

## Chairman's Letter



Another year, another warm gathering of First Monetary friends and associates. I am pleased and privileged to welcome you back to Bermuda for our shareholders meeting. Our strategic partners are all on hand to help us assess the company's position and brief us fully on the results of our sixteenth year of operations.

My tenure as Chairman has been both challenging and rewarding. I've seen trials and triumphs on my two-year watch. Through the hard work of our management and directors, I can report that we have been able to turn most of the former into the latter.

So where do we stand now? The D&O insurance market remained extremely competitive last year. Premiums, although increasing, remain stubbornly depressed affecting our bottom line. This year though, there are unmistakable signs that a long-expected firming has taken root. As claims experience began to deteriorate, the much predicted shakeout in the reinsurance market began to take hold. First Monetary was prepared for this challenge. The decisions we made and the actions we took to shed risk in the soft market years have been vindicated by this development. If trends continue, the value of First Monetary's core D&O product will become quite apparent to those who have stood on the sidelines.

Regardless of when the hard market for D&O materializes, First Monetary is committed to being more than a monoline insurance company. We believe that reinsurance programs will factor prominently in our product mix, because of the contribution these arrangements can make to our bottom line in up or down markets.

Our first venture in PMI reinsurance is

growing and showing great promise. Borrowing on the same successful model we used to launch that program, we added title reinsurance to the portfolio this year, and have now begun discussions for an eventual move into the P&C arena.

Interest in First Monetary and this unique mix of products now extends well beyond the New York border. As of this writing, we've welcomed seven Pennsylvania-based banks to our group, and expect that our continuing outreach and solid working relationship with friends at the Pennsylvania Association of Community Bankers will bring more on board soon. In the interim, we've been holding the line on costs and continuing to practice the conservative underwriting gospel this company has always preached.

As I close out my term, I believe we can all point with pride to our solid balance sheet, our product, service and market expansions, and the closing of the revenue gap in accordance with business plan projections.

In sum, First Monetary is solidly positioned to continue its mission to provide unique products, services and support to community banks for many years to come.

I wish my successor, Angelo DiLorenzo all the best as he takes the reins as Chairman, and hope he enjoys the experience. Thanks to everyone who made my term as chairman so enjoyable.

Sincerely,

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

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