

How does Allstate:

1. Manage catastrophic exposures?
2. Keep our business growing?
3. Create loyal customers?
4. Deliver value and results?



Front Cover

Compassion and Commitment

Allstate employees and agents showed true compassion and commitment in the wake of Hurricane Katrina. Kathleen and Lester Null fled their home in Meraux, Louisiana, just before the storm hit. Unable to find shelter after hours of driving, they made their way to the West Memphis, Arkansas, office of Allstate Agent David Tyler, who had posted signs throughout town offering to assist Allstate evacuees. Tyler, who ultimately helped more than 200 people, arranged for lodging as well as check-cashing and other services, and provided vital logistical and emotional support until their local agent could restore service to his agency.

Tyler (far right) and claim adjuster Kim Eubanks (second from left) recently visited the Nulls' damaged residence. As they surveyed the empty structure that used to be their home, Lester and Kathleen told the story of their unimaginable loss and of the hope that came with the help of Agent Tyler. In Lester's words, "I will thank that man until I die."

Giving Back to the Community



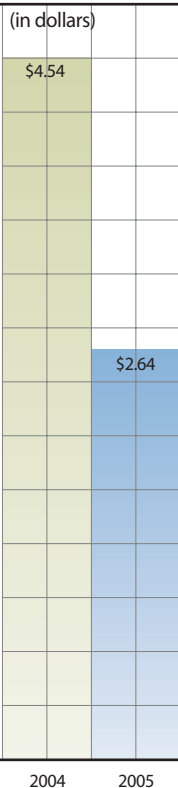
The Allstate Corporation 2005 Corporate Social Responsibility Report highlights the socially responsible measures that not only help create strong and vital communities, but also help manage our risks and enhance our company's performance. The report is available online at www.allstate.com/csr.

Measuring our Performance

Highlights: In 2005, Allstate incurred \$5.7 billion in losses primarily related to the three devastating hurricanes in the Gulf states. Nevertheless, we generated net income of \$1.8 billion, which produced an 8.4 percent return on equity. We also repurchased 43.8 million shares at a cost of \$2.5 billion. Our total shareholder return of 7.0 percent outpaced the S&P 500 in 2005, as it has in each of the last five years, and as it has cumulatively since we became a public company in June 1993.

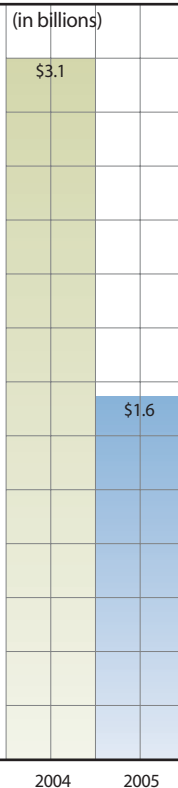
Net Income per Diluted Share

Net income per diluted share, which decreased 41.9 percent in 2005, divides net income by the number of weighted average diluted shares outstanding. It demonstrates net income during the year that is attributable to each share of stock.



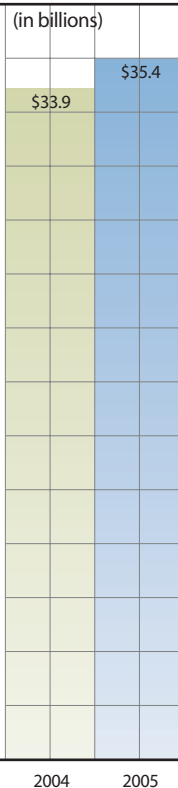
Operating Income*

In 2005, operating income was \$1.6 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.



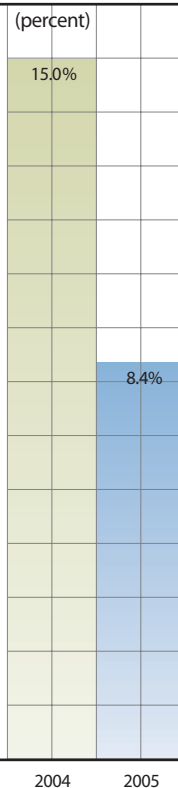
Revenues

Revenues rose 4.3 percent to \$35.4 billion in 2005. Revenues indicate Allstate's total premium and investment results.



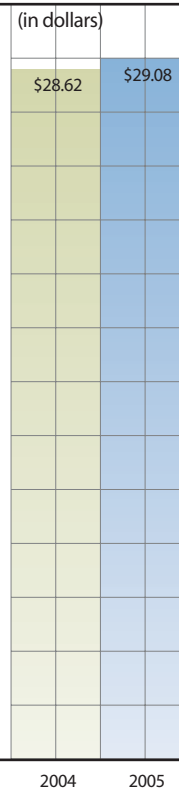
Return on Equity

Return on average beginning and ending period shareholders' equity, which measures how well Allstate used shareholders' equity to generate net income, decreased to 8.4 percent in 2005 from 15.0 percent in 2004.



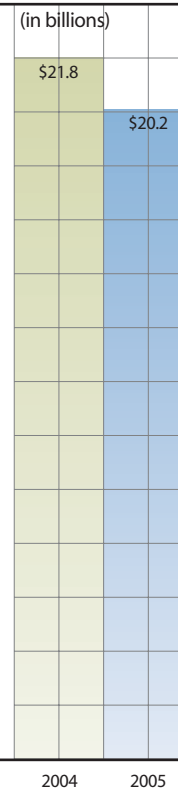
Book Value per Diluted Share Excluding the Net Impact of Unrealized Net Capital Gains on Fixed Income Securities*

This measure, commonly used by insurance investors as a valuation technique, is shareholders' equity less unrealized net capital gains on fixed income securities divided by the number of diluted shares outstanding on December 31.



Shareholders' Equity

Shareholders' equity, which is the company's total assets minus total liabilities, indicates the book value of the ownership interest of Allstate shareholders. It declined 7.5 percent in 2005 to \$20.2 billion from \$21.8 billion in 2004, reflecting a net return of capital to shareholders through dividends and share repurchasing.



*Measures we use that are not based on accounting principles generally accepted in the United States (non-GAAP) are defined and reconciled to the most directly comparable GAAP measure, and operating measures are defined in the "Definitions of non-GAAP and Operating Measures" section on page 17 of this report.

Rising to the Challenge

*Dear Fellow Shareholders:
In 2005 Allstate experienced the worst hurricane season on record—and the costliest in your company’s 75-year history. We sent 4,100 catastrophe specialists to ravaged areas to do what we do best: help customers recover. We also refined our risk management models and continued to execute our strategy to produce profitable growth. By focusing on our strengths, we fulfilled our commitments to policyholders, invested in growth and rewarded our shareholders.*



Edward M. Liddy
Chairman and
Chief Executive Officer

Record Revenues, Lower Earnings

Although Allstate generated record revenues in 2005, we incurred an unprecedented \$5.7 billion in catastrophe-related costs as we helped customers rebuild their lives. That’s a big number—more than five times our annual average over the last decade. Return on equity fell 6.6 points for 2005, compared to an increase of 0.8 points in 2004. Operating income per diluted share* declined from \$4.41 in 2004 to \$2.37 in 2005.

Though these losses slowed our short-term momentum, the progress we made implementing our “better, bigger, broader” strategy improved our ability to create long-term value.

Focus on Profitable Growth

Property-Liability continued to benefit from our focus on profitable growth. Premiums written increased by 3.2 percent from \$26.5 billion in 2004 to \$27.4 billion in 2005. Our Allstate brand standard auto business produced 2.9 percent unit growth, while Allstate homeowners achieved 3.4 percent unit growth.

Total Property-Liability revenues, including investment income, increased by 3.5 percent to a record \$29.3 billion. And, excluding catastrophes, that top-line growth was generated while continuing to improve our underwriting margins. Our Property-Liability combined ratio, excluding catastrophes*, improved 2.1 points in 2005 compared with 2004.

In 2005, Allstate

Financial premiums and deposits* were \$14.4 billion, and its operating income increased by 5.4 percent to \$581 million. Overall, we’re making progress in Allstate Financial and remain focused on improving returns that will deliver profitable growth. To that end, in March 2006 we announced the decision to sell the Allstate Financial variable annuity business and enter into an exclusive distribution arrangement, subject to regulatory approvals. This arrangement will allow our distribution channels to continue to offer a full range of products, including variable annuities, while we dedicate our resources to a more focused product portfolio where we have scale and a significant market presence today.

Increasing Total Shareholder Returns

Amid a historic year in catastrophes, our businesses once again rewarded Allstate shareholders. We repurchased \$2.5 billion of our stock and paid an all-time high annual dividend of \$1.28 per share, up 14 percent from 2004—a testament to our disciplined capital management. Our stock price closed 2005 at \$54.07, a 4.5 percent increase from the \$51.72 at the end of 2004. We also delivered a total shareholder return of 7 percent. And, we maintained our solid credit ratings from major rating agencies.

Under the circumstances, we’re very proud of these results. They show that our strategy is working, and that the market remains confident we can deliver the attractive, steady long-term returns shareholders expect.

*See page 17.

Managing an Unpredictable Market

Re-examining Risk

Shareholders expect us to ask tough questions about the exposures we face and manage them aggressively to deliver consistent earnings. In the aftermath of Hurricanes Katrina, Rita and Wilma, two questions warranted close attention.

First, why were Allstate's losses so significant in Louisiana and Mississippi? Katrina's wide path and unusual severity meant high payouts on the hundreds of thousands of homes we insure there.

Reinsurance could have softened the blow, as it did in Texas, for Hurricane Rita. When we considered our exposures on an enterprise-

wide basis, before the 2005 hurricane season, we chose to invest our reinsurance dollars in high-density coastal areas where our financial exposure is much higher—and where the probability of payback is greatest.

Second, what will we do in the future to mitigate this risk so we can continue to generate reliable earnings growth and increase our returns on capital? Each major storm teaches us new lessons—and makes us better able to manage risks. We factor new data into our risk management strategy, including recent findings that point to a period of more frequent and severe hurricanes. We purchased country-wide reinsurance that will reimburse Allstate for \$2 billion of losses in excess of \$2 billion

for named storms, earthquakes and fires following earthquakes in all states except Florida. We also purchased as additional protection from hurricanes in Florida \$900 million of reinsurance in excess of amounts recoverable from the Florida Hurricane Catastrophe Fund. In some other states, we're purchasing more reinsurance to reduce our exposures.

In other markets, we're increasing rates and deductibles on our homeowners policies and limiting new business writing. In markets where we cannot adequately cover our risks, we may be able to help customers find alternative coverage while we focus instead on auto and financial services products.

Though we can't control the weather, we can and will mitigate the weather's impact on our business. As a result, we expect our long-term exposure will decline. Moreover, we're calling for public policy change and a more rational approach to how Americans prepare for and protect themselves against the devastating and highly unpredictable effects of catastrophes.

In 2006 these efforts will expand and accelerate. By re-examining our catastrophe risk on an ongoing basis, we can protect our business and generate more consistent shareholder returns.

Finding New Opportunities

By staying close to our customers and markets, we're growing our customer base in a highly competitive market. We compete aggressively for high lifetime value insurance customers in multi-line households. But it takes more than price to win. To attract and retain profitable customers, we also continue to develop our product mix to meet their needs and back these products with fast response, financial strength and integrity. In addition, we anticipate and respond to demographic, regulatory and market trends to find

new ways to connect with consumers. For example, over the last five years we've doubled our investment in multi-cultural advertising. We're also aggressively tapping such channels as NASCAR, Olympic and college football sponsorships and placing greater emphasis on cable TV, the Internet and customer-experience activities.

■ Allstate responded to the severe catastrophes of 2005 with speed, efficiency and compassion. We also worked to decrease our exposures and applied leadership and innovative thinking to create a better business climate.



The Future: Building on our Strengths

Innovation at Work

Innovation anchors success for any company that wants to survive and thrive over the long-term. Allstate is no exception. Our success reflects our commitment to product and process innovation and efficient business practices, and we have many industry firsts to our credit.

In recent years we've taken our investment in innovation to a new level. For example, we developed Allstate® Your Choice Auto insurance to give customers greater flexibility and choice of packages. These package features are helping us win profitable market share, especially as we combine them with increasingly sophisticated underwriting tools to deliver competitive pricing. Innovation is also making our product support structure more efficient and profitable.

Specifically, we started to apply even more sophisticated tiered pricing not only to auto, but across our homeowners portfolio to more finely segment risks and help attract customers with higher lifetime value. And, our Next Generation Claim Systems will combine new technologies with fast, simple, customer-focused processes. This investment will help us lower our loss adjustment expenses, better manage loss costs and boost customer retention and satisfaction.

Even as we look ahead, we keep a keen eye on the market variables that affect our performance and adjust our strategy accordingly. For example, we use technology and local knowledge to guide expansion of our agency base into high-growth areas.

Value Driven

Value means different things to different people. For Allstate, it means doing everything we can to optimize financial returns for shareholders. The 2005 hurricane season reinforced the importance of managing our business with even greater precision and sophistication. Our performance also makes us even more committed to build on the key strengths that drive shareholder returns by enhancing our business performance and corporate reputation.

Our scale provides built-in economies that generate value for agents, customers and shareholders. For example, it enables us to roll out new products on a regional

basis so we can refine processes and communications based on feedback from agents and customers. Strategies like this save money and support top-line growth.

Our strong balance sheet gives us the flexibility to invest responsibly in growth.

With one of the country's most recognizable brands as a foundation, we are building profitable relationships based on competitively priced products and services, innovation and a better customer experience.

As a company, we value strong communities and show this commitment through ongoing investment in municipal bonds, employee volunteerism and continued support of The Allstate Foundation.

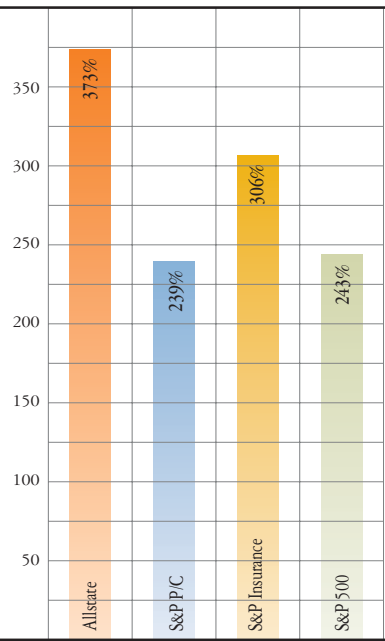
Investing in People

Allstate maintains its reputation for a high-performance culture by attracting and retaining the best talent in our industry. We provide our force of nearly 70,000 employees, agents and agency staff with many opportunities to expand their knowledge, acquire new skills and position themselves for new career and business opportunities. For example, we launched a new field leadership structure designed to provide agency owners with specialized support to help them operate more efficiently and profitably.

Each year we invest heavily in helping our employees achieve new professional designations and academic degrees. And because diversity is a cornerstone of Allstate's success, we also invest in and value our diverse workforce, who serve our diverse customer base and stockholders in a highly competitive marketplace. In return, our people demonstrate exceptional commitment to our customers and work hard to help Allstate win in the marketplace.

75 Years and Growing

Total Shareholder Returns Since IPO on 6/3/1993

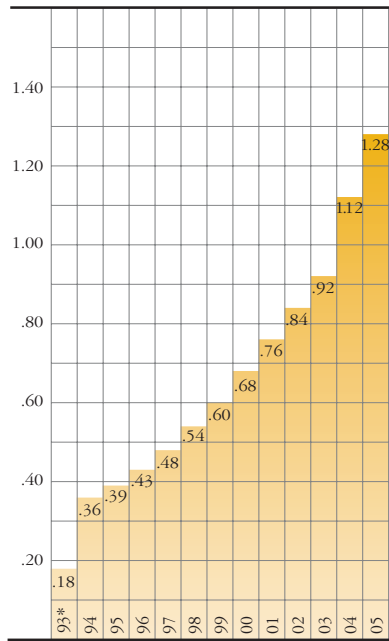


Total Shareholder Returns

	Allstate	S&P P/C	S&P Insurance	S&P 500
1 Year, 12/31/2004–12/31/2005	7%	15%	14%	5%
2 Years, 12/31/2003–12/31/2005	31%	27%	22%	16%
3 Years, 12/31/2002–12/31/2005	56%	60%	48%	49%
4 Years, 12/31/2001–12/31/2005	75%	43%	17%	16%
5 Years, 12/31/2000–12/31/2005	39%	31%	3%	3%
10 Years, 12/31/1995–12/31/2005	218%	150%	193%	136%
Since IPO, 6/3/1993–12/31/2005	373%	239%	306%	243%

Dividends per Share

(in dollars, adjusted for stock split in 1998)



*IPO as of 6/3/1993

75 Years and Strong

Allstate is proud to celebrate 75 years of providing protection and security for generations of Americans. We are excited to embark on our next 75 years, and we do so from a strong foundation. The company is growing profitably despite record catastrophe losses. Our financial position is solid. We're improving our competitive position by taking many initiatives to reduce costs. Consumers are responding to the consistent brand experience we deliver, our competitive but disciplined pricing and our innovative new products. Employees

and agents are delivering our Good Hands® Promise with commitment and zeal.

I am grateful for the support of an experienced leadership team that is guiding Allstate toward a dynamic future. Several leaders of your company, including our long-time senior management team member Robert W. Pike, retired in 2005 after decades of outstanding service. I thank them for their many contributions to Allstate's success. They have left their very capable successors with high standards to meet.

In 2005 Allstate drew on its many strengths to overcome adversity and generate solid shareholder returns. I've addressed our strategy for managing catastrophic events. In the pages that follow,

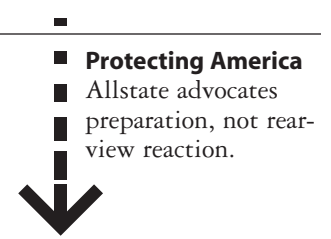
we outline the many steps we took to keep our enterprise growing, meet our customer commitments and deliver value and results.

In 2006 we will focus on several business priorities that are critical to our future. The progress we make to reduce our catastrophe exposure, accelerate profitable growth, protect our brand, manage expenses and improve the customer experience will make us an even stronger and better company.

Edward M. Liddy

Edward M. Liddy
Chairman and
Chief Executive Officer

How do we mitigate mega-catastrophe risk?



It's not a matter of insurance; it's a matter of economic vitality. The fact is that America is not as prepared as it should be, and mega-catastrophes appear to be increasing in frequency and severity.



Thomas J. Wilson
President and
Chief Operating Officer

Why should Americans be concerned?

For most families, the home represents a primary and growing source of equity and the foundation of their long-term financial security. Yet today, one third of Americans live in areas prone to earthquake risk, and more than half live in coastal counties. This is a precarious place to be at a time when seven major hurricanes struck the Gulf and Atlantic coasts in a 15-month span in 2004-05, and resulted in insured losses that ranked among the top 10 catastrophes in Allstate's history.

Why is Allstate advocating a new system?

Simply put, the current system does not adequately help Americans effectively prepare for and efficiently recover from catastrophes. Insurance premiums rise as carriers try to cover the costs of mega-catastrophes and reinsurance coverage. Some homeowners find it difficult to secure insurance coverage at any price. As a result, too many consumers and businesses lack the comprehensive coverage they need. And when disaster strikes, they have nowhere to turn for immediate support. Taxpayers also suffer when the government spends billions in emergency funds on people and businesses that may never fully recover. We need a new approach that gives consumers the protection and support they need.

What is Allstate's solution?

We initiated Protecting America.org, a broad coalition that seeks to better prepare and protect Americans from natural disasters. The goal is to improve consumer education, mitigation and the first response capability of police and fire departments. We are also advocating a new risk-sharing mechanism whereby private insurers would continue to provide protection to consumers but there would be a limit to their potential losses. Losses above this amount would be covered by a privately funded government-sponsored catastrophe pool at the state and federal levels. This structure would provide more protection at a lower cost to consumers.

How will this solution benefit Allstate shareholders?

Allstate is reducing its catastrophe exposure to protect its financial strength and generate consistent earnings. In the short-term, this strategy will require us to provide less protection to fewer homeowners. With a new risk-sharing mechanism in place, we can protect more consumers at affordable prices and enable them to benefit from our world-class service and claims expertise. Bringing the Good Hands® Promise to life will enable us to grow profitably and maintain our record of outstanding shareholder returns.

What can consumers do to protect themselves?

Consumers can take advantage of new education programs that will help them prepare for catastrophes before they strike. They can learn how to:

- Ensure their insurance coverage includes replacement costs
- Follow their community's public escape plan in an emergency
- Develop a simple family communication and response plan
- Access available resources to speed the recovery process

You can learn more by visiting Protecting America.org. Equally important, I encourage you, your family and friends to contact your legislators and ask them to join the effort to help protect you and our country from the devastating consequences of natural catastrophes.

Product Innovation

Allstate® Your Choice Auto insurance is re-inventing auto insurance by rewarding safe driving and offering more choice to meet individual needs. Features include a safe-driving bonus, accident forgiveness, a safe-driving deductible and new-car expanded protection. Allstate customers John and Kitty Vautier, shown here with their teenage drivers Jennifer and John Jr., protect all their family cars with Allstate® Your Choice Auto insurance.



We compete vigorously on multiple fronts.

The Good Hands® Promise
As part of our overall growth strategy, we focus on delivering on the five planks of the Good Hands® Promise to help customers feel better protected today and better prepared for tomorrow.

A High Quality Portfolio

Our sophisticated tiered pricing models are creating a more stable and profitable portfolio. Our rating plans have multiple tiers that allow us to more precisely align premium with risk. We compete vigorously for high life-time value customers. The result: improved underwriting profits, better retention and stable margins.

Expanded Distribution

We never rest when it comes to building on our already powerful distribution engine. In 2005 we had a net gain of 555 new exclusive agencies, bringing our U.S. total to 12,428. We're also helping our existing agencies grow bigger, more efficient and more profitable. For example, our U.S. licensed sales professionals increased to approximately 29,800 in 2005 from 28,500 in 2004. As a result, we're reaching more new households while cross-selling our broad product portfolio to the 17 million households we already serve.

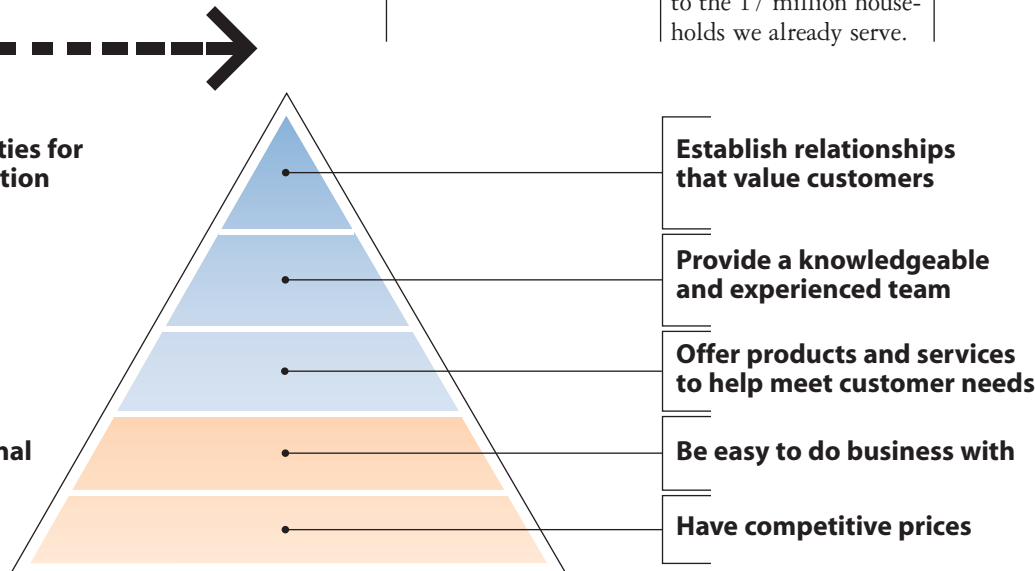
Innovation Drives Opportunity

Growth also requires a clear view of the market opportunities ahead—and a focused strategy for capturing them. For example, new technology is making cars much safer, while demographic shifts and tougher laws are creating a larger pool of safe, responsible drivers. These trends present a favorable climate for innovative new products like Allstate® Your Choice Auto insurance, which gives consumers the flexibility to match the price they pay to the coverage they need.

A Rewarding Future

Demographic trends are making personal investment more important than ever—and providing growth opportunities for Allstate Financial. Life expectancy is increasing. Health-care costs are rising. Pensions and Social Security benefits are under pressure. Tens of millions of baby boomers are at or near retirement age. Allstate has the financial expertise, innovative products and distribution network to meet the growing demand for financial services that help


consumers prepare for the future. In 2005, new sales of financial products by Allstate exclusive agencies* increased 5.7 percent to \$2.4 billion and have grown at a compound annual rate of 42.1 percent since 2000.



*See page 17.

We're creating loyal customers— one experience at a time.

Connecting with Customers	First to Respond	Staking a Claim to Excellence	Tools to Excel
<p>Allstate's Good Hands® Promise makes a strong commitment to nurture and protect our customers. We're extending this promise by making our agency, online and customer service channels easier to access and more satisfying to experience. We're also sharpening communications to better align our targeted audiences with media channels—and to ensure we consistently reinforce brand value. In 2005 greater customer focus helped increase customer loyalty for the second year in a row.</p>	<p>Customers appreciate Allstate's scale and resources most when disasters strike. Before Katrina reached land, we mobilized 1,500 claim adjusters just outside the impact zone. We also positioned 24 Mobile Response Units, all equipped with satellite capability that allowed us to relay claim information from field adjusters to headquarters systems before local phone service was restored. Allstate agents and employees also showed their dedication by attending to customers first—even though more than 800 had lost their own homes and businesses or were otherwise severely affected by the storm.</p>	<p>Allstate handles more than six million claims in a typical year—not including catastrophes. This means millions of opportunities each year to execute efficiently and help customers recover after a loss. We have been looking at every phase of the claim process—from customer record-keeping to check distribution. And we have been making dozens of changes to improve the entire experience.</p>	<p>Our vast and growing network of exclusive agencies gives us immediate access to consumers and communities across the country. As these agencies grow bigger, more efficient and more profitable, they're better equipped to meet the protection and financial services needs of our target market. Today, Allstate agents benefit from an efficient new technology platform that makes doing business easier. They can also access the market intelligence, marketing support and training they need to break away from the retail competition.</p> <p>We are also making technology and process investments to grow our independent channel, which serves a market representing one third of all insurance customers and \$45 billion in annual premium dollars.</p>

- Allstate is attracting and retaining customers by responding fast, improving the claim experience and building a larger and better equipped agent network.
- 

Real Time Response

Members of Allstate's dedicated National Catastrophe Team monitor storms before they strike, develop response strategies and coordinate on-the-ground activity. Team members (left to right) include Steve Pressley, Claim Process Specialist; Jerry Jimenez and Wendy Carrick, Market Claim Managers; and Les Mertins, Claim Field Director.



We invest responsibly and act with integrity.

Disciplined Risk Management, Reliable Returns

In twelve-and-a-half years as a public company, Allstate has created significant value by executing a disciplined investment strategy and managing our risks with an enterprise-wide view.

We generate additional returns through prudent management of our \$118.3 billion investment portfolio.

We invest shareholders' equity in areas that drive profitable growth and generate solid returns. These include product innovation, marketing, distribution and process improvement. In 2005 shareholders' equity was \$20.2 billion compared to \$21.8 billion in 2004, reflecting a net return of capital to shareholders through dividends and share repurchasing.

Allstate has a sophisticated formula for managing risks. By viewing them strategically, we can determine which risks to assume and then the right amount to assume in order to achieve attractive, reasonably predictable returns. That means understanding how natural disasters, changing economic conditions, operational challenges and market forces affect our business. This analysis helps us find the right balance between maintaining liquidity and investing capital to fuel growth and reward investors.

Between 1994 and the end of 2005, the total shareholder return on our stock has averaged 17 percent on a compound annual basis. These returns exceed

both the Standard & Poor's Property & Casualty and Standard & Poor's 500 indices. Allstate also has a proven track record of returning free cash flow to shareholders through dividends and stock repurchases. Our dividend has increased every year since 1993 and it reached an all-time high of \$1.28 per share in 2005. Since 1993 we have also repurchased more than \$11 billion in Allstate stock.

Integrity in Action

Allstate's reputation for good governance and financial transparency creates additional value by contributing to our long-term financial performance. We adopted many of our current corporate governance practices long before corporate scandal led to regulatory change. These include rigorous CEO evaluations and detailed board evaluations.

Our practices and our written policies—which are described online at allstate.com—earn high marks from independent governance organizations and are widely embraced throughout our organization. Our senior management team leads by example, anchoring our culture by maintaining the highest personal standards for integrity and accountability.

Strong Communities, Empowered Customers


Allstate is supporting new generations of customers by helping communities across America grow and prosper. These activities express our core values and boost Allstate's reputation as a responsible corporate citizen.

At the end of 2005, our investment portfolio included \$27 billion in municipal bonds in urban areas that need investment capital.

Allstate also supports communities in need by funding programs that encourage employees, agents and agency staff to reach out to others. In 2005, the \$6 million donated by Allstate to help hurricane victims in the Gulf states included \$2.6 million in contributions from Allstate employees and agencies. Our people also gave an additional \$2.8 million in 2005 to local charitable organizations through

the Annual Giving Campaign.

Each year, Allstate funds The Allstate Foundation, an independent charitable corporation. In 2005 The Allstate Foundation awarded \$16 million in grants to 508 national and regional not-for-profit organizations. These grants strengthen communities in three important ways: they promote community safety; create greater economic empowerment; and encourage tolerance, inclusion and diversity. In 2005 The Allstate Foundation launched new initiatives to educate teens on the importance of safe driving, and to help victims of domestic violence transition to safe, productive lives free of violence.

- Shareholders
 - count on
 - Allstate to act with integrity
 - and initiative—the same
 - attributes that help guide our business—
 - when helping the people and communities that we serve.
- 



Families in the New Orleans area are getting help rebuilding their lives in the wake of Hurricane Katrina. Shikanah Brown (foreground) is one of dozens of pre-schoolers at the East St. Tammany Rainbow Child Care Center in Slidell, Louisiana, helped by The Allstate Foundation Hurricane Recovery Fund at the Greater New Orleans Foundation. The daycare center received \$20,000 to rebuild its battered site. "It's been a Godsend," says Rainbow executive director Charlotte Champagne, shown talking with Shikanah's mother Celeste and (to her right) Maya Rollins with son Jasper Williams.

Financial Scorecard

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.

Better
We're striving to become more efficient and profitable in our operations and in our relationships with customers.

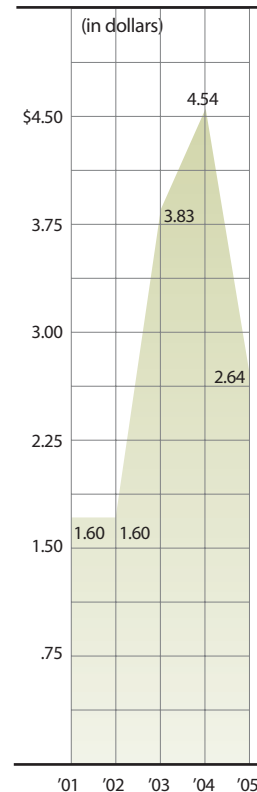
Bigger
Our goal is to drive top line growth in a way that also delivers bottom line profits.

Broader
We seek to expand in the personal lines, life insurance, retirement and investment products marketplace.

Better

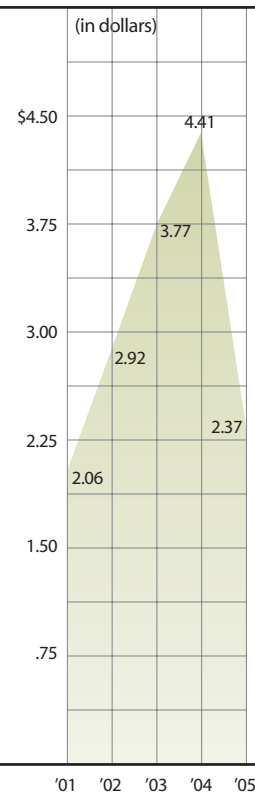
Net Income per Diluted Share

This “bottom line” measure demonstrates net income during the year that is attributable to each share of stock. This number declined in 2005 as severe catastrophe losses reduced net income.



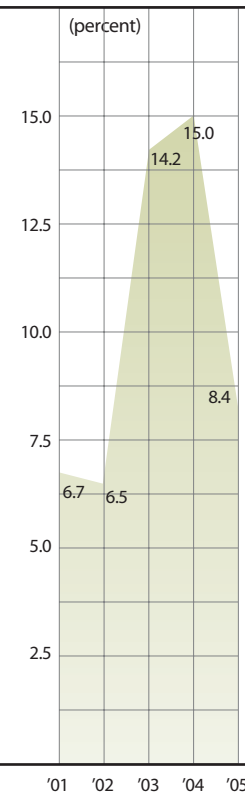
Operating Income per Diluted Share

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Return on Equity

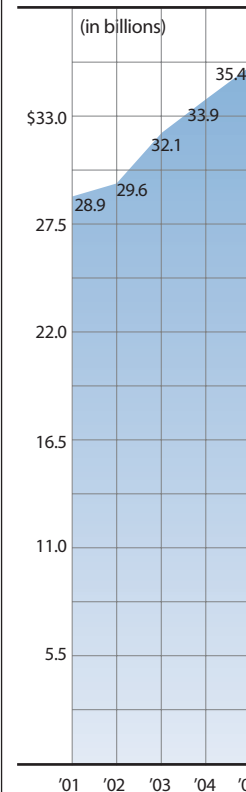
Return on equity measures how well Allstate used shareholders' equity to generate net income.



Bigger

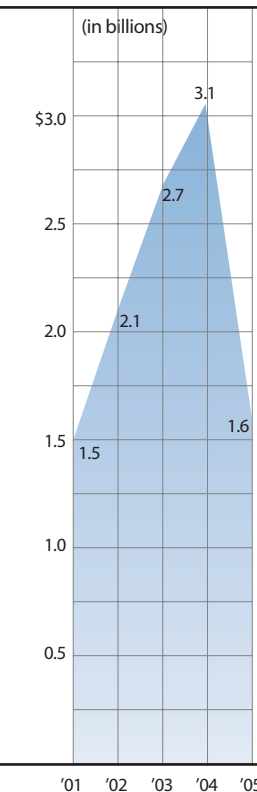
Revenue

This measure indicates Allstate's total premium and investment results. In 2005, Allstate generated record revenue.



Operating Income

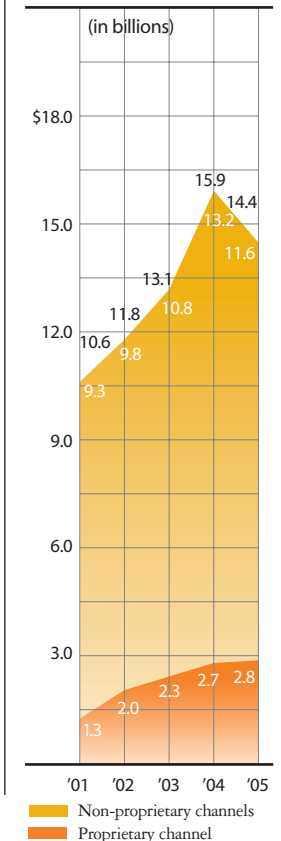
This measure reveals trends in our insurance and financial services business that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.



Broader

Premiums and Deposits

This measure is used to analyze the production trends for Allstate Financial sales. It shows the progress on meeting the goal of becoming a broader-based company.



Leadership Team

From left to right:

Joseph V. Tripodi

Senior Vice President and Chief Marketing Officer

Leverages Allstate's marketing power and highly valued Good Hands® Promise to strengthen and broaden customer relationships and attract new customers.

Dan Hale

Senior Vice President and Chief Financial Officer

Develops financial strategy and ensures sound governance practices, rigorous financial and risk management controls, appropriate reporting transparency and disciplined capital management.

Catherine S. Brune

Senior Vice President and Chief Information Officer

Sets and implements an integrated, business-aligned technology strategy that supports business objectives, protects and delivers information and enhances customer service.

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.

Casey J. Sylla

President, Allstate Financial

Drives increasing returns and profitable growth by providing top-tier financial products through Allstate agencies and third-party financial services professionals.

Edward M. Liddy

Chairman and Chief Executive Officer

Sets and directs the corporate strategy that is transforming Allstate into a high-performance insurance and financial services company.

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.

Michael J. McCabe

Senior Vice President and General Counsel

Guides Allstate's strategy to ensure sound compliance and governance practices and to foster a healthy legal, economic, legislative and regulatory environment.

Thomas J. Wilson

President and Chief Operating Officer

Leads the implementation of Allstate strategies that drive profitable growth, customer loyalty and innovation.

Michael J. Roche

Senior Vice President, Allstate Protection Technology and Administration

Leads all aspects of Protection technology management and Allstate's agency and customer support functions.

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.

Joan H. Walker

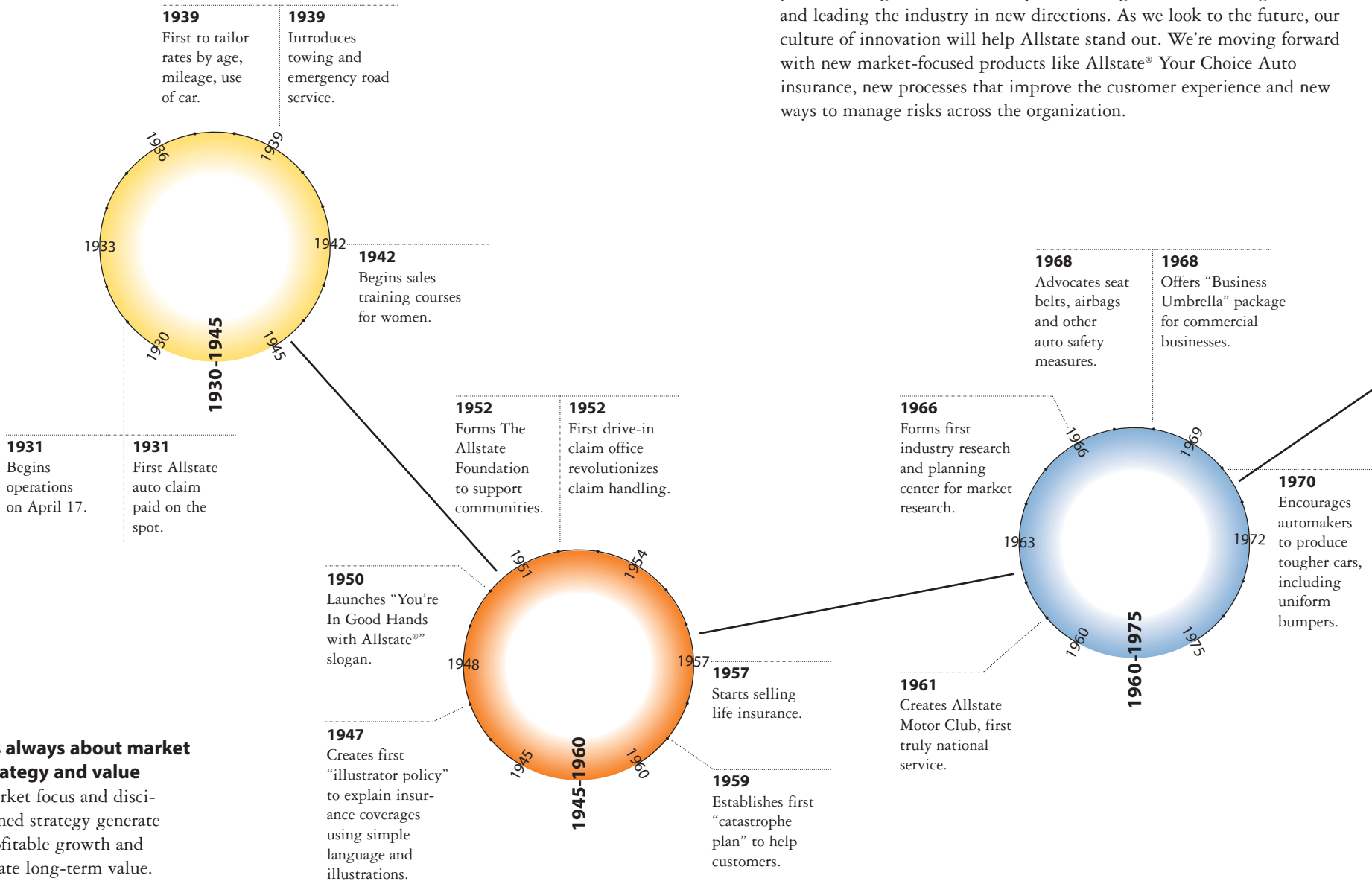
Senior Vice President, Corporate Relations

Stewards Allstate's corporate image and reputation and sets and directs the company's external and internal communication strategy.



Leading the Way for 75 Years

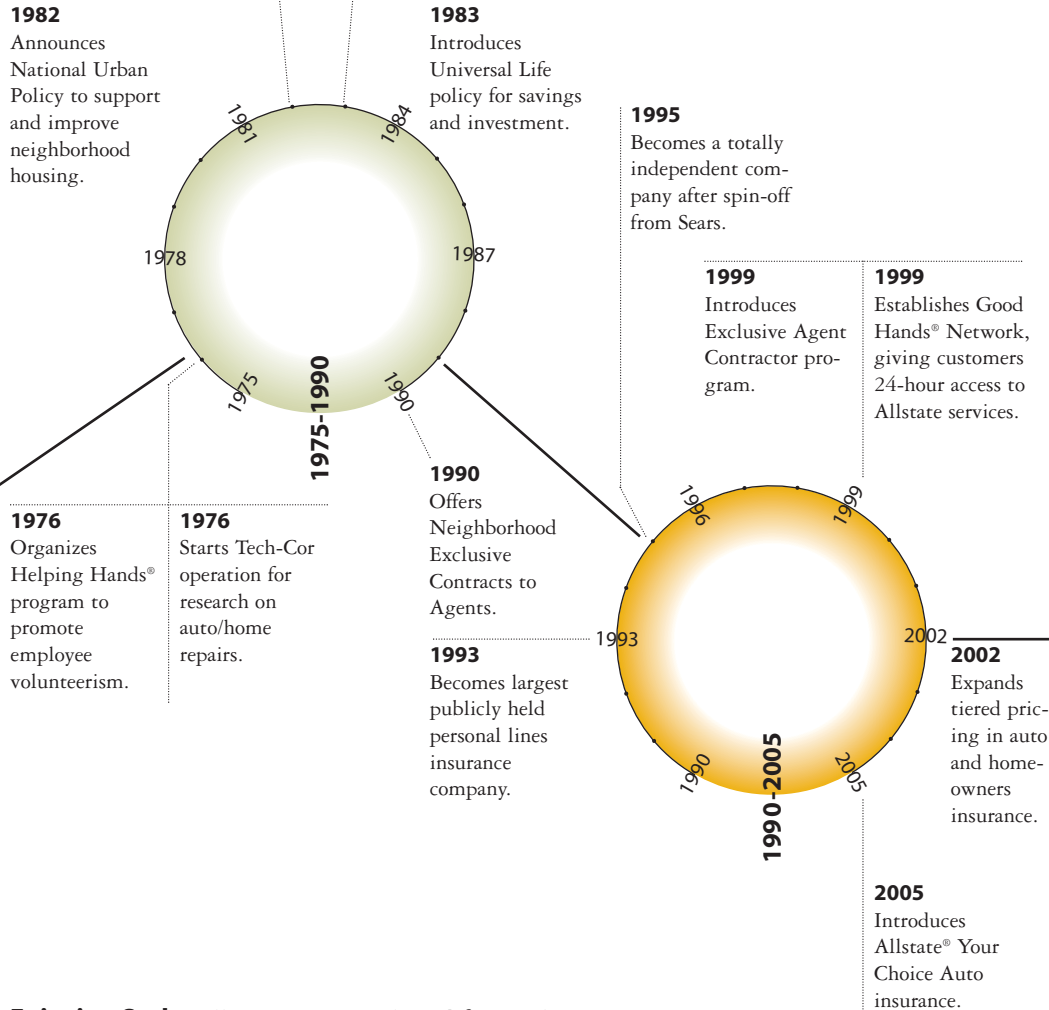
Sustaining Innovation For 75 years, Allstate has demonstrated that product and process innovation drives sustainable growth. We have created positive change for consumers by introducing new ideas, taking new risks and leading the industry in new directions. As we look to the future, our culture of innovation will help Allstate stand out. We're moving forward with new market-focused products like Allstate® Your Choice Auto insurance, new processes that improve the customer experience and new ways to manage risks across the organization.



It's always about market strategy and value

Market focus and disciplined strategy generate profitable growth and create long-term value.

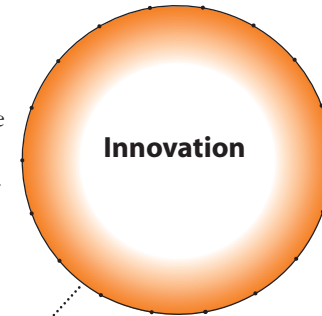
Creating a Climate for Success



Enjoying Scale Allstate has the scale and financial resources to meet its commitments to customers and generate profitable growth. To strengthen this foundation, we are investing in our distribution channels, building a more efficient and customer-focused claim operation and leveraging best practices to control costs and boost performance across our organization.

Innovation

New products and improved processes differentiate Allstate in the marketplace and help build profitable long-term relationships.



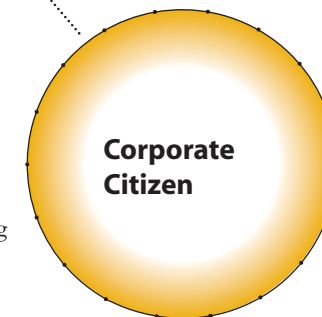
Protect and Prepare Consumers

Protecting and Preparing Consumers

Whether it's their personal assets or financial futures, Allstate will help its customers feel better protected today and better prepared for tomorrow's challenges.

Corporate Citizen

Some things never change. By investing in communities, Allstate generates a return on invested capital and helps create brighter futures for new generations of customers.



Customers deserve protection today— and a brighter future. That’s our stand.

- **To Access Allstate:**
 - • Allstate agents
 - • allstate.com
 - • Independent agents
 - • 1-800-allstate
 - • Allstate Bank
 - • Financial institutions
 - • Broker dealers
 - • Workplaces
- 

Insurance Products			Financial Products	
Products and services that help customers protect their assets, wealth and family.			Financial services products that help customers prepare for the future.	
Asset Protection	Wealth Transfer	Family Protection Insurance	Asset Management and Accumulation	Asset Management Short-term Financial Objectives
Auto Homeowners Condominium Renters Scheduled Personal Property Business Umbrella Commercial Auto Commercial Inland Marine Small Business Owner Customizer and Business Package Policy Landlord Package Manufactured Home Motor Home Motorcycle Boat Personal Umbrella Recreational Vehicle Motor Club Flood*	Estate Planning Products Business Succession Planning Products Fixed Survivorship Life Variable Survivorship Life	Term Life Universal Life Variable Universal Life Long-term Care* Supplemental Health	Fixed Annuities Variable Annuities Equity Indexed Annuities Single Premium Immediate Annuities Universal Life Variable Universal Life Single Premium Life Structured Settlement Annuities Mutual Funds* Qualified Plans*; such as IRAs, 401(k)s, 403(b)s Education Plans* (529 and Coverdell Education Savings Accounts) Institutional Funding Agreements	Checking Accounts Savings Accounts Certificates of Deposit Money Market Accounts Mortgages

*Non-proprietary products distributed by Allstate

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 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 certain realized capital gains and losses,
- (loss) gain on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

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, (loss) gain on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses and (loss) gain on disposition of operations 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. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. 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 tables reconcile operating income and net income for the years ended December 31.

Operating income

	Allstate Financial		Consolidated					Per diluted share				
	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
(\$ in millions, except per share data)												
Operating income	\$ 551	\$ 581	\$1,492	\$2,075	\$2,662	\$3,091	\$1,582	\$ 2.06	\$ 2.92	\$ 3.77	\$ 4.41	\$ 2.37
Realized capital gains and losses	1	19	(352)	(924)	196	591	549					
Income tax (expense) benefit	(4)	(7)	127	326	(62)	(199)	(189)					
Realized capital gains and losses, after-tax	(3)	12	(225)	(598)	134	392	360	(0.31)	(0.84)	0.19	0.56	0.54
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(32)	(40)	(4)	(3)	(15)	(32)	(40)	(0.01)	(0.01)	(0.02)	(0.04)	(0.06)
DAC and DSI amortization related to realized capital gains and losses, after-tax	(89)	(103)	(11)	(1)	(30)	(89)	(103)	(0.01)	—	(0.05)	(0.13)	(0.16)
(Loss) gain on disposition of operations, after-tax	(6)	(12)	(40)	2	(26)	(6)	(12)	(0.06)	—	(0.04)	(0.01)	(0.02)
Non-recurring increase in liability for future benefits, after-tax	—	(22)	—	—	—	—	(22)	—	—	—	—	(0.03)
Income before dividends on preferred securities and cumulative effect of change in accounting principle, after-tax	421	416	1,212	1,475	2,725	3,356	1,765	1.67	2.07	3.85	4.79	2.64
Dividends on preferred securities of subsidiary trust, after tax	—	—	(45)	(10)	(5)	—	—	(0.06)	(0.01)	—	—	—
Cumulative effect of change in accounting principle, after-tax	(175)	—	(9)	(331)	(15)	(175)	—	(0.01)	(0.46)	(0.02)	(0.25)	—
Net income	\$ 246	\$ 416	\$1,158	\$1,134	\$2,705	\$3,181	\$1,765	\$ 1.60	\$ 1.60	\$ 3.83	\$ 4.54	\$ 2.64

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

Book value per diluted share excluding the net impact of unrealized net capital gains on fixed income securities is calculated by dividing shareholders' equity after excluding the net impact of unrealized net capital gains on fixed income securities and related DAC and life insurance reserves by total shares outstanding plus dilutive potential shares outstanding. Book value per diluted share is the most directly comparable GAAP measure.

We use the trend in book value per diluted share excluding unrealized net capital gains on fixed income securities in conjunction with book value per diluted share to identify and analyze the change in net worth attributable to management efforts between periods. We believe the non-GAAP ratio is useful to investors because it eliminates the effect of items that can fluctuate significantly

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

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)	2001	2002	2003	2004	2005
Life and annuity premiums	\$ 1,345	\$ 1,371	\$ 1,365	\$ 1,045	\$ 918
Deposits to contractholder funds	7,970	9,484	10,373	13,616	12,004
Deposits to separate accounts and other	1,290	979	1,357	1,258	1,473
Total premiums and deposits	\$10,605	\$11,834	\$13,095	\$15,919	\$14,395

Book value per diluted share

As of December 31, (\$ in millions, except per share data)	2004	2005
Book value per diluted share		
Numerator: Shareholders' equity	\$21,823	\$20,186
Denominator: Shares outstanding and dilutive potential shares outstanding	688.0	651.0
Book value per diluted share	\$ 31.72	\$ 31.01
Book value per diluted share, excluding the net impact of unrealized net capital gains on fixed income securities		
Numerator: Shareholders' equity	\$21,823	\$20,186
Unrealized net capital gains on fixed income securities	2,134	1,255
Adjusted shareholders' equity	\$19,689	\$18,931
Denominator: Shares outstanding and dilutive potential shares outstanding	688.0	651.0
Book value per diluted share, excluding the net impact of unrealized net capital gains on fixed income securities	\$ 28.62	\$ 29.08

Combined ratio, excluding the effect of catastrophe losses,

is computed as the difference between two operating ratios, combined ratio (a GAAP measure) and the effect of catastrophes on the combined ratio. The most directly comparable GAAP measure is the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our property-liability business that may be obscured by catastrophe losses, which cause our loss trends to vary significantly between periods as a result of their rate of occurrence and magnitude. We believe it is useful for investors to evaluate these components

separately and in the aggregate when reviewing our underwriting performance. The combined ratio excluding the effect of catastrophe losses should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business. The following table shows the reconciliation for the years ended December 31.

	2004	2005
Combined ratio	93.0	102.4
Effect of catastrophes on the combined ratio	9.5	21.0
Combined ratio, excluding the effect of catastrophe losses	83.5	81.4

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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, 2005,

by contacting:

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The Allstate Corporation's annual report is available online at:

www.allstate.com/

[investor/annual_report](http://www.allstate.com/investor/annual_report)



Allstate[®]
You're in good hands.