



The following Financial Section is from the 2002 The Allstate Corporation Annual Report.

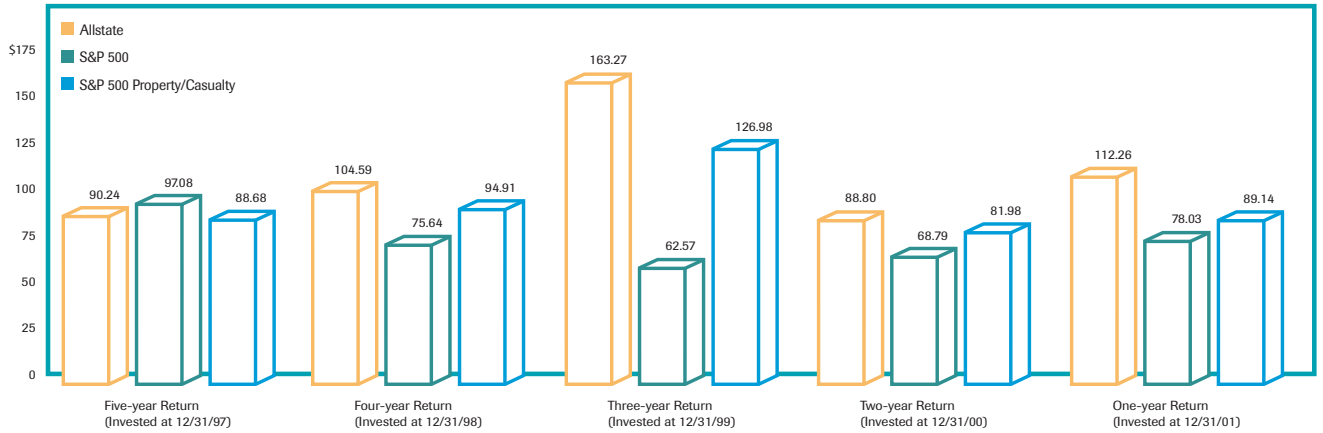
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Allstate operates from a strong position financially, with \$117.4 billion in assets and shareholders' equity of \$17.4 billion. Its main business units, Property-Liability and Allstate Financial,

provide insurance, investment and retirement products to 14 million households served through Allstate directly, and 2.5 million households served through non-proprietary channels.

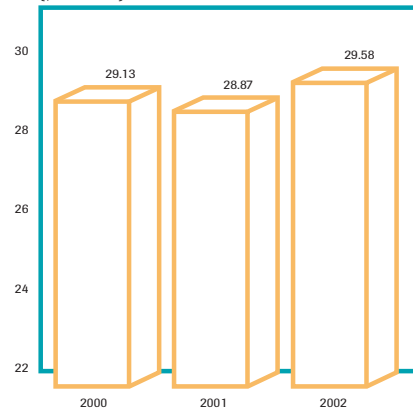
Comparison of Cumulative Total Return

For a \$100 initial investment made as of December 31, 1997, 1998, 1999, 2000 and 2001. Allstate vs. Published Indices

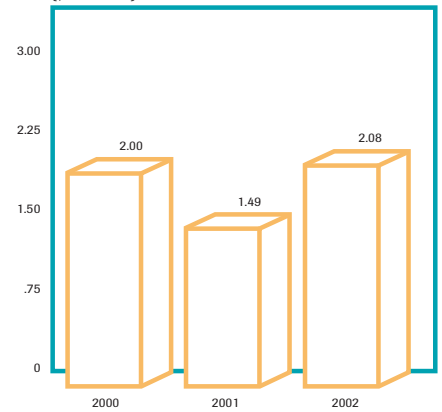


The chart above compares the cumulative performance of Allstate's returns for an initial \$100 investment made at the end of each of the preceding five year periods, with the performance of the S&P 500 and S&P 500 Property/Casualty indices. The chart shows the changes in cumulative value of an initial \$100 investment over the indicated time periods, assuming all dividends are reinvested quarterly.

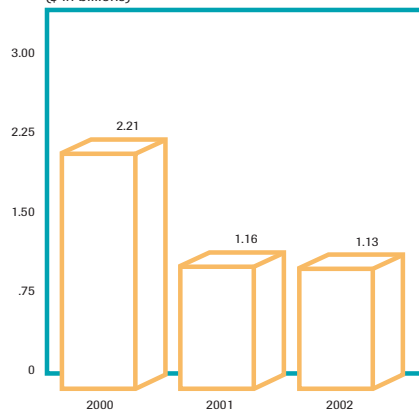
Revenues
(\$ in billions)



Operating income
(\$ in billions)



Net income
(\$ in billions)

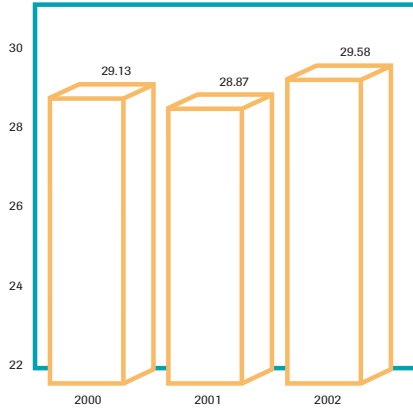


Consolidated Financial Highlights

Allstate provides insurance, investment and retirement products to more than 14 million households served through Allstate directly and 2.5 million households served through non-proprietary channels, and has approximately 12,300 exclusive agents in the United States and Canada. Customers can access Allstate products and services through Allstate agents, allstate.com and 1-800-Allstate. Advantage includes EncompassSM and

DeerbrookSM Insurance brand property and casualty insurance products that are sold exclusively through independent agents. Allstate Financial products can also be accessed through independent agents and representatives of banks and securities firms. The consolidated financial results of Allstate include its Property-Liability, Allstate Financial and Corporate and Other business units.

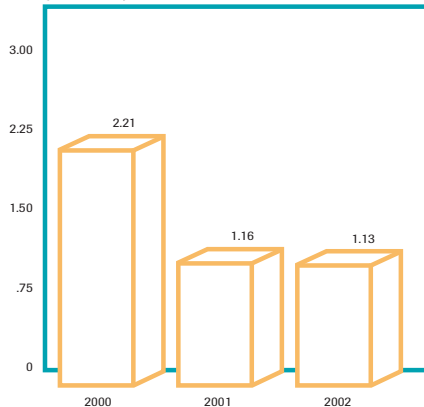
Revenues
(\$ in billions)



Revenues increased to \$29.58 billion in 2002 from \$28.87 billion in 2001 due to increased Premiums earned in the Property-Liability business, Life and annuity premiums and contract charges in the Allstate Financial business and Net investment income. Offsetting these increases was a higher level of net realized capital losses in 2002 when compared to 2001.

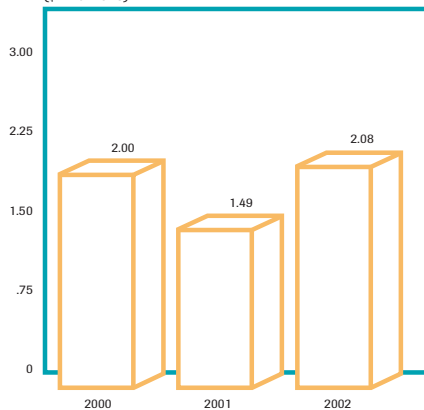
Net income declined to \$1.13 billion in 2002 from \$1.16 billion in 2001 due to higher realized capital losses when compared to 2001, and the cumulative effect of a 2002 change in accounting principle. Net income per diluted common share in 2002 was equal to 2001 as reduced Net income was offset by the positive impacts of Allstate's share repurchase program. Allstate repurchased 12 million shares totaling \$446 million during 2002.

Net income
(\$ in billions)



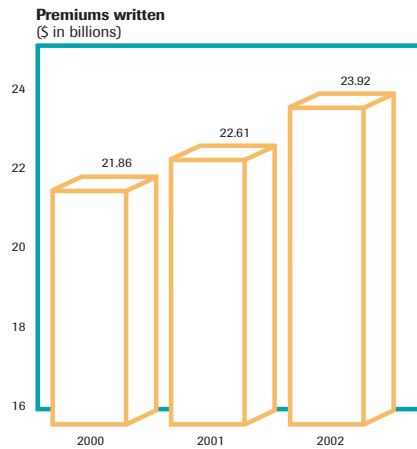
Operating income increased to \$2.08 billion in 2002 from \$1.49 billion in 2001 due to higher Operating income in both Property-Liability and Allstate Financial.

Operating income
(\$ in billions)

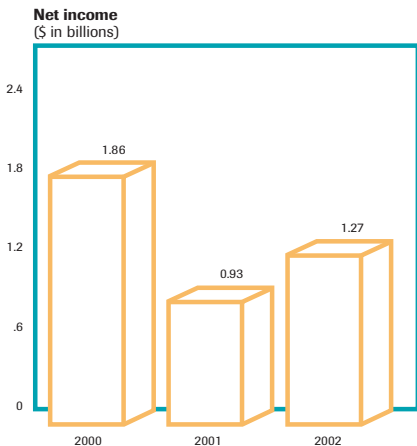


Property-Liability Highlights

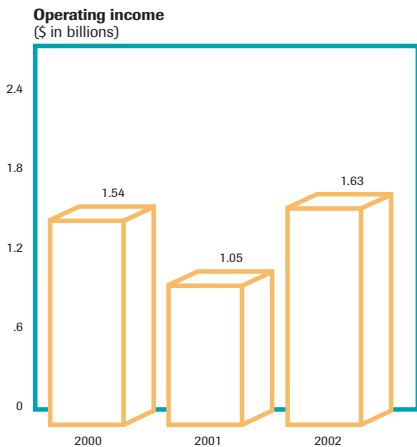
Allstate's Property-Liability business is the second largest personal property and casualty insurer in the United States. It is principally engaged in the sale of private passenger auto and homeowners insurance.



Premiums written increased to \$23.92 billion in 2002 from \$22.61 billion in 2001 due to increases in the standard auto and homeowners lines. These increases were due to increased premium rates, but were partially offset by a decline in the number of policies. Increases in Premiums written in standard auto and homeowners were partially offset by declines in Premiums written in the Allstate brand non-standard auto line related to the implementation of programs to address profitability trends in this line.



Net income for Property-Liability increased to \$1.27 billion in 2002 from \$926 million in 2001. This increase was the result of higher Operating income, partially offset by increased realized capital losses and the Cumulative effect of a change in accounting principle.

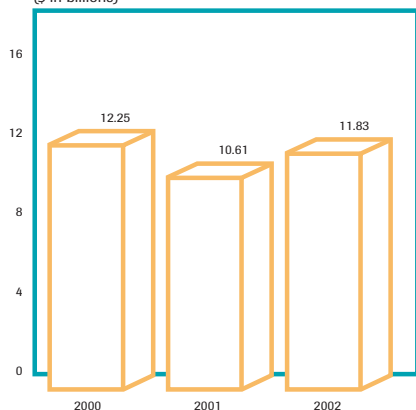


Operating income for Property-Liability increased to \$1.63 billion in 2002 from \$1.05 billion in 2001. This increase was due to higher Premiums earned and lower catastrophe losses. These factors were partially offset by higher insurance claims and claims expenses and declines in Net investment income. During 2002, claims and claims expenses were affected by a higher average cost per claim, which was partially offset by a lower rate of claim occurrence.

Outlook Property-Liability will continue to seek approval for rate changes wherever and whenever it's appropriate, and to pursue other actions such as underwriting process improvements, that will promote a targeted level of profitability. Strategic plans are also in place to increase the retention of current customers, increase the number of agents and market to a focused group of consumers who are best able to provide profitable growth.

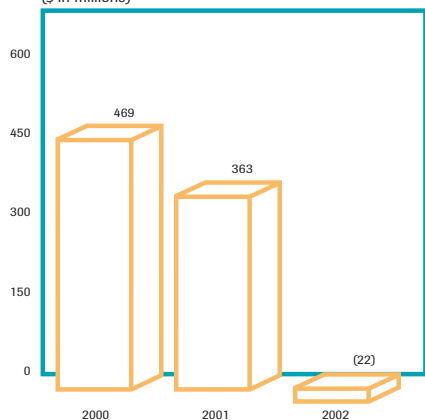
The Allstate Financial business provides life insurance, investment and retirement products through Allstate agents, independent agents and representatives of banks and securities firms.

Premiums and deposits
(\$ in billions)



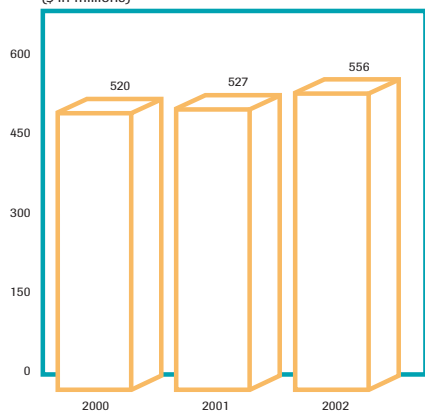
Premiums and deposits increased to \$11.83 billion in 2002 from \$10.61 billion in 2001 due to an increase in fixed annuity sales and an increase in deposits at the Allstate Bank. These increases were partially offset by a significant decline in sales of institutional products reflecting unfavorable credit market conditions, and variable annuities caused by poor equity market performance.

Net income
(\$ in millions)



Net income for Allstate Financial declined to a loss of \$22 million in 2002 from Net income of \$363 million in 2001. This decrease was the result of the Cumulative effect of a change in accounting principle and higher realized capital losses in 2002 compared to 2001.

Operating income
(\$ in millions)



Operating income for Allstate Financial increased to \$556 million in 2002 from \$527 million in 2001. This increase was due to new product sales, management actions to improve the gross investment margin, which is the margin earned on investments in excess of interest credited on policies, adjust-

ments for prior year tax liabilities and the elimination of goodwill amortization due to an accounting change. These increases were partly offset by higher Amortization of deferred policy acquisition costs related to variable annuities resulting from the equity market environment during 2002, and increased Operating costs and expenses.

Outlook Allstate Financial will continue to manage its investment margin to maintain profitable spreads between investment yields and interest crediting rates on its inforce products. Management will also continue to evaluate the investment environment and manage product pricing to ensure that new product sales generate acceptable returns. Allstate Financial will continue to strengthen its relationships within its current distribution channels by enhancing its focus on key distribution partners and Allstate agents.

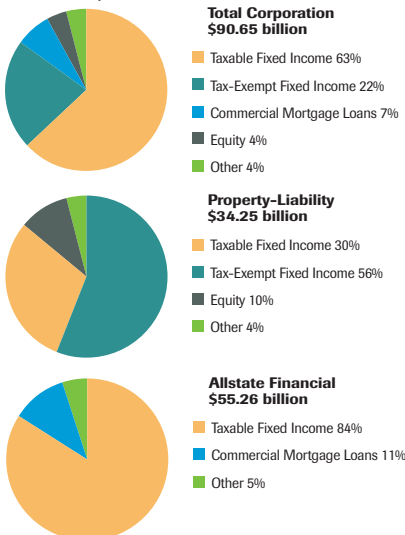
Investments Highlights

Allstate Investments, LLC is a wholly-owned subsidiary of The Allstate Corporation responsible for managing the invested assets of the principal business units, Property-Liability and Allstate Financial. Allstate Investments, LLC works closely with Allstate's business units to design effective market and credit quality, liquidity and asset allocation strategies that will most effectively support their business objectives. Allstate is a major investor in many domestic securities markets and participates in several international investment markets. Working within a comprehensive risk management framework, Allstate's team of dedicated investment professionals takes an active market stance in pursuit of generating returns in excess of appropriate benchmarks in support of the Company's overall financial objectives.

Asset Allocation

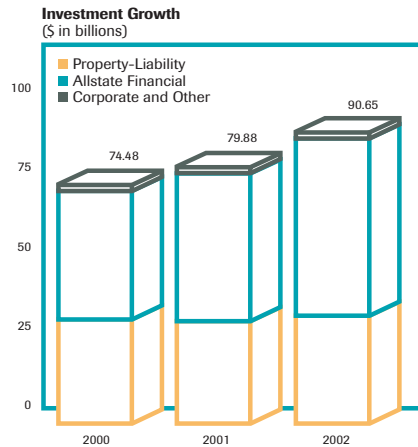
Allstate's consolidated allocation of assets is designed to best support the needs of its business units. Allstate's portfolio of invested assets is heavily weighted towards fixed income securities. Fixed income securities provide the most effective match to the business units' financial objectives while best supporting Allstate policyholder claim payments. The balanced allocation across both fixed income and equity markets performed well during the unique and volatile capital markets that existed during 2002.

At Dec. 31, 2002:



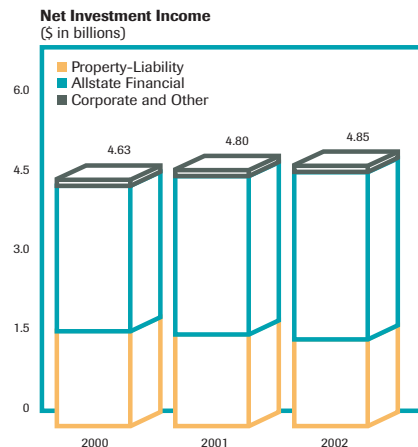
Investment Growth

Consolidated investment balances increased to \$90.65 billion in 2002 from \$79.88 billion in 2001, or 13.5%, primarily due to increased cash flows from growth in operations, as well as increased unrealized gains in fixed income assets generated in a lower interest rate environment.



Net Investment Income

Allstate's consolidated Net investment income for 2002 increased to \$4.85 billion from \$4.80 billion in 2001, or 1.2%, primarily due to higher investment balances, but partially offset by lower yields on purchases of new fixed income securities. Investment strategies are focused on achieving consistent growth in investment income within the context of overall asset growth and available market yields.

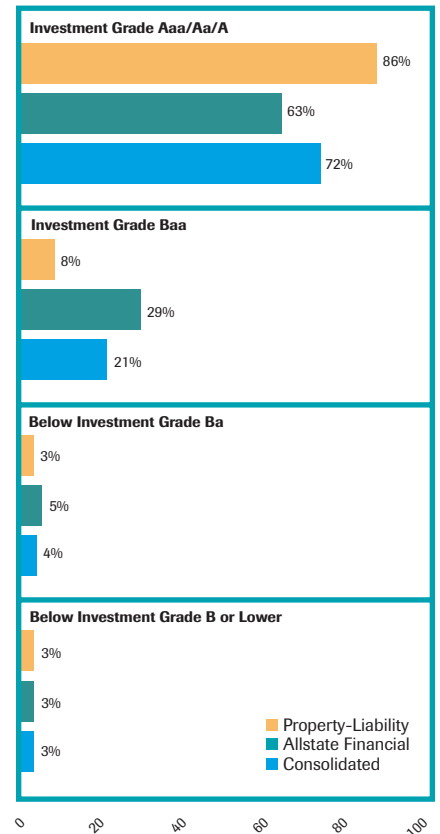


Fixed Income Portfolio Quality

Allstate's fixed income portfolios are both highly-diversified and of high quality. On a consolidated basis, approximately 93% of Allstate's fixed income assets are of investment grade quality. Allstate considers a security investment grade when it has received a rating from the National Association of Insurance Commissioners of 1 or 2, a Moody's rating of Aaa, Aa, A or Baa, or a comparable internal rating. The high quality nature of the portfolios provide the foundation for the risk management framework that best meets each business unit's financial objectives and risk tolerance levels.

Distribution of Fixed Income Assets by Credit Quality (In Percent)

At Dec. 31, 2002:



Outlook The continued presence of a soft economy, geopolitical risks and historically low interest rates will present a challenging investment climate in 2003. Allstate believes a disciplined approach to risk management and asset allocation combined with an active management philosophy will continue to serve Allstate well in the coming year.