

**Hallmark Financial Services, Inc.****HALL NASDAQ****Insurance - Property / Casualty**

Market Capitalization USD:

\$141.97 mm**CONCERN LEVEL: LOW**

- 1 The CEO's total remuneration is within the typical market range for the relevant industry and market cap.
- 2 The ratio between the CEO's pay and the median pay of the other named executive officers is 3X or less.
- 3 The CEO's annual cash incentives rose or fell in line with annual performance. 
- 4 The CEO received no more than one annual cash bonus this fiscal year.
- 5 The CEO's equity remuneration reflected the company's share price movement over the last five years.
- 6 The company only pays long-term incentives to the CEO for above median performance against a peer group.
- 7 The company's dilution from equity incentives is 10 percent or less.
- 8 Unvested equity lapses when the CEO's employment is terminated.
- 9 The CEO's potential cash severance payment is capped at two times annual cash remuneration.
- 10 The accrued benefits of the CEO's post-retirement income are within the typical market range for the relevant market cap bracket.

CEO: Mark J. Morrison**Age: 52****CEO Since: 2006**

	2009	2010	2011
Base Salary	\$365,000	\$385,000	\$195,000
Discretionary Bonus	\$140,000	\$0	\$0
Annual Cash Incentive	\$0	\$0	\$0
Benefits and Perquisites	\$11,174	\$11,458	\$8,995
TOTAL ANNUAL COMPENSATION	\$516,174	\$396,458	\$203,995
Increase in Post-Retirement Benefits	\$0	\$0	\$0
Stock Option Awards	\$228,000	\$0	\$21,064
Stock Awards	\$0	\$0	\$0
TOTAL COMPENSATION	\$744,174	\$396,458	\$225,059
Median of Other Named Executive Officers Total Compensation	\$520,530	\$273,642	\$220,590
Value Realized on Exercise of Stock Option	\$0	\$0	\$0
Value Realized on Vesting of Stock	\$0	\$0	\$0
TOTAL REALIZED EQUITY COMPENSATION	\$0	\$0	\$0

Proxy Date: 25 Apr 2012

Annual Meeting Date: 31 May 2012

Equity Reserves: 10.30%

Stock Option Run Rate: 0.15%

Hallmark Financial Services, Inc.

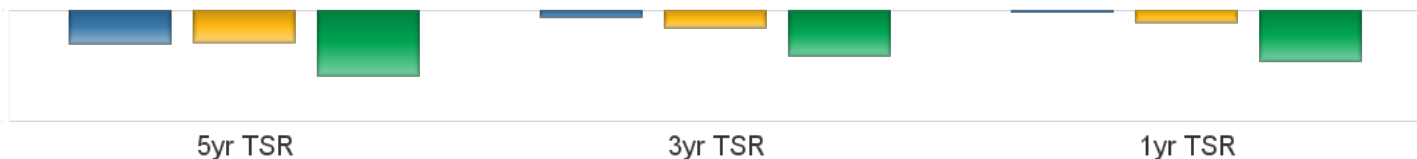
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Performance Comparison

■ S&P500 ■ Industry ■ HALL



Peer Comparisons (TRBC) = Insurance - Property / Casualty

Total Summary CEO Compensation

Ticker	Company Name	2009	2010	2011	Market Cap
HALL	Hallmark Financial Services, Inc.	\$744,174	\$396,458	\$225,059	\$141,971,678
HTH	Hilltop Holdings Inc.	\$1,273,606	\$533,077		\$407,359,260
MTG	MGIC Investment Corporation	\$2,279,259	\$4,380,345	\$5,589,358	\$376,144,231
AMSF	AMERISAFE, Inc.	\$766,068	\$784,015		\$339,116,655
RDN	Radian Group Inc.	\$2,828,960	\$3,262,404	\$8,514,555	\$291,734,444
BWINB	Baldwin & Lyons, Inc.	\$1,612,087	\$1,220,371	\$917,737	\$260,983,048
DGICA	Donegal Group Inc.	\$758,599	\$840,772	\$1,020,565	\$240,851,952

To insure consistency, peer comparisons are based on a combination of TRBC Industry and Sector classifications and company market caps. Missing peer pay figures for 2011 are due to differences in company filing schedules.

Pay Peer Group

NA

Performance Peer Group

NA

COMPENSATION COMMITTEE MEMBERS

Director	Membership	Age	Gender	Tenure	Independence
Jim W. Henderson	Chairman	65	Male	3	Outside
James H. Graves	Member	63	Male	17	Outside Related
Scott T. Berlin	Member	42	Male	11	Outside Related

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