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Independent Auditor's Report

The Board of Directors
Front Street Re Ltd.

We have audited the accompanying condensed consolidated financial statements of Front Street Re Ltd. which comprise the condensed consolidated balance sheets as of September 30, 2017 ad 2016, and the related condensed consolidated statement of income and condensed consolidated statement of capital and surplus for the year ended September 30, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the condensed consolidated financial statements based on the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these condensed consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the condensed consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on Condensed consolidated Financial Statements

In our opinion, the condensed consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2017 and 2016, and the results of its operations for the year ended September 30, 2017, in accordance with the financial reporting provisions of the Legislation described in Note 3 of the condensed consolidated financial statements.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
December 11, 2017

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CONDENSED CONSOLIDATED BALANCE SHEET

Front Street Re Ltd.
As at September 30, 2017
expressed in ['000s] United States Dollars

LINE No.		2017	2016
1.	CASH AND CASH EQUIVALENTS	2,319.4	2,347.9
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities	19.9	130.3
(f)	Total investments in affiliates	19.9	130.3
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	19.9	130.3
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection		
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Prepaid expenses	35.7	33.8
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	35.7	33.8
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	2,375.0	2,512.0

CONDENSED CONSOLIDATED BALANCE SHEET

Front Street Re Ltd.

As at September 30, 2017

expressed in ['000s] United States Dollars

LINE No.		2017	2016
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	**Total Net Long-Term Business Insurance Reserves**	-	-
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE		
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,742.1	1,905.4
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	1,742.1	1,905.4
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	1,742.1	1,905.4
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	632.9	606.6
41.	TOTAL	2,375.0	2,512.0

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Front Street Re Ltd.

As at September 30, 2017

expressed in [000s] United States Dollars

LINE No.		2017	2016
	GENERAL BUSINESS UNDERWRITING INCOME		
1	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2	REINSURANCE PREMIUMS CEDED		
3	NET PREMIUMS WRITTEN	-	-
4	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5	NET PREMIUMS EARNED	-	-
6	OTHER INSURANCE INCOME		
7	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED		
9	COMMISSIONS AND BROKERAGE		
10	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	-	-
	LONG-TERM BUSINESS INCOME		
12	GROSS PREMIUMS AND OTHER CONSIDERATIONS		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13	PREMIUMS CEDED		
14	NET PREMIUMS AND OTHER CONSIDERATIONS		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15	OTHER INSURANCE INCOME		
16	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17	CLAIMS - LIFE		
18	POLICYHOLDERS' DIVIDENDS		
19	SURRENDERS		
20	MATURITIES		
21	ANNUITIES		
22	ACCIDENT AND HEALTH BENEFITS		
23	COMMISSIONS		
24	OTHER		
25	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES)		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28	**NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS**	-	-
29	**COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS**	-	-
	UNDERNOTED ITEMS		
30	COMBINED OPERATING EXPENSE		
	(a) General and administration	889.0	1,361.8
	(b) Personnel cost	3,072.4	2,707.5
	(c) Other		
	(d) Total combined operating expenses	3,961.4	4,069.3
31	COMBINED INVESTMENT INCOME - NET		
32	COMBINED OTHER INCOME (DEDUCTIONS)	3,987.7	4,073.1
33	COMBINED INCOME BEFORE TAXES	26.3	3.8
34	COMBINED INCOME TAXES (IF APPLICABLE)		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	26.3	3.8
36	COMBINED REALIZED GAINS (LOSSES)		
37	COMBINED INTEREST CHARGES		
38	NET INCOME	26.3	3.8

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Front Street Re Ltd.
As at **September 30, 2017**
expressed in ['000s] **United States Dollars**

LINE No.				2017	2016
1.	**CAPITAL:**				
(a)	Capital Stock				
	(i) Common Shares			375.0	375.0
	authorized	375,000	shares of par		
	value	$ 1.000	each issued and		
	fully paid	375,000	shares		
	(ii)				
	(A) Preferred shares:				
	authorized		shares of par		
	value		each issued and		
	fully paid		shares		
	aggregate liquidation value for —				
	2017				
	2016				
	(B) Preferred shares issued by a subsidiary:				
	authorized		shares of par		
	value		each issued and		
	fully paid		shares		
	aggregate liquidation value for —				
	2017				
	2016				
	(iii) Treasury Shares				
	repurchased		shares of par		
	value		each issued		
(b)	Contributed surplus			9,073.2	9,073.2
(c)	Any other fixed capital				
	(i) Hybrid capital instruments				
	(ii) Guarantees and others				
	(iii) Total any other fixed capital			-	-
(d)	Total Capital			9,448.2	9,448.2
2.	**SURPLUS:**				
(a)	Surplus - Beginning of Year			(8,841.6)	(8,845.4)
(b)	Add: Income for the year			26.3	3.8
(c)	Less: Dividends paid and payable				
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments				
(e)	Add (Deduct) change in any other surplus				
(f)	Surplus - End of Year			(8,815.3)	(8,841.6)
3.	**MINORITY INTEREST**				
4.	**TOTAL CAPITAL AND SURPLUS**			632.9	606.6

FRONT STREET RE LTD.
Notes to Condensed Consolidated General Purpose Financial Statements
For the years ended September 30, 2017 and 2016

General Notes to the Statutory Financial Statements

1. Organization

Front Street Re Ltd (the "Company") was incorporated on March 23, 2010 under the laws of Bermuda to provide life and annuity reinsurance. The Company is licensed as a Class C long-term insurer under The Insurance Act 1978, amendments thereto and related Regulations insofar as such provisions relate to accounting and financial reporting matters ("the Act and Regulations"). The Company has not entered into any reinsurance agreements as of September 30, 2015.

The Company is a wholly owned subsidiary of Front Street Re (Delaware) Ltd. ("Parent"), a Delaware corporation, which is ultimately owned and managed by HRG Group, Inc. ("HRG"). The Parent is a wholly owned subsidiary of FS Holdco II Ltd. ("FS Holdco"), a Delaware-domesticated direct, wholly owned subsidiary of HRG. Prior to March 4, 2014 FS Holdco was known as FS Holdco Ltd., domesticated in the Cayman Islands. FS Holdco is a holding company with holdings in primarily financial services related industries. HRG is a diversified holding company focused on obtaining controlling equity stakes in companies that operate across a diversified set of industries. HRG's shares of common stock trade on the New York Stock Exchange ("NYSE") under the ticker symbol HRG.

2. Nature of business

The Company is a long-term insurer and intends to reinsure life and annuity business. The Company does not have any in force business as of September 30, 2015.

3. Accounting standards and principles

The accompanying Financial Statements included herein reflect the Company and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature.

4. Summary of significant accounting policies

The following are the significant accounting policies adopted by the Company:

(a) Cash and Cash Equivalents

The Company considers all highly liquid temporary instruments purchased with original maturities of three months or less from date of purchase to be cash equivalents.

(b) Legal Matters and Contingencies

The Company records legal fees and accruals in accordance with ASC Topic 450, "Contingencies". Contingencies arising from regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. **Recognition of premium, investment and commission income** – N/A

6. **Foreign currency translation** – N/A

7. **Foreign exchange control restrictions affecting the assets** – N/A

8. **Contingencies or commitments calling for special mention** – N/A

9. **Default made by the insurer** – N/A

10. **Gross amount of arrears of dividends on preferred cumulative shares** – N/A

11. **Loans made by the insurer to any director or officer** – N/A

12. **Obligations in respect of retirement benefits** – N/A

13. **Fair value amounts for all quoted and unquoted investment lines** – N/A

14. **Contractual maturity profile of the insurer's fixed maturity and short term investments** – N/A

15. **Related party transactions**

On January 1, 2013, the Company entered into a support services agreement with Front Street Re (Cayman) Ltd ("FSRC") and FS Holdco. FSRC is a wholly owned subsidiary of The Parent. The agreement allocates the cost of management services and office space between FS Holdco, FSRC and the Company. Effective July 1, 2014, the support services agreement was revised by deleting FS Holdco and adding the Parent. This income is included in "Other income (deductions" in the accompanying Condensed Consolidated Statement of Income. The receivable due is included in "Investments in and advances to affiliates" in the accompanying Condensed Consolidated Balance Sheet.

16. **Subsequent transaction made not in the ordinary course of business** – N/A

17. **Other information required to be disclosed**

(a) Subsequent events

ASC Topic 855, "Subsequent Events" ("ASC 855"), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are

issued or are available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance sheet date through the date the Company's financial statements are issued and to determine whether adjustments to or additional disclosures in the financial statements are necessary. The Company has evaluated subsequent events through the date these financial statements were issued.

On November 30, 2017, CF Corp completed the acquisition of the Company as outlined in the May 24, 2017 share purchase agreement. CF Corp has since changed its name to FGL Holdings and trades on the New York Stock Exchange under the ticker symbol FG as of December 1, 2017.

In addition to the Company, the FGL Holdings companies include Fidelity & Guaranty Life Insurance Company, an Iowa-domiciled company offering annuities and life insurance products, Fidelity & Guaranty Life Insurance Company of New York, a New York domiciled company offering annuities and life insurance products, F&G Re Ltd, a Bermuda-based reinsurer, and Front Street Re (Cayman) Ltd., a Cayman-based reinsurer.

The Company's post-acquisition business plan remains unchanged at this time; any subsequent changes to the business plan will be communicated to the BMA.

Notes to the Consolidated Statement of Capital and Surplus

1.(a) Capital stock

Authorized capital stock comprises of 375,000 shares of par value of $1.00 each, which are fully issued and paid up.

1.(b) Contributed surplus

These include amounts contributed in addition to capital stock by the Company's shareholder. There was no change to contributed surplus in the current or prior year.

2.(c) Dividends paid and payable – N/A

Notes to the Consolidated Balance Sheet

1. Cash and time deposits

The Company had no encumbrances relating to this asset.

2. Quoted investments – N/A

3. Unquoted investments – N/A

4. Investments in and advances to affiliates

The Company has a receivable of $19.9 (2016: $130.3) due from an affiliated company, in relation to service fees in accordance with the support services agreement. The amount is recorded at fair value, will be received within one year and there is no interest charged on the amount receivable.

5. Investment in mortgage loans on real estate – N/A

6. **Policy loans** – N/A

7. **Real estate** – N/A

8. **Collateral loans** – N/A

9. **Investment income due and accrued** – N/A

10. **Accounts and premiums receivable** – N/A

11. **Reinsurance balances receivable** – N/A

12. **Funds held by ceding reinsurers** – N/A

13. **Sundry assets** – N/A

14. **Letters of credit guarantees, and other instruments** – N/A

16. **Unearned premiums** – N/A

17. **Loss and loss expense provisions** – N/A

20. **Reserves for reported claims** – N/A

21. **Reserves for unreported claims** – N/A

22. **Policy reserves – life** - N/A

23. **Policy reserves – accident and health** – N/A

25. **Liability for future policyholders' dividends** – N/A

26. **Other insurance reserves – long-term** – N/A

27. **Total long – term business insurance reserves** – N/A

28. **Insurance and reinsurance balances payable** – N/A

29. **Commissions, expenses, fees and taxes payable** – N/A

30. **Loans and notes payable** – N/A

31. **(a) Income taxes payable (b) Deferred income taxes**

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

The Company does not consider itself to be engaged in a trade or business within any other country, which would subject the Company to income tax in a foreign jurisdiction and, accordingly, it does not expect to be subject to taxation.

32. Amounts due to affiliates – N/A

33. Accounts payable and accrued liabilities – N/A
34. Funds held under reinsurance contracts – N/A

35. Dividends payable – N/A

36. Sundry liabilities – N/A

37. Letters of credit, guarantees and other instruments – N/A

Notes to the Consolidated Statement of Income

6. Other income – N/A

15. Other insurance income – N/A

32. Combined other income (deductions)

Other income: (a) $3,975.7 (2016:$4,054.6) of service fees related to support services agreement with affiliated companies (b) $12.0 (2016:$18.0) for sublease of office space and (c) $Nil (2016:$0.5) of other income.

36. Combined realized gains (losses) – N/A