



June 28th, 2024

Dear Valued BF&M Shareholder,

Today we announced a major strategic milestone for our company – the potential combination of BF&M and Argus. The board of directors of BF&M and Argus have agreed the terms of a transaction, which will result in Argus shareholders exchanging their Argus shares, for shares in BF&M. The transaction is subject to certain shareholder and regulatory approvals, together with satisfying other customary closing conditions.

The potential transaction is structured so that Argus Group Holdings Limited (Argus) will amalgamate with a subsidiary of BF&M Limited, Eleos Health Limited. Consequently, Argus Group of companies will become part of the BF&M Group. Due to this structure, the transaction requires approval from BF&M Limited (as the sole shareholder of Eleos Health Limited) and Argus' shareholders.

As a BF&M shareholder, you will not be required to vote and approve the transaction itself but will be required to consider and vote on certain proposed governance changes to BF&M (which will be effective on completion of the transaction) (further details of which are outlined in the enclosed Shareholder FAQ and will be further detailed in a Shareholder Circular and Proxy Notice, in advance of a General Meeting).

You can read more about this announcement and the transaction details at www.bfm.bm/forwardtogether.

We wanted to reach out personally to share why we are so excited about this combination and its clear strategic and financial benefits.

Strategically, this transaction would meaningfully accelerate our progress across BF&M's three pillars of growth, efficiency, and service. The combination will result in a new Bermudian insurer with enhanced portfolio diversification, expanded geographic reach, and more resources to invest in innovation and digital offerings for our customers and partners.

Both organisations are incredibly proud of our shared Bermudian heritage. We are fully committed to continuing to support local talent development and leveraging our combined strength and buying power to find better solutions and deliver improved outcomes, particularly in addressing the rapidly rising healthcare costs in Bermuda.

If approved, current BF&M shareholders would own 60% of the combined company, providing an opportunity to participate in the upside of a company with a higher quality earnings profile and efficiency opportunities. Further, the combined company's strong capitalisation and financial strength ratings should provide flexibility to support future strategic initiatives, sustainable growth, and an attractive dividend to shareholders.



We are also glad to share that BF&M's current Chief Executive Officer, Abigail Clifford, will lead the new company as CEO. BF&M's current Chair of the Board of Directors, Anthony Joaquin, will also serve as Chair of the combined Board of Directors, which will be comprised of six current BF&M directors and four current Argus directors. A talented leadership team that includes experienced and respected leaders from both organisations will support the new entity, including Peter Dunkerley, Argus' current CFO.

As of now, we continue to operate as two separate entities, ensuring that our interactions with you and the way we conduct business remain unchanged. Rest assured, we will provide you with further updates well before the upcoming Shareholder Meeting, which we anticipate will be scheduled in the next few months.

With today's announcement, we strongly believe that BF&M is better positioned to navigate a rapidly evolving insurance landscape and deliver stronger returns to shareholders.

Thank you for your continued support. We've tried to anticipate some of your questions in the following Shareholder FAQ, but should you have any additional questions, we would encourage you to email us at shareholderservices@bfm.bm.

Sincerely,

A handwritten signature in black ink, appearing to be 'A. Clifford'.

Abigail Clifford
Group President and Chief Executive Officer
BF&M Limited

A handwritten signature in black ink, appearing to be 'A. Joaquin'.

Anthony Joaquin
Group Chair
BF&M Limited



Shareholder FAQ

[About the Amalgamation Agreement](#)

Why is BF&M combining with Argus?

- This is a unique and compelling opportunity to create a stronger, more efficient and more diversified insurance group with exciting growth opportunities.
- We have spent the past two years evaluating a number of strategic options to enhance our value and position our business for a successful future. As BF&M and Argus have separately announced transactions to acquire an ownership position in each other, it made sense to evaluate how we could best move forward together.
- This proposed combination of BF&M and Argus is the culmination of that process – providing an opportunity to meaningfully accelerate our progress across all three strategic pillars and create a new Bermudian insurer with the talent, expertise, and resources to succeed in a rapidly evolving insurance landscape.

How is the transaction structured?

- We intend to combine through an amalgamation agreement where Argus shareholders will receive shares in BF&M. Following the closing of the transaction, BF&M shareholders are expected to own 60% and Argus shareholders 40% of the combined group.
- In effect, the Argus Group of entities will become part of the BF&M Group and BF&M common shares will continue to be listed on the Bermuda Stock Exchange and Argus shares will be delisted.

What's the expected timeline and when will BF&M shareholders be asked to vote?

- The agreement is subject to regulatory approvals across certain operating jurisdictions, including Bermuda, Malta, and Gibraltar.
- Argus shareholders need to approve the amalgamation and BF&M shareholders will need to approve related matters such as governance changes, including to the Company's byelaws on completion of the amalgamation. You will be receiving proxy materials detailing those matters along with voting instructions over the coming months.
- As such, subject to shareholder and regulatory approvals, the transaction is expected to close in the fourth quarter of 2024.



Impacts to Current Shareholders

As I shareholder, do I need to do anything?

- From now until the transaction is approved and complete, nothing changes. You can trade your existing BF&M shares in the usual way, and you should continue interacting with us as before and you do not need to do anything.
- As noted above as a shareholder of BF&M you will be entitled to vote on certain proposed governance changes at the appropriate time.
- Following completion of the transaction, BF&M shares will also continue to trade in the usual way. The only difference is that you will be holding a stake in a combined entity with a higher quality earnings and stronger capitalisation that is intended to provide flexibility to support future strategic initiatives, sustainable growth, and an attractive dividend to shareholders.

Will I still receive my quarterly dividends?

- From now until closing of the transaction, you remain eligible to receive any distributed dividends in the same way as before.
- Following completion of the transaction, the combined entity is committed to continuing to pay an attractive dividend and should have the financial strength and flexibility to do so.

Is this going to dilute my shareholding?

- The dilutive effect to BF&M shareholders is expected to be minimal.
- The proposed amalgamation is an all-stock transaction that will result in Argus shareholders receiving approximately 0.251 BF&M common shares for each Argus share that they hold. The Argus shareholders are effectively replacing Camellia plc, which was previously BF&M's largest shareholder,
- Following the transaction, Argus shareholders will hold 40% and existing BF&M shareholders will own 60% of what is expected to be a much stronger combined entity with a more diversified and resilient earnings stream to support future strategic initiatives, sustainable growth, and an attractive dividend to shareholders.

What ever happened to Camellia? Will they continue to own any shares?

- Following this transaction, Camellia is not expected to own any shares in the new company.

Are you still in partnership with Equilibria? Will they continue to own any shares?

- Following completion of this transaction, Equilibria is expected to hold a very small ownership position in the combined company.
- Notably, the sale of two BF&M properties at market value to Equilibria (as disclosed in our October 2023 strategic partnership announcement) is expected to provide sufficient liquidity to largely offset the cash outlay required for BF&M to acquire Equilibria's shares in Argus.



Financial Impacts

Is the value proposition of this combination predicated on growth or synergies?

- Both. We are focused on putting ourselves in the best position to accelerate our strategy across our three pillars of growth, efficiency, and service.
- Both organisations also recognise the challenging healthcare market backdrop we are operating in and see significant benefit to enhanced scale and buying power to mitigate rapidly rising costs.
- At the same time, we expect efficiency opportunities across combined operations and underwriting, and we will assemble a dedicated integration team at closing to ensure we capitalise on all such opportunities.

What will the Company's combined financial profile look like?

- We expect the combined company to have a higher quality earnings profile driven by enhanced portfolio diversification and efficiency opportunities across combined operations.

What will the combined company's capital ratios look like.

- Both companies are coming into the transaction with strong balance sheets and capital ratios well above requirements. The combined company will continue to be strongly capitalised, and with its larger and more diversified platform is expected to generate higher and more resilient earnings, which will support future strategic initiatives, sustainable growth, and an attractive dividend to shareholders.

Will the combined company have an A rating from AM Best and other key agencies.

- The combination of the two entities will be transformational for the Bermuda domestic insurance landscape and the rating agencies will need some time to digest and review. Both entities are coming into the transaction with strong ratings from AM Best. BF&M currently has A rating and Argus an A-. The combined company will also be strongly capitalised, and with its larger and more diversified platform is expected to generate higher and more resilient earnings, with even stronger capital ratios going forward to support both policy holders and shareholders alike.