



RBC Insurance

Audited Financial Statements of

RBC LIFE INSURANCE COMPANY FUNDS

December 31, 2014 and 2013

RBC LIFE INSURANCE COMPANY FUNDS

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December 31, 2014 and 2013

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Independent Auditor's Report

To the unitholders of

RBC Life Equity Fund
RBC Life Bond Fund
RBC Life Balanced Fund
(collectively referred to as the "RBC Life Insurance Company Funds")

We have audited the accompanying financial statements of each of the RBC Life Insurance Company Funds, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the RBC Life Insurance Company Funds as at December 31, 2014, December 31, 2013 and January 1, 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Financial Highlights and the Top 25 Holdings of the Underlying Fund contained in the financial statements.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 23, 2015

RBC Life Equity Growth Fund

Statements of Financial Position *

As at	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments in underlying fund at fair value	30,656,750	30,512,399	29,707,405
Other assets			
Accounts receivable - unitholders	-	-	-
Due from RBC Life Insurance Company	-	-	-
Other	-	-	-
	30,656,750	30,512,399	29,707,405
Liabilities			
Bank indebtedness	-	-	-
Other liabilities			
Accounts payable - unitholders	-	-	-
Due to RBC Life Insurance Company	15,150	41,969	13,881
Other	-	-	-
	15,150	41,969	13,881
Net assets attributable to unitholders	\$ 30,641,600	\$ 30,470,430	\$ 29,693,524
Net assets attributable to unitholders per unit	\$ 40.72	\$ 37.26	\$ 33.49

Statements of Comprehensive Income *

For the years ended December 31,	2014	2013
Income		
Distribution from underlying fund	\$ 7,909,571	\$ 992,577
Realized gain on sale of investments	(130,641)	(645,087)
Increase in unrealized appreciation of investments	(4,316,911)	3,748,975
	3,462,019	4,096,465
Expenses		
Management fees	808,617	749,720
Other administrative expenses	7,123	7,019
	815,740	756,739
Net income attributable to unitholders	\$ 2,646,279	\$ 3,339,726
Net income attributable to unitholders per unit	\$ 3.37	\$ 3.92

Statements of Changes in Net Assets Attributable to Unitholders *

For the years ended December 31,	2014	2013
Net assets, beginning of the year	\$ 30,470,430	\$ 29,693,524
Premium deposits	1,884,340	1,789,686
Net income attributable to unitholders	2,646,279	3,339,726
	35,001,049	34,822,936
Withdrawals	4,359,449	4,352,506
Net assets, end of the year	\$ 30,641,600	\$ 30,470,430
Number of units outstanding	752,452	817,817

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flow *

For the years ended December 31,	2014	2013
Operating activities		
Net income attributable to unitholders	\$ 2,646,279	\$ 3,339,726
Add (deduct) to convert net income to a cash basis		
Net gain on investments	4,447,552	(3,103,888)
Change in other assets	-	-
Change in other liabilities	(26,819)	28,088
Purchases of investments	(8,041,484)	(994,822)
Proceeds from sales of investments	3,449,581	3,293,716
Cash provided by (used in) operating activities	2,475,109	2,562,820
Financing activities		
Distributions to the unitholders	-	-
Proceeds from issue of units	1,884,340	1,789,686
Redemption of units	(4,359,449)	(4,352,506)
Cash provided by (used in) financing activities	(2,475,109)	(2,562,820)
Increase (decrease) in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

For the years ended December 31,	2014	2013
Other expenses absorbed by the manager (note 8)		
Management fees	\$ 808,617	\$ 749,720
Other administrative expenses	\$ 7,123	\$ 7,019
MER ¹	2.67%	2.52%

Sales and redemption of units (note 9)

Units issued	41,211	65,940
Proceeds from issue of units	\$ 1,884,340	\$ 1,789,686
Units redeemed	106,576	134,816
Amounts paid on redemption	\$ 4,359,449	\$ 4,352,506

As at	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Investment in underlying fund at fair value (note 10)			
Level 1	\$ 30,656,750	\$ 30,512,399	\$ 29,707,405

Schedule of invested assets

RBC Canadian Equity Fund Series O			
Number of units	1,420,142	1,166,519	1,261,380
Cost	\$ 36,953,084	\$ 32,492,047	\$ 35,436,028
Fund owned	12.5188%	1.6124%	1.0800%
Fair value	\$ 30,656,750	\$ 30,512,399	\$ 29,707,405
Fair value per unit	\$ 21.59	\$ 26.16	\$ 23.55

RBC Life Equity Growth Fund (continued)

Top 25 holdings of the underlying fund (unaudited)

ROYAL BANK CDA COMMON	6.7	POTASH CORP OF SASK COMMON	1.9
TORONTO DOMINION BK COMMON	5.6	POWER CORP OF CDA COMMON SUB V	1.8
BANK OF NOVA SCOTIA COMMON	4.4	BCE INC COMMON	1.7
SUNCOR ENERGY INC COMMON	3.8	TELUS CORP COMMON	1.6
CDN NATL RAILWAY COMMON	3.6	MAGNA INTERNATIONAL INC CLASS A	1.5
BANK OF MONTREAL COMMON	3.2	SUN LIFE FNCL SERV COMMON	1.4
ENBRIDGE INC COMMON	3.2	LOBLAW COMPANIES LTD. COMMON	1.4
CANADIAN NATURAL RESOURCES LTD. COMMON	3.0	BROOKFIELD PROPERTY PARTNERS LP COMMON	1.3
MANULIFE FINANCIAL CORP COMMON	2.9	ALIMENTATION COUCHE-TARD INC. COMMON	1.2
BROOKFIELD ASSET MGT CLASS A	2.6	CENOVUS ENERGY COMMON	1.2
CDN PACIFIC RAILWAY COMMON	2.4	SHAW COMMUNICATIONS INC. CLASS B	1.2
TRANSCANADA CORP COMMON	2.3	ROGERS COMMUNICATIONS CLASS B	1.1
CDN IMP BANK COMMERC COMMON	2.2	Total % of top 25 holdings	63.2

Financial Highlights (unaudited)

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years.

For the years ended December 31, ³	2014	2013	2012	2011	2010
Net Asset Value attributable to unitholders	\$ 40.72	\$ 37.26	\$ 33.49	\$ 31.42	\$ 35.60
Net assets attributable to unitholders (\$ '000)	\$ 30,642	\$ 30,470	\$ 29,694	\$ 31,359	\$ 41,054
Net income (loss) (\$ '000)	\$ 2,646	\$ 3,340	\$ 1,631	\$ (4,277)	\$ 5,668
Premium deposits (\$ '000)	\$ 1,884	\$ 1,790	\$ 2,337	\$ 2,393	\$ 2,929
Withdrawals (\$ '000)	\$ 4,359	\$ 4,353	\$ 5,633	\$ 7,811	\$ 6,685
Number of units outstanding	752,452	817,817	886,693	997,958	1,153,169
Management expense ratio ¹	2.67%	2.52%	2.43%	2.50%	2.33%
Portfolio turnover rate of the underlying fund ²	24.24%	41.26%	46.00%	58.58%	65.52%

* On January 1, 2014, the Fund adopted IFRS and the transition date was January 1, 2013. There were no differences between the IFRS and CGAAP amounts on the financial statements.

¹ The management expense ratio ("MER") is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

² The underlying fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

³ Financial highlights for the years ended December 31, 2014 and 2013 are based on IFRS and for the years ended December 31, 2012, 2011 and 2010 are based on CGAAP.

RBC Life Bond Fund

Statements of Financial Position *

As at	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments in underlying fund at fair value	4,109,915	4,117,819	4,487,427
Other assets			
Accounts receivable - unitholders	-	-	-
Due from RBC Life Insurance Company	-	-	-
Other	-	-	-
	4,109,915	4,117,819	4,487,427
Liabilities			
Bank indebtedness	-	-	-
Other liabilities			
Accounts payable - unitholders	-	-	-
Due to RBC Life Insurance Company	1,686	3,534	1,774
Other	-	-	-
	1,686	3,534	1,774
Net assets attributable to unitholders	\$ 4,108,229	\$ 4,114,285	\$ 4,485,653
Net assets attributable to unitholders per unit	\$ 33.47	\$ 31.30	\$ 32.13

Statements of Comprehensive Income *

For the years ended December 31,	2014	2013
Income		
Distribution from underlying fund	\$ 138,740	\$ 166,314
Realized gain on sale of investments	35,676	28,670
Increase in unrealized appreciation of investments	185,265	(206,952)
	359,681	(11,968)
Expenses		
Management fees	87,742	91,296
Other administrative expenses	1,687	1,718
	89,429	93,014
Net income (loss) attributable to unitholders	\$ 270,252	\$ (104,982)
Net income (loss) attributable to unitholders per unit	\$ 2.13	\$ (0.77)

Statements of Changes in Net Assets Attributable to Unitholders *

For the years ended December 31,	2014	2013
Net assets, beginning of the year	\$ 4,114,285	\$ 4,485,653
Premium deposits	275,093	291,713
Net income (loss) attributable to unitholders	270,252	(104,982)
	4,659,630	4,672,384
Withdrawals	551,401	558,099
Net assets, end of the year	\$ 4,108,229	\$ 4,114,285
Number of units outstanding	122,742	131,447

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flow *

For the years ended December 31,	2014	2013
Operating activities		
Net income attributable to unitholders	\$ 270,252	\$ (104,982)
Add (deduct) to convert net income to a cash basis		
Net gain on investments	(220,941)	178,282
Change in other assets	-	-
Change in other liabilities	(1,848)	1,760
Purchases of investments	(157,451)	(175,488)
Proceeds from sales of investments	386,296	366,814
Cash provided by (used in) operating activities	276,308	266,386
Financing activities		
Distributions to the unitholders	-	-
Proceeds from issue of units	275,093	291,713
Redemption of units	(551,401)	(558,099)
Cash provided by (used in) financing activities	(276,308)	(266,386)
Increase (decrease) in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

For the years ended December 31,

	2014	2013
Other expenses absorbed by the manager (note 8)		
Management fees	\$ 87,742	\$ 91,296
Other administrative expenses	\$ 1,687	\$ 1,718
MER ¹	2.18%	2.16%

Sales and redemption of units (note 9)

Units issued	8,067	11,280
Proceeds from issue of units	\$ 275,093	\$ 291,713
Units redeemed	16,772	19,459
Amounts paid on redemption	\$ 551,401	\$ 558,099

As at

	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Investment in underlying fund at fair value (note 10)			
Level 1	\$ 4,109,915	\$ 4,117,819	\$ 4,487,427

Schedule of invested assets

RBC Canadian Equity Fund Series O			
Number of units	596,297	629,984	658,492
Cost	\$ 3,730,123	\$ 3,923,363	\$ 4,086,019
Fund owned	0.0360%	0.0414%	0.0600%
Fair value	\$ 4,109,915	\$ 4,117,819	\$ 4,487,427
Fair value per unit	\$ 6.89	\$ 6.54	\$ 6.81

RBC Life Bond Fund (continued)

Top 25 holdings of the underlying fund (unaudited)

Province of Ontario 3.450% Jun 2 45	3.2	Toronto-Dominion Bank 2.447% Apr 2 19	1.3
Province of Ontario 3.500% Jun 2 24	2.9	Province of Quebec 5.000% Dec 1 41	1.3
Province of Ontario 2.850% Jun 2 23	2.7	Province of Ontario 3.150% Jun 2 22	1.2
Province of Ontario 3.500% Jun 2 43	2.2	Province of Quebec 3.750% Sep 1 24	1.2
Province of Ontario 4.650% Jun 2 41	2.1	Province of Ontario 4.700% Jun 2 37	1.1
Province of Ontario 6.500% Mar 8 29	2.1	Royal Bank of Canada 2.77% Dec 11 18	1.1
Province of Ontario 4.600% Jun 2 39	1.9	Canada Housing Trust No. 1 2.350% Sep 15 23	0.9
Province of Ontario 1.900% Sep 8 17	1.8	Province of Quebec 5.000% Dec 1 38	0.9
Province of Quebec 3.000% Sep 1 23	1.8	Canadian Imperial Bank of Commerce 2.35% Oct 18 17	0.9
Province of Ontario 4.200% Jun 2 20	1.7	Hydro One Inc. 5.36% May 20 36	0.9
Province of Ontario 4.400% Jun 2 19	1.6	Province of Quebec 4.250% Dec 1 43	0.9
Province of Ontario 4.000% Jun 2 21	1.4	Canada Housing Trust No. 1 2.650% Mar 15 22	0.8
Canada Housing Trust No. 1 3.350% Dec 15 20	1.3	Total % of top 25 holdings	39.2

Financial Highlights (unaudited)

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years.

For the years ended December 31, ³	2014	2013	2012	2011	2010
Net Asset Value attributable to unitholders	\$ 33.47	\$ 31.30	\$ 32.13	\$ 31.20	\$ 29.02
Net assets attributable to unitholders (\$ '000)	\$ 4,108	\$ 4,114	\$ 4,486	\$ 4,715	\$ 5,023
Net income (loss) (\$ '000)	\$ 270	\$ (105)	\$ 130	\$ 344	\$ 272
Premium deposits (\$ '000)	\$ 275	\$ 292	\$ 309	\$ 366	\$ 376
Withdrawals (\$ '000)	\$ 551	\$ 558	\$ 668	\$ 1,018	\$ 777
Number of units outstanding	122,742	131,447	139,626	151,116	173,070
Management expense ratio ¹	2.18%	2.16%	2.16%	2.05%	2.02%
Portfolio turnover rate of the underlying fund ²	35.76%	31.64%	33.88%	49.74%	44.95%

* On January 1, 2014, the Fund adopted IFRS and the transition date was January 1, 2013. There were no differences between the IFRS and CGAAP amounts on the financial statements.

¹ The management expense ratio ("MER") is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

² The underlying fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

³ Financial highlights for the years ended December 31, 2014 and 2013 are based on IFRS and for the years ended December 31, 2012, 2011 and 2010 are based on CGAAP.

RBC Life Balanced Fund

Statements of Financial Position *

As at	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments in underlying fund at fair value	13,031,587	12,966,206	12,685,656
Other assets			
Accounts receivable - unitholders	-	-	-
Due from RBC Life Insurance Company	-	-	-
Other	-	-	-
	13,031,587	12,966,206	12,685,656
Liabilities			
Bank indebtedness	-	-	-
Other liabilities			
Accounts payable - unitholders	-	3,386	49,518
Due to RBC Life Insurance Company	6,488	12,828	5,944
Other	-	-	-
	6,488	16,214	55,462
Net assets attributable to unitholders	\$ 13,025,099	\$ 12,949,992	\$ 12,630,194
Net assets attributable to unitholders per unit	\$ 38.41	\$ 35.25	\$ 32.37

Statements of Comprehensive Income *

For the years ended December 31,	2014	2013
Income		
Distribution from underlying fund	\$ 825,124	\$ 799,745
Realized gain on sale of investments	170,715	74,456
Increase in unrealized appreciation of investments	408,456	522,225
	1,404,295	1,396,426
Expenses		
Management fees	335,674	324,941
Other administrative expenses	3,881	3,881
	339,555	328,822
Net income attributable to unitholders	\$ 1,064,740	\$ 1,067,604
Net income attributable to unitholders per unit	\$ 3.01	\$ 2.82

Statements of Changes in Net Assets Attributable to Unitholders *

For the years ended December 31,	2014	2013
Net assets, beginning of the year	\$ 12,949,992	\$ 12,630,194
Premium deposits	808,720	817,738
Net income attributable to unitholders	1,064,740	1,067,604
	14,823,452	14,515,536
Withdrawals	1,798,353	1,565,544
Net assets, end of the year	\$ 13,025,099	\$ 12,949,992
Number of units outstanding	339,136	367,340

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flow *

For the years ended December 31,	2014	2013
Operating activities		
Net income attributable to unitholders	\$ 1,064,740	\$ 1,067,604
Add (deduct) to convert net income to a cash basis		
Net gain on investments	(579,171)	(596,681)
Change in other assets	-	-
Change in other liabilities	(9,726)	(39,248)
Purchases of investments	(857,833)	(812,204)
Proceeds from sales of investments	1,371,623	1,128,335
Cash provided by (used in) operating activities	989,633	747,806
Financing activities		
Distributions to the unitholders	-	-
Proceeds from issue of units	808,720	817,738
Redemption of units	(1,798,353)	(1,565,544)
Cash provided by (used in) financing activities	(989,633)	(747,806)
Increase (decrease) in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

For the years ended December 31,	2014	2013
Other expenses absorbed by the manager (note 8)		
Management fees	\$ 335,674	\$ 324,941
Other administrative expenses	\$ 3,881	\$ 3,881
MER ¹	2.61%	2.57%

Sales and redemption of units (note 9)

Units issued	20,230	30,058
Proceeds from issue of units	\$ 808,720	\$ 817,738
Units redeemed	48,434	52,927
Amounts paid on redemption	\$ 1,798,353	\$ 1,565,544

As at	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Investment in underlying fund at fair value (note 10)			
Level 1	\$ 13,031,587	\$ 12,966,206	\$ 12,685,656

Schedule of invested assets

RBC Canadian Equity Fund Series O			
Number of units	873,929	907,231	929,386
Cost	\$ 11,739,688	\$ 12,082,880	\$ 12,324,555
Fund owned	27.6937%	30.6035%	32.5200%
Fair value	\$ 13,031,587	\$ 12,966,206	\$ 12,685,656
Fair value per unit	\$ 14.91	\$ 14.29	\$ 13.65

RBC Life Balanced Fund (continued)

Top 25 holdings of the underlying fund (unaudited)

Royal Bank of Canada	2.4	Canadian Natural Resources Ltd.	1.0
Toronto-Dominion Bank	2.0	Province of Manitoba 6.50% 22-Sep-17	0.9
Province of Ontario 3.150% Jun 2 22	1.8	Brookfield Asset Management Inc.,Class A	0.9
Bank of Nova Scotia	1.6	Province of Quebec 4.500% Dec 1 17	0.9
Suncor Energy Inc.	1.4	Canadian Pacific Railway	0.8
Canada Housing Trust No. 1 3.350% Dec 15 20	1.3	Province of Ontario 4.600% Jun 2 39	0.8
Canadian National Railway Co.	1.3	TransCanada Corp.	0.8
Bank of Montreal	1.1	Canadian Imperial Bank of Commerce	0.8
Province of Ontario 4.650% Jun 2 41	1.1	Government of Canada 1.750% Mar 1 19	0.8
Province of Ontario 2.850% Jun 2 23	1.1	Province of Ontario 4.400% Jun 2 19	0.7
Enbridge Inc.	1.1	Hydro-Quebec 6.500% Feb 15 35	0.7
Province of Ontario 2.100% Sep 8 18	1.1	Canada Housing Trust No. 1 1.850% Dec 15 16	0.7
Manulife Financial Corporation	1.0	Total % of top 25 holdings	28.1

Financial Highlights (unaudited)

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years.

For the years ended December 31, ³	2014	2013	2012	2011	2010
Net Asset Value attributable to unitholders	\$ 38.41	\$ 35.25	\$ 32.37	\$ 30.34	\$ 31.49
Net assets attributable to unitholders (\$ '000)	\$ 13,025	\$ 12,950	\$ 12,630	\$ 12,842	\$ 14,500
Net income (loss) (\$ '000)	\$ 1,065	\$ 1,068	\$ 698	\$ (489)	\$ 1,168
Premium deposits (\$ '000)	\$ 809	\$ 818	\$ 1,028	\$ 1,064	\$ 1,134
Withdrawals (\$ '000)	\$ 1,798	\$ 1,566	\$ 1,938	\$ 2,233	\$ 2,384
Number of units outstanding	339,136	367,340	390,209	423,256	460,499
Management expense ratio ¹	2.61%	2.57%	2.43%	2.45%	2.37%
Portfolio turnover rate of the underlying fund ²	60.51%	70.00%	81.81%	102.06%	82.19%

* On January 1, 2014, the Fund adopted IFRS and the transition date was January 1, 2013. There were no differences between the IFRS and CGAAP amounts on the financial statements.

¹ The management expense ratio ("MER") is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

² The underlying fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

³ Financial highlights for the years ended December 31, 2014 and 2013 are based on IFRS and for the years ended December 31, 2012, 2011 and 2010 are based on CGAAP.

RBC LIFE INSURANCE COMPANY FUNDS

Notes to the Financial Statements

December 31, 2014 and 2013

1. THE FUNDS

The RBC Life Insurance Company Funds are segregated funds, originally established by a predecessor company, Westbury Life Insurance Company and are no longer marketed by RBC Life Insurance Company, a related party.

RBC Life Equity Growth Fund ("Equity Growth") established December 15, 1989

RBC Life Bond Fund ("Bond") established May 1, 1991

RBC Life Balanced Fund ("Balanced") established May 1, 1991

(hereafter the funds are referred to in these financial statements as collectively the "Funds" and individually the "Fund"). The Funds invest in RBC Global Asset Management Inc. ("RBC GAM") mutual funds, a related party. RBC Life Insurance Company, a related party, is the fund manager (the "Manager") and sole issuer of the individual variable insurance contracts providing for investment in each Fund, and is guarantor of the guarantee provisions contained in these contracts. The Funds invest in underlying mutual funds managed by RBC GAM, a wholly owned subsidiary of Royal Bank of Canada ("RBC"). All investment transactions with the corresponding underlying RBC GAM managed mutual funds are at quoted market values. The Manager's registered office is located at 6880 Financial Dr., Mississauga, Ontario L5N 7Y5, Canada.

The Funds pay management fees to RBC Life Insurance Company as presented in the Statements of Comprehensive Income of each Fund as detailed in the supplementary information disclosed alongside the financial statements.

The Funds invest in units of underlying mutual funds managed by RBC GAM. These financial statements were authorized for issue by the Manager on April 23, 2015.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Previously, the financial statements were prepared under Canadian generally accepted accounting principles ("CGAAP"). The Funds adopted IFRS effective January 1, 2014 and the date of transition was January 1, 2013.

The effect of the Funds' transition to IFRS from CGAAP is summarized as follows:

a) Statements of cash flows

All Funds are required under IAS 7, *Statement of Cash Flows*, to provide a statement of cash flows. Under CGAAP a statement of cash flows was not required for the Funds.

b) Investment entity

The Manager has determined that the Funds meet the definition of "investment entity". The most significant judgment that has been made in determining that the Funds meet this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of all of their investments. All investments by the Funds are in underlying mutual funds managed by RBC GAM and which are measured at Fair Value Through Profit or Loss ("FVTPL"), as required by IFRS 13, *Fair Value Measurement* ("IFRS 13"), as also previously measured under CGAAP. Since there were no differences in fair value measurement, there were no adjustments required to the Funds' statements of financial position as at December 31, 2013 or January 1, 2013 as previously reported under CGAAP. The adoption of IFRS also had no impact on the Funds' statements of comprehensive income for the year ended December 31, 2013.

c) Classification of redeemable units issued by the Funds

Under Canadian GAAP, the Funds accounted for their redeemable units as equity. International Accounting Standard ("IAS") 32, *Financial Instruments: Presentation* ("IAS 32"), requires that redeemable units of a fund which include a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset be classified as a financial liability. As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument only if it has all the features as stated in IAS 32. The Manager has determined that the redeemable units of the Funds do not meet the features as stated in IAS 32 for classification as an equity instrument and therefore have been classified as a financial liability as at January 1, 2013, on transition to IFRS, and as at December 31, 2013 and December 31, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRS. The Canadian dollar is the functional and presentation currency of the Funds. The following is a summary of the significant accounting policies:

a) Investments

The investments in underlying mutual funds are valued on each business date at their published closing net asset value. Investment transactions are accounted for on the trade date. Realized gains and losses on sales of investments and unrealized appreciation or depreciation in value of investments are calculated on an average cost basis.

Investments are recorded at their fair value. Underlying mutual funds are valued on each business day at their net asset value as reported by the fund manager. The fair value of investments is measured using closing prices, in the same manner in which the daily net asset value per unit is measured for unit holder transaction purposes.

b) Income recognition

Distributions from investments are recorded when declared by the underlying mutual fund.

c) Net asset value per unit

Net asset value per unit is computed by dividing the net assets attributable to a series of units on a business day by the total number of units of the series outstanding on that day.

d) Net income per unit

Net income per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets from operations attributable to the series for the year, divided by the average number of units outstanding at the end of the year.

e) Use of estimates

These financial statements are prepared in accordance with IFRS, and include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses. The most significant estimates relate to the fair valuation of investments. However, all investments are level 1 (refer to note 9). Actual results may differ from these estimates.

f) Expenses of funds

Each Fund is responsible for the payment of the fees and expenses related to the operation of that Fund. Such fees and expenses, which are recorded on an accrual basis, include custodian fees, management fees, legal fees, audit fees, operations and administration fees, bank charges, interest, brokerage on securities transactions and all indirect taxes. As the Funds invest solely in units of the underlying mutual funds, the Funds are not subject to transaction costs pertaining to the purchase, sale or redemption of units.

g) Income taxes

Each Fund is deemed to be an inter-vivos trust under the provisions of the Income Tax Act (Canada) and is deemed to have allocated its income to the contract holders. Each Fund's net capital gains (losses) are deemed to be those of the contract holders. Accordingly, each Fund is not subject to income tax on its net income, including net realized capital gains for the year.

4. FINANCIAL INSTRUMENTS RISK

The Funds may be exposed to a variety of financial risks. Each of the Fund's exposures to financial risks is concentrated in its investment holdings. The Schedule of Invested Assets on each Fund's supplementary information, disclosed alongside the financial statements, presents the details of units held by each Fund as at December 31, 2014, December 31, 2013 and January 1, 2013 and groups the underlying mutual funds by their nature. The Funds do not manage their underlying mutual funds and therefore the quantitative and qualitative risk disclosures, as required by IFRS 7, *Financial Instruments: Disclosures*, of the underlying mutual funds have not been disclosed. For further information on the financial instruments risk of the underlying mutual fund and the sensitivity to price changes please refer to the financial statements of the underlying mutual funds which are filed on SEDAR.

Each of the Fund's risk management practice includes the monitoring of compliance to investment guidelines. The Fund Manager manages the potential effects of these financial risks on the Funds' performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Funds' positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

4. FINANCIAL INSTRUMENTS RISK (continued)

a) Credit risk

Credit risk is the possibility that a borrower, or the counterparty to a derivatives contract, repurchase agreement or reverse repurchase agreement, is unable or unwilling to repay the loan or obligation, either on time or at all. Companies and governments that borrow money, and the debt securities they issue, are rated by specialized rating agencies. Debt securities issued by companies or governments in emerging markets often have higher credit risk (lower rated debt), while debt securities issued by well-established companies or by governments of developed countries tend to have lower credit risk (higher rated debt). A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Lower rated and unrated debt instruments generally offer a better return than higher grade debt instruments, but have the potential for substantial loss. Funds that invest in companies or markets with higher credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term. Credit risk arises when an underlying mutual fund invests in fixed income securities. Credit risk is considered as part of the investment decision making process.

During the years ended December 31, 2014 and 2013, the underlying mutual funds only bought and sold investments through brokers which are RBC approved counterparties, thus minimizing the risk of default during settlement.

b) Currency risk

The underlying mutual funds are valued in Canadian dollars. However, underlying mutual funds that purchase foreign securities may be required to pay for such securities using a foreign currency and receive a foreign currency when they sell them. As a result, changes in the value of the Canadian dollar compared to foreign currencies will affect the value of any foreign securities. For example, if the Canadian dollar rises relative to a foreign currency (like the U.S. dollar or the Euro), the Canadian dollar value of an investment denominated in that foreign currency may decline. This decline may reduce, or even eliminate, any return the Fund has earned on the security. On the other hand, a Fund may also benefit from changes in exchange rates. Currency exposure may increase the volatility of foreign investments relative to Canadian investments. The underlying mutual funds may hedge (protect against) the risk of changes in foreign currency exchange rates of the underlying assets of the Fund.

During the years ended December 31, 2014 and 2013, as the Funds only invested in Canadian denominated underlying mutual funds, the Funds do not have a direct currency risk exposure.

c) Interest rate risk

If a Fund invests primarily in bonds and other fixed-income securities, the biggest influence on the Fund's value will be changes in the general level of interest rates. If interest rates fall, the value of the Fund's units will tend to rise. If interest rates rise, the value of the Fund's units will tend to fall. Short-term interest rates can have a different influence on a Fund's value than long-term interest rates. If a Fund invests primarily in bonds and other fixed-income securities with longer-term maturities, the biggest influence on the Fund's value will be changes in the general level of long-term interest rates. If a Fund invests primarily in bonds and other fixed-income securities with shorter-term maturities, the biggest influence on the Fund's value will be changes in the general level of shorter-term interest rates. Investors seeking current income should be aware that the level of interest income from a money market fund will fluctuate as short-term interest rates vary.

Interest rate risk arises when the underlying mutual fund invests in interest bearing financial instruments such as a bond. The underlying mutual fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Schedule of Invested Assets on each Fund's supplementary information, disclosed alongside the financial statements, presents the details of units held by each Fund and groups the underlying mutual funds by their nature to indicate those underlying mutual funds which invest in interest bearing financial instruments.

d) Liquidity risk

Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. Most securities owned by an underlying mutual fund can be sold easily and at a fair price. In highly volatile markets, such as in periods of sudden interest rate changes, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, or because of features like guarantees. Another reason for illiquidity is a lack of buyers interested in a particular security or market. Difficulty in selling securities may result in a loss or reduced return for a Fund.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Funds' assets were comprised of units of underlying mutual funds which can be redeemed upon request from the issuer on a valuation date. A valuation date occurs every day that the principal exchange is open for trading and a value is available for the assets of the relevant fund. The Toronto Stock Exchange currently is the principal exchange used for purposes of determining the valuation dates.

e) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market condition. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes, and catastrophic events. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Funds are exposed to the market risk of the underlying mutual funds.

RBC LIFE INSURANCE COMPANY FUNDS

5. FINANCIAL RISK MANAGEMENT

The Funds use a fund-of-fund structure to invest in underlying mutual funds exclusively managed by RBC GAM. As part of the fund selection process for the Funds, the existing mutual funds line-up are reviewed at least annually by RBC Life Insurance Company to identify any product gaps that result from the changing needs of the market and distribution partners.

The screening criteria may include qualitative as well as quantitative measures of performance and must satisfy internal risk management standards.

Ongoing monitoring throughout the year by the Funds' management includes monitoring any organizational or fund changes announced by underlying mutual fund managers or news items that may affect organizational stability or Funds performance as well as analysis on the Funds' rate of return to verify that it is appropriate compared to the underlying mutual fund or fund's benchmark.

Included in the ongoing due diligence process, managers of the underlying mutual funds are required to verify that the Funds have adhered to the Funds' Investment Policies and that the underlying mutual funds are managed in accordance with the investment objectives and strategies as detailed in the Funds' Information Folders. The Information Folder also details the specific risks that the underlying mutual funds could be exposed to. Such risks primarily arise because the value of the investments are affected by changes in the local and global economies including interest rates, foreign exchange rates, financial markets and company-specific news. The underlying mutual funds' manager has developed policies and procedures to manage the fund-specific risks. Fund portfolios are reviewed on a regular basis by RBC Life Insurance Company to ensure that the existing asset mix and weightings continue to meet the current and future needs of the Funds.

6. CAPITAL MANAGEMENT

The Funds have no externally imposed capital requirements. The relevant capital movements are disclosed in the Statements of Changes in Net Assets Attributable to Unitholders. To manage risks, the Funds' Manager uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities, and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

7. MANAGEMENT FEES AND OTHER ADMINISTRATIVE EXPENSES

In consideration for management services and investment advice, RBC Life Insurance Company, a related party, is entitled to a management fee. The maximum management fee, exclusive of Harmonized Sales Tax ("HST"), is based on the following annual percentages, applied on a weekly basis to the respective net asset values of the Fund

Equity Growth Fund	Up to 2.275%
Bond Fund	Up to 1.900%
Balanced Fund	Up to 2.275%

The management expense ratios for the Funds are based on expenses charged directly to the Fund (other than brokerage commissions and taxes on securities transactions) plus, if applicable, expenses of the underlying mutual funds, calculated on a weighted average basis on the percentage weighting of underlying mutual funds and is expressed as a percentage of the annual average net asset value calculated for the purpose of the issue of units of the Funds. Custodian fee, audit fee, interest and bank charges are payable by the Funds.

Management fees and other administrative expenses charged to the Funds are subject to the Goods and Services Tax (GST) / Harmonized Sales Tax (HST). Based on the rules and guidance issued by the Department of Finance, the effective GST/HST rate will reflect the tax rates that are applicable in the Provinces/Territories where the Fund's unit holders reside. Since each fund will have unit holders in more than one Province/Territory, the blended rate will be a weighted average based on the tax rate in each Province/Territory and the value of unit holder assets. Therefore the blended rate is likely to be different for each Fund.

8. OTHER EXPENSES ABSORBED BY THE MANAGER

In addition to the management and insurance fees, the Funds also bear all operating and administrative expenses including legal and audit fees. The management expense ratio ("MER") is all of the expenses of the Fund expressed as a percentage of the Fund's average net asset value.

The RBC Life Insurance Company may absorb/waive certain expenses of the Funds when the aggregate expenses exceeded a certain percentage ("MER cap") of the average daily net asset value of each Series of the Funds. In the case of the money market fund the management fee may be waived/reduced when rates increase in accordance with RBC's administrative rules. The waiver may be terminated by RBC at any time in accordance with its administrative rules. Included in Due from RBC Life Insurance Company, in the Statements of Financial Position, are balances of expenses absorbed by RBC Life Insurance Company. The MER of a Fund is subject to change without prior notification.

9. SALES AND REDEMPTIONS OF UNITS

Units of the Funds, which are redeemable at the option of the unitholder in accordance with the provisions of the related policy contracts, do not have any nominal value or par value and the number of units which may be issued is unlimited. Units of the Fund are issued or redeemed on a weekly basis at the net asset value per unit next determined after the purchase order or redemption request, respectively, is received by RBC Life Insurance Company.

10. FAIR VALUE MEASUREMENT

Investments recorded at fair value on the Funds' Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined in accordance with IFRS 13 and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets, are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. Quoted price for these investments are not adjusted even in situations where a large position and a sale could reasonably impact the quoted price.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the investments in underlying mutual fund by each of the Fund's are classified as Level 1.

11. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014 and December 31, 2013, management fees and insurance fees were paid to RBC Life Insurance Company as disclosed in Note 7 and presented separately in the Statements of Comprehensive Income of each Fund. As at December 31, 2014, December 31, 2013 and January 1, 2013, the management fees and insurance fees payable to RBC Life Insurance Company are presented separately in the Statements of Financial Position of each Fund.

During the years ended December 31, 2014 and 2013, the Funds did not pay any expenses to RBC GAM.