

December 17, 2020

Dear Shareholder,

Against the backdrop of economic and operational upheaval due to COVID-19 and ongoing changes in the regulatory environment, we recently reported a \$0.7 million net loss attributable to shareholders for the six months to September 30, 2020.

However, the underlying earnings indicate that the Argus Group has had a strong six months of financial performance and growth in the value of the Group. The modest net loss - driven by short-term market factors that impact reported net income under current accounting rules - only tells part of the story. Once the corresponding investment gains - reported within equity - are factored in, our overall book value has grown by \$22.5 million over the past six months.

The growth in value of our business has been achieved through solid operating earnings, strategic acquisitions and revenue diversification whilst maintaining a high client retention rate and continued commitment to careful and diligent custodianship of policyholder and shareholder assets. The Argus Group's core business operations, excluding annuities and disposal group operations, has demonstrated incredible resilience and generated net income for the six months of \$12.0 million.

The Bermuda Health Financing Reform, which took effect in June 2019, and a reduction in the insured population are the primary drivers for the decline in net insurance premiums during the period. Core business claims for the six months declined \$12.3 million or approximately 29.4% compared to the prior year.

We have a deliberate strategy to improve the resilience and diversification of our business by increasing the sources of fee-based income. We are therefore pleased that our recent acquisitions (of two Bermuda-based medical practices in July, along with OTH, our Canadian-based care and network management business) have helped increase our fee income for the six months by \$4.8 million or approximately 49.4% compared to the prior year.

Our recent acquisitions have added to the overall operating cost base of our core business by \$7 million when compared to prior year. Elsewhere in our operations we have taken meaningful steps to reduce the ongoing cost of doing business. We remain committed to careful and judicious management of operating expenditure.

Our annuity business reported a net loss of \$11.5 million during the six months. The year-on-year volatility in the reported net earnings is not indicative of a change in the underlying profitability, but rather a result of accounting and valuation rules which we currently must follow. The decline in market yields during the period drove an increase in the annuity liability (reported within net income) and a well matched increase in the value of the investments that back the annuity liability (reported as 'Other Comprehensive Income' on the balance sheet).

Our strong operations allowed us to support the communities where we operate with donations and in-kind support for many individuals and organisations. Together we strive to operate a responsible and sustainable business, working with local market partners to promote social and economic development for tomorrow's society and environment.

And we remain committed to reinvesting in the business - balancing profitability, risk, growth and strategic investments for the long-term benefit of our customers, our shareholders, our colleagues and our community.

The Board has declared a dividend of nine cents per share payable on January 28, 2021 for shareholders of record on December 31, 2020.

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I would like to take this opportunity to express my sincere appreciation to each Argus client and shareholder for their continued loyalty, support and confidence and to thank my Argus colleagues for their hard work, professionalism and commitment. It is my hope that you enjoy the forthcoming holiday season and that all of you prosper in the year ahead. Thank you for your loyalty and please accept my best wishes for 2021.

Yours sincerely,



Alison S. Hill

Chief Executive Officer



In support of our efforts to go green please find the most recent update of our Financial Report by visiting argus.bm/financial-reports

BY EMAIL

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BY HAND

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QUESTIONS? CALL 298-0888 AND ASK FOR THE REGISTRAR
