

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 3, 2016

THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of incorporation)

1-11840
(Commission
File Number)

36-3871531
(IRS Employer
Identification No.)

2775 Sanders Road, Northbrook, Illinois
(Address of principal executive offices)

60062
(Zip Code)

Registrant's telephone number, including area code **(847) 402-5000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

The Registrant's press release dated August 3, 2016, announcing its financial results for the second quarter of 2016, and the Registrant's second quarter 2016 investor supplement are furnished as Exhibits 99.1 and 99.2, respectively, to this report. The information contained in the press release and the investor supplement are furnished and not filed pursuant to instruction B.2 of Form 8-K.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1 Registrant's press release dated August 3, 2016
- 99.2 Second quarter 2016 Investor Supplement of The Allstate Corporation



FOR IMMEDIATE RELEASE

Contacts:
 Greg Burns John Griek
 Media Relations Investor Relations
 (847) 402-5600 (847) 402-2800

Allstate Net Income Impacted By Catastrophes
Proactive Focus on Profits Offsets Higher Auto Frequency

NORTHBROOK, Ill., August 3, 2016 – The Allstate Corporation (NYSE: ALL) today reported financial results for the second quarter of 2016. The financial highlights were:

| The Allstate Corporation Consolidated Highlights | | | | | | |
|--|--------------------------------|----------|-------------------|------------------------------|-----------|-------------------|
| (\$ millions, except per share amounts and ratios) | Three months ended June 30, | | | Six months ended June 30, | | |
| | 2016 | 2015 | % / pts Change | 2016 | 2015 | % / pts Change |
| Consolidated revenues | \$ 9,164 | \$ 8,982 | 2.0 | \$ 18,035 | \$ 17,934 | 0.6 |
| Net income applicable to common shareholders | 242 | 326 | (25.8) | 459 | 974 | (52.9) |
| per diluted common share | 0.64 | 0.79 | (19.0) | 1.21 | 2.33 | (48.1) |
| Operating income* | 235 | 262 | (10.3) | 557 | 878 | (36.6) |
| per diluted common share* | 0.62 | 0.63 | (1.6) | 1.46 | 2.10 | (30.5) |
| Return on common shareholders' equity | | | | | | |
| Net income applicable to common shareholders | | | | 8.0% | 12.4% | (4.4) pts |
| Operating income* | | | | 10.1% | 11.9% | (1.8) pts |
| Book value per common share | | | | 50.05 | 47.96 | 4.4 |
| Property-Liability combined ratio | | | | | | |
| Recorded | 100.8 | 100.1 | 0.7 pts | 99.6 | 96.9 | 2.7 pts |
| Underlying combined ratio* (excludes catastrophes, prior year reserve reestimates and amortization of purchased intangibles) | 88.6 | 89.1 | (0.5) pts | 87.9 | 89.1 | (1.2) pts |
| Catastrophe losses | 961 | 797 | 20.6 | 1,788 | 1,091 | 63.9 |

* Measures used in this release that are not based on accounting principles generally accepted in the United States of America ("non-GAAP") are defined and reconciled to the most directly comparable GAAP measure in the "Definitions of Non-GAAP Measures" section of this document.

"Allstate delivered \$242 million of net income, \$0.64 per share, despite the impact of severe weather and increased frequency of auto accidents," said Tom Wilson, chairman and chief executive officer of The Allstate Corporation. "Homeowners insurance generated an underwriting profit despite seasonally high second quarter catastrophe losses and a record hail storm in Texas. Initiating an aggressive auto insurance profit improvement plan over a year ago enabled us to maintain underlying margins despite higher auto insurance frequency. The underlying combined ratio was 88.6 for the quarter and 87.9 for the first six months of 2016 in comparison to the full year outlook range between 88 and 90⁽¹⁾."

"Progress on our five operating priorities reflected the adjustments made to proactively adapt to the external operating environment," Wilson continued. "Our focus on better serving customers, achieving target returns on capital and growing insurance policies in force are interrelated and results reflect the priority on customers and returns. We served customers particularly well in those areas impacted by catastrophes. Overall insurance policies in force were flat as outstanding growth in Allstate Financial's benefits business was offset by a reduction in auto

⁽¹⁾ A reconciliation of this non-GAAP measure to the combined ratio, a GAAP measure, is not possible on a forward-looking basis because it is not possible to provide a reliable forecast of catastrophes, and prior year reserve reestimates are expected to be zero because reserves are determined based on our best estimate of ultimate loss reserves as of the reporting dates.

insurance policies. Total return on the investment portfolio was 1.9% for the quarter with an equal contribution from investment income and increased bond values. Our efforts to build long-term growth platforms led us to combine our telematics efforts into a new company, Arity, LLC, which serves Allstate, Esurance and other businesses in the connected car market," concluded Wilson.

Consolidated Highlights

Total revenue of \$9.2 billion in the second quarter of 2016 increased by 2.0% compared to the prior year quarter, as higher insurance premiums outweighed declines in net investment income and realized capital gains. Property-liability insurance premiums increased 3.5% and Allstate Financial premiums and contract charges rose 5.2% compared to the second quarter of 2015. Net investment income was 3.4% lower than the second quarter a year ago, and realized capital gains were \$24 million, compared to \$108 million in the prior year quarter. Total revenue through the first six months of 2016 was \$18.0 billion, 0.6% higher than the first six months of 2015.

Net income applicable to common shareholders was \$242 million, or \$0.64 per diluted share, in the second quarter of 2016, compared to \$326 million, or \$0.79 per diluted share, in the second quarter of 2015. For the first six months of 2016, net income applicable to common shareholders was \$459 million, compared to \$974 million for the same period in 2015. The decline in net income in both periods was due primarily to higher catastrophe losses. Property-liability net income was \$198 million in the second quarter of 2016, a decline of \$24 million compared to the prior year quarter. Allstate Financial net income was \$116 million in the second quarter of 2016, a decline of \$63 million compared to the prior year quarter.

Operating income was \$235 million in the second quarter of 2016, compared to \$262 million in the second quarter of 2015. Property-liability operating income of \$186 million in the second quarter of 2016 was \$12 million lower than in the second quarter of 2015. The property-liability underwriting loss* of \$66 million in the second quarter of 2016 was \$56 million worse than in the prior year quarter, driven by an increase in catastrophe losses and higher auto loss costs, partially offset by higher earned premium. Allstate Financial operating income of \$120 million in the second quarter of 2016 was \$19 million lower than in the second quarter of 2015, due primarily to lower investment income resulting from portfolio repositioning in 2015 to deliver better long-term risk-adjusted returns. Operating income through the first six months of 2016 was \$557 million, compared to \$878 million for the first six months of 2015.

Financial Results: Second Quarter 2016

Property-liability earned premium increased 3.5% in the second quarter of 2016 compared to the prior year quarter, driven by 3.9% growth in the Allstate brand. The recorded combined ratio was 100.8 for the second quarter of 2016, which included \$961 million, or 12.3 points, of catastrophe losses. The underlying combined ratio of 88.6 for the second quarter of 2016 was 0.5 points better than the second quarter of 2015.

Allstate brand earned premium growth of 3.9% in the second quarter of 2016 compared to the prior year quarter reflects a 5.7% increase in Allstate brand auto average premium, the result of increased rates that were driven by higher loss costs. The Allstate brand recorded combined ratio of 100.1 was 1.4 points higher than in the second quarter of 2015, driven by higher catastrophe losses, which were partially offset by a 0.7 point decline in the expense ratio. Allstate brand auto insurance had a second quarter 2016 recorded combined ratio of 101.2, which included 4.1 points of catastrophe losses. The homeowners insurance recorded combined ratio of 97.0 for the second quarter of 2016 included \$644 million of catastrophe losses, while the recorded combined ratio on a trailing twelve month basis was 83.5.

Allstate brand auto policies in force declined by 1.0% in the second quarter of 2016 as the company continued to execute its auto profit improvement plan, which adversely impacted both new business and retention. New business volume in the second quarter of 2016 declined 29% compared to the second quarter of 2015. Auto retention levels in the second quarter of 2016 were in line with the first quarter of 2016, but 0.9 points below the prior year quarter. Allstate brand auto approved rate increases for the second quarter of 2016 were 3.2%, bringing the trailing twelve month total increase to 8.4%. Price increases over the past twelve months helped increase net written premium by 3.9% in the second quarter of 2016 compared to the second quarter of 2015. The underlying combined ratio of 97.8 was consistent with the second quarter of 2015, as higher frequency and severity were offset by higher average premium and a lower expense ratio.

Allstate brand homeowners net written premium grew by 0.7% in the second quarter of 2016 compared to the second quarter of 2015, as average premium increased by 1.8% and policies in force declined by 0.1%. The underlying combined ratio of 58.6 was 2.1 points better than the second quarter of 2015, primarily due to a decline in claim frequency in the second quarter of 2016 compared to the second quarter of 2015.

Esurance net written premium growth of 5.7% compared to the prior year quarter reflects a 1.4% decline in policies in force, which was more than offset by a 6.3% increase in auto average premium. The Esurance recorded combined ratio of 108.9 in the second quarter of 2016 was 1.3 points better than the same quarter a year ago. The loss ratio was 76.9 in the second quarter of 2016 compared to 75.6 in the prior year quarter.

Encompass net written premium declined by 6.8% and policies in force were 11.4% lower in the second quarter of 2016 compared to the prior year quarter, given our continued focus on improving returns in this business. The recorded combined ratio of 104.9 in the second quarter of 2016 was adversely impacted by \$34 million, or 11.2 points, of catastrophe losses. The underlying combined ratio of 92.8 was 3.7 points better than the same period a year ago, as we continue to focus on enhanced pricing and underwriting sophistication.

Allstate Financial net income was \$116 million in the second quarter of 2016 including \$61 million in the life insurance business, \$29 million in the benefits business and \$26 million in the annuity business. Net income was \$179 million in the second quarter of 2015. Operating income of \$120 million in the second quarter of 2016 was \$19 million lower than the prior year quarter. Life business operating income of \$64 million in the second quarter increased \$9 million compared to the prior year quarter, driven by favorable mortality experience and premium growth. Benefits business operating income of \$29 million for the second quarter was consistent with the prior year quarter, while the annuity business generated operating income of \$27 million, down \$29 million from second quarter 2015.

Net investment income of \$762 million declined \$27 million in the second quarter of 2016 compared to the second quarter of 2015, due to lower interest income partially offset by higher dividends on equity securities and performance-based investment results. Interest income from our fixed income portfolio declined compared to the second quarter of 2015, reflecting the Allstate Financial annuity portfolio repositioning into equity securities, performance-based investments and interim positions in shorter maturity fixed income securities. These investments are intended to improve our long-term economic returns.

Net realized capital gains were \$24 million in the second quarter of 2016 compared to \$108 million in the prior year quarter. Net realized gains on sales totaled \$104 million, primarily related to ongoing portfolio management actions. Impairment write-downs were \$63 million in the second quarter, including \$38 million related to energy investments.

Proactive Capital Management

"Allstate returned \$1.07 billion to shareholders during the first six months of 2016, through a combination of common stock dividends and repurchasing outstanding shares," said Steve Shebik, chief financial officer. "On June 1, 2016, we entered into an accelerated share repurchase (ASR) agreement to purchase \$350 million of our outstanding common stock. As of June 30, 2016, there was \$1.2 billion remaining on the common share repurchase authorization. Book value per diluted common share of \$50.05 was 4.4% higher than the second quarter of 2015 and 2.4% greater than the first quarter of 2016 due to increased unrealized gains in the investment portfolio."

Visit www.allstateinvestors.com to view additional information about Allstate's results, including a webcast of its quarterly conference call and the call presentation. The conference call will be held at 9 a.m. ET on Thursday, August 4.

The Allstate Corporation (NYSE: ALL) is the nation's largest publicly held personal lines insurer, protecting approximately 16 million households from life's uncertainties through auto, home, life and other insurance offered through its Allstate, Esurance, Encompass and Answer Financial brand names. Now celebrating its 85th anniversary as an insurer, Allstate is widely known through the slogan "You're In Good Hands With Allstate®." Allstate agencies are in virtually every local community in America.

Financial information, including material announcements about The Allstate Corporation, is routinely posted on www.allstateinvestors.com.

Forward-Looking Statements

This news release contains "forward-looking statements" that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like "plans," "seeks," "expects," "will," "should," "anticipates," "estimates," "intends," "believes," "likely," "targets" and other words with similar meanings. We believe these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements may be found in our filings with the U.S. Securities and Exchange Commission, including the "Risk Factors" section in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statement.

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in millions, except per share data)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|----------------|------------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | (unaudited) | | (unaudited) | |
| Revenues | | | | |
| Property-liability insurance premiums | \$ 7,814 | \$ 7,549 | \$ 15,537 | \$ 14,975 |
| Life and annuity premiums and contract charges | 564 | 536 | 1,130 | 1,073 |
| Net investment income | 762 | 789 | 1,493 | 1,639 |
| Realized capital gains and losses: | | | | |
| Total other-than-temporary impairment ("OTTI") losses | (77) | (47) | (168) | (100) |
| OTTI losses reclassified to (from) other comprehensive income | (2) | 4 | 8 | 8 |
| Net OTTI losses recognized in earnings | (79) | (43) | (160) | (92) |
| Sales and other realized capital gains and losses | 103 | 151 | 35 | 339 |
| Total realized capital gains and losses | 24 | 108 | (125) | 247 |
| | <u>9,164</u> | <u>8,982</u> | <u>18,035</u> | <u>17,934</u> |
| Costs and expenses | | | | |
| Property-liability insurance claims and claims expense | 5,901 | 5,587 | 11,585 | 10,580 |
| Life and annuity contract benefits | 454 | 446 | 909 | 887 |
| Interest credited to contractholder funds | 185 | 185 | 375 | 384 |
| Amortization of deferred policy acquisition costs | 1,126 | 1,086 | 2,255 | 2,156 |
| Operating costs and expenses | 1,040 | 1,061 | 2,022 | 2,151 |
| Restructuring and related charges | 11 | 19 | 16 | 23 |
| Interest expense | 72 | 73 | 145 | 146 |
| | <u>8,789</u> | <u>8,457</u> | <u>17,307</u> | <u>16,327</u> |
| Gain on disposition of operations | 1 | 1 | 3 | — |
| Income from operations before income tax expense | 376 | 526 | 731 | 1,607 |
| Income tax expense | 105 | 171 | 214 | 575 |
| Net income | <u>271</u> | <u>355</u> | <u>517</u> | <u>1,032</u> |
| Preferred stock dividends | 29 | 29 | 58 | 58 |
| Net income applicable to common shareholders | <u>\$ 242</u> | <u>\$ 326</u> | <u>\$ 459</u> | <u>\$ 974</u> |
| Earnings per common share: | | | | |
| Net income applicable to common shareholders per common share – Basic | <u>\$ 0.65</u> | <u>\$ 0.80</u> | <u>\$ 1.22</u> | <u>\$ 2.37</u> |
| Weighted average common shares – Basic | <u>373.6</u> | <u>407.0</u> | <u>375.8</u> | <u>411.4</u> |
| Net income applicable to common shareholders per common share – Diluted | <u>\$ 0.64</u> | <u>\$ 0.79</u> | <u>\$ 1.21</u> | <u>\$ 2.33</u> |
| Weighted average common shares – Diluted | <u>378.1</u> | <u>412.6</u> | <u>380.5</u> | <u>417.6</u> |
| Cash dividends declared per common share | <u>\$ 0.33</u> | <u>\$ 0.30</u> | <u>\$ 0.66</u> | <u>\$ 0.60</u> |

THE ALLSTATE CORPORATION
BUSINESS RESULTS

(\$ in millions, except ratios)

| | Three months ended | | Six months ended | |
|---|--------------------|---------------|------------------|---------------|
| | June 30, | | June 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Property-Liability | | | | |
| Premiums written | \$ 8,051 | \$ 7,877 | \$ 15,566 | \$ 15,183 |
| Premiums earned | \$ 7,814 | \$ 7,549 | \$ 15,537 | \$ 14,975 |
| Claims and claims expense | (5,901) | (5,587) | (11,585) | (10,580) |
| Amortization of deferred policy acquisition costs | (1,057) | (1,021) | (2,113) | (2,021) |
| Operating costs and expenses | (912) | (934) | (1,765) | (1,896) |
| Restructuring and related charges | (10) | (17) | (15) | (21) |
| Underwriting (loss) income | (66) | (10) | 59 | 457 |
| Net investment income | 316 | 292 | 618 | 650 |
| Periodic settlements and accruals on non-hedge derivative instruments | — | — | (1) | (1) |
| Amortization of purchased intangible assets | 9 | 13 | 18 | 25 |
| Income tax expense on operations | (73) | (97) | (217) | (378) |
| Operating income | 186 | 198 | 477 | 753 |
| Realized capital gains and losses, after-tax | 18 | 31 | (46) | 49 |
| Gain on disposition of operations, after-tax | — | 1 | — | 1 |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | — | — | 1 | 1 |
| Amortization of purchased intangible assets, after-tax | (6) | (8) | (12) | (16) |
| Change in accounting for investments in qualified affordable housing projects, after-tax | — | — | — | (28) |
| Net income applicable to common shareholders | \$ 198 | \$ 222 | \$ 420 | \$ 760 |
| Catastrophe losses | \$ 961 | \$ 797 | \$ 1,788 | \$ 1,091 |
| Operating ratios: | | | | |
| Claims and claims expense ratio | 75.5 | 74.0 | 74.6 | 70.6 |
| Expense ratio | 25.3 | 26.1 | 25.0 | 26.3 |
| Combined ratio | 100.8 | 100.1 | 99.6 | 96.9 |
| Effect of catastrophe losses on combined ratio | 12.3 | 10.6 | 11.5 | 7.3 |
| Effect of prior year reserve reestimates on combined ratio | — | 0.3 | 0.1 | 0.4 |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | 0.2 | 0.1 | — | — |
| Effect of amortization of purchased intangible assets on combined ratio | 0.1 | 0.2 | 0.1 | 0.1 |
| Effect of Discontinued Lines and Coverages on combined ratio | — | — | — | — |
| Allstate Financial | | | | |
| Premiums and contract charges | \$ 564 | \$ 536 | \$ 1,130 | \$ 1,073 |
| Net investment income | 435 | 489 | 854 | 973 |
| Contract benefits | (454) | (446) | (909) | (887) |
| Interest credited to contractholder funds | (179) | (191) | (363) | (383) |
| Amortization of deferred policy acquisition costs | (68) | (62) | (139) | (131) |
| Operating costs and expenses | (121) | (118) | (244) | (241) |
| Restructuring and related charges | (1) | (2) | (1) | (2) |
| Income tax expense on operations | (56) | (67) | (104) | (129) |
| Operating income | 120 | 139 | 224 | 273 |
| Realized capital gains and losses, after-tax | — | 38 | (32) | 110 |
| Valuation changes on embedded derivatives that are not hedged, after-tax | (4) | 4 | (8) | (1) |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | (1) | (2) | (2) | (2) |
| Gain (loss) on disposition of operations, after-tax | 1 | — | 2 | (1) |
| Change in accounting for investments in qualified affordable housing projects, after-tax | — | — | — | (17) |
| Net income applicable to common shareholders | \$ 116 | \$ 179 | \$ 184 | \$ 362 |
| Corporate and Other | | | | |
| Net investment income | \$ 11 | \$ 8 | \$ 21 | \$ 16 |
| Operating costs and expenses | (79) | (82) | (158) | (160) |
| Income tax benefit on operations | 26 | 28 | 51 | 54 |
| Preferred stock dividends | (29) | (29) | (58) | (58) |
| Operating loss | (71) | (75) | (144) | (148) |
| Realized capital gains and losses, after-tax | (1) | — | (1) | — |
| Net loss applicable to common shareholders | \$ (72) | \$ (75) | \$ (145) | \$ (148) |
| Consolidated net income applicable to common shareholders | \$ 242 | \$ 326 | \$ 459 | \$ 974 |

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$ in millions, except par value data)

| | June 30, 2016 | December 31, 2015 |
|--|--------------------------|--------------------------|
| | (unaudited) | |
| Assets | | |
| Investments: | | |
| Fixed income securities, at fair value (amortized cost \$55,770 and \$57,201) | \$ 58,129 | \$ 57,948 |
| Equity securities, at fair value (cost \$4,924 and \$4,806) | 5,265 | 5,082 |
| Mortgage loans | 4,453 | 4,338 |
| Limited partnership interests | 5,407 | 4,874 |
| Short-term, at fair value (amortized cost \$2,850 and \$2,122) | 2,850 | 2,122 |
| Other | 3,590 | 3,394 |
| Total investments | 79,694 | 77,758 |
| Cash | 446 | 495 |
| Premium installment receivables, net | 5,593 | 5,544 |
| Deferred policy acquisition costs | 3,819 | 3,861 |
| Reinsurance recoverables, net | 8,650 | 8,518 |
| Accrued investment income | 564 | 569 |
| Property and equipment, net | 1,011 | 1,024 |
| Goodwill | 1,219 | 1,219 |
| Other assets | 2,850 | 2,010 |
| Separate Accounts | 3,438 | 3,658 |
| Total assets | \$ 107,284 | \$ 104,656 |
| Liabilities | | |
| Reserve for property-liability insurance claims and claims expense | \$ 24,904 | \$ 23,869 |
| Reserve for life-contingent contract benefits | 12,215 | 12,247 |
| Contractholder funds | 20,845 | 21,295 |
| Unearned premiums | 12,300 | 12,202 |
| Claim payments outstanding | 946 | 842 |
| Deferred income taxes | 782 | 90 |
| Other liabilities and accrued expenses | 6,192 | 5,304 |
| Long-term debt | 5,109 | 5,124 |
| Separate Accounts | 3,438 | 3,658 |
| Total liabilities | 86,731 | 84,631 |
| Shareholders' equity | | |
| Preferred stock and additional capital paid-in, \$1 par value, 72.2 thousand shares issued and outstanding, \$1,805 aggregate liquidation preference | 1,746 | 1,746 |
| Common stock, \$.01 par value, 900 million issued, 371 million and 381 million shares outstanding | 9 | 9 |
| Additional capital paid-in | 3,203 | 3,245 |
| Retained income | 39,623 | 39,413 |
| Deferred ESOP expense | (13) | (13) |
| Treasury stock, at cost (529 million and 519 million shares) | (24,310) | (23,620) |
| Accumulated other comprehensive income: | | |
| Unrealized net capital gains and losses: | | |
| Unrealized net capital gains and losses on fixed income securities with OTTI | 49 | 56 |
| Other unrealized net capital gains and losses | 1,702 | 608 |
| Unrealized adjustment to DAC, DSI and insurance reserves | (127) | (44) |
| Total unrealized net capital gains and losses | 1,624 | 620 |
| Unrealized foreign currency translation adjustments | (41) | (60) |
| Unrecognized pension and other postretirement benefit cost | (1,288) | (1,315) |
| Total accumulated other comprehensive income (loss) | 295 | (755) |
| Total shareholders' equity | 20,553 | 20,025 |
| Total liabilities and shareholders' equity | \$ 107,284 | \$ 104,656 |

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)

| | Six months ended June 30, | |
|---|------------------------------|----------------|
| | 2016 | 2015 |
| Cash flows from operating activities | (unaudited) | |
| Net income | \$ 517 | \$ 1,032 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and other non-cash items | 188 | 179 |
| Realized capital gains and losses | 125 | (247) |
| Gain on disposition of operations | (3) | — |
| Interest credited to contractholder funds | 375 | 384 |
| Changes in: | | |
| Policy benefits and other insurance reserves | 577 | 526 |
| Unearned premiums | 62 | 244 |
| Deferred policy acquisition costs | (72) | (132) |
| Premium installment receivables, net | (27) | (158) |
| Reinsurance recoverables, net | (120) | (144) |
| Income taxes | (176) | (283) |
| Other operating assets and liabilities | (88) | (98) |
| Net cash provided by operating activities | <u>1,358</u> | <u>1,303</u> |
| Cash flows from investing activities | | |
| Proceeds from sales | | |
| Fixed income securities | 12,589 | 16,012 |
| Equity securities | 2,487 | 2,074 |
| Limited partnership interests | 363 | 591 |
| Other investments | 144 | 132 |
| Investment collections | | |
| Fixed income securities | 2,138 | 2,243 |
| Mortgage loans | 150 | 357 |
| Other investments | 168 | 177 |
| Investment purchases | | |
| Fixed income securities | (12,947) | (16,482) |
| Equity securities | (2,672) | (1,920) |
| Limited partnership interests | (703) | (563) |
| Mortgage loans | (264) | (509) |
| Other investments | (449) | (518) |
| Change in short-term investments, net | (669) | (391) |
| Change in other investments, net | (39) | (16) |
| Purchases of property and equipment, net | (120) | (133) |
| Net cash provided by investing activities | <u>176</u> | <u>1,054</u> |
| Cash flows from financing activities | | |
| Repayments of long-term debt | (16) | (9) |
| Contractholder fund deposits | 522 | 527 |
| Contractholder fund withdrawals | (1,013) | (1,152) |
| Dividends paid on common stock | (240) | (243) |
| Dividends paid on preferred stock | (58) | (58) |
| Treasury stock purchases | (904) | (1,424) |
| Shares reissued under equity incentive plans, net | 72 | 109 |
| Excess tax benefits on share-based payment arrangements | 20 | 43 |
| Other | 34 | (2) |
| Net cash used in financing activities | <u>(1,583)</u> | <u>(2,209)</u> |
| Net (decrease) increase in cash | (49) | 148 |
| Cash at beginning of period | 495 | 657 |
| Cash at end of period | <u>\$ 446</u> | <u>\$ 805</u> |

The following table presents the investment portfolio by strategy as of June 30, 2016.

| (\$ in millions) | Performance-Based | | | | |
|-------------------------------|-------------------|-------------------|---------------------|-----------------|---------------|
| | Total | Market-Based Core | Market-Based Active | Long-Term | Opportunistic |
| Fixed income securities | \$ 58,129 | \$ 50,788 | \$ 7,242 | \$ 64 | \$ 35 |
| Equity securities | 5,265 | 4,334 | 858 | 52 | 21 |
| Mortgage loans | 4,453 | 4,453 | — | — | — |
| Limited partnership interests | 5,407 | 370 | — | 5,037 | — |
| Short-term investments | 2,850 | 2,264 | 586 | — | — |
| Other | 3,590 | 2,902 | 157 | 505 | 26 |
| Total | \$ 79,694 | \$ 65,111 | \$ 8,843 | \$ 5,658 | \$ 82 |
| Property-Liability | \$ 39,689 | \$ 28,826 | \$ 7,774 | \$ 3,034 | \$ 55 |
| Allstate Financial | 37,760 | 34,040 | 1,069 | 2,624 | 27 |
| Corporate & Other | 2,245 | 2,245 | — | — | — |
| Total | \$ 79,694 | \$ 65,111 | \$ 8,843 | \$ 5,658 | \$ 82 |

The following table presents investment income by investment strategy for the three months and six months ended June 30.

| (\$ in millions) | Three months ended | | Six months ended | |
|-----------------------------------|--------------------|--------|------------------|----------|
| | June 30, | | June 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Market-Based Core | \$ 595 | \$ 640 | \$ 1,176 | \$ 1,269 |
| Market-Based Active | 67 | 52 | 128 | 102 |
| Performance-Based Long-Term | 138 | 130 | 269 | 339 |
| Performance-Based Opportunistic | 3 | 3 | 5 | 5 |
| Investment income, before expense | 803 | 825 | 1,578 | 1,715 |
| Investment expense | (41) | (36) | (85) | (76) |
| Net investment income | \$ 762 | \$ 789 | \$ 1,493 | \$ 1,639 |

The following table presents investment income by investment type and strategy for the three months and six months ended June 30, 2016.

(\$ in millions)

| | Total | Market-Based Core | Market-Based Active | Performance-Based Long-Term | Performance-Based Opportunistic |
|---|----------|-------------------|---------------------|-----------------------------|---------------------------------|
| Three months ended June 30, 2016 | | | | | |
| Fixed income securities | \$ 520 | \$ 461 | \$ 56 | \$ 1 | \$ 2 |
| Equity securities | 44 | 37 | 7 | — | — |
| Mortgage loans | 53 | 53 | — | — | — |
| Limited partnership interests | 126 | — | — | 126 | — |
| Short-term investments | 3 | 2 | 1 | — | — |
| Other | 57 | 42 | 3 | 11 | 1 |
| Investment income, before expense | 803 | 595 | 67 | 138 | 3 |
| Investment expense | (41) | | | | |
| Net investment income | \$ 762 | | | | |
| Property-Liability | \$ 338 | \$ 211 | \$ 58 | \$ 67 | \$ 2 |
| Allstate Financial | 452 | 371 | 9 | 71 | 1 |
| Corporate & Other | 13 | 13 | — | — | — |
| Investment income, before expense | \$ 803 | \$ 595 | \$ 67 | \$ 138 | \$ 3 |
| Six months ended June 30, 2016 | | | | | |
| Fixed income securities | \$ 1,038 | \$ 922 | \$ 110 | \$ 2 | \$ 4 |
| Equity securities | 72 | 61 | 11 | — | — |
| Mortgage loans | 106 | 106 | — | — | — |
| Limited partnership interests | 247 | — | — | 247 | — |
| Short-term investments | 7 | 5 | 2 | — | — |
| Other | 108 | 82 | 5 | 20 | 1 |
| Investment income, before expense | 1,578 | 1,176 | 128 | 269 | 5 |
| Investment expense | (85) | | | | |
| Net investment income | \$ 1,493 | | | | |
| Property-Liability | \$ 664 | \$ 417 | \$ 112 | \$ 132 | \$ 3 |
| Allstate Financial | 889 | 734 | 16 | 137 | 2 |
| Corporate & Other | 25 | 25 | — | — | — |
| Investment income, before expense | \$ 1,578 | \$ 1,176 | \$ 128 | \$ 269 | \$ 5 |

Definitions of Non-GAAP Measures

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

Operating income is net income applicable to common shareholders, 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,
- valuation changes on embedded derivatives that are not hedged, after-tax,
- 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 or valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of purchased intangible assets, after-tax,
- gain (loss) 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 applicable to common shareholders is the GAAP measure that is most directly comparable to operating income.

We use operating income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, amortization of purchased intangible assets, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, operating income includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in operating income, we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments. Amortization of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income is used by management along with the other components of net income applicable to common shareholders to assess our performance. We use adjusted measures of operating income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income applicable to common shareholders, operating income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's 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 a substitute for net income applicable to common shareholders and does not reflect the overall profitability of our business.

The following tables reconcile operating income and net income applicable to common shareholders. Taxes on adjustments to reconcile operating income and net income applicable to common shareholders use a 35% effective tax rate and are reported net with the reconciling adjustment. If the effective tax rate is other than 35%, this is specified in the disclosure.

(\$ in millions, except per share data)

| | For the three months ended June 30, | | | | | | | |
|---|-------------------------------------|---------------|--------------------|---------------|---------------|---------------|--------------------------|----------------|
| | Property-Liability | | Allstate Financial | | Consolidated | | Per diluted common share | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating income | \$ 186 | \$ 198 | \$ 120 | \$ 139 | \$ 235 | \$ 262 | \$ 0.62 | \$ 0.63 |
| Realized capital gains and losses, after-tax | 18 | 31 | — | 38 | 17 | 69 | 0.04 | 0.17 |
| Valuation changes on embedded derivatives that are not hedged, after-tax | — | — | (4) | 4 | (4) | 4 | (0.01) | 0.01 |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | — | — | (1) | (2) | (1) | (2) | — | — |
| Amortization of purchased intangible assets, after-tax | (6) | (8) | — | — | (6) | (8) | (0.01) | (0.02) |
| Gain on disposition of operations, after-tax | — | 1 | 1 | — | 1 | 1 | — | — |
| Net income applicable to common shareholders | \$ 198 | \$ 222 | \$ 116 | \$ 179 | \$ 242 | \$ 326 | \$ 0.64 | \$ 0.79 |

| | For the six months ended June 30, | | | | | | | |
|---|-----------------------------------|---------------|--------------------|---------------|---------------|---------------|--------------------------|----------------|
| | Property-Liability | | Allstate Financial | | Consolidated | | Per diluted common share | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating income | \$ 477 | \$ 753 | \$ 224 | \$ 273 | \$ 557 | \$ 878 | \$ 1.46 | \$ 2.10 |
| Realized capital gains and losses, after-tax | (46) | 49 | (32) | 110 | (79) | 159 | (0.21) | 0.38 |
| Valuation changes on embedded derivatives that are not hedged, after-tax | — | — | (8) | (1) | (8) | (1) | (0.02) | — |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | — | — | (2) | (2) | (2) | (2) | — | — |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | 1 | 1 | — | — | 1 | 1 | — | — |
| Amortization of purchased intangible assets, after-tax | (12) | (16) | — | — | (12) | (16) | (0.03) | (0.04) |
| Gain (loss) on disposition of operations, after-tax | — | 1 | 2 | (1) | 2 | — | 0.01 | — |
| Change in accounting for investments in qualified affordable housing projects, after-tax (all tax) | — | (28) | — | (17) | — | (45) | — | (0.11) |
| Net income applicable to common shareholders | \$ 420 | \$ 760 | \$ 184 | \$ 362 | \$ 459 | \$ 974 | \$ 1.21 | \$ 2.33 |

Operating income return on common shareholders' 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 common shareholders' equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on common shareholders' equity is the most directly comparable GAAP measure. We use operating income as the numerator for the same reasons we use operating income, as discussed above. We use average common shareholders' equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of common shareholders' equity primarily attributable to the company's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income applicable to common shareholders and return on common shareholders' equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with return on common shareholders' equity because it eliminates the after-tax effects of realized and unrealized net capital gains and losses that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine operating income return on common shareholders' equity from return on common shareholders' equity is the transparency and understanding of their significance to return on common shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. We use adjusted measures of operating income return on common shareholders' equity in incentive compensation. Therefore, we believe it is useful for investors to have operating income return on common shareholders' equity and return on common shareholders' equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income return on common shareholders' equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's utilization of capital. Operating income return on common shareholders' equity should not be considered a substitute for return on common shareholders' equity and does not reflect the overall profitability of our business.

The following tables reconcile return on common shareholders' equity and operating income return on common shareholders' equity.

(\$ in millions)

| | For the twelve months ended June 30, | |
|---|---|-----------|
| | 2016 | 2015 |
| Return on common shareholders' equity | | |
| Numerator: | | |
| Net income applicable to common shareholders | \$ 1,540 | \$ 2,519 |
| Denominator: | | |
| Beginning common shareholders' equity ⁽¹⁾ | \$ 19,552 | \$ 21,126 |
| Ending common shareholders' equity ⁽¹⁾ | 18,807 | 19,552 |
| Average common shareholders' equity | \$ 19,180 | \$ 20,339 |
| Return on common shareholders' equity | 8.0% | 12.4% |
| Operating income return on common shareholders' equity | | |
| Numerator: | | |
| Operating income | \$ 1,792 | \$ 2,212 |
| Denominator: | | |
| Beginning common shareholders' equity | \$ 19,552 | \$ 21,126 |
| Unrealized net capital gains and losses | 1,419 | 2,150 |
| Adjusted beginning common shareholders' equity | 18,133 | 18,976 |
| Ending common shareholders' equity | 18,807 | 19,552 |
| Unrealized net capital gains and losses | 1,624 | 1,419 |
| Adjusted ending common shareholders' equity | 17,183 | 18,133 |
| Average adjusted common shareholders' equity | \$ 17,658 | \$ 18,555 |
| Operating income return on common shareholders' equity | 10.1% | 11.9% |

⁽¹⁾ Excludes equity related to preferred stock of \$1,746 million.

Underwriting income is calculated as premiums earned, less claims and claims expense ("losses"), amortization of DAC, operating costs and expenses and restructuring and related charges as determined using GAAP. Management uses this measure in its evaluation of the results of operations to analyze the profitability of our Property-Liability insurance operations separately from investment results. It is also an integral component of incentive compensation. It is useful for investors to evaluate the components of income separately and in the aggregate when reviewing performance. Net income applicable to common shareholders is the most directly comparable GAAP measure. Underwriting income should not be considered a substitute for net income applicable to common shareholders and does not reflect the overall profitability of our business. A reconciliation of Property-Liability underwriting income to net income applicable to common shareholders is provided in the "Business Results" page.

Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between four GAAP operating ratios: the combined ratio, the effect of catastrophes on the combined ratio, the effect of prior year non-catastrophe reserve reestimates on the combined ratio, and the effect of amortization of purchased intangible assets on 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, prior year reserve reestimates and amortization of purchased intangible assets. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. Amortization of purchased intangible assets relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide it to facilitate a comparison to our outlook on the underlying combined ratio. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

The following table reconciles the Property-Liability underlying combined ratio to the Property-Liability combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|--------------|------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets ("underlying combined ratio") | 88.6 | 89.1 | 87.9 | 89.1 |
| Effect of catastrophe losses | 12.3 | 10.6 | 11.5 | 7.3 |
| Effect of prior year non-catastrophe reserve reestimates | (0.2) | 0.2 | 0.1 | 0.4 |
| Effect of amortization of purchased intangible assets | 0.1 | 0.2 | 0.1 | 0.1 |
| Combined ratio | 100.8 | 100.1 | 99.6 | 96.9 |
| Effect of prior year catastrophe reserve reestimates | 0.2 | 0.1 | — | — |

Underwriting margin is calculated as 100% minus the combined ratio.

The following table reconciles the Allstate brand underlying combined ratio to the Allstate brand combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Underlying combined ratio | 87.5 | 87.7 | 86.8 | 87.6 |
| Effect of catastrophe losses | 12.9 | 10.7 | 12.1 | 7.4 |
| Effect of prior year non-catastrophe reserve reestimates | (0.3) | 0.3 | — | 0.5 |
| Combined ratio | 100.1 | 98.7 | 98.9 | 95.5 |
| Effect of prior year catastrophe reserve reestimates | 0.3 | 0.1 | — | — |

The following table reconciles the Allstate brand auto underlying combined ratio to the Allstate brand auto combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|--------------|------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Underlying combined ratio | 97.8 | 97.8 | 96.9 | 96.7 |
| Effect of catastrophe losses | 4.1 | 3.2 | 3.5 | 1.7 |
| Effect of prior year non-catastrophe reserve reestimates | (0.7) | 0.4 | (0.3) | 0.7 |
| Combined ratio | 101.2 | 101.4 | 100.1 | 99.1 |
| Effect of prior year catastrophe reserve reestimates | (0.1) | — | — | (0.1) |

The following table reconciles the Allstate brand homeowners underlying combined ratio to the Allstate brand homeowners combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Underlying combined ratio | 58.6 | 60.7 | 59.0 | 62.6 |
| Effect of catastrophe losses | 38.3 | 32.1 | 36.2 | 23.0 |
| Effect of prior year non-catastrophe reserve reestimates | 0.1 | (0.5) | — | (0.1) |
| Combined ratio | 97.0 | 92.3 | 95.2 | 85.5 |
| Effect of prior year catastrophe reserve reestimates | 1.0 | 0.5 | 0.3 | 0.2 |

The following table reconciles the Allstate brand other personal lines underlying combined ratio to the Allstate brand other personal lines combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Underlying combined ratio | 77.3 | 79.2 | 77.7 | 80.7 |
| Effect of catastrophe losses | 15.6 | 11.9 | 15.8 | 9.7 |
| Effect of prior year non-catastrophe reserve reestimates | (1.7) | 1.1 | (1.6) | 0.3 |
| Combined ratio | 91.2 | 92.2 | 91.9 | 90.7 |
| Effect of prior year catastrophe reserve reestimates | — | — | — | (0.1) |

The following table reconciles the Encompass brand underlying combined ratio to the Encompass brand combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|--------------|------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Underlying combined ratio | 92.8 | 96.5 | 90.5 | 93.6 |
| Effect of catastrophe losses | 11.2 | 18.6 | 12.3 | 12.4 |
| Effect of prior year non-catastrophe reserve reestimates | 0.9 | 0.6 | 2.6 | (0.3) |
| Combined ratio | 104.9 | 115.7 | 105.4 | 105.7 |
| Effect of prior year catastrophe reserve reestimates | (0.6) | 0.3 | (0.2) | (0.3) |

Underlying loss ratio is a non-GAAP ratio, which is computed as the difference between three GAAP operating ratios: the loss ratio, the effect of catastrophes on the combined ratio and the effect of prior year non-catastrophe reserve reestimates on the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends that may be obscured by catastrophe losses and prior year reserve reestimates. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. The most directly comparable GAAP measure is the loss ratio. The underlying loss ratio should not be considered a substitute for the loss ratio and does not reflect the overall loss ratio of our business.

The following table reconciles the Esurance brand underlying loss ratio and underlying combined ratio to the Esurance brand combined ratio.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|--------------|------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Underlying loss ratio | 74.5 | 74.3 | 73.8 | 76.3 |
| Expense ratio, excluding the effect of amortization of purchased intangible assets | 30.3 | 32.4 | 31.1 | 35.2 |
| Underlying combined ratio | 104.8 | 106.7 | 104.9 | 111.5 |
| Effect of catastrophe losses | 3.4 | 2.0 | 2.1 | 1.0 |
| Effect of prior year non-catastrophe reserve reestimates | (1.0) | (0.7) | (1.0) | (0.9) |
| Effect of amortization of purchased intangible assets | 1.7 | 2.2 | 1.6 | 2.3 |
| Combined ratio | 108.9 | 110.2 | 107.6 | 113.9 |

#####

THE ALLSTATE CORPORATION

Investor Supplement Second Quarter 2016

The consolidated financial statements and financial exhibits included herein are unaudited. These consolidated financial statements and exhibits should be read in conjunction with the consolidated financial statements and notes thereto included in the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The results of operations for interim periods are not necessarily indicative of results expected for the full year.

Measures used in these financial statements and exhibits that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*) and are reconciled to the most directly comparable generally accepted accounting principles ("GAAP") measures on the page "Definitions of Non-GAAP Measures".

Consolidated

- Statements of Operations
- Contribution to Income
- Revenues
- Statements of Financial Position
- Book Value Per Common Share
- Return on Common Shareholders' Equity
- Debt to Capital
- Statements of Cash Flows
- Analysis of Deferred Policy Acquisition Costs

Property-Liability Operations

- Property-Liability Results
- Underwriting Results by Area of Business
- Property-Liability Premiums Written by Brand
- Impact of Net Rate Changes Approved on Premiums Written
- Policies in Force and Other Statistics
- Allstate Brand Profitability Measures
- Allstate Brand Statistics
- Allstate Brand Auto Claim Frequency Analysis
- Esurance Brand Profitability Measures and Statistics
- Encompass Brand Profitability Measures and Statistics
- Auto Profitability Measures
- Homeowners Profitability Measures
- Other Personal Lines Profitability Measures
- Commercial Lines Profitability Measures
- Other Business Lines Profitability Measures
- Auto, Homeowners and Other Personal Lines Underlying Combined Ratios
- Allstate Brand Auto and Homeowners Underlying Loss and Expense
- Homeowners Supplemental Information
- Catastrophe Losses by Brand
- Effect of Catastrophe Losses on the Combined Ratio
- Catastrophe by Size of Event
- Prior Year Reserve Reestimates
- Asbestos and Environmental Reserves
- Allstate Personal Lines - Auto, Homeowners, Other Personal Lines and Commercial Lines Profitability Measures
- Emerging Businesses - Esurance, Encompass, Other Business Lines, and Answer Financial Profitability Measures

Allstate Financial Operations

- Allstate Financial Results
- Return on Attributed Equity
- Allstate Financial Premiums and Contract Charges
- Allstate Financial Change in Contractholder Funds
- Allstate Financial Analysis of Net Income
- Allstate Financial Weighted Average Investment Spreads
- Allstate Financial Supplemental Product Information
- Allstate Financial Insurance Policies and Annuities in Force
- Allstate Life, Allstate Annuities and Allstate Benefits Results and Product Information

Corporate and Other Results

Investments

- Investments
- Limited Partnership Investments
- Unrealized Net Capital Gains and Losses on Security Portfolio by Type
- Net Investment Income, Yields and Realized Capital Gains and Losses (Pre-tax)
- Property-Liability Net Investment Income, Yields and Realized Capital Gains and Losses (Pre-tax)
- Allstate Financial Net Investment Income, Yields and Realized Capital Gains and Losses (Pre-tax)
- Investment Results
- Investment Position by Strategy
- Investment Results by Strategy
- Investment Income and Realized Capital Gains and Losses By Investment Type and Strategy
- Performance-Based Long-Term Investments

Definitions of Non-GAAP Measures

THE ALLSTATE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in millions, except per share data)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Revenues | | | | | |
| Property-liability insurance premiums | \$ 7,814 | \$ 7,723 | \$ 7,684 | \$ 7,650 | \$ 7,549 |
| Life and annuity premiums and contract charges | 564 | 566 | 547 | 538 | 536 |
| Net investment income | 762 | 731 | 710 | 807 | 789 |
| Realized capital gains and losses: | | | | | |
| Total other-than-temporary impairment ("OTTI") losses | (77) | (91) | (166) | (186) | (47) |
| OTTI losses reclassified to (from) other comprehensive income | (2) | 10 | 16 | 12 | 4 |
| Net OTTI losses recognized in earnings | (79) | (81) | (150) | (174) | (43) |
| Sales and other realized capital gains and losses | 103 | (68) | (100) | 207 | 151 |
| Total realized capital gains and losses | 24 | (149) | (250) | 33 | 108 |
| Total revenues | 9,164 | 8,871 | 8,691 | 9,028 | 8,982 |
| Costs and expenses | | | | | |
| Property-liability insurance claims and claims expense | 5,901 | 5,684 | 5,199 | 5,255 | 5,587 |
| Life and annuity contract benefits | 454 | 455 | 456 | 460 | 446 |
| Interest credited to contractholder funds | 185 | 190 | 183 | 194 | 185 |
| Amortization of deferred policy acquisition costs | 1,126 | 1,129 | 1,116 | 1,092 | 1,086 |
| Operating costs and expenses | 1,040 | 982 | 938 | 992 | 1,061 |
| Restructuring and related charges | 11 | 5 | 7 | 9 | 19 |
| Interest expense | 72 | 73 | 73 | 73 | 73 |
| Total costs and expenses | 8,789 | 8,518 | 7,972 | 8,075 | 8,457 |
| Gain (loss) on disposition of operations | 1 | 2 | 1 | 2 | 1 |
| Income from operations before income tax expense | 376 | 355 | 720 | 955 | 526 |
| Income tax expense | 105 | 109 | 231 | 305 | 171 |
| Net income | \$ 271 | \$ 246 | \$ 489 | \$ 650 | \$ 355 |
| Preferred stock dividends | 29 | 29 | 29 | 29 | 29 |
| Net income applicable to common shareholders | \$ 242 | \$ 217 | \$ 460 | \$ 621 | \$ 326 |
| Earnings per common share: | | | | | |
| Net income applicable to common shareholders per common share - Basic | \$ 0.65 | \$ 0.57 | \$ 1.19 | \$ 1.56 | \$ 0.80 |
| Weighted average common shares - Basic | 373.6 | 378.1 | 385.0 | 397.0 | 407.0 |
| Net income applicable to common shareholders per common share - Diluted | \$ 0.64 | \$ 0.57 | \$ 1.18 | \$ 1.54 | \$ 0.79 |
| Weighted average common shares - Diluted | 378.1 | 382.9 | 390.2 | 402.1 | 412.6 |
| Cash dividends declared per common share | \$ 0.33 | \$ 0.33 | \$ 0.30 | \$ 0.30 | \$ 0.30 |

THE ALLSTATE CORPORATION
CONTRIBUTION TO INCOME
(\$ in millions, except per share data)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|------------------|
| Contribution to income | | | | | |
| Operating income before the impact of restructuring and related charges | \$ 242 | \$ 325 | \$ 629 | \$ 616 | \$ 274 |
| Restructuring and related charges, after-tax | (7) | (3) | (4) | (6) | (12) |
| Operating income * | 235 | 322 | 625 | 610 | 262 |
| Realized capital gains and losses, after-tax | 17 | (96) | (161) | 21 | 69 |
| Valuation changes on embedded derivatives that are not hedged, after-tax | (4) | (4) | 2 | (2) | 4 |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | (1) | (1) | - | (1) | (2) |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | - | 1 | 1 | - | - |
| Amortization of purchased intangible assets, after-tax | (6) | (6) | (8) | (8) | (8) |
| Gain (loss) on disposition of operations, after-tax | 1 | 1 | 1 | 1 | 1 |
| Change in accounting for investments in qualified affordable housing projects, after-tax | - | - | - | - | - |
| Net income applicable to common shareholders | <u>\$ 242</u> | <u>\$ 217</u> | <u>\$ 460</u> | <u>\$ 621</u> | <u>\$ 326</u> |
| Income per common share - Diluted | | | | | |
| Operating income before the impact of restructuring and related charges | \$ 0.64 | \$ 0.85 | \$ 1.61 | \$ 1.53 | \$ 0.66 |
| Restructuring and related charges, after-tax | (0.02) | (0.01) | (0.01) | (0.01) | (0.03) |
| Operating income | 0.62 | 0.84 | 1.60 | 1.52 | 0.63 |
| Realized capital gains and losses, after-tax | 0.04 | (0.25) | (0.41) | 0.05 | 0.17 |
| Valuation changes on embedded derivatives that are not hedged, after-tax | (0.01) | (0.01) | 0.01 | (0.01) | 0.01 |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | - | - | - | - | - |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | - | - | - | - | - |
| Amortization of purchased intangible assets, after-tax | (0.01) | (0.01) | (0.02) | (0.02) | (0.02) |
| Gain (loss) on disposition of operations, after-tax | - | - | - | - | - |
| Change in accounting for investments in qualified affordable housing projects, after-tax | - | - | - | - | - |
| Net income applicable to common shareholders | <u>\$ 0.64</u> | <u>\$ 0.57</u> | <u>\$ 1.18</u> | <u>\$ 1.54</u> | <u>\$ 0.79</u> |
| Weighted average common shares - Diluted | <u>378.1</u> | <u>382.9</u> | <u>390.2</u> | <u>402.1</u> | <u>412.6</u> |

THE ALLSTATE CORPORATION
REVENUES
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Property-Liability | | | | | |
| Property-Liability insurance premiums | \$ 7,814 | \$ 7,723 | \$ 7,684 | \$ 7,650 | \$ 7,549 |
| Net investment income | 316 | 302 | 280 | 307 | 292 |
| Realized capital gains and losses | 26 | (99) | (153) | (161) | 49 |
| Total Property-Liability revenues | 8,156 | 7,926 | 7,811 | 7,796 | 7,890 |
| Allstate Financial | | | | | |
| Life and annuity premiums and contract charges | 564 | 566 | 547 | 538 | 536 |
| Net investment income | 435 | 419 | 420 | 491 | 489 |
| Realized capital gains and losses | - | (49) | (97) | 194 | 59 |
| Total Allstate Financial revenues | 999 | 936 | 870 | 1,223 | 1,084 |
| Corporate and Other | | | | | |
| Service fees ⁽¹⁾ | 1 | 1 | 1 | - | 1 |
| Net investment income | 11 | 10 | 10 | 9 | 8 |
| Realized capital gains and losses | (2) | (1) | - | - | - |
| Total Corporate and Other revenues before reclassification of services fees | 10 | 10 | 11 | 9 | 9 |
| Reclassification of service fees ⁽¹⁾ | (1) | (1) | (1) | - | (1) |
| Total Corporate and Other revenues | 9 | 9 | 10 | 9 | 8 |
| Consolidated revenues | \$ 9,164 | \$ 8,871 | \$ 8,691 | \$ 9,028 | \$ 8,982 |

⁽¹⁾ For presentation in the Consolidated Statements of Operations, service fees of the Corporate and Other segment are reclassified to Operating costs and expenses.

THE ALLSTATE CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(\$ in millions)

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | |
| Investments | | | | | |
| Fixed income securities, at fair value (amortized cost \$55,770, \$55,627, \$57,201, \$56,918 and \$57,971) | \$ 58,129 | \$ 57,291 | \$ 57,948 | \$ 58,257 | \$ 59,930 |
| Equity securities, at fair value (cost \$4,924, \$4,792, \$4,806, \$4,123 and \$3,649) | 5,265 | 5,117 | 5,082 | 4,236 | 4,000 |
| Mortgage loans | 4,453 | 4,302 | 4,338 | 4,402 | 4,343 |
| Limited partnership interests | 5,407 | 5,091 | 4,874 | 4,823 | 4,536 |
| Short-term, at fair value (amortized cost \$2,850, \$3,526, \$2,122, \$3,036 and \$2,821) | 2,850 | 3,526 | 2,122 | 3,036 | 2,821 |
| Other | 3,590 | 3,550 | 3,394 | 3,588 | 3,511 |
| Total investments | 79,694 | 78,877 | 77,758 | 78,342 | 79,141 |
| Cash | 446 | 531 | 495 | 905 | 805 |
| Premium installment receivables, net | 5,593 | 5,558 | 5,544 | 5,711 | 5,599 |
| Deferred policy acquisition costs | 3,819 | 3,807 | 3,861 | 3,811 | 3,708 |
| Reinsurance recoverables, net ⁽¹⁾ | 8,650 | 8,573 | 8,518 | 8,468 | 8,520 |
| Accrued investment income | 564 | 567 | 569 | 575 | 610 |
| Property and equipment, net | 1,011 | 1,011 | 1,024 | 1,050 | 1,038 |
| Goodwill | 1,219 | 1,219 | 1,219 | 1,219 | 1,219 |
| Other assets | 2,850 | 2,297 | 2,010 | 2,039 | 2,303 |
| Separate Accounts | 3,438 | 3,507 | 3,658 | 3,677 | 4,121 |
| Total assets | \$ 107,284 | \$ 105,947 | \$ 104,656 | \$ 105,797 | \$ 107,064 |

Liabilities

| |
|--|
| Reserve for property-liability insurance claims and claims expense |
| Reserve for life-contingent contract benefits |
| Contractholder funds |
| Unearned premiums |
| Claim payments outstanding |
| Deferred income taxes |
| Other liabilities and accrued expenses |
| Long-term debt |
| Separate Accounts |
| Total liabilities |

Equity

| |
|---|
| Preferred stock and additional capital paid-in, 72.2 thousand share |
| Common stock, 371 million, 375 million, 381 million, 390 million and 402 million shares outstanding |
| Additional capital paid-in |
| Retained income |
| Deferred ESOP expense |
| Treasury stock, at cost (529 million, 525 million, 519 million, 510 million and 498 million shares) |
| Accumulated other comprehensive income: |
| Unrealized net capital gains and losses: |
| Unrealized net capital gains and losses on fixed income securities with other-than-temporary impairments |
| Other unrealized net capital gains and losses |
| Unrealized adjustment to DAC, DSI and insurance reserves |
| Total unrealized net capital gains and losses |
| Unrealized foreign currency translation adjustments |
| Unrecognized pension and other postretirement benefit cost |
| Total accumulated other comprehensive income (loss) |
| Total shareholders' equity |
| Total liabilities and shareholders' equity |

⁽¹⁾ Reinsurance recoverables of unpaid losses related to Property-Liability were \$6.03 billion, \$5.96 billion, \$5.89 billion, \$5.85 billion and \$5.85 billion as of June 30, 2016, March 31, 2016, December 31,

THE ALLSTATE CORPORATION
BOOK VALUE PER COMMON SHARE

(\$ in millions, except per share data)

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|
| Book value per common share | | | | |
| Numerator: | | | | |
| Common shareholders' equity ⁽¹⁾ | \$ 18,807 | \$ 18,594 | \$ 18,279 | \$ 18,758 |
| Denominator: | | | | |
| Common shares outstanding and dilutive potential common shares outstanding | 375.8 | 380.3 | 386.1 | 394.6 |
| Book value per common share | \$ 50.05 | \$ 48.89 | \$ 47.34 | \$ 47.54 |
| Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities * | | | | |
| Numerator: | | | | |
| Common shareholders' equity | \$ 18,807 | \$ 18,594 | \$ 18,279 | \$ 18,758 |
| Unrealized net capital gains and losses on fixed income securities | 1,407 | 993 | 443 | 807 |
| Adjusted common shareholders' equity | \$ 17,400 | \$ 17,601 | \$ 17,836 | \$ 17,951 |
| Denominator: | | | | |
| Common shares outstanding and dilutive potential common shares outstanding | 375.8 | 380.3 | 386.1 | 394.6 |
| Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities | \$ 46.30 | \$ 46.28 | \$ 46.20 | \$ 45.49 |

⁽¹⁾ Excludes equity related to preferred stock of \$1,746 million in each period.

THE ALLSTATE CORPORATION
RETURN ON COMMON SHAREHOLDERS' EQUITY
(\$ in millions)

| | Twelve months ended | | | |
|---|---------------------|-------------------|------------------|-------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
| Return on Common Shareholders' Equity | | | | |
| Numerator: | | | | |
| Net income applicable to common shareholders ⁽¹⁾ | \$ <u>1,540</u> | \$ <u>1,624</u> | \$ <u>2,055</u> | \$ <u>2,315</u> |
| Denominator: | | | | |
| Beginning common shareholders' equity | \$ 19,552 | \$ 20,433 | \$ 20,558 | \$ 20,558 |
| Ending common shareholders' equity | 18,807 | 18,594 | 18,279 | 18,715 |
| Average common shareholders' equity ⁽²⁾ | \$ <u>19,180</u> | \$ <u>19,514</u> | \$ <u>19,419</u> | \$ <u>19,642</u> |
| Return on common shareholders' equity | <u>8.0</u> % | <u>8.3</u> % | <u>10.6</u> % | <u>11.8</u> % |
| Operating Income Return on Common Shareholders' Equity * | | | | |
| Numerator: | | | | |
| Operating income ⁽¹⁾ | \$ <u>1,792</u> | \$ <u>1,819</u> | \$ <u>2,113</u> | \$ <u>2,215</u> |
| Denominator: | | | | |
| Beginning common shareholders' equity | \$ 19,552 | \$ 20,433 | \$ 20,558 | \$ 20,558 |
| Unrealized net capital gains and losses | 1,419 | 2,137 | 1,926 | 1,815 |
| Adjusted beginning common shareholders' equity | <u>18,133</u> | <u>18,296</u> | <u>18,632</u> | <u>18,715</u> |
| Ending common shareholders' equity | 18,807 | 18,594 | 18,279 | 18,715 |
| Unrealized net capital gains and losses | 1,624 | 1,200 | 620 | 815 |
| Adjusted ending common shareholders' equity | <u>17,183</u> | <u>17,394</u> | <u>17,659</u> | <u>17,815</u> |
| Average adjusted common shareholders' equity ⁽²⁾ | \$ <u>17,658</u> | \$ <u>17,845</u> | \$ <u>18,146</u> | \$ <u>18,315</u> |
| Operating income return on common shareholders' equity | <u>10.1</u> % | <u>10.2</u> % | <u>11.6</u> % | <u>12.6</u> % |

⁽¹⁾ Net income applicable to common shareholders and operating income reflect a trailing twelve-month period.

⁽²⁾ Average common shareholders' equity and average adjusted common shareholders' equity are determined using a two-point average, with the beginning and adjusted common shareholders' equity, respectively, for the twelve-month period as data points.

THE ALLSTATE CORPORATION
DEBT TO CAPITAL
(\$ in millions)

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | |
|--|------------------|-------------------|------------------|-------------------|----|
| Debt | | | | | |
| Short-term debt | \$ - | \$ - | \$ - | \$ - | \$ |
| Long-term debt | 5,109 | 5,108 | 5,124 | 5,123 | |
| Total debt | <u>\$ 5,109</u> | <u>\$ 5,108</u> | <u>\$ 5,124</u> | <u>\$ 5,123</u> | \$ |
| Capital resources | | | | | |
| Debt | \$ 5,109 | \$ 5,108 | \$ 5,124 | \$ 5,123 | \$ |
| Shareholders' equity | | | | | |
| Preferred stock and additional capital paid-in | 1,746 | 1,746 | 1,746 | 1,746 | |
| Common stock | 9 | 9 | 9 | 9 | |
| Additional capital paid-in | 3,203 | 3,237 | 3,245 | 3,224 | |
| Retained income | 39,623 | 39,505 | 39,413 | 39,068 | |
| Deferred ESOP expense | (13) | (13) | (13) | (23) | |
| Treasury stock | (24,310) | (23,994) | (23,620) | (23,058) | |
| Unrealized net capital gains and losses | 1,624 | 1,200 | 620 | 879 | |
| Unrealized foreign currency translation adjustments | (41) | (46) | (60) | (52) | |
| Unrecognized pension and other postretirement benefit cost | (1,288) | (1,304) | (1,315) | (1,289) | |
| Total shareholders' equity | <u>20,553</u> | <u>20,340</u> | <u>20,025</u> | <u>20,504</u> | |
| Total capital resources | <u>\$ 25,662</u> | <u>\$ 25,448</u> | <u>\$ 25,149</u> | <u>\$ 25,627</u> | \$ |
| Ratio of debt to shareholders' equity | <u>24.9 %</u> | <u>25.1 %</u> | <u>25.6 %</u> | <u>25.0 %</u> | |
| Ratio of debt to capital resources | <u>19.9 %</u> | <u>20.1 %</u> | <u>20.4 %</u> | <u>20.0 %</u> | |

THE ALLSTATE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(\$ in millions)

| | Three months ended | | | | |
|---|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net income | \$ 271 | \$ 246 | \$ 489 | \$ 650 | \$ 355 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation, amortization and other non-cash items | 97 | 91 | 96 | 96 | 92 |
| Realized capital gains and losses | (24) | 149 | 250 | (33) | (108) |
| (Gain) loss on disposition of operations | (1) | (2) | (1) | (2) | (1) |
| Interest credited to contractholder funds | 185 | 190 | 183 | 194 | 185 |
| Changes in: | | | | | |
| Policy benefits and other insurance reserves | 118 | 459 | (27) | (26) | 411 |
| Unearned premiums | 267 | (205) | (124) | 518 | 361 |
| Deferred policy acquisition costs | (65) | (7) | (20) | (87) | (97) |
| Premium installment receivables, net | (38) | 11 | 156 | (132) | (92) |
| Reinsurance recoverables, net | (80) | (40) | (45) | 11 | (120) |
| Income taxes | (150) | (26) | (59) | 223 | (342) |
| Other operating assets and liabilities | 64 | (152) | 32 | (29) | 93 |
| Net cash provided by operating activities | <u>644</u> | <u>714</u> | <u>930</u> | <u>1,383</u> | <u>737</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sales: | | | | | |
| Fixed income securities | 6,373 | 6,216 | 5,897 | 6,784 | 6,559 |
| Equity securities | 823 | 1,664 | 1,066 | 614 | 922 |
| Limited partnership interests | 183 | 180 | 306 | 204 | 295 |
| Mortgage loans | (7) | 7 | - | 6 | - |
| Other investments | 57 | 87 | 367 | 46 | 85 |
| Investment collections: | | | | | |
| Fixed income securities | 1,189 | 949 | 1,184 | 1,005 | 1,030 |
| Mortgage loans | 71 | 79 | 233 | (52) | 243 |
| Other investments | 125 | 43 | 39 | 77 | 117 |
| Investment purchases: | | | | | |
| Fixed income securities | (7,546) | (5,401) | (7,830) | (6,446) | (7,272) |
| Equity securities | (939) | (1,733) | (1,722) | (1,318) | (748) |
| Limited partnership interests | (433) | (270) | (413) | (367) | (198) |
| Mortgage loans | (220) | (44) | (163) | (15) | (307) |
| Other investments | (196) | (253) | (159) | (225) | (325) |
| Change in short-term investments, net | 688 | (1,357) | 962 | (186) | (328) |
| Change in other investments, net | (20) | (19) | (36) | - | (18) |
| Purchases of property and equipment, net | (68) | (52) | (84) | (86) | (74) |
| Net cash provided by (used in) investing activities | <u>80</u> | <u>96</u> | <u>(353)</u> | <u>41</u> | <u>(19)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Repayments of long-term debt | - | (16) | - | (11) | (9) |
| Contractholder fund deposits | 261 | 261 | 268 | 257 | 266 |
| Contractholder fund withdrawals | (521) | (492) | (534) | (641) | (580) |
| Dividends paid on common stock | (125) | (115) | (118) | (122) | (125) |
| Dividends paid on preferred stock | (29) | (29) | (29) | (29) | (29) |
| Treasury stock purchases | (448) | (456) | (592) | (792) | (414) |
| Shares reissued under equity incentive plans, net | 42 | 30 | 9 | 12 | 45 |
| Excess tax benefits on share-based payment arrangements | 8 | 12 | 1 | 1 | 17 |
| Other | 3 | 31 | 8 | 1 | - |
| Net cash used in financing activities | <u>(809)</u> | <u>(774)</u> | <u>(987)</u> | <u>(1,324)</u> | <u>(829)</u> |
| NET (DECREASE) INCREASE IN CASH | <u>(85)</u> | <u>36</u> | <u>(410)</u> | <u>100</u> | <u>(111)</u> |
| CASH AT BEGINNING OF PERIOD | <u>531</u> | <u>495</u> | <u>905</u> | <u>805</u> | <u>916</u> |
| CASH AT END OF PERIOD | <u>\$ 446</u> | <u>\$ 531</u> | <u>\$ 495</u> | <u>\$ 905</u> | <u>\$ 805</u> |

THE ALLSTATE CORPORATION
ANALYSIS OF DEFERRED POLICY ACQUISITION COSTS
(\$ in millions)

Change in Deferred Policy Acquisition Costs
For the three months ended June 30, 2016

| | Beginning balance Mar. 31, 2016 | Acquisition costs deferred | Amortization before adjustments ^{(1) (2)} | Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged ⁽²⁾ | Amortization (acceleration) deceleration for changes in assumptions ⁽²⁾ |
|---|---------------------------------------|----------------------------------|--|---|--|
| Property-Liability | \$ 2,041 | \$ 1,117 | \$ (1,057) | \$ - | \$ - |
| Allstate Financial: | | | | | |
| Traditional life and accident and health | 796 | 48 | (38) | - | - |
| Interest-sensitive life | 924 | 26 | (28) | (1) | - |
| Fixed annuity | 46 | - | (2) | - | - |
| Subtotal | <u>1,766</u> | <u>74</u> | <u>(68)</u> | <u>(1)</u> | <u>-</u> |
| Consolidated | <u>\$ 3,807</u> | <u>\$ 1,191</u> | <u>\$ (1,125)</u> | <u>\$ (1)</u> | <u>\$ -</u> |

Change in Deferred Policy Acquisition Costs
For the three months ended June 30, 2015

| | Beginning balance Mar. 31, 2015 | Acquisition costs deferred | Amortization before adjustments ^{(1) (2)} | Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged ⁽²⁾ | Amortization (acceleration) deceleration for changes in assumptions ⁽²⁾ |
|---|---------------------------------------|----------------------------------|--|---|--|
| Property-Liability | \$ 1,852 | \$ 1,111 | \$ (1,021) | \$ - | \$ - |
| Allstate Financial: | | | | | |
| Traditional life and accident and health | 757 | 44 | (33) | - | - |
| Interest-sensitive life | 874 | 29 | (27) | (3) | - |
| Fixed annuity | 44 | - | (2) | - | - |
| Subtotal | <u>1,675</u> | <u>73</u> | <u>(62)</u> | <u>(3)</u> | <u>-</u> |
| Consolidated | <u>\$ 3,527</u> | <u>\$ 1,184</u> | <u>\$ (1,083)</u> | <u>\$ (3)</u> | <u>\$ -</u> |

⁽¹⁾ Amortization before adjustments reflects total DAC amortization before amortization/accretion related to realized capital gains and losses and valuation changes and amortization acceleration/deceleration for changes in assumptions.

⁽²⁾ Included as a component of amortization of DAC on the Consolidated Statements of Operations.

THE ALLSTATE CORPORATION
ANALYSIS OF DEFERRED POLICY ACQUISITION COSTS
(\$ in millions)

Change in Deferred Policy Acquisition Costs
For the six months ended June 30, 2016

| | Beginning balance Dec. 31, 2015 | Acquisition costs deferred | Amortization before adjustments ^{(1) (2)} | Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged ⁽²⁾ | Amortization (acceleration) deceleration for changes in assumptions ⁽²⁾ | Effect of unrealized capital gains and losses | Jun |
|---|---------------------------------------|----------------------------------|--|---|--|--|-----------|
| Property-Liability | \$ 2,029 | \$ 2,185 | \$ (2,113) | \$ - | \$ - | \$ - | \$ |
| Allstate Financial: | | | | | | | |
| Traditional life and accident and health | 792 | 94 | (80) | - | - | - | |
| Interest-sensitive life | 993 | 52 | (56) | (3) | - | (118) | |
| Fixed annuity | 47 | - | (3) | - | - | - | |
| Subtotal | <u>1,832</u> | <u>146</u> | <u>(139)</u> | <u>(3)</u> | <u>-</u> | <u>(118)</u> | |
| Consolidated | <u>\$ 3,861</u> | <u>\$ 2,331</u> | <u>\$ (2,252)</u> | <u>\$ (3)</u> | <u>\$ -</u> | <u>\$ (118)</u> | <u>\$</u> |

Change in Deferred Policy Acquisition Costs
For the six months ended June 30, 2015

| | Beginning balance Dec. 31, 2014 | Acquisition costs deferred | Amortization before adjustments ^{(1) (2)} | Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged ⁽²⁾ | Amortization (acceleration) deceleration for changes in assumptions ⁽²⁾ | Effect of unrealized capital gains and losses | Jun |
|---|---------------------------------------|----------------------------------|--|---|--|--|-----------|
| Property-Liability | \$ 1,820 | \$ 2,143 | \$ (2,021) | \$ - | \$ - | \$ - | \$ |
| Allstate Financial: | | | | | | | |
| Traditional life and accident and health | 753 | 88 | (73) | - | - | - | |
| Interest-sensitive life | 905 | 55 | (55) | (5) | - | 48 | |
| Fixed annuity | 47 | - | (3) | 1 | - | 5 | |
| Subtotal | <u>1,705</u> | <u>143</u> | <u>(131)</u> | <u>(4)</u> | <u>-</u> | <u>53</u> | |
| Consolidated | <u>\$ 3,525</u> | <u>\$ 2,286</u> | <u>\$ (2,152)</u> | <u>\$ (4)</u> | <u>\$ -</u> | <u>\$ 53</u> | <u>\$</u> |

⁽¹⁾ Amortization before adjustments reflects total DAC amortization before amortization/accretion related to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged.
⁽²⁾ Included as a component of amortization of DAC on the Consolidated Statements of Operations.

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY RESULTS
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Premiums written | \$ 8,051 | \$ 7,515 | \$ 7,551 | \$ 8,137 | \$ 7,414 |
| (Increase) decrease in unearned premiums | (264) | 166 | 140 | (485) | (1,000) |
| Other | 27 | 42 | (7) | (2) | (1) |
| Premiums earned | 7,814 | 7,723 | 7,684 | 7,650 | 7,413 |
| Claims and claims expense | (5,901) | (5,684) | (5,199) | (5,255) | (5,144) |
| Amortization of deferred policy acquisition costs | (1,057) | (1,056) | (1,052) | (1,029) | (1,029) |
| Operating costs and expenses | (912) | (853) | (812) | (867) | (867) |
| Restructuring and related charges | (10) | (5) | (10) | (8) | (8) |
| Underwriting (loss) income* | (66) | 125 | 611 | 491 | 491 |
| Net investment income | 316 | 302 | 280 | 307 | 307 |
| Periodic settlements and accruals on non-hedge derivative instruments | - | (1) | (1) | (1) | - |
| Amortization of purchased intangible assets | 9 | 9 | 13 | 12 | 12 |
| Income tax expense on operations | (73) | (144) | (304) | (259) | (259) |
| Operating income | 186 | 291 | 599 | 550 | 550 |
| Realized capital gains and losses, after-tax | 18 | (64) | (99) | (104) | (104) |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | - | 1 | 1 | - | - |
| Amortization of purchased intangible assets, after-tax | (6) | (6) | (8) | (8) | (8) |
| (Loss) gain on disposition of operations, after-tax | - | - | - | (1) | (1) |
| Change in accounting for investments in qualified affordable housing projects, after-tax | - | - | - | - | - |
| Net income applicable to common shareholders | \$ 198 | \$ 222 | \$ 493 | \$ 437 | \$ 437 |
| Catastrophe losses | \$ 961 | \$ 827 | \$ 358 | \$ 270 | \$ 270 |
| Operating ratios | | | | | |
| Claims and claims expense ("loss") ratio | 75.5 | 73.6 | 67.6 | 68.7 | 71.1 |
| Expense ratio | 25.3 | 24.8 | 24.4 | 24.9 | 24.9 |
| Combined ratio | 100.8 | 98.4 | 92.0 | 93.6 | 96.0 |
| Loss ratio | 75.5 | 73.6 | 67.6 | 68.7 | 71.1 |
| Less: effect of catastrophe losses | 12.3 | 10.7 | 4.7 | 3.5 | 3.5 |
| effect of prior year non-catastrophe reserve reestimates | (0.2) | 0.4 | (0.2) | 0.6 | 0.6 |
| Underlying loss ratio * | 63.4 | 62.5 | 63.1 | 64.6 | 67.6 |
| Expense ratio | 25.3 | 24.8 | 24.4 | 24.9 | 24.9 |
| Less: effect of amortization of purchased intangible assets | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Expense ratio, excluding the effect of amortization of purchased intangible assets | 25.2 | 24.7 | 24.3 | 24.7 | 24.7 |
| Underlying combined ratio * | 88.6 | 87.2 | 87.4 | 89.3 | 92.1 |
| Effect of catastrophe losses on combined ratio | 12.3 | 10.7 | 4.7 | 3.5 | 3.5 |
| Effect of prior year non-catastrophe reserve reestimates | (0.2) | 0.4 | (0.2) | 0.6 | 0.6 |
| Effect of amortization of purchased intangible assets on combined ratio | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Combined ratio | 100.8 | 98.4 | 92.0 | 93.6 | 96.0 |
| Effect of restructuring and related charges on combined ratio | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Effect of Discontinued Lines and Coverages on combined ratio | - | - | - | 0.7 | 0.7 |

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY UNDERWRITING RESULTS BY AREA OF BUSINESS
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|------------------|
| Property-Liability Underwriting Summary | | | | | |
| Allstate Protection | \$ (64) | \$ 127 | \$ 613 | \$ 540 | \$ (8) |
| Discontinued Lines and Coverages | (2) | (2) | (2) | (49) | (2) |
| Underwriting (loss) income | <u>\$ (66)</u> | <u>\$ 125</u> | <u>\$ 611</u> | <u>\$ 491</u> | <u>\$ (10)</u> |
| Allstate Protection Underwriting Summary | | | | | |
| Premiums written | <u>\$ 8,051</u> | <u>\$ 7,515</u> | <u>\$ 7,551</u> | <u>\$ 8,137</u> | <u>\$ 7,877</u> |
| Premiums earned | \$ 7,814 | \$ 7,723 | \$ 7,684 | \$ 7,650 | \$ 7,549 |
| Claims and claims expense | (5,899) | (5,683) | (5,197) | (5,207) | (5,585) |
| Amortization of deferred policy acquisition costs | (1,057) | (1,056) | (1,052) | (1,029) | (1,021) |
| Operating costs and expenses | (912) | (852) | (812) | (866) | (934) |
| Restructuring and related charges | (10) | (5) | (10) | (8) | (17) |
| Underwriting (loss) income | <u>\$ (64)</u> | <u>\$ 127</u> | <u>\$ 613</u> | <u>\$ 540</u> | <u>\$ (8)</u> |
| Catastrophe losses | <u>\$ 961</u> | <u>\$ 827</u> | <u>\$ 358</u> | <u>\$ 270</u> | <u>\$ 797</u> |
| Operating ratios | | | | | |
| Loss ratio | 75.5 | 73.6 | 67.6 | 68.0 | 74.0 |
| Expense ratio | 25.3 | 24.8 | 24.4 | 24.9 | 26.1 |
| Combined ratio | <u>100.8</u> | <u>98.4</u> | <u>92.0</u> | <u>92.9</u> | <u>100.1</u> |
| Effect of catastrophe losses on combined ratio | <u>12.3</u> | <u>10.7</u> | <u>4.7</u> | <u>3.5</u> | <u>10.6</u> |
| Effect of restructuring and related charges on combined ratio | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.2</u> |
| Effect of amortization of purchased intangible assets on combined ratio | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.2</u> | <u>0.2</u> |
| Discontinued Lines and Coverages Underwriting Summary | | | | | |
| Premiums written | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Premiums earned | \$ - | \$ - | \$ - | \$ - | \$ - |
| Claims and claims expense | (2) | (1) | (2) | (48) | (2) |
| Operating costs and expenses | - | (1) | - | (1) | - |
| Underwriting loss | <u>\$ (2)</u> | <u>\$ (2)</u> | <u>\$ (2)</u> | <u>\$ (49)</u> | <u>\$ (2)</u> |
| Effect of Discontinued Lines and Coverages on the Property-Liability combined ratio | <u>-</u> | <u>0.1</u> | <u>-</u> | <u>0.7</u> | <u>-</u> |
| Allstate Protection Underwriting Income (Loss) by Brand | | | | | |
| Allstate brand | \$ (10) | \$ 171 | \$ 629 | \$ 571 | \$ 86 |
| Esurance brand | (37) | (25) | (28) | (26) | (41) |
| Encompass brand | (15) | (18) | 14 | (4) | (50) |
| Answer Financial | (2) | (1) | (2) | (1) | (3) |
| Underwriting (loss) income | <u>\$ (64)</u> | <u>\$ 127</u> | <u>\$ 613</u> | <u>\$ 540</u> | <u>\$ (8)</u> |

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY PREMIUMS WRITTEN BY BRAND
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Allstate brand ⁽¹⁾ | | | | | |
| Auto ⁽²⁾ | \$ 4,767 | \$ 4,746 | \$ 4,576 | \$ 4,746 | \$ 4,588 |
| Homeowners ⁽³⁾ | 1,831 | 1,392 | 1,634 | 1,879 | 1,819 |
| Other personal lines | 428 | 353 | 376 | 429 | 424 |
| Commercial lines | 135 | 126 | 126 | 124 | 138 |
| Other business lines | 183 | 183 | 168 | 205 | 199 |
| | <u>7,344</u> | <u>6,800</u> | <u>6,880</u> | <u>7,383</u> | <u>7,168</u> |
| Esurance brand | | | | | |
| Auto | 376 | 439 | 368 | 411 | 363 |
| Homeowners | 14 | 11 | 9 | 9 | 7 |
| Other personal lines | 2 | 2 | 1 | 3 | 1 |
| | <u>392</u> | <u>452</u> | <u>378</u> | <u>423</u> | <u>371</u> |
| Encompass brand | | | | | |
| Auto | 162 | 138 | 152 | 169 | 173 |
| Homeowners | 126 | 104 | 116 | 134 | 136 |
| Other personal lines | 27 | 21 | 25 | 28 | 29 |
| | <u>315</u> | <u>263</u> | <u>293</u> | <u>331</u> | <u>338</u> |
| Allstate Protection | 8,051 | 7,515 | 7,551 | 8,137 | 7,877 |
| Discontinued Lines and Coverages | - | - | - | - | - |
| Property-Liability | <u>\$ 8,051</u> | <u>\$ 7,515</u> | <u>\$ 7,551</u> | <u>\$ 8,137</u> | <u>\$ 7,877</u> |
| Allstate Protection | | | | | |
| Auto | \$ 5,305 | \$ 5,323 | \$ 5,096 | \$ 5,326 | \$ 5,124 |
| Homeowners | 1,971 | 1,507 | 1,759 | 2,022 | 1,962 |
| Other personal lines | 457 | 376 | 402 | 460 | 454 |
| Commercial lines | 135 | 126 | 126 | 124 | 138 |
| Other business lines | 183 | 183 | 168 | 205 | 199 |
| | <u>\$ 8,051</u> | <u>\$ 7,515</u> | <u>\$ 7,551</u> | <u>\$ 8,137</u> | <u>\$ 7,877</u> |
| ⁽¹⁾ Canada premiums included in Allstate brand | | | | | |
| Auto | \$ 234 | \$ 164 | \$ 183 | \$ 215 | \$ 235 |
| Homeowners | 64 | 41 | 50 | 60 | 63 |
| Other personal lines | 16 | 10 | 12 | 15 | 15 |
| | <u>\$ 314</u> | <u>\$ 215</u> | <u>\$ 245</u> | <u>\$ 290</u> | <u>\$ 313</u> |

⁽²⁾ Fluctuation in the Canadian exchange rate has reduced the auto premiums written growth rate in the second quarter and first six months of 2016 by 0.2 point

⁽³⁾ Fluctuation in the Canadian exchange rate has reduced the homeowner premiums written growth rate in both the second quarter and first six months of 2016

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY
IMPACT OF NET RATE CHANGES APPROVED ON PREMIUMS WRITTEN

| | Three months ended June 30, 2016 ⁽¹⁾ | | | Three months ended March 31, 2016 | | |
|---------------------------|--|--------------------------------|---|--------------------------------------|--------------------------------|---|
| | Number of locations | Total brand (%) ⁽⁴⁾ | Location specific (%) ⁽⁵⁾ | Number of locations | Total brand (%) ⁽⁴⁾ | Location specific (%) ⁽⁵⁾ |
| | Allstate brand | | | | | |
| Auto ⁽²⁾ | 35 ⁽⁶⁾ | 3.2 | 6.2 | 25 ⁽⁶⁾ | 1.7 | 7.3 |
| Homeowners ⁽³⁾ | 11 ⁽⁷⁾ | 0.8 | 4.9 | 15 ⁽⁷⁾ | (0.4) ⁽⁸⁾ | (2.3) |
| Esurance brand | | | | | | |
| Auto | 15 | 1.3 | 5.6 | 6 | 0.3 | 2.7 |
| Encompass brand | | | | | | |
| Auto | 10 | 4.1 | 9.5 | 4 | 1.6 | 14.3 |
| Homeowners | 6 | 1.7 | 8.1 | 5 | 1.4 | 11.6 |
| | Three months ended September 30, 2015 | | | Three months ended June 30, 2015 | | |
| | Number of locations | Total brand (%) ⁽⁴⁾ | Location specific (%) ⁽⁵⁾ | Number of locations | Total brand (%) ⁽⁴⁾ | Location specific (%) ⁽⁵⁾ |
| Allstate brand | | | | | | |
| Auto ⁽²⁾ | 23 ⁽⁶⁾ | 1.6 | 5.1 | 34 ⁽⁶⁾ | 1.5 | 3.6 |
| Homeowners ⁽³⁾ | 6 ⁽⁷⁾ | 0.4 | 6.4 | 9 ⁽⁷⁾ | 0.7 | 3.5 |
| Esurance brand | | | | | | |
| Auto | 13 | 1.3 | 5.1 | 13 | 1.5 | 5.9 |
| Encompass brand | | | | | | |
| Auto | 8 | 1.3 | 7.6 | 16 | 4.8 | 8.5 |
| Homeowners | 8 | 1.2 | 5.9 | 15 | 3.2 | 8.8 |

⁽¹⁾ Rate changes include changes approved based on our net cost of reinsurance. These rate changes do not reflect initial rates filed for insurance subsidiaries initially writing business. Based on 1 Columbia and Canadian provinces, rate changes approved for the three month period ending June 30, 2016 are estimated to total \$692 million. Rate changes do not include rating plan enhance result in no change in the overall rate level in the state.

⁽²⁾ Impacts of Allstate brand auto effective rate changes as a percentage of total brand prior year-end premiums written were 3.4%, 1.4%, 1.8%, 1.5%, 1.1% and 0.8% for the three months ended June 30, 2015, June 30, 2015 and March 31, 2015, respectively. Rate changes are included in the effective calculations in the period the rate change is effective for renewal contracts.

⁽³⁾ Impacts of Allstate brand homeowners effective rate changes as a percentage of total brand prior year-end premiums written were 0.5%, 0.7%, 0.5%, 0.5%, 0.4% and 0.9% for the three months September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

⁽⁴⁾ Represents the impact in the 50 states, the District of Columbia and Canadian provinces where rate changes were approved during the period as a percentage of total brand prior year-end premium.

⁽⁵⁾ Represents the impact in the 50 states, the District of Columbia and Canadian provinces where rate changes were approved during the period as a percentage of its respective total prior year-end premium. Esurance brand auto operates in 43 states and 1 Canadian province. Esurance brand homeowners operates in 40 states and the District of Columbia.

⁽⁶⁾ Includes three, three, one, five, four and two Canadian provinces for auto for the three months ended June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

⁽⁷⁾ Includes one, two, three, zero, one and two Canadian provinces for homeowners for the three months ended June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

⁽⁸⁾ Includes the impact of a rate decrease in California in first quarter 2016. Excluding California, Allstate brand homeowners total brand and location specific rate changes were 1.4% and 4.3% for the three months ended June 30, 2016.

THE ALLSTATE CORPORATION
POLICIES IN FORCE AND OTHER STATISTICS

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|
| Policies in Force (in thousands) ⁽¹⁾ | | | | |
| Allstate Brand | | | | |
| Auto ⁽²⁾ | 20,061 | 20,145 | 20,326 | 20,367 |
| Homeowners ⁽³⁾ | 6,135 | 6,152 | 6,174 | 6,163 |
| Landlord | 726 | 732 | 737 | 736 |
| Renter | 1,554 | 1,556 | 1,555 | 1,550 |
| Condominium | 667 | 667 | 668 | 665 |
| Other | 1,256 | 1,253 | 1,259 | 1,257 |
| Other personal lines | 4,203 | 4,208 | 4,219 | 4,208 |
| Commercial lines | 308 | 318 | 324 | 328 |
| Other business lines | 824 | 856 | 894 | 920 |
| Excess and surplus | 23 | 24 | 25 | 26 |
| Total | 31,554 | 31,703 | 31,962 | 32,012 |
| Esurance Brand | | | | |
| Auto | 1,409 | 1,428 | 1,415 | 1,433 |
| Homeowners | 44 | 37 | 32 | 26 |
| Other personal lines | 47 | 46 | 44 | 44 |
| Total | 1,500 | 1,511 | 1,491 | 1,503 |
| Encompass Brand | | | | |
| Auto | 676 | 701 | 723 | 746 |
| Homeowners | 318 | 329 | 338 | 347 |
| Other personal lines | 105 | 108 | 111 | 114 |
| Total | 1,099 | 1,138 | 1,172 | 1,207 |
| Total Policies in Force | 34,153 | 34,352 | 34,625 | 34,722 |
| Non-Proprietary Premiums (\$ in millions) | | | | |
| Ivantage ⁽⁴⁾ | \$ 1,528 | \$ 1,504 | \$ 1,490 | \$ 1,481 |
| Answer Financial ⁽⁵⁾ | 150 | 151 | 138 | 149 |
| Agency Data | | | | |
| Total Allstate agencies ⁽⁶⁾⁽⁷⁾ | 12,200 | 12,100 | 12,300 | 12,100 |
| Licensed sales professionals ⁽⁷⁾⁽⁸⁾ | 23,800 | 24,000 | 24,400 | 24,000 |
| Allstate independent agencies ⁽⁷⁾⁽⁹⁾ | 2,200 | 2,100 | 2,100 | 2,200 |

⁽¹⁾ Policies in Force: Policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if Allstate Dealer Services (service contracts and other products sold in conjunction with auto lending and vehicle sales transactions) and Partnership 1 products) statistics are not included in total policies in force since these are not meaningful. Additionally, non-proprietary products offered by Ivantage Financial (independent insurance agency) are not included.

⁽²⁾ Allstate brand auto PIF increased in 19 states, including 4 out of our largest 10 states, as of June 30, 2016 compared to June 30, 2015.

⁽³⁾ Allstate brand homeowners PIF increased in 23 states, including 4 out of our largest 10 states, as of June 30, 2016 compared to June 30, 2015.

⁽⁴⁾ Represents non-proprietary premiums under management as of the end of the period related to personal and commercial line products offered by Ivantage Financial. Fees for the three months ended June 30, 2016 were \$25.4 million.

⁽⁵⁾ Represents non-proprietary premiums written for the period. Commissions earned for the three months ended June 30, 2016 were \$18.9 million.

⁽⁶⁾ Total Allstate agencies represents exclusive Allstate agencies and financial representatives in the United States and Canada.

⁽⁷⁾ Rounded to the nearest hundred.

⁽⁸⁾ Employees of Allstate agencies who are licensed to sell Allstate products.

⁽⁹⁾ Includes 450 and 880 engaged Allstate independent agencies ("AIAs") as of June 30, 2016 and December 31, 2015, respectively. Engaged AIAs, at increase the number of policies in force from the prior year.

THE ALLSTATE CORPORATION
ALLSTATE BRAND PROFITABILITY MEASURES
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Net premiums written | \$ 7,344 | \$ 6,800 | \$ 6,880 | \$ 7,383 | \$ 7,166 |
| Net premiums earned | | | | | |
| Auto | \$ 4,745 | \$ 4,667 | \$ 4,638 | \$ 4,597 | \$ 4,524 |
| Homeowners | 1,684 | 1,678 | 1,674 | 1,663 | 1,645 |
| Other personal lines | 397 | 393 | 395 | 396 | 395 |
| Commercial lines | 127 | 129 | 129 | 128 | 125 |
| Other business lines | 142 | 143 | 135 | 148 | 137 |
| Total | <u>7,095</u> | <u>7,010</u> | <u>6,971</u> | <u>6,932</u> | <u>6,825</u> |
| Incurred losses | | | | | |
| Auto | \$ 3,634 | \$ 3,519 | \$ 3,495 | \$ 3,455 | \$ 3,431 |
| Homeowners | 1,260 | 1,190 | 816 | 820 | 1,147 |
| Other personal lines | 256 | 261 | 216 | 241 | 255 |
| Commercial lines | 135 | 119 | 100 | 97 | 105 |
| Other business lines | 64 | 61 | 57 | 71 | 66 |
| Total | <u>5,349</u> | <u>5,150</u> | <u>4,684</u> | <u>4,684</u> | <u>5,005</u> |
| Expenses | | | | | |
| Auto | \$ 1,168 | \$ 1,103 | \$ 1,077 | \$ 1,086 | \$ 1,155 |
| Homeowners | 373 | 377 | 372 | 385 | 372 |
| Other personal lines | 106 | 103 | 101 | 109 | 105 |
| Commercial lines | 35 | 38 | 36 | 36 | 40 |
| Other business lines | 74 | 68 | 72 | 61 | 63 |
| Total | <u>1,756</u> | <u>1,689</u> | <u>1,658</u> | <u>1,677</u> | <u>1,735</u> |
| Underwriting income (loss) | | | | | |
| Auto | \$ (57) | \$ 45 | \$ 66 | \$ 56 | \$ (62) |
| Homeowners | 51 | 111 | 486 | 458 | 125 |
| Other personal lines | 35 | 29 | 78 | 46 | 31 |
| Commercial lines | (43) | (28) | (7) | (5) | (17) |
| Other business lines | 4 | 14 | 6 | 16 | 5 |
| Total | <u>(10)</u> | <u>171</u> | <u>629</u> | <u>571</u> | <u>85</u> |
| Loss ratio | 75.4 | 73.5 | 67.2 | 67.6 | 73.3 |
| Expense ratio | 24.7 | 24.1 | 23.8 | 24.2 | 25.4 |
| Combined ratio | <u>100.1</u> | <u>97.6</u> | <u>91.0</u> | <u>91.8</u> | <u>98.7</u> |
| Loss ratio | 75.4 | 73.5 | 67.2 | 67.6 | 73.3 |
| Less: effect of catastrophe losses | 12.9 | 11.2 | 4.9 | 3.6 | 10.7 |
| effect of prior year non-catastrophe reserve reestimates | (0.3) | 0.3 | (0.1) | (0.1) | 0.3 |
| Underlying loss ratio | <u>62.8</u> | <u>62.0</u> | <u>62.4</u> | <u>64.1</u> | <u>62.3</u> |
| Expense ratio | 24.7 | 24.1 | 23.8 | 24.2 | 25.4 |
| Less: effect of amortization of purchased intangible assets | - | - | - | - | - |
| Expense ratio, excluding the effect of amortization of purchased intangible assets | <u>24.7</u> | <u>24.1</u> | <u>23.8</u> | <u>24.2</u> | <u>25.4</u> |
| Underlying combined ratio | <u>87.5</u> | <u>86.1</u> | <u>86.2</u> | <u>88.3</u> | <u>87.7</u> |
| Effect of catastrophe losses | 12.9 | 11.2 | 4.9 | 3.6 | 10.7 |
| Effect of prior year non-catastrophe reserve reestimates | (0.3) | 0.3 | (0.1) | (0.1) | 0.3 |
| Combined ratio | <u>100.1</u> | <u>97.6</u> | <u>91.0</u> | <u>91.8</u> | <u>98.7</u> |
| Effect of prior year reserve reestimates on combined ratio | - | 0.2 | (0.3) | (0.2) | 0.4 |
| Effect of advertising expenses on combined ratio | 2.2 | 1.5 | 1.5 | 2.0 | 2.4 |

THE ALLSTATE CORPORATION
ALLSTATE BRAND STATISTICS ⁽¹⁾

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| New Issued Applications (in thousands) ⁽²⁾ | | | | | |
| Auto | 582 | 584 | 562 | 790 | 8 |
| Homeowners | 193 | 164 | 174 | 218 | 2 |
| Average Premium - Gross Written (\$) ⁽³⁾ | | | | | |
| Auto ⁽⁴⁾ | 516 | 507 | 502 | 494 | 4 |
| Homeowners ⁽⁵⁾ | 1,171 | 1,174 | 1,163 | 1,158 | 1,1 |
| Average Premium - Net Earned (\$) ⁽⁶⁾ | | | | | |
| Auto | 471 | 461 | 456 | 452 | 4 |
| Homeowners | 1,090 | 1,082 | 1,078 | 1,074 | 1,0 |
| Renewal Ratio (%) ⁽⁷⁾ | | | | | |
| Auto | 88.0 | 88.0 | 88.2 | 88.6 | 88 |
| Homeowners | 87.8 | 88.1 | 88.5 | 88.7 | 88 |
| Auto Claim Frequency ⁽⁸⁾ | | | | | |
| (% change year-over-year) | | | | | |
| Bodily Injury Gross | 2.8 | 1.1 | 3.9 | 6.4 | 1 |
| Bodily Injury Paid | 1.5 | 5.9 | - | 3.5 | 1 |
| Property Damage Gross ⁽⁹⁾ | 5.6 | 2.1 | 7.5 | 8.9 | 1 |
| Property Damage Paid | (0.1) | 2.4 | 3.7 | 4.7 | 4 |
| Auto Paid Claim Severity ⁽¹⁰⁾ | | | | | |
| (% change year-over-year) | | | | | |
| Bodily injury | (2.3) | (5.5) | (7.0) | (2.9) | 1 |
| Property damage | 5.3 | 7.5 | 4.0 | 5.4 | : |
| Homeowners Excluding Catastrophe Losses | | | | | |
| (% change year-over-year) | | | | | |
| Gross Claim frequency ⁽⁸⁾ | (12.5) | (7.7) | 0.9 | (1.9) | 1 |
| Paid Claim frequency ⁽⁸⁾ | (14.3) | (2.0) | (2.1) | (3.7) | (1 |
| Paid Claim severity | 4.7 | (2.7) | 2.6 | 4.5 | : |

⁽¹⁾ Statistics presented for Allstate brand exclude excess and surplus lines.

⁽²⁾ New Issued Applications: Item counts of automobiles or homeowners insurance applications for insurance policies that were issued during the period, regardless of whether the policy is for the Allstate brand or Allstate Protection brand. Allstate brand includes automobiles added by existing customers when they exceed the number allowed on a policy, which in 2015 was either one or ten automobiles on a policy.

⁽³⁾ Average Premium - Gross Written: Gross premiums written divided by issued item count. Gross premiums written include the impacts from discounts, surcharges and other adjustments and premium refund accruals. Average premiums represent the appropriate policy term for each line, which is 6 months for auto and 12 months for homeowners.

⁽⁴⁾ Fluctuation in the Canadian exchange rate has reduced the auto average premium written growth rate in the second quarter and first six months of 2016 by 0.2 points percentage.

⁽⁵⁾ Fluctuation in the Canadian exchange rate has reduced the homeowner premiums written growth rate in both the second quarter and first six months of 2016 by 0.2 points percentage.

⁽⁶⁾ Average Premium - Net Earned: Earned premium divided by average policies in force for the period. Earned premium includes the impacts from mid-term premium adjustments and premium refund accruals. Average premiums represent the appropriate policy term for each line, which is 6 months for auto and 12 months for homeowners.

⁽⁷⁾ Renewal ratio: Renewal policies issued during the period, based on contract effective dates, divided by the total policies issued 6 months prior for auto or 12 months prior for homeowners.

⁽⁸⁾ The percent change in paid or gross frequency is calculated as the increase or decrease in the paid or gross frequency amount in the current period compared to the same period in the prior year. The gross frequency amount is calculated as annualized notice counts received in the period divided by the average of policies in force with the applicable coverage during the period. The paid frequency amount is calculated as annualized notice counts closed with payment in the period divided by the average of policies in force with the applicable coverage during the period.

⁽⁹⁾ A decision to more completely capture information on claims involving a vehicle collision with non-vehicle property gave rise to an increase in the number of counted claims. Accordingly, claims closed without payment also increased. This change introduced in the third quarter of 2015, change was more broadly adopted. Quarterly increases (decreases) in property damage gross claim frequency consistently measured were 3.0%, (0.8)%, 5.5% and 7.0% for the third quarter of 2015, 2016, December 31, 2015 and September 30, 2015, respectively. Auto underwriting results for 2016 and 2015 were not impacted.

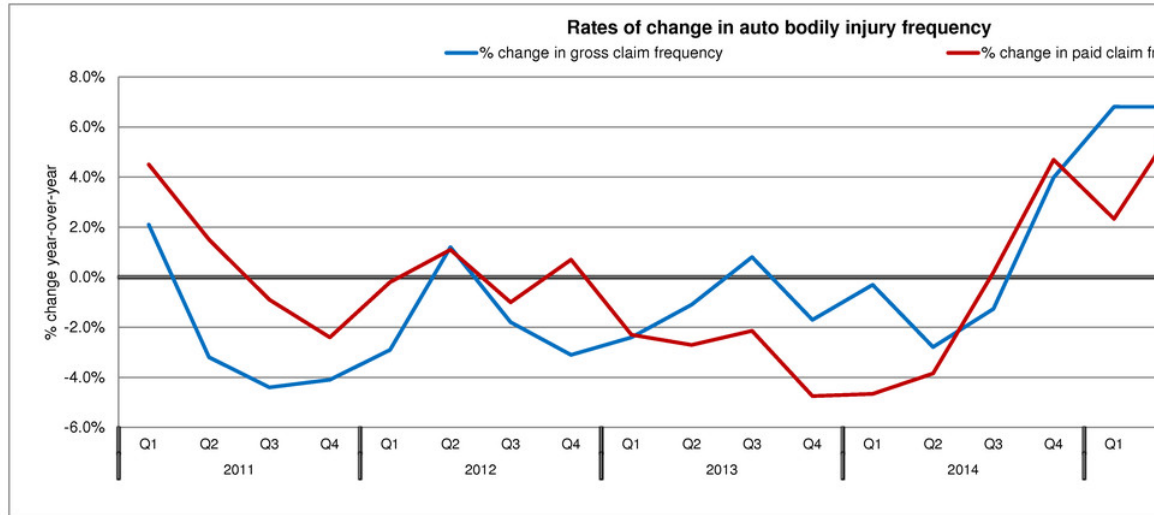
⁽¹⁰⁾ Paid claim severity is calculated by dividing the sum of paid losses and loss expenses by claims closed with a payment during the period. The rate of change in paid claim severity is calculated as the percentage change in the rate of change in paid claim severity for the period.

THE ALLSTATE CORPORATION
ALLSTATE BRAND AUTO CLAIM FREQUENCY ANALYSIS ⁽¹⁾
BODILY INJURY % CHANGE IN GROSS AND PAID CLAIM FREQUENCY RATE

| 2011 | | | | 2012 | | | | 2013 | | | | 2014 | | | |
|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |

Change in auto claim frequency ⁽²⁾
 (% change in frequency rate year over year)
% Change in gross claim frequency
% Change in paid claim frequency

| | | | | | | | | | | | | | | |
|------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2.1% | -3.2% | -4.4% | -4.1% | -2.9% | 1.2% | -1.8% | -3.1% | -2.4% | -1.1% | 0.8% | -1.7% | -0.3% | -2.8% | -1.1% |
| 4.5% | 1.5% | -0.9% | -2.4% | -0.2% | 1.1% | -1.0% | 0.7% | -2.3% | -2.7% | -2.1% | -4.7% | -4.7% | -3.8% | 0.1% |



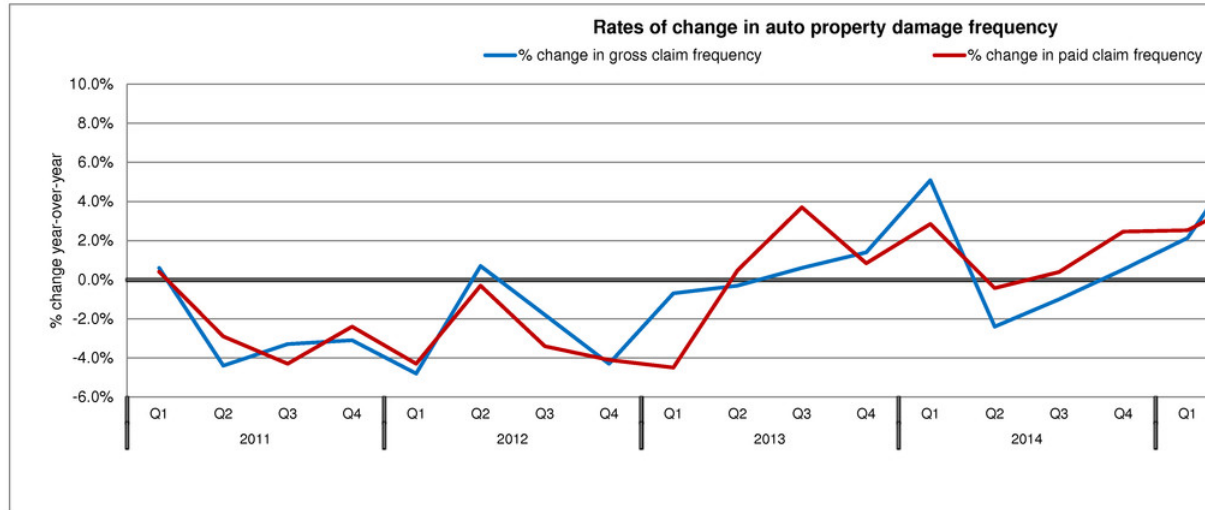
⁽¹⁾ Frequency statistics exclude counts associated with catastrophe events.

⁽²⁾ The percent change in paid or gross claim frequency is calculated as the amount of increase or decrease in the paid or gross claim frequency in the current period compared to the year paid or gross claim frequency. The paid claim frequency amount is calculated as annualized notice counts closed with payment in the period divided by the average of policies in force with the applicable coverage during the period. The gross claim frequency amount is calculated as annualized notice counts received in the period divided by the average of policies in force with the applicable coverage during the period.

THE ALLSTATE CORPORATION
ALLSTATE BRAND AUTO CLAIM FREQUENCY ANALYSIS ⁽¹⁾
PROPERTY DAMAGE % CHANGE IN GROSS AND PAID CLAIM FREQUENCY

| 2011 | | | | 2012 | | | | 2013 | | | | 2014 | |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|-------|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| 0.6% | -4.4% | -3.3% | -3.1% | -4.8% | 0.7% | -1.8% | -4.3% | -0.7% | -0.3% | 0.6% | 1.4% | 5.1% | -2.4% |
| 0.4% | -2.9% | -4.3% | -2.4% | -4.3% | -0.3% | -3.4% | -4.1% | -4.5% | 0.5% | 3.7% | 0.8% | 2.9% | -0.4% |

Change in auto claim frequency ⁽²⁾
 (% change in frequency rate year over year)
% Change in gross claim frequency ⁽³⁾
% Change in paid claim frequency



⁽¹⁾ Frequency statistics exclude counts associated with catastrophe events.

⁽²⁾ The percent change in paid or gross claim frequency is calculated as the amount of increase or decrease in the paid or gross claim frequency in the current period compared to the same period in the prior year. The paid claim frequency amount is calculated as annualized notice counts closed with payment in the period divided by the average of policies in force with the applicable coverage during the period.

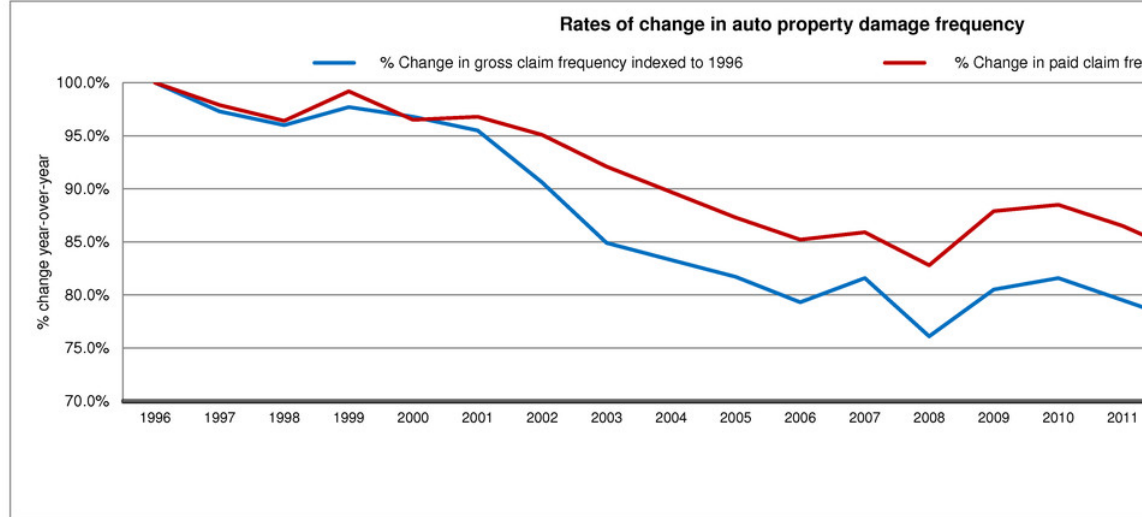
⁽³⁾ A decision to more completely capture information on claims involving a vehicle collision with non-vehicle property gave rise to an increase in the number of counted claims; however, experience required to be made. Accordingly, claims closed without payment also increased. This change introduced in the third quarter of 2015, resulted in a steady increase in notice counts as the change in property damage gross claim frequency consistently measured were 3.0%, (0.8)%, 5.5% and 7.4% in the three months ended June 30, 2016, March 31, 2016, December 31, 2015 and September 30, 2015 were not impacted.

THE ALLSTATE CORPORATION
ALLSTATE BRAND AUTO CLAIM FREQUENCY ANALYSIS ⁽¹⁾
PROPERTY DAMAGE % CHANGE IN GROSS AND PAID CLAIM FREQUENCY AND INDEXED TO 1996

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|
|--|------|------|------|------|------|------|------|------|------|------|------|------|

(% change in frequency rate year over year)

| | | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| % Change in gross claim frequency ^{(2) (3)} | -2.7% | -1.3% | 1.7% | -0.9% | -1.3% | -5.2% | -6.3% | -1.8% | -2.0% | -2.9% | 2.9% | -6.7% |
| % Change in gross claim frequency indexed to 1996 ⁽⁴⁾ | 97.3% | 96.0% | 97.7% | 96.8% | 95.5% | 90.6% | 84.9% | 83.3% | 81.7% | 79.3% | 81.6% | 76.1% |
| % Change in paid claim frequency ⁽²⁾ | -2.1% | -1.5% | 2.9% | -2.7% | 0.3% | -1.8% | -3.2% | -2.6% | -2.6% | -2.4% | 0.8% | -3.6% |
| % Change in paid claim frequency indexed to 1996 ⁽⁴⁾ | 97.9% | 96.4% | 99.2% | 96.5% | 96.8% | 95.1% | 92.1% | 89.7% | 87.3% | 85.2% | 85.9% | 82.8% |



⁽¹⁾ Frequency statistics exclude counts associated with catastrophe events.

⁽²⁾ The percent change in paid or gross claim frequency is calculated as the amount of increase or decrease in the paid or gross claim frequency in the current period compared to year paid or gross claim frequency. The paid claim frequency amount is calculated as annualized notice counts closed with payment in the period divided by the average of poli gross claim frequency amount is calculated as annualized notice counts received in the period divided by the average of policies in force with the applicable coverage during the for the three months ended June 30, 2016 and the twelve months ended December 31, 2015.

⁽³⁾ A decision to more completely capture information on claims involving a vehicle collision with non-vehicle property gave rise to an increase in the number of counted claims; how are not always required to be made. Accordingly, claims closed without payment also increased. This change introduced in the third quarter of 2015, resulted in a steady incre year increases in property damage gross claim frequency and indexed amounts consistently measured were 1.7% and 83.6% in the three months ended June 30, 2016 compar the 12 months ended December 31, 2015, respectively. Auto underwriting results for 2016 and 2015 were not impacted.

⁽⁴⁾ The percent change in gross or paid claim frequency indexed to 1996 equals the current year percent change plus 100%, times the prior year indexed amount beginning with 100%.

THE ALLSTATE CORPORATION
ESURANCE PROFITABILITY MEASURES AND STATISTICS

(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Net premiums written | \$ 392 | \$ 452 | \$ 378 | \$ 423 | \$ 414 |
| Net premiums earned | | | | | |
| Auto | \$ 403 | \$ 394 | \$ 391 | \$ 392 | \$ 392 |
| Homeowners | 10 | 8 | 7 | 5 | 5 |
| Other personal lines | 2 | 2 | 2 | 2 | 2 |
| Total | 415 | 404 | 400 | 399 | 399 |
| Incurred losses | | | | | |
| Auto | \$ 308 | \$ 289 | \$ 294 | \$ 285 | \$ 285 |
| Homeowners | 10 | 4 | 4 | 4 | 4 |
| Other personal lines | 1 | 1 | 1 | 1 | 1 |
| Total | 319 | 294 | 299 | 290 | 290 |
| Expenses | | | | | |
| Auto | \$ 107 | \$ 123 | \$ 119 | \$ 125 | \$ 125 |
| Homeowners | 25 | 11 | 9 | 10 | 10 |
| Other personal lines | 1 | 1 | 1 | - | - |
| Total | 133 | 135 | 129 | 135 | 135 |
| Underwriting income (loss) | | | | | |
| Auto | \$ (12) | \$ (18) | \$ (22) | \$ (18) | \$ (18) |
| Homeowners | (25) | (7) | (6) | (9) | (9) |
| Other personal lines | - | - | - | 1 | 1 |
| Total | (37) | (25) | (28) | (26) | (26) |
| Loss ratio | 76.9 | 72.8 | 74.8 | 72.7 | 72.7 |
| Expense ratio | 32.0 | 33.4 | 32.2 | 33.8 | 33.8 |
| Combined ratio | 108.9 | 106.2 | 107.0 | 106.5 | 106.5 |
| Loss ratio | 76.9 | 72.8 | 74.8 | 72.7 | 72.7 |
| Less: effect of catastrophe losses | 3.4 | 0.7 | 0.8 | 0.8 | 0.8 |
| effect of prior year non-catastrophe reserve reestimates | (1.0) | (1.0) | (1.3) | (1.6) | (1.6) |
| Underlying loss ratio | 74.5 | 73.1 | 75.3 | 73.5 | 73.5 |
| Expense ratio | 32.0 | 33.4 | 32.2 | 33.8 | 33.8 |
| Less: effect of amortization of purchased intangible assets | 1.7 | 1.5 | 2.2 | 2.0 | 2.0 |
| Expense ratio, excluding the effect of amortization of purchased intangible assets | 30.3 | 31.9 | 30.0 | 31.8 | 31.8 |
| Underlying combined ratio | 104.8 | 105.0 | 105.3 | 105.3 | 105.3 |
| Effect of catastrophe losses | 3.4 | 0.7 | 0.8 | 0.8 | 0.8 |
| Effect of prior year non-catastrophe reserve reestimates | (1.0) | (1.0) | (1.3) | (1.6) | (1.6) |
| Effect of amortization of purchased intangible assets | 1.7 | 1.5 | 2.2 | 2.0 | 2.0 |
| Combined ratio | 108.9 | 106.2 | 107.0 | 106.5 | 106.5 |
| Effect of prior year reserve reestimates on combined ratio | (1.0) | (1.0) | (1.3) | (1.3) | (1.3) |
| Effect of advertising expenses on combined ratio | 12.2 | 11.6 | 9.8 | 11.0 | 11.0 |
| Policies in Force (in thousands) | | | | | |
| Auto | 1,409 | 1,428 | 1,415 | 1,433 | 1,433 |
| Homeowners | 44 | 37 | 32 | 26 | 26 |
| Other personal lines | 47 | 46 | 44 | 44 | 44 |
| Total | 1,500 | 1,511 | 1,491 | 1,503 | 1,503 |
| New Issued Applications (in thousands) | | | | | |
| Auto | 141 | 168 | 139 | 145 | 145 |
| Homeowners | 11 | 7 | 7 | 8 | 8 |
| Other personal lines | 8 | 10 | 7 | 9 | 9 |
| Total | 160 | 185 | 153 | 162 | 162 |
| Average Premium - Gross Written (\$) | | | | | |
| Auto | 538 | 547 | 526 | 513 | 513 |
| Homeowners | 855 | 891 | 821 | 838 | 838 |
| Renewal Ratio (%) | | | | | |
| Auto | 80.0 | 79.6 | 78.8 | 78.7 | 78.7 |

THE ALLSTATE CORPORATION
ENCOMPASS BRAND PROFITABILITY MEASURES AND STATISTICS
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Net premiums written | \$ 315 | \$ 263 | \$ 293 | \$ 331 | \$ 338 |
| Net premiums earned | | | | | |
| Auto | \$ 158 | \$ 159 | \$ 162 | \$ 165 | \$ 165 |
| Homeowners | 121 | 124 | 124 | 127 | 126 |
| Other personal lines | 25 | 26 | 27 | 27 | 27 |
| Total | <u>304</u> | <u>309</u> | <u>313</u> | <u>319</u> | <u>318</u> |
| Incurred losses | | | | | |
| Auto | \$ 130 | \$ 123 | \$ 126 | \$ 135 | \$ 129 |
| Homeowners | 85 | 85 | 61 | 75 | 117 |
| Other personal lines | 16 | 31 | 27 | 23 | 27 |
| Total | <u>231</u> | <u>239</u> | <u>214</u> | <u>233</u> | <u>273</u> |
| Expenses | | | | | |
| Auto | \$ 45 | \$ 45 | \$ 44 | \$ 46 | \$ 50 |
| Homeowners | 36 | 36 | 34 | 36 | 38 |
| Other personal lines | 7 | 7 | 7 | 8 | 7 |
| Total | <u>88</u> | <u>88</u> | <u>85</u> | <u>90</u> | <u>95</u> |
| Underwriting income (loss) | | | | | |
| Auto | \$ (17) | \$ (9) | \$ (8) | \$ (16) | \$ (14) |
| Homeowners | - | 3 | 29 | 16 | (29) |
| Other personal lines | 2 | (12) | (7) | (4) | (7) |
| Total | <u>(15)</u> | <u>(8)</u> | <u>14</u> | <u>(4)</u> | <u>(50)</u> |
| Loss ratio | 76.0 | 77.3 | 68.4 | 73.1 | 85.8 |
| Expense ratio | 28.9 | 28.5 | 27.1 | 28.2 | 29.9 |
| Combined ratio | <u>104.9</u> | <u>105.8</u> | <u>95.5</u> | <u>101.3</u> | <u>115.7</u> |
| Loss ratio | 76.0 | 77.3 | 68.4 | 73.1 | 85.8 |
| Less: effect of catastrophe losses | 11.2 | 13.3 | 4.8 | 5.3 | 18.6 |
| effect of prior year non-catastrophe reserve reestimates | 0.9 | 4.2 | (1.6) | 5.1 | 0.6 |
| Underlying loss ratio | <u>63.9</u> | <u>59.8</u> | <u>65.2</u> | <u>62.7</u> | <u>66.6</u> |
| Expense ratio | 28.9 | 28.5 | 27.1 | 28.2 | 29.9 |
| Less: effect of amortization of purchased intangible assets | - | - | - | - | - |
| Expense ratio, excluding the effect of amortization of purchased intangible assets | <u>28.9</u> | <u>28.5</u> | <u>27.1</u> | <u>28.2</u> | <u>29.9</u> |
| Underlying combined ratio | 92.8 | 88.3 | 92.3 | 90.9 | 96.5 |
| Effect of catastrophe losses | 11.2 | 13.3 | 4.8 | 5.3 | 18.6 |
| Effect of prior year non-catastrophe reserve reestimates | 0.9 | 4.2 | (1.6) | 5.1 | 0.6 |
| Combined ratio | <u>104.9</u> | <u>105.8</u> | <u>95.5</u> | <u>101.3</u> | <u>115.7</u> |
| Effect of prior year reserve reestimates on combined ratio | 0.3 | 4.5 | (1.9) | 5.4 | 0.9 |
| Effect of advertising expenses on combined ratio | 0.3 | - | - | 0.3 | 0.6 |
| Policies in Force (in thousands) | | | | | |
| Auto | 676 | 701 | 723 | 746 | 767 |
| Homeowners | 318 | 329 | 338 | 347 | 355 |
| Other personal lines | 105 | 108 | 111 | 114 | 118 |
| | <u>1,099</u> | <u>1,138</u> | <u>1,172</u> | <u>1,207</u> | <u>1,240</u> |
| New Issued Applications (in thousands) | | | | | |
| Auto | 15 | 15 | 16 | 20 | 23 |
| Homeowners | 9 | 9 | 10 | 12 | 14 |
| Average Premium - Gross Written (\$) | | | | | |
| Auto | 988 | 981 | 981 | 963 | 925 |
| Homeowners | 1,629 | 1,616 | 1,587 | 1,583 | 1,532 |
| Renewal Ratio (%) | | | | | |
| Auto | 75.5 | 76.1 | 76.1 | 76.7 | 78.0 |
| Homeowners | 79.9 | 81.5 | 81.3 | 82.5 | 83.2 |

**THE ALLSTATE CORPORATION
AUTO PROFITABILITY MEASURES**

Three months ended

| (\$ in millions) | Three months ended | | | | |
|---|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| Net premiums written | | | | | |
| Allstate brand | \$ 4,767 | \$ 4,746 | \$ 4,576 | \$ 4,746 | \$ 4,588 |
| Esurance brand | 376 | 439 | 368 | 411 | 363 |
| Encompass brand | 162 | 138 | 152 | 169 | 173 |
| | <u>5,305</u> | <u>5,323</u> | <u>5,096</u> | <u>5,326</u> | <u>5,124</u> |
| Net premiums earned | | | | | |
| Allstate brand | \$ 4,745 | \$ 4,667 | \$ 4,638 | \$ 4,597 | \$ 4,524 |
| Esurance brand | 403 | 394 | 391 | 392 | 397 |
| Encompass brand | 158 | 159 | 162 | 165 | 165 |
| | <u>5,306</u> | <u>5,220</u> | <u>5,191</u> | <u>5,154</u> | <u>5,086</u> |
| Incurred losses | | | | | |
| Allstate brand | \$ 3,634 | \$ 3,519 | \$ 3,495 | \$ 3,455 | \$ 3,431 |
| Esurance brand | 308 | 289 | 294 | 285 | 300 |
| Encompass brand | 130 | 123 | 126 | 135 | 129 |
| | <u>4,072</u> | <u>3,931</u> | <u>3,915</u> | <u>3,875</u> | <u>3,860</u> |
| Expenses | | | | | |
| Allstate brand | \$ 1,168 | \$ 1,103 | \$ 1,077 | \$ 1,086 | \$ 1,155 |
| Esurance brand | 107 | 123 | 119 | 125 | 132 |
| Encompass brand | 45 | 45 | 44 | 46 | 50 |
| | <u>1,320</u> | <u>1,271</u> | <u>1,240</u> | <u>1,257</u> | <u>1,337</u> |
| Underwriting income (loss) | | | | | |
| Allstate brand | \$ (57) | \$ 45 | \$ 66 | \$ 56 | \$ (62) |
| Esurance brand | (12) | (18) | (22) | (18) | (35) |
| Encompass brand | (17) | (9) | (8) | (16) | (14) |
| | <u>(86)</u> | <u>18</u> | <u>36</u> | <u>22</u> | <u>(111)</u> |
| Loss ratio | | | | | |
| Allstate brand | 76.6 | 75.4 | 75.4 | 75.2 | 75.9 |
| Esurance brand | 76.4 | 73.4 | 75.2 | 72.7 | 75.6 |
| Encompass brand | 82.3 | 77.4 | 77.8 | 81.8 | 78.2 |
| Allstate Protection | 76.7 | 75.3 | 75.4 | 75.2 | 75.9 |
| Expense ratio | | | | | |
| Allstate brand | 24.6 | 23.6 | 23.2 | 23.6 | 25.5 |
| Esurance brand | 26.6 | 31.2 | 30.4 | 31.9 | 33.2 |
| Encompass brand | 28.5 | 28.3 | 27.1 | 27.9 | 30.3 |
| Allstate Protection | 24.9 | 24.4 | 23.9 | 24.4 | 26.3 |
| Combined ratio | | | | | |
| Allstate brand | 101.2 | 99.0 | 98.6 | 98.8 | 101.4 |
| Esurance brand | 103.0 | 104.6 | 105.6 | 104.6 | 108.8 |
| Encompass brand | 110.8 | 105.7 | 104.9 | 109.7 | 108.5 |
| Allstate Protection | 101.6 | 99.7 | 99.3 | 99.6 | 102.2 |
| Effect of catastrophe losses on combined ratio | | | | | |
| Allstate brand | 4.1 | 2.9 | 1.1 | 0.5 | 3.2 |
| Esurance brand | 2.2 | 0.5 | 0.5 | 0.5 | 1.8 |
| Encompass brand | 1.9 | 1.3 | 0.6 | 0.6 | 3.0 |
| Allstate Protection | 3.9 | 2.7 | 1.0 | 0.5 | 3.1 |
| Effect of prior year reserve reestimates on combined ratio | | | | | |
| Allstate brand | (0.8) | 0.1 | (0.3) | 0.1 | 0.4 |
| Esurance brand | (1.0) | (1.0) | (1.3) | (1.3) | (0.8) |
| Encompass brand | 3.2 | 1.3 | (0.6) | 7.9 | (1.2) |
| Allstate Protection | (0.7) | 0.1 | (0.4) | 0.3 | 0.2 |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | | | | | |
| Allstate brand | (0.1) | (0.1) | (0.2) | (0.1) | - |
| Esurance brand | - | - | - | 0.2 | - |
| Encompass brand | (0.6) | - | - | - | - |
| Allstate Protection | (0.1) | (0.1) | (0.2) | - | (0.1) |
| Effect of amortization of purchased intangible assets on combined ratio | | | | | |
| Esurance brand | 1.8 | 1.5 | 2.3 | 2.0 | 2.3 |
| Allstate Protection | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 |

THE ALLSTATE CORPORATION
HOMEOWNERS PROFITABILITY MEASURES

Three months ended

| (\$ in millions) | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|------------------|
| Net premiums written | | | | | |
| Allstate brand | \$ 1,831 | \$ 1,392 | \$ 1,634 | \$ 1,879 | \$ 1,819 |
| Esurance brand | 14 | 11 | 9 | 9 | 7 |
| Encompass brand | 126 | 104 | 116 | 134 | 136 |
| | <u>1,971</u> | <u>1,507</u> | <u>1,759</u> | <u>2,022</u> | <u>1,962</u> |
| Net premiums earned | | | | | |
| Allstate brand | \$ 1,684 | \$ 1,678 | \$ 1,674 | \$ 1,663 | \$ 1,645 |
| Esurance brand | 10 | 8 | 7 | 5 | 4 |
| Encompass brand | 121 | 124 | 124 | 127 | 126 |
| | <u>1,815</u> | <u>1,810</u> | <u>1,805</u> | <u>1,795</u> | <u>1,775</u> |
| Incurred losses | | | | | |
| Allstate brand | \$ 1,260 | \$ 1,190 | \$ 816 | \$ 820 | \$ 1,147 |
| Esurance brand | 10 | 4 | 4 | 4 | 3 |
| Encompass brand | 85 | 85 | 61 | 75 | 117 |
| | <u>1,355</u> | <u>1,279</u> | <u>881</u> | <u>899</u> | <u>1,267</u> |
| Expenses | | | | | |
| Allstate brand | \$ 373 | \$ 377 | \$ 372 | \$ 385 | \$ 372 |
| Esurance brand | 25 | 11 | 9 | 10 | 7 |
| Encompass brand | 36 | 36 | 34 | 36 | 38 |
| | <u>434</u> | <u>424</u> | <u>415</u> | <u>431</u> | <u>417</u> |
| Underwriting income (loss) | | | | | |
| Allstate brand | \$ 51 | \$ 111 | \$ 486 | \$ 458 | \$ 126 |
| Esurance brand | (25) | (7) | (6) | (9) | (6) |
| Encompass brand | - | 3 | 29 | 16 | (29) |
| | <u>26</u> | <u>107</u> | <u>509</u> | <u>465</u> | <u>91</u> |
| Loss ratio | | | | | |
| Allstate brand | 74.8 | 70.9 | 48.8 | 49.3 | 69.7 |
| Esurance brand | 100.0 | 50.0 | 57.1 | 80.0 | 75.0 |
| Encompass brand | 70.2 | 68.6 | 49.2 | 59.1 | 92.8 |
| Allstate Protection | 74.7 | 70.7 | 48.8 | 50.1 | 71.4 |
| Expense ratio | | | | | |
| Allstate brand | 22.2 | 22.5 | 22.2 | 23.2 | 22.6 |
| Esurance brand | 250.0 | 137.5 | 128.6 | 200.0 | 175.0 |
| Encompass brand | 29.8 | 29.0 | 27.4 | 28.3 | 30.2 |
| Allstate Protection | 23.9 | 23.4 | 23.0 | 24.0 | 23.5 |
| Combined ratio | | | | | |
| Allstate brand | 97.0 | 93.4 | 71.0 | 72.5 | 92.3 |
| Esurance brand | 350.0 | 187.5 | 185.7 | 280.0 | 250.0 |
| Encompass brand | 100.0 | 97.6 | 76.6 | 87.4 | 123.0 |
| Allstate Protection | 98.6 | 94.1 | 71.8 | 74.1 | 94.9 |
| Effect of catastrophe losses on combined ratio | | | | | |
| Allstate brand | 38.3 | 34.2 | 15.0 | 12.4 | 32.1 |
| Esurance brand | 50.0 | 12.5 | 14.3 | 20.0 | 25.0 |
| Encompass brand | 24.0 | 30.7 | 9.7 | 11.8 | 41.3 |
| Allstate Protection | 37.4 | 33.9 | 14.6 | 12.4 | 32.7 |
| Effect of prior year reserve reestimates on combined ratio | | | | | |
| Allstate brand | 1.1 | (0.5) | (0.5) | (0.9) | - |
| Esurance brand | - | - | - | - | - |
| Encompass brand | - | 0.8 | (4.9) | - | 2.3 |
| Allstate Protection | 1.0 | (0.4) | (0.8) | (0.8) | 0.2 |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | | | | | |
| Allstate brand | 1.0 | (0.3) | (0.5) | (0.1) | 0.5 |
| Esurance brand | - | - | - | - | - |
| Encompass brand | (0.8) | 1.6 | (0.8) | 1.6 | - |
| Allstate Protection | 0.8 | (0.2) | (0.5) | 0.1 | 0.4 |

THE ALLSTATE CORPORATION
OTHER PERSONAL LINES PROFITABILITY MEASURES ⁽¹⁾

Three months ended

| (\$ in millions) | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|------------------|
| Net premiums written | | | | | |
| Allstate brand | \$ 428 | \$ 353 | \$ 376 | \$ 429 | \$ 424 |
| Esurance brand | 2 | 2 | 1 | 3 | 1 |
| Encompass brand | 27 | 21 | 25 | 28 | 29 |
| | <u>457</u> | <u>376</u> | <u>402</u> | <u>460</u> | <u>454</u> |
| Net premiums earned | | | | | |
| Allstate brand | \$ 397 | \$ 393 | \$ 395 | \$ 396 | \$ 395 |
| Esurance brand | 2 | 2 | 2 | 2 | 1 |
| Encompass brand | 25 | 26 | 27 | 27 | 27 |
| | <u>424</u> | <u>421</u> | <u>424</u> | <u>425</u> | <u>423</u> |
| Incurred losses | | | | | |
| Allstate brand | \$ 256 | \$ 261 | \$ 216 | \$ 241 | \$ 259 |
| Esurance brand | 1 | 1 | 1 | 1 | 1 |
| Encompass brand | 16 | 31 | 27 | 23 | 27 |
| | <u>273</u> | <u>293</u> | <u>244</u> | <u>265</u> | <u>287</u> |
| Expenses | | | | | |
| Allstate brand | \$ 106 | \$ 103 | \$ 101 | \$ 109 | \$ 105 |
| Esurance brand | 1 | 1 | 1 | - | - |
| Encompass brand | 7 | 7 | 7 | 8 | 7 |
| | <u>114</u> | <u>111</u> | <u>109</u> | <u>117</u> | <u>112</u> |
| Underwriting income (loss) | | | | | |
| Allstate brand | \$ 35 | \$ 29 | \$ 78 | \$ 46 | \$ 31 |
| Esurance brand | - | - | - | 1 | - |
| Encompass brand | 2 | (12) | (7) | (4) | (7) |
| | <u>37</u> | <u>17</u> | <u>71</u> | <u>43</u> | <u>24</u> |
| Loss ratio | | | | | |
| Allstate brand | 64.5 | 66.4 | 54.7 | 60.9 | 65.6 |
| Esurance brand | 50.0 | 50.0 | 50.0 | 50.0 | 100.0 |
| Encompass brand | 64.0 | 119.3 | 100.0 | 85.2 | 100.0 |
| Allstate Protection | 64.4 | 69.6 | 57.6 | 62.4 | 67.8 |
| Expense ratio | | | | | |
| Allstate brand | 26.7 | 26.2 | 25.6 | 27.5 | 26.6 |
| Esurance brand | 50.0 | 50.0 | 50.0 | - | - |
| Encompass brand | 28.0 | 26.9 | 25.9 | 29.6 | 25.9 |
| Allstate Protection | 26.9 | 26.4 | 25.7 | 27.5 | 26.5 |
| Combined ratio | | | | | |
| Allstate brand | 91.2 | 92.6 | 80.3 | 88.4 | 92.2 |
| Esurance brand | 100.0 | 100.0 | 100.0 | 50.0 | 100.0 |
| Encompass brand | 92.0 | 146.2 | 125.9 | 114.8 | 125.9 |
| Allstate Protection | 91.3 | 96.0 | 83.3 | 89.9 | 94.3 |
| Effect of catastrophe losses on combined ratio | | | | | |
| Allstate brand | 15.6 | 16.0 | 8.4 | 4.5 | 11.9 |
| Esurance brand | - | - | - | - | - |
| Encompass brand | 8.0 | 3.8 | 7.4 | 3.7 | 7.4 |
| Allstate Protection | 15.1 | 15.2 | 8.3 | 4.5 | 11.6 |
| Effect of prior year reserve reestimates on combined ratio | | | | | |
| Allstate brand | (1.7) | (1.5) | (0.3) | 1.8 | 1.1 |
| Esurance brand | - | - | - | - | - |
| Encompass brand | (16.0) | 42.3 | 3.7 | 14.8 | 7.4 |
| Allstate Protection | (2.6) | 1.2 | - | 2.6 | 1.4 |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | | | | | |
| Allstate brand | - | - | (0.3) | - | - |
| Esurance brand | - | - | - | - | - |
| Encompass brand | - | (3.9) | - | (3.7) | 3.7 |
| Allstate Protection | - | (0.3) | (0.2) | (0.2) | 0.3 |

⁽¹⁾ Other personal lines include renter, condominium, landlord and other personal lines products.

THE ALLSTATE CORPORATION
COMMERCIAL LINES PROFITABILITY MEASURES ⁽¹⁾

Three months ended

| (\$ in millions) | Three months ended | | | | |
|---|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| Net premiums written | \$ 135 | \$ 126 | \$ 126 | \$ 124 | \$ 138 |
| Net premiums earned | \$ 127 | \$ 129 | \$ 129 | \$ 128 | \$ 128 |
| Incurred losses | \$ 135 | \$ 119 | \$ 100 | \$ 97 | \$ 105 |
| Expenses | \$ 35 | \$ 38 | \$ 36 | \$ 36 | \$ 40 |
| Underwriting loss | \$ (43) | \$ (28) | \$ (7) | \$ (5) | \$ (17) |
| Loss ratio | 106.3 | 92.2 | 77.5 | 75.8 | 82.0 |
| Expense ratio | 27.6 | 29.5 | 27.9 | 28.1 | 31.3 |
| Combined ratio | <u>133.9</u> | <u>121.7</u> | <u>105.4</u> | <u>103.9</u> | <u>113.3</u> |
| Effect of catastrophe losses on combined ratio | 9.5 | 7.0 | 4.6 | 2.3 | 9.4 |
| Effect of prior year reserve reestimates on combined ratio | 18.1 | 15.5 | - | (9.3) | 3.1 |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | 0.8 | 2.4 | 0.8 | - | 2.3 |

⁽¹⁾ Commercial lines are all Allstate Brand products.

THE ALLSTATE CORPORATION
OTHER BUSINESS LINES PROFITABILITY MEASURES ⁽¹⁾

| (\$ in millions) | Three months ended | | | | |
|---|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| Net premiums written | \$ 183 | \$ 183 | \$ 168 | \$ 205 | \$ 199 |
| Net premiums earned | \$ 142 | \$ 143 | \$ 135 | \$ 148 | \$ 137 |
| Incurred losses | \$ 64 | \$ 61 | \$ 57 | \$ 71 | \$ 66 |
| Expenses | \$ 74 | \$ 68 | \$ 72 | \$ 61 | \$ 63 |
| Underwriting income | \$ 4 | \$ 14 | \$ 6 | \$ 16 | \$ 8 |
| Loss ratio | 45.1 | 42.7 | 42.2 | 48.0 | 48.2 |
| Expense ratio | 52.1 | 47.5 | 53.4 | 41.2 | 46.0 |
| Combined ratio | 97.2 | 90.2 | 95.6 | 89.2 | 94.2 |
| Effect of catastrophe losses on combined ratio | - | - | - | - | - |
| Effect of prior year reserve reestimates on combined ratio | - | - | - | 0.7 | 0.7 |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | - | - | - | - | - |
| Effect of amortization of purchased intangible assets | 0.7 | 0.7 | 0.8 | 0.7 | 0.8 |

⁽¹⁾ Other business lines include Allstate Roadside Services and Allstate Dealer Services.

THE ALLSTATE CORPORATION
AUTO, HOMEOWNERS AND OTHER PERSONAL LINES UNDERLYING COMBINED RATIOS

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Auto | | | | | |
| Allstate brand underlying combined ratio | 97.8 | 95.9 | 97.6 | 98.1 | 97.8 |
| Effect of catastrophe losses on combined ratio | 4.1 | 2.9 | 1.1 | 0.5 | 3.2 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | (0.7) | 0.2 | (0.1) | 0.2 | 0.4 |
| Allstate brand combined ratio | <u>101.2</u> | <u>99.0</u> | <u>98.6</u> | <u>98.8</u> | <u>101.4</u> |
| Esurance brand underlying combined ratio | 100.0 | 103.6 | 104.1 | 103.6 | 105.5 |
| Effect of catastrophe losses on combined ratio | 2.2 | 0.5 | 0.5 | 0.5 | 1.8 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | (1.0) | (1.0) | (1.3) | (1.5) | (0.8) |
| Effect of amortization of purchased intangible assets on combined ratio | 1.8 | 1.5 | 2.3 | 2.0 | 2.3 |
| Esurance brand combined ratio | <u>103.0</u> | <u>104.6</u> | <u>105.6</u> | <u>104.6</u> | <u>108.8</u> |
| Encompass brand underlying combined ratio | 105.1 | 103.1 | 104.9 | 101.2 | 106.7 |
| Effect of catastrophe losses on combined ratio | 1.9 | 1.3 | 0.6 | 0.6 | 3.0 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | 3.8 | 1.3 | (0.6) | 7.9 | (1.2) |
| Encompass brand combined ratio | <u>110.8</u> | <u>105.7</u> | <u>104.9</u> | <u>109.7</u> | <u>108.5</u> |
| Homeowners | | | | | |
| Allstate brand underlying combined ratio | 58.6 | 59.4 | 56.0 | 60.9 | 60.7 |
| Effect of catastrophe losses on combined ratio | 38.3 | 34.2 | 15.0 | 12.4 | 32.1 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | 0.1 | (0.2) | - | (0.8) | (0.5) |
| Allstate brand combined ratio | <u>97.0</u> | <u>93.4</u> | <u>71.0</u> | <u>72.5</u> | <u>92.3</u> |
| Encompass brand underlying combined ratio | 75.2 | 67.7 | 71.0 | 77.2 | 79.4 |
| Effect of catastrophe losses on combined ratio | 24.0 | 30.7 | 9.7 | 11.8 | 41.3 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | 0.8 | (0.8) | (4.1) | (1.6) | 2.3 |
| Encompass brand combined ratio | <u>100.0</u> | <u>97.6</u> | <u>76.6</u> | <u>87.4</u> | <u>123.0</u> |
| Other Personal Lines | | | | | |
| Allstate brand underlying combined ratio | 77.3 | 78.1 | 71.9 | 82.1 | 79.2 |
| Effect of catastrophe losses on combined ratio | 15.6 | 16.0 | 8.4 | 4.5 | 11.9 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | (1.7) | (1.5) | - | 1.8 | 1.1 |
| Allstate brand combined ratio | <u>91.2</u> | <u>92.6</u> | <u>80.3</u> | <u>88.4</u> | <u>92.2</u> |
| Encompass brand underlying combined ratio | 100.0 | 96.2 | 114.8 | 92.6 | 114.8 |
| Effect of catastrophe losses on combined ratio | 8.0 | 3.8 | 7.4 | 3.7 | 7.4 |
| Effect of prior year non-catastrophe reserve reestimates on combined ratio | (16.0) | 46.2 | 3.7 | 18.5 | 3.7 |
| Encompass brand combined ratio | <u>92.0</u> | <u>146.2</u> | <u>125.9</u> | <u>114.8</u> | <u>125.9</u> |

THE ALLSTATE CORPORATION
ALLSTATE BRAND AUTO AND HOMEOWNERS UNDERLYING LOSS AND EXPENSE

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|
| Auto | | | | |
| Annualized average premium ⁽¹⁾ | \$ 946 | \$ 927 | \$ 913 | \$ 903 |
| Underlying combined ratios | 97.8 | 95.9 | 97.6 | 98.1 |
| Average underlying loss (incurred pure premium) and expense * | \$ 925 | \$ 889 | \$ 891 | \$ 886 |
| Homeowners | | | | |
| Annualized average premium ⁽¹⁾ | \$ 1,098 | \$ 1,091 | \$ 1,085 | \$ 1,079 |
| Underlying combined ratios | 58.6 | 59.4 | 56.0 | 60.9 |
| Average underlying loss (incurred pure premium) and expense | \$ 643 | \$ 648 | \$ 607 | \$ 657 |

⁽¹⁾ Calculated by annualizing net earned premium reported in the quarter divided by policies in force at quarter end.

THE ALLSTATE CORPORATION
HOMEOWNERS SUPPLEMENTAL INFORMATION
(\$ in millions)

Six months ended June 30, 2016

| Primary Exposure Groupings ⁽¹⁾ | Earned premiums | Incurred losses | Loss ratios | Catastrophe losses | Effect of catastrophes on loss ratio | Nun catast |
|--|--------------------|--------------------|--------------|-----------------------|--|---------------|
| Florida | \$ 51 | \$ 35 | 68.6% | \$ 4 | 7.8% | |
| Other hurricane exposure states | 1,941 | 1,635 | 84.2% | 980 | 50.5% | |
| Total hurricane exposure states ⁽²⁾ | 1,992 | 1,670 | 83.8% | 984 | 49.4% | |
| Other catastrophe exposure states ⁽⁴⁾ | 1,633 | 964 | 59.0% | 307 | 18.8% | |
| Total | \$ 3,625 | \$ 2,634 | 72.6% | \$ 1,291 | 35.6% | |

⁽¹⁾ **Basis of Presentation**

This homeowners supplemental information schedule displays financial results for the homeowners business (defined to include standard homeowners, schedule residence lines). Each state in which the Company writes business has been categorized into one of two exposure groupings (Hurricane or Other). Hurricane exposure states are those states in which hurricanes are the primary catastrophe exposure. However, the catastrophe losses for these states include losses due to other kinds of catastrophes. A catastrophe is defined as a loss that produces pre-tax losses before reinsurance in excess of \$1 million and involves multiple first party policyholders, or a winter weather event that produces a number of average claims in a specific area, occurring within a certain amount of time following the event.

⁽²⁾ Hurricane exposure states include the following coastal locations: Alabama, Connecticut, Delaware, Florida, Georgia, Louisiana, Maine, Maryland, Massachusetts, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Virginia and Washington, D.C.

⁽³⁾ Represents the impact in the locations where rate changes were approved during the year as a percentage of total prior year-end premiums written in those locations.

⁽⁴⁾ Includes Canada.

THE ALLSTATE CORPORATION
CATASTROPHE LOSSES BY BRAND
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | Mar 2015 |
|----------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------|
| Allstate brand | | | | | | |
| Auto | \$ 195 | \$ 137 | \$ 50 | \$ 22 | \$ 143 | \$ |
| Homeowners | 644 | 574 | 251 | 207 | 528 | |
| Other personal lines | 62 | 63 | 33 | 18 | 47 | |
| Commercial lines | 12 | 9 | 6 | 3 | 12 | |
| Other business lines | - | - | - | - | - | |
| Total | <u>913</u> | <u>783</u> | <u>340</u> | <u>250</u> | <u>730</u> | |
| Esurance brand | | | | | | |
| Auto | 9 | 2 | 2 | 2 | 7 | |
| Homeowners | 5 | 1 | 1 | 1 | 1 | |
| Other personal lines | - | - | - | - | - | |
| Total | <u>14</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>8</u> | |
| Encompass brand | | | | | | |
| Auto | 3 | 2 | 1 | 1 | 5 | |
| Homeowners | 29 | 38 | 12 | 15 | 52 | |
| Other personal lines | 2 | 1 | 2 | 1 | 2 | |
| Total | <u>34</u> | <u>41</u> | <u>15</u> | <u>17</u> | <u>59</u> | |
| Allstate Protection | <u>\$ 961</u> | <u>\$ 827</u> | <u>\$ 358</u> | <u>\$ 270</u> | <u>\$ 797</u> | <u>\$</u> |
| Allstate Protection | | | | | | |
| Auto | \$ 207 | \$ 141 | \$ 53 | \$ 25 | \$ 155 | \$ |
| Homeowners | 678 | 613 | 264 | 223 | 581 | |
| Other personal lines | 64 | 64 | 35 | 19 | 49 | |
| Commercial lines | 12 | 9 | 6 | 3 | 12 | |
| Other business lines | - | - | - | - | - | |
| | <u>\$ 961</u> | <u>\$ 827</u> | <u>\$ 358</u> | <u>\$ 270</u> | <u>\$ 797</u> | <u>\$</u> |

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY
EFFECT OF CATASTROPHE LOSSES ON THE COMBINED RATIO
(\$ in millions)

| | Effect of all catastrophe losses on the Property-Liability combined ratio | | | | | Premiums earned year-to-date | Total catastrophe losses by year |
|---------|--|-----------|-----------|-----------|------|------------------------------------|--|
| | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Year | | |
| 2007 | 2.4 | 6.3 | 5.0 | 7.0 | 5.2 | \$ 27,233 | \$ 1,409 |
| 2008 | 8.4 | 10.3 | 26.8 | 3.9 | 12.4 | 26,967 | 3,342 |
| 2009 | 7.8 | 12.5 | 6.2 | 5.0 | 7.9 | 26,194 | 2,069 |
| 2010 | 10.0 | 9.8 | 5.9 | 8.3 | 8.5 | 25,957 | 2,207 |
| 2011 | 5.2 | 36.2 | 16.7 | 1.0 | 14.7 | 25,942 | 3,815 |
| 2012 | 3.9 | 12.3 | 3.1 | 15.7 | 8.8 | 26,737 | 2,345 |
| 2013 | 5.3 | 9.4 | 1.8 | 1.7 | 4.5 | 27,618 | 1,251 |
| 2014 | 6.3 | 13.0 | 7.1 | 1.3 | 6.9 | 28,929 | 1,993 |
| 2015 | 4.0 | 10.6 | 3.5 | 4.7 | 5.7 | 30,309 | 1,719 |
| 2016 | 10.7 | 12.3 | | | 11.5 | 15,537 | 1,788 |
| Average | 6.4 | 13.1 | 8.3 | 5.3 | 8.4 | | |

THE ALLSTATE CORPORATION
CATASTROPHE BY SIZE OF EVENT
(\$ in millions)

Three months ended June 30, 2016

| Size of catastrophe | Number of events | | Claims and claims expense | | Ct rat |
|-----------------------------------|---------------------|----------------|------------------------------|----------------|-----------|
| Greater than \$250 million | 1 | 4.4 % | \$ 341 | 35.5 % | |
| \$101 million to \$250 million | - | - | - | - | |
| \$50 million to \$100 million | 3 | 13.0 | 207 | 21.5 | |
| Less than \$50 million | 19 | 82.6 | 458 | 47.6 | |
| Total | <u>23</u> | <u>100.0 %</u> | <u>1,006</u> | <u>104.6</u> | |
| Prior year reserve reestimates | | | 13 | 1.4 | |
| Prior quarter reserve reestimates | | | (58) | (6.0) | |
| Total catastrophe losses | | | <u>\$ 961</u> | <u>100.0 %</u> | |

Six months ended June 30, 2016

| Size of catastrophe | Number of events | | Claims and claims expense | | Ct rat |
|--------------------------------|---------------------|----------------|------------------------------|----------------|-----------|
| Greater than \$250 million | 2 | 5.0 % | \$ 638 | 35.7 % | |
| \$101 million to \$250 million | 1 | 2.5 | 186 | 10.4 | |
| \$50 million to \$100 million | 4 | 10.0 | 263 | 14.7 | |
| Less than \$50 million | 33 | 82.5 | 691 | 38.6 | |
| Total | <u>40</u> | <u>100.0 %</u> | <u>1,778</u> | <u>99.4</u> | |
| Prior year reserve reestimates | | | 10 | 0.6 | |
| Total catastrophe losses | | | <u>\$ 1,788</u> | <u>100.0 %</u> | |

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY
PRIOR YEAR RESERVE REESTIMATES
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|------------------|
| Prior Year Reserve Reestimates ⁽¹⁾ | | | | | |
| Auto | \$ (36) | \$ 5 | \$ (19) | \$ 14 | \$ 11 |
| Homeowners | 19 | (7) | (14) | (15) | 4 |
| Other personal lines | (11) | 5 | - | 11 | 6 |
| Commercial lines | 23 | 20 | - | (12) | 4 |
| Other business lines | - | - | - | 1 | 1 |
| Allstate Protection | (5) | 23 | (33) | (1) | 26 |
| Discontinued Lines and Coverages | 2 | 1 | 2 | 48 | 2 |
| Property-Liability | <u>\$ (3)</u> | <u>\$ 24</u> | <u>\$ (31)</u> | <u>\$ 47</u> | <u>\$ 28</u> |
| Allstate brand ⁽²⁾ | \$ (2) | \$ 13 | \$ (22) | \$ (13) | \$ 26 |
| Esurance brand ⁽²⁾ | (4) | (4) | (5) | (5) | (3) |
| Encompass brand ⁽²⁾ | 1 | 14 | (6) | 17 | 3 |
| Allstate Protection ⁽²⁾ | <u>\$ (5)</u> | <u>\$ 23</u> | <u>\$ (33)</u> | <u>\$ (1)</u> | <u>\$ 26</u> |
| Effect of Prior Year Reserve Reestimates on Combined Ratio ⁽¹⁾⁽³⁾ | | | | | |
| Auto | (0.5) | - | (0.2) | 0.2 | 0.2 |
| Homeowners | 0.3 | (0.1) | (0.2) | (0.2) | - |
| Other personal lines | (0.1) | - | - | 0.1 | 0.1 |
| Commercial lines | 0.3 | 0.3 | - | (0.1) | - |
| Other business lines | - | - | - | - | - |
| Allstate Protection | - | 0.2 | (0.4) | - | 0.3 |
| Discontinued Lines and Coverages | - | 0.1 | - | 0.6 | - |
| Property-Liability | <u>-</u> | <u>0.3</u> | <u>(0.4)</u> | <u>0.6</u> | <u>0.3</u> |
| Allstate brand ⁽²⁾ | - | 0.1 | (0.3) | (0.2) | 0.3 |
| Esurance brand ⁽²⁾ | - | (0.1) | - | - | - |
| Encompass brand ⁽²⁾ | - | 0.2 | (0.1) | 0.2 | - |
| Allstate Protection ⁽²⁾ | <u>-</u> | <u>0.2</u> | <u>(0.4)</u> | <u>-</u> | <u>0.3</u> |

⁽¹⁾ Favorable reserve reestimates are shown in parentheses.

⁽²⁾ Unfavorable (favorable) reserve reestimates included in catastrophe losses for Allstate brand, Esurance brand, Encompass brand and Allstate Protection total and \$7 million, \$0 million, \$1 million and \$8 million, respectively, in the three months ended June 30, 2016 and 2015, respectively. Unfavorable (favorable) re for Allstate brand, Esurance brand, Encompass brand and Allstate Protection totaled \$11 million, \$0 million, \$(1) million, \$10 million and \$5 million, \$0 million, months ended June 30, 2016 and 2015, respectively.

⁽³⁾ Calculated using Property-Liability premiums earned for the respective period.

THE ALLSTATE CORPORATION
ASBESTOS AND ENVIRONMENTAL RESERVES
(\$ in millions)

| | Three months ended | | Twelve months ended Dec | | |
|---|--------------------|-------------------|-------------------------|----------|----------|
| | June 30, 2016 | March 31, 2016 | 2015 | 2014 | 2013 |
| (net of reinsurance) | | | | | |
| Asbestos claims | | | | | |
| Beginning reserves | \$ 907 | \$ 960 | \$ 1,014 | \$ 1,017 | \$ 1,026 |
| Incurred claims and claims expense | - | - | 39 | 87 | 74 |
| Claims and claims expense paid | (17) | (53) | (93) | (90) | (83) |
| Ending reserves | \$ 890 | \$ 907 | \$ 960 | \$ 1,014 | \$ 1,017 |
| Claims and claims expense paid as a percent of ending reserves | 1.9% | 5.8% | 9.7% | 8.9% | 8.2% |
| Environmental claims | | | | | |
| Beginning reserves | \$ 177 | \$ 179 | \$ 203 | \$ 208 | \$ 193 |
| Incurred claims and claims expense | - | - | 1 | 15 | 30 |
| Claims and claims expense paid | (4) | (2) | (25) | (20) | (15) |
| Ending reserves | \$ 173 | \$ 177 | \$ 179 | \$ 203 | \$ 208 |
| Claims and claims expense paid as a percent of ending reserves | 2.3% | 1.1% | 14.0% | 9.9% | 7.2% |

THE ALLSTATE CORPORATION
ALLSTATE PERSONAL LINES - AUTO, HOMEOWNERS, OTHER PERSONAL LINES AND COMMERCIAL LINES PROFIT
(\$ in millions)

| | Three months ended | | | | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| Net premiums written | | | | | |
| Auto | \$ 4,767 | \$ 4,746 | \$ 4,576 | \$ 4,746 | \$ 4,588 |
| Homeowners | 1,831 | 1,392 | 1,634 | 1,879 | 1,819 |
| Landlord | 133 | 122 | 137 | 143 | 138 |
| Renter | 75 | 67 | 65 | 84 | 73 |
| Condominium | 67 | 53 | 58 | 64 | 63 |
| Other | 153 | 111 | 116 | 138 | 150 |
| Other personal lines | 428 | 353 | 376 | 429 | 424 |
| Commercial lines | 135 | 126 | 126 | 124 | 138 |
| Total | 7,161 | 6,617 | 6,712 | 7,178 | 6,969 |
| Net premiums earned | | | | | |
| Auto | \$ 4,745 | \$ 4,667 | \$ 4,638 | \$ 4,597 | \$ 4,524 |
| Homeowners | 1,684 | 1,678 | 1,674 | 1,663 | 1,645 |
| Other personal lines | 397 | 393 | 395 | 396 | 395 |
| Commercial lines | 127 | 129 | 129 | 128 | 128 |
| Total | 6,953 | 6,867 | 6,836 | 6,784 | 6,692 |
| Incurred losses | | | | | |
| Auto | \$ 3,634 | \$ 3,519 | \$ 3,495 | \$ 3,455 | \$ 3,431 |
| Homeowners | 1,260 | 1,190 | 816 | 820 | 1,147 |
| Other personal lines | 256 | 261 | 216 | 241 | 259 |
| Commercial lines | 135 | 119 | 100 | 97 | 105 |
| Total | 5,285 | 5,089 | 4,627 | 4,613 | 4,942 |
| Expenses | | | | | |
| Auto | \$ 1,168 | \$ 1,103 | \$ 1,077 | \$ 1,086 | \$ 1,155 |
| Homeowners | 373 | 377 | 372 | 385 | 372 |
| Other personal lines | 106 | 103 | 101 | 109 | 105 |
| Commercial lines | 35 | 38 | 36 | 36 | 40 |
| Total | 1,682 | 1,621 | 1,586 | 1,616 | 1,672 |
| Underwriting income (loss) | | | | | |
| Auto | \$ (57) | \$ 45 | \$ 66 | \$ 56 | \$ (62) |
| Homeowners | 51 | 111 | 486 | 458 | 126 |
| Other personal lines | 35 | 29 | 78 | 46 | 31 |
| Commercial lines | (43) | (28) | (7) | (5) | (17) |
| Total | (14) | 157 | 623 | 555 | 78 |
| Loss ratio | 76.0 | 74.1 | 67.7 | 68.0 | 73.8 |
| Expense ratio | 24.2 | 23.6 | 23.2 | 23.8 | 25.0 |
| Combined ratio | 100.2 | 97.7 | 90.9 | 91.8 | 98.8 |
| Effect of catastrophe losses on combined ratio | 13.1 | 11.4 | 5.0 | 3.7 | 10.9 |
| Effect of prior year reserve reestimates on combined ratio | - | 0.2 | (0.3) | (0.2) | 0.3 |
| Underlying combined ratio | 87.3 | 86.1 | 86.0 | 88.3 | 87.7 |
| Effect of catastrophe losses | 13.1 | 11.4 | 5.0 | 3.7 | 10.9 |
| Effect of prior year non-catastrophe reserve reestimates | (0.2) | 0.2 | (0.1) | (0.2) | 0.2 |
| Combined ratio | 100.2 | 97.7 | 90.9 | 91.8 | 98.8 |
| Policies in Force (in thousands) | | | | | |
| Auto | 20,061 | 20,145 | 20,326 | 20,367 | 20,258 |
| Homeowners | 6,135 | 6,152 | 6,174 | 6,163 | 6,141 |
| Other personal lines | 4,203 | 4,208 | 4,219 | 4,208 | 4,170 |
| Commercial lines | 308 | 318 | 324 | 328 | 330 |
| Excess and surplus | 23 | 24 | 25 | 26 | 26 |
| Total | 30,730 | 30,847 | 31,068 | 31,092 | 30,925 |

⁽¹⁾ Allstate Personal Lines comprise Allstate brand auto, homeowners, other personal lines and commercial lines. Allstate Protection segment comprises Allstate Personal Lines and

THE ALLSTATE CORPORATION
EMERGING BUSINESSES - ESURANCE, ENCOMPASS, OTHER BUSINESS LINES AND ANSWER FINANCIAL PROFIT
(\$ in millions)

| | Three months ended | | | | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| Net premiums written | | | | | |
| Esurance | \$ 392 | \$ 452 | \$ 378 | \$ 423 | \$ 371 |
| Encompass | 315 | 263 | 293 | 331 | 338 |
| Allstate Roadside Services | 77 | 77 | 70 | 87 | 88 |
| Allstate Dealer Services | 106 | 106 | 98 | 118 | 111 |
| Other business lines | 183 | 183 | 168 | 205 | 199 |
| Total | 890 | 898 | 839 | 959 | 908 |
| Net premiums earned | | | | | |
| Esurance | \$ 415 | \$ 404 | \$ 400 | \$ 399 | \$ 402 |
| Encompass | 304 | 309 | 313 | 319 | 318 |
| Other business lines | 142 | 143 | 135 | 148 | 137 |
| Total | 861 | 856 | 848 | 866 | 857 |
| Incurred losses | | | | | |
| Esurance | \$ 319 | \$ 294 | \$ 299 | \$ 290 | \$ 304 |
| Encompass | 231 | 239 | 214 | 233 | 273 |
| Other business lines | 64 | 61 | 57 | 71 | 66 |
| Total | 614 | 594 | 570 | 594 | 643 |
| Expenses | | | | | |
| Esurance | \$ 133 | \$ 135 | \$ 129 | \$ 135 | \$ 139 |
| Encompass | 88 | 88 | 85 | 90 | 95 |
| Other business lines | 74 | 68 | 72 | 61 | 63 |
| Answer Financial | 2 | 1 | 2 | 1 | 3 |
| Total | 297 | 292 | 288 | 287 | 300 |
| Underwriting income (loss) | | | | | |
| Esurance | \$ (37) | \$ (25) | \$ (28) | \$ (26) | \$ (41) |
| Encompass | (15) | (18) | 14 | (4) | (50) |
| Other business lines | 4 | 14 | 6 | 16 | 8 |
| Answer Financial | (2) | (1) | (2) | (1) | (3) |
| Total | (50) | (30) | (10) | (15) | (86) |
| Loss ratio | 71.3 | 69.4 | 67.2 | 68.6 | 75.0 |
| Expense ratio | 34.5 | 34.1 | 34.0 | 33.1 | 35.0 |
| Combined ratio | 105.8 | 103.5 | 101.2 | 101.7 | 110.0 |
| Effect of catastrophe losses on combined ratio | 5.6 | 5.1 | 2.1 | 2.3 | 7.8 |
| Effect of prior year reserve reestimates on combined ratio | (0.3) | 1.2 | (1.3) | 1.5 | 0.1 |
| Effect of amortization of purchased intangible assets | 1.0 | 1.0 | 1.6 | 1.4 | 1.5 |
| Underlying combined ratio | 99.3 | 96.3 | 98.7 | 96.8 | 100.7 |
| Effect of catastrophe losses | 5.6 | 5.1 | 2.1 | 2.3 | 7.8 |
| Effect of prior year non-catastrophe reserve reestimates | (0.1) | 1.1 | (1.2) | 1.2 | - |
| Effect of amortization of purchased intangible assets | 1.0 | 1.0 | 1.6 | 1.4 | 1.5 |
| Combined ratio | 105.8 | 103.5 | 101.2 | 101.7 | 110.0 |
| Policies in Force (in thousands) | | | | | |
| Esurance | 1,500 | 1,511 | 1,491 | 1,503 | 1,522 |
| Encompass | 1,099 | 1,138 | 1,172 | 1,207 | 1,240 |
| Other business lines | 824 | 856 | 894 | 920 | 937 |
| Total | 3,423 | 3,505 | 3,557 | 3,630 | 3,699 |

(1) Emerging businesses include Esurance, Encompass, Allstate Roadside Services, Allstate Dealer Services, Ivantage and Answer Financial.

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL RESULTS
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|------------------|
| Premiums | \$ 353 | \$ 354 | \$ 339 | \$ 329 | \$ 326 |
| Contract charges | 211 | 212 | 208 | 209 | 210 |
| Net investment income | 435 | 419 | 420 | 491 | 489 |
| Contract benefits | (454) | (455) | (456) | (460) | (446) |
| Interest credited to contractholder funds | (179) | (184) | (186) | (191) | (191) |
| Amortization of deferred policy acquisition costs | (68) | (71) | (65) | (61) | (62) |
| Operating costs and expenses | (121) | (123) | (119) | (112) | (118) |
| Restructuring and related charges | (1) | - | 3 | (1) | (2) |
| Income tax expense on operations | (56) | (48) | (46) | (66) | (67) |
| Operating income | 120 | 104 | 98 | 138 | 139 |
| Realized capital gains and losses, after-tax | - | (32) | (62) | 125 | 38 |
| Valuation changes on embedded derivatives that are not hedged, after-tax | (4) | (4) | 2 | (2) | 4 |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | (1) | (1) | - | (1) | (2) |
| Gain (loss) on disposition of operations, after-tax | 1 | 1 | 1 | 2 | - |
| Change in accounting for investments in qualified affordable housing projects, after-tax | - | - | - | - | - |
| Net income applicable to common shareholders | \$ 116 | \$ 68 | \$ 39 | \$ 262 | \$ 179 |

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL
RETURN ON ATTRIBUTED EQUITY
(\$ in millions)

Twelve months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
|---|------------------|-------------------|------------------|-------------------|
| Return on Attributed Equity | | | | |
| Numerator: | | | | |
| Net income applicable to common shareholders ⁽¹⁾ | \$ <u>485</u> | \$ <u>548</u> | \$ <u>663</u> | \$ <u>832</u> |
| Denominator: | | | | |
| Beginning attributed equity ⁽²⁾ | \$ 7,621 | \$ 7,920 | \$ 7,672 | \$ 7,356 |
| Ending attributed equity | 8,055 | 7,680 | 7,350 | 7,475 |
| Average attributed equity ⁽³⁾ | \$ <u>7,838</u> | \$ <u>7,800</u> | \$ <u>7,511</u> | \$ <u>7,416</u> |
| Return on attributed equity | <u>6.2</u> % | <u>7.0</u> % | <u>8.8</u> % | <u>11.2</u> % |
| Operating Income Return on Attributed Equity | | | | |
| Numerator: | | | | |
| Operating income ⁽¹⁾ | \$ <u>460</u> | \$ <u>479</u> | \$ <u>509</u> | \$ <u>539</u> |
| Denominator: | | | | |
| Beginning attributed equity ⁽²⁾ | \$ 7,621 | \$ 7,920 | \$ 7,672 | \$ 7,356 |
| Unrealized net capital gains and losses | 1,030 | 1,499 | 1,420 | 1,305 |
| Adjusted beginning attributed equity | <u>6,591</u> | <u>6,421</u> | <u>6,252</u> | <u>6,051</u> |
| Ending attributed equity | 8,055 | 7,680 | 7,350 | 7,475 |
| Unrealized net capital gains and losses | 1,077 | 824 | 556 | 722 |
| Adjusted ending attributed equity | <u>6,978</u> | <u>6,856</u> | <u>6,794</u> | <u>6,753</u> |
| Average adjusted attributed equity ⁽³⁾ | \$ <u>6,785</u> | \$ <u>6,639</u> | \$ <u>6,523</u> | \$ <u>6,402</u> |
| Operating income return on attributed equity | <u>6.8</u> % | <u>7.2</u> % | <u>7.8</u> % | <u>8.4</u> % |

⁽¹⁾ Net income applicable to common shareholders and operating income reflect a trailing twelve-month period.

⁽²⁾ Allstate Financial attributed equity is the sum of equity for Allstate Life Insurance Company and the applicable equity for Allstate Financial Insurance

⁽³⁾ Average attributed equity and average adjusted attributed equity are determined using a two-point average, with the beginning and ending attribute respectively, for the twelve-month period as data points.

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL PREMIUMS AND CONTRACT CHARGES
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 2015 |
|---|------------------|-------------------|------------------|-------------------|--------------|
| PREMIUMS AND CONTRACT CHARGES - BY PRODUCT | | | | | |
| Underwritten Products | | | | | |
| Traditional life insurance premiums | \$ 139 | \$ 138 | \$ 144 | \$ 135 | \$ |
| Accident and health insurance premiums | 214 | 216 | 195 | 194 | |
| Interest-sensitive life insurance contract charges | 208 | 209 | 204 | 205 | |
| | <u>561</u> | <u>563</u> | <u>543</u> | <u>534</u> | |
| Annuities | | | | | |
| Immediate annuities with life contingencies premiums | - | - | - | - | |
| Other fixed annuity contract charges | 3 | 3 | 4 | 4 | |
| | <u>3</u> | <u>3</u> | <u>4</u> | <u>4</u> | |
| Total | <u>\$ 564</u> | <u>\$ 566</u> | <u>\$ 547</u> | <u>\$ 538</u> | <u>\$</u> |
| PREMIUMS AND CONTRACT CHARGES - BY DISTRIBUTION CHANNEL | | | | | |
| Allstate agencies | \$ 306 | \$ 305 | \$ 304 | \$ 300 | \$ |
| Workplace enrolling agents | 232 | 233 | 215 | 212 | |
| Other ⁽¹⁾ | 26 | 28 | 28 | 26 | |
| Total | <u>\$ 564</u> | <u>\$ 566</u> | <u>\$ 547</u> | <u>\$ 538</u> | <u>\$</u> |
| PROPRIETARY LIFE INSURANCE POLICIES SOLD BY ALLSTATE AGENCIES ^{(2) (3)} | 29,839 | 25,458 | 39,701 | 16,402 | 34, |
| ALLSTATE BENEFITS NEW BUSINESS WRITTEN PREMIUMS ⁽⁴⁾ | \$ 70 | \$ 82 | \$ 179 | \$ 69 | \$ |

⁽¹⁾ Primarily represents independent master brokerage agencies.

⁽²⁾ Policies sold reduced by lapses within twelve months of sale.

⁽³⁾ Beginning on August 1, 2015, sales are measured at policy issuance rather than application submission. This change led to a lag in the recognition of policies sold within the quarter.

⁽⁴⁾ New business written premiums reflect annualized premiums at initial customer enrollment (including new accounts and new employees or policies of existing account expected to lapse. A significant portion of Allstate Benefits business is seasonally written in the fourth quarter during many clients' annual employee benefits enrollment period.

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL CHANGE IN CONTRACTHOLDER FUNDS
(\$ in millions)

| | Three months ended | | | | |
|--|--------------------|-------------------|------------------|-------------------|-------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | Jun 2 |
| Contractholders funds, beginning balance | \$ 21,092 | \$ 21,295 | \$ 21,559 | \$ 21,968 | \$ 2 |
| Deposits | | | | | |
| Interest-sensitive life insurance | 251 | 252 | 251 | 251 | |
| Fixed annuities | 40 | 44 | 39 | 56 | |
| Total deposits | <u>291</u> | <u>296</u> | <u>290</u> | <u>307</u> | |
| Interest credited | 184 | 189 | 183 | 193 | |
| Benefits, withdrawals, maturities and other adjustments | | | | | |
| Benefits | (225) | (252) | (247) | (272) | |
| Surrenders and partial withdrawals | (300) | (245) | (295) | (375) | |
| Maturities of and interest payments on institutional products | - | - | - | - | |
| Contract charges | (206) | (206) | (207) | (205) | |
| Net transfers from separate accounts | 1 | 1 | 2 | 2 | |
| Other adjustments | 8 | 14 | 10 | (59) | |
| Total benefits, withdrawals, maturities and other adjustments | <u>(722)</u> | <u>(688)</u> | <u>(737)</u> | <u>(909)</u> | |
| Contractholder funds, ending balance | <u>\$ 20,845</u> | <u>\$ 21,092</u> | <u>\$ 21,295</u> | <u>\$ 21,559</u> | <u>\$ 2</u> |

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL ANALYSIS OF NET INCOME
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Benefit spread | | | | | |
| Premiums | \$ 353 | \$ 354 | \$ 339 | \$ 329 | \$ 326 |
| Cost of insurance contract charges ⁽¹⁾ | 140 | 141 | 137 | 137 | 138 |
| Contract benefits excluding the implied interest on immediate annuities with life contingencies ⁽²⁾ | (325) | (327) | (328) | (333) | (319) |
| Total benefit spread | <u>168</u> | <u>168</u> | <u>148</u> | <u>133</u> | <u>145</u> |
| Investment spread | | | | | |
| Net investment income | 435 | 419 | 420 | 491 | 489 |
| Implied interest on immediate annuities with life contingencies ⁽²⁾ | (129) | (128) | (128) | (127) | (127) |
| Interest credited to contractholder funds | (185) | (190) | (183) | (194) | (185) |
| Total investment spread | <u>121</u> | <u>101</u> | <u>109</u> | <u>170</u> | <u>177</u> |
| Surrender charges and contract maintenance expense fees ⁽¹⁾ | 71 | 71 | 71 | 72 | 72 |
| Realized capital gains and losses | - | (49) | (97) | 194 | 59 |
| Amortization of deferred policy acquisition costs | (69) | (73) | (64) | (63) | (65) |
| Operating costs and expenses | (121) | (123) | (119) | (112) | (118) |
| Restructuring and related charges | (1) | - | 3 | (1) | (2) |
| Gain (loss) on disposition of operations | 1 | 2 | 1 | 3 | 1 |
| Income tax expense | (54) | (29) | (13) | (134) | (90) |
| Net income applicable to common shareholders | <u>\$ 116</u> | <u>\$ 68</u> | <u>\$ 39</u> | <u>\$ 262</u> | <u>\$ 179</u> |
| Benefit spread by product group | | | | | |
| Life insurance | \$ 85 | \$ 80 | \$ 75 | \$ 66 | \$ 65 |
| Accident and health insurance | 108 | 105 | 92 | 90 | 97 |
| Annuities | (25) | (17) | (19) | (23) | (17) |
| Total benefit spread | <u>\$ 168</u> | <u>\$ 168</u> | <u>\$ 148</u> | <u>\$ 133</u> | <u>\$ 145</u> |
| Investment spread by product group | | | | | |
| Annuities and institutional products | \$ 35 | \$ 17 | \$ 10 | \$ 82 | \$ 77 |
| Life insurance | 29 | 34 | 41 | 33 | 33 |
| Accident and health insurance | 4 | 4 | 4 | 4 | 4 |
| Net investment income on investments supporting capital | 59 | 52 | 52 | 54 | 57 |
| Investment spread before valuation changes on embedded derivatives that are not hedged | 127 | 107 | 107 | 173 | 171 |
| Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged | (6) | (6) | 2 | (3) | 6 |
| Total investment spread | <u>\$ 121</u> | <u>\$ 101</u> | <u>\$ 109</u> | <u>\$ 170</u> | <u>\$ 177</u> |
| ⁽¹⁾ Reconciliation of contract charges | | | | | |
| Cost of insurance contract charges | \$ 140 | \$ 141 | \$ 137 | \$ 137 | \$ 138 |
| Surrender charges and contract maintenance expense fees | 71 | 71 | 71 | 72 | 72 |
| Total contract charges | <u>\$ 211</u> | <u>\$ 212</u> | <u>\$ 208</u> | <u>\$ 209</u> | <u>\$ 210</u> |
| ⁽²⁾ Reconciliation of contract benefits | | | | | |
| Contract benefits excluding the implied interest on immediate annuities with life contingencies | \$ (325) | \$ (327) | \$ (328) | \$ (333) | \$ (319) |
| Implied interest on immediate annuities with life contingencies | (129) | (128) | (128) | (127) | (127) |
| Total contract benefits | <u>\$ (454)</u> | <u>\$ (455)</u> | <u>\$ (456)</u> | <u>\$ (460)</u> | <u>\$ (446)</u> |

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL WEIGHTED AVERAGE INVESTMENT SPREADS

| | Three months ended June 30, 2016 | | | Three mo | |
|---|--------------------------------------|---|--|--------------------------------------|----------|
| | Weighted average investment yield | Weighted average interest crediting rate | Weighted average investment spreads | Weighted average investment yield | V int |
| Interest-sensitive life insurance | 4.8 % | 3.9 % | 0.9 % | 5.1 % | |
| Deferred fixed annuities and institutional products | 4.2 | 2.8 | 1.4 | 4.4 | |
| Immediate fixed annuities with and without life contingencies | 6.5 | 5.8 | 0.7 | 7.5 | |
| Investments supporting capital, traditional life and other products | 3.9 | n/a | n/a | 4.1 | |
| | Six months ended June 30, 2016 | | | Six mon | |
| | Weighted average investment yield | Weighted average interest crediting rate | Weighted average investment spreads | Weighted average investment yield | V int |
| Interest-sensitive life insurance | 4.9 % | 3.9 % | 1.0 % | 5.1 % | |
| Deferred fixed annuities and institutional products | 4.1 | 2.8 | 1.3 | 4.4 | |
| Immediate fixed annuities with and without life contingencies | 6.3 | 5.9 | 0.4 | 7.4 | |
| Investments supporting capital, traditional life and other products | 3.8 | n/a | n/a | 4.2 | |

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL SUPPLEMENTAL PRODUCT INFORMATION
(\$ in millions)

| | As of June 30, 2016 | | Twelve months ended June 30, 2016 | | June 2016 |
|--|--------------------------------------|---|--------------------------------------|-----|--------------|
| | Reserves and Contractholder funds | Attributed equity excluding unrealized capital gains/losses ⁽³⁾⁽⁴⁾ | Operating income ⁽⁵⁾ | | |
| Underwritten products | | | | | |
| Life insurance | \$ 10,735 | \$ 2,594 | \$ | 275 | 10.8 % |
| Accident and health insurance | 854 | 648 | 81 | | 12.4 |
| Subtotal | 11,589 | 3,242 | 356 | | 11.1 |
| Annuities and institutional products: | | | | | |
| Immediate Annuities: | | | | | |
| Sub-standard structured settlements and group pension terminations ⁽¹⁾ | 5,029 | 1,907 | (15) | | (0.9) |
| Standard structured settlements and SPIA ⁽²⁾ | 6,769 | 1,194 | 47 | | 4.1 |
| Subtotal ⁽⁶⁾ | 11,798 | 3,101 | 32 | | 1.1 |
| Deferred Annuities | 9,588 | 634 | 71 | | 10.0 |
| Institutional products | 85 | 1 | 1 | | |
| Subtotal | 21,471 | 3,736 | 104 | | 2.9 |
| Total Allstate Financial | \$ 33,060 | \$ 6,978 | \$ 460 | | 6.8 |

| | Six months ended June 30, 2016 | | | |
|---|--------------------------------|----------------------------------|---|-----------------------|
| | Life insurance | Accident and health insurance | Annuities and institutional products | Allstate Financial |
| Operating income | \$ 139 | \$ 43 | \$ 42 | \$ 224 |
| Realized capital gains and losses, after-tax | (11) | (2) | (19) | (32) |
| Valuation changes on embedded derivatives that are not hedged, after-tax | - | - | (8) | (8) |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | (2) | - | - | (2) |
| Gain on disposition of operations, after-tax | - | - | 2 | 2 |
| Net income applicable to common shareholders | \$ 126 | \$ 41 | \$ 17 | \$ 184 |

- (1) Structured settlement annuities for annuitants with severe injuries or other health impairments which significantly reduced their life expectancy at the time the annuity was issued and group annuity contracts issued to spouses.
- (2) Life-contingent structured settlement annuities for annuitants with standard life expectancy, period certain structured settlements and single premium immediate annuities with and without life contingencies.
- (3) Total Allstate Financial attributed equity is the sum of equity for Allstate Life Insurance Company and the applicable equity for Allstate Financial Insurance Holdings Corporation, excluding unrealized capital gains and losses.
- (4) Attributed equity is allocated to each product line based on statutory capital adjusted for GAAP reporting differences and the amount of capital held in Allstate Financial may vary from economic capital. The calculation of factors for invested asset risk, insurance risk (mortality and morbidity), interest rate risk and business risk. Due to the unavailability of final statutory financial statements at the time we release our GAAP financial results statutory capital. Statutory capital is adjusted for appropriate GAAP accounting differences. Changes in internal capital factors, investment portfolio mix and risk as well as changes in GAAP and statutory reporting differences attributed equity to products.
- (5) Product line operating income includes allocation of income on investments supporting capital. Operating income reflects a trailing twelve-month period.
- (6) Of the total immediate annuities, \$8,657 are reported in reserve for life-contingent contract benefits and \$3,141 are reported in contractholder funds.

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL INSURANCE POLICIES AND ANNUITIES IN FORCE ⁽¹⁾
(In thousands)

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
|---|---------------------|---------------------|---------------------|---------------------|
| ALLSTATE FINANCIAL INSURANCE POLICIES AND ANNUITIES IN FORCE BY PRODUCT | | | | |
| Underwritten products | | | | |
| Life insurance | 2,478 | 2,467 | 2,463 | 2,459 |
| Accident and health insurance | 3,294 | 3,278 | 2,873 | 2,848 |
| | <u>5,772</u> | <u>5,745</u> | <u>5,336</u> | <u>5,307</u> |
| Annuities | | | | |
| Deferred annuities | 163 | 168 | 172 | 176 |
| Immediate annuities | 100 | 101 | 102 | 104 |
| | <u>263</u> | <u>269</u> | <u>274</u> | <u>280</u> |
| Total | <u><u>6,035</u></u> | <u><u>6,014</u></u> | <u><u>5,610</u></u> | <u><u>5,587</u></u> |
| ALLSTATE FINANCIAL INSURANCE POLICIES AND ANNUITIES IN FORCE BY SOURCE OF BUSINESS | | | | |
| Allstate Agencies ⁽²⁾ | 1,924 | 1,922 | 1,924 | 1,917 |
| Allstate Benefits | 3,755 | 3,729 | 3,315 | 3,292 |
| Other ⁽³⁾ | 356 | 363 | 371 | 378 |
| | <u>6,035</u> | <u>6,014</u> | <u>5,610</u> | <u>5,587</u> |
| Total | <u><u>6,035</u></u> | <u><u>6,014</u></u> | <u><u>5,610</u></u> | <u><u>5,587</u></u> |

⁽¹⁾ Allstate Financial insurance policies and annuities in force reflect the number of contracts in force excluding sold blocks of business that remain on dispositions of the business being effected through reinsurance arrangements. Policy counts associated with our voluntary employee benefits group opposed to group counts.

⁽²⁾ Excludes Allstate Benefits products sold through Allstate Agencies, which are included in the Allstate Benefits line.

⁽³⁾ Primarily business sold by banks/broker-dealers, independent master brokerage agencies and specialized structured settlement brokers.

THE ALLSTATE CORPORATION
ALLSTATE LIFE, ALLSTATE ANNUITIES AND ALLSTATE BENEFITS RESULTS AND PRODUCT INFORI
(\$ in millions)

For the three months ended June 30, 2016

| | Allstate Life | Allstate Annuities | Allstate Benefits | Allstate Financial Segment | Allstat Life |
|---|------------------|-----------------------|----------------------|----------------------------------|-----------------|
| Premiums | \$ 131 | \$ - | \$ 222 | \$ 353 | \$ |
| Contract charges | 179 | 3 | 29 | 211 | |
| Net investment income | 118 | 299 | 18 | 435 | |
| Contract benefits | (177) | (156) | (121) | (454) | |
| Interest credited to contractholder funds | (71) | (98) | (10) | (179) | |
| Amortization of deferred policy acquisition costs | (32) | (1) | (35) | (68) | |
| Operating costs and expenses | (54) | (7) | (60) | (121) | |
| Restructuring and related charges | (1) | - | - | (1) | |
| Income tax expense on operations | (29) | (13) | (14) | (56) | |
| Operating income | 64 | 27 | 29 | 120 | |
| Realized capital gains and losses, after-tax | (2) | 2 | - | - | |
| Valuation changes on embedded derivatives that are not hedged, after-tax | - | (4) | - | (4) | |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | (1) | - | - | (1) | |
| Gain on disposition of operations, after-tax | - | 1 | - | 1 | |
| Net income | \$ 61 | \$ 26 | \$ 29 | \$ 116 | \$ |
| Premiums and Contract Charges - by Product | | | | | |
| Underwritten Products | | | | | |
| Traditional life insurance premiums | \$ 130 | \$ - | \$ 9 | \$ 139 | \$ |
| Accident and health insurance | 1 | - | 213 | 214 | |
| Interest-sensitive life insurance contract charges | 179 | - | 29 | 208 | |
| | 310 | - | 251 | 561 | |
| Annuities | | | | | |
| Immediate annuities with life contingencies premiums | - | - | - | - | |
| Other fixed annuity contract charges | - | 3 | - | 3 | |
| | - | 3 | - | 3 | |
| Total life and annuity premiums and contract charges | \$ 310 | \$ 3 | \$ 251 | \$ 564 | \$ |
| Benefit Spread by Product Group | | | | | |
| Life Insurance | \$ 78 | \$ - | \$ 7 | \$ 85 | \$ |
| Accident and health insurance | (2) | - | 110 | 108 | |
| Annuities | - | (25) | - | (25) | |
| Total benefit spread | \$ 76 | \$ (25) | \$ 117 | \$ 168 | \$ |
| Investment Spread by Product Group | | | | | |
| Annuities and institutional products | \$ - | \$ 35 | \$ - | \$ 35 | \$ |
| Life insurance | 26 | - | 3 | 29 | |
| Accident and health insurance | 2 | - | 2 | 4 | |
| Net investment income on investments supporting capital | 19 | 37 | 3 | 59 | |
| Investment spread before valuation changes on embedded derivatives that are not hedged | 47 | 72 | 8 | 127 | |
| Valuation changes on derivatives embedded in equity- indexed annuity contracts that are not hedged | - | (6) | - | (6) | |
| Total investment spread | \$ 47 | \$ 66 | \$ 8 | \$ 121 | \$ |

THE ALLSTATE CORPORATION
ALLSTATE LIFE, ALLSTATE ANNUITIES AND ALLSTATE BENEFITS RESULTS AND PRODUCT INFORI
(\$ in millions)

For the six months ended June 30, 2016

| | Allstate Life | Allstate Annuities | Allstate Benefits | Allstate Financial Segment | Allstat Life |
|---|------------------|-----------------------|----------------------|----------------------------------|-----------------|
| Premiums | \$ 261 | \$ - | \$ 446 | \$ 707 | \$ |
| Contract charges | 361 | 6 | 56 | 423 | |
| Net investment income | 238 | 580 | 36 | 854 | |
| Contract benefits | (357) | (303) | (249) | (909) | |
| Interest credited to contractholder funds | (141) | (203) | (19) | (363) | |
| Amortization of deferred policy acquisition costs | (63) | (3) | (73) | (139) | |
| Operating costs and expenses | (110) | (15) | (119) | (244) | |
| Restructuring and related charges | (1) | - | - | (1) | |
| Income tax expense on operations | (58) | (20) | (26) | (104) | |
| Operating income | 130 | 42 | 52 | 224 | |
| Realized capital gains and losses, after-tax | (10) | (19) | (3) | (32) | |
| Valuation changes on embedded derivatives that are not hedged, after-tax | - | (8) | - | (8) | |
| DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax | (2) | - | - | (2) | |
| Gain (loss) on disposition of operations, after-tax | - | 2 | - | 2 | |
| Change in accounting for investments in qualified affordable housing projects, after-tax | - | - | - | - | |
| Net income | \$ 118 | \$ 17 | \$ 49 | \$ 184 | \$ |
| Premiums and Contract Charges - by Product | | | | | |
| Underwritten Products | | | | | |
| Traditional life insurance premiums | \$ 260 | \$ - | \$ 17 | \$ 277 | \$ |
| Accident and health insurance | 1 | - | 429 | 430 | |
| Interest-sensitive life insurance contract charges | 361 | - | 56 | 417 | |
| | 622 | - | 502 | 1,124 | |
| Annuities | | | | | |
| Immediate annuities with life contingencies premiums | - | - | - | - | |
| Other fixed annuity contract charges | - | 6 | - | 6 | |
| | - | 6 | - | 6 | |
| Total life and annuity premiums and contract charges | \$ 622 | \$ 6 | \$ 502 | \$ 1,130 | \$ |
| Benefit Spread by Product Group | | | | | |
| Life Insurance | \$ 153 | \$ - | \$ 12 | \$ 165 | \$ |
| Accident and health insurance | (2) | - | 215 | 213 | |
| Annuities | - | (42) | - | (42) | |
| Total benefit spread | \$ 151 | \$ (42) | \$ 227 | \$ 336 | \$ |
| Investment Spread by Product Group | | | | | |
| Annuities and institutional products | \$ - | \$ 52 | \$ - | \$ 52 | \$ |
| Life insurance | 58 | - | 5 | 63 | |
| Accident and health insurance | 3 | - | 5 | 8 | |
| Net investment income on investments supporting capital | 36 | 68 | 7 | 111 | |
| Investment spread before valuation changes on embedded derivatives that are not hedged | 97 | 120 | 17 | 234 | |
| Valuation changes on derivatives embedded in equity- indexed annuity contracts that are not hedged | - | (12) | - | (12) | |
| Total investment spread | \$ 97 | \$ 108 | \$ 17 | \$ 222 | \$ |

THE ALLSTATE CORPORATION
CORPORATE AND OTHER RESULTS
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Net investment income | \$ 11 | \$ 10 | \$ 10 | \$ 9 | \$ 8 |
| Operating costs and expenses | (7) | (6) | (7) | (13) | (9) |
| Interest expense | (72) | (73) | (73) | (73) | (73) |
| Income tax benefit on operations | 26 | 25 | 27 | 28 | 28 |
| Preferred stock dividends | (29) | (29) | (29) | (29) | (29) |
| Operating loss | (71) | (73) | (72) | (78) | (75) |
| Realized capital gains and losses, after-tax | (1) | - | - | - | - |
| Net loss applicable to common shareholders | \$ (72) | \$ (73) | \$ (72) | \$ (78) | \$ (75) |

**THE ALLSTATE CORPORATION
INVESTMENTS**
(\$ in millions)

PROPERTY-LIABILITY

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | June 30, 2016 | March 31, 2016 |
|--|------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| Fixed income securities, at fair value: | | | | | | | |
| Tax-exempt | \$ 4,612 | \$ 4,466 | \$ 4,285 | \$ 4,289 | \$ 4,418 | \$ 2 | \$ 25 |
| Taxable | 25,139 | 24,615 | 25,447 | 24,868 | 25,192 | 26,169 | 1 |
| Equity securities, at fair value | 3,632 | 3,709 | 3,480 | 2,808 | 3,018 | 1,630 | 4 |
| Mortgage loans | 313 | 294 | 296 | 339 | 343 | 4,140 | 2 |
| Limited partnership interests | 2,842 | 2,688 | 2,575 | 2,558 | 2,466 | 2,564 | 1 |
| Short-term, at fair value | 1,619 | 1,452 | 959 | 1,692 | 1,108 | 1,197 | 2 |
| Other | 1,532 | 1,512 | 1,437 | 1,659 | 1,602 | 2,058 | 37 |
| Total | <u>\$ 39,689</u> | <u>\$ 38,736</u> | <u>\$ 38,479</u> | <u>\$ 38,213</u> | <u>\$ 38,147</u> | <u>\$ 37,760</u> | <u>\$ 37</u> |
| Fixed income securities, amortized cost: | | | | | | | |
| Tax-exempt | \$ 4,509 | \$ 4,384 | \$ 4,218 | \$ 4,214 | \$ 4,362 | \$ 2 | \$ 24 |
| Taxable | 24,746 | 24,454 | 25,672 | 24,883 | 24,990 | 24,357 | 10 |
| Ratio of fair value to amortized cost | 101.7% | 100.8% | 99.5% | 100.2% | 100.9% | 107.4% | 10 |
| Equity securities, cost | \$ 3,337 | \$ 3,417 | \$ 3,236 | \$ 2,656 | \$ 2,699 | \$ 1,584 | \$ 1 |
| Short-term, amortized cost | 1,619 | 1,452 | 959 | 1,692 | 1,108 | 1,197 | 1 |

CORPORATE AND OTHER

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | June 30, 2016 | March 31, 2016 |
|--|------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| Fixed income securities, at fair value: | | | | | | | |
| Tax-exempt | \$ 609 | \$ 591 | \$ 585 | \$ 589 | \$ 569 | \$ 5,223 | \$ 5 |
| Taxable | 1,598 | 1,759 | 1,593 | 1,911 | 1,960 | 52,906 | 52 |
| Equity securities, at fair value | 3 | 3 | 3 | 3 | 3 | 5,265 | 5 |
| Mortgage loans | - | - | - | - | - | 4,453 | 4 |
| Limited partnership interests | 1 | 4 | 4 | 4 | 4 | 5,407 | 5 |
| Short-term, at fair value | 34 | 448 | 302 | 353 | 660 | 2,850 | 3 |
| Other | - | - | - | - | - | 3,590 | 3 |
| Total | <u>\$ 2,245</u> | <u>\$ 2,805</u> | <u>\$ 2,487</u> | <u>\$ 2,860</u> | <u>\$ 3,196</u> | <u>\$ 79,694</u> | <u>\$ 78</u> |
| Fixed income securities, amortized cost: | | | | | | | |
| Tax-exempt | \$ 585 | \$ 569 | \$ 566 | \$ 569 | \$ 551 | \$ 5,096 | \$ 4 |
| Taxable | 1,571 | 1,737 | 1,596 | 1,900 | 1,953 | 50,674 | 50 |
| Ratio of fair value to amortized cost | 102.4% | 101.9% | 100.7% | 101.3% | 101.0% | 104.2% | 10 |
| Equity securities, cost | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 4,924 | \$ 4 |
| Short-term, amortized cost | 34 | 448 | 302 | 353 | 660 | 2,850 | 3 |

THE ALLSTATE CORPORATION
LIMITED PARTNERSHIP INVESTMENTS

(\$ In millions)

As of or for the three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | Ju 2 |
|---------------------------------------|------------------|-------------------|------------------|-------------------|-----------|
| Investment position | | | | | |
| Accounting basis | | | | | |
| Cost method | \$ 1,284 | \$ 1,193 | \$ 1,154 | \$ 1,148 | \$ |
| Equity method ("EMA") ⁽¹⁾ | 4,123 | 3,898 | 3,720 | 3,675 | \$ |
| Total | <u>\$ 5,407</u> | <u>\$ 5,091</u> | <u>\$ 4,874</u> | <u>\$ 4,823</u> | <u>\$</u> |
| Cost method-fair value ⁽²⁾ | \$ 1,511 | \$ 1,466 | \$ 1,450 | \$ 1,506 | \$ |
| Underlying investment | | | | | |
| Private equity | \$ 3,833 | \$ 3,494 | \$ 3,344 | \$ 3,282 | \$ |
| Real estate | 1,204 | 1,229 | 1,166 | 1,160 | \$ |
| Other | 370 | 368 | 364 | 381 | \$ |
| Total | <u>\$ 5,407</u> | <u>\$ 5,091</u> | <u>\$ 4,874</u> | <u>\$ 4,823</u> | <u>\$</u> |
| Segment | | | | | |
| Property-Liability | \$ 2,842 | \$ 2,688 | \$ 2,575 | \$ 2,558 | \$ |
| Allstate Financial | 2,564 | 2,399 | 2,295 | 2,261 | \$ |
| Corporate and Other | 1 | 4 | 4 | 4 | \$ |
| Total | <u>\$ 5,407</u> | <u>\$ 5,091</u> | <u>\$ 4,874</u> | <u>\$ 4,823</u> | <u>\$</u> |
| Total Income | | | | | |
| Accounting basis | | | | | |
| Cost method | \$ 47 | \$ 39 | \$ 42 | \$ 63 | \$ |
| Equity method | 79 | 82 | 24 | 104 | \$ |
| Total | <u>\$ 126</u> | <u>\$ 121</u> | <u>\$ 66</u> | <u>\$ 167</u> | <u>\$</u> |
| Underlying investment | | | | | |
| Private equity | \$ 114 | \$ 88 | \$ 46 | \$ 162 | \$ |
| Real estate | 12 | 33 | 20 | 5 | \$ |
| Other | - | - | - | - | \$ |
| Total | <u>\$ 126</u> | <u>\$ 121</u> | <u>\$ 66</u> | <u>\$ 167</u> | <u>\$</u> |
| Segment | | | | | |
| Property-Liability | \$ 60 | \$ 58 | \$ 29 | \$ 62 | \$ |
| Allstate Financial | 66 | 63 | 37 | 105 | \$ |
| Corporate and Other | - | - | - | - | \$ |
| Total | <u>\$ 126</u> | <u>\$ 121</u> | <u>\$ 66</u> | <u>\$ 167</u> | <u>\$</u> |

⁽¹⁾ As of June 30, 2016, valuations of EMA limited partnerships include approximately \$469 million of cumulative pre-tax appreciation that has not been distributed to investors.

⁽²⁾ The fair value of cost method limited partnerships is determined using reported net asset values.

THE ALLSTATE CORPORATION
NET INVESTMENT INCOME, YIELDS AND REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX)
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| NET INVESTMENT INCOME | | | | | |
| Fixed income securities | \$ 520 | \$ 518 | \$ 537 | \$ 546 | \$ 567 |
| Equity securities | 44 | 28 | 33 | 23 | 31 |
| Mortgage loans | 53 | 53 | 63 | 53 | 57 |
| Limited partnership interests | 126 | 121 | 66 | 167 | 118 |
| Short-term | 3 | 4 | 1 | 4 | 3 |
| Other | 57 | 51 | 49 | 49 | 49 |
| Subtotal | 803 | 775 | 749 | 842 | 825 |
| Less: Investment expense | (41) | (44) | (39) | (35) | (36) |
| Net investment income | <u>\$ 762</u> | <u>\$ 731</u> | <u>\$ 710</u> | <u>\$ 807</u> | <u>\$ 789</u> |
| PRE-TAX YIELDS ⁽¹⁾ | | | | | |
| Fixed income securities | 3.7 % | 3.7 % | 3.8 % | 3.8 % | 3.9 % |
| Equity securities | 3.7 | 2.3 | 2.9 | 2.4 | 3.4 |
| Mortgage loans | 4.9 | 4.9 | 5.8 | 4.8 | 5.3 |
| Limited partnership interests | 9.6 | 9.7 | 5.4 | 14.4 | 10.1 |
| Total portfolio | 4.1 | 4.0 | 3.9 | 4.4 | 4.3 |
| REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX) BY TRANSACTION TYPE | | | | | |
| Impairment write-downs | \$ (63) | \$ (59) | \$ (118) | \$ (47) | \$ (11) |
| Change in intent write-downs | (16) | (22) | (32) | (127) | (32) |
| Net other-than-temporary impairment losses recognized in earnings | (79) | (81) | (150) | (174) | (43) |
| Sales and other | 104 | (59) | (75) | 183 | 146 |
| Valuation and settlements of derivative instruments | (1) | (9) | (25) | 24 | 5 |
| Total | <u>\$ 24</u> | <u>\$ (149)</u> | <u>\$ (250)</u> | <u>\$ 33</u> | <u>\$ 108</u> |
| TOTAL RETURN ON INVESTMENT PORTFOLIO ⁽²⁾ | 1.9 % | 2.0 % | (0.2) % | - % | (0.6) % |
| AVERAGE INVESTMENT BALANCES (in billions) ⁽³⁾ | <u>\$ 76.9</u> | <u>\$ 76.8</u> | <u>\$ 76.8</u> | <u>\$ 76.9</u> | <u>\$ 76.8</u> |

⁽¹⁾ Quarterly pre-tax yield is calculated as annualized quarterly investment income, generally before investment expense (including dividend income in the case of equity securities) divided by average investment balances. Year-to-date pre-tax yield is calculated as annualized year-to-date investment income, generally before investment expense (including dividend income in the case of equity securities) divided by the beginning of the year and the end of each quarter during the year. For the purposes of the pre-tax yield calculation, income for directly held real estate, timber and other commodities is included in the net investment income less expenses of the assets reported in investment expense. For investments carried at fair value, investment balances exclude unrealized capital gains and losses.

⁽²⁾ Total return on investment portfolio is calculated from GAAP results including the total of net investment income, realized capital gains and losses, the change in unrealized net capital gains and losses, the change in fair value and carrying value of mortgage loans, cost method limited partnerships, bank loans and agent loans divided by the average fair value balances.

⁽³⁾ Average investment balances for the quarter are calculated as the average of the current and prior quarter investment balances. Year-to-date average investment balances are calculated as the average of the year and the end of each quarter during the year. For purposes of the average investment balances calculation, unrealized capital gains and losses are excluded.

THE ALLSTATE CORPORATION
PROPERTY-LIABILITY
NET INVESTMENT INCOME, YIELDS AND REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX)
(\$ in millions)

| | Three months ended | | | | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
| NET INVESTMENT INCOME | | | | | |
| Fixed income securities: | | | | | |
| Tax-exempt | \$ 23 | \$ 23 | \$ 27 | \$ 24 | \$ 26 |
| Taxable | 198 | 200 | 201 | 197 | 195 |
| Equity securities | 30 | 20 | 24 | 16 | 23 |
| Mortgage loans | 3 | 3 | 4 | 4 | 3 |
| Limited partnership interests ⁽¹⁾ | 60 | 58 | 29 | 62 | 45 |
| Short-term | 1 | 2 | - | 3 | 1 |
| Other | 23 | 20 | 18 | 20 | 20 |
| Subtotal | 338 | 326 | 303 | 326 | 313 |
| Less: Investment expense | (22) | (24) | (23) | (19) | (21) |
| Net investment income | \$ 316 | \$ 302 | \$ 280 | \$ 307 | \$ 292 |
| Net investment income, after-tax | \$ 215 | \$ 206 | \$ 192 | \$ 209 | \$ 199 |
| PRE-TAX YIELDS⁽²⁾ | | | | | |
| Fixed income securities: | | | | | |
| Tax-exempt | 2.1 % | 2.1 % | 2.6 % | 2.3 % | 2.3 % |
| Equivalent yield for tax-exempt | 3.1 | 3.1 | 3.8 | 3.4 | 3.4 |
| Taxable | 3.2 | 3.2 | 3.2 | 3.2 | 3.1 |
| Equity securities | 3.6 | 2.4 | 3.1 | 2.5 | 3.1 |
| Mortgage loans | 3.9 | 4.0 | 5.4 | 4.0 | 4.1 |
| Limited partnership interests | 8.6 | 8.9 | 4.5 | 10.1 | 7.0 |
| Total portfolio | 3.5 | 3.3 | 3.1 | 3.5 | 3.3 |
| REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX) BY ASSET TYPE | | | | | |
| Fixed income securities: | | | | | |
| Tax-exempt | \$ 4 | \$ 3 | \$ (10) | \$ 2 | \$ 1 |
| Taxable | 20 | (47) | (75) | (42) | 13 |
| Equity securities | 15 | (60) | (13) | (92) | 32 |
| Limited partnership interests | (10) | 13 | (27) | (35) | (1) |
| Derivatives and other | (3) | (8) | (28) | 6 | 4 |
| Total | \$ 26 | \$ (99) | \$ (153) | \$ (161) | \$ 49 |
| REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX) BY TRANSACTION TYPE | | | | | |
| Impairment write-downs | \$ (42) | \$ (35) | \$ (84) | \$ (30) | \$ (6) |
| Change in intent write-downs | (12) | (19) | (24) | (77) | (28) |
| Net other-than-temporary impairment losses recognized in earnings | (54) | (54) | (108) | (107) | (34) |
| Sales and other | 82 | (41) | (28) | (63) | 77 |
| Valuation and settlements of derivative instruments | (2) | (4) | (17) | 9 | 6 |
| Total | \$ 26 | \$ (99) | \$ (153) | \$ (161) | \$ 49 |
| AVERAGE INVESTMENT BALANCES (in billions)⁽³⁾ | \$ 38.5 | \$ 38.3 | \$ 38.2 | \$ 37.8 | \$ 37.6 |

⁽¹⁾ As of June 30, 2016, Property-Liability has commitments to invest in additional limited partnership interests totaling \$1.49 billion.

⁽²⁾ Quarterly pre-tax yield is calculated as annualized quarterly investment income, generally before investment expense (including dividend income in the case of equity securities), divided by the average of investment balances at the beginning of the year and the end of each quarter during the year. Year-to-date pre-tax yield is calculated as annualized year-to-date investment income, generally before investment expense (including dividend income in the case of equity securities), divided by the average of investment balances at the beginning of the year and the end of each quarter during the year. For the purposes of the pre-tax yield calculation, other consolidated investments is net of asset level operating expenses (direct expenses of the assets reported in investment expense). For investments carried at fair value, capital gains and losses.

⁽³⁾ Average investment balances for the quarter are calculated as the average of the current and prior quarter investment balances. Year-to-date average investment balances are calculated as the average of the beginning of the year and the end of each quarter during the year. For purposes of the average investment balances calculation, unrealized capital gains and losses are included.

THE ALLSTATE CORPORATION
ALLSTATE FINANCIAL
NET INVESTMENT INCOME, YIELDS AND REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX)
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | |
|--|------------------|-------------------|------------------|-------------------|------------------|----|
| NET INVESTMENT INCOME | | | | | | |
| Fixed income securities | \$ 288 | \$ 284 | \$ 300 | \$ 314 | \$ 338 | \$ |
| Equity securities | 14 | 8 | 9 | 7 | 8 | \$ |
| Mortgage loans | 50 | 50 | 59 | 49 | 54 | \$ |
| Limited partnership interests ⁽¹⁾ | 66 | 63 | 37 | 105 | 73 | \$ |
| Short-term | 1 | 2 | 1 | 1 | 1 | \$ |
| Other | 33 | 30 | 30 | 29 | 28 | \$ |
| Subtotal | 452 | 437 | 436 | 505 | 502 | \$ |
| Less: Investment expense | (17) | (18) | (16) | (14) | (13) | \$ |
| Net investment income | \$ 435 | \$ 419 | \$ 420 | \$ 491 | \$ 489 | \$ |
| Net investment income, after-tax | \$ 282 | \$ 273 | \$ 273 | \$ 319 | \$ 318 | \$ |
| PRE-TAX YIELDS⁽²⁾ | | | | | | |
| Fixed income securities | 4.7 % | 4.6 % | 4.8 % | 4.9 % | 5.1 % | % |
| Equity securities | 3.9 | 2.1 | 2.4 | 2.1 | 3.4 | % |
| Mortgage loans | 4.9 | 4.9 | 5.8 | 4.9 | 5.5 | % |
| Limited partnership interests | 10.7 | 10.7 | 6.5 | 19.4 | 14.0 | % |
| Total portfolio | 5.0 | 4.8 | 4.8 | 5.6 | 5.6 | % |
| REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX) BY ASSET TYPE | | | | | | |
| Fixed income securities | \$ (1) | \$ (26) | \$ (64) | \$ 261 | \$ 46 | \$ |
| Equity securities | (4) | (30) | (13) | (58) | 16 | \$ |
| Mortgage loans | 1 | - | 4 | 1 | 1 | \$ |
| Limited partnership interests | - | 13 | (14) | (20) | (2) | \$ |
| Derivatives and other | 4 | (6) | (10) | 10 | (2) | \$ |
| Total | \$ - | \$ (49) | \$ (97) | \$ 194 | \$ 59 | \$ |
| REALIZED CAPITAL GAINS AND LOSSES (PRE-TAX) BY TRANSACTION TYPE | | | | | | |
| Impairment write-downs | \$ (18) | \$ (24) | \$ (34) | \$ (17) | \$ (5) | \$ |
| Change in intent write-downs | (4) | (3) | (8) | (50) | (4) | \$ |
| Net other-than-temporary impairment losses recognized in earnings | (22) | (27) | (42) | (67) | (9) | \$ |
| Sales and other | 21 | (17) | (47) | 246 | 69 | \$ |
| Valuation and settlements of derivative instruments | 1 | (5) | (8) | 15 | (1) | \$ |
| Total | \$ - | \$ (49) | \$ (97) | \$ 194 | \$ 59 | \$ |
| AVERAGE INVESTMENT BALANCES (in billions)⁽³⁾ | \$ 35.9 | \$ 35.9 | \$ 36.0 | \$ 36.1 | \$ 36.1 | \$ |

⁽¹⁾ As of June 30, 2016, Allstate Financial has commitments to invest in additional limited partnership interests totaling \$1.33 billion.

⁽²⁾ Quarterly pre-tax yield is calculated as annualized quarterly investment income, generally before investment expense (including dividend income in the case of equity); prior quarter investment balances. Year-to-date pre-tax yield is calculated as annualized year-to-date investment income, generally before investment expense (including dividend income in the case of equity); divided by the average of investment balances at the beginning of the year and the end of each quarter during the year. For the purposes of the pre-tax yield calculation, other consolidated investments is net of asset level operating expenses (direct expenses of the assets reported in investment expense). For investments carried at fair value, capital gains and losses.

⁽³⁾ Average investment balances for the quarter are calculated as the average of the current and prior quarter investment balances. Year-to-date average investment balances are calculated as the average of investment balances at the beginning of the year and the end of each quarter during the year. For purposes of the average investment balances calculation, unrealized capital gains and losses are included.

THE ALLSTATE CORPORATION
INVESTMENT RESULTS
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 |
|--|------------------|-------------------|------------------|-------------------|------------------|
| Consolidated investment portfolio | | | | | |
| Interest-bearing ⁽¹⁾ | \$ 68,519 | \$ 68,163 | \$ 67,390 | \$ 68,913 | \$ 70,213 |
| Equity/owned ⁽²⁾ | 11,175 | 10,714 | 10,368 | 9,429 | 8,811 |
| Total | <u>\$ 79,694</u> | <u>\$ 78,877</u> | <u>\$ 77,758</u> | <u>\$ 78,342</u> | <u>\$ 79,024</u> |
| Consolidated portfolio total return⁽³⁾ | | | | | |
| Interest-bearing | 1.7 % | 1.9 % | (0.3) % | 0.4 % | (0.1) % |
| Equity/owned | 0.2 | 0.2 | 0.2 | (0.3) | 0.1 |
| Investment expenses | - | (0.1) | (0.1) | (0.1) | - |
| Total | <u>1.9</u> | <u>2.0</u> | <u>(0.2)</u> | <u>-</u> | <u>(0.1)</u> |
| Consolidated portfolio total return⁽³⁾ | | | | | |
| Income | 1.0 % | 0.9 % | 0.9 % | 1.0 % | 1.0 % |
| Valuation | 0.9 | 1.1 | (1.1) | (1.0) | (1.0) |
| Total | <u>1.9</u> | <u>2.0</u> | <u>(0.2)</u> | <u>-</u> | <u>(0.1)</u> |
| Consolidated net investment income | | | | | |
| Interest-bearing | \$ 623 | \$ 618 | \$ 643 | \$ 646 | \$ 618 |
| Equity/owned | 180 | 157 | 106 | 196 | 151 |
| Investment expenses | (41) | (44) | (39) | (35) | (35) |
| Total | <u>\$ 762</u> | <u>\$ 731</u> | <u>\$ 710</u> | <u>\$ 807</u> | <u>\$ 734</u> |
| Consolidated Interest-bearing pre-tax yield⁽⁴⁾ | 3.8 % | 3.7 % | 3.8 % | 3.8 % | 3.8 % |
| Property-Liability net investment income | | | | | |
| Interest-bearing excluding prepayment premiums | \$ 236 | \$ 241 | \$ 240 | \$ 240 | \$ 218 |
| Prepayment premiums | 5 | 2 | 5 | 4 | - |
| Total interest-bearing | 241 | 243 | 245 | 244 | 218 |
| Equity/owned | 97 | 83 | 58 | 82 | - |
| Less: Investment expenses | (22) | (24) | (23) | (19) | - |
| Total | 316 | 302 | 280 | 307 | 218 |
| Less: prepayment premiums | (5) | (2) | (5) | (4) | - |
| Total excluding prepayment premiums | <u>\$ 311</u> | <u>\$ 300</u> | <u>\$ 275</u> | <u>\$ 303</u> | <u>\$ 218</u> |
| Property-Liability interest-bearing pre-tax yield | 3.0 % | 3.0 % | 3.0 % | 3.0 % | 3.0 % |
| Property-Liability interest-bearing pre-tax yield excluding prepayment premiums | 3.0 % | 3.0 % | 3.0 % | 2.9 % | 2.9 % |
| Allstate Financial net investment income | | | | | |
| Interest-bearing excluding prepayment premiums | \$ 357 | \$ 361 | \$ 371 | \$ 386 | \$ 411 |
| Prepayment premiums | 12 | 2 | 17 | 5 | - |
| Total interest-bearing | 369 | 363 | 388 | 391 | 411 |
| Equity/owned | 83 | 74 | 48 | 114 | - |
| Less: Investment expenses | (17) | (18) | (16) | (14) | - |
| Total | 435 | 419 | 420 | 491 | 411 |
| Less: prepayment premiums | (12) | (2) | (17) | (5) | - |
| Total excluding prepayment premiums | <u>\$ 423</u> | <u>\$ 417</u> | <u>\$ 403</u> | <u>\$ 486</u> | <u>\$ 411</u> |
| Allstate Financial interest-bearing pre-tax yield | 4.6 % | 4.6 % | 4.8 % | 4.8 % | 4.6 % |
| Allstate Financial interest-bearing pre-tax yield excluding prepayment premiums | 4.5 % | 4.5 % | 4.6 % | 4.7 % | 4.6 % |

(1) Includes fixed income securities, mortgage loans, short-term and other investments.

(2) Includes limited partnership interests, equity securities and real estate.

(3) Total return on investment portfolio is calculated from GAAP results including the total of net investment income, realized capital gains and losses, the change in unrealized net cost value and carrying value of mortgage loans and cost method limited partnerships, divided by the average fair value balances.

(4) Quarterly pre-tax yield is calculated as annualized quarterly interest-bearing investment income, generally before investment expense divided by the average of the current and prior quarter pre-tax yield. Annual pre-tax yield is calculated as annualized year-to-date interest-bearing investment income, generally before investment expense divided by the average of interest-bearing investment balances during the year. For investments carried at fair value, investment balances exclude unrealized capital gains and losses.

THE ALLSTATE CORPORATION
INVESTMENT POSITION BY STRATEGY

(\$ in millions)

| June 30, 2016 | Total | Market-Based Core ⁽¹⁾ | Market-Based Active ⁽²⁾ | Performan Based Long-Term |
|--|------------------|-------------------------------------|---------------------------------------|---------------------------------|
| Fixed income securities | \$ 58,129 | \$ 50,788 | \$ 7,242 | \$ - |
| Equity securities | 5,265 | 4,334 | 858 | - |
| Mortgage loans | 4,453 | 4,453 | - | - |
| Limited partnership interests | 5,407 | 370 | - | 5 |
| Short-term investments | 2,850 | 2,264 | 586 | - |
| Other | 3,590 | 2,902 | 157 | - |
| Total | \$ 79,694 | \$ 65,111 | \$ 8,843 | \$ 5 |
| % of total | | 82% | 11% | |
| Property-Liability | \$ 39,689 | \$ 28,826 | \$ 7,774 | \$ 3 |
| % of Property-Liability | | 73% | 19% | |
| Allstate Financial | \$ 37,760 | \$ 34,040 | \$ 1,069 | \$ 2 |
| % of Allstate Financial | | 90% | 3% | |
| Corporate & Other | \$ 2,245 | \$ 2,245 | \$ - | \$ - |
| % of Corporate & Other | | 100% | - | |
| Unrealized net capital gains and losses | \$ 2,697 | \$ 2,550 | \$ 142 | \$ - |
| | | | | |
| December 31, 2015 | Total | Market-Based Core ⁽¹⁾ | Market-Based Active ⁽²⁾ | Performan Based Long-Term |
| Fixed income securities | \$ 57,948 | \$ 51,175 | \$ 6,691 | \$ - |
| Equity securities | 5,082 | 4,210 | 764 | - |
| Mortgage loans | 4,338 | 4,338 | - | - |
| Limited partnership interests | 4,874 | 364 | - | 4 |
| Short-term investments | 2,122 | 1,631 | 491 | - |
| Other | 3,394 | 2,783 | 183 | - |
| Total | \$ 77,758 | \$ 64,501 | \$ 8,129 | \$ 5 |
| % of total | | 83% | 10% | |
| Property-Liability | \$ 38,479 | \$ 28,525 | \$ 7,137 | \$ 2 |
| % of Property-Liability | | 74% | 19% | |
| Allstate Financial | \$ 36,792 | \$ 33,490 | \$ 992 | \$ 2 |
| % of Allstate Financial | | 91% | 3% | |
| Corporate & Other | \$ 2,487 | \$ 2,486 | \$ - | \$ - |
| % of Corporate & Other | | 100% | - | |

⁽¹⁾ Market-based core is comprised primarily of highly diversified fixed income securities, mortgage loans and equity securities to align with business

⁽²⁾ Market-based active is comprised primarily of fixed income and equity securities to generate additional returns by taking advantage of market conditions

⁽³⁾ Performance-based long-term is comprised primarily of private equity and real estate investments to generate returns over an extended horizon

⁽⁴⁾ Performance-based opportunistic primarily generates returns by taking advantage of asset dislocations and by selectively providing liquidity to investors

THE ALLSTATE CORPORATION
INVESTMENT RESULTS BY STRATEGY
(\$ in millions)

Three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | |
|--|------------------|-------------------|------------------|-------------------|------------------|----|
| Investment income | | | | | | |
| Market-Based Core | \$ 595 | \$ 581 | \$ 614 | \$ 612 | \$ 640 | \$ |
| Market-Based Active | 67 | 61 | 59 | 52 | 52 | \$ |
| Performance-Based Long-Term | 138 | 131 | 74 | 176 | 130 | \$ |
| Performance-Based Opportunistic | 3 | 2 | 2 | 2 | 3 | \$ |
| Investment income, before expense | 803 | 775 | 749 | 842 | 825 | \$ |
| Investment expense | (41) | (44) | (39) | (35) | (36) | \$ |
| Net investment income | <u>\$ 762</u> | <u>\$ 731</u> | <u>\$ 710</u> | <u>\$ 807</u> | <u>\$ 789</u> | \$ |
| PBLT Asset level operating expense ⁽¹⁾ | <u>\$ (8)</u> | <u>\$ (8)</u> | <u>\$ (4)</u> | <u>\$ (4)</u> | <u>\$ (5)</u> | \$ |
| Realized capital gains and losses | | | | | | |
| Market-Based Core | \$ 13 | \$ (91) | \$ (153) | \$ 102 | \$ 63 | \$ |
| Market-Based Active | 39 | (47) | (49) | (63) | 48 | \$ |
| Performance-Based Long-Term | (27) | (11) | (49) | - | (5) | \$ |
| Performance-Based Opportunistic | (1) | - | 1 | (6) | 2 | \$ |
| Total | <u>\$ 24</u> | <u>\$ (149)</u> | <u>\$ (250)</u> | <u>\$ 33</u> | <u>\$ 108</u> | \$ |

⁽¹⁾ When calculating the pre-tax yields, asset level operating expenses are netted against income for directly held real estate, timber and other consolidated invest

THE ALLSTATE CORPORATION
INVESTMENT INCOME AND REALIZED CAPITAL GAINS AND LOSSES BY INVESTMENT TYPE AND ST
(\$ in millions)

| | Total | Market- Based Core | Market- Based Active | Perform Base Long-T |
|--|-----------------|--------------------------|----------------------------|---------------------------|
| Three months ended June 30, 2016 | | | | |
| Investment income | | | | |
| Fixed income securities | \$ 520 | \$ 461 | \$ 56 | \$ |
| Equity securities | 44 | 37 | 7 | - |
| Mortgage loans | 53 | 53 | - | - |
| Limited partnership interests | 126 | - | - | - |
| Short-term investments | 3 | 2 | 1 | - |
| Other | 57 | 42 | 3 | - |
| Investment income, before expense | <u>803</u> | <u>\$ 595</u> | <u>\$ 67</u> | <u>\$</u> |
| Investment expense | <u>(41)</u> | | | |
| Net investment income | <u>\$ 762</u> | | | |
| Realized capital gains and losses | | | | |
| Fixed income securities | \$ 24 | \$ (11) | \$ 36 | \$ |
| Equity securities | 11 | 13 | 9 | - |
| Mortgage loans | 1 | 1 | - | - |
| Limited partnership interests | (13) | 7 | - | - |
| Short-term investments | - | - | - | - |
| Other | 1 | 3 | (6) | - |
| Total | <u>\$ 24</u> | <u>\$ 13</u> | <u>\$ 39</u> | <u>\$</u> |
| Six months ended June 30, 2016 | | | | |
| Investment income | | | | |
| Fixed income securities | \$ 1,038 | \$ 922 | \$ 110 | \$ |
| Equity securities | 72 | 61 | 11 | - |
| Mortgage loans | 106 | 106 | - | - |
| Limited partnership interests | 247 | - | - | - |
| Short-term investments | 7 | 5 | 2 | - |
| Other | 108 | 82 | 5 | - |
| Investment income, before expense | <u>1,578</u> | <u>\$ 1,176</u> | <u>\$ 128</u> | <u>\$</u> |
| Investment expense | <u>(85)</u> | | | |
| Net investment income | <u>\$ 1,493</u> | | | |
| Realized capital gains and losses | | | | |
| Fixed income securities | \$ (47) | \$ (68) | \$ 23 | \$ |
| Equity securities | (79) | (27) | (18) | - |
| Mortgage loans | 1 | 1 | - | - |
| Limited partnership interests | 13 | 20 | - | - |
| Short-term investments | - | - | - | - |
| Other | (13) | (4) | (13) | - |
| Total | <u>\$ (125)</u> | <u>\$ (78)</u> | <u>\$ (8)</u> | <u>\$</u> |

THE ALLSTATE CORPORATION
PERFORMANCE-BASED LONG-TERM INVESTMENTS ("PBLT")
(\$ in millions)

As of or for the three months ended

| | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | |
|---|------------------|-------------------|------------------|-------------------|------------------|----|
| Investment position | | | | | | |
| Limited partnerships | | | | | | |
| Private equity ⁽¹⁾ | \$ 3,663 | \$ 3,324 | \$ 3,181 | \$ 3,131 | \$ 3,012 | \$ |
| Real estate ⁽²⁾ | 1,204 | 1,229 | 1,166 | 1,160 | 1,164 | |
| Timber & agriculture-related ⁽³⁾ | 170 | 170 | 163 | 151 | - | |
| PBLT - limited partnerships | <u>5,037</u> | <u>4,723</u> | <u>4,510</u> | <u>4,442</u> | <u>4,176</u> | |
| Other ⁽⁴⁾ | | | | | | |
| Private equity | 97 | 103 | 71 | 93 | 70 | |
| Real estate | 358 | 361 | 301 | 288 | 242 | |
| Timber & agriculture-related | 166 | 167 | 167 | 167 | 167 | |
| PBLT - other | <u>621</u> | <u>631</u> | <u>539</u> | <u>548</u> | <u>479</u> | |
| Total | | | | | | |
| Private equity | 3,760 | 3,427 | 3,252 | 3,224 | 3,082 | |
| Real estate | 1,562 | 1,590 | 1,467 | 1,448 | 1,406 | |
| Timber & agriculture-related | 336 | 337 | 330 | 318 | 167 | |
| Total PBLT | <u>\$ 5,658</u> | <u>\$ 5,354</u> | <u>\$ 5,049</u> | <u>\$ 4,990</u> | <u>\$ 4,655</u> | \$ |
| Investment income | | | | | | |
| Limited partnerships | | | | | | |
| Private equity | \$ 113 | \$ 85 | \$ 47 | \$ 162 | \$ 113 | \$ |
| Real estate | 12 | 33 | 20 | 5 | 10 | |
| Timber & agriculture-related | 1 | 3 | (1) | - | - | |
| PBLT - limited partnerships | <u>126</u> | <u>121</u> | <u>66</u> | <u>167</u> | <u>123</u> | |
| Other | | | | | | |
| Private equity | 1 | - | - | 1 | - | |
| Real estate | 8 | 8 | 6 | 7 | 5 | |
| Timber & agriculture-related | 3 | 2 | 2 | 1 | 2 | |
| PBLT - other | <u>12</u> | <u>10</u> | <u>8</u> | <u>9</u> | <u>7</u> | |
| Total | | | | | | |
| Private equity | 114 | 85 | 47 | 163 | 113 | |
| Real estate | 20 | 41 | 26 | 12 | 15 | |
| Timber & agriculture-related | 4 | 5 | 1 | 1 | 2 | |
| Total PBLT | <u>\$ 138</u> | <u>\$ 131</u> | <u>\$ 74</u> | <u>\$ 176</u> | <u>\$ 130</u> | \$ |
| Asset level operating expense ⁽⁵⁾ | <u>\$ (8)</u> | <u>\$ (8)</u> | <u>\$ (4)</u> | <u>\$ (4)</u> | <u>\$ (5)</u> | \$ |
| Realized capital gains and losses | | | | | | |
| Limited partnerships | | | | | | |
| Private equity | \$ (20) | \$ 12 | \$ (49) | \$ (3) | \$ (3) | \$ |
| Real estate | - | 1 | - | (2) | - | |
| Timber & agriculture-related | - | - | - | - | - | |
| PBLT - limited partnerships | <u>(20)</u> | <u>13</u> | <u>(49)</u> | <u>(5)</u> | <u>(3)</u> | |
| Other | | | | | | |
| Private equity | (7) | (25) | 1 | 6 | (1) | |
| Real estate | - | 1 | (1) | (1) | (1) | |
| Timber & agriculture-related | - | - | - | - | - | |
| PBLT - other | <u>(7)</u> | <u>(24)</u> | <u>-</u> | <u>5</u> | <u>(2)</u> | |
| Total | | | | | | |
| Private equity | (27) | (13) | (48) | 3 | (4) | |
| Real estate | - | 2 | (1) | (3) | (1) | |
| Timber & agriculture-related | - | - | - | - | - | |
| Total PBLT | <u>\$ (27)</u> | <u>\$ (11)</u> | <u>\$ (49)</u> | <u>\$ -</u> | <u>\$ (5)</u> | \$ |
| Pre-Tax Yield ⁽⁶⁾ | 9.4 % | 9.4 % | 5.6 % | 14.3 % | 10.6 % | |
| Internal Rate of Return ("IRR") ⁽⁷⁾ | 10.2 % | 10.5 % | 10.8 % | 11.3 % | 11.3 % | |

(1) Includes Private equity on page 50, excluding Timber and agriculture-related.

(2) Includes Real estate on page 50.

(3) Includes Timber and agriculture-related reflected in Private equity on page 56.

(4) Includes PBLT - fixed income securities, equity securities and other investments on page 56.

(5) When calculating the pre-tax yields, asset level operating expenses are netted against income for directly held real estate, timber and other consolidated investments.

(6) Quarterly pre-tax yield is calculated as annualized quarterly PBLT investment income, generally before investment expense (including dividend income in the case of equity securities) divided by the average of PBLT investment balances at the beginning of the year and the end of each quarter during the year. For the purposes of the pre-tax and other consolidated investments is net of asset level operating expenses (direct expenses of the assets reported in investment expense). For investments carried at fair value, gains and losses.

(7) We calculate the internal rate of return ("IRR") for our PBLT investments as an input to assess their performance. The IRR represents the rate of return on the investment flows, which may differ significantly from the recognition of income in the financial statements. Until an investment is liquidated, through final distribution or disposal, the method may differ from those used by other investors. Our PBLT portfolio is diversified by asset type and vintage year. We use IRR as a metric to evaluate the overall performance expectations. The IRR calculation includes cash flows paid or received related to PBLT investments during the 10 year period ended as of the reporting date. Fluctuation by the investments could have a significant impact on the IRR.

Definitions of Non-GAAP Measures

We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those of other companies.

Operating income is net income applicable to common shareholders, 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 net income
- valuation changes on embedded derivatives that are not hedged, after-tax,
- 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 or valuation changes
- amortization of purchased intangible assets, after-tax,
- gain (loss) 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 a change in the nature of the charge or gain.

Net income applicable to common shareholders is the GAAP measure that is most directly comparable to operating income. We use operating income as an important measure to evaluate our results and trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, and adjustments for other significant non-recurring, infrequent or unusual items, are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income is used by management to assess our performance. We use adjusted measures of operating income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income applicable to common shareholders and reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of the industry and the company and management's performance. We note that the price to earnings multiple is calculated using net income as the denominator. Operating income should not be considered a substitute for net income applicable to common shareholders and does not reflect the overall profitability of our business. A reconciliation of net income to operating income is provided in the schedule, "Contribution to Income".

Underwriting income is calculated as premiums earned, less claims and claims expense ("losses"), amortization of DAC, operating costs and expenses and restructuring and related charges as determined to analyze the profitability of our Property-Liability insurance operations separately from investment results. It is also an integral component of incentive compensation. It is useful for investors to evaluate net income applicable to common shareholders is the most directly comparable GAAP measure. Underwriting income should not be considered a substitute for net income applicable to common shareholders. Underwriting income to net income applicable to common shareholders is provided in the schedule, "Property-Liability Results".

Combined ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between two GAAP operating ratios: the combined ratio and the effect of catastrophes on 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. Catastrophe losses cause our loss trends to vary significantly and can have a significant impact on the combined ratio. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. Operating income should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business. A reconciliation of the combined ratio excluding the effect of catastrophes to combined ratio is provided in the schedule, "Combined Ratio".

Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between three GAAP operating ratios: the combined ratio, the effect of prior year non-catastrophe reserve reestimates on the combined ratio and the effect of amortization of purchased intangible assets on 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, prior year reserve reestimates and amortization of purchased intangible assets. Catastrophe losses cause our loss trends to vary significantly and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. Amortization of purchased intangible assets is a non-recurring, infrequent or unusual item. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide a reconciliation of the underlying combined ratio to the combined ratio. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business. A reconciliation of the underlying combined ratio to the combined ratio is provided in the schedule, "Underlying Combined Ratio".

Average underlying loss (incurred pure premium) and expense is calculated as the underlying combined ratio (a non-GAAP measure) multiplied by the GAAP quarterly earned premium, which is used by management for the same reasons noted above for the underlying combined ratio. A reconciliation of average underlying loss and expense is provided in the schedule, "Allstate Average Underlying Loss and Expense".

Underlying loss ratio is a non-GAAP ratio, which is computed as the difference between three GAAP operating ratios: the loss ratio, the effect of catastrophes on the combined ratio and the effect of prior year reserve reestimates on the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends that may be obscured by catastrophe losses and prior year reserve reestimates. Catastrophe losses cause our loss trends to vary significantly and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide a reconciliation of the underlying loss ratio to the loss ratio. The underlying loss ratio should not be considered a substitute for the loss ratio and does not reflect the overall loss ratio of our business. A reconciliation of the underlying loss ratio to the loss ratio is provided in the schedule, "Underlying Loss Ratio".

Operating income return on common shareholders' 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 common shareholders' equity, excluding the effect of unrealized net capital gains and losses. Return on common shareholders' equity is the most directly comparable GAAP measure. We use operating income as the numerator for the same reasons we use operating income as the numerator for the combined ratio. Return on common shareholders' equity is primarily attributable to the Company's earned and realized business results and is generally driven by economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. Return on common shareholders' equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine operating income return on common shareholders' equity is that it provides a measure of our performance that is consistent with the transparency and understanding of their significance to return on common shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. We use operating income return on common shareholders' equity in incentive compensation. Therefore, we believe it is useful for investors to have operating income return on common shareholders' equity and return on common shareholders' equity when evaluating our performance. Rating agencies utilize operating income return on common shareholders' equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and the industry and the company and management's utilization of capital. Operating income return on common shareholders' equity should not be considered a substitute for return on common shareholders' equity and operating income return on common shareholders' equity can be found in the schedule, "Return on Common Shareholders' Equity".

Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, is a ratio that uses a non-GAAP measure. It is calculated by dividing book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, by total common shares outstanding plus dilutive potential common shares outstanding. We use the trend in book value per common share, in conjunction with book value per common 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 and management and are generally driven by economic developments, primarily capital market conditions, the magnitude and timing of which are generally not influenced by management, and we believe it enhances the transparency and understanding of their significance to return on common shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. We note that book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, is a measure commonly used by insurance companies to evaluate their performance. Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, should not be considered a substitute for book value per common share. Book value per common share, excluding the impact of unrealized net capital gains on fixed income securities, and book value per common share can be found in the schedule, "Book Value per Common Share".

