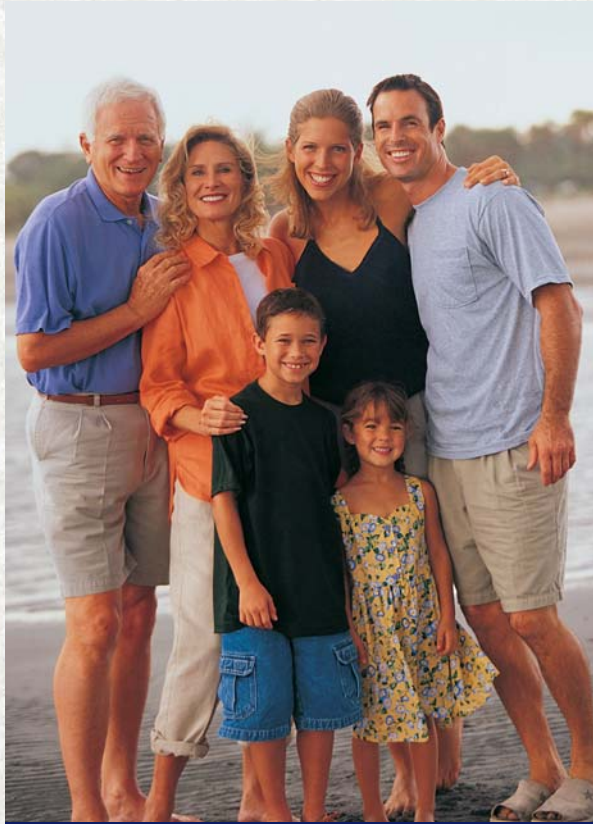


I'M PLEASED TO PRESENT to you the financial reports of National Mutual Benefit for the year 2004. The Society continued to perform very well both financially and fraternally this past year, and at this time, I would like to highlight several key areas of our success.

The total assets held by National Mutual Benefit continued to grow this past year and have now exceeded \$229 million—a new high. Premium income, which is one of the primary sources of income for the Society, totaled just under \$16 million in 2004, while NMB issued \$143 million of new life insurance. Life insurance in force, which represents the financial protection provided for you and your family, is now in excess of \$1.28 billion—also a new all-time high.

The management team at National Mutual Benefit monitors all aspects of the Society very closely. We know that our members rely on us to protect their best interests, and that is always our main focus. With that in mind, our business plan has been designed to not only promote the sales of our insurance products and bring in new members, but also to control the costs associated with acquiring these new sales. We have been successful in achieving these goals.

Another important source of income for NMB is from our investment portfolio, which continues to be very secure. Fixed income investments such as corporate bonds and government backed securities, although affected by the low interest rate environment, continued to perform well and are over 99.5 percent investment grade. Mortgage loan invest-



Expanding and Protecting Our NMB Family

ments also remained stable, and there were no defaults or foreclosures at year-end. National Mutual Benefit also invests a small portion of its assets in the equity market. Although only 3.8 percent of total assets, these investments performed very well in 2004 and provided the diversity to our portfolio that continues to be so important today.

An important measure of an insurance organization's financial strength is the amount of unassigned surplus and special reserves. At year-end, that figure amounted to \$26,880,196. This strong position provides an added level of security for our members in case of poor investment performance, lower than expected product sales, or higher than

expected mortality and expense.

The A.M. Best Company, an independent analyst that rates the financial strength and performance of life insurers, has again reaffirmed our A-(Excellent) rating. This rating reflects the Society's excellent financial position and our strong and vibrant fraternal program.

The fraternal programs of National Mutual Benefit continue to have great success and represent our heritage as a thriving "Fraternal Benefit Society." National scholarship awards, Community Outreach grants, and Matching Funds are just a few of the programs established to help our members and the communities in which they live. We are also committed to helping our nation's youth become strong leaders and caring, productive adults. Events we help sponsor, such as JOIN HANDS DAY, do just that by providing the opportunity for both youth

and adults to work together on meaningful service projects. We are very proud of what our member volunteers accomplish through our fraternal programs and activities.

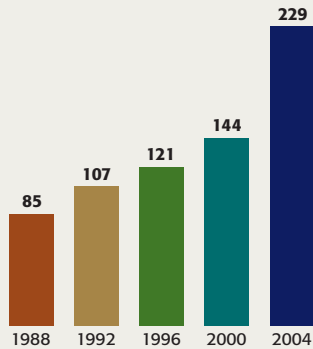
The year 2005 should be another special year for National Mutual Benefit as we continue to plan for our future. By providing quality insurance products, excellent service, and meaningful fraternal programs, NMB continues its commitment to expanding and protecting our NMB family.

George F. Yanna
President

Financial Highlights

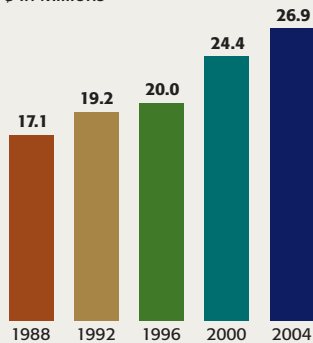
Assets

\$ in Millions



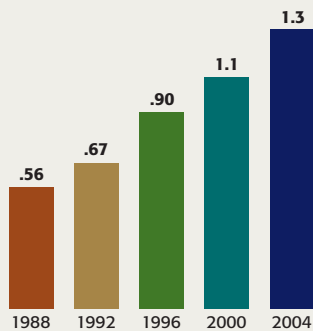
Surplus and Special Reserves

\$ in Millions



Life Insurance In Force

\$ in Billions



Statement of Financial Position

	12/31/04	12/31/03
ASSETS		
Bonds	\$171,869,454	\$166,633,284
Mortgage loans	31,068,765	32,570,228
Real estate	1,387,948	1,450,385
Policy loans	4,680,265	4,674,360
Common stock	8,668,668	7,608,392
Cash and short term investments	8,422,352	5,229,192
Investment income due and accrued	2,822,423	2,677,513
Data processing equipment	51,198	128,351
Premiums due and accrued	<u>442,646</u>	<u>407,689</u>
Total assets	<u>\$229,413,719</u>	<u>\$221,379,394</u>
LIABILITIES AND SURPLUS		
Future benefit reserves	\$186,675,965	\$180,607,200
Policy claim reserves	363,704	380,501
Premiums received in advance	27,888	32,060
Deposit contracts	11,328,548	11,313,830
Dividends allocated for following year	440,000	520,000
Other liabilities	3,133,483	3,397,502
Taxes and general expenses due	563,935	532,846
Surplus and Special Reserves	<u>26,880,196</u>	<u>24,595,455</u>
Total liabilities and unassigned funds	<u>\$229,413,719</u>	<u>\$221,379,394</u>

Statement of Operations

■ INCOME	2004	2003
Life and health premium	\$11,636,107	\$11,155,327
Annuity premium	4,356,366	14,018,256
Investment income	12,953,353	12,703,000
Miscellaneous income	<u>675,080</u>	<u>507,517</u>
Total income	<u>\$29,620,906</u>	<u>\$38,384,100</u>
■ MEMBER BENEFITS		
Death benefits	\$ 3,839,567	\$ 3,024,433
Life and annuity benefits	9,659,864	9,619,655
Health and accident benefits	110,389	77,571
Direct fraternal benefits to members	794,814	802,454
Future benefit reserve increases	6,068,765	15,491,385
■ OPERATING EXPENSES		
Commissions	\$ 1,588,616	\$ 2,174,594
Operating expenses	<u>6,155,152</u>	<u>6,557,148</u>
Total benefits and expenses	<u>\$28,217,167</u>	<u>\$37,747,240</u>
Net gain from operations	\$1,403,739	\$636,860
Dividends to members	<u>377,537</u>	<u>501,895</u>
Net gain after dividends	1,026,202	134,965
Capital gains	<u>468,826</u>	<u>(104,095)</u>
Net income	<u>\$1,495,028</u>	<u>\$ 30,870</u>

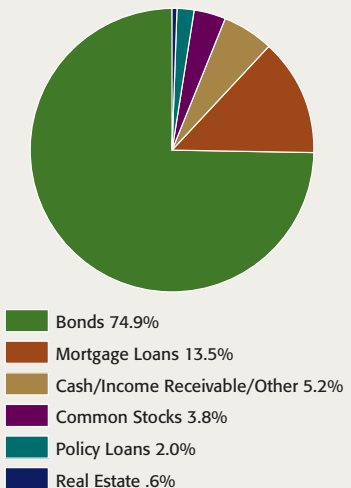
Investment Report

The National Mutual Benefit investment portfolio is a mix of government and top grade corporate bonds, collateralized mortgage obligations, well-secured real estate mortgages, and a small portfolio of equity products. The mortgage portfolio consists of first liens on single-family residential and small commercial properties. In order to provide a strong, secure investment portfolio, only mortgages with a maximum 75 percent loan-to-value ratio are made by the Society.

As of December 31, 2004, the bond and mortgage loan portfolios totaled \$171,869,454 and \$31,068,765, respectively. Of the 171.9 million in our bond portfolio, 158.2 million is in the highest rating class, according to the latest NAIC valuation. National Mutual Benefit does not purchase non-investment grade bonds. The Society owned \$8,668,668 of common stock as of year-end 2004.

Our Investment Portfolio

Total Assets: \$229,413,719



Fraternal Impact

National Mutual Benefit members and their families continually carry out the Society's mission to improve the quality of life for people of all ages. This is accomplished through national and local programs, activities, and events that evolve around *building strong families, developing future leaders, and improving the communities we live in*. The following statistics show how National Mutual Benefit accomplished its mission through its valued fraternal efforts in 2004.



■ BUILDING STRONG FAMILIES

Local chapters, called branches, sponsor family-oriented activities that bring families together to socialize, strengthen ties, and promote positive family life. National Mutual Benefit's Special Fraternal Bonus Program provides member families with added security in times of need; and timely articles on health, family, and finances can be found in each issue of *The Benefit News* member magazine, which is mailed to every NMB household.

Hours: 17,481 *Financial Impact:* \$159,800



■ DEVELOPING FUTURE LEADERS

Regional seminars and local branch projects are organized to develop both adult and youth leadership skills by educating and training them to be resourceful leaders in their local communities.

Hours: 14,670 *Financial Impact:* \$ 90,500



■ IMPROVING COMMUNITIES

Service projects organized and sponsored by National Mutual Benefit branches assist individuals and families in need and improve communities at large. Money to fund these efforts comes from local fund-raising and the organization's Community Outreach and Matching Funds programs. National Mutual Benefit also supports annual causes such as its Caring Cube program and local organizations that share the same values as the Society.

Hours: 74,770 *Financial Impact:* \$296,030



■ PROMOTING PATRIOTIC VALUES

The Society sponsors ongoing programs that honor the U.S. flag and our country and promote patriotism among members and in communities where active branches are located. National Mutual Benefit is proud of its patriotic commitment to provide financial and in-kind support for Stony Hill School in Fredonia, Wisconsin, the birthplace of Flag Day.

Hours: 6,737 *Financial Impact:* \$ 12,515



■ FURTHERING HIGHER EDUCATION

Through its national and local branch scholarship programs, National Mutual Benefit continues its goal to assist young adults who are pursuing their education beyond high school.

Financial Impact: \$ 39,550

Total Volunteer Hours 113,658

*Value of NMB Fraternal Volunteerism** \$1,994,698

*Based on a 2004 hourly rate of \$17.55 for volunteer service as determined by the Independent Sector.