

The Allstate Corporation
Summary Annual Report
2004

YEARS
LIKE 2004
BRING OUT
THE
BEST IN
ALLSTATE.



Allstate
You're in good hands.

Highlights: In 2004, Allstate incurred \$2.0 billion in losses related to the four hurricanes in the Southeastern U.S. Nevertheless, net income grew to \$3.2 billion. Operating income increased by 16.1 percent to \$3.1 billion. We generated a record \$33.9 billion in total revenues. And we delivered a 15 percent return on equity.*

Net Income Per Diluted Share

| 2004 | 2003 | % change |
|--------|--------|----------|
| \$4.54 | \$3.83 | 18.5 |

+18.5%

Net income per diluted share, which increased 18.5 percent in 2004, divides net income by the number of weighted average diluted shares outstanding. It demonstrates the growth of net income during the year that is attributable to each share of stock.

Operating Income

| (\$ in millions) | | % change |
|------------------|---------|----------|
| 2004 | 2003 | |
| \$3,091 | \$2,662 | 16.1 |

+16.1%

In 2004, operating income rose to a record \$3.1 billion. This is a common measure used by the investment community to analyze our results. Operating income reveals trends in our insurance and financial services business that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.

Revenues

| (\$ in millions) | | % change |
|------------------|----------|----------|
| 2004 | 2003 | |
| \$33,936 | \$32,149 | 5.6 |

+5.6%

Revenues rose 5.6 percent to \$33.9 billion in 2004. Revenues indicate Allstate's total premium and investment results.

Return on Equity

| 2004 | 2003 |
|-------|-------|
| 15.0% | 14.2% |

15.0%

Return on equity, which measures how well Allstate used shareholders' equity to generate earnings, increased to 15.0 percent in 2004 from 14.2 percent in 2003.

Book Value Per Diluted Share

| 2004 | 2003 | % change |
|---------|---------|----------|
| \$31.72 | \$29.04 | 9.2 |

+9.2%

Book value per share, which rose 9.2 percent in 2004, is shareholders' equity divided by the number of diluted shares outstanding on December 31. This demonstrates an increasing ownership interest in Allstate on a per share basis.

Shareholders' Equity

| (\$ in millions) | | % change |
|------------------|----------|----------|
| 2004 | 2003 | |
| \$21,823 | \$20,565 | 6.1 |

\$21.8 billion

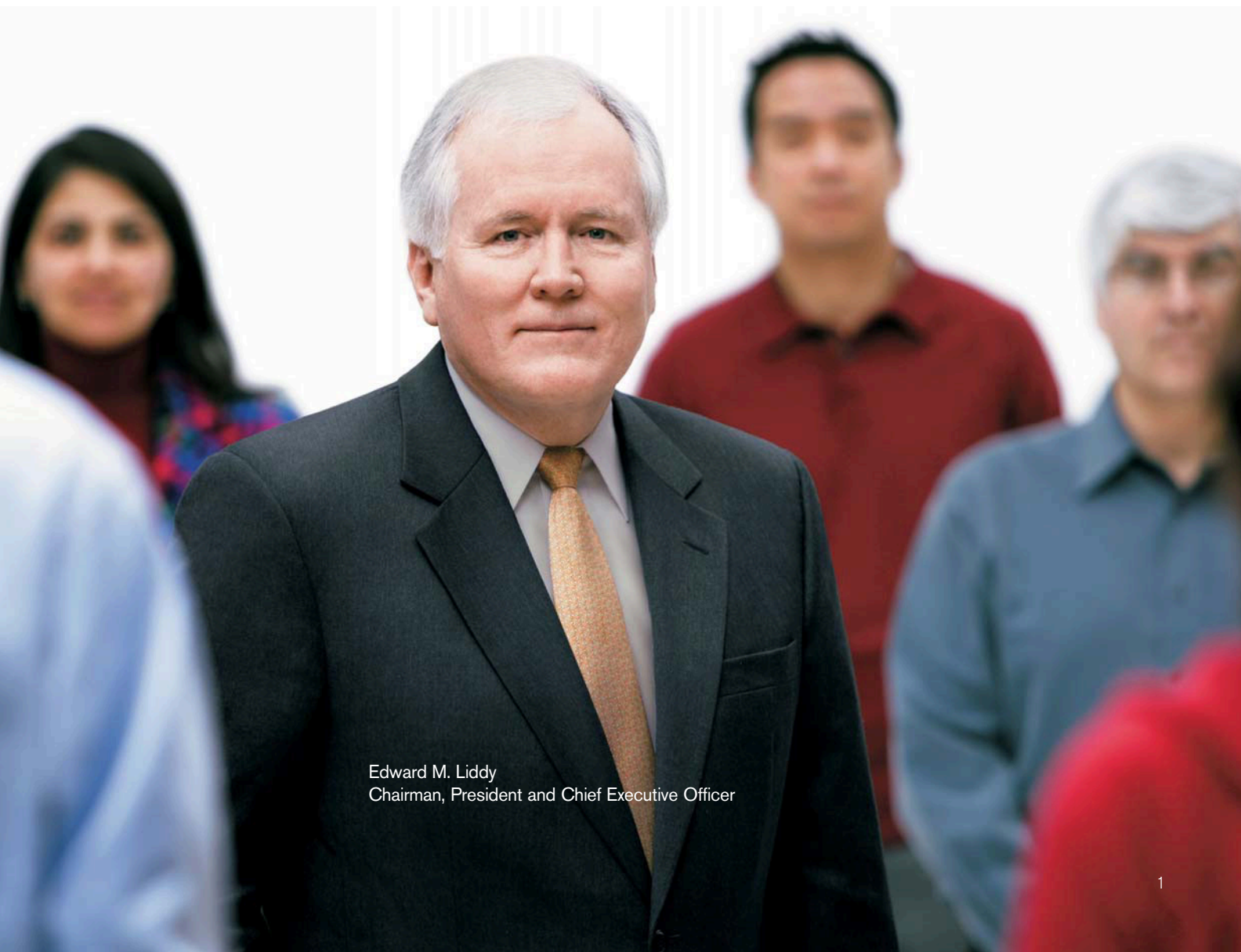
Shareholders' equity, which is the company's total assets minus total liabilities, indicates the value of the ownership interest of Allstate shareholders. It increased 6.1 percent in 2004 to \$21.8 billion from \$20.6 billion in 2003.

*Measures we use that are not based on generally accepted accounting principles (non-GAAP) are defined and reconciled to the most directly comparable GAAP measure, and operating measures we use are defined in the "Definitions of non-GAAP and Operating Measures" section on page 13 of this report.

Dear Fellow Shareholders:

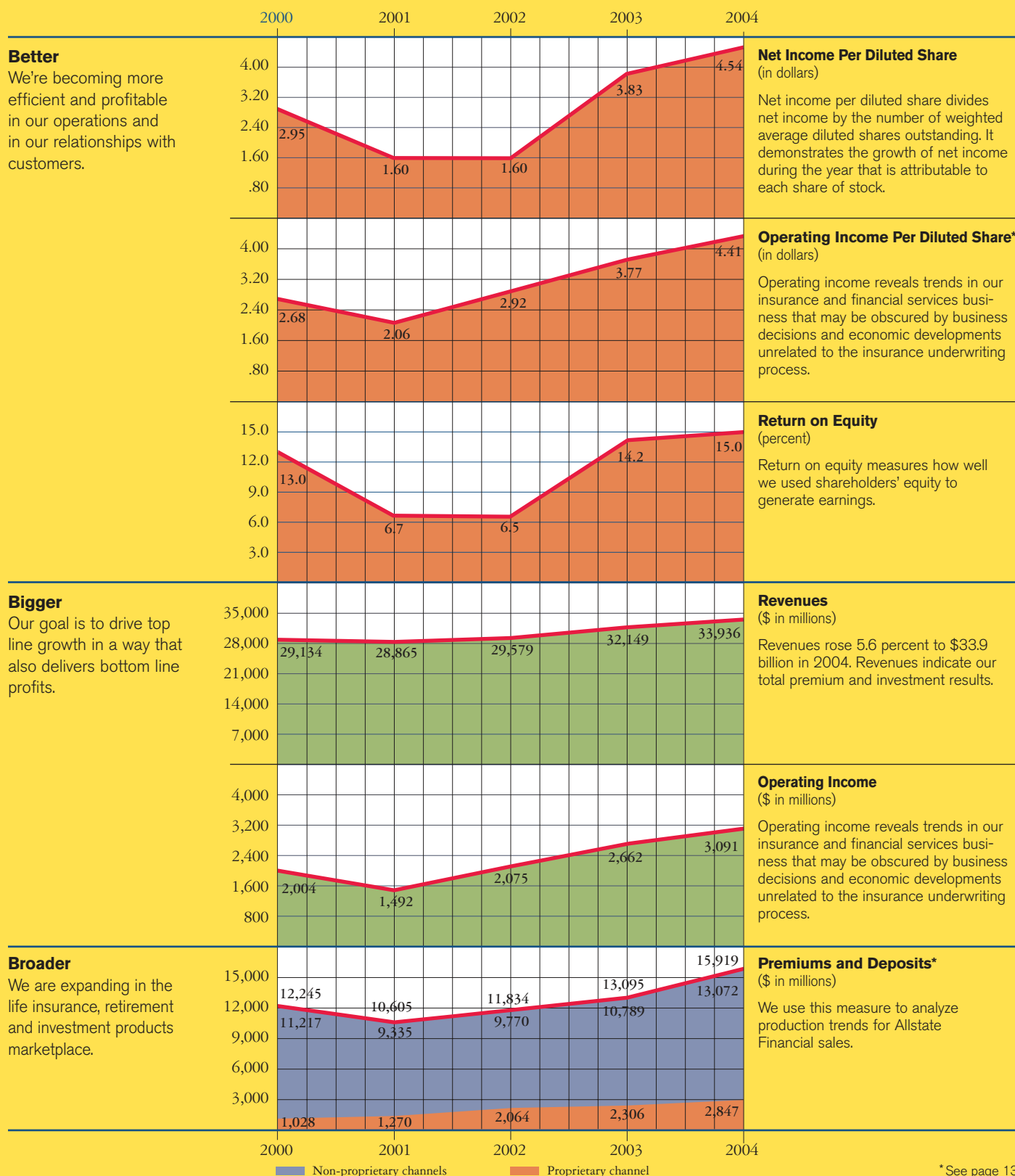
Last fall I visited Florida with Tom Wilson, president of our Allstate Protection business. Four hurricanes had just ravaged the state over six devastating weeks. As we viewed the overwhelming damage, we knew that 2,300 claim adjusters were reaching out to customers. At that moment, three thoughts came to mind. Insurance plays a critical role in our lives. Scale and financial strength really count in this business. And we know how to respond when customers and communities need us most.

People come first. That's Allstate's stand.



Edward M. Liddy
Chairman, President and Chief Executive Officer

For Allstate, transparency means giving investors clear and easy access to all the information they need to assess our performance. This financial scorecard demonstrates our progress in executing our “better, bigger, broader” strategy.



* See page 13

We also know how to deliver reliable returns and profitable growth for investors. In 2004 we set many performance records. And over time, we've demonstrated that Allstate is an exceptional investment because of the market we serve, the strategy we're successfully executing and the long-term value our efforts create. Importantly, we understand the critical role that careful capital management, responsible governance and doing the right thing in our communities play in our ongoing success.

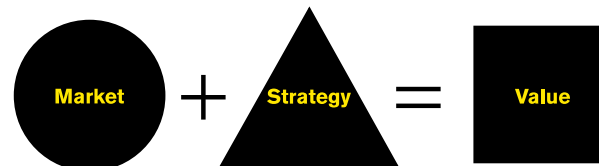
2004 brought out the best in Allstate. By meeting the challenges from nature and the marketplace, we confirmed the value of our promise, our products and our expertise. We also gave you a yardstick for measuring your company's capacity for profitable growth – even in the wake of unusually severe catastrophes. Last year we incurred \$17.8 billion in total Property-Liability insurance claims and

price reached a then all-time high closing price of \$51.76 on December 30, 2004.

A Profitable Market

I'm often asked how Allstate can deliver such strong performance in mature industries like insurance and financial services. Part of the answer is knowing where the best opportunities exist – and what it takes to win customers. The U.S. personal auto and homeowners market comprises approximately 111 million households, more than 169 million insured vehicles and approximately \$205 billion in annual premiums. Most states and banks require consumers to have insurance in order to operate a car or buy a home. So each year gives us fresh opportunities to expand the more than 16 million households that are part of the Allstate family. We also serve an increasing share of our customers' personal financial services needs through our life insurance, retirement and investment products.

Making an informed investment decision is clear when you understand how market focus and disciplined strategy create value.



Allstate knows where the best market opportunities exist. We're executing a consistent strategy to drive profitable growth. We're acting with integrity and investing our capital wisely. As a result, we're creating long-term value for shareholders.

claims expense. We generated \$33.9 billion in total revenues – an all-time high.

Net income per diluted share rose 18.5 percent to \$4.54. Operating income rose 16.1 percent to \$3.1 billion and operating income return on equity* was 17.0 percent. We raised the dividend paid on our common stock by 22 percent, completed our repurchase of \$1.5 billion in stock a year ahead of schedule and announced a new, two-year \$4.0 billion share repurchase program.

These results and actions clearly demonstrate our determination to use your capital effectively. The market responded favorably as our stock

Within a few years, millions of Baby Boomers will start to reach retirement age. That means there's a solid opportunity to grow revenues and earnings, especially as economic conditions improve.

Within the insurance market, several demographic segments offer especially high growth potential. The personal lines insurance market mirrors this country's changing ethnic mix and shifting population patterns, and we're seizing these opportunities in a variety of ways. There's also continuing growth in single-person households and increasing sophistication among consumers aged 25-34. In addition, many consumers take

* See page 13

A long-exposure photograph of the Golden Gate Bridge at sunset. The bridge's iconic towers and suspension cables are silhouetted against a vibrant orange and pink sky. The roadway is filled with traffic, creating long, glowing light trails in yellow and red. Streetlights line the bridge, and a 'NO U TURN' sign is visible on the right side.

**Moving faster than the market.
That's our stand.**

fewer risks and have fewer, less severe claims. For these high lifetime value customers, the insurable assets we help protect – and the value of these relationships – increase over time.

We're well-positioned to find and serve these segments of the market. Each year, more consumers want our financial strength behind them. They're drawn to our diverse line of competitively priced insurance products. And they value their relationships with agents and the work we do to support their communities.

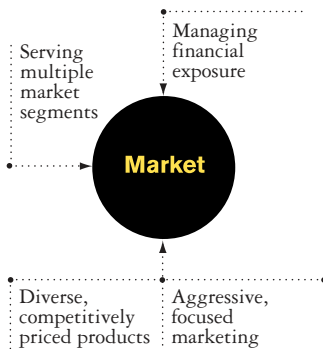
As the Baby Boom population ages, middle-income customers will require not just protection for today, but preparation for tomorrow. These customers see the value of diversified investment portfolios that include retirement-oriented financial products in addition to life and long-term care insurance. And they're looking to consolidate their relationships with experienced professionals.

tor regulation, competition and claim trends state-by-state. This analysis helps us win profitable market share by delivering highly competitive pricing, especially to our target customers.

With this disciplined approach, policies in force for our Allstate brand auto insurance and homeowners policies sustained a path of growth, demonstrating steady increases over the past year. Our aggressive, focused marketing efforts have helped convince one million auto customers to switch to Allstate. And Allstate brand customer retention closed 2004 at near record levels. All these trends indicate that we're turning market knowledge into competitive advantage.

A Consistent Strategy

It's my job to make sure Allstate has the right strategy, people and infrastructure to seize our market opportunities. This enables us to win in the marketplace and deliver the value you



Allstate is growing its share of high lifetime value customers. We're paying special attention to those customers with favorable claim histories. And we're targeting underserved middle-income consumers who have a growing need for retirement-oriented financial services products.

Over one million auto insurance customers switched to Allstate in 2004. Allstate is positioning itself to retain lifelong relationships.

Through our agent and non-proprietary sales networks, we're targeting those who are actively saving, in an effort to increase our share of their life, savings and retirement business. Total premiums and deposits for Allstate Financial in 2004 rose to a record \$15.9 billion, a 13.4 percent compound annual growth rate from 1999 to 2004, a clear sign the market is responding to our life insurance, retirement and investment products.

To protect our financial strength and yours, we must also manage several variables that can affect our market – and our performance. Natural catastrophes are part of our business, and we constantly refine our business to help protect our customers and manage our financial exposure. In Florida, for example, we're working closely with state officials to provide better insurance protection against hurricanes. We hope to have in place before the next hurricane season an improved public/private partnership that more effectively protects consumers and investors. We also moni-

expect. Sometimes, that means taking a bold new direction, as we did five years ago when we reorganized our agency distribution system, significantly increased our investment in technology and initiated more sophisticated Tiered Pricing. Since then, we've stayed the course, and the results have been terrific. Over the last five years, you have seen compound annual growth rates of 11.2 percent in operating income per diluted share and 19.0 percent in your common stock total return.

In 2004 we focused on several key areas to improve profitability, increase scale and financial strength and capture a larger share of the insurance and financial services marketplace.

More precise underwriting helps us segment customers, better match the premiums individuals pay for the risks they represent and win profitable market share. We continue to refine our Tiered Pricing models, which include our Strategic Risk Management (SRM) tool, adding

A night street scene with a pedestrian crossing sign in the foreground. The sign is illuminated with blue lights, showing a walking figure. In the background, a crowd of people is walking on the sidewalk, and the street is lit with warm, orange lights. The scene is framed by trees and buildings.

**Winning
profitable customers.
That's our stand.**

new and enhanced variables as competitors continue to adopt tiered rating programs. Tiered Pricing helps us attract customers that have the potential to generate greater value over time, so we can compete vigorously for their business. As we gain market share within this segment and manage expenses carefully, we're steadily building a higher quality, increasingly profitable property and casualty portfolio. The evidence: steady income growth and a Property-Liability combined ratio that improved to 93.0 percent in 2004 from 94.6 percent in 2003. We expect to continue to benefit from our Tiered Pricing as it expands for both auto and homeowners in 2005.

Allstate's superior claim management sharpens our competitive edge in two important ways. It creates loyalty by forging strong bonds with consumers during their time of need. It also protects our company's assets – and contributes to profitability – by more effectively

owners and their licensed sales professionals, and financial specialists whose knowledge and experience we depend on to exceed our customers' expectations.

For example, to reinforce our relationship with exclusive agents, we established an agency advisory board to help us solve key business issues. We restructured their compensation plans to better align agency success with the company's mission. We invested in education, technology and operational support to help them grow their agencies. The increase in exclusive agents and support staff of 11.7 percent in 2004 demonstrates that Allstate delivers a strong value proposition to our agency channel.

We also expanded our relationships with independent agents. This segment of the market currently generates approximately one-third of all U.S. personal lines premiums. Simpler processes



We have defined a consistent strategy to become better and bigger by achieving operating efficiencies and driving profitable growth. And we continue to broaden our relationship with customers. We have been executing this strategy with relentless discipline, and these efforts are rewarding you with steady performance.

Tiered Pricing helps ensure that Allstate doesn't trade profit for growth by identifying customers who may generate high value over time.



managing loss costs, keeping those costs below industry averages. In 2004 we delivered on our claim promises, improving our claim satisfaction ratings while sustaining our severity advantage versus the industry overall. And since 1996 our bodily injury claim experience has averaged 14 points lower than the industry overall, a significant competitive advantage. This performance testifies to our efficient claim operations, but it's not enough. Our Next Generation Claim System program, now under development, will help us build on our already strong claim performance while also giving customers an even better claim experience.

Allstate Protection's powerful distribution engine gives us the scale to reach consumers across the country. In 2004 we invested in national and local marketing and advertising to raise our visibility and drive sales across our exclusive agent, independent agent and direct channels. We worked on several fronts to support some 70,000 employees, agency

and highly competitive pricing will help us win a much greater share of their business.

In addition, our direct channel – which complements our exclusive agency network to deliver convenience and local support – handled more than 6.5 million sales or service calls, and supported 32 million visits to allstate.com and more than 8 million self-service transactions.

At Allstate Financial, we have a growing opportunity to help middle- and upper-income customers achieve long-term financial security. We have one of the strongest distribution networks in the industry – more than 13,000 Allstate agents and Exclusive Financial Specialists, as well as nearly 50,000 producing broker dealers, financial institutions, independent agents and financial advisors. They have helped us become one of the largest companies in the financial services industry, with more than \$94 billion in assets. In 2004 we achieved record retail, institutional and total



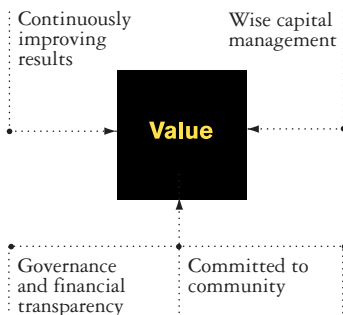
**There is more than
one way to deliver great value.
That's our stand.**

Premiums and Deposits. New sales of financial products by Allstate exclusive agencies increased 24.0 percent to \$2.27 billion in 2004, and have grown at a compound annual rate of 53.0 percent since 2000. And we made solid progress toward becoming an operationally excellent product manufacturer, thus establishing a strong foundation to accelerate profitable growth. We will continue to make it easier to do business with us and focus on fewer products that are developed from a common platform to achieve greater scale and profitability. We will also deepen relationships with our most profitable and productive distribution partners, streamline processes and leverage technology to improve overall effectiveness and efficiency. We expect this strategy – of simplifying, standardizing and strengthening our business – will help us achieve the necessary scale to increase operating income in the future.

we are using shareholders' equity effectively to deliver profitable returns and strong earnings, and that we are managing a company built for long-term value.

Investors and regulators also value Allstate's commitment to sound governance and financial transparency. The exemplary governance practices adopted by our board of directors are reflected in the very solid rankings and reports we receive from third-party governance rating services. We also benefit from a senior management team whose actions set a tone of integrity, accountability and discipline that runs throughout our company. Our strong corporate reputation has served the company well in the face of fast-changing business, legislative and regulatory environments.

We are equally proud of the value we create by giving back to the people and communities we



Allstate measures value in many ways. We have generated long-term financial value for shareholders by managing and investing our capital responsibly. We create value for communities by understanding what matters and by showing we care. In the process, we forge long-term relationships with customers.

In Florida, we put our caring culture on display in many ways. We logged 75,000 overtime hours in call centers, created 25,000 claim reports and cut 42,000 checks. We also gave teddy bears to hundreds of kids to start the healing.

A Leader in Value

Allstate is a company that does much more than collect money, settle claims and return a profit. Each year, we find new ways to create lasting value for the shareholders, customers and communities we serve. The inherent customer value that our business delivers and the caring culture that our work has created make us better corporate citizens – and a better and more valuable company.

When thinking about lasting value, investors should focus on our proven record of capital management, where we have demonstrated the ability to invest in areas that will drive growth and generate solid returns. Here, Allstate has an exceptional track record. Since our initial public offering in 1993 through the end of 2004, the total shareholder return on our stock has averaged 13.7 percent on a compound annual basis. Equally impressive, over the same period the total value of Allstate's return to shareholders exceeded both the Standard & Poor's Property & Casualty and Standard & Poor's 500 indices. That's solid evidence that

serve. For example, the company matched contributions by its employees, agents and agency staff of some \$760,000, to bring the total Allstate donations to more than \$1.5 million for the tsunami disaster recovery efforts in Southeast Asia. The future of our society – and of our company – depends on stable communities that nurture individual achievement. Allstate makes a difference by helping build safe and vital communities; by paving the way for economic empowerment; and by encouraging greater tolerance, inclusion and diversity.

At December 31, 2004, we had more than \$30.5 billion invested in municipal bonds and low-interest loans to strengthen urban communities. Through The Allstate Foundation, we provided some \$14 million in grants to 700 not-for-profit organizations across the country. In addition, Allstate agencies awarded Foundation grants to more than 1,800 local community organizations. And our employees and agents volunteered their time and talents to thousands of national and local causes.

Our Leadership Team:

Back row left to right:

Michael J. McCabe
Senior Vice President and General Counsel
Guides Allstate's strategy to ensure sound governance practices and to foster a healthy legal, economic, legislative and regulatory environment.

Joseph V. Tripodi
Senior Vice President and Chief Marketing Officer
Leverages Allstate's marketing power and highly valued "Good Hands[®]" promise to strengthen customer relationships and attract new customers.

George E. Ruebenson
Senior Vice President, Property – Casualty Claim Service Organization
Oversees a highly efficient claim service organization that is continuously evolving to better meet the needs of customers and agents.

Casey J. Sylla
President, Allstate Financial
Drives profitable growth by providing top-tier financial products through Allstate agencies and third-party financial services professionals.

Eric A. Simonson
Senior Vice President and Chief Investment Officer
Manages Allstate's investment portfolios to generate attractive levels of risk-adjusted income and total return in support of overall financial objectives.

Ronald D. McNeil
Senior Vice President, Protection Distribution
Optimizes performance of Allstate's distinct and powerful distribution networks to deliver products and services that meet customers' needs.



Our senior management team is dedicated to integrity and sets a tone of accountability and discipline.

Front row left to right:

Thomas J. Wilson
President, Allstate Protection
Drives innovation and cultural change to make Allstate Protection the industry leader in profitable growth and customer loyalty.

Joan M. Crockett
Senior Vice President, Human Resources
Develops and implements workforce strategies to attract, retain and motivate the best talent to drive business strategy.

Dan Hale
Senior Vice President and Chief Financial Officer
Develops financial strategy and ensures sound governance practices, adequate financial controls, appropriate reporting transparency and disciplined capital management.

Edward M. Liddy
Chairman, President and Chief Executive Officer
Sets and directs the corporate strategy that is transforming Allstate into a high-performance insurance and financial services company.

Robert W. Pike
Executive Vice President and Secretary
Stewards Allstate's corporate image and reputation and oversees the corporate secretary and administrative functions of the company.

Catherine S. Brune
Senior Vice President and Chief Technology Officer
Sets and implements a technology strategy that supports business objectives, protects and delivers information and enhances service.

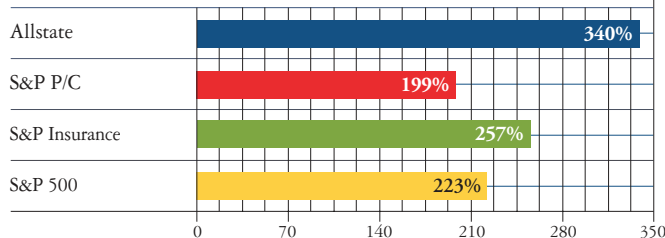
For information on Allstate's Board of Directors, visit www.allstate.com or see Notice of 2005 Annual Meeting and Proxy Statement.

Total Shareholder Returns

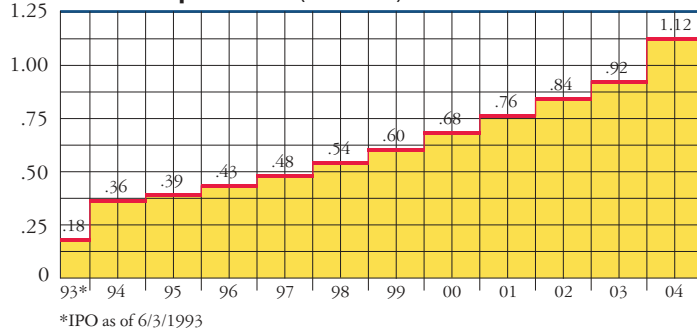
| | Allstate | S&P P/C | S&P Insurance | S&P 500 |
|---------------------------------|----------|---------|---------------|---------|
| 1 Year, 12/31/2003–12/31/2004 | 23% | 10% | 7% | 11% |
| 2 Years, 12/31/2002–12/31/2004 | 46% | 39% | 30% | 42% |
| 3 Years, 12/31/2001–12/31/2004 | 64% | 24% | 3% | 11% |
| 4 Years, 12/31/2000–12/31/2004 | 30% | 14% | -10% | -2% |
| 5 Years, 12/31/1999–12/31/2004 | 138% | 77% | 21% | -11% |
| 10 Years, 12/31/1994–12/31/2004 | 424% | 193% | 261% | 209% |

Total shareholder returns as of December 31, 2004, for Allstate investors since the company's initial public offering on June 3, 1993, exceeded many of its corporate peers and industry benchmarks. The return assumes quarterly reinvestment of all dividends.

Total Shareholder Returns Since IPO on 6/3/1993



Dividends per Share (in dollars)



Dividends per share for Allstate investors increased 11 percent on a compound annual basis since the company's IPO.

At Allstate, when we take a stand, we take action. And in 2004 our decisive actions drove powerful results. As we look to 2005, I expect further success as our extraordinary leadership team and the entire Allstate family pursue new market opportunities, continue to execute our strategy and manage our capital wisely to create the long-term value that you, our shareholders, deserve. We are grateful for your ongoing support.

Respectfully,

Edward M. Liddy

Edward M. Liddy
Chairman, President and Chief Executive Officer

Allstate Protection

Products and services that help customers protect their assets, wealth and family.

Asset Protection

Auto Insurance
Homeowners Insurance
Condominium Insurance
Renters Insurance
Scheduled Personal Property
Commercial Auto Insurance
Small Business Owner Insurance – Customizer and Business Package Policy
Landlord Package Insurance
Manufactured Home Insurance
Motorcycle Insurance
Boat Insurance
Personal Umbrella Insurance
Recreational Vehicle Insurance
Motor Club
Flood Insurance

Wealth Transfer

Estate planning products:
Fixed Survivorship Life Insurance
Variable Survivorship Life Insurance

Family Protection Insurance

Term Life Insurance
Universal Life Insurance
Variable Universal Life Insurance
Long-term Care Insurance
Disability Insurance
Supplemental Accident and Health Insurance

*The Allstate Corporation
Helping customers
feel better protected today
and better prepared
for tomorrow*

Allstate Financial

Financial services products that help customers prepare for the future.

Asset Management and Accumulation

Fixed Annuities
Variable Annuities
Single Premium Immediate Annuities
Universal Life Insurance
Variable Universal Life Insurance
Structured Settlement Annuities
Mutual Funds
IRAs
Roth IRAs
SIMPLE IRAs
SEP IRAs
529 Plans
Coverdell Education Saving Accounts
Institutional Funding Agreements

Asset Management Short-term Financial Objectives

Checking Accounts
Savings Accounts
Certificates of Deposit
Money Market Accounts
Mortgages



Access Allstate

Many different sales experiences for our customers:

- Allstate agents
- allstate.com
- Independent agents
- 1-800-allstate
- Allstate Bank
- Financial institutions
- Brokerages
- Workplaces

Definitions of Non-GAAP and Operating Measures

We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP and operating financial measures. Our methods of calculating these measures may differ from those used by other companies and therefore comparability may be limited.

Operating income is income before dividends on preferred securities and cumulative effect of change in accounting principle, after-tax, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income,
- amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI"), to the

extent they resulted from the recognition of realized capital gains and losses, and

- (loss) gain on disposition of operations, after-tax.

Net income is the GAAP measure that is most directly comparable to operating income.

We use operating income to evaluate our results of operations. It reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses and (loss) gain on disposition of operations. These items may vary significantly between periods and are generally driven by business decisions and economic developments such as market conditions, the timing of which is unrelated to the insurance underwriting process. Moreover, we reclassify periodic settlements on non-hedge derivative instruments into operating income to report them in a manner consistent with the economically hedged investments, replicated

assets or product attributes (e.g. net investment income and interest credited to contractholder funds) and by doing so, appropriately reflect trends in product performance. Therefore, we believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses operating income as the denominator. We use adjusted measures of operating income and operating income per diluted share in incentive compensation. Operating income should not be considered as a substitute for net income and does not reflect the overall profitability of our business.

The following table reconciles operating income and operating income per diluted share to net income and net income per diluted share for the years ended December 31.

Operating income

| | (\$ in millions) | | | | | Per diluted share (In dollars) | | | | |
|--|------------------|---------|---------|---------|---------|--------------------------------|---------|---------|---------|---------|
| | 2004 | 2003 | 2002 | 2001 | 2000 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Operating income | \$3,091 | \$2,662 | \$2,075 | \$1,492 | \$2,004 | \$ 4.41 | \$ 3.77 | \$ 2.92 | \$ 2.06 | \$ 2.68 |
| Realized capital gains and losses | 591 | 196 | (924) | (352) | 425 | | | | | |
| Income tax (expense) benefit | (199) | (62) | 326 | 127 | (177) | | | | | |
| Realized capital gains and losses, after-tax | 392 | 134 | (598) | (225) | 248 | 0.56 | 0.19 | (0.84) | (0.31) | 0.33 |
| DAC and DSI amortization related to realized capital gains and losses, after-tax | (89) | (30) | (1) | (11) | — | (0.13) | (0.05) | — | (0.01) | — |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | (32) | (15) | (3) | (4) | — | (0.04) | (0.02) | (0.01) | (0.01) | — |
| (Loss) gain on disposition of operations, after-tax | (6) | (26) | 2 | (40) | — | (0.01) | (0.04) | — | (0.06) | — |
| Income before dividends on preferred securities and cumulative effect of change in accounting principle, after-tax | 3,356 | 2,725 | 1,475 | 1,212 | 2,252 | 4.79 | 3.85 | 2.07 | 1.67 | 3.01 |
| Dividends on preferred securities of subsidiary trust, after-tax | — | (5) | (10) | (45) | (41) | — | — | (0.01) | (0.06) | (0.06) |
| Cumulative effect of change in accounting principle, after-tax | (175) | (15) | (331) | (9) | — | (0.25) | (0.02) | (0.46) | (0.01) | — |
| Net income | \$3,181 | \$2,705 | \$1,134 | \$1,158 | \$2,211 | \$ 4.54 | \$ 3.83 | \$ 1.60 | \$ 1.60 | \$ 2.95 |

Operating income return on equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income by the average of shareholders' equity at the beginning and at the end of the 12-month period, after excluding the after-tax effect of unrealized net capital gains. We use it to supplement

our evaluation of net income and return on equity. We believe that this measure is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and that are driven by developments, the magnitude and timing of which are generally not influenced by management: the after-tax effects

of realized and unrealized capital gains and losses and the cumulative effect of change in accounting principle. Return on equity is the most directly comparable GAAP measure. The following tables show the reconciliations for the years ended December 31.

Return on equity

| (\$ in millions) | 2004 | 2003 | 2002 | 2001 | 2000 |
|--------------------------------|----------|----------|----------|----------|----------|
| Numerator: | | | | | |
| Net income | \$ 3,181 | \$ 2,705 | \$ 1,134 | \$ 1,158 | \$ 2,211 |
| Denominator: | | | | | |
| Beginning shareholders' equity | 20,565 | 17,438 | 17,196 | 17,451 | 16,601 |
| Ending shareholders' equity | 21,823 | 20,565 | 17,438 | 17,196 | 17,451 |
| Average shareholders' equity | \$21,194 | \$19,002 | \$17,317 | \$17,324 | \$17,026 |
| ROE (%) | 15.0 | 14.2 | 6.5 | 6.7 | 13.0 |

Operating income return on equity

| (\$ in millions) | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|----------|----------|----------|----------|----------|
| Numerator: | | | | | |
| Operating income | \$ 3,091 | \$ 2,662 | \$ 2,075 | \$ 1,492 | \$ 2,004 |
| Denominator: | | | | | |
| Beginning shareholders' equity | 20,565 | 17,438 | 17,196 | 17,451 | 16,601 |
| Unrealized net capital gains | 3,125 | 2,602 | 1,789 | 1,980 | 1,369 |
| Adjusted beginning shareholders' equity | 17,440 | 14,836 | 15,407 | 15,471 | 15,232 |
| Ending shareholders' equity | 21,823 | 20,565 | 17,438 | 17,196 | 17,451 |
| Unrealized net capital gains | 2,988 | 3,125 | 2,602 | 1,789 | 1,980 |
| Adjusted ending shareholders' equity | 18,835 | 17,440 | 14,836 | 15,407 | 15,471 |
| Average shareholders' equity | \$18,138 | \$16,138 | \$15,122 | \$15,439 | \$15,352 |
| Operating income ROE (%) | 17.0 | 16.5 | 13.7 | 9.7 | 13.1 |

Premiums and deposits is an operating measure that we use to analyze production trends for Allstate Financial sales. It includes premiums on insurance policies and annuities and all deposits and other funds received from customers on deposit-type products including the net new deposits of Allstate Bank, which we account for under GAAP as increases to liabilities rather than as revenue.

The following table illustrates where premiums and deposits are reflected in the consolidated financial statements for the years ended December 31.

| Premiums and deposits (\$ in millions) | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|----------|----------|----------|----------|----------|
| Life and annuity premiums | \$ 1,045 | \$ 1,365 | \$ 1,371 | \$ 1,345 | \$ 1,344 |
| Deposits to contractholder funds | 13,616 | 10,373 | 9,484 | 7,970 | 8,393 |
| Deposits to separate accounts and other | 1,258 | 1,357 | 979 | 1,290 | 2,508 |
| Total premiums and deposits | \$15,919 | \$13,095 | \$11,834 | \$10,605 | \$12,245 |

New sales of financial products by Allstate exclusive agencies is an operating measure that we use to quantify the current year sales of financial products by the Allstate Agency proprietary distribution channel. New sales of financial products by Allstate exclusive agencies includes annual premiums on new insurance policies, initial premiums and deposits on annuities, net new deposits in the Allstate Bank and sales of other

companies' mutual funds, and excludes renewal premiums. New sales of financial products by Allstate exclusive agencies for the twelve months ended December 31, 2004, 2003, 2002, 2001 and 2000 totaled \$2.27 billion, \$1.83 billion, \$1.61 billion, \$702 million and \$414 million, respectively.

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062-6127
(800) 574-3553
www.allstate.com

Shareholders may receive
without charge a copy of
The Allstate Corporation Form
10-K annual report (filed with
the Securities and Exchange
Commission) and other public
financial information for the
year ended December 31, 2004,
by contacting:

Investor Relations
The Allstate Corporation
3075 Sanders Road
Northbrook, IL 60062-7127
(800) 416-8803
invrel@allstate.com

The Allstate annual report
is available online at:
[www.allstate.com/investor/
annual_report](http://www.allstate.com/investor/annual_report)



March 25, 2005

Dear Fellow Allstate Shareholder:

Welcome. We hope our 2005 Allstate Annual Meeting materials provide a concise, clear summary for how Allstate is taking a stand to deliver outstanding returns to our shareholders.

As always, we encourage you to review the enclosed materials regarding your Company's performance, and also to exercise your right as a shareholder by voting your proxy. We encourage your feedback on these materials by filling out the prepaid mailer below.

Also, we are pleased to offer you the opportunity to receive future Allstate proxy statements and annual reports electronically over the Internet. By enrolling in this service, you will help reduce printing and postage costs.

Electronic delivery is available to all shareholders who have active e-mail accounts and Internet access. To enroll for electronic delivery of the annual meeting materials, visit <https://www.icsdelivery.com/all> and complete the simple enrollment steps.

Thank you for investing in Allstate.

Sincerely,



Dan Hale
Vice President and Chief Financial Officer
The Allstate Corporation

We appreciate your helping us improve our communications with you, an Allstate shareholder.

Please evaluate these statements, using a scale from one, you strongly disagree, to four, you strongly agree. Your comments are welcome, too.

Thank you.

The Allstate Corporation 2004 annual report:

1. Helped me understand why the financial services market is an opportunity for Allstate.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

2. Helped me understand why the insurance market is an opportunity for Allstate.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

3. Helped me appreciate the financial value Allstate created in 2004.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

4. Helped me appreciate the non-financial value Allstate created in 2004.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

5. Helped me to make an informed investment decision.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

6. Made it easy for me to make an informed investment decision about the quality of the strategy.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

Comments

7. Made it easy for me to find the information I wanted.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

8. Was useful because it was divided into two documents.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

9. Was easy to read.

1 Strongly Disagree 2 Disagree 3 Agree 4 Strongly Agree

10. I have gone online to look for more information.

Yes No

11. I intend to go online to look for more information.

Yes No

☐

Please send me a copy of Allstate's Corporate Social Responsibility Report for 2004.



Name

Address

City

State, Zip



The Allstate Corporation 2004 Corporate Social Responsibility Report highlights the investments and community efforts of The Allstate Corporation, its agencies and employees, as well as the national and local partnerships of The Allstate Foundation. View it online at www.allstate.com/csr. Or, insert your return address and checkmark the mail-back survey on the front of this letter to receive a hard copy. Please allow 3-4 weeks for mailing.



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