

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
<i>(In millions, except per share amounts)</i>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net premiums written	\$ 264.0	\$ 268.5	\$ 780.8	\$ 824.7 ^(B)
Earned premiums	255.8	262.9	768.6	789.7
Net investment income	20.6	20.1	61.6	58.4
Net realized gain on investments	2.0	4.4	2.5	6.8
Other income	1.2	1.1	3.7	3.7
Total revenue	<u>279.6</u>	<u>288.5</u>	<u>836.4</u>	<u>858.6</u>
Income before federal income taxes	42.4	20.2	98.9	132.4
Federal income tax expense	11.2	3.4	23.4	36.0
Net income	<u>\$ 31.2</u>	<u>\$ 16.8</u>	<u>\$ 75.5</u>	<u>\$ 96.4</u>
Earnings per share:				
- basic	\$ 0.76	\$ 0.41	\$ 1.85	\$ 2.39
- diluted	\$ 0.75	\$ 0.41	\$ 1.82	\$ 2.35
Earnings per share from operations ^(A) :				
- basic	\$ 0.73	\$ 0.34	\$ 1.81	\$ 2.28
- diluted	\$ 0.72	\$ 0.34	\$ 1.78	\$ 2.24
Weighted average shares outstanding:				
- basic	41.0	40.4	40.8	40.3
- diluted	41.6	41.2	41.6	41.0
Book value per share	\$ 20.63	\$ 18.20		
Dividends paid per share	\$ 0.10	\$ 0.09	\$ 0.28	\$ 0.18
Total shares outstanding	41.0	40.4		
GAAP ratios:				
Loss and LAE ratio	56.7	69.3	60.7	58.5
Expense ratio	34.2	30.9	33.3	31.5
Combined ratio	<u>90.9</u>	<u>100.2</u>	<u>94.0</u>	<u>90.0</u>
^(A) Net income from operations:				
Net income	\$ 31.2	\$ 16.8	\$ 75.5	\$ 96.4
Less net realized gains on investments, less applicable federal income taxes	1.3	2.9	1.6	4.4
Net income from operations	<u>\$ 29.9</u>	<u>\$ 13.9</u>	<u>\$ 73.9</u>	<u>\$ 92.0</u>

^(B) Net premiums written for the nine months ended September 30, 2005, includes \$23.9 million of unearned premiums transferred to STFC in connection with the addition of Meridian Security Insurance Company and Meridian Citizens Mutual Insurance Company to the State Auto Pool, effective January 1, 2005.

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	<u>September 30</u>	<u>December 31</u>
<i>(\$ millions, except per share amounts)</i>	2006	2005
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost \$1,608.8 and \$1,597.3, respectively)	\$ 1,626.6	\$ 1,617.3
Equity securities, at fair value (cost \$217.9 and \$224.8, respectively)	257.3	255.6
Other invested assets	<u>6.0</u>	<u>7.0</u>
Total investments	1,889.9	1,879.9
Cash and cash equivalents	70.3	28.7
Securities lending collateral	-	99.0
Accrued investment income and other assets	48.1	45.1
Deferred policy acquisition costs	108.1	106.0
Net prepaid pension expense	63.6	59.2
Reinsurance recoverable on losses and loss expenses payable	14.0	17.4
Due from affiliate	14.9	7.1
Prepaid reinsurance premiums	5.7	6.1
Current federal income taxes	11.3	3.7
Deferred federal income taxes	9.7	10.1
Property and equipment, net	<u>12.5</u>	<u>12.6</u>
Total assets	<u>\$ 2,248.1</u>	<u>\$ 2,274.9</u>
LIABILITIES		
Losses and loss expenses payable	\$ 703.9	\$ 728.7
Unearned premiums	444.7	432.9
Notes payable (affiliate \$15.5)	118.5	118.7
Postretirement benefit liabilities	95.3	89.2
Securities lending obligation	-	99.0
Other liabilities	<u>39.6</u>	<u>42.9</u>
Total liabilities	1,402.0	1,511.4
STOCKHOLDERS' EQUITY		
Common stock, without par value. Authorized 100.0 shares; 45.7 and 45.1 shares issued, respectively, at stated value of \$2.50 per share	114.2	112.8
Less 4.7 and 4.6 treasury shares, at cost, respectively	(58.0)	(56.8)
Additional paid-in capital	84.7	70.2
Accumulated other comprehensive income	38.1	34.3
Retained earnings	<u>667.1</u>	<u>603.0</u>
Total stockholders' equity	<u>846.1</u>	<u>763.5</u>
Total liabilities and stockholders' equity	<u>\$ 2,248.1</u>	<u>\$ 2,274.9</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
<i>(\$ millions, except per share amounts)</i>				
Earned premiums	\$ 255.8	\$ 262.9	\$ 768.6	\$ 789.7
Net investment income	20.6	20.1	61.6	58.4
Net realized gain on investments	2.0	4.4	2.5	6.8
Other income (includes \$0.7 and \$0.7, and \$2.2 and \$2.2, respectively from affiliates)	1.2	1.1	3.7	3.7
Total revenues	279.6	288.5	836.4	858.6
Losses and loss expenses	145.0	182.2	466.3	461.7
Acquisition and operating expenses	87.6	81.3	256.0	248.7
Interest expense (includes \$0.4 and \$0.7, and \$1.1 and \$2.1, respectively to affiliates)	1.9	2.2	5.6	6.6
Other expenses	2.7	2.6	9.6	9.2
Total expenses	237.2	268.3	737.5	726.2
Income before federal income taxes	42.4	20.2	98.9	132.4
Federal income tax expense	11.2	3.4	23.4	36.0
Net income	<u>\$ 31.2</u>	<u>\$ 16.8</u>	<u>\$ 75.5</u>	<u>\$ 96.4</u>
Earnings per common share:				
Basic	<u>\$ 0.76</u>	<u>\$ 0.41</u>	<u>\$ 1.85</u>	<u>\$ 2.39</u>
Diluted	<u>\$ 0.75</u>	<u>\$ 0.41</u>	<u>\$ 1.82</u>	<u>\$ 2.35</u>
Dividends paid per common share	<u>\$ 0.100</u>	<u>\$ 0.090</u>	<u>\$ 0.280</u>	<u>\$ 0.180</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(\$ millions)	Nine Months Ended September 30	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 75.5	\$ 96.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other, net	7.5	7.1
Share-based compensation	5.4	0.6
Net realized gains on investments	(2.5)	(6.8)
Changes in operating assets and liabilities:		
Deferred policy acquisition costs	(2.0)	(7.0)
Accrued investment income and other assets	(0.1)	3.3
Net prepaid pension expense	(4.4)	(5.1)
Postretirement health care benefits	6.1	6.7
Other liabilities and due to/from affiliate, net	(11.4)	(12.0)
Reinsurance receivable and prepaid reinsurance premiums	3.8	15.6
Losses and loss expenses payable	(24.8)	24.6
Unearned premiums	11.8	9.5
Federal income taxes	(8.9)	(15.9)
Cash provided from adding Meridian Security Insurance Company and Meridian Citizens Mutual Insurance Company business to the reinsurance pool, effective 1/1/05		
	-	54.0
Net cash provided by operating activities	56.0	171.0
Cash flows from investing activities:		
Purchase of fixed maturities - available-for-sale	(172.1)	(453.1)
Purchase of equity securities - available-for-sale	(65.2)	(70.5)
Purchase of other invested assets	(0.6)	(2.8)
Maturities, calls and principal reductions of fixed maturities - available-for-sale	61.0	86.7
Sale of fixed maturities - available-for-sale	86.3	236.6
Sale of equity securities - available-for-sale	77.4	30.0
Sale of other invested assets	1.7	-
Net additions of property and equipment	(0.2)	(0.2)
Net cash used in investing activities	(11.7)	(173.3)
Cash flows from financing activities:		
Cash proceeds from stock option exercises	6.2	2.8
Change in securities lending collateral	99.0	24.5
Change in securities lending obligation	(99.0)	(24.5)
Payment of common stock dividends	(11.4)	(4.9)
Excess tax benefits on share based awards	2.5	-
Net cash used in financing activities	(2.7)	(2.1)
Net increase (decrease) in cash and cash equivalents	41.6	(4.4)
Cash and cash equivalents at beginning of period	28.7	64.3
Cash and cash equivalents at end of period	\$ 70.3	\$ 59.9
Supplemental disclosures:		
Federal income taxes paid	\$ 29.4	\$ 51.9
Interest paid (\$1.1 and \$2.0 to affiliates)	\$ 4.2	\$ 5.1

STATE AUTO FINANCIAL CORPORATION

YEAR-TO-DATE DIRECT PREMIUMS WRITTEN

(unaudited)

(\$ millions)

	<u>3/31/2006</u>	<u>3/31/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Direct Premiums Written:				
Automobile - personal	\$ 102.5	\$ 113.7	\$ 204.1	\$ 223.5
Automobile - commercial	26.0	26.6	53.3	55.0
Homeowners and farmowners	42.2	41.3	97.3	95.4
Commercial multi-peril	22.0	21.2	45.5	44.3
Workers' compensation	8.4	9.0	17.9	17.6
Fire and allied lines	20.2	20.3	41.6	42.1
Other/products liability	23.6	22.4	48.0	46.2
Misc. pers./bus. lines	8.6	8.6	18.2	18.1
	<u>\$ 253.5</u>	<u>\$ 263.1</u>	<u>\$ 525.9</u>	<u>\$ 542.2</u>

	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Direct Premiums Written:				
Automobile - personal	\$ 307.7	\$ 330.3		\$ 429.4
Automobile - commercial	77.1	80.1		102.5
Homeowners and farmowners	153.8	151.6		199.6
Commercial multi-peril	68.4	66.8		87.9
Workers' compensation	26.7	26.2		34.2
Fire and allied lines	63.6	64.0		85.3
Other/products liability	69.8	69.2		90.2
Misc. pers./bus. lines	27.1	27.2		35.2
	<u>\$ 794.2</u>	<u>\$ 815.4</u>	<u>\$ -</u>	<u>\$ 1,064.3</u>

STATE AUTO FINANCIAL CORPORATION
NET PREMIUMS WRITTEN
(unaudited)

<i>(\$ millions)</i>	Three Months Ended		<u>Change</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	
Net Premiums Written:			
Automobile - personal standard	\$ 93.0	\$ 94.1	-1.2%
Automobile - personal nonstandard	10.7	12.7	-15.7%
Automobile - commercial	23.7	25.1	-5.6%
Homeowners and farmowners	56.2	56.1	0.2%
Commercial multi-peril	22.5	22.1	1.8%
Workers' compensation	9.0	8.6	4.7%
Fire and allied lines	21.9	21.6	1.4%
Other/products liability	18.7	19.6	-4.6%
Misc. pers./bus. lines	8.3	8.6	-3.5%
Total	<u>\$ 264.0</u>	<u>\$ 268.5</u>	<u>-1.7%</u>

	Year-to-Date		<u>Change</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	
Net Premiums Written:			
Automobile - personal standard	\$ 274.8	\$ 290.5	-5.4%
Automobile - personal nonstandard	33.3	38.8	-14.2%
Automobile - commercial	76.9	79.8	-3.6%
Homeowners and farmowners	153.6	151.4	1.5%
Commercial multi-peril	67.3	65.8	2.3%
Workers' compensation	26.6	26.3	1.1%
Fire and allied lines	63.3	63.6	-0.5%
Other/products liability	59.5	58.9	1.0%
Misc. pers./bus. lines	25.5	25.6	-0.4%
Total	<u>\$ 780.8</u>	<u>\$ 800.7</u>	<u>-2.5%</u>

STATE AUTO FINANCIAL CORPORATION
NET PREMIUMS EARNED
(unaudited)

<i>(\$ millions)</i>	Three Months Ended		<u>Change</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	
Net Premiums Earned:			
Automobile - personal standard	\$ 90.6	\$ 96.3	-5.9%
Automobile - personal nonstandard	11.0	12.7	-13.4%
Automobile - commercial	25.1	25.9	-3.1%
Homeowners and farmowners	50.1	49.1	2.0%
Commercial multi-peril	21.9	21.4	2.3%
Workers' compensation	8.8	8.6	2.3%
Fire and allied lines	21.0	21.1	-0.5%
Other/products liability	19.0	19.6	-3.1%
Misc. pers./bus. lines	8.3	8.2	1.2%
Total	<u>\$ 255.8</u>	<u>\$ 262.9</u>	<u>-2.7%</u>

	Year-to-Date		<u>Change</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	
Net Premiums Earned:			
Automobile - personal standard	\$ 272.2	\$ 292.6	-7.0%
Automobile - personal nonstandard	34.2	41.0	-16.6%
Automobile - commercial	75.5	77.5	-2.6%
Homeowners and farmowners	150.2	145.5	3.2%
Commercial multi-peril	65.5	62.8	4.3%
Workers' compensation	25.4	25.6	-0.8%
Fire and allied lines	63.4	63.6	-0.3%
Other/products liability	57.6	56.7	1.6%
Misc. pers./bus. lines	24.6	24.4	0.8%
Total	<u>\$ 768.6</u>	<u>\$ 789.7</u>	<u>-2.7%</u>

STATE AUTO FINANCIAL CORPORATION

QUARTERLY GAAP RATIOS

State Auto Standard Insurance Segment

(unaudited)

	<u>3/31/2006</u>	<u>3/31/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Loss & LAE ratios:				
Automobile - personal	56.7%	57.9%	58.1%	60.4%
Automobile - commercial	30.8%	57.1%	39.4%	59.3%
Homeowners & farmowners	54.1%	40.4%	136.4%	53.1%
Commercial multi-peril	41.3%	42.8%	76.3%	48.0%
Workers' compensation	28.1%	65.7%	64.3%	49.8%
Fire and allied lines	61.8%	43.0%	111.0%	35.8%
Other/products liability	30.3%	64.2%	41.1%	41.5%
Misc. pers./bus. lines	47.1%	25.0%	30.7%	22.4%
Total loss & LAE ratio	<u>49.3%</u>	<u>51.6%</u>	<u>76.3%</u>	<u>52.7%</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Loss & LAE ratios:				
Automobile - personal	55.5%	56.0%		64.2%
Automobile - commercial	44.5%	52.1%		47.7%
Homeowners & farmowners	81.2%	101.0%		53.2%
Commercial multi-peril	65.0%	97.8%		48.2%
Workers' compensation	68.8%	87.0%		65.7%
Fire and allied lines	28.5%	71.0%		94.2%
Other/products liability	39.3%	51.0%		36.6%
Misc. pers./bus. lines	35.3%	42.0%		47.0%
Total loss & LAE ratio	<u>56.7%</u>	<u>69.5%</u>		<u>58.7%</u>

STATE AUTO FINANCIAL CORPORATION

YEAR-TO-DATE GAAP RATIOS

State Auto Standard Insurance Segment

(unaudited)

	<u>3/31/2006</u>	<u>3/31/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Loss & LAE ratios:				
Automobile - personal	56.7%	57.9%	57.4%	59.1%
Automobile - commercial	30.8%	57.1%	35.1%	58.2%
Homeowners & farmowners	54.1%	40.4%	95.3%	46.8%
Commercial multi-peril	41.3%	42.8%	58.9%	45.4%
Workers' compensation	28.1%	65.7%	46.5%	57.9%
Fire and allied lines	61.8%	43.0%	86.3%	39.4%
Other/products liability	30.3%	64.2%	35.8%	52.6%
Misc. pers./bus. lines	47.1%	25.0%	38.9%	23.7%
Total loss & LAE ratio	<u>49.3%</u>	<u>51.6%</u>	<u>62.8%</u>	<u>52.1%</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Loss & LAE ratios:				
Automobile - personal	56.8%	57.7%		59.3%
Automobile - commercial	38.2%	56.1%		54.0%
Homeowners & farmowners	90.6%	65.1%		62.0%
Commercial multi-peril	61.0%	63.8%		59.8%
Workers' compensation	54.2%	67.3%		66.9%
Fire and allied lines	67.1%	50.0%		61.1%
Other/products liability	37.0%	52.8%		48.6%
Misc. pers./bus. lines	37.7%	31.2%		35.2%
Total loss & LAE ratio	<u>60.8%</u>	<u>57.9%</u>		<u>58.1%</u>

STATE AUTO FINANCIAL CORPORATION
QUARTERLY GAAP RATIOS
STATE AUTO NONSTANDARD INSURANCE SEGMENT
(unaudited)

	<u>3/31/2006</u>	<u>3/31/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Loss & LAE ratios:				
Automobile	<u>58.4%</u>	<u>73.2%</u>	<u>60.8%</u>	<u>66.0%</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Loss & LAE ratios:				
Automobile	<u>56.3%</u>	<u>67.2%</u>	<u> </u>	<u>49.2%</u>

YEAR-TO-DATE STATUTORY RATIOS
STATE AUTO NONSTANDARD INSURANCE SEGMENT
(unaudited)

	<u>3/31/2006</u>	<u>3/31/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Loss & LAE ratios:				
Automobile	<u>58.4%</u>	<u>73.2%</u>	<u>59.6%</u>	<u>69.7%</u>
	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Loss & LAE ratios:				
Automobile	<u>58.5%</u>	<u>68.9%</u>	<u> </u>	<u>64.4%</u>

STATE AUTO FINANCIAL CORPORATION
ROLLING FOUR QUARTER - PAID LOSS COST TRENDS
STANDARD PRIVATE PASSENGER AUTO
(unaudited)

<u>Line of Business</u>	<u>Frequency</u>	<u>09/30/2006</u> <u>Severity</u>	<u>Pure Prem</u>
Bodily Injury	-3.2%	1.6%	-1.6%
Property Damage	-4.3%	2.4%	-2.0%
Medical Payments	-7.2%	11.8%	3.8%
Personal Injury Prot	-5.0%	17.9%	12.0%
Comprehensive	-4.5%	9.7%	4.8%
Collision	-3.5%	4.4%	0.7%
Total	-4.2%	4.9%	0.4%

STATE AUTO FINANCIAL CORPORATION
Base Rate Changes Taken During the Rolling Four Quarters
Ended September 30, 2006

	Prior 12 Months <u>% Change</u>
Standard Private Passenger Auto	-2.0%
Non Standard Private Passenger Auto	-4.8%
Homeowners	-1.0%
Dwelling	0.9%
Personal Umbrella	0.7%
General Liability	-0.4%
Workers' Compensation	1.1%
Commercial Auto	-0.5%
Contractors' Package	-0.9%
	1.6%
Commercial Property	-1.3%
Farmowners	2.3%
	1.6%
Total	-1.2%