

Fulfilling Our Mission

People Helping People in Time of Need

I AM VERY PROUD TO present the financial statements of National Mutual Benefit for the year ended December 31, 2005, as well as a summary of our fraternal activities and expenditures.

The Society remains financially strong and our trend of financial growth continues, as we have reached new all-time highs in many important categories, including total assets, life insurance in force, and the most important measure of strength and security for our members—surplus. National Mutual Benefit also continues to be successful through both our volunteer and fraternal programs, fulfilling our mission as a fraternal benefit society and directing our resources to the needs of members and the communities in which they live.

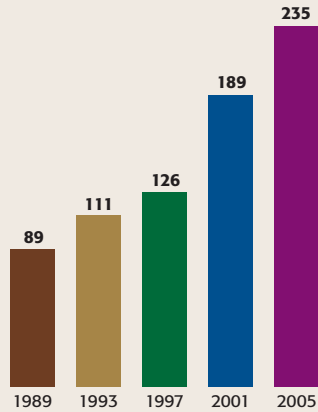
As always, all of us at National Mutual Benefit—our field representatives, home office employees, officers, and directors—are very proud to serve you, our members, in every way possible.

George F. Yanna
President

Financial Highlights

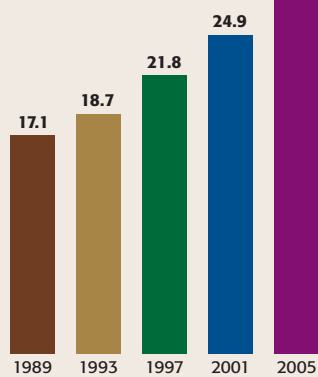
Assets

\$ in Millions



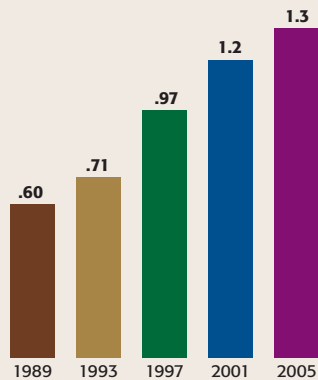
Surplus and Special Reserves

\$ in Millions



Life Insurance In Force

\$ in Billions



Statement of Financial Position

	12/31/05	12/31/04
ASSETS		
Bonds	\$164,752,686	\$157,212,689
Mortgage loans	32,223,263	31,068,765
Real estate	1,326,307	1,387,948
Policy loans	4,560,989	4,680,265
Common stock	10,037,668	8,668,668
Preferred stock	150,064	—
Cash and short term investments	4,481,357	8,422,352
Other invested assets	13,966,688	14,656,765
Investment income due and accrued	2,869,105	2,822,423
Data processing equipment	68,533	51,198
Premiums due and accrued	<u>523,048</u>	<u>442,646</u>
Total assets	<u>\$234,959,708</u>	<u>\$229,413,719</u>
LIABILITIES AND SURPLUS		
Future benefit reserves	\$189,711,755	\$186,675,965
Policy claim reserves	728,955	363,704
Premiums received in advance	23,983	27,888
Deposit contracts	10,928,707	11,328,548
Dividends allocated for following year	452,000	440,000
Other liabilities	3,423,222	3,133,483
Taxes and general expenses due	579,053	563,935
Surplus and Special Reserves	<u>29,112,033</u>	<u>26,880,196</u>
Total liabilities and unassigned funds	<u>\$234,959,708</u>	<u>\$229,413,719</u>

Statement of Operations

■ INCOME	2005	2004
Life and health premium	\$11,156,810	\$11,636,107
Annuity premium	3,178,098	4,356,366
Investment income	13,192,358	12,953,353
Miscellaneous income	<u>554,398</u>	<u>675,080</u>
Total income	<u>\$28,081,664</u>	<u>\$29,620,906</u>
■ MEMBER BENEFITS		
Death benefits	\$ 3,018,731	\$ 3,839,567
Life and annuity benefits	11,433,345	9,659,864
Health and accident benefits	142,297	110,389
Direct fraternal benefits to members	785,183	794,814
Future benefit reserve increases	3,035,790	6,068,765
■ OPERATING EXPENSES		
Commissions	\$ 1,340,718	\$ 1,588,616
Operating expenses	<u>6,369,191</u>	<u>6,155,152</u>
Total benefits and expenses	<u>\$26,125,255</u>	<u>\$28,217,167</u>
Net gain from operations	\$1,956,409	\$1,403,739
Dividends to members	<u>436,329</u>	<u>377,537</u>
Net gain after dividends	1,520,080	1,026,202
Capital gains	<u>461,949</u>	<u>468,826</u>
Net income	<u>\$1,982,029</u>	<u>\$1,495,028</u>

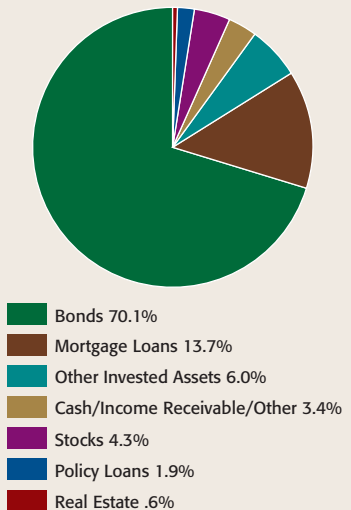
Investment Report

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. Mortgages consist of first liens on single-family residential and small commercial properties. 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, 2005, the bond and mortgage loan portfolios totaled \$164,752,686 and \$32,223,263, respectively. Of the \$164.8 million in our bond portfolio, \$148 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 \$10,187,732 in stocks as of year-end 2005.

Our Investment Portfolio

Total Assets: \$234,959,708



Fraternal Service

Through its diverse fraternal programs, activities, and events, National Mutual Benefit promotes family togetherness, support for local communities, and pride in our country. The following statistics from the 2005 year-end fraternal financial report illustrate the impact NMB's fraternal and volunteer action programs have on the lives of its members and the communities where they live and work.



BUILDING STRONG FAMILIES

Local chapters, called branches, sponsor activities that bring families together and promote positive family life. National Mutual Benefit's Special Fraternal Bonus Program provides member families with added security in times of adversity. *The Benefit News* member magazine, which is mailed to every NMB member's household, features timely articles on health, family matters, and finances.

Hours: 16,297

Financial Impact: \$170,681

DEVELOPING FUTURE LEADERS & VOLUNTEERS

Leadership seminars are held each year to develop both adult and youth leadership skills through education and training. A strong effort to partner adult branch leaders with area youth groups is also in place to mentor young people to become resourceful and caring leaders in their local communities.

Hours: 19,193

Financial Impact: \$ 89,933



FOSTERING HIGHER EDUCATION

Each year, NMB offers a national scholarship program for young members who are pursuing an undergraduate degree and are actively involved in service to others. Fraternal branches also sponsor local scholarship programs.

Hours: 1,764

Financial Impact: \$ 41,150

IMPROVING COMMUNITIES

Members organize service projects through local branches that assist individuals and families in need of basic necessities or improve some aspect of their neighborhood or community. The Society also supports a Caring Cube program that subsidizes food drives with partnering organizations.

Hours: 107,354

Financial Impact: \$277,679



PROMOTING PATRIOTIC VALUES

NMB volunteers organize Flag Day ceremonies to promote respect and honor for the U.S. flag and America and donate U.S. flags to local nonprofit organizations. The Society provides financial and in-kind support for the promotion and upkeep of Stony Hill School, the birthplace of National Flag Day, in Fredonia, Wisconsin.

Hours: 638

Financial Impact: \$ 8,606

FRATERNAL SERVICES SUPPORT

National Mutual Benefit provides resources to implement and oversee its fraternal programs, benefits, and services.

Financial Impact: \$416,259

Total Volunteer Hours 145,246

Total Fraternal Expenditures \$1,004,308