HALLMARK
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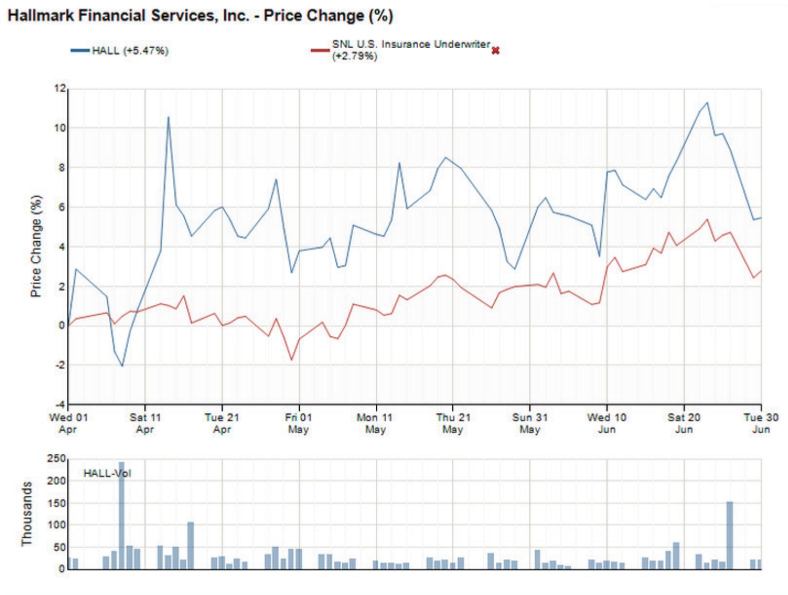
2nd Quarter 2015 Highlights

Summary

As of June 30, 2015:

- Second quarter 2015 net income of $6.4 million, or $0.33 per diluted share, compared to net income of $1.7 million, or $0.09 per diluted share, reported for second quarter 2014.
- Year to date net income of $11.7 million, or $0.60 per diluted share, compared to net income of $6.2 million, or $0.32 per diluted share, for the same period the prior year.
- Second quarter 2015 total revenues of $97.2 million as compared to $80.8 million for the second quarter of 2014.
- Year to date 2015 total revenues of $188.6 million as compared to $167.9 million reported for the same period the prior year.



2nd Quarter

June 30, 2015 — ($ in thousands, unaudited)

	2015	2014	% +/-
Gross premiums written	133,508	124,440	7%
Net premiums written	94,305	73,703	28%
Net premiums earned	88,476	78,046	13%
Investment income, net of expenses	3,711	2,986	24%
Net realized gains (losses)	3,439	(284)	nm
Total revenues	97,197	80,836	20%
Net income	6,376	1,651	286%
Net income per share - basic	$ 0.33	$ 0.09	267%
Net income per share - diluted	$ 0.33	$ 0.09	267%
Book value per share	$ 13.63	$ 12.78	7%
Cash flow from operations	$ 29,169	$14,474	102%

Year to Date

June 30, 2015 — ($ in thousands, unaudited)

	2015	2014	% +/-
Gross premiums written	258,567	240,522	8%
Net premiums written	184,679	156,624	18%
Net premiums earned	175,172	160,623	9%
Investment income, net of expenses	6,556	6,227	5%
Net realized gains (losses)	4,023	(99)	nm
Total revenues	188,647	167,945	12%
Net income	11,719	6,199	89%
Net income per share - basic	$ 0.61	$ 0.32	91%
Net income per share - diluted	$ 0.60	$ 0.32	88%
Book value per share	$ 13.63	$ 12.78	7%
Cash flow from operations	$ 32,878	$19,581	68%

From Naveen Anand, President and CEO

"I am pleased to report another quarter of strong earnings with good underwriting results on a growing retained premium base, as well as growing investment income as more of our capital continues to be deployed. We have seen overall improvement in our combined ratios for both the quarter and year to date over prior year driven by the consistent and effective execution of our underwriting strategies. We continue to see positive rate momentum in all of our segments in an increasingly competitive environment. Although current results in our Personal Lines Segment are overshadowed by prior year reserve development, I am confident that the fundamental improvement in our current book of business combined with positive underlying trends driven by accelerated pricing and continued underwriting discipline will drive this portfolio to acceptable profit levels in the near term.

Also, as we previously announced, effective June 30th, we closed on the agreement to sell the renewal rights to our small, non-core, mono-line workers' compensation business."

From Mark Schwarz, Executive Chairman

"Book value per share was $13.63 as of June 30, 2015, an increase of 7% over the same date of the prior year. Total cash and investments have increased 5% year over year to $681.9 million, or $35.43 per share. Cash flow from operations was $29.2 million for the quarter and our cash balances (including restricted cash) totaled $131.2 million as of June 30, 2015."

Second Quarter 2015 Commentary

Hallmark reported net income of $6.4 million and $11.7 million for the three and six months ended June 30, 2015 as compared to net income of $1.7 million and $6.2 million for the same periods the prior year. On a diluted basis per share, the Company reported net income of $0.33 per share and $0.60 per share for the three and six months ended June 30, 2015, as compared to net income of $0.09 per share and $0.32 per share for the same periods the prior year.

Hallmark's consolidated net loss ratio was 67.5% and 66.1% for the three and six months ended June 30, 2015, as compared to 67.3% and 65.5% for the same periods the prior year. Hallmark's net expense ratio was 28.6% and 28.4% for the three and six months ended June 30, 2015 as compared to 30.1% and 30.2% for the same periods the prior year. Hallmark's net combined ratio was 96.1% and 94.5% for the three and six months ended June 30, 2015 as compared to 97.4% and 95.7% for the same periods the prior year.

During the three and six months ended June 30, 2015, Hallmark's total revenues were $97.2 million and $188.6 million, representing an increase of 20% and 12%, respectively, from the $80.8 million and $167.9 million in total revenues for the same periods of 2014. 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 investment portfolio, lower adverse profit share commission revenue adjustments in the Standard Commercial Segment and higher net investment income during the three and six months ended June 30, 2015 as compared to the same periods of 2014.

The increase in revenue for the three and six months ended June 30, 2015 was partially offset by increased loss and loss adjustment expenses of $7.2 million and $10.5 million, respectively, as compared to the same periods 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 and higher current accident year loss trends in the Specialty Commercial Segment. During the six months ended June 30, 2015 and 2014, the Company recorded favorable prior year net loss reserve development of $1.5 million and $6.8 million, respectively. Also partially offsetting the increased revenue was increased other operating expenses due mostly to increased salary and related expenses in the Specialty Commercial and Corporate Segments, higher production related expenses in the Personal Segment due to the impact of the change in terms of the renewed quota share reinsurance agreement and higher professional service fees.