230.