

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended December 31		Year Ended December 31	
<i>(In millions, except per share amounts)</i>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net premiums written	\$ 238.7	\$ 244.8	\$ 1,019.5	\$ 1,069.5 ^(B)
Earned premiums	255.2	260.6	1,023.8	1,050.3
Net investment income	21.5	20.3	83.1	78.7
Net realized gain (loss) on investments	3.1	(1.2)	5.6	5.6
Other income	1.2	1.2	4.9	4.9
Total revenue	<u>281.0</u>	<u>280.9</u>	<u>1,117.4</u>	<u>1,139.5</u>
Income before federal income taxes	62.8	39.6	161.7	172.0
Federal income tax expense	17.9	10.1	41.3	46.1
Net income	<u>\$ 44.9</u>	<u>\$ 29.5</u>	<u>\$ 120.4</u>	<u>\$ 125.9</u>
Earnings per share:				
- basic	\$ 1.10	\$ 0.73	\$ 2.95	\$ 3.12
- diluted	\$ 1.08	\$ 0.71	\$ 2.90	\$ 3.06
Earnings per share from operations ^(A) :				
- basic	\$ 1.05	\$ 0.75	\$ 2.86	\$ 3.03
- diluted	\$ 1.03	\$ 0.73	\$ 2.81	\$ 2.97
Weighted average shares outstanding:				
- basic	41.0	40.4	40.9	40.3
- diluted	41.7	41.3	41.6	41.1
Book value per share	\$ 20.32	\$ 18.86		
Dividends paid per share	\$ 0.10	\$ 0.09	\$ 0.38	\$ 0.27
Total shares outstanding	41.1	40.5		
GAAP ratios:				
Loss and LAE ratio	47.5	58.2	57.4	58.4
Expense ratio	36.0	32.3	34.0	31.7
Combined ratio	<u>83.5</u>	<u>90.5</u>	<u>91.4</u>	<u>90.1</u>

^(A) Net income from operations:

Net income	\$ 44.9	\$ 29.5	\$ 120.4	\$ 125.9
Less net realized gains (losses) on investments, less applicable federal income taxes	2.0	(0.8)	3.7	3.6
Net income from operations	<u>\$ 42.9</u>	<u>\$ 30.3</u>	<u>\$ 116.7</u>	<u>\$ 122.3</u>

^(B) Net premiums written for the year ended December 31, 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>December 31</u> 2006	<u>December 31</u> 2005
<i>(\$ millions, except per share amounts)</i>		
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost \$1,630.6 and \$1,597.3, respectively)	\$ 1,647.4	\$ 1,617.3
Equity securities, at fair value (cost \$230.8 and \$224.8, respectively)	284.2	255.6
Other invested assets	<u>6.3</u>	<u>7.0</u>
Total investments	1,937.9	1,879.9
Cash and cash equivalents	73.4	28.7
Securities lending collateral	-	99.0
Accrued investment income and other assets	43.7	45.1
Deferred policy acquisition costs	104.0	106.0
Net prepaid pension expense	-	59.2
Reinsurance recoverable on losses and loss expenses payable	13.5	17.4
Due from affiliate	17.9	7.1
Prepaid reinsurance premiums	6.0	6.1
Current federal income taxes	-	3.7
Deferred federal income taxes	46.3	10.1
Property and equipment, net	<u>12.4</u>	<u>12.6</u>
Total assets	<u>\$ 2,255.1</u>	<u>\$ 2,274.9</u>
LIABILITIES		
Losses and loss expenses payable	\$ 674.5	\$ 728.7
Unearned premiums	428.8	432.9
Notes payable (affiliate \$15.5)	118.4	118.7
Postretirement benefits	140.9	89.2
Securities lending obligation	-	99.0
Current federal income taxes	7.2	-
Other liabilities	<u>51.1</u>	<u>42.9</u>
Total liabilities	<u>1,420.9</u>	<u>1,511.4</u>
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	114.3	112.8
Less 4.7 and 4.6 treasury shares, at cost, respectively	(58.1)	(56.8)
Additional paid-in capital	87.3	70.2
Accumulated other comprehensive income	(17.3)	34.3
Retained earnings	<u>708.0</u>	<u>603.0</u>
Total stockholders' equity	<u>834.2</u>	<u>763.5</u>
Total liabilities and stockholders' equity	<u>\$ 2,255.1</u>	<u>\$ 2,274.9</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
<i>(\$ millions, except per share amounts)</i>				
Earned premiums	\$ 255.2	\$ 260.6	\$ 1,023.8	\$ 1,050.3
Net investment income	21.5	20.3	83.1	78.7
Net realized gain (loss) on investments	3.1	(1.2)	5.6	5.6
Other income (includes \$0.8 and \$0.7, and \$3.0 and \$2.9, respectively from affiliates)	1.2	1.2	4.9	4.9
Total revenues	281.0	280.9	1,117.4	1,139.5
Losses and loss expenses	121.3	151.7	587.6	613.4
Acquisition and operating expenses	92.0	84.2	348.0	332.9
Interest expense (includes \$0.4 and \$0.7, and \$1.5 and \$2.8, respectively to affiliates)	1.8	2.2	7.4	8.8
Other expenses	3.1	3.2	12.7	12.4
Total expenses	218.2	241.3	955.7	967.5
Income before federal income taxes	62.8	39.6	161.7	172.0
Federal income tax expense	17.9	10.1	41.3	46.1
Net income	<u>\$ 44.9</u>	<u>\$ 29.5</u>	<u>\$ 120.4</u>	<u>\$ 125.9</u>
Earnings per common share:				
Basic	<u>\$ 1.10</u>	<u>\$ 0.73</u>	<u>\$ 2.95</u>	<u>\$ 3.12</u>
Diluted	<u>\$ 1.08</u>	<u>\$ 0.71</u>	<u>\$ 2.90</u>	<u>\$ 3.06</u>
Dividends paid per common share	<u>\$ 0.100</u>	<u>\$ 0.090</u>	<u>\$ 0.380</u>	<u>\$ 0.270</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)

(\$ in millions)

	Period Ended	
	December 31, 2006	December 31, 2005
	<u> </u>	<u> </u>
Common shares:		
Balance at beginning of year	45.1	44.7
Issuance of shares	0.6	0.4
Balance at end of year	<u>45.7</u>	<u>45.1</u>
Treasury shares:		
Balance at beginning of year	(4.6)	(4.6)
Shares acquired on stock option exercises	(0.1)	0.0
Balance at end of year	<u>(4.7)</u>	<u>(4.6)</u>
Common stock:		
Balance at beginning of year	\$112.8	111.8
Issuance of shares	1.5	1.0
Balance at end of year	<u>114.3</u>	<u>112.8</u>
Treasury stock:		
Balance at beginning of year	(\$56.8)	(56.5)
Shares acquired on stock option exercises	(1.3)	(0.3)
Balance at end of year	<u>(58.1)</u>	<u>(56.8)</u>
Additional paid-in capital:		
Balance at beginning of year	\$70.2	64.1
Issuance of common stock	7.2	4.0
Tax benefit from stock options exercises	3.2	1.8
Stock options granted	6.7	0.3
Balance at end of year	<u>87.3</u>	<u>70.2</u>
Accumulated other comprehensive income:		
Balance at beginning of year	\$34.3	53.1
Unrealized gains (losses) on investments, net of tax and reclassification adjustment	12.4	(18.7)
Amortization of gain on derivative used in cash flow hedge	(0.1)	(0.1)
Accum. other comprehensive income before SFAS No. 158 adjustment	46.6	34.3
Adjustment to initially apply SFAS No. 158, net of tax	(63.9)	0.0
Balance at end of year	<u>(17.3)</u>	<u>34.3</u>
Retained earnings:		
Balance at beginning of year	\$603.0	485.7
Net income	120.4	125.9
Cash dividends paid	(15.4)	(8.6)
Balance at end of year	<u>708.0</u>	<u>603.0</u>
Total stockholders' equity at end of year	<u>\$834.2</u>	<u>763.5</u>

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

(\$ millions)	Year Ended December 31	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 120.4	\$ 125.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other, net	9.6	9.3
Share-based compensation	7.0	0.6
Net realized gains on investments	(5.6)	(5.6)
Changes in operating assets and liabilities:		
Deferred policy acquisition costs	2.0	(3.2)
Accrued investment income and other assets	1.6	4.4
Net prepaid pension expense	59.2	(4.3)
Postretirement benefits	(53.0)	9.1
Other liabilities and due to/from affiliate, net	(2.8)	26.3
Reinsurance receivable and prepaid reinsurance premiums	4.0	10.7
Losses and loss expenses payable	(54.2)	11.6
Unearned premiums	(4.1)	(6.1)
Federal income taxes	9.4	(5.8)
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	93.5	226.9
Cash flows from investing activities:		
Purchase of fixed maturities - available-for-sale	(293.8)	(539.1)
Purchase of equity securities - available-for-sale	(101.2)	(109.2)
Purchase of other invested assets	(0.9)	(3.0)
Maturities, calls and principal reductions of fixed maturities - available-for-sale	76.0	98.5
Sale of fixed maturities - available-for-sale	171.4	290.9
Sale of equity securities - available-for-sale	103.8	49.2
Sale of other invested assets	1.7	-
Net additions of property and equipment	(0.2)	0.2
Net cash used in investing activities	(43.2)	(212.5)
Cash flows from financing activities:		
Cash proceeds from stock option exercises	7.4	4.1
Payment of note payable	-	(45.5)
Change in securities lending collateral	99.0	45.7
Change in securities lending obligation	(99.0)	(45.7)
Payment of common stock dividends (\$12.4 and \$2.4, respectively to affiliates)	(15.4)	(8.6)
Excess tax benefits on share based awards	2.4	-
Net cash used in financing activities	(5.6)	(50.0)
Net increase (decrease) in cash and cash equivalents	44.7	(35.6)
Cash and cash equivalents at beginning of period	28.7	64.3
Cash and cash equivalents at end of period	\$ 73.4	\$ 28.7
Supplemental disclosures:		
Federal income taxes paid	\$ 29.4	\$ 51.9
Interest paid (\$1.4 and \$2.7 to affiliates)	\$ 7.7	\$ 9.0

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE DIRECT PREMIUMS WRITTEN
(unaudited)

<i>(\$ millions)</i>	<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
Total	<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	\$ 403.3	\$ 429.4
Automobile - commercial	77.1	80.1	98.9	102.5
Homeowners and farmowners	153.8	151.6	201.4	199.6
Commercial multi-peril	68.4	66.8	89.4	87.9
Workers' compensation	26.7	26.2	34.3	34.2
Fire and allied lines	63.6	64.0	83.7	85.3
Other/products liability	69.8	69.2	90.8	90.2
Misc. pers./bus. lines	27.1	27.2	35.0	35.2
Total	<u>\$ 794.2</u>	<u>\$ 815.4</u>	<u>\$ 1,036.8</u>	<u>\$ 1,064.3</u>

STATE AUTO FINANCIAL CORPORATION
NET PREMIUMS WRITTEN
(unaudited)

(\$ millions)	Three Months Ended		<u>Change</u>
	<u>12/31/2006</u>	<u>12/31/2005</u>	
Net Premiums Written:			
Automobile - personal standard	\$ 86.8	\$ 89.2	-2.7%
Automobile - personal nonstandard	9.2	10.0	-8.0%
Automobile - commercial	21.8	22.4	-2.7%
Homeowners and farmowners	47.8	47.9	-0.2%
Commercial multi-peril	20.5	20.7	-1.0%
Workers' compensation	7.7	8.0	-3.8%
Fire and allied lines	19.8	21.1	-6.2%
Other/products liability	17.7	18.0	-1.7%
Misc. pers./bus. lines	7.4	7.5	-1.3%
Total	<u>\$ 238.7</u>	<u>\$ 244.8</u>	<u>-2.5%</u>

	Year Ended		<u>Change</u>
	<u>12/31/2006</u>	<u>12/31/2005</u>	
Net Premiums Written:			
Automobile - personal standard	\$ 361.7	\$ 379.7	-4.7%
Automobile - personal nonstandard	42.4	48.9	-13.3%
Automobile - commercial	98.7	102.2	-3.4%
Homeowners and farmowners	201.3	199.3	1.0%
Commercial multi-peril	87.8	86.6	1.4%
Workers' compensation	34.3	34.2	0.3%
Fire and allied lines	83.1	84.8	-2.0%
Other/products liability	77.2	76.9	0.4%
Misc. pers./bus. lines	33.0	33.0	0.0%
Total	<u>\$ 1,019.5</u>	<u>\$ 1,045.6</u>	<u>-2.5%</u>

Net premiums written for the year ended December 31, 2005, excludes \$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
NET PREMIUMS EARNED
(unaudited)

<i>(\$ millions)</i>	Three Months Ended		<u>Change</u>
	<u>12/31/2006</u>	<u>12/31/2005</u>	
Net Premiums Earned:			
Automobile - personal standard	\$ 89.8	\$ 93.0	-3.4%
Automobile - personal nonstandard	10.6	12.1	-12.4%
Automobile - commercial	24.8	25.7	-3.5%
Homeowners and farmowners	50.6	49.6	2.0%
Commercial multi-peril	22.0	21.8	0.9%
Workers' compensation	8.4	8.8	-4.5%
Fire and allied lines	20.8	21.2	-1.9%
Other/products liability	19.9	20.0	-0.5%
Misc. pers./bus. lines	8.3	8.4	-1.2%
Total	<u>\$ 255.2</u>	<u>\$ 260.6</u>	<u>-2.1%</u>

	Year Ended		<u>Change</u>
	<u>12/31/2006</u>	<u>12/31/2005</u>	
Net Premiums Earned:			
Automobile - personal standard	\$ 362.1	\$ 385.7	-6.1%
Automobile - personal nonstandard	44.8	53.1	-15.6%
Automobile - commercial	100.3	103.2	-2.8%
Homeowners and farmowners	200.7	195.1	2.9%
Commercial multi-peril	87.5	84.5	3.6%
Workers' compensation	33.8	34.4	-1.7%
Fire and allied lines	84.2	84.8	-0.7%
Other/products liability	77.5	76.7	1.0%
Misc. pers./bus. lines	32.9	32.8	0.3%
Total	<u>\$ 1,023.8</u>	<u>\$ 1,050.3</u>	<u>-2.5%</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%	60.6%	64.2%
Automobile - commercial	44.5%	52.1%	48.5%	47.7%
Homeowners & farmowners	81.2%	101.0%	41.4%	53.2%
Commercial multi-peril	65.0%	97.8%	14.1%	48.2%
Workers' compensation	68.8%	87.0%	71.2%	65.7%
Fire and allied lines	28.5%	71.0%	32.8%	94.2%
Other/products liability	39.3%	51.0%	41.4%	36.6%
Misc. pers./bus. lines	35.3%	42.0%	34.6%	47.0%
Total loss & LAE ratio	<u>56.7%</u>	<u>69.5%</u>	<u>46.8%</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%	57.7%	59.3%
Automobile - commercial	38.2%	56.1%	40.8%	54.0%
Homeowners & farmowners	90.6%	65.1%	78.2%	62.0%
Commercial multi-peril	61.0%	63.8%	49.2%	59.8%
Workers' compensation	54.2%	67.3%	58.5%	66.9%
Fire and allied lines	67.1%	50.0%	58.6%	61.1%
Other/products liability	37.0%	52.8%	38.1%	48.6%
Misc. pers./bus. lines	37.7%	31.2%	36.9%	35.2%
Total loss & LAE ratio	<u>60.8%</u>	<u>57.9%</u>	<u>57.3%</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>64.7%</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>60.0%</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>12/31/2006</u> <u>Severity</u>	<u>Pure Prem</u>
Bodily Injury	-4.9%	0.5%	-4.4%
Property Damage	-4.6%	2.8%	-1.9%
Medical Payments	-7.7%	10.4%	1.9%
Personal Injury Prot	1.5%	10.9%	12.6%
Comprehensive	-3.8%	14.0%	9.6%
Collision	-4.9%	3.6%	-1.5%
Total	-4.4%	4.0%	-0.5%

STATE AUTO FINANCIAL CORPORATION
Base Rate Changes Taken During the Rolling Four Quarters
Ended December 31, 2006

	Prior 12 Months <u>% Change</u>
Standard Private Passenger Auto	-2.7%
Non Standard Private Passenger Auto	-5.4%
Homeowners	-2.0%
Dwelling	1.4%
Personal Umbrella	0.7%
General Liability	-1.7%
Workers' Compensation	0.4%
Commercial Auto	-0.9%
Contractors' Package	-1.7%
Business Owners	-0.9%
Commercial Property	-2.6%
Farmowners	0.5%
Commercial Crime	-4.8%
 Total	 -2.1%