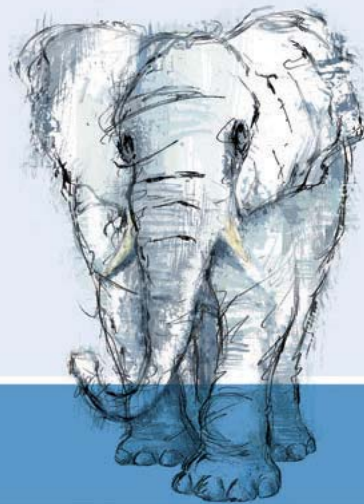


On Solid Financial Ground

Industrial Alliance Q3/2009
Institutional Presentation



A PARTNER YOU CAN TRUST.

December 8, 2009



Q3/2009 Key Messages



Strong Risk Management Culture

- > Earnings back on track faster than peers
- > No credit, reserve or capital issues
- > Turnaround in retail insurance and wealth mgmt sales
- > Good visibility of earnings going forward
- > Focus kept on financial strength
- > Results resilient to economic and financial environment

**Drivers behind strong Q3/09 results:
sound risk management with respect to reserving,
investments and pricing, as well as efficient Canada-wide
life and wealth management multi-channel distribution network**

Q3/2009 Highlights



EPS (diluted)	<ul style="list-style-type: none">• 74 cents, up 17% YoY• Earnings almost back to pre-crisis level• Only lifeco with earnings up YoY
ROE	<ul style="list-style-type: none">• 13.7% (quarter annualized)• At top end of 12% to 14% target range
Key profitability drivers	<ul style="list-style-type: none">• Stock market rebound: +8 cents (6 cents recurrent)• Fair value of debt instruments: +1 cent• Group Creditor Insurance revenue shortfall: -1 cent• Claims in Group Insurance Employee Plans back to normal• No credit impairment• No reserve strengthening
Sales growth	<ul style="list-style-type: none">• Turnaround in retail sectors (retail insurance up 18% and retail wealth mgmt up 2% YoY)• Soft in group sectors

3



Q3/2009 Highlights (cont.)



Solvency ratio	<ul style="list-style-type: none">• 197%, but 207% with \$100M pref share issue (issue closed on Oct. 15, 2009)• Above 175% to 200% target range• Well positioned to face potential changes to regulatory capital requirements
Dividend	<ul style="list-style-type: none">• Stable at 24.5 cents per common share• Guidance: dividend constant throughout 2009• Payout: 33%, within 25% to 35% target range
Investments	<ul style="list-style-type: none">• Very good quality and limited downside due to conservative credit profile• No credit impairment• Net impaired assets: \$15.3M (0.10% of investments) (\$14.2M in Q2/09; 0.09% of investments)• Bonds rated BB and lower: 0.12% (0.15% in Q2/09)

4



Q3/2009 Highlights (cont.)



Q4/09 review of reserve assumptions: guidance	<ul style="list-style-type: none"> According to indications available at this time, and if current market conditions prevail until the end of 2009, year-end review of reserve assumptions should not materially impact Q4 earnings
2009 earning power	<ul style="list-style-type: none"> EPS guidance of \$2.50 to \$3.00 reiterated Good visibility of earnings going forward
Sensitivity analysis	<ul style="list-style-type: none"> Room to absorb significant stock market downturns very good
Recent acquisitions	<ul style="list-style-type: none"> IA Clarington to buy Vancity socially responsible mutual funds and to distribute its mutual funds through Vancity branches IA to buy MD Life individual life insurance portfolio (MD Life already 45% owned by IA)

5



Mitigating Risks



Where Long-Term Focus and Discipline are Key

Interest rates	<ul style="list-style-type: none"> Steady recognition of lower rates in reserves since 2005 Aggressive reserve strengthening in 2008 Use of intersegment notes to reduce reinvestment risk
Equity market	<ul style="list-style-type: none"> Conservative seg fund guarantee (Unique to IA) Small percentage of stocks backing liabilities
Mortality	<ul style="list-style-type: none"> Keep mortality risk (cushion in reserves) (Unique to IA)
Credit	<ul style="list-style-type: none"> Conservative investment philosophy
Capital	<ul style="list-style-type: none"> Proactive management actions: issue of \$200M sub debt and \$200M pref shares, increased asset return, optimized asset mix
Goodwill	<ul style="list-style-type: none"> Acquisitions conservatively priced; no writedown required
Dividend	<ul style="list-style-type: none"> Relatively low, but sustainable payout (Unique to IA)

Risk management: sound management culture as important, if not more important, than size

6



Q3/2009 Key Earning Results



Net Income to Common Shareholders	EPS (diluted)	ROE (quarter annualized)
\$60.1 million	\$0.74	13.7%



Up 17% YoY and in line with 2009 earning power guidance



Only lifeco with earnings up YoY and above market expectations



At the top end of 12%-14% guidance

Earnings back on track faster than peers.
The worst most likely behind us.

7



Q3/2009 Key Profitability Drivers



Stock Market Rebound	Economic Environment	Fair Value of Debt Instruments
EPS: + \$0.08 (\$0.06 recurrent)	EPS: (\$0.01)	EPS: + \$0.01



> TSX closed Q3 at 11,395, up 10% over Q2
> Average TSX of 10,780 in Q3, up 14% over IA budget



> Creditor insurance sales negatively impacted by slow car sales



> Credit spreads on debt contracted 20 bps less than on underlying assets

No credit impairment.
No reserve strengthening.
Claims in Group Insurance Employee Plans back to normal.

8





Individual Insurance: Very Strong Sales

(\$Million)	Q3/09	Q3/08	Var.	9M/09	9M/08	Var.
Sales ¹						
Minimum premiums ²	32.6	29.1	12%	89.0	83.3	7%
Excess premiums ³	8.1	5.4	50%	17.1	21.4	(20%)
Total	40.7	34.5	18%	106.1	104.7	1%
Premiums	238.6	235.6	1%	697.0	687.0	1%
Number of policies	27,290	25,398	7%	79,479	76,018	5%

Sales up in family market. Growth never abated during crisis.

Major turnaround in high net-worth market.

Activity in the field very good.

Recovered lost ground in Q3. Sales up 1% YTD.

¹ Sales defined as first-year annualized premiums.

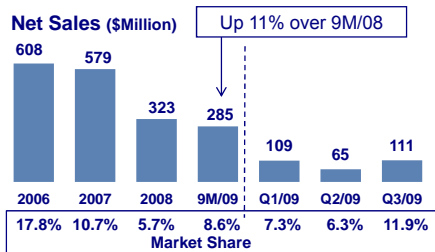
² Includes "insurance" component only.

³ Includes "savings" component only.

9



Seg Funds: Regaining Market Share



Net Sales

- > Great market share up to 2006
- > Tough competition on GMWB
- > Top 3 GMWB sellers lessened guarantee (Manu, Sun, Desjardins)
- > Regaining market share in 2009



AUM

- > Almost back to pre-crisis level (\$6,943M in Q2/2008)
- > Turnaround due to stock market upswing and strong net sales
- > Market share continues to grow

10

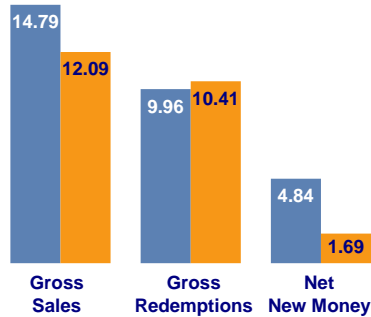


Mutual Funds: Exceeding our Size in Sales



Long-Term Fund Sales

(% of Beginning Assets)
YTD September 2009



Long-Term Asset Growth Attribution

YTD Sept. 2009	IA	Industry ¹
Sales growth	4.84%	1.69%
Market growth	15.68%	17.84%
Total	20.52%	19.53%

IA Total Mutual Funds Rank

YTD Sept. 2009	IA
Net sales	7 th
Assets	17 th

Among top 12 in net sales
for third consecutive year

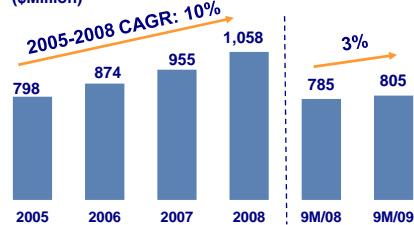
11 ¹ Based on IFIC data



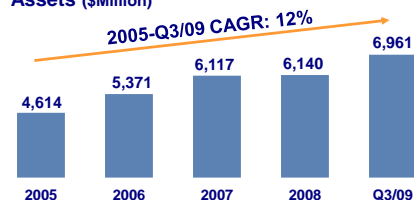
Group Business: Holding our Own



Group Insurance Premiums and Equivalents (\$Million)



Group Pensions Assets (\$Million)



Comments for Both Lines of Business

- > Record year in 2008
- > Still growing in 2009 (9 months)
- > Sales outside Quebec higher than in Quebec for last 4 years

Growth Higher Than Industry¹

2005-2008 CAGR	IA	Industry
Group Insurance Employee Plans (Premiums and Equivalents)	11%	7%
Group Pensions (Assets)	10%	0%

¹ Source: Fraser

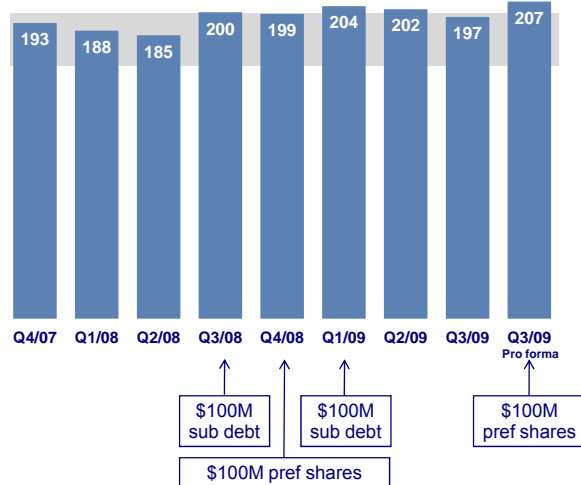
12



Strong and Resilient Solvency Ratio



(%)



Key Drivers in Q3/09

- Positive: earnings (net of dividend payments)
- Negative: increased required capital due to stock market growth and reduction in long-term interest rates

Solvency ratio exceeds 175%-200% target range

13



Changes to Regulatory Capital Requirements



Capital requirements at holding level

- No impact (IA not structured as a holding company)

Segregated funds guarantee

- No required capital under current rules when TSX above 9,400
- No required capital under pre-crisis rules when TSX above 10,250

Solvency buffer (benchmarks above minimal requirements)

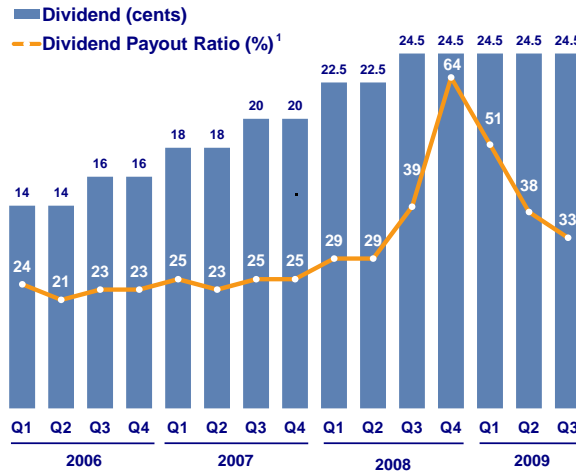
- Solvency ratio at:
 - 175% if TSX at 7,300 (≈ 35% drop)
 - 150% if TSX at 5,800 (≈ 50% drop)

Well positioned to face potential changes to regulatory capital requirements

14



Sustainable Dividend



Comments

- > Steady dividend increase up to Q3/08 and stable since
- > Payout in Q3/09 back within policy range
- > Guidance: dividend to be maintained at \$0.2450 per common share in 2009
- > Current payout policy: between 25%-35% over mid-term

15

¹ Based on adjusted earnings. See Appendix for reconciliation of GAAP and adjusted earnings.



Low Exposure to Credit Risk

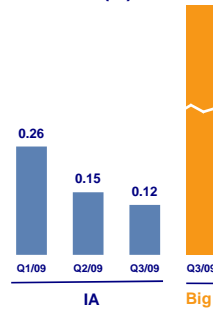


On an Absolute and Relative Basis

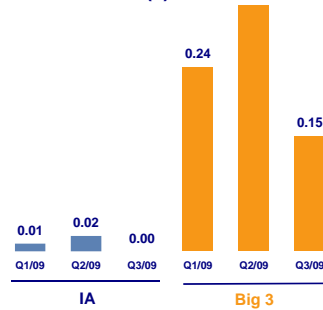
Net Impaired Investments as a % of Total Investments (%)



Bonds Rated BB and Lower (%)



Impact of Credit Impairments and Downgrades on EPS (\$)



Conservative and high quality investment portfolio.
Little credit impairment relative to peers.

16

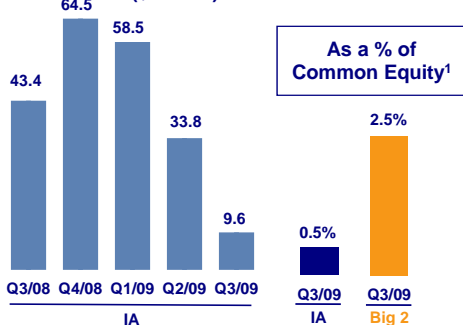


Low Exposure to Credit Risk (cont.)

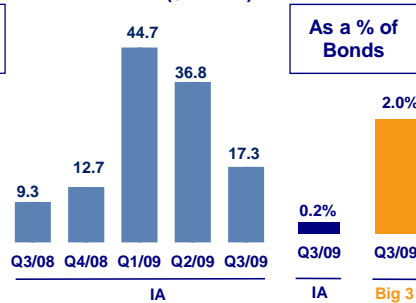


Less Exposure than Peers

Gross Unrealized Losses on AFS Corporate Fixed Income Securities (\$Million)



Unrealized Losses on Fixed Income Securities Trading Below 80% of Cost for at Least 6 Months (\$Million)



Low exposure to US and US structured products: no exposure to US subprime and less than \$10 million exposure to US ABS, MBS, CMBS and ABCP

17 ¹ Source: RBC Capital Markets, November 6, 2009. Includes Great-West and Sun Life.



Exposure to Non-Bank ABCP Manageable



Variation of Exposure in Q3/09			Exposure by Asset Category		
(\$Million)	Nominal Value	Devaluation	(\$Million)	Nominal Value	Distribution
Value as at June 30, 2009	83.4	29.6	Traditional	17.6	22%
Principal repayment	(4.0)	--	Synthetic		
Writedown	(0.6)	(0.6)	A-1	36.0	46%
Value as at Sept. 30, 2009	78.9	29.0	A-2	13.4	17%
Devaluation as a % of nominal value	--	36.8%	B	2.5	3%
			C	1.6	2%
			Subtotal	53.5	68%
			Ineligible	7.8	10%
			Total	78.9	100%

Cumulative writedown of 36.8% still adequate in spite of recent downgrade of A-2 synthetic securities from A to BBB low (with negative outlook)



Impact of Stock Market Variations on Q4/2009 Earnings



Sensitivity Analysis

Earning Drivers	Experience Gain or Loss in a Period Depends on:	TSX Threshold for Gain or Loss in Q4/09	Impact on Net Income of a 10% Variation	Recurrent or Not
Revenues on UL policy funds and income on capital	TSX closing value at end of reporting period, as compared to budget	11,395 (closing value)	±\$3M	No
MERs collected on investment funds	TSX average value during reporting period, as compared to budget	9,600 (average value)	±\$3.5M/quarter ±\$14M/year	Yes

Full-year impact on net income of a 10% TSX variation: ±\$17 million

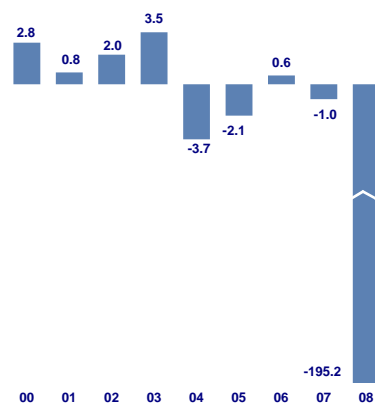
19



Year-End Review of Reserve Assumptions



Impact of Changes in Assumptions on Income Before Taxes (\$Million)



2000 to 2007

- > Cumulative impact immaterial: \$2.9 million
- > Positive: mortality, unit costs
- > Negative: interest rates, lapses

2008

- > Hurt by weak equity market and low long-term interest rates
- > Aggressive reserve strengthening to prevent further reserve increases in 2009
- > Proactive mgmt actions to provide additional cushion: increased asset return, optimized asset mix, improved matching

2009 Expectations

- > If current market conditions prevail until the end of 2009, year-end review of reserve assumptions should not materially impact Q4 earnings

20

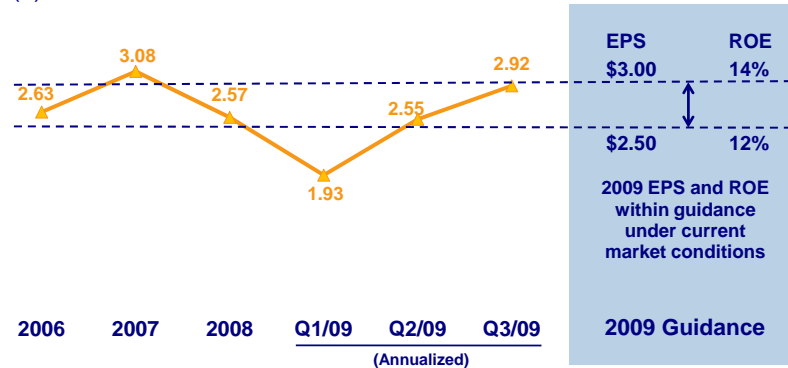




2009 Earning Power

2009 EPS Guidance Reiterated

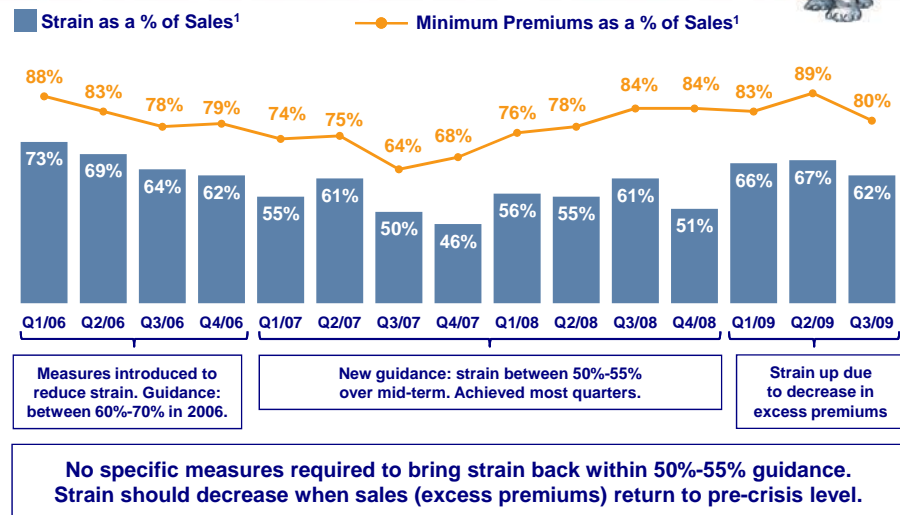
Adjusted¹ EPS (Diluted)
(\$)



21 ¹ See Appendix for reconciliation of GAAP and adjusted earnings.



Individual Insurance Strain: Recent Increase Not a Concern



22 ¹ First-year annualized premiums. Composed of "minimum premiums" and "excess premiums".



Sensitivity Analysis: an Update



		Current Guidance	Previous Guidance
Stocks matching long-term liabilities (incl. seg funds guarantee)	Level of TSX requiring strengthening of provisions for future policy benefits	8,200 points	7,850 points
Solvency Ratio	Level of TSX for ratio to be at 175%	7,300 points	7,100 points
	Level of TSX for ratio to be at 150%	5,800 points	5,450 points
	Level of TSX to have required capital for seg funds guarantee	9,400 points	9,000 points
Net Income	Full year impact of sudden 10% decrease in stock markets	(\$17 million)	(\$17 million)
URR	Impact of a 10 bps variation	\$35 million	\$35 million
IRR	Impact of a 10 bps variation	\$24 million	\$24 million

Room to absorb significant stock market downturns very good

23



Acquisition of Vancity SRI Funds



Acquisition	<ul style="list-style-type: none"> IA Clarington (IAC) to buy socially responsible investment (SRI) funds of Inhance, a subsidiary of Vancity
Who is Inhance	<ul style="list-style-type: none"> Canadian mutual fund manufacturer created in 2001 Leader in SRI funds with \$75 million in assets
Who is Vancity	<ul style="list-style-type: none"> One of Canada's largest credit unions with \$14.5 billion in assets Based in BC with 60 branches and more than 400,000 members
Benefit for Vancity	<ul style="list-style-type: none"> Inhance fund managers to manage IA Clarington SRI funds IAC to promote SRI funds in its network IA to launch seg fund version of key SRI funds in its network
Benefit for IA/IAC	<ul style="list-style-type: none"> Expand distribution in Western Canada IAC sole distributor of SRI funds in Vancity network IAC to distribute its mutual funds in Vancity network
Closing	<ul style="list-style-type: none"> Expected mid-December

24



Acquisition of MD Life's Life Insurance Portfolio



Acquisition	<ul style="list-style-type: none">• IA to buy individual insurance portfolio of MD Life
Who is MD Life	<ul style="list-style-type: none">• Life and health insurance company• Offers life insurance (mainly UL) and annuity products to Canadian physicians (high net-worth market)• 55% owned by Canadian Medical Association and 45% by IA
Size of acquired business	<ul style="list-style-type: none">• Number of policies: over 8,600• Premium income: \$62 million (2008)• Actuarial liabilities: \$307 million (Dec. 31, 2008)
Benefit for IA	<ul style="list-style-type: none">• MD Life to continue to manufacture and market MDSIF Fund• IA to continue to manage MDSIF Fund• MD Life to offer full line of IA life and health insurance and annuity products, including seg funds
Closing	<ul style="list-style-type: none">• Expected on or about December 31, 2009

25



Conclusion



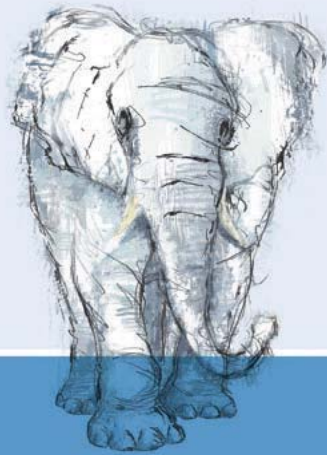
Quality Should Provide Long-Term Superior Value

- > Company managed in a disciplined way and for the long term
- > Conservatism embedded in company risk management culture: reserves, investment, pricing
- > Balance sheet not squeezed to improve short term earnings
- > Focus not on sales but on profitable sales
- > Business model unaltered by crisis: no need to reprice products, to slowdown sales, to exit business lines, to increase profit margins

**Capacity to attract and develop young talents.
Capacity to establish long-term relationship with distributors.**

26





Appendix

27



Reconciliation of GAAP, Regular and Adjusted Earnings



(\$Million)	Q1/06	Q2/06	Q3/06	Q4/06	Year/06	Q1/07	Q2/07	Q3/07	Q4/07	Year/07
Net income to common shareholders	48.2	63.7	54.7	56.4	223.0	57.9	62.1	59.1	63.1	242.2
Less: gain (loss) on debt asymmetry ¹	--	--	--	--	--	(0.3)	(0.1)	2.7	(1.7)	0.6
Net income to common shareholders on <u>regular</u> operations	48.2	63.7	54.7	56.4	223.0	58.2	62.2	56.4	64.8	241.6
Less: gain (loss) on changes in assumptions	--	--	--	0.4	0.4	--	--	--	(0.7)	(0.7)
Less: loss on ABCP writedown	--	--	--	--	--	--	--	(7.3)	--	(7.3)
Less: NL restructuring charge	(0.6)	(0.9)	(0.8)	(0.7)	(3.0)	--	--	--	--	--
Less: impact of future income tax liability reduction	--	11.5	--	--	11.5	--	--	--	--	--
<u>Adjusted</u> net income to common shareholders	48.8	53.1	55.5	56.7	214.1	58.2	62.2	63.7	65.5	249.6

28 ¹ Net variation in fair value of debentures and underlying assets.



Reconciliation of GAAP, Regular and Adjusted Earnings (cont.)



(\$Million)	Q1/08	Q2/08	Q3/08	Q4/08	Year/08	Q1/09	Q2/09	Q3/09	YTD/09
Net income to common shareholders	61.7	63.4	51.2	(110.2)	66.1	46.2	32.1	60.1	138.4
Less: gain (loss) on debt asymmetry ¹	(1.6)	1.1	0.3	7.8	7.6	7.5	(19.3)	1.1	(10.7)
Net income to common shareholders on <u>regular</u> operations	63.3	62.3	50.9	(118.0)	58.5	38.7	51.4	59.0	149.1
Less: gain (loss) on changes in assumptions	--	--	--	(138.2)	(138.2)	--	--	--	--
Less: loss on ABCP writedown	--	--	--	(10.6)	(10.6)	--	--	--	--
Less: NL restructuring charge	--	--	--	--	--	--	--	--	--
Less: impact of future income tax liability reduction	--	--	--	--	--	--	--	--	--
<u>Adjusted</u> net income to common shareholders	63.3	62.3	50.9	30.8	207.3	38.7	51.4	59.0	149.1

29

¹ Net variation in fair value of debentures and underlying assets.



Non-GAAP Financial Measures



The Company reports its financial results in accordance with generally accepted accounting principles (GAAP). It also occasionally uses certain non-GAAP financial measures – adjusted data or regular operations – mainly concerning the profit, earnings per share and return on equity. These non-GAAP financial measures are always clearly indicated, and are always accompanied by and reconciled with GAAP financial measures. The Company believes that these non-GAAP financial measures provide investors and analysts with useful information so that they can better understand the financial results and perform a better analysis of the Company's growth and profitability potential. These non-GAAP financial measures provide a different way of assessing various aspects of the Company's operations and may facilitate the comparison of results from one period to another. Since non-GAAP financial measures do not have a standardized definition, they may differ from the non-GAAP financial measures used by other institutions. The Company strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure. The data related to the solvency ratio, embedded value and the value of new business, as well as adjusted data or regular operations, as indicated above, are not subject to GAAP.

30



Forward-Looking Statements



This presentation may contain forward-looking statements about the operations, objectives and strategies of Industrial Alliance, as well as its financial situation and performance. The forward-looking nature of these statements can generally, though not always, be identified by the use of words such as "may," "expect," "anticipate," "intend," "believe," "estimate," "feel," "continue," or other similar expressions, in the affirmative, negative or conditional. Unless otherwise indicated, any forward-looking information that presents prospective results of operations, financial position or cash flows was approved by management on the date of this presentation. Forward-looking statements entail risks and uncertainties that may cause the actual results, performance or achievements of Industrial Alliance to differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the Company's actual results to differ from expected results include changes in government regulations or tax laws, competition, technological changes, global capital market activity, interest rates, changes in demographic data, changes in consumer behaviour and demand for the Company's products and services, catastrophic events, and general economic conditions in Canada or elsewhere in the world. A description of significant factors that could affect forward-looking statements is contained in the Management's Discussion and Analysis section of the Company's most recent annual report. This list is not exhaustive of the factors that may affect any of Industrial Alliance's forward-looking statements. These and other factors must be examined carefully and readers should not place undue reliance on Industrial Alliance's forward-looking statements. Where the forward-looking statements are presented as guidance regarding the future financial results of Industrial Alliance, they are provided to help investors understand the impact on earnings of the Company's current plans and objectives. The Company may also provide objectives from time to time. An objective should be interpreted as a statement of management's goals in managing the Company, and not necessarily as a forecast that the objective will be met. Industrial Alliance is not obligated to revise or update these forward-looking statements to reflect events, circumstances or situations that occur after the date of this presentation, whether foreseeable or not, except as required by applicable securities legislation.

31



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