UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[√] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2005

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 2-17039

NATIONAL WESTERN LIFE INSURANCE COMPANY

(Exact name of Registrant as specified in its charter)

COLORADO (State of Incorporation)	84-0467208 (I.R.S. Employer Identification Number)
850 EAST ANDERSON LANE AUSTIN, TEXAS 78752-1602 (Address of Principal Executive Offices)	(512) 836-1010 (Telephone Number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes [√ **]** No [ ]

Indicate by a check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [√ **]** No [ ]

As of August 2, 2005, the number of shares of Registrants common stock outstanding was: Class A - 3,409,814 and Class B - 200,000.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS		(Unaudited) June 30, 2005	December 31, 2004
Investments:			
Securities held to maturity, at amortized cost	$	3,392,075	3,274,134
Securities available for sale, at fair value		1,704,401	1,635,247
Mortgage loans, net of allowances for possible losses ($0 and $368)		116,747	124,712
Policy loans		86,877	88,448
Derivatives		35,873	42,156
Other long-term investments		35,136	45,702
Total investments		5,371,109	5,210,399
Cash and short-term investments		81,451	50,194
Deferred policy acquisition costs		592,771	582,218
Deferred sales inducements		69,160	62,240
Accrued investment income		60,237	58,272
Other assets		39,729	28,362
	$	6,214,457	5,991,685

Note: The condensed consolidated balance sheet at December 31, 2004, has been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) June 30, 2005	December 31, 2004
LIABILITIES:		
Future policy benefits:		
Traditional life and annuity contracts	$ 139,687	141,049
Universal life and annuity contracts	5,041,709	4,885,809
Other policyholder liabilities	87,538	75,237
Federal income tax liability:		
Current	1,776	4,303
Deferred	45,312	38,754
Other liabilities	46,044	37,861
Total liabilities	5,362,066	5,183,013
COMMITMENTS AND CONTINGENCIES (Notes 5 and 7)		
STOCKHOLDERS' EQUITY:		
Common stock:		
Class A - $1 par value; 7,500,000 shares authorized; 3,404,925 and 3,384,215 issued and outstanding in 2005 and 2004	3,405	3,384
Class B - $1 par value; 200,000 shares authorized, issued, and outstanding in 2005 and 2004	200	200
Additional paid-in capital	36,297	33,834
Accumulated other comprehensive income	26,354	25,419
Retained earnings	786,135	745,835
Total stockholders' equity	852,391	808,672
	$ 6,214,457	5,991,685

Note: The condensed consolidated balance sheet at December 31, 2004, has been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Three Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands, except per share amounts)

		2005	2004
Premiums and other revenue:			
Traditional life and annuity premiums	$	3,932	3,633
Universal life and annuity contract revenues		24,642	22,882
Net investment income		79,488	76,475
Other income		2,319	2,476
Realized gains on investments		7,616	2,013
Total premiums and other revenue		117,997	107,479
Benefits and expenses:			
Life and other policy benefits		9,432	7,505
Amortization of deferred policy acquisition costs		22,325	24,071
Universal life and annuity contract interest		39,172	42,824
Other operating expenses		11,098	3,766
Total benefits and expenses		82,027	78,166
Earnings before Federal income taxes		35,970	29,313
Provision for Federal income taxes:			
Current		11,592	8,995
Deferred		280	606
Total Federal income taxes		11,872	9,601
Net earnings	$	24,098	19,712
Basic Earnings Per Share	$	6.70	5.54
Diluted Earnings Per Share	$	6.64	5.47

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Six Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands, except per share amounts)

		2005	2004
Premiums and other revenue:			
Traditional life and annuity premiums	$	7,413	7,021
Universal life and annuity contract revenues		48,590	43,887
Net investment income		142,234	148,956
Other income		4,552	4,607
Realized gains on investments		8,584	3,472
Total premiums and other revenue		211,373	207,943
Benefits and expenses:			
Life and other policy benefits		20,660	16,909
Amortization of deferred policy acquisition costs		41,399	44,791
Universal life and annuity contract interest		66,527	80,503
Other operating expenses		22,141	14,201
Total benefits and expenses		150,727	156,404
Earnings before Federal income taxes and cumulative effect of change in accounting principle		60,646	51,539
Provision for Federal income taxes:			
Current		17,884	11,773
Deferred		2,462	5,438
Total Federal income taxes		20,346	17,211
Earnings before cumulative effect of change in accounting principle		40,300	34,328
Cumulative effect of change in accounting principle, net of $29,452 of Federal income taxes		-	54,697
Net earnings	$	40,300	89,025
Basic Earnings Per Share:			
Earnings before cumulative effect of change in accounting principle	$	11.21	9.66
Cumulative effect of change in accounting principle		-	15.38
Net earnings	$	11.21	25.04
Diluted Earnings Per Share:			
Earnings before cumulative effect of change in accounting principle	$	11.11	9.54
Cumulative effect of change in accounting principle		-	15.20
Net earnings	$	11.11	24.74

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands)

	2005	2004
Net earnings	$ 24,098	19,712
Other comprehensive income (loss) net of effects of deferred policy acquisition costs and taxes:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period	11,124	(17,694)
Reclassification adjustment for gains included in net earnings	(276)	(735)
Amortization of net unrealized losses (gains) related to transferred securities	(15)	168
Net unrealized gains (losses) on securities	10,833	(18,261)
Foreign currency translation adjustments	16	(79)
Other comprehensive income (loss)	10,849	(18,340)
Comprehensive income	$ 34,947	1,372

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands)

	2005	2004
Net earnings	$ 40,300	89,025
Other comprehensive income (loss), net of effects of deferred policy acquisition costs and taxes:		
Net unrealized gains (losses) on securities:		
Net unrealized holding gains (losses) arising during period	1,401	(10,727)
Reclassification adjustment for gains included in net earnings	(639)	(682)
Amortization of net unrealized losses (gains) related to transferred securities	(12)	230
Net unrealized gains (losses) on securities	750	(11,179)
Foreign currency translation adjustments	185	(145)
Other comprehensive income (loss)	935	(11,324)
Comprehensive income	$ 41,235	77,701

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands)

		2005	2004
Common stock:			
Balance at beginning of year	$	3,584	3,547
Shares exercised under stock option plan		21	16
Balance at end of period		3,605	3,563
Additional paid-in capital:			
Balance at beginning of year		33,834	29,192
Shares exercised under stock option plan, net of tax benefits		1,954	1,594
Stock option expense		509	311
Balance at end of period		36,297	31,097
Accumulated other comprehensive income:			
Unrealized gains on securities:			
Balance at beginning of year		25,032	22,467
Change in unrealized gains (losses) during period		750	(11,179)
Balance at end of period		25,782	11,288
Foreign currency translation adjustments:			
Balance at beginning of year		3,170	3,297
Change in translation adjustments during period		185	(145)
Balance at end of period		3,355	3,152
Minimum pension liability adjustment:			
Balance at beginning of year		(2,783)	(2,311)
Change in minimum pension liability adjustment during period		-	-
Balance at end of period		(2,783)	(2,311)
Accumulated other comprehensive income at end of period		26,354	12,129
Retained earnings:			
Balance at beginning of year		745,835	623,666
Net earnings		40,300	89,025
Balance at end of period		786,135	712,691
Total stockholders' equity	$	852,391	759,480

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands)

		2005	2004
Cash flows from operating activities:			
Net earnings	$	40,300	89,025
Adjustments to reconcile net earnings to net cash from operating activities:			
Universal life and annuity contract interest		66,527	80,503
Surrender charges and other policy revenues		(14,579)	(12,680)
Realized gains on investments		(8,584)	(3,472)
Accrual and amortization of investment income		(1,791)	(4,314)
Depreciation and amortization		804	832
Decrease in value of derivatives		9,278	14,460
Increase in deferred policy acquisition and sale inducement costs		(11,076)	(37,023)
Increase in accrued investment income		(1,966)	(2,883)
Decrease (increase) in other assets		(10,106)	1,303
Decrease in liabilities for future policy benefits		(1,362)	(1,069)
Increase in other policyholder liabilities		12,301	1,682
Increase in Federal income tax liability		998	26,707
Decrease in other liabilities		(1,884)	(11,437)
Decrease in accrued lawsuit settlement		-	(9,700)
Cumulative effect of change in accounting principle, before taxes		-	(84,149)
Other		(1,141)	(225)
Net cash provided by operating activities		77,719	47,560
Cash flows from investing activities:			
Proceeds from sales of:			
Securities held to maturity		10,853	8,749
Securities available for sale		11,890	18,866
Other investments		31,018	14,099
Proceeds from maturities and redemptions of:			
Securities held to maturity		170,584	189,491
Securities available for sale		62,670	41,675
Purchases of:			
Securities held to maturity		(297,587)	(484,664)
Securities available for sale		(138,651)	(171,366)
Other investments		(17,360)	(14,966)
Principal payments on mortgage loans		14,021	21,299
Cost of mortgage loans acquired		(5,617)	(7,594)
Decrease in policy loans		1,572	1,493
Other		(1,006)	(512)
Net cash used in investing activities		(157,613)	(383,430)

(Continued on next page)

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
For the Six Months Ended June 30, 2005 and 2004
(Unaudited)
(In thousands)

		2005	2004
Cash flows from financing activities:			
Deposits to account balances for universal life and annuity contracts	$	328,910	547,048
Return of account balances on universal life and annuity contracts		(219,059)	(220,289)
Issuance of common stock under stock option plan		1,317	1,165
Net cash provided by financing activities		111,168	327,924
Effect of foreign exchange		(17)	44
Net increase (decrease) in cash and cash equivalents		31,257	(7,902)
Cash and cash equivalents at beginning of year		50,194	68,210
Cash and cash equivalents at end of period	$	81,451	60,308

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the six month period for:			
Interest	$	20	20
Income taxes		17,100	19,700

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2005, and the results of its operations and its cash flows for the three months and six months ended June 30, 2005 and 2004. The results of operations for the three months and six months ended June 30, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 accessible free of charge through the Company's internet site at www.nationalwesternlife.com or the Securities and Exchange Commission internet site at www.sec.gov.

The accompanying condensed consolidated financial statements include the accounts of National Western Life Insurance Company and its wholly owned subsidiaries ("Company"), The Westcap Corporation, NWL Investments, Inc., NWL Services, Inc., and NWL Financial, Inc. All significant intercorporate transactions and accounts have been eliminated in consolidation.

Certain reclassifications have been made to the prior periods to conform to the reporting categories used in 2005.

(2) CHANGES IN ACCOUNTING PRINCIPLES

In July 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* ("SOP 03-1"). SOP 03-1 provides guidance relating to the reporting by insurance enterprises for certain contracts and insurance specific accounting issues and is effective for financial statements for fiscal years beginning after December 15, 2003. In the first quarter of 2004, the Company adopted the reserving method for its two-tier annuity products, which were issued from 1984 until 1992, in accordance with the SOP 03-1 guidance. The new reserving method under SOP 03-1 requires that the Company hold a reserve equal to the cash surrender value and establish an additional liability for expected annuitizations. The Company previously maintained reserves for two-tier annuities at the account balance value which is substantially higher than the cash value reserve. This reserving change resulted in an adjustment decreasing reserves, less deferred acquisition costs written off, by $54.7 million, net of taxes. The amount is reflected as a change in accounting principle as of January 1, 2004. Components of the accounting change are detailed below.

Accounting change related to two-tier annuities:	Amounts (In thousands)
Reduction in reserve for future policy benefits	$ 119,205
Write off of deferred acquisition costs	(35,056)
Total change, pre-tax	84,149
Federal income taxes	(29,452)
Cumulative effect of change in accounting for two-tier annuities, net of tax	$ 54,697

At June 30, 2005, the Company held a reserve relating to two-tier annuities in the amount of $20.4 million as an additional liability relating to annuitization benefits. The expected annuitizations were determined based upon actual experience relating to this block of business, which is relatively seasoned and the policies are no longer issued by the Company. The issuance of this SOP did not impact the Company's accounting relating to sales inducements.

In March 2004, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue 03-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments*. This Issue establishes impairment models for determining whether to record impairment losses associated with investments in certain equity and debt securities and requires expanded disclosures related to securities with unrealized losses. It also requires income to be accrued on a level-yield basis following an impairment of debt securities, where reasonable estimates of the timing and amount of future cash flows can be made. The Company's current policy has generally been to record income only as cash is received following an impairment of a debt security. The application of this Issue was required for reporting periods beginning after June 15, 2004. In September 2004, the Financial Accounting Standard Board ("FASB") approved FASB Staff Position EITF 03-1-1, which defers the effective date for the recognition and measurement guidance contained in EITF 03-1 until certain issues are resolved. The Company is not able to assess the impact of the adoption of EITF 03-1 until final guidance is issued. The Company has adopted the disclosure provisions which are currently in effect.

In December 2004, the FASB issued Statement No. 123(R), *Share-Based Payment* ("FAS 123(R)") which is a revision of Statement No. 123. Statement No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company currently uses the Black-Scholes-Merton option pricing model to estimate the value of employee stock options and expects to continue to use this acceptable option pricing model upon adoption of Statement No. 123(R). Statement No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow, as currently required. The original effective date set by the FASB was to begin with the first fiscal quarter after June 15, 2005. The Securities and Exchange Commission announced on April, 14, 2005 a six month postponement of FAS 123(R) which requires companies to apply the accounting standard beginning with the first fiscal year after June 15, 2005. The adoption of Statement No. 123(R) is not expected to have a material impact on the consolidated financial statements of the Company.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

(3) STOCKHOLDERS' EQUITY

The Company is restricted by state insurance laws as to dividend amounts which may be paid to stockholders without prior approval from the Colorado Division of Insurance. The Company paid no cash dividends on common stock during the six months ended June 30, 2005 and 2004, as it follows a policy of retaining earnings in order to finance the development of business and to meet regulatory requirements for capital.

(4) EARNINGS PER SHARE

Basic earnings per share of common stock are computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of common shares applicable to stock options. Refer to Exhibit 11 of this report for further information concerning the computation of earnings per share.

(5) PENSION AND OTHER POSTRETIREMENT PLANS

(A) Defined Benefit Pension Plans

The Company sponsors a qualified defined benefit pension plan covering substantially all full-time employees. The plan provides benefits based on the participants' years of service and compensation. The Company makes annual contributions to the plan that comply with the minimum funding provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The following summarizes the components of net periodic benefit costs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Service cost	$ 195	174	343	295
Interest cost	256	244	487	463
Expected return on plan assets	(246)	(245)	(455)	(417)
Amortization of prior service cost	1	7	2	2
Amortization of net loss	94	73	165	142
Net periodic benefit cost	$ 300	253	542	485

As previously disclosed in its financial statements for the year ended December 31, 2004, the Company expects to contribute $1.6 million to the plan in 2005. Contributions of $0.4 million have been made through June 30, 2005.

The Company also sponsors a nonqualified defined benefit plan primarily for senior officers. The plan provides benefits based on the participants' years of service and compensation. The pension obligations and administrative responsibilities of the plan are maintained by a pension administration firm, which is a subsidiary of American National Insurance Company ("ANICO"). ANICO has guaranteed the payment of pension obligations under the plan. However, the Company has a contingent liability with respect to the pension plan should these entities be unable to meet their obligations under the existing agreements. Also, the Company has a contingent liability with respect to the plan in the event that a plan participant continues employment with the Company beyond age seventy, the aggregate average annual participant salary increases exceed 10% per year, or any additional employees become eligible to participate in the plan. If any of these conditions are met, the Company would be responsible for any additional pension obligations resulting from these items.

Amendments were made to the plan to allow an additional employee to participate and to change the benefit formula for the Chairman of the Company. Any additional obligations are a liability to the Company. The following summarizes the components of net periodic benefit costs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Service cost	$ 106	113	211	211
Interest cost	44	55	89	89
Amortization of prior service cost	73	73	146	146
Amortization of net loss	1	2	2	2
Net periodic benefit cost	$ 224	243	448	448

As previously disclosed in its financial statements for the year ended December 31, 2004, the Company expects to contribute $0.3 million to the plan in 2005. No contributions have been made as of June 30, 2005.

(B) Defined Benefit Postretirement Plans

The Company sponsors two health care plans that were amended in 2004 to provide postretirement benefits to certain fully-vested individuals. The following summarizes the components of net periodic benefit cost.

		Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
		(In thousands)	
Interest cost	$	26	50
Amortization of prior service cost		25	51
Net periodic benefit cost	$	51	101

As previously disclosed in its financial statements for the year ended December 31, 2004, the Company expects to contribute minimal amounts to the plan in 2005.

(6) SEGMENT AND OTHER OPERATING INFORMATION

Under Statement of Financial Accounting Standards ("SFAS") No. 131, *Disclosures About Segments of an Enterprise and Related Information*, the Company defines its reportable operating segments as domestic life insurance, international life insurance, and annuities. These segments are organized based on product types and geographic marketing areas. A summary of segment information for the quarters ended June 30, 2005 and 2004 is provided below.

Selected Segment Information.

		Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
				(In thousands)		
June 30, 2005:						
Selected Balance Sheet Items:						
Deferred policy acquisition costs and sales inducements	$	46,558	151,340	464,033	-	661,931
Total segment assets		369,499	594,811	5,136,518	93,325	6,194,153
Future policy benefits		304,512	421,106	4,455,778	-	5,181,396
Other policyholder liabilities		10,348	11,484	65,706	-	87,538
Three Months Ended June 30, 2005:						
Condensed Income Statements:						
Premiums and contract revenues	$	6,035	17,305	5,234	-	28,574
Net investment income		4,849	5,752	64,487	4,400	79,488
Other income		8	18	95	2,198	2,319
Total revenues		10,892	23,075	69,816	6,598	110,381
Life and other policy benefits		3,610	5,068	754	-	9,432
Amortization of deferred policy acquisition costs		614	5,931	15,780	-	22,325
Universal life and annuity contract interest		2,188	4,971	32,013	-	39,172
Other operating expenses		2,099	2,772	4,313	1,914	11,098
Federal income taxes		785	1,397	5,475	1,550	9,207
Total expenses		9,296	20,139	58,335	3,464	91,234
Segment earnings	$	1,596	2,936	11,481	3,134	19,147

	Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
			(In thousands)		
Six Months Ended June 30, 2005:					
Condensed Income Statements:					
Premiums and contract revenues	$ 12,116	34,342	9,545	-	56,003
Net investment income	9,827	11,090	116,158	5,159	142,234
Other income	16	32	182	4,322	4,552
Total revenues	21,959	45,464	125,885	9,481	202,789
Life and other policy benefits	8,270	11,051	1,339	-	20,660
Amortization of deferred policy acquisition costs	1,832	10,845	28,722	-	41,399
Universal life and annuity contract interest	4,369	8,583	53,575	-	66,527
Other operating expenses	4,299	6,101	7,950	3,791	22,141
Federal income taxes	1,062	2,959	11,425	1,896	17,342
Total expenses	19,832	39,539	103,011	5,687	168,069
Segment earnings	$ 2,127	5,925	22,874	3,794	34,720

Selected Segment Information.

		Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
				(In thousands)		
June 30, 2004						
Selected Balance Sheet Items:						
Deferred policy acquisition costs and sales inducements	$	50,011	136,875	449,330	-	636,216
Total segment assets		360,619	541,828	4,672,088	78,404	5,652,939
Future policy benefits		299,955	385,858	4,082,680	-	4,768,493
Other policyholder liabilities		9,992	11,107	43,082	-	64,181
Three Months Ended June 30, 2004:						
Condensed Income Statements:						
Premiums and contract revenues	$	5,635	16,174	4,706	-	26,515
Net investment income		4,982	5,316	63,645	2,532	76,475
Other income		2	-	403	2,071	2,476
Total revenues		10,619	21,490	68,754	4,603	105,466
Life and other policy benefits		2,601	3,986	918	-	7,505
Amortization of deferred policy acquisition costs		1,934	6,126	16,011	-	24,071
Universal life and annuity contract interest		2,073	4,666	36,085	-	42,824
Other operating expenses		1,998	2,816	(2,780)	1,732	3,766
Federal income taxes		668	1,263	6,019	947	8,897
Total expenses		9,274	18,857	56,253	2,679	87,063
Segment earnings	$	1,345	2,633	12,501	1,924	18,403

	Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
			(In thousands)		
Six Months Ended June 30, 2004:					
Condensed Income Statements:					
Premiums and contract revenues	$ 11,208	32,299	7,401	-	50,908
Net investment income	10,009	10,957	124,811	3,179	148,956
Other income	5	-	458	4,144	4,607
Total revenues	21,222	43,256	132,670	7,323	204,471
Life and other policy benefits	6,724	8,772	1,413	-	16,909
Amortization of deferred policy acquisition costs	3,189	12,502	29,100	-	44,791
Universal life and annuity contract interest	4,289	9,095	67,119	-	80,503
Other operating expenses	4,262	5,881	546	3,512	14,201
Federal income taxes	918	2,331	11,479	1,268	15,996
Total expenses	19,382	38,581	109,657	4,780	172,400
Segment earnings	$ 1,840	4,675	23,013	2,543	32,071

Reconciliations of segment information to the Company's condensed consolidated financial statements are provided below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
		(In thousands)		
Premiums and Other Revenue:				
Premiums and contract revenues	$ 28,574	26,515	56,003	50,908
Net investment income	79,488	76,475	142,234	148,956
Other income	2,319	2,476	4,552	4,607
Realized gains on investments	7,616	2,013	8,584	3,472
Total consolidated premiums and other revenue	$ 117,997	107,479	211,373	207,943

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
	(In thousands)			
Federal Income Taxes:				
Total segment Federal income taxes	$ 9,207	8,897	17,342	15,996
Taxes on realized gains on investments	2,665	704	3,004	1,215
Taxes on cumulative effect of change in accounting principle	-	-	-	29,452
Total consolidated Federal income taxes	$ 11,872	9,601	20,346	46,663

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
	(In thousands)			
Net Earnings:				
Total segment earnings	$ 19,147	18,403	34,720	32,071
Realized gains on investments, net of taxes	4,951	1,309	5,580	2,257
Cumulative effect of change in accounting principle	-	-	-	54,697
Total consolidated net earnings	$ 24,098	19,712	40,300	89,025

	June 30, 2005	June 30, 2004
	(In thousands)	
Assets:		
Total segment assets	$ 6,194,153	5,652,939
Other unallocated assets	20,304	18,540
Total consolidated assets	$ 6,214,457	5,671,479

(7) LEGAL PROCEEDINGS

In the course of an audit of a charitable tax-exempt foundation, the Internal Revenue Service ("IRS") raised an issue under the special provisions of the Internal Revenue Code ("IRC") governing tax-exempt private foundations as to certain interest-bearing loans from the Company to another corporation in which the tax-exempt foundation owns stock. The issue is whether such transactions constitute indirect self-dealing by the foundation, the result of which would be excise taxes on the Company by virtue of its participation in such transactions. By letter to the Company dated August 21, 2003, the IRS proposed an initial excise tax liability in the total amount approximating one million dollars as a result of such transactions. The Company disagrees with the IRS analysis. The Company is contesting the matter and expects to prevail on the merits. On October 14, 2003, in response to the IRS letter, the Company requested that this issue instead be referred to the IRS National Office for technical advice. The IRS audit team agreed and the matter was referred in November of 2003 to the IRS National Office. Such technical advice when issued by the IRS National Office will be in the form of a memorandum analyzing the issue which will be binding on the IRS audit team.

The Company is involved or may become involved in various legal actions, in the normal course of business, in which claims for alleged economic and punitive damages have been or may be asserted, some for substantial amounts. Although there can be no assurances, at the present time, the Company does not anticipate that the ultimate liability arising from potential, pending, or threatened legal actions, after consideration of amounts provided for in the Company's consolidated financial statements, will have a material adverse effect on the financial condition or operating results of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information contained herein or in other written or oral statements made by or on behalf of National Western Life Insurance Company or its subsidiaries is or may be viewed as forward-looking. Although the Company has used appropriate care in developing any such information, forward-looking information involves risks and uncertainties that could significantly impact actual results. These risks and uncertainties include, but are not limited to, matters described in the Company's filings with the Securities and Exchange Commission ("SEC") such as exposure to market risks, anticipated cash flows or operating performance, future capital needs, and statutory or regulatory related issues. However, National Western, as a matter of policy, does not make any specific projections as to future earnings, nor does it endorse any projections regarding future performance that may be made by others. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable events or developments. Also, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments, or otherwise.

OVERVIEW

Insurance Operations - Domestic

The Company is currently licensed to do business in all states except for New York. Products marketed are annuities, universal life insurance, equity-indexed universal life insurance and traditional life insurance, which include both term and whole life products. The majority of domestic sales are the Company's annuities, which include single and flexible premium deferred annuities, single premium immediate annuities, and equity-indexed annuities. Most of these annuities can be sold as tax qualified or nonqualified products. At June 30, 2005, the Company maintained approximately 123,300 annuity policies in force.

National Western markets and distributes its domestic products primarily through independent national marketing organizations ("NMOs"). These NMOs assist the Company in recruiting, contracting, and managing independent agents. The Company currently has approximately 10,700 independent agents contracted. Roughly 22% of these contracted agents have submitted policy applications to the Company in the past twelve months.

Insurance Operations - International

The Company's international operations focus on foreign nationals in upper socioeconomic classes. Insurance products are issued primarily to residents of countries in Central and South America, the Caribbean, Eastern Europe and the Pacific Rim. Issuing policies to residents of countries in these different regions provides diversification that helps to minimize large fluctuations that could arise due to various economic, political, and competitive pressures that may occur from one country to another. Products issued to international residents are almost entirely universal life and traditional life insurance products. However, certain investment contracts are also available. At June 30, 2005, the Company had approximately 63,700 international life insurance policies in force representing approximately $11.6 billion in face amount of coverage.

International applications are submitted by independent contractor broker-agents. The Company has approximately 3,800 independent international brokers currently contracted, over 45% of which have submitted policy applications to the Company in the past twelve months.

There are some inherent risks of accepting international applications which are not present within the domestic market that are reduced substantially by the Company in several ways. As previously described, the Company accepts applications from foreign nationals in upper socio-economic classes who have substantial financial resources. This targeted customer base coupled with National Western's conservative underwriting practices have historically resulted in claims experience, due to natural causes, similar to that in the United States. The Company minimizes exposure to foreign currency risks by requiring payment of premiums, claims, and other benefits almost entirely in United States dollars. Finally, the Company's nearly forty years of experience with the international products and its longstanding independent broker-agents relationships further serve to minimize risks.

SALES

Life Insurance

The following table sets forth information regarding the Company's life insurance sales activity as measured by annualized first year premiums. While the figures shown below are in accordance with industry practice and represent the amount of new business sold during the periods indicated, they are considered a non-GAAP financial measure. The Company believes sales are a measure of distribution productivity and are a leading indicator of future revenue trends. However, revenues are driven by sales in prior periods as well as in the current period and therefore, a reconciliation of sales to revenues is not meaningful or determinable.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
International:					
Universal life	$	1,286	2,080	2,548	4,068
Traditional life		923	578	1,671	1,077
Equity-indexed life		4,416	4,190	8,038	7,987
		6,625	6,848	12,257	13,132
Domestic:					
Universal life		677	544	1,430	933
Traditional life		104	122	193	213
		781	666	1,623	1,146
Totals	$	7,406	7,514	13,880	14,278

Total life insurance sales as measured by annualized first year premiums decreased 1% in the second quarter of 2005 as compared to the second quarter of 2004 and were down 3% in the first six months of 2005 as compared to 2004. The slight declines in life insurance sales pertain to the Company’s international life business where applications from residents outside of the United States typically vary based upon changes in the socio-economic climates of these countries. Historically, the Company has experienced a simultaneous combination of rising and declining sales in various countries; however, the appeal of the Company’s dollar-denominated life insurance products overcomes many of the local and national difficulties.

Applications submitted from residents of South America and the Pacific Rim perennially have comprised the majority of the Company’s international life insurance sales. Over the past few years, effort has been directed toward the sale of a traditional endowment form of life insurance product for residents of Eastern European countries. While business is still in a developmental phase, sales from these countries comprised over 4% of total international life insurance sales in the first six months of the year. Year-to-date, the Company has recorded sales to residents outside of the United States in over thirty different countries with Brazil (35%), Venezuela (11%), and Taiwan (10%) making up the largest markets.

Domestic operations have generally focused more heavily on annuity sales than on life insurance sales. The Company spent the greater part of 2003 and 2004 revamping its domestic life operations by changing the way it contracts distribution for life business, eliminating products and distribution that have not contributed significantly to earnings, and creating new and competitive products. A new single premium universal life ("SPUL") product was launched at the end of 2003 accounting for the majority of the increase in domestic universal life insurance sales thus far in 2005. With the introduction of the SPUL product and the discontinued marketing of smaller premium and volume life insurance policies, the Company has seen an increase in the average amount of per policy coverage purchased from $97,000 in 2004 to $108,000 in 2005 year-to-date. The Company is currently developing an equity-indexed universal life product for its domestic markets and anticipates incremental sales activity associated with this product to begin toward the end of the third calendar quarter of 2005.

The following table sets forth information regarding the Company's life insurance in force for each date presented.

		Insurance In Force as of June 30,	
		2005	2004
		($ in thousands)	
Universal life:			
Number of policies		81,400	85,510
Face amounts	$	8,165,030	8,511,030
Traditional life:			
Number of policies		56,140	58,420
Face amounts	$	1,695,510	1,570,830
Equity-indexed life:			
Number of policies		13,320	9,080
Face amounts	$	2,691,930	1,798,540
Rider face amounts	$	1,486,620	1,370,390
Total life insurance:			
Number of policies		150,860	153,010
Face amounts	$	14,039,090	13,250,790

While the total number of policies in force declined year over year, the face amount of insurance coverage in force increased by approximately $800 million. This reflects the Company's changing business mix toward international life sales and a change in emphasis domestically toward larger policies. The international life products typically have larger average face amounts of coverage per policy due to the higher net worth of the individuals purchasing these products. The average face amount of coverage for international life product sales in the first six months of 2005 was approximately $234,000 while the average face amount of coverage for domestic life product sales was roughly $108,000. The domestic life insurance in force is comprised substantially of discontinued policies having lower face amounts of coverage. These policies are lapsing at a rate faster than the larger per policy face amounts currently written are being added to the block of business.

Annuities

The following table sets forth information regarding the Company's annuity sales activity as measured by single and annualized first year premiums. Similar to life insurance sales, these figures are considered a non-GAAP financial measure but are shown in accordance with industry practice and depict the Company's sales productivity.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Equity-indexed annuities and other fixed deferred annuities	$	144,733	251,249	285,351	510,801
Immediate annuities		8,534	7,458	16,200	22,121
Totals	$	153,267	258,707	301,551	532,922

Annuity sales for the second quarter of 2005 were 41% lower than the comparable period in 2004. Year-to-date sales thus far in 2005 were 43% lower than 2004 sales. Annuity sales in the first half of 2004 represented the tail end of the explosion in fixed annuity sales that began in 2003 when the Company achieved nearly $1.2 billion in sales. Annuity sales in the first half of 2004 closely maintained the pace of 2003 in reaching $533 million. However, the sales pace for the last six months of 2004 reduced to a level of $362 million. Annuity sales in the fourth quarter of 2004 were $159 million. The lower sales level reflects interest rates continuing to hover at historical lows, investors returning to alternative investment vehicles, and the Company managing its targeted levels of risk and statutory capital and surplus.

The sizable increase in annuity sales volume in 2003 and 2004 required a greater level of asset/liability analysis. The Company has monitored its asset/liability matching within the self-constraints of desired capital levels, given the increased attention rating agencies have placed in this area. Despite the significant increase in new business, the Company's capital level remains substantially above industry averages and regulator targets.

The mix of annuity sales in 2004 and 2005 changed from that of 2003. With a stronger performance in the equity market, sales of equity-indexed annuity products became more prevalent beginning in 2004 and have continued thus far in 2005. Contributing to the increase in sales of these products was the introduction of a new series of equity-indexed annuity products featuring a different indexing mechanism (monthly cap) to complement the existing equity-indexed annuity products which utilize a monthly average annual reset feature. For all equity-indexed products, the Company purchases over the counter options to fully hedge the equity return feature. The options are purchased concurrent with the issuance of the annuity contracts in order to minimize any form of timing risk. All of the index return during the indexing period (if the underlying index increases) is credited to the contract holders electing the equity feature at the beginning of the contract year. The Company does not deliberately mismatch or under hedge for the equity feature of these products.

The following table sets forth information regarding annuities in force for each date presented.

		Annuities In Force as of June 30,	
		2005	2004
		($ in thousands)	
Equity-indexed annuities			
Number of policies		25,430	20,720
GAAP annuity reserves	$	1,473,330	1,182,820
Other deferred annuities			
Number of policies		85,330	86,530
GAAP annuity reserves	$	2,730,710	2,657,980
Immediate annuities			
Number of policies		12,540	12,510
GAAP annuity reserves	$	248,790	238,910
Total annuities			
Number of policies		123,300	119,760
GAAP annuity reserves	$	4,452,830	4,079,710

RESULTS OF OPERATIONS

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In addition, the Company regularly evaluates operating performance using non-GAAP financial measures which exclude or segregate derivatives and realized investment gains and losses from operating revenues and earnings. Similar measures are commonly used in the insurance industry in order to assess profitability and results from ongoing operations. The Company believes that the presentation of these non-GAAP financial measures enhances the understanding of the Company's results of operations by highlighting the results from ongoing operations and the underlying profitability factors of the Company's business. The Company excludes or segregates derivatives and realized investment gains and losses because such items are often the result of events which may or may not be at the Company's discretion and the fluctuating effects of these items could distort trends in the underlying profitability of the Company's business. Therefore, in the following sections discussing consolidated operations and segment operations appropriate reconciliations have been included to report information management considers useful in enhancing an understanding of the Company's operations to reportable GAAP reflected in the financial statements.

Consolidated Operations

Revenues: The following details Company revenues.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Traditional life and annuity premiums	$ 3,932	3,633	7,413	7,021
Universal life and annuity contract revenues	24,642	22,882	48,590	43,887
Net investment income excluding derivatives	81,966	76,661	158,634	147,756
Other income	2,319	2,476	4,552	4,607
Operating revenues	112,859	105,652	219,189	203,271
Derivative gains (losses)	(2,478)	(186)	(16,400)	1,200
Realized gains on investments	7,616	2,013	8,584	3,472
Total revenues	$ 117,997	107,479	211,373	207,943

Traditional life insurance premiums for products such as whole life and term life are recognized as revenues over the premium-paying period. These are product lines that the Company has not put as much of an emphasis on relative to interest sensitive products, particularly in its international life insurance operations. Revenues for universal life and annuity products consist of policy charges for the cost of insurance, administration charges, and surrender charges assessed against policyholder account balances. Product sales have remained consistent from 2004 to 2005 with the block of business in force, particularly international universal life products, growing steadily. This contributes to higher revenues in the form of cost of insurance charges which were $15.7 million in the second quarter of 2005 compared to $14.9 million in 2004, respectively. Six month figures were $31.2 million compared to $29.6 million for 2005 and 2004. Surrender charges assessed against policyholder account balances upon withdrawal increased to $7.0 million from $6.7 million for the three months ended June 30, 2005 and 2004 and to $13.1 million in the first six months of 2005 versus $11.4 million for the same time period in 2004.

A detail of net investment income is provided below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Gross investment income:				
Debt securities	$ 73,443	69,015	145,086	134,399
Mortgage loans	2,324	3,547	4,966	6,739
Policy loans	1,588	1,593	3,176	3,220
Other investment income	4,956	2,959	6,469	4,435
Total investment income	82,311	77,114	159,697	148,793
Investment expenses	345	453	1,063	1,037
Net investment income (excluding derivatives)	81,966	76,661	158,634	147,756
Derivative gains (losses)	(2,478)	(186)	(16,400)	1,200
Net investment income	$ 79,488	76,475	142,234	148,956

Net investable cash flow is primarily invested in investment grade debt securities, which represent 91% of the total investment income for the six months ended June 30, 2005. For the first six months ended June 30, investment income generated from mortgage loans has decreased 26% in 2005 compared to 2004 due to the decline in the mortgage loan portfolio caused by the low interest rate environment over the past several years. Interest rates have fallen below the Company's minimum rate required for mortgage loan funding and the current environment has also enduced pre-payment of loans. Despite the drop in interest rate levels, the Company still generated higher overall net investment earnings, excluding derivatives, due to higher levels of invested assets. Other investment income for the three months ended June 30, 2005, includes $2.3 million relating to a profit distribution received by The Westcap Corporation, a wholly owned subsidiary, from a joint venture investment. Derivative gains and losses fluctuate with the performance of the S&P 500® Composite Stock Price Index ("S&P 500 Index®").

Net investment income performance is analyzed excluding derivative income, which is a common practice in the insurance industry, in order to assess underlying profitability and results from ongoing operations. Net investment income performance is summarized as follows:

	Six Months Ended June 30,	
	2005	2004
	(In thousands except percentages)	
Excluding derivatives:		
Net investment income	$ 158,634	147,756
Average invested assets, at amortized cost	$ 5,101,518	4,556,932
Annual yield on average invested assets	6.22%	6.48%
Including derivatives:		
Net investment income	$ 142,234	148,956
Average invested assets, at amortized cost	$ 5,156,932	4,596,341
Annual yield on average invested assets	5.52%	6.48%

The yield, excluding derivatives, on average invested assets has declined from 6.48% for the six months ended June 30, 2004 to 6.22% for the first six months ended in 2005. This drop in yield is due to the overall interest rate declines in the market which result in the Company obtaining lower yields on new business investments.

Other income primarily pertains to the Company's operations involving a nursing home. Revenues associated with this operation were $2.2 million and $2.1 million for the three months ended June 30, 2005 and 2004, respectively, and $4.3 million and $4.1 million for the six months ended June 30, 2005 and 2004, respectively.

Index options are derivative financial instruments used to hedge the equity return component of the Company's equity-indexed products. Any gains or losses from the sale or expiration of the options, as well as period-to-period changes in fair values, are reflected as a component of net investment income. However, increases or decreases in income from these options are substantially offset by corresponding increases or decreases in amounts paid to equity-indexed policyholders.

		June 30, 2005	December 31, 2004	June 30, 2004	December 31, 2003
S&P 500 Index® performance:					
Period closing value	$	1,191	1,212	1,141	1,112
Daily average value	$	1,181	1,131	1,123	965
Derivative gains (losses)	$	(16,400)		1,200	

Index options lost value during 2005 as the S&P 500 Index® performance slowed over the previous year end value. The six months ending June 30, 2005 reported a loss of $16.4 million compared to a gain of $1.2 million for the six months ending June 30, 2004. The comparable three month amounts were losses of $2.5 million and $0.2 million for June 30, 2005 and 2004, respectively. Index options are intended to act as hedges to match closely the returns on the S&P 500 Index®. With an increase or decrease in this index, the index option values likewise increase or decrease. While income from index options decreased, the contract interest expense for the Company's equity-indexed products was also decreased.

Realized investment gains of $7.6 million and $2.0 million were recorded in the three months ended June 30, 2005 and 2004, respectively. The net gains recorded during 2005 resulted from sales of bond securities totaling $1.2 million and real estate sales of $6.5 million. Netted against the gains is an impairment writedown in the amount of $0.2 million resulting from a decrease in expected cash flows related to an asset-backed bond investment. The gains recorded during the three months ended June 30, 2004 are primarily from sales of bond securities amounting to $1.8 million, the release of a valuation allowance of $0.7 million, relating to a mortgage loan no longer impaired and the recognition of a realized gain on the sale of real estate totaling $0.2 million. No impairment writedowns were recorded in the first six months of 2004. Realized investment gains for the six months ended June 30, 2005 and 2004 totaled $8.6 million and $3.5 million, respectively.

Benefits and Expenses. The following details benefits and expenses.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Life and other policy benefits	$	9,432	7,505	20,660	16,909
Amortization of deferred policy acquisition costs		22,325	24,071	41,399	44,791
Universal life and annuity contract interest		39,172	42,824	66,527	80,503
Other operating expenses		11,098	3,766	22,141	14,201
Totals	$	82,027	78,166	150,727	156,404

Policy benefits increased in the second quarter of 2005 with the Company reporting $7.0 million of death claims compared to $5.2 million for the same three months ended in 2004. Six month figures reflected death claims of $16.8 million and $12.4 million for 2005 and 2004, respectively. The Company's mortality experience over the past several years has generally been consistent with its product pricing assumptions.

Life insurance companies are required to defer certain expenses associated with acquiring new business. The majority of these acquisition expenses consist of commissions paid to agents, underwriting costs, and certain marketing expenses and sales inducements. The Company defers sales inducements in the form of first year interest bonuses on annuity and universal life products that are directly related to the production of new business. These charges are deferred and amortized using the same methodology and assumptions used to amortize other capitalized acquisition costs and the amortization is included in contract interest. Recognition of these deferred policy acquisition costs in the financial statements is to occur over future periods in relation to the emergence of profits priced into the products sold. This emergence of profits is based upon assumptions regarding premium payment patterns, mortality, persistency, investment performance, and expense patterns. Companies are required to review these assumptions periodically to ascertain whether actual experience has deviated significantly from that assumed. If it is determined that a significant deviation has occurred, the emergence of profit patterns is to be "unlocked" and reset based upon the actual experience.

Amortization of deferred policy acquisition costs totaled $22.3 million for the three months ended June 30, 2005 compared to $24.1 million for the same three months ended in 2004. Six month figures reflected $41.4 million and $44.8 million for 2005 and 2004, respectively. The decrease in 2005 amortization is attributable to decreased gross profits in the current quarter and six months ended June 30, 2005 compared to the same period in 2004 relative to mortality experience as noted above. Amortization reflects the substantial increase in the Company's business over the past couple of years and increased gross profits due to the deferral of annuity sales inducements. The increase in international life sales has caused an increase in life insurance in force from $10.0 billion in 2001 to $14.0 billion at June 30, 2005. In addition, annuity sales activity has increased the number of active annuity contracts from 119,800 at June 30, 2004, to 123,300 at June 30, 2005. See additional discussions of amortization relative to the Company's lines of business included in the segment discussion following this section.

The Company closely monitors its credited interest rates on interest sensitive policies, taking into consideration such factors as profitability goals, policyholder benefits, product marketability, and economic market conditions. As market interest rates fluctuate, the Company's credited interest rates are often adjusted accordingly taking into consideration other factors as described above. Raising policy credited rates can typically have more immediate impact than higher market rates on the Company's investment portfolio yield, making it more difficult to maintain the current interest spread. The difference between yields earned over policy credited rates is often referred to as the interest spread.

The Company's approximated average credited rates are as follows:

	Six Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Excluding derivative products)		(Including derivative products)	
Annuity	3.33%	4.17%	2.43%	3.37%
Interest sensitive life	4.73%	4.83%	4.93%	3.34%

Contract interest also includes the performance of the equity-index component of the Company's derivative products. As previously noted, the recent market performance of these equity-index features for the six months ended June 30, 2005, decreased contract interest expenses while also decreasing the Company's investment income given the hedge nature of the options purchased for these products.

Other operating expenses consist of general administrative expenses, licenses and fees, commissions not subject to deferral, and expenses of operations involving a nursing home. The nursing home expenses were $1.9 million and $1.7 million for the second quarters of 2005 and 2004, respectively, and $3.8 million and $3.5 million in the first six months of 2005 and 2004, respectively. The three months ended June 30, 2004 reflect a reduction in expenses of $6.5 million due to the final payments of $3.2 million related to a lawsuit settlement which was previously accrued at $9.7 million.

Federal Income Taxes: Federal income taxes on earnings from continuing operations reflect effective tax rates of 33.5% and 33.4% for the first six months of 2005 and 2004, respectively. The three months ended June 30, 2005 and 2004 rates were 33.0% and 32.8%, respectively. The effective tax rate is lower than the Federal rate of 35% primarily due to tax-exempt investment income related to municipal securities and dividends-received deductions on income from stocks.

Segment Operations

Summary of Segment Earnings

A summary of segment earnings for the three months and six months ended June 30, 2005 and 2004 is provided below. The segment earnings exclude realized gains and losses on investments, net of taxes.

		Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
				(In thousands)		
Segment earnings:						
Three months ended:						
June 30, 2005	$	1,596	2,936	11,481	3,134	19,147
June 30, 2004	$	1,345	2,633	12,501	1,924	18,403
Six months ended:						
June 30, 2005	$	2,127	5,925	22,874	3,794	34,720
June 30, 2004	$	1,840	4,675	23,013	2,543	32,071

Domestic Life Insurance Operations

A comparative analysis of results of operations for the Company's domestic life insurance segment is detailed below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Premiums and other revenue:				
Premiums and contract revenues	$ 6,035	5,635	12,116	11,208
Net investment income	4,849	4,982	9,827	10,009
Other income	8	2	16	5
Total premiums and other revenue	10,892	10,619	21,959	21,222
Benefits and expenses:				
Life and other policy benefits	3,610	2,601	8,270	6,724
Amortization of deferred policy acquisition costs	614	1,934	1,832	3,189
Universal life insurance contract interest	2,188	2,073	4,369	4,289
Other operating expenses	2,099	1,998	4,299	4,262
Total benefits and expenses	8,511	8,606	18,770	18,464
Segment earnings before Federal income taxes	2,381	2,013	3,189	2,758
Provision for Federal income taxes	785	668	1,062	918
Segment earnings	$ 1,596	1,345	2,127	1,840

Revenues from domestic life insurance operations include life insurance premiums on traditional type products and revenues from universal life insurance. Revenues from traditional products are simply premiums collected, while revenues from universal life insurance consist of policy charges for the cost of insurance, policy administration fees, and surrender charges assessed during the period. A comparative detail of premiums and contract revenues is provided below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Universal life insurance revenues	$ 4,316	4,099	8,903	8,163
Traditional life insurance premiums	1,926	1,971	3,689	3,836
Reinsurance premiums	(207)	(435)	(476)	(791)
Totals	$ 6,035	5,635	12,116	11,208

Premiums collected on universal life products are not reflected as revenues in the Company's statements of earnings in accordance with GAAP. Actual universal life premiums collected are detailed below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Universal life insurance:				
First year and single premiums	$ 3,523	2,220	7,389	3,837
Renewal premiums	3,552	3,592	7,316	7,370
Totals	$ 7,075	5,812	14,705	11,207

The domestic life segment reported earnings of $2.1 million for the first six months of 2005 compared to $1.8 million for the same period in 2004. The three months ended June 30, 2005 and 2004 reflected earnings of $1.6 million and $1.3 million, respectively. Policy benefits for the three months ended June 30, 2005 and 2004 were $3.6 million and $2.6 million while six month figures were $8.3 million and $6.7 million, respectively. Amortization costs were $0.6 million and $1.9 million for the three months and $1.8 million and $3.2 million for the six months ended June 30, 2005 and 2004, respectively. Other operating expenses were $2.1 million in the three months ended June 30, 2005 compared to $1.9 million in 2004. The face amount of domestic life insurance in force has declined from $2.6 billion at June 30, 2004 to $2.4 billion at June 30, 2005.

International Life Insurance Operations

A comparative analysis of results of operations for the Company's international life insurance segment is detailed below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Premiums and other revenue:					
Premiums and contract revenues	$	17,305	16,174	34,342	32,299
Net investment income		5,752	5,316	11,090	10,957
Other income		18	-	32	-
Total premiums and other revenue		23,075	21,490	45,464	43,256
Benefits and expenses:					
Life and other policy benefits		5,068	3,986	11,051	8,772
Amortization of deferred policy acquisition costs		5,931	6,126	10,845	12,502
Universal life insurance contract interest		4,971	4,666	8,583	9,095
Other operating expenses		2,772	2,816	6,101	5,881
Total benefits and expenses		18,742	17,594	36,580	36,250
Segment earnings before Federal income taxes		4,333	3,896	8,884	7,006
Provision for Federal income taxes		1,397	1,263	2,959	2,331
Segment earnings	$	2,936	2,633	5,925	4,675

As with domestic operations, revenues from the international life insurance segment include both premiums on traditional type products and revenues from universal life insurance. A comparative detail of premiums and contract revenues is provided below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Universal life insurance revenues	$	17,662	16,642	35,063	33,031
Traditional life insurance premiums		2,413	2,000	4,474	3,807
Reinsurance premiums		(2,770)	(2,468)	(5,195)	(4,539)
Totals	$	17,305	16,174	34,342	32,299

International operations have emphasized universal life policies over traditional life insurance products. Premiums collected on universal life products are not reflected as revenues in the Company's statements of earnings in accordance with GAAP. Actual universal life premiums collected are detailed below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Universal life insurance:					
First year and single premiums	$	8,190	9,259	15,696	16,974
Renewal premiums		17,230	14,622	32,493	27,592
Totals	$	25,420	23,881	48,189	44,566

The Company's international life operations have been a significant part of the Company's business as evidenced by the growth in collected premiums. The Company reported increased sales of equity-indexed universal life products for international life operations with collected premiums approximating $20.9 million and $16.1 million for the six months ended 2005 and 2004, respectively. The first three and six months of 2005 reflected increased policy benefits of $5.1 million and $11.1 million compared to $4.0 million and $8.8 million for the same periods in 2004; however, policy benefits are prone to variation from reporting period to reporting period and are not necessarily indicative of a trend.

A detail of net investment income for international life insurance operations is provided below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Net investment income (excluding derivatives)	$	5,860	5,651	11,693	11,342
Derivative losses		(108)	(335)	(603)	(385)
Net investment income	$	5,752	5,316	11,090	10,957

Net investment income excluding derivatives increased slightly in the three months ended June 30 and the first six months of 2005 compared to 2004 resulting from greater investment balances associated with the Company's growth in business.

As the international life insurance in force continues to grow, the Company anticipates operating earnings to similarly increase. The amount of international life insurance in force has grown from $10.7 billion at June 30, 2004, to $11.6 billion at June 30, 2005.

Annuity Operations

The Company's annuity operations are almost exclusively in the United States. Although some of the Company's annuities and investment contracts are available to international residents, such sales are currently small relative to total annuity sales. A comparative analysis of results of operations for the Company's annuity segment is detailed below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Premiums and other revenue:				
Premiums and contract revenues	$ 5,234	4,706	9,545	7,401
Net investment income	64,487	63,645	116,158	124,811
Other income	95	403	182	458
Total premiums and other revenue	69,816	68,754	125,885	132,670
Benefits and expenses:				
Policy benefits	754	918	1,339	1,413
Amortization of deferred policy acquisition costs	15,780	16,011	28,722	29,100
Annuity contract interest	32,013	36,085	53,575	67,119
Other operating expenses	4,313	(2,780)	7,950	546
Total benefits and expenses	52,860	50,234	91,586	98,178
Segment earnings before Federal income taxes	16,956	18,520	34,299	34,492
Provision for Federal income taxes	5,475	6,019	11,425	11,479
Segment earnings	$ 11,481	12,501	22,874	23,013

Revenues from annuity operations include primarily surrender charges and recognition of deferred revenues relating to immediate or payout annuities. A comparative detail of the components of premiums and annuity contract revenues is provided below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Surrender charges	$ 4,408	3,994	7,895	5,966
Payout annuity and other revenues	817	702	1,633	1,417
Traditional annuity premiums	9	10	17	18
Totals	$ 5,234	4,706	9,545	7,401

Deposits collected on annuity contracts are not reflected as revenues in the Company's statements of earnings in accordance with GAAP. Annuity deposits have decreased in the current year relative to the prior year as equity-indexed and other deferred annuities sales have declined from the sales levels of 2004 in conjunction with uncertainty in market interest rate direction. Actual annuity deposits collected for the three months and six months ended June 30, 2005 and 2004 are detailed below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Equity-indexed annuities	$	84,239	158,990	159,088	316,029
Other deferred annuities		56,752	94,911	116,549	195,363
Immediate annuities		8,500	5,986	15,019	16,671
Totals	$	149,491	259,887	290,656	528,063

Equity-indexed products sales typically follow the stock market in that sales are higher when confidence is high in the stock market and lower if the stock market is showing poor performance. Sales of these products decreased 47% during the quarter ended June 30, 2005 compared to the three months ended June 30, 2004. Six month figures are down 50% in 2005 compared to 2004. Since the Company does not offer variable products or mutual funds, these equity-indexed products provide an interest crediting alternative to the Company's other fixed rate annuity products.

Other deferred annuity deposits decreased during the three and six months ended June 30, 2005 versus June 30, 2004 with $56.8 million and $116.5 million collected in 2005 as compared to $94.9 million and $195.4 million in 2004, respectively. As a selling inducement, many of the deferred products include a first year interest bonus in addition to a base interest rate. These bonus rates are deferred in conjunction with other capitalized policy acquisition costs. The amount deferred and amortized over future periods amounted to approximately $6.3 million and $7.9 million during the three months ended June 30, 2005 and 2004, respectively. Six month figures totaled $10.3 million and $16.3 million for 2005 and 2004, respectively. The 2004 figures reflected a significant increase in fixed annuity sales experienced by the Company that began in 2003. The lower sales level in 2005 reflects investor preferences resulting from the continued low interest rate environment and the Company managing its business growth levels.

A detail of net investment income for annuity operations is provided below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Net investment income (excluding derivatives)	$	66,857	63,536	131,955	123,226
Derivative gains (losses)		(2,370)	109	(15,797)	1,585
Net investment income	$	64,487	63,645	116,158	124,811

Net investment income excluding derivatives increased from $123.2 million to $132.0 million for the six months ended June 30, 2004 and 2005, respectively, due to the increase in the segment asset portfolio relating to new business. Derivative gains and losses fluctuate from period to period based on the S&P 500 Index® performance.

The Company is required to periodically adjust deferred policy acquisition amortization factors for actual experience that varies from assumptions. Amortization for the quarter ended June 30, 2005 was $15.8 million compared to $16.0 million for the three months ended June 30, 2004. Six month comparable amounts were $28.7 million and $29.1 million for June 30, 2005 and 2004, respectively. Increased amortization in 2004 is due in part to increased gross profits in 2004. Such increased gross profits resulted from greater spreads on interest sensitive annuity products, higher capital gains in the first six months of 2004 as well as reductions in credited rates over the same period.

Annuity contract interest includes the equity component return associated with the Company's equity-indexed annuities. Reported in the three month figures ended June 30, 2004 is an increase in contract interest of $2.3 million resulting from increasing certain contractholder account balances as part of a settlement relating to a lawsuit. Bonus interest deferred and capitalized is dependent on product sales and can fluctuate from period to period. The detail of equity-index annuity contract interest compared to contract interest for all other annuities is as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Equity-indexed annuities	$	11,712	5,962	7,109	11,412
All other annuities		25,030	36,227	53,758	68,949
Gross contract interest		36,742	42,189	60,867	80,361
Bonus interest deferred and capitalized		(6,253)	(7,873)	(10,322)	(16,305)
Bonus interest amortization		1,524	1,769	3,030	3,063
Total contract interest	$	32,013	36,085	53,575	67,119

Other operating expenses in the three and six months ended June 30, 2004 reflect a $6.5 million lawsuit settlement reduction representing the difference of $9.7 million accrued in 2003 versus actual settlement payments made of $3.2 million in 2004.

Other Operations

National Western's primary business encompasses its domestic and international life insurance operations and its annuity operations. However, National Western also has small real estate, nursing home, and other investment operations through its wholly owned subsidiaries. Other Operations includes net investment income for the three months ended June 30, 2005 of $2.3 million relating to a profit distribution received from a joint venture investment. Nursing home operations generated $0.5 million and $0.6 million of operating earnings in the first six months of 2005 and 2004, respectively.

INVESTMENTS

General

The Company's investment philosophy emphasizes the prudent handling of policyowners' and stockholders' funds to achieve security of principal, to obtain the maximum possible yield while maintaining security of principal, and to maintain liquidity in a measure consistent with current and long-term requirements of the Company.

The Company's overall conservative investment philosophy is reflected in the allocation of its investments, which is detailed below as of June 30, 2005 and December 31, 2004. The Company emphasizes investment grade debt securities, with smaller holdings in mortgage loans and policy loans.

	Composition of Investments					
	June 30, 2005			December 31, 2004		
		Amount (In thousands)	%		Amount (In thousands)	%
Debt securities	$	5,076,350	94.5	$	4,889,330	93.8
Mortgage loans		116,747	2.2		124,712	2.4
Policy loans		86,877	1.6		88,448	1.7
Derivatives		35,873	0.7		42,156	0.8
Equity securities		20,126	0.4		20,051	0.4
Real estate		13,794	0.2		17,224	0.3
Other		21,342	0.4		28,478	0.6
Totals	$	5,371,109	100.0	$	5,210,399	100.0

Debt and Equity Securities

The Company maintains a diversified portfolio which consists primarily of corporate, mortgage-backed, and public utilities fixed income securities. Investments in mortgage-backed securities include primarily U.S. government agency pass-through securities and collateralized mortgage obligations ("CMOs"). As of June 30, 2005 and December 31, 2004, the Company's debt securities portfolio consisted of the following:

	Composition of Debt Securities					
	June 30, 2005			December 31, 2004		
		Amount (In thousands)	%		Amount (In thousands)	%
Corporate	$	2,253,384	44.4	$	2,208,003	45.2
Mortgage-backed securities		1,656,282	32.6		1,558,566	31.9
Public utilities		664,667	13.1		627,706	12.8
U.S. government/agencies		247,078	4.9		219,845	4.5
Asset-backed securities		178,358	3.5		201,347	4.1
States & political subdivisions		44,967	0.9		42,335	0.9
Foreign governments		31,614	0.6		31,528	0.6
Totals	$	5,076,350	100.0	$	4,889,330	100.0

The Company's investment guidelines prescribe limitations as a percent of the total investment portfolio by type of security and all holdings were within these threshold limits at June 30, 2005. The Company has expanded its holdings of corporate and mortgage-backed securities given attractive yields and spreads. Because the Company's holdings of mortgage-backed securities are subject to prepayment and extension risk, the Company has substantially reduced these risks by investing primarily in collateralized mortgage obligations, which have more predictable cash flow patterns than pass-through securities. These securities, known as planned amortization class I ("PAC I") and sequential tranches are designed to amortize in a more predictable manner than other CMO classes or pass-throughs. Using this strategy, the Company can more effectively manage and reduce prepayment and extension risks, thereby helping to maintain the appropriate matching of the Company's assets and liabilities.

In addition to diversification, an important aspect of the Company's investment approach is managing the credit quality of its investments in debt securities. Thorough credit analysis is performed on potential corporate investments including examination of a company's credit and industry outlook, financial ratios and trends, and event risks. This emphasis is reflected in the high average credit rating of the Company's portfolio. In the table below, investments in debt securities are classified according to credit ratings by Standard and Poors ("S&P®"), or other nationally recognized statistical rating organizations if securities were not rated by S&P®.

	June 30, 2005		December 31, 2004	
	Amount (In thousands)	%	Amount (In thousands)	%
AAA and U.S. government	$ 2,162,120	42.6	$ 2,028,055	41.5
AA	197,320	3.9	179,397	3.7
A	1,357,242	26.7	1,383,176	28.3
BBB	1,211,519	23.9	1,160,772	23.7
BB and other below investment grade	148,149	2.9	137,930	2.8
Totals	$ 5,076,350	100.0	$ 4,889,330	100.0

The Company does not purchase below investment grade securities. Investments held in debt securities below investment grade are the result of subsequent downgrades of the securities. During the first six months of 2005, the Company's percentage of below investment grade securities increased as a percentage of invested assets. The increase in carrying value at June 30, 2005 is a result of two issuer downgrades. Overall, the Company's holdings of below investment grade securities are lower than industry averages and are a small percentage of total invested assets. These holdings are summarized below.

	Below Investment Grade Debt Securities			
	Amortized Cost	Carrying Value	Estimated Fair Value	% of Invested Assets
	(In thousands except percentages)			
June 30, 2005	$ 146,350	148,149	146,848	2.8%
December 31, 2004	$ 132,617	137,930	137,503	2.6%
December 31, 2003	$ 162,237	165,298	164,531	3.6%

Impairment writedowns totaling $0.4 million were recognized in the first six months of 2005. No impairment writedowns were recorded during the first six months of 2004. The writedowns resulted from an additional impairment on one issuer due to continued market value decline reported in the first quarter of 2005 in the amount of $0.2 million and $0.2 million recorded in the three months ended June 30, 2005 due to impairment recognition of an asset-backed security.

The Company is closely monitoring its other below investment grade holdings. While losses are not currently anticipated based on the existing status and condition of these securities, continued credit deterioration of some securities is possible, which may result in further writedowns. Holdings in below investment grade securities by category are summarized below.

Below Investment Grade Debt Securities as of June 30, 2005

Investment Category		Amortized Cost	Carrying Value	Fair Value
			(In thousands)	
Utilities/Energy	$	40,225	42,259	42,778
Manufacturing		26,282	24,150	24,150
Retail		23,438	24,340	24,340
Transportation		13,030	14,020	14,020
Auto finance		11,201	10,899	10,230
Telecommunications		9,992	9,350	9,350
CBO/Asset-backed		9,533	10,586	9,149
Healthcare		4,985	5,147	5,147
Other		7,664	7,398	7,684
Totals	$	146,350	148,149	146,848

The Company is required to classify its investments in debt and equity securities into one of three categories: (a) trading securities, (b) securities available for sale, or (c) securities held to maturity. The Company purchases securities with the intent to hold to maturity and accordingly does not maintain a portfolio of trading securities. Of the remaining two categories, available for sale and held to maturity, the Company makes a determination based on various factors including the type and quality of the particular security and how it will be incorporated into the Company's overall asset/liability management strategy.

As shown in the table below, at June 30, 2005, approximately 33% of the Company's total debt and equity securities, based on fair values, were classified as securities available for sale. These holdings provide the Company flexibility to react to market opportunities and conditions and to practice active management within the portfolio to provide adequate liquidity to meet policyholder obligations and other cash needs.

		Fair Value	Amortized Cost	Net Unrealized Gains
			(In thousands)	
Securities held to maturity:				
Debt securities	$	3,500,619	3,392,075	108,544
Securities available for sale:				
Debt securities		1,684,275	1,621,805	62,470
Equity securities		20,126	12,685	7,441
Totals	$	5,205,020	5,026,565	178,455

In accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the Company may under certain conditions transfer a debt security from held to maturity to available for sale. No securities were transferred during the three or six months ended June 30, 2005 or 2004.

Proceeds from sales of securities available for sale totaled $9.6 million and $15.4 million which resulted in realized gains of $0.5 million and $1.1 million during the second quarter of 2005 and 2004, respectively. For the six months ended June 30, 2005 and 2004, respectively, proceeds from sales of securities available for sale totaled $11.9 million and $18.9 million. These sales resulted in realized gains of $1.0 million for both 2005 and 2004. During the first six months of 2005, two securities were sold from the held to maturity portfolio due to credit deterioration with amortized cost of $10.0 million resulting in a realized gain of $0.9 million. During the first six months of 2004, two bonds were sold from the held to maturity portfolio due to credit deterioration with amortized book value of $8.0 million with the sales resulting in realized gains of $0.7 million.

Mortgage Loans and Real Estate

In general, the Company originates loans on high quality, income-producing properties such as shopping centers, freestanding retail stores, office buildings, industrial and sales or service facilities, selected apartment buildings, hotels, and health care facilities. The location of these loans is typically in major metropolitan areas that offer a potential for property value appreciation. Credit and default risk is minimized through strict underwriting guidelines and diversification of underlying property types and geographic locations. In addition to being secured by the property, mortgage loans with leases on the underlying property are often guaranteed by the lessee. This approach has proven to result in higher quality mortgage loans with fewer defaults.

The Company's direct investments in real estate are not a significant portion of its total investment portfolio as many of these investments were acquired through mortgage loan foreclosures. The Company also participates in several real estate joint ventures and limited partnerships that invest primarily in income-producing retail properties. These investments have enhanced the Company's overall investment portfolio returns.

The Company held net investments in mortgage loans totaling $116.7 million and $124.7 million at June 30, 2005 and December 31, 2004, respectively. The diversification of the portfolio by geographic region and by property type was as follows:

	June 30, 2005			December 31, 2004	
Geographic Region:		Amount (In thousands)	%	Amount (In thousands)	%
West South Central	$	69,812	59.8	$ 74,765	59.9
Mountain		16,062	13.7	19,020	15.3
Pacific		11,651	10.0	11,954	9.6
South Atlantic		5,934	5.1	5,284	4.2
East South Central		2,987	2.6	3,686	3.0
All other		10,301	8.8	10,003	8.0
Totals	$	116,747	100.0	$ 124,712	100.0

	June 30, 2005			December 31, 2004	
Property Type:		Amount (In thousands)	%	Amount (In thousands)	%
Retail	$	80,326	68.8	$ 87,941	70.5
Office		23,016	19.7	24,740	19.8
Hotel/Motel		6,864	5.9	4,974	4.0
Land/Lots		6,502	5.6	7,017	5.6
All other		39	-	40	0.1
Totals	$	116,747	100.0	$ 124,712	100.0

The Company does not recognize interest income on impaired loans which is deemed to be uncollectible. There was no interest income unrecognized at June 30, 2005 and 2004. As of December 31, 2004, the allowance for possible losses on mortgage loans was $0.4 million. During the first quarter of 2005, this allowance was released due to the sale of the impaired loan for which the allowance had been established.

The Company's real estate investments totaled approximately $13.7 million and $17.2 million at June 30, 2005 and December 31, 2004, respectively, and consist primarily of income-producing properties which are being operated by a wholly owned subsidiary of the Company. The Company recognized operating income on these properties of approximately $0.6 million and $0.9 million for the six months ended June 30, 2005 and 2004, respectively. Properties with a carrying value of $3.3 million were sold during the three months ended June 30, 2005, resulting in a realized gain of $6.5 million. The Company monitors the conditions and market values of these properties on a regular basis and makes repairs and capital improvements to keep the properties in good condition. There were no writedowns in the first six months of 2005 or 2004 associated with these properties.

Market Risk

Market risk is the risk of change in market values of financial instruments due to changes in interest rates, currency exchange rates, commodity prices, or equity prices. The most significant market risk exposure for National Western is interest rate risk. The fair values of fixed income debt securities correlate to external market interest rate conditions. Because interest rates are fixed on almost all of the Company's debt securities, market values typically increase when market interest rates decline, and decrease when market interest rates rise. However, market values may fluctuate for other reasons, such as changing economic conditions or increasing event-risk concerns.

The correlation between fair values and interest rates for debt securities is reflected in the tables below.

		June 30, 2005	March 31, 2005	December 31, 2004
		(In thousands except percentages)		
Debt securities - fair value	$	5,184,894	5,027,351	4,982,308
Debt securities - amortized cost	$	5,013,880	4,958,664	4,829,091
Fair value as a percentage of amortized cost		103.41 %	101.39 %	103.17 %
Unrealized gains	$	171,014	68,687	153,217
Ten-year U.S. Treasury bond - increase (decrease) in yield for the quarter		(0.57)%	0.10 %	

		Unrealized Gain Balance				
		At June 30, 2005	At March 31, 2005	At December 31, 2004	Qtr Change in Unrealized Gains	YTD Change in Unrealized Gains
Debt securities held to maturity	$	108,544	40,664	92,978	67,880	15,566
Debt securities available for sale		62,470	28,023	60,239	34,447	2,231
Totals	$	171,014	68,687	153,217	102,327	17,797

Changes in interest rates typically have a significant impact on the fair values of the Company's debt securities. Market interest rates of the ten-year U.S. Treasury bond during the quarter decreased approximately 57 basis points from March 31, 2005. The change in interest rate level caused an increase in unrealized gains of $102.3 million on a portfolio of approximately $5.2 billion. The Company would expect similar results in the future from any significant upward or downward movement in market rates. However, since the majority of the Company's debt securities are classified as held to maturity, which are recorded at amortized cost, changes in fair values have relatively small effects on the Company's balance sheet.

The Company manages interest rate risk through ongoing cash flow testing required for insurance regulatory purposes. Computer models are used to perform cash flow testing under various commonly used stress test interest rate scenarios to determine if existing assets would be sufficient to meet projected liability outflows. Sensitivity analysis allows the Company to measure the potential gain or loss in fair value of its interest-sensitive instruments and to protect its economic value and achieve a predictable spread between what is earned on invested assets and what is paid on liabilities. The Company seeks to minimize the impact of interest risk through surrender charges that are imposed to discourage policy surrenders. Interest rate changes can be anticipated in the computer models and the corresponding risk addressed by management actions affecting asset and liability instruments. However, potential changes in the values of financial instruments indicated by hypothetical interest rate changes will likely be different from actual changes experienced, and the differences could be significant.

The Company performed a detailed sensitivity analysis as of December 31, 2004, for its interest rate-sensitive assets and liabilities. The changes in market values of the Company's debt securities in the second quarter of 2005 were reasonable given the expected range of results of this analysis.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Liquidity requirements are met primarily by funds provided from operations. Premium deposits and revenues, investment income, and investment maturities are the primary sources of funds while investment purchases, policy benefits, and operating expenses are the primary uses of funds. Although the Company historically has not been put in the position of liquidating invested assets to provide cash flow, its investments consist primarily of marketable debt securities that could be readily converted to cash for liquidity needs. The Company may also borrow up to $40 million on its bank line of credit for short-term cash needs.

A primary liquidity concern for life insurers is the risk of an extraordinary level of early policyholder withdrawals. The Company includes provisions within its annuity and universal life insurance policies, such as surrender charges, that help limit and discourage early withdrawals.

The actual amounts paid by product line in connection with surrenders and withdrawals for the quarters ended June 30 are noted in the table below.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2005	2004	2005	2004
		(In thousands)			
Product Line:					
Traditional Life	$	1,303	1,612	2,649	3,506
Universal Life		7,188	7,963	14,695	14,185
Annuities		83,728	82,379	156,106	152,506
Total	$	92,219	91,954	173,450	170,197

The above contractual withdrawals, as well as the level of surrenders experienced, were consistent with the Company's assumptions in asset-liability management, and the associated cash outflows did not have an adverse impact on overall liquidity. Individual life insurance policies are less susceptible to withdrawal than annuity reserves and deposit liabilities because policyholders may incur surrender charges and undergo a new underwriting process in order to obtain a new insurance policy. Cash flow projections and tests under various market interest rate scenarios are also performed to assist in evaluating liquidity needs and adequacy. The Company currently expects available liquidity sources and future cash flows to be more than adequate to meet the demand for funds.

In the past, cash flows from the Company's insurance operations have been sufficient to meet current needs. Cash flows from operating activities were $77.7 million and $47.6 million for the six months ended June 30, 2005 and 2004, respectively. The Company also has significant cash flows from both scheduled and unscheduled investment security maturities, redemptions, and prepayments. These cash flows totaled $242.2 million and $231.2 million for the six months ended June 30, 2005 and 2004, respectively. These cash flow items could be reduced if interest rates rise. Net cash inflows from the Company's universal life and investment annuity deposit product operations totaled $109.9 million and $326.8 million during the six months ended June 30, 2005 and 2004, respectively.

Capital Resources

The Company relies on stockholders' equity for its capital resources as there is no long-term debt outstanding and the Company does not anticipate the need for any long-term debt in the near future. There are also no current or anticipated material commitments for capital expenditures in 2005.

CHANGES IN ACCOUNTING PRINCIPLES AND CRITICAL ACCOUNTING POLICIES

Changes in Accounting Principles

Refer to Note 2 of the Notes to Condensed Consolidated Financial Statements.

Critical Accounting Policies

Accounting policies discussed below are those considered critical to an understanding of the Company's financial statements.

Impairment of Investment Securities. The Company's accounting policy requires that a decline in the value of a security below its amortized cost basis be evaluated to determine if the decline is other-than-temporary. The primary factors considered in evaluating whether a decline in value for fixed income and equity securities is other-than-temporary include: (a) the length of time and the extent to which the fair value has been less than cost, (b) the financial conditions and near-term prospects of the issuer, (c) whether the debtor is current on contractually obligated principal and interest payments, and (d) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery. In addition, certain securitized financial assets with contractual cash flows are evaluated periodically by the Company to update the estimated cash flows over the life of the security. If the Company determines that the fair value of the securitized financial asset is less than its carrying amount and there has been a decrease in the present value of the estimated cash flows since the previous estimate, then an other-than-temporary impairment charge is recognized. When a security is deemed to be impaired a charge is recorded as a net realized loss equal to the difference between the fair value and amortized cost basis of the security. Once an impairment charge has been recorded, the fair value of the impaired investment becomes its new cost basis and the Company continues to review the other-than-temporarily impaired security for appropriate valuation on an ongoing basis. Under accounting principles generally accepted in the United States of America, the Company is not permitted to increase the basis of impaired securities for subsequent recoveries in value.

As of June 30, 2005, the Company held debt securities with an outstanding balance of $14.5 million and a carrying value of $14.1 million accounted for in accordance with Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* ("SOP 03-3"). The corresponding balances reflected as of March 31, 2005 were $12.9 million and $12.6 million, respectively. During the quarter ended June 30, 2005, an impairment of $0.2 million was recorded related to one debt security. The Company does not purchase securities meeting the requirements of this SOP 03-3 at the time of purchase; however, securities that have credit deterioration subsequent to purchase may require reporting under this accounting standard.

Deferred Acquisition Costs ("DAC"). The Company is required to defer certain policy acquisition costs and amortize them over future periods. These costs include commissions and certain other expenses that vary with and are primarily associated with acquiring new business. The deferred costs are recorded as an asset commonly referred to as deferred policy acquisition costs. The DAC asset balance is subsequently charged to income over the lives of the underlying contracts in relation to the anticipated emergence of revenue or profits. Actual revenue or profits can vary from Company estimates resulting in increases or decreases in the rate of amortization. The Company regularly evaluates to determine if actual experience or other evidence suggests that earlier estimates should be revised. Assumptions considered significant include surrender and lapse rates, mortality, expense levels, investment performance, and estimated interest spread. Should actual experience dictate that the Company change its assumptions regarding the emergence of future revenues or profits (commonly referred to as "unlocking"), the Company would record a charge or credit to bring its DAC balance to the level it would have been if using the new assumptions from the inception date of each policy.

DAC is also subject to periodic recoverability and loss recognition testing. These tests ensure that the present value of future contract-related cash flows will support the capitalized DAC balance to be amortized in the future. The present value of these cash flows, less the benefit reserve, is compared with the unamortized DAC balance and if the DAC balance is greater, the deficiency is charged to expense as a component of amortization and the asset balance is reduced to the recoverable amount.

Deferred Sales Inducements. Costs related to sales inducements offered on sales to new customers, principally on investment type contracts and primarily in the form of additional credits to the customer's account value or enhancements to interest credited for a specified period, which are beyond amounts currently being credited to existing contracts, are deferred and recorded as other assets. All other sales inducements are expensed as incurred and included in interest credited to contract holders' funds. Deferred sales inducements are amortized to income using the same methodology and assumptions as DAC, and are included in interest credited to contract holders' funds. Deferred sales inducements are periodically reviewed for recoverability.

Future Policy Benefits. Because of the long-term nature of insurance contracts, the Company is liable for policy benefit payments many years into the future. The liability for future policy benefits represents estimates of the present value of the Company's expected benefit payments, net of the related present value of future net premium collections. For traditional life insurance contracts, this is determined by standard actuarial procedures, using assumptions as to mortality (life expectancy), morbidity (health expectancy), persistency, and interest rates, which are based on the Company's experience with similar products. The assumptions used are those considered to be appropriate at the time the policies are issued. An additional provision is made on most products to allow for possible adverse deviation from the assumptions assumed. For universal life and annuity products, the Company's liability is the amount of the contract's account balance. Account balances are also subject to minimum liability calculations as a result of minimum guaranteed interest rates in the policies. While management and Company actuaries have used their best judgment in determining the assumptions and in calculating the liability for future policy benefits, there is no assurance that the estimate of the liabilities reflected in the financial statements represents the Company's ultimate obligation. In addition, significantly different assumptions could result in materially different reported amounts.

Revenue Recognition. Premium income for the Company's traditional life insurance contracts is generally recognized as the premium becomes due from policyholders. For annuity and universal life contracts, the amounts collected from policyholders are considered deposits and are not included in revenue. For these contracts, fee income consists of policy charges for policy administration, cost of insurance charges and surrender charges assessed against policyholders' account balances which are recognized in the period the services are provided.

Investment activities of the Company are integral to its insurance operations. Since life insurance benefits may not be paid until many years into the future, the accumulation of cash flows from premium receipts are invested with income reported as revenue when earned. Anticipated yields on investments are reflected in premium rates, contract liabilities, and other product contract features. These anticipated yields are implied in the interest required on the Company's net insurance liabilities (future policy benefits less deferred acquisition costs) and contractual interest obligations in its insurance and annuity products. The Company benefits to the extent actual net investment income exceeds the required interest on net insurance liabilities and manages the rates it credits on its products to maintain the targeted excess or "spread" of investment earnings over interest credited. The Company will continue to be required to provide for future contractual obligations in the event of a decline in investment yield. For more information concerning revenue recognition, investment accounting, and interest sensitivity, please refer to Note 1, Summary of Significant Accounting Policies, and Note 3, Investments, in the Notes to Consolidated Financial Statements and the discussions under Investments in Item 7 of this report.

Pension Plans and Other Postretirement Benefits. The Company sponsors a qualified defined benefit pension plan covering substantially all full-time employees and a nonqualified defined benefit plan primarily for senior officers. In addition, the Company also has postretirement health care benefits for certain senior officers. In accordance with prescribed accounting standards, the Company annually reviews plan asssumptions.

Pension benefit plan assumptions include the discount rate, the expected long-term rate of return on plan assets, and the compensation increase rate. The assumed discount rate is set based on the rates of return on high quality long-term fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. The assumed long-term rate of return on plan assets is generally set at the rate expected to be earned based on long-term investment policy of the plans and the various classes of the invested funds. The compensation rate increase assumption is generally set at a rate consistent with current and expected long-term compensation and salary policy, including inflation. These assumptions involve uncertainties and judgment and therefore actual performance may not be reflective of the assumptions.

Other postretirement benefit assumptions include future events affecting retirement age, mortality, dependency status, per capita claims costs by age, health care trend rates, and discount rates. Per capita claims cost by age is the current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan. Health care trend rates involve assumptions about the annual rate(s) of change in the cost of health care benefits currently provided by the plan, due to factors other than changes in the composition of the plan population by age and dependency status. These rates implicitly consider estimates of health care inflation, changes in utilization, technological advances and changes in health status of the participants. These assumptions involve uncertainties and judgment, and therefore actual performance may not be reflective of the assumptions.

Other significant accounting policies, although not involving the same level of measurement uncertainties as those discussed above but nonetheless important to an understanding of the financial statements, are described in the Company's annual report on Form 10-K for the year ended December 31, 2004.

REGULATORY AND OTHER ISSUES

Statutory Accounting Practices

Regulations that affect the Company and the insurance industry are often the result of efforts by the National Association of Insurance Commissioners ("NAIC"). The NAIC routinely publishes new regulations as model acts or laws which states subsequently adopt as part of their insurance regulations. Currently, the Company is not aware of any other NAIC regulatory matter material to its operations or reporting of financial results.

Risk-Based Capital Requirements

The NAIC established risk-based capital ("RBC") requirements to help state regulators monitor the financial strength and stability of life insurers by identifying those companies that may be inadequately capitalized. Under the NAIC's requirements, each insurer must maintain its total capital above a calculated threshold or take corrective measures to achieve the threshold. The threshold of adequate capital is based on a formula that takes into account the amount of risk each company faces on its products and investments. The RBC formula takes into consideration four major areas of risk which are: (i) asset risk which primarily focuses on the quality of investments; (ii) insurance risk which encompasses mortality and morbidity risk; (iii) interest rate risk which involves asset/liability matching issues; and (iv) other business risks. Statutory laws prohibit public dissemination of certain RBC information. However, the Company's current statutory capital and surplus is significantly in excess of the threshold RBC requirements.

Disclosure Matters

Recent business events have called into question other companies' activities and transactions which are not regularly disclosed in a SEC registrant's Annual Report and are not readily apparent from the financial statements. These include the use of unconsolidated entities, off-balance sheet arrangements and other transactions not conducted at arm's-length. The Company's consolidated financial statements include all subsidiaries and related operations and the Company does not utilize relationships with unconsolidated entities that facilitate the transfer of or access to assets such as "structured finance" or "special purpose" entities. Accordingly, the Company does not rely on off-balance sheet arrangements for financing, liquidity, or market or credit risk support which would expose the Company to liabilities not reflected on the face of its consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Investments section.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Finanical Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under The Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially effect the company's internal control over financial reporting. There have been no significant changes made in internal controls or in other factors that could significantly affect internal controls subsequent to the date of evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 7 "Legal Proceedings" of the accompanying financial statements included in this Form 10-Q.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 24, 2005, the stockholders voted upon the following matters at the annual stockholders meeting:

(a) The election of Class A directors to the Company's Board of Directors to serve one-year terms. The results of the voting were as follows:

	For	Against
Robert L. Moody	2,695,161	394,007
Harry L. Edwards	2,691,785	397,383
Stephen E. Glasgow	3,049,089	40,079
E.J. Pederson	3,049,128	40,040

(b) The election of Class B directors to the Company's Board of Directors to serve one-year terms. The results of the voting were as follows:

	For	Against
E. Douglas McLeod	200,000	-
Charles D. Milos	200,000	-
Frances A. Moody Dahlberg	200,000	-
Ross R. Moody	200,000	-
Russell S. Moody	200,000	-
Louis E. Pauls, Jr.	200,000	-

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11 - Computation of Earnings Per Share (filed on page 47 and 48 of this report).

Exhibit 31(a) - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31(b) - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32(a) - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On May 6, 2005, the Company filed a Current Report on Form 8-K dated May 6, 2005 under Items 2.02 and 9.01 thereof in connection with a news release reporting National Western Life Insurance Company's operating and financial results for the first quarter of 2005. A copy of the news release was furnished with the Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL WESTERN LIFE INSURANCE COMPANY
(Registrant)

Date: August 5, 2005

/S/ Ross R. Moody
Ross R. Moody
President, Chief Operating Officer,
and Director
(Authorized Officer)

Date: August 5, 2005

/S/ Brian M. Pribyl
Brian M. Pribyl
Senior Vice President,
Chief Financial & Administrative
Officer and Treasurer
(Principal Financial Officer)

Date: August 5, 2005

/S/ Kay E. Osbourn
Kay E. Osbourn
Vice President,
Controller and Assistant Treasurer
(Principal Accounting Officer)