

SUMMARY ANNUAL REPORT

Clearly Different



Allstate
You're in good hands.

A POWERFUL COMPETITIVE POSITION;
AN INNOVATIVE STRATEGY;
PROVEN, PRINCIPLED MANAGEMENT
AND OUTSTANDING EXECUTION
CREATED STRONG RESULTS.
LEARN MORE ABOUT HOW YOUR
COMPANY PERFORMED IN 2003.

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This icon denotes that additional information is available online at www.allstate.com/investor/annual_report. Additional information is also available in the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement.

DO THE MATH

USE THESE FINANCIAL HIGHLIGHTS TO TRACK YOUR COMPANY'S PROGRESS.

Allstate encourages you to review the short- and long-term financial highlights to assess its performance and make an informed decision about the company as an investment.

+139.4%

Net Income Per Diluted Share

(\$ in dollars)		% change
2003	2002	
\$3.83	\$1.60	139.4

Net income per diluted share, which more than doubled in 2003, 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
2003	2002	
\$2,662	\$2,075	28.3

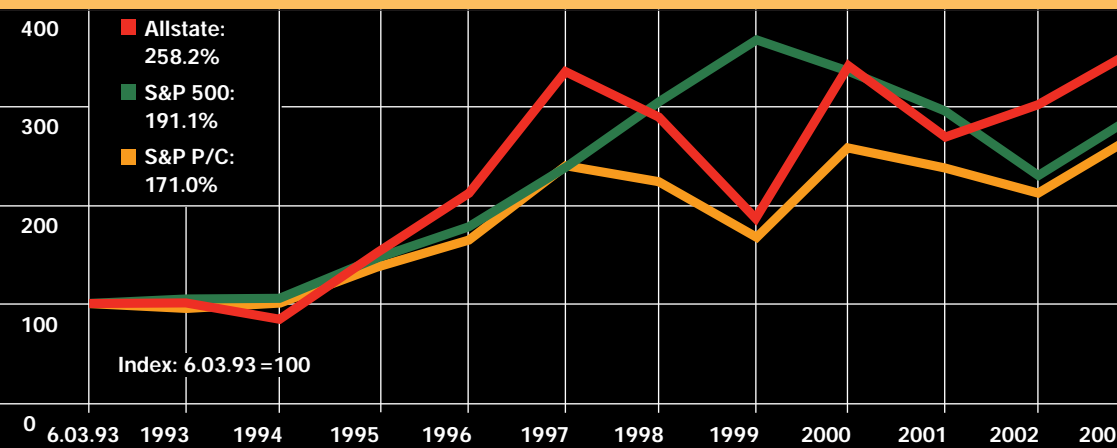
+28.3%

In 2003, operating income rose to a record \$2.7 billion. Allstate uses this measure to evaluate our results and for incentive compensation. This is a common measure used by the investment community to analyze our results. Operating income reveals trends that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.

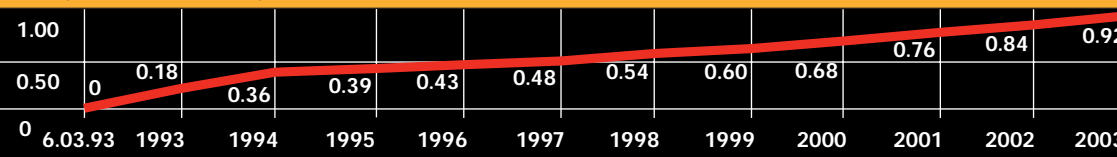
Total Shareholder Return Over 11 Years

Total shareholder return, charted over 11 years, measures the total investment value of Allstate stock for a shareholder since the company's June 1993 initial public offering. Compared with the total value of the Standard & Poor's 500 and Standard & Poor's Property & Casualty indices, it shows that Allstate's total shareholder return exceeded many of its corporate and industry peers. The chart assumes quarterly reinvestment of all dividends.

+258.2%



Dividend per share (in dollars) Dividends per share, charted over 11 years, represents the profit per share that Allstate returned to our shareholders. It has increased by an average of nearly 10 percent per year.



+8.7%

Revenues

(\$ in millions)		% change
2003	2002	
\$32,149	\$29,579	8.7

Revenues rose nearly nine percent to \$32.1 billion in 2003. Revenues indicate Allstate's total premium and investment results.

14.2%

Return on Equity

(percent)		% change
2003	2002	
14.2%	6.5%	

Return on equity, which measures how well Allstate used shareholders' equity to generate additional earnings, increased to 14.2 percent in 2003 from 6.5 percent in 2002.

\$20,565,000,000

Shareholders' Equity

(\$ in millions)		% change
2003	2002	
\$20,565	\$17,438	17.9

Shareholders' equity, which is the company's total assets minus total liabilities, indicates the value of the ownership interest of Allstate shareholders. It increased 17.9 percent in 2003 to \$20.6 billion from \$17.4 billion in 2002.



View comprehensive five-year financial information online at www.allstate.com/dothemath, or see the 5-Year Summary section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement.

Book Value Per Diluted Share

(In dollars)		% change
2003	2002	
\$29.04	\$24.75	17.3

Book value per share, which rose 17 percent in 2003, 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.

+17.3%

*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 eight of this report.

A DIFFERENT DIRECTION

As a long-term investment, Allstate outperforms the competition. From our June 3, 1993 initial public offering through December 31, 2003, \$1,000 invested in the Standard & Poor's 500 and Standard & Poor's Property & Casualty indices increased in value by \$911 and \$710, respectively. During that time, the same investment in Allstate exceeded those values and increased by \$1,582.

Different from the competition

Conventional wisdom often implies that insurance companies cannot consistently increase revenues and profits at the same time. In a slow growth, competitive business, it has to be one or the other. Starting several years ago, Allstate took a different approach. Two decisions were key:

1 Allstate sharpened its pricing and underwriting skills to attract higher lifetime value households because these customers are more loyal and more likely to buy additional products. This improved our opportunity to generate both revenue and income.



2 The company expanded in the faster-growing financial services market, adding a variety of retirement and savings products. The move met a real need, especially among middle-market customers, while balancing traditional strengths in the slower-but-steady personal lines insurance market.



Difference pays dividends

By rewriting the rules, your company is applying a rare combination: best-in-class pricing and underwriting; a broad portfolio of protection and retirement products; and access through almost every available channel—exclusive agents, exclusive financial specialists, independent agents, non-proprietary channels, 1-800-Allstate and www.allstate.com. And execution has been outstanding. The result: Not growth or profit, but growth and profit. Last year was a good example. Revenues rose 8.7 percent in 2003. Net income per diluted share increased 139.4 percent. And return on equity increased to 14.2 percent in 2003 from 6.5 percent in 2002.

A different opportunity

We recognize past performance is no guarantee of future success so we're not resting on our laurels. Having positioned the company for continued profitable growth, Allstate intends to take full advantage of its experience and its unique opportunities.

The rest of this report details how Allstate is reaching more Americans, managing its capital more effectively and leading more decisively to deliver strong, sustained returns on your investment.

17,000,000

Estimated U.S. private passenger auto drivers protected by Allstate brand insurance.

1 of 6



Allstate has a relationship with about one of every six American households.



View additional information about strategic risk management and trends shaping retirement at www.allstate.com/direction. Strategic risk management is also discussed in "Property-Liability 2003 Highlights" in the MD&A section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement.

ON OUR WAY

People need insurance to protect themselves and their families. Auto and homeowners coverage is required for most consumers, either by law or by lenders. People also need life insurance, retirement and savings products to protect their future during these uncertain times. This is especially true for the millions of Baby Boomers rapidly approaching retirement.

Reaching America



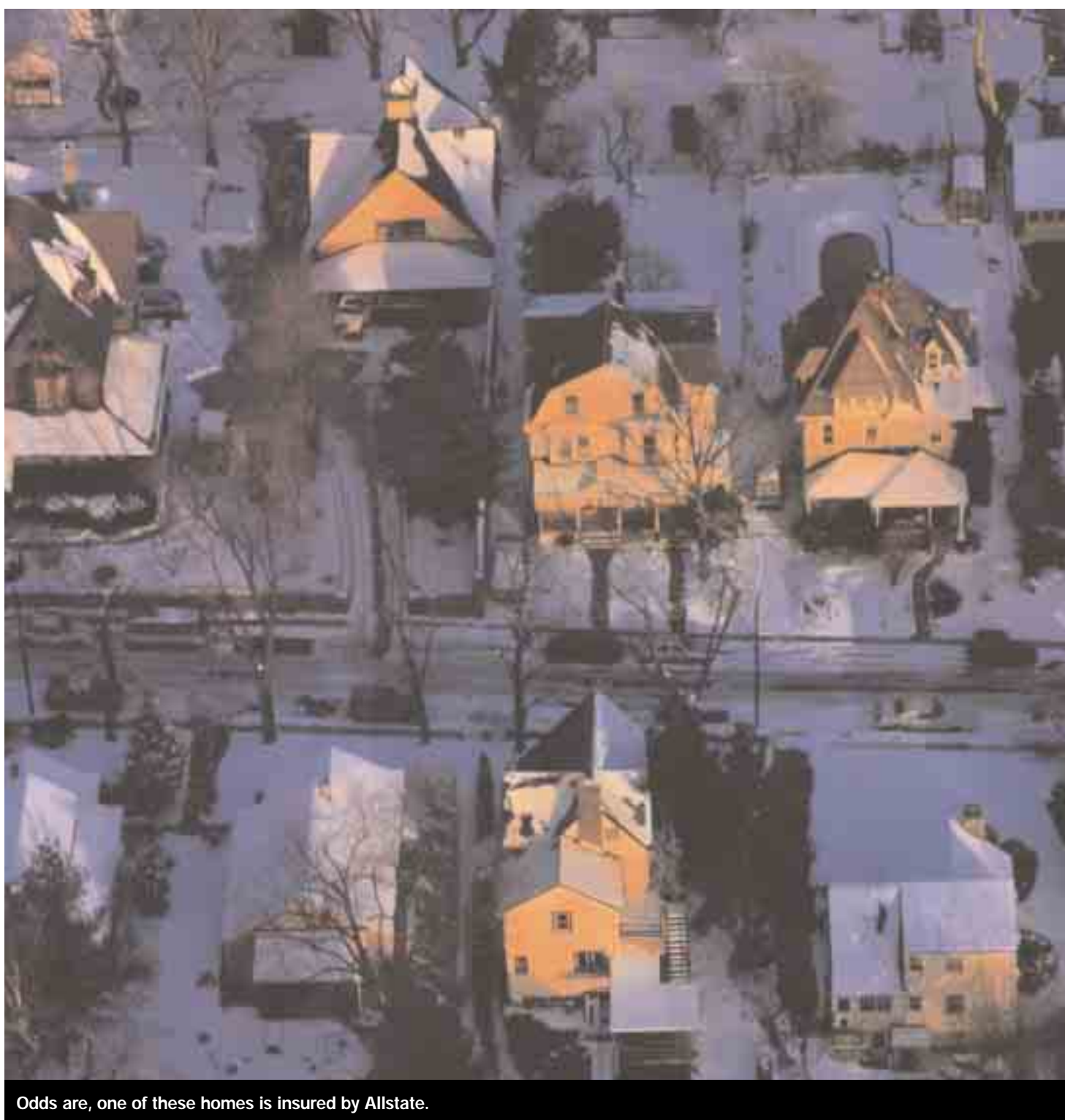
View additional information about Allstate's strategies for growth and the company's wide array of products at www.allstate.com/reachingamerica, or see "Allstate Protection Segment" and "Allstate Financial Segment" in the MD&A section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement and view the company's wide array of products on the inside front cover.

Size to match the market

Meeting these consumer demands for financial protection are a range of companies in the \$211 billion auto and homeowners insurance market, plus a wide array of providers in the broad financial services arena. But Allstate is among the biggest in the insurance business, able to reach nearly every one of America's 106 million households through several retail and wholesale distribution channels. In 2003, Allstate had a relationship with more than 16 million American households, providing life insurance, retirement and savings products to more than 2.5 million of those households through Allstate agencies, financial institutions, broker-dealers, independent agents and direct marketing.

Expanding our reach even further

Growing these existing relationships means demonstrating to consumers that Allstate is different from, and better than the competition. Historically, industry satisfaction levels have been low. Yet experience shows that customers make decisions mostly on the basis of price, service and relationships. So Allstate is intensely focused on strengthening our offering in all three areas.



Odds are, one of these homes is insured by Allstate.

An altogether different experience

A better experience starts with attractive prices for specific customers, those looking for good value and a real relationship and who need to protect their valued assets today and prepare for a financially secure future. It also requires a higher standard of service, delivered whenever and wherever customers require. That's why Allstate offers 24-hour access through www.allstate.com and 1-800-Allstate. And a satisfying customer experience includes an ongoing relationship with a local agency, acting as a trusted partner.

Thinking and acting locally

One more difference: Allstate is focused on delivering the customer experience block-by-block. We are providing our local market leaders more flexibility with their marketing, pricing and underwriting strategies. That helps make us more nimble, precise and competitive. Similarly, Allstate offers a product portfolio with a wide range of options. The result: Every relationship is customized, depending on who customers are, what they need and where they live.

By focusing on what matters most, and by tailoring our offerings to individual needs, Allstate attracts new customers and broadens relationships with existing ones. Turning those opportunities into earnings demands wise use of people and capital.

PEOPLE + CAPITAL = SMART COMPANY

People

Financial strength: the critical difference

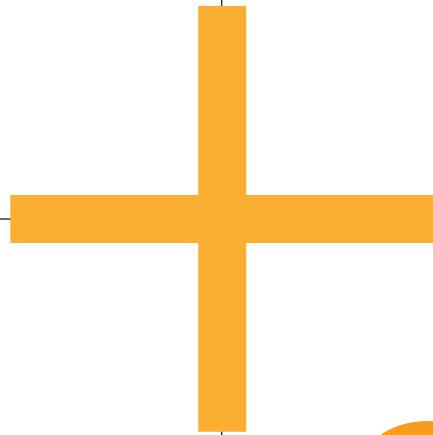
Weather and accidents aren't the only uncertainties in Allstate's business. The company has to manage for regulatory and rate changes where it does business. It has to earn solid returns on its investments in a recuperating, yet uncertain, financial marketplace. It's all part of running an efficient, intelligent company that protects our customers and rewards our shareholders. In 2003, total investments rose to \$103 billion, up from \$91 billion in 2002.

And Allstate continued to manage capital effectively, as evidenced by high ratings for financial stability by primary rating agencies including A.M. Best, Moody's and Standard & Poor's.  The net result: Your company is financially strong—able to pay claims and to produce profits for investors.

The power of people + capital

Doing all this well, and doing it consistently, helped Allstate grow operating income per diluted share* and shareholder dividends on a compounded annual basis by nearly 12 percent and 10 percent, respectively, during the past decade—all while providing financial protection for our customers today and preparing them for tomorrow through our retirement and savings product offerings.

Building on and improving that record is the Allstate leadership challenge for the next decade.



The people of Allstate are its most powerful asset. In 2003, the company's nearly 40,000 employees continued to operate as the industry's finest professionals. And 12,900 agents and their staff were the trustworthy face of Allstate in the cities where we do business. Result: They generated a record \$32.1 billion in total revenue. They managed \$134.1 billion in assets. How Allstate manages people and capital to balance risk—whether it's planning for a natural disaster or for retirement—makes it a different, more valuable company.

Risk is our business

Allstate is an industry leader at managing risk because we never stop evolving and improving. Risk is assessed and tracked on an individual basis, one customer at a time. Multiply that by millions of households, and distinct patterns emerge. Drawing on this extensive data and using its Strategic Risk Management (SRM) tool, Allstate manages risk unlike most in the industry. SRM's level of sophistication pays off for investors and customers as we can become more competitively priced in our customer segments.



View additional information about Allstate's business of managing risk at www.allstate.com/peoplepluscapital or see "Allstate Protection Segment" and "Allstate Financial Segment" in the MD&A section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement. View the company's financial strength ratings at www.allstate.com/peoplepluscapital or see "Capital Resources and Liquidity" in the MD&A section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement.

Capital

For Allstate employees and agencies, leadership is more than words. It's actions. Delivering exceptional products and services to customers. Improving communities through active corporate citizenship. Rewarding investors with sustained, profitable growth.

Walking the talk

In 2003, the company took action to extend its brand leadership and improve its market position by launching Our Stand, a marketing campaign that positions Allstate as the advocate for customers seeking quality protection and peace of mind. Advertisements articulate the Allstate difference and challenge consumers to expect more from their existing providers. Reaction, as measured by increased contact with agencies, allstate.com and 1-800-Allstate, has been positive. ↩



Actor Dennis Haysbert delivers a direct, powerful message in Allstate's Our Stand advertisements.

Allstate also took action to extend its leadership in local areas across the country. When competitive conditions changed and many companies exited markets, your company was different. It stayed the course as a multi-line provider, increasing its opportunity to establish and retain customer relationships.

And Allstate took action in 2003 to extend its leadership position as the largest publicly held personal lines insurer in America. Compared with 2002, the company not only increased already strong profitability, it also grew revenue and policies in force in its core Allstate brand standard auto and homeowners lines. The results position Allstate well for 2004 and beyond.

BEST FOOT

FORWARD

A different standard of governance

In 2003, Allstate was acknowledged for its strength in the area of corporate governance. Third-party governance rating services recognized the company's practices as among the best in America. ↩ Our diversity strategy as an employer was similarly praised. And the doubling of funds available through The Allstate Foundation demonstrated our commitment to doing the right thing in communities where we live and do business.

Leading Allstate into the future is a management team that has evolved both in structure and composition. Today, approximately one of every four Allstate corporate officers has been appointed from outside the company—a notable contrast to a decade ago. The difference helps add perspective and balance to our loyal, experienced leadership ranks. ↩

Leaders are accountable. Leaders are experienced. Leaders get results. For Allstate, those are not just words. They are promises made and kept.

Our Stand: Do the right thing for our customers and communities



◀ Allstate catastrophe management team members and Allstate Protection President Tom Wilson (near right) meet with Leo Maller.

Allstate customer Leo Maller stands before the ruins of his home that the October 2003 California fires reduced to ash and rubble. Times don't often get more trying. But these are the moments when Allstate stands by its communities. We're in the business of restoring lives. Not only Mr. Maller's—and the thousands of Allstate customers affected by the fires—but also the greater Southern California community.

To support relief and rebuilding efforts, a \$1 million Allstate Foundation California Wildfire Relief Fund was distributed in partnership with the California Community Foundation. This is just one example of our commitment to support the communities we call home.

When customers and communities raise their hands for help, ours are there to do the right thing.

That's Allstate's stand.



Learn more about Allstate's advertising campaign "Allstate's Stand," our corporate governance practices and our people at www.allstate.com/bestfoot. Or see "Corporate Governance Practices" in the Proxy Statement section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement.

MAKING A DIFFERENCE

KEEP ASKING QUESTIONS.

What makes Allstate clearly different? Four things: a powerful competitive position; an innovative strategy; proven, principled management and outstanding execution.

In 2003, this combination produced strong results. Allstate recorded a record \$32.1 billion in revenue. Net income more than doubled to \$2.7 billion. Operating income was up 28 percent to \$2.7 billion—another record level. Return on equity rose to 14.2 percent and operating income return on equity* rose to 16.5 percent.

These results are built on a solid foundation. We've continued to expand our exclusive distribution network, which grew by 600 this year to 12,900 exclusive agencies and exclusive financial specialists. We've added a pipeline of thousands more independent producers. And we've nurtured one of the best-known brands in American business to help us form relationships with more than 16 million households.

Deepening and adding to those relationships is how Allstate grows profitably for the future. We're more precisely matching the premiums individuals pay to the risks they represent, and reaching out to largely overlooked middle income Americans who want to protect what they have today and prepare for tomorrow. Allstate has the size and the precision, the tools and the tactics, to win with this strategy. And we have momentum.

Leading the effort is a talented, experienced management team that stands among the finest in the industry. And your company's record on corporate governance shows it does not trade integrity for expediency. Allstate is among America's highly-rated companies for corporate governance. For investors, that's a must.

Equally important, and the key to the company's success in 2003, was outstanding execution on our "better, bigger, broader" strategy. In our Allstate Protection business, Strategic Risk Management (SRM) again gave Allstate an edge. This sophisticated pricing and underwriting process helps the company be more competitively priced in targeted customer segments. Result: we're increasing our share of customers who are more likely to renew with Allstate and to buy additional products.

We executed on countrywide marketing and distribution programs as well as specific underwriting, regulatory and marketing efforts to improve our business opportunity in California, Texas and Florida—among our largest markets. As a result, policies in force for our Allstate brand standard auto and homeowners lines trended upward beginning in the second quarter of 2003. Moving forward, our focus will continue to be on improving customer retention in all of our business lines to aid growth.

Allstate's claims management performance was again best-in-class in 2003. The company's Property-Liability claims and claims expense ratio, which decreased to 70.6 percent in 2003 from 75.6 percent in 2002, marked an improvement for the second straight year.

Steps taken to strengthen Allstate agencies continued in 2003. In recent years, we transitioned from multiple agent contracts and programs to a single exclusive agency program. The move helped create a more entrepreneurial environment, as did linking agencies' economic interest with the company's through an increased focus on growth and profitability. At the same time, approximately 7,000 Allstate



"What makes Allstate clearly different? A powerful competitive position; an innovative strategy; proven, principled management and outstanding execution."

exclusive agents and exclusive financial specialists have become licensed to sell registered financial products. In 2003, new sales of financial products by Allstate exclusive agencies* increased 14 percent to \$1.8 billion.

For Allstate Financial as a whole, premiums and deposits* reached a record \$13.1 billion in 2003. But it was a more difficult year from a profit perspective, and management is taking steps to achieve much better performance in 2004.

Your company's overall performance last year was outstanding. But it was not unusual. In fact, what makes Allstate truly different is its record for long-term results. For the period beginning with our initial public offering in June of 1993 through the end of 2003, the total value of Allstate's return to shareholders exceeded both the Standard & Poor's Property & Casualty and the Standard & Poor's 500 indices. To sustain momentum in 2004, your company will refine and improve SRM in its protection business. It will grow the number of exclusive agencies. It will invest in marketing and advertising. It will help agencies be more productive by introducing streamlined technology platforms and

programs to help recruit and train support staff. In claims, Allstate will improve customer satisfaction and performance through more efficient processes.

Allstate Financial will continue to simplify and standardize its product suite. Last year, for example, we launched new offerings like the multi-manager Allstate® Adviser variable annuity, while retiring more than 36 products that didn't gain sufficient scale. In 2004, Allstate Financial will refocus on profitably growing its share of wallet with the top 75 banks as well as the primary base of broker-dealers and agencies that drive most of our volume. And we will manage our cost structure, delivering quality products and services to our customers with the least possible expense.

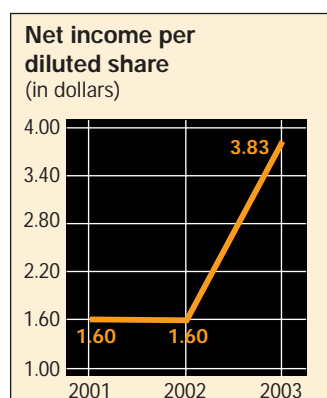
Allstate also will continue to manage capital wisely. In early 2004, the company announced a dividend increase of 22 percent. And we announced an addition to our current share repurchase program of \$1 billion, to be completed in 2005. Sound capital management has helped Allstate consistently deliver on its promises to customers, invest for growth and generate solid returns for investors—all at the same time. We expect more of the same in 2004 and beyond. We leave 2003 with a debt of gratitude to Michael Miles, an invaluable director for our board over the past decade who will not stand for re-election at the annual shareholders' meeting in May. Michael made many contributions during his tenure, and I thank him for his loyal service.

What makes Allstate different, now and in the future? Review the financial results on this page, which demonstrate how we are executing on our strategy of getting better and bigger in our protection business and broadening into financial services. And ask questions. The more active and interested you are as an owner, the more successful you and your company can be.

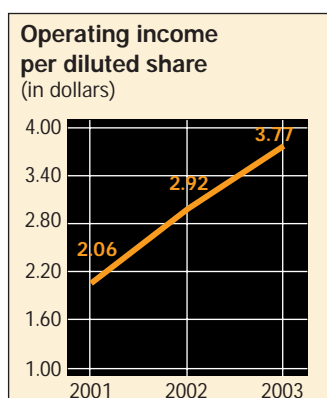
Edward M. Liddy

Edward M. Liddy
Chairman, President & Chief Executive Officer

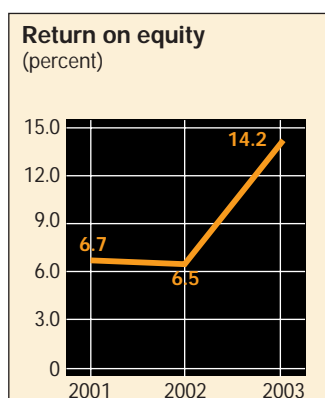
Better—Allstate's effort to be efficient and profitable in its operations and in its relationships with customers.



Net income per diluted share 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.

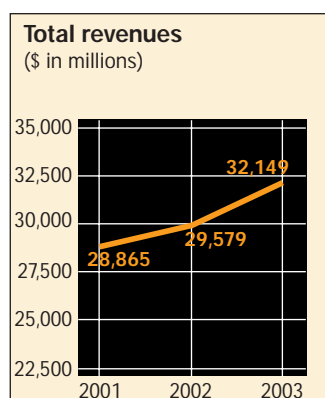


Allstate uses this measure to evaluate our results and for incentive compensation. Operating income reveals trends that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.

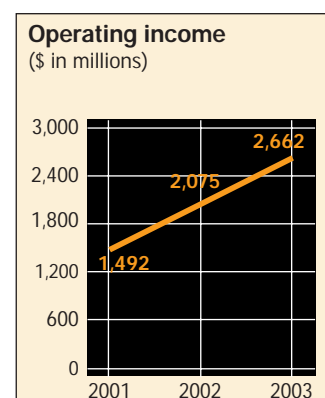


Return on equity measures how well Allstate used shareholders' equity to generate additional earnings.

Bigger—Allstate's goal is to drive top line growth in a way that also delivers bottom line profits.

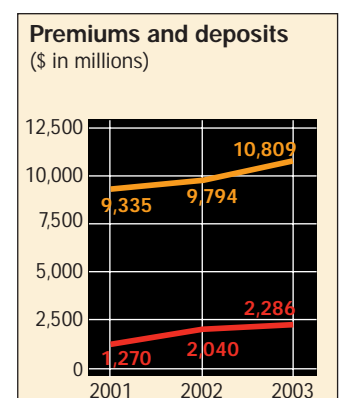


Revenues indicate Allstate's total premium and investment results.



Allstate uses operating income to evaluate our results and for incentive compensation. Operating income reveals trends that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.

Broader—Allstate is expanding in the life, retirement and savings marketplace.



Allstate uses this measure to analyze production trends for Allstate Financial sales.

GUIDE TO THE INVESTOR EXPERIENCE

Allstate Investor Information

The Allstate Corporation is committed to providing timely and accessible investor information. There are several ways to access further information about the company to aid your evaluation of Allstate.

Online Information

Additional explanation for key initiatives described in the 2003 Summary Annual Report as well as access to past annual reports from 1998-2002 and proxy statements are available at www.allstate.com/ir.

Investor Relations

Also, you may visit Investor Relations' page at www.allstate.com/ir, to access quarterly earnings press releases, SEC filings, statutory statements, investor supplements providing more detail on Allstate's annual and quarterly

results and audio rebroadcasts of investor conferences at which the company participates. Quarterly investor conference calls will also be broadcast from that Web site.

Visit the Allstate Investor Relations home page, the gateway to information for Allstate shareholders.

Learn more about The Allstate Corporation.

Find quarterly investor information, SEC filings, and stock information.

Browse our financial learning tools to read the A, B, Cs of investing.

Access key shareholder contacts and addresses.

View Ed Liddy's message to shareholders.

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"), to the extent that it resulted from the recognition of realized capital gains and losses, and
- (loss) gain on disposition of operations, after-tax.

In the fourth quarter of 2003 it was necessary to revise our reconciliation of operating income to reflect the reclassification in the consolidated financial statements of the periodic settlements and accruals for non-hedge derivatives to realized capital gains and losses. With the adoption of Financial Accounting Standards Board Interpretation No. 46 in the third quarter of 2003, the mandatorily redeemable preferred securities of a subsidiary trust are deconsolidated, dividends on the preferred securities are no longer reported in the consolidated

financial statements and the interest on the related junior debentures is prospectively recognized in interest expense and included in operating income.

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

We use operating income to evaluate our results of operations and as an integral component for incentive compensation. 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 investment or product attributes (e.g. net investment income and interest credited to contractholder funds) and thereby 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. 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)		
	2003	2002	2001	2003	2002	2001
Operating income	\$2,662	\$2,075	\$1,492	\$ 3.77	\$ 2.92	\$ 2.06
Realized capital gains and losses	196	(924)	(352)			
Income tax benefit (expense)	(62)	326	127			
Realized capital gains and losses, after-tax	134	(598)	(225)	0.19	(0.84)	(0.31)
DAC amortization expense on realized capital gains and losses, after-tax	(30)	(1)	(11)	(0.05)	—	(0.01)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(15)	(3)	(4)	(0.02)	(0.01)	(0.01)
(Loss) gain on disposition of operations, after-tax	(26)	2	(40)	(0.04)	—	(0.06)
Income before dividends on preferred securities and cumulative effect of change in accounting principle, after-tax	2,725	1,475	1,212	3.85	2.07	1.67
Dividends on preferred securities of subsidiary trust, after-tax	(5)	(10)	(45)	—	(0.01)	(0.06)
Cumulative effect of change in accounting principle, after-tax	(15)	(331)	(9)	(0.02)	(0.46)	(0.01)
Net income	\$2,705	\$1,134	\$1,158	\$ 3.83	\$ 1.60	\$ 1.60

*This annual report contains forward-looking statements about Allstate, including statements about its profitability and the impact of Strategic Risk Management. These statements are subject to the Private Securities Litigation Reform Act of 1995 and are based on management's estimates, assumptions and

projections. Actual results may differ materially from those projected in the forward-looking statements for a variety of reasons. For example, profitability could be affected by loss costs in our Property-Liability business, including losses due to catastrophes such as hurricanes and earthquakes in excess of management's projections.

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 the beginning and end of the 12-month period shareholders' equity 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: 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 two computations for the years ended December 31.

Return on equity (\$ in millions)	2003	2002
Numerator:		
Net income	\$ 2,705	\$ 1,134
Denominator:		
Beginning shareholders' equity	17,438	17,196
Ending shareholders' equity	20,565	17,438
Average shareholders' equity	\$19,002	\$17,317
ROE (%)	14.2	6.5

Operating income return on equity (\$ in millions)	2003	2002
Numerator:		
Operating income	\$ 2,662	\$ 2,075
Denominator:		
Beginning shareholders' equity	17,438	17,196
Unrealized net capital gains	2,602	1,789
Adjusted beginning shareholders' equity	14,836	15,407
Ending shareholders' equity	20,565	17,438
Unrealized net capital gains	3,125	2,602
Adjusted ending shareholders' equity	17,440	14,836
Average shareholders' equity	\$16,138	\$15,122
Operating income ROE (%)	16.5	13.7

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)	2003	2002	2001
Life and annuity premiums	\$ 1,365	\$ 1,371	\$1,345
Deposits to contractholder funds	10,373	9,484	7,970
Deposits to separate accounts and other	1,357	979	1,290
Total premiums and deposits	\$13,095	\$11,834	\$10,605

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 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, sales of other company's mutual funds, and excludes renewal premiums. New sales of financial products by Allstate exclusive agencies for the twelve months ended December 31, 2003 and 2002 totaled \$1.83 billion and \$1.61 billion, respectively.

