



RBC Insurance

Audited Financial Statements of

RBC LIFE INSURANCE COMPANY FUNDS

December 31, 2016

RBC LIFE INSURANCE COMPANY FUNDS

Table of Contents

December 31, 2016

	<u>Page</u>
Financial Statements and Supplementary Information	
Independent Auditor's Report	1 – 2
RBC Life Equity Growth Fund	3 – 4
RBC Life Bond Fund	5 – 6
RBC Life Balanced Fund	7 – 8
Notes to the Financial Statements	9 – 15



April 28, 2017

Independent Auditor's Report

**To the contractholders of
RBC Life Equity Growth Fund
RBC Life Bond Fund
RBC Life Balanced Fund**
(collectively the Funds)

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2016 and the statements of comprehensive income, changes in net assets attributable to contractholders and cash flow for the year ended December 31, 2016, and the related notes, which comprise 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 the financial statements of each of the Funds 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 the financial statements of each of the Funds based on our audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2016 and the financial performance and cash flows of each of the Funds for the year ended December 31, 2016 in accordance with International Financial Reporting Standards.

Other matter

The financial statements of each of the Funds as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 18, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

RBC Life Equity Growth Fund

Statement of Financial Position

As at	Dec 31, 2016	Dec 31, 2015
Assets		
Cash and cash equivalents	\$ -	\$ -
Investments in underlying fund at fair value	27,504,157	25,567,669
Other assets		
Accounts receivable - contractholders	-	-
Due from RBC Life Insurance Company	-	-
Other	-	-
	27,504,157	25,567,669
Liabilities		
Bank indebtedness	-	-
Other liabilities		
Accounts payable - contractholders	-	-
Due to RBC Life Insurance Company	13,555	12,830
Other	-	-
	13,555	12,830
Net assets attributable to contractholders	\$ 27,490,602	\$ 25,554,839
Net assets attributable to contractholders per unit	\$ 43.54	\$ 36.71

Statement of Comprehensive Income

For the year ended December 31,	2016	2015
Income		
Distribution from underlying fund	\$ 681,939	\$ 929,565
Realized loss on sale of investments	(1,356,251)	(1,117,449)
Change in unrealized gain/loss of investments	5,896,537	(1,889,470)
	5,222,225	(2,077,354)
Expenses		
Management fees	678,633	733,075
Other administrative expenses	6,715	2,697
	685,348	735,772
Net income (loss) attributable to contractholders	\$ 4,536,877	\$ (2,813,126)
Net income (loss) attributable to contractholders per unit	\$ 6.88	\$ (3.91)

Statement of Changes in Net Assets Attributable to Contractholders

For the year ended December 31,	2016	2015
Net assets, beginning of the year	\$ 25,554,839	\$ 30,641,600
Premium deposits	1,330,295	1,512,701
Net income (loss) attributable to contractholders	4,536,877	(2,813,126)
	31,422,011	29,341,175
Withdrawals	3,931,409	3,786,336
Net assets, end of the year	\$ 27,490,602	\$ 25,554,839
Number of units outstanding	631,386	696,206

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

Statement of Cash Flow

For the year ended December 31,	2016	2015
Operating activities		
Net income (loss) attributable to contractholders	\$ 4,536,877	\$ (2,813,126)
Add (deduct) to convert net income to a cash basis		
Net loss on investments	(4,540,286)	3,006,919
Change in other assets	-	-
Change in other liabilities	725	(2,320)
Purchases of investments	(681,939)	(929,565)
Proceeds from sales of investments	3,285,737	3,011,727
Cash provided by (used in) operating activities	2,601,114	2,273,635
Financing activities		
Distributions to the contractholders	-	-
Proceeds from issue of units	1,330,295	1,512,701
Redemption of units	(3,931,409)	(3,786,336)
Cash provided by (used in) financing activities	(2,601,114)	(2,273,635)
Increase (decrease) in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

For the year ended December 31,	2016	2015
Management fees and other expenses		
Management fees	\$ 678,633	\$ 733,075
Other administrative expenses	\$ 6,715	\$ 2,697
MER	2.58%	2.62%

Sales and redemption of units

Units issued	33,861	35,185
Proceeds from issue of units	\$ 1,330,295	\$ 1,512,701
Units redeemed	98,681	91,431
Amounts paid on redemption	\$ 3,931,409	\$ 3,786,336

As at	Dec 31, 2016	Dec 31, 2015
Investment in underlying fund at fair value		
Level 1	\$ 27,504,157	\$ 25,567,669

Schedule of invested assets

RBC Canadian Equity Fund Series O		
Number of units	1,200,919	1,328,612
Cost	\$ 29,793,428	\$ 33,753,473
Percentage held in underlying fund	1.1836%	9.8600%
Fair value	\$ 27,504,157	\$ 25,567,669
Fair value per unit	\$ 22.90	\$ 19.24

RBC Life Equity Growth Fund (continued)

Top 25 holdings of the underlying fund (unaudited)

ROYAL BANK OF CANADA COMMON	6.2	ALIMENTATION COUCHE-TARD INC CLASS B SUB VTG	2.0
TORONTO DOMINION BANK COMMON	5.3	CANADIAN PACIFIC RAILWAY COMMON	1.8
RBC CANADIAN SMALL & MID-CAP RESOURCES FUND	4.6	SUN LIFE FINANCIAL INC COMMON	1.6
BANK OF NOVA SCOTIA COMMON	4.6	LOBLAW COS LTD COMMON	1.5
SUNCOR ENERGY INC COMMON	4.6	CANADIAN IMPERIAL BANK OF COMMERCE COMMON	1.5
CANADIAN NATURAL RESOURCES COMMON	3.4	ROGERS COMMUNICATIONS CLASS B NON VTG	1.4
CANADIAN NATIONAL RAILWAY COMMON	3.0	CGI GROUP INC CLASS A SUB VTG	1.4
BANK OF MONTREAL COMMON	3.0	SNC-LAVALIN GROUP COMMON	1.2
BROOKFIELD ASSET MANAGEMENT CLASS A LTD VTG	2.8	CENOVUS ENERGY COMMON	1.2
MANULIFE FINANCIAL CORP COMMON	2.7	THOMSON REUTERS COMMON	1.2
TRANSCANADA CORP COMMON	2.4	ONEX CORP SUB VTG	1.2
ENBRIDGE INC COMMON	2.2	POTASH CORP OF SASKATCHEWAN COMMON	1.1
BCE INC COMMON	2.1		63.8

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	2016	2015	2014	2013	2012
Net Asset Value attributable to contractholders	\$ 43.54	\$ 36.71	\$ 40.72	\$ 37.26	\$ 33.49
Net assets attributable to contractholders (\$ '000)	\$ 27,491	\$ 25,555	\$ 30,642	\$ 30,470	\$ 29,694
Net income (loss) (\$ '000)	\$ 4,537	\$ (2,813)	\$ 2,646	\$ 3,340	\$ 1,631
Premium deposits (\$ '000)	\$ 1,330	\$ 1,513	\$ 1,884	\$ 1,790	\$ 2,337
Withdrawals (\$ '000)	\$ 3,931	\$ 3,786	\$ 4,359	\$ 4,353	\$ 5,633
Number of units outstanding	631,386	696,206	752,452	817,817	886,693
Management expense ratio ¹	2.58%	2.62%	2.67%	2.52%	2.43%
Portfolio turnover rate of the underlying fund ²	23.60%	18.00%	24.24%	41.26%	46.00%

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 2015, 2014 and 2013 are based on IFRS and for the year 2012 is based on Canadian Generally Accepted Principles.

RBC Life Bond Fund

Statement of Financial Position

As at	Dec 31, 2016	Dec 31, 2015
Assets		
Cash and cash equivalents	\$ -	\$ -
Investments in underlying fund at fair value	3,645,127	3,818,303
Other assets		
Accounts receivable - contractholders	-	-
Due from RBC Life Insurance Company	-	-
Other	-	-
	3,645,127	3,818,303
Liabilities		
Bank indebtedness	-	-
Other liabilities		
Accounts payable - contractholders	-	-
Due to RBC Life Insurance Company	1,501	1,570
Other	-	-
	1,501	1,570
Net assets attributable to contractholders	\$ 3,643,626	\$ 3,816,733
Net assets attributable to contractholders per unit	\$ 34.33	\$ 33.97

Statement of Comprehensive Income

For the year ended December 31,	2016	2015
Income		
Distribution from underlying fund	\$ 153,613	\$ 144,170
Realized gain on sale of investments	38,888	53,440
Change in unrealized gain/loss of investments	(62,024)	(42,256)
	130,477	155,354
Expenses		
Management fees	81,880	85,955
Other administrative expenses	1,665	901
	83,545	86,856
Net income attributable to contractholders	\$ 46,932	\$ 68,498
Net income attributable to contractholders per unit	\$ 0.43	\$ 0.58

Statement of Changes in Net Assets Attributable to Contractholders

For the year ended December 31,	2016	2015
Net assets, beginning of the year	\$ 3,816,733	\$ 4,108,229
Premium deposits	209,271	230,507
Net income attributable to contractholders	46,932	68,498
	4,072,936	4,407,234
Withdrawals	429,310	590,501
Net assets, end of the year	\$ 3,643,626	\$ 3,816,733
Number of units outstanding	106,130	112,352

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

Statement of Cash Flow

For the year ended December 31,	2016	2015
Operating activities		
Net income attributable to contractholders	\$ 46,932	\$ 68,498
Add (deduct) to convert net income to a cash basis		
Net gain on investments	23,136	(11,184)
Change in other assets	-	-
Change in other liabilities	(69)	(116)
Purchases of investments	(157,867)	(149,324)
Proceeds from sales of investments	307,907	452,120
Cash provided by (used in) operating activities	220,039	359,994
Financing activities		
Distributions to the contractholders	-	-
Proceeds from issue of units	209,271	230,507
Redemption of units	(429,310)	(590,501)
Cash provided by (used in) financing activities	(220,039)	(359,994)
Increase (decrease) in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

For the year ended December 31,	2016	2015
Management fees and other expenses		
Management fees	\$ 81,880	\$ 85,955
Other administrative expenses	\$ 1,665	\$ 901
MER	2.24%	2.19%

Sales and redemption of units

	2016	2015
Units issued	6,031	6,099
Proceeds from issue of units	\$ 209,271	\$ 230,507
Units redeemed	12,253	16,489
Amounts paid on redemption	\$ 429,310	\$ 590,501

As at	Dec 31, 2016	Dec 31, 2015
Investment in underlying fund at fair value		
Level 1	\$ 3,645,127	\$ 3,818,303

Schedule of invested assets

RBC Canadian Bond Fund Series O		
Number of units	532,151	553,257
Cost	\$ 3,371,517	\$ 3,482,669
Percentage held in underlying fund	0.0211%	0.0277%
Fair value	\$ 3,645,127	\$ 3,818,303
Fair value per unit	\$ 6.85	\$ 6.90

RBC Life Bond Fund (continued)

Top 25 holdings of the underlying fund (unaudited)

ONTARIO PROV 3.450 JUN 02 45	3.3	CANADA GOVT 3.500 DEC 01 45	1.1
ONTARIO PROV 2.900 DEC 02 46	3.1	QUEBEC PROV 3.750 SEP 01 24	1.1
ONTARIO PROV 3.500 JUN 02 43	2.5	QUEBEC PROV 5.000 DEC 01 41	1.1
ONTARIO PROV 4.600 JUN 02 39	2.1	ONTARIO PROV 6.500 MAR 08 29	1.0
ONTARIO PROV 4.650 JUN 02 41	1.8	CANADA HOUSING T 2.350 SEP 15 23	1.0
ONTARIO PROV 2.850 JUN 02 23	1.8	ONTARIO PROV 4.400 JUN 02 19	1.0
ONTARIO PROV 3.500 JUN 02 24	1.6	ONTARIO PROV 4.700 JUN 02 37	0.9
ONTARIO PROV 2.400 JUN 02 26	1.5	TD BANK 2.447 APR 02 19	0.9
CANADA GOVT 1.500 JUN 01 26	1.5	ROYAL BANK CDA 2.030 MAR 15 21	0.9
QUEBEC PROV 3.000 SEP 01 23	1.5	QUEBEC PROV 4.250 DEC 01 43	0.8
ONTARIO PROV 2.600 JUN 02 25	1.4	ONTARIO PROV 4.000 JUN 02 21	0.8
RBC EM MKT FOREIGN EQUITY UNITS - O	1.2	ONTARIO PROV 3.150 JUN 02 22	0.8
BLUEBAY EMERGING MARKETS CORPORATE BOND FUND SERIES O	1.2	Total % of top 25 holdings	35.8

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	2016	2015	2014	2013	2012
Net Asset Value attributable to contractholders	\$ 34.33	\$ 33.97	\$ 33.47	\$ 31.30	\$ 32.13
Net assets attributable to contractholders (\$ '000)	\$ 3,644	\$ 3,817	\$ 4,108	\$ 4,114	\$ 4,486
Net income (loss) (\$ '000)	\$ 47	\$ 68	\$ 270	\$ (105)	\$ 130
Premium deposits (\$ '000)	\$ 209	\$ 231	\$ 275	\$ 292	\$ 309
Withdrawals (\$ '000)	\$ 429	\$ 591	\$ 551	\$ 558	\$ 668
Number of units outstanding	106,130	112,352	122,742	131,447	139,626
Management expense ratio ¹	2.24%	2.19%	2.18%	2.16%	2.16%
Portfolio turnover rate of the underlying fund ²	22.50%	22.38%	35.76%	31.64%	33.88%

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 2015, 2014 and 2013 are based on IFRS and for the year 2012 is based on Canadian Generally Accepted Principles.

RBC Life Balanced Fund

Statement of Financial Position

As at	Dec 31, 2016	Dec 31, 2015
Assets		
Cash and cash equivalents	\$ -	\$ -
Investments in underlying fund at fair value	11,745,824	12,213,757
Other assets		
Accounts receivable - contractholders	-	-
Due from RBC Life Insurance Company	-	-
Other	-	-
	11,745,824	12,213,757
Liabilities		
Bank indebtedness	-	-
Other liabilities		
Accounts payable - contractholders	-	-
Due to RBC Life Insurance Company	5,833	6,123
Other	-	-
	5,833	6,123
Net assets attributable to contractholders	\$ 11,739,991	\$ 12,207,634
Net assets attributable to contractholders per unit	\$ 40.73	\$ 38.49

Statement of Comprehensive Income

For the year ended December 31,	2016	2015
Income		
Distribution from underlying fund	\$ 441,897	\$ 631,052
Realized gain on sale of investments	177,295	160,579
Change in unrealized gain/loss of investments	437,397	(399,545)
	1,056,589	392,086
Expenses		
Management fees	311,661	334,261
Other administrative expenses	3,819	1,576
	315,480	335,837
Net income attributable to contractholders	\$ 741,109	\$ 56,249
Net income attributable to contractholders per unit	\$ 2.44	\$ 0.17

Statement of Changes in Net Assets Attributable to Contractholders

For the year ended December 31,	2016	2015
Net assets, beginning of the year	\$ 12,207,634	\$ 13,025,099
Premium deposits	638,169	684,140
Net income attributable to contractholders	741,109	56,249
	13,586,912	13,765,488
Withdrawals	1,846,921	1,557,854
Net assets, end of the year	\$ 11,739,991	\$ 12,207,634
Number of units outstanding	288,232	317,139

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

Statement of Cash Flow

For the year ended December 31,	2016	2015
Operating activities		
Net income attributable to contractholders	\$ 741,109	\$ 56,249
Add (deduct) to convert net income to a cash basis		
Net loss (gain) on investments	(614,692)	238,966
Change in other assets	-	-
Change in other liabilities	(290)	(365)
Purchases of investments	(441,897)	(658,865)
Proceeds from sales of investments	1,524,522	1,237,729
Cash provided by (used in) operating activities	1,208,752	873,714
Financing activities		
Distributions to the contractholders	-	-
Proceeds from issue of units	638,169	684,140
Redemption of units	(1,846,921)	(1,557,854)
Cash provided by (used in) financing activities	(1,208,752)	(873,714)
Increase (decrease) in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

For the year ended December 31,	2016	2015
Management fees and other expenses		
Management fees	\$ 311,661	\$ 334,261
Other administrative expenses	\$ 3,819	\$ 1,576
MER ¹	2.63%	2.66%

Sales and redemption of units

Units issued	16,291	17,243
Proceeds from issue of units	\$ 638,169	\$ 684,140
Units redeemed	45,198	39,240
Amounts paid on redemption	\$ 1,846,921	\$ 1,557,854

As at	Dec 31, 2016	Dec 31, 2015
Investment in underlying fund at fair value		
Level 1	\$ 11,745,824	\$ 12,213,757

Schedule of invested assets

RBC Balanced Fund Series O		
Number of units	764,871	837,178
Cost	\$ 10,416,074	\$ 11,321,404
Percentage held in underlying fund	0.1842%	23.7471%
Fair value	\$ 11,745,824	\$ 12,213,757
Fair value per unit	\$ 15.36	\$ 14.59

RBC Life Balanced Fund (continued)

Top 25 holdings of the underlying fund (unaudited)

RBC EMERGING MARKETS EQUITY UNITS - SERIES O	4.2	ONTARIO PROV 3.150 JUN 02 22	1.0
ROYAL BANK OF CANADA COMMON	2.5	CANADA GOVT 1.500 JUN 01 26	0.9
TORONTO DOMINION BANK COMMON	2.3	TRANSCANADA CORP COMMON	0.9
RBC CANADIAN SMALL & MID-CAP RESOURCES FUND	1.7	MANULIFE FINANCIAL CORP COMMON	0.9
BANK OF NOVA SCOTIA COMMON	1.7	BROOKFIELD ASSET MANAGEMENT CLASS A LTD VTG	0.9
SUNCOR ENERGY INC COMMON	1.6	HYDRO QUEBEC 6.500 FEB 15 35	0.9
CANADIAN NATIONAL RAILWAY COMMON	1.2	CANADA GOVT 0.750 SEP 01 21	0.9
ONTARIO PROV 4.650 JUN 02 41	1.1	ONTARIO PROV 4.700 JUN 02 37	0.9
BANK OF MONTREAL COMMON	1.1	CANADA GOVT 3.500 DEC 01 45	0.8
ONTARIO PROV 4.600 JUN 02 39	1.1	QUEBEC PROV 3.000 SEP 01 23	0.8
CANADIAN NATURAL RESOURCES COMMON	1.1	ONTARIO PROV 6.200 JUN 02 31	0.8
ONTARIO PROV 2.850 JUN 02 23	1.1	CANADA GOVT 0.500 NOV 01 18	0.7
ENBRIDGE INC COMMON	1.0	Total % of top 25 holdings	32.1

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	2016	2015	2014	2013	2012
Net Asset Value attributable to contractholders	\$ 40.73	\$ 38.49	\$ 38.41	\$ 35.25	\$ 32.37
Net assets attributable to contractholders (\$ '000)	\$ 11,740	\$ 12,208	\$ 13,025	\$ 12,950	\$ 12,630
Net income (loss) (\$ '000)	\$ 741	\$ 56	\$ 1,065	\$ 1,068	\$ 698
Premium deposits (\$ '000)	\$ 638	\$ 684	\$ 809	\$ 818	\$ 1,028
Withdrawals (\$ '000)	\$ 1,847	\$ 1,558	\$ 1,798	\$ 1,566	\$ 1,938
Number of units outstanding	288,232	317,139	339,136	367,340	390,209
Management expense ratio ¹	2.63%	2.66%	2.61%	2.57%	2.43%
Portfolio turnover rate of the underlying fund ²	21.70%	42.78%	60.51%	70.00%	81.81%

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 2015, 2014 and 2013 are based on IFRS and for the year 2012 is based on Canadian Generally Accepted Principles.

RBC LIFE INSURANCE COMPANY FUNDS

Notes to the Financial Statements

December 31, 2016

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"). Both, RBC Life Insurance Company and RBC GAM are wholly owned subsidiaries of Royal Bank of Canada ("RBC"). The Manager's registered office is located at 6880 Financial Dr., Mississauga, Ontario L5N 7Y5, Canada. The Funds invest in units of underlying mutual funds managed by RBC GAM.

The assets of each of the Funds are owned by RBC Life Insurance Company and are segregated from RBC Life Insurance Company's other assets. The Funds are not separate legal entities, but are separate reporting entities. These financial statements were authorized for issue by the Manager on April 18, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and presentation currency of the Funds.

The following is a summary of the significant accounting policies:

a) Classification and recognition of financial instruments

The investments in underlying mutual funds are recorded at fair value 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 Change in unrealized gain/loss of investments are calculated on a First-In-First-Out basis.

Fair Value Through Profit or Loss ("FVTPL") assets

Financial assets purchased for sale in the near term, and derivatives, are classified as FVTPL by nature.

A financial instrument can be designated as FVTPL under the fair value option on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term. An instrument that is designated as FVTPL must have a reliably measurable fair value and satisfy one of the following criteria: (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing gains and losses on them on a different basis; (ii) it belongs to a group of financial assets or financial liabilities or both that are managed, evaluated, and reported to senior management on a fair value basis in accordance with the risk management strategy, and the Funds can demonstrate that significant financial risks are eliminated or significantly reduced or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

Financial instruments designated as FVTPL are recorded at fair value and any unrealized gain or loss arising due to changes in fair value is included in Change in unrealized gain/loss of investments. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

The Funds designate all their investments as FVTPL.

b) Income recognition

Distributions from investments are recorded when declared by the underlying mutual fund. Distributions received from investment fund holdings are recognized by the Funds in the same form in which they were received from the underlying mutual funds.

c) Net assets attributable to contractholders per unit

Net assets attributable to contractholders 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Net income (loss) attributable to contractholders per unit

Net income attributable to contractholders per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets from operations attributable to the series for the year, divided by the weighted 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 affects the reported amounts of assets, liabilities, income and expenses. 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.

A fund may elect each year to realize capital gain (loss) for the taxation year, to optimize the allocation of capital gain/(loss) between redeeming and continuing contractholders.

h) Consolidated financial statements

Under IFRS 10, Consolidated Financial Statements, a Fund is required to provide consolidated financial statements if it has control over the entities it invests in. In October 2013, the IASB issued an "Investment Entity" amendment to IFRS 10, which provides an exception to consolidation for an entity that meets the definition of Investment Entity. The Manager has determined that all Funds satisfy the criteria of an Investment Entity.

i) Current assets and Current liabilities

The Funds' Statement of Financial Position is presented broadly in order of liquidity.

RBC LIFE INSURANCE COMPANY FUNDS

3. FUTURE ACCOUNTING CHANGES

None of the new accounting policies adopted had significant impact on the Funds' financial statements.

The Funds are currently assessing the impact of adopting the following standards on the financial statements:

IFRS 9 – Financial instruments	<p>In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).</p> <p>IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at FVTPL, fair value through Other Comprehensive Income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.</p> <p>IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.</p> <p>Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures.</p> <p>IFRS 9 will be effective for the Funds on January 1, 2018.</p>
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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, 2016 and 2015 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.

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 fair 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.

For the years ended December 31, 2016 and 2015, 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

Most 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. Some underlying mutual funds may hedge (protect against) the risk of changes in foreign currency exchange rates of the underlying assets of the Fund.

For the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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.

RBC LIFE INSURANCE COMPANY FUNDS

4. FINANCIAL INSTRUMENTS RISK (continued)

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, 2016 and 2015, 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, 2016 and 2015, the Funds are exposed to the market risk of the underlying mutual funds.

f) The following table shows risk profile of all the Underlying Funds as at December 31, 2016.

The Fund name	Underlying Mutual Fund name	Fair value	Underlying mutual fund risk exposures (*)	Number of Funds	Impact on net assets based on 5% increase or decrease
RBC Life Equity Growth Fund	RBC Canadian Equity Fund	\$ 27,504,157	O, L	1	\$ 1,375,208
RBC Life Bond Fund	RBC Bond Fund	3,645,127	I, CR	1	182,256
RBC Life Balanced Fund	RBC Balanced Fund	11,745,824	O, C, I, CR, L	1	587,291

The following table shows risk profile of all the Underlying Funds as at December 31, 2015.

The Fund name	Underlying Mutual Fund name	Fair value	Underlying mutual fund risk exposures (*)	Number of Funds	Impact on net assets based on 5% increase or decrease
RBC Life Equity Growth Fund	RBC Canadian Equity Fund	\$ 25,567,669	O, L	1	\$ 1,278,383
RBC Life Bond Fund	RBC Bond Fund	3,818,303	I, CR	1	190,915
RBC Life Balanced Fund	RBC Balanced Fund	12,213,757	O, C, I, CR, L	1	610,688

(*) O = Other Price Risk, I = Interest Price Risk, C = Currency Risk, L = Liquidity Risk and CR = Credit Risk

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 underlying mutual 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 their investment objectives and strategies. The underlying mutual funds could be exposed to specific risks which may 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.

RBC LIFE INSURANCE COMPANY FUNDS

6. CAPITAL MANAGEMENT

The Funds have no externally imposed capital requirements. The relevant capital movements are disclosed in the Statement of Changes in Net Assets Attributable to Contractholders. 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%

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 contractholders reside. Since each fund will have contractholders 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 contractholder 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 the Funds also bear all operating and administrative expenses including legal and audit fees.

The Manager may absorb/waive certain expenses of the Funds. The waiver may be terminated by the Manager at any time in accordance with the Information Folder. Included in Due from RBC Life Insurance Company, in the Statement of Financial Position, are balances of expenses absorbed by the Manager.

9. SALES AND REDEMPTIONS OF UNITS

Units of the Fund series, which are redeemable at the option of the contractholder, do not have any nominal value or par value and the number of units, which may be issued, is unlimited. Units are issued or redeemed on a daily basis at the net asset value per unit next determined after the purchase order or redemption request.

As each of the series of the Funds have different management fee structures, features and guarantees attached to them, the units of the Funds do not meet the criteria in IAS 32 for classification as equity and have therefore been classified as liabilities.

10. FAIR VALUE MEASUREMENT

Investments recorded at fair value on the Funds' Statement 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, 2016 and 2015, the investments in underlying mutual fund by each of the Fund's are classified as Level 1.

11. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2016 and 2015, management fees were paid to RBC Life Insurance Company as disclosed in Note 7 and presented separately in the Statement of Comprehensive Income of each Fund. As at December 31, 2016 and December 31, 2015, the management fees payable to RBC Life Insurance Company are included in accrued expenses in the Statement of Financial Position of each Fund.

For the years ended December 31, 2016 and 2015, the Funds paid administrative expenses to RBC Investor Services.

For the years ended December 31, 2016 and 2015, the Funds did not pay any expenses to RBC GAM.