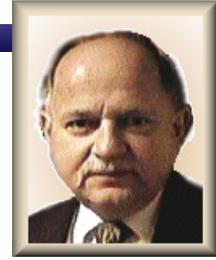


Chairman's Letter



Welcome, friends. I'm privileged this year to preside over the Fifteenth Annual Shareholder's Meeting; It's an anniversary and a milestone we can all be proud of.

The D&O insurance market remains stubbornly tough, and I don't need to tell you that the pace of change in financial service markets is accelerating now that deregulation is an operational reality. First Monetary has and will continue to change along with it.

While the road has admittedly been bumpy this past year, we nevertheless managed to move the company forward in new and exciting directions. First Monetary's PMI program is off the ground and generating revenues. The launching of the PMI program has also helped us to branch beyond our traditional New York border. Over the past several months, we have been working to frame cooperative and mutually beneficial relationships with institutions who share common interests in the grand state of Pennsylvania. We're honored to have some of them with us for this meeting.

We've also continued to enhance our capabilities on the Internet. One web-based service, the First Monitor edition of American Banker On-line, is now broadcast to over 100 financial institutions daily.

Coming into this meeting, our business plan is almost entirely focused on the development and distribution of new products and services that bring in revenue for First Monetary and its shareholders and bolster our ability to keep providing the kind of high quality D&O product and risk management services we always have. The fiercely competitive market can't last forever, and there are indications things are about to change.

Over the next two days, we will elaborate on what we've done this past year, where we are now, and how we proceed. Our plans are based on a strategic assessment of the business environment and an objective analysis of our financials, which turned in a somewhat mixed performance last year. On a positive note, our balance sheet remains strong and we've added two new institutions to our member base last year.

As always, First Monetary fulfilled its standing risk management objectives. By adhering to the same conservative philosophies that always served us well, the organization maintained sound and comprehensive protection, stable premiums, low risk exposures, responsive service and a well funded claims reserve. Our thanks go out once again to the company's President, past Chairman and Board for maintaining an unbroken streak of success in the core element of our business.

During my term as Chairman, I believe that these same people will move our company and newest endeavors forward. I welcome the chance to help the board, our newfound friends in Pennsylvania and all of you make good things happen.

Sincerely,

A handwritten signature in blue ink that reads "Richard Komosinski". The signature is fluid and cursive.

Richard Komosinski
Chairman, First Monetary Mutual Limited
President, Yonkers Savings & Loan