



What better place to conduct a shareholders meeting than Bermuda. We're glad to have you back for our 27th annual gathering, and I welcome you as Chairman.

My view from the podium is different this year, an observation reflected in our meeting theme - changing tides. Time and tide shape everything, and FM is no stranger to it. Over our lengthy history, we've reworked every part of the organization. What's now apparent is how much faces in the audience and Board seats have changed. FM has undergone a generational shift and entered a "slack water" period accommodating the interests of both old and new guard. Change has brought different views and we're certain to see more over the next three years as the current of interests shifts.

Through all this ebb and flow, certain things have remained comfortably consistent. First and foremost is our management team, who continue to keep a steady hand on the tiller. During his presentation, Frank Shashaty will lay out our course ahead and show us how best to navigate the business shoals. Expect a full-speed-ahead agenda with briefings from all our FM shipmates, and nice afternoon port calls to take in the beautiful scenery and pleasant company.

Let's start with soundings. There has not been a marked change in the D&O market since First Monetary's last plot. While wholesale panics, shakeouts and uncertainty that permeated business banking two years ago has slowly given way to constant jitters, no one is arguing we've come around and are cruising yet.

FM's purpose and place has not changed. Our mission to protect decision-makers is even more important. With cutbacks for some in insurance capacity and increases in premiums now in evidence, our relevance has increased. We've simply adjusted sail and ballast to keep things seaworthy while riding the waves.

FM shareholders continue to benefit from prudent actions taken well before today's financial whirlpools formed. Bulked up primary coverage secured at attractive rates has provided FM shareholders secure life rafts should one ever be required, and given First Monetary plenty of freeboard to separate the company from the sea of big risk exposures.

The benefits of FM's broad-based risk shifting efforts, intimate familiarity of the banks we serve and the needs of

the carriers that provide insurance, and conscious, ongoing avoidance of unwarranted underwriting exposures have carried over to the reinsurance market. Our Lloyds of London treaty was again renewed on static terms. E-Board helped make this possible by avoiding the need for Lloyds to conduct expensive, on-site audits. Our new treaty ensures FM can continue to offer a D&O insurance product without change in cost or restrictions.

Continued financial stability is a direct result of the Board's continuance of our "dynamic stasis" strategy, which has "frozen" marketing, while charting courses of action that permit continued operations at reduced cost and enhancing services for current members. Dynamic stasis has brought changes to virtually every facet of operations, from contract management to meeting expenses. By permitting us to husband resources in our hold, we've ensured that FM retains flexibility to make timely adjustments should conditions in the primary insurance market change and merit the return of FM as a higher profile player.

I cheerfully report that a glimpse at the year-end financials again reveals a solid balance sheet that permits FM to pursue its mission effectively. We're tracking well against targets set out in business plans.

2011 marked the seventh straight year that FM posted a modest profit, and the fifth consecutive year of dividends. Contributions continue to accrue to members' trust and capital accounts. The company ended 2011 with \$1,358,482 in cumulative member equity. Short-term deposits exceeding \$800,000 remain on deposit with shareholders. Membership is steady and our PMI program matches expectations.

A solid base of E-Board subscribers is enjoying operational efficiencies this much appreciated Monetary System product brings. The system is now a backbone for FM's own back office operation.

That's my three-point fix, and things are quite shipshape for our new skipper, Anthony Milone.

As my colors are struck, I extend a final salute to everyone. Your constant counsel, cooperation and commitment have ensured fair winds and following seas while we await the rising tide that lifts all boats.

Sincerely,

A handwritten signature in blue ink that reads "Thomas F. Gibney". The signature is fluid and cursive.

Thomas F. Gibney
Chairman, First Monetary Mutual Limited