777 Main Street, Suite 1000
Fort Worth, Texas 76102
P 817.348.1600 F 871.348.1815
www.hallmarkgrp.com

HALLMARK
FINANCIAL SERVICES, INC.

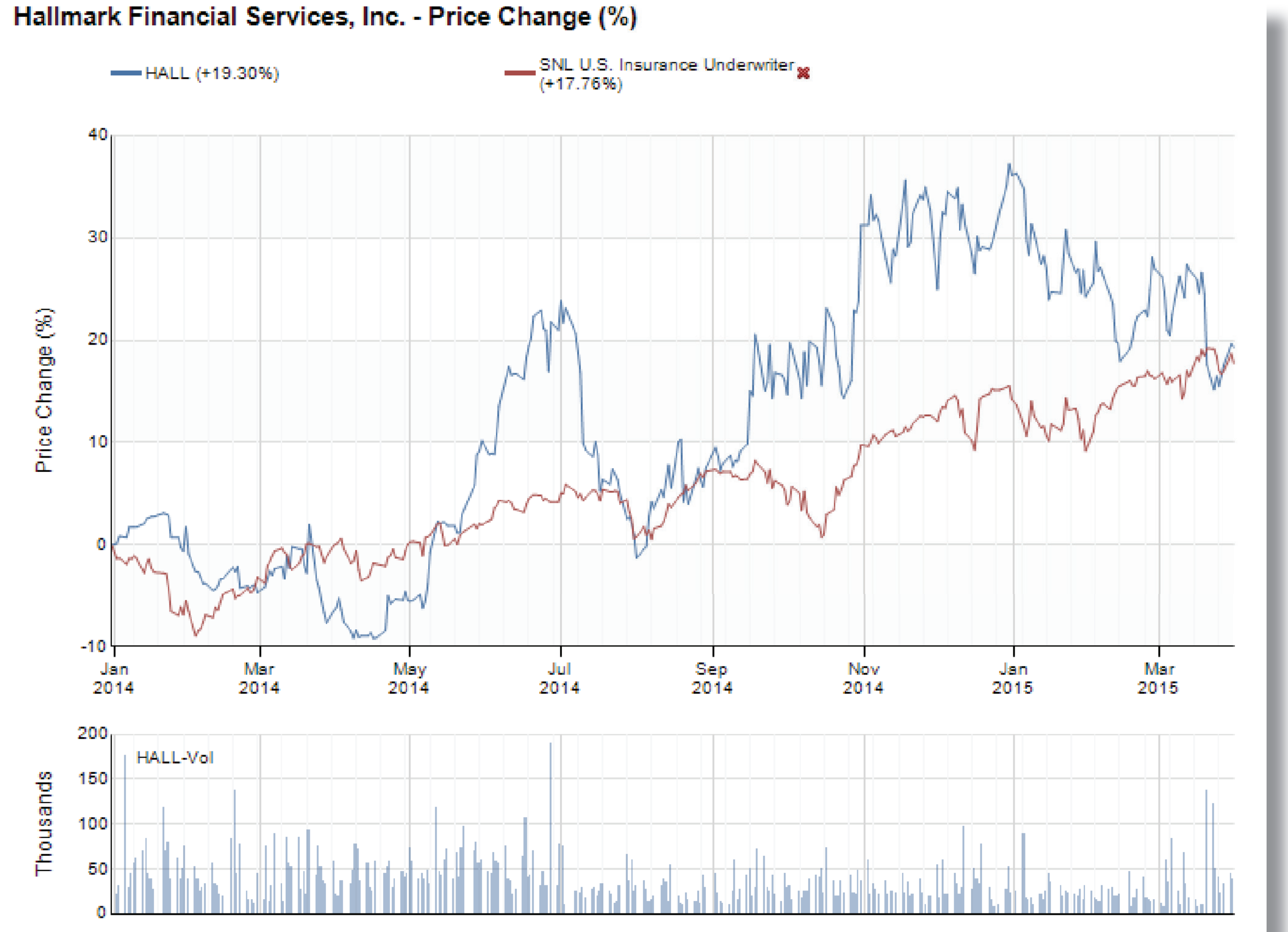
1st Quarter 2015 Highlights

Summary

As of March 31, 2015:

- First quarter 2015 net income was $5.3 million, or $0.28 per diluted share, compared to net income of $4.5 million, or $0.23 per diluted share reported for the first quarter 2014.
- Total revenues were $91.5 million for the first quarter of 2015 as compared to $87.1 million for the first quarter of 2014.

1st Quarter March 31, 2015	2015	2014	% +/-
	($ in *thousands, unaudited)*		
Gross premiums written	125,059	116,082	8%
Net premiums written	90,374	82,921	9%
Net premiums earned	86,696	82,577	5%
Investment income, net of expenses	2,845	3,241	(12%)
Net realized gains	584	185	216%
Total revenues	91,450	87,109	5%
Net income	5,343	4,548	17%
Net income per share - basic	$ 0.28	$ 0.24	17%
Net income per share - diluted	$ 0.28	$ 0.23	22%
Book value per share	$ 13.62	$ 12.54	9%
Cash flow from operations	$ 3,709	$ 5,107	(27%)



From Naveen Anand, President and CEO

"I am pleased to report a strong start to the year with quarterly underwriting results at a level not seen in five years as evidenced by a combined ratio of 93.2% for the first quarter 2015. All of our reporting segments delivered improved year-to-year first quarter combined ratios driven by the consistent and effective execution of our underwriting strategies. In an increasingly competitive environment, we continue to see positive rate momentum in all of our segments.

In another step towards sharpening our focus on specialty products that drive greater underwriting results across business cycles, we have entered into an agreement to sell the renewal rights to our small, non-core, mono-line workers' compensation business. This business that we acquired in 2011 produces approximately $10 million in annual premium and has performed well under our ownership. We expect the deal to close by the end of the second quarter."

From Mark Schwarz, Executive Chairman

"Book value per share was $13.62 at the end of the first quarter 2015, an increase of 9% over prior year. Total cash and investments have increased 7% over prior year to $672.8 million, or $35.01 per share and cash flow from operations were $3.7 million for the quarter. Hallmark's cash balances (including restricted balances) totaled $140.3 million as of March 31, 2015."

First Quarter 2015 Commentary

Hallmark reported net income of $5.3 million for the first three months of 2015 as compared to net income of $4.5 million for the same period the prior year. On a diluted basis per share, the Company reported net income of $0.28 per share for first three months of 2015, as compared to net income of $0.23 per share for the same period the prior year.

Hallmark's consolidated net loss ratio was 64.7% for the first three months of 2015, as compared to 63.9% for the same period the prior year. Hallmark's net expense ratio was 28.5% for the first three months of 2015 as compared to 30.4% for the same period the prior year. Hallmark's net combined ratio was 93.2% for the first three months of 2015 as compared to 94.3% for the same period the prior year.

During the first three months of 2015, Hallmark's total revenues were $91.5 million, representing a 5% increase over the $87.1 million in total revenues for the same period the prior year. This increase in revenue was primarily attributable to higher net earned premiums in the Personal Segment, due mostly to an increase in retained premium under a renewed quota share reinsurance agreement effective October 1, 2014, as well as increased premiums produced in the E&S Commercial business unit. Further contributing to the increased revenue were higher realized gains recognized on the Company's investment portfolio and lower adverse profit share commission revenue adjustments in the Standard Commercial Segment during the three months ended March 31, 2015 as compared to the same period of 2014. These increases in revenue were partially offset by lower net investment income during the three months ended March 31, 2015 as compared to the same period of 2014.

The increase in revenue for the three months ended March 31, 2015 was partially offset by increased loss and loss adjustment expenses ("LAE") of $3.3 million as compared to the same period in 2014. The increase in loss and LAE was primarily the result of an increase in retained losses in the Personal Lines Segment under the renewed quota share reinsurance agreement discussed above. During the three months ended March 31, 2015 and 2014, the Company recorded favorable prior year net loss reserve development of $1.1 million and $1.2 million, respectively. Other operating expenses decreased due mostly to increased ceding commissions in the Specialty Commercial Segment from a quota share reinsurance agreement entered into during the second quarter of 2014 on commercial auto liability risks produced by a program underwriter in the E&S Commercial business unit, partially offset by higher salary and related expenses due to increased incentive compensation accruals.