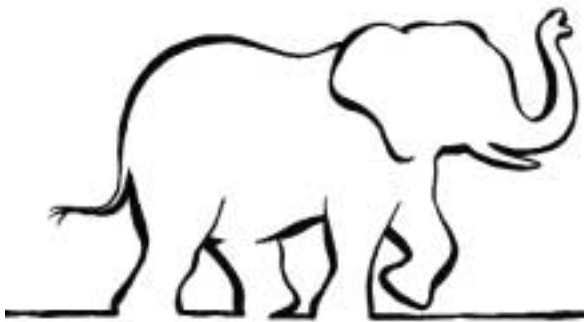


**Consolidated Financial Statements
for the Third Quarter 2006**

As at September 30, 2006 and 2005

These consolidated financial statements have
not been reviewed by external auditors.



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INDUSTRIAL ALLIANCE
INSURANCE AND FINANCIAL SERVICES INC.

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INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
CONSOLIDATED INCOME STATEMENTS

(in millions of dollars, unless otherwise indicated)

	Quarters ended		Nine months ended	
	September 30		September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
	(unaudited)			
REVENUES				
Premiums (note 10)	770.1	788.6	2,855.1	2,391.4
Net investment income	222.1	125.7	578.8	491.5
Fees and other revenues	62.8	42.3	189.0	124.2
	1,055.0	956.6	3,622.9	3,007.1
POLICY BENEFITS AND EXPENSES				
Change in provisions for future policy benefits	180.8	178.2	457.3	400.9
Payments to policyholders and beneficiaries	364.0	359.7	1,181.5	1,060.0
Net transfer to segregated funds	226.4	231.1	1,134.2	854.6
Dividends, experience rating refunds and interest on amounts on deposit	8.2	6.0	28.2	22.5
Commissions	103.1	103.2	317.7	287.4
Premium and other taxes	14.0	13.5	41.6	38.5
General expenses	74.5	65.2	232.7	206.9
Net financing expenses	4.3	4.2	13.6	12.7
	975.3	961.1	3,406.8	2,883.5
INCOME BEFORE INCOME TAXES				
	79.7	(4.5)	216.1	123.6
Income taxes (note 3)	(22.5)	3.4	(43.8)	(36.4)
NET INCOME (LOSS)				
	57.2	(1.1)	172.3	87.2
Less: net income attributable to participating policyholders	1.1	0.3	2.3	1.7
NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS				
	56.1	(1.4)	170.0	85.5
Less: preferred shareholders dividends	1.4	---	3.4	---
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS				
	54.7	(1.4)	166.6	85.5
Earnings (loss) per common share (note 7)				
basic (in dollars)	0.68	(0.02)	2.06	1.07
diluted (in dollars)	0.68	(0.02)	2.04	1.07

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEETS

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(in millions of dollars)

	As at September 30 <u>2006</u> \$ (unaudited)	As at December 31 <u>2005</u> \$	As at September 30 <u>2005</u> \$ (unaudited)
ASSETS			
Invested assets			
Bonds	7,097.7	6,619.6	6,659.9
Mortgages	2,432.8	2,420.8	2,457.5
Stocks	1,272.6	1,162.4	1,101.9
Real estate	449.9	446.3	447.1
Policy loans	216.4	182.6	180.5
Short-term investments	12.0	2.6	13.9
Cash and cash equivalents	228.3	305.7	176.7
Other invested assets	111.4	86.9	65.6
	11,821.1	11,226.9	11,103.1
Goodwill	296.9	286.7	126.5
Intangible assets	67.9	67.5	---
Other assets	483.2	391.8	363.1
	848.0	746.0	489.6
TOTAL GENERAL FUND ASSETS	12,669.1	11,972.9	11,592.7
SEGREGATED FUNDS NET ASSETS	8,456.9	7,348.8	7,027.0
LIABILITIES			
Policy liabilities			
Provisions for future policy benefits	9,157.9	8,701.0	8,558.6
Provisions for dividends to policyholders and experience rating refunds	33.9	47.1	46.2
Benefits payable and provision for unreported claims	150.3	144.7	145.9
Policyholders' amounts on deposit	175.3	164.4	164.2
	9,517.4	9,057.2	8,914.9
Other liabilities	739.9	717.7	655.8
Deferred net realized gains	514.3	444.1	415.3
Subordinated debentures	310.1	373.0	310.1
Participating policyholders' account	22.0	19.7	19.0
EQUITY			
Share capital (note 6)	630.8	510.6	462.1
Contributed surplus	14.1	12.3	11.5
Retained earnings	927.6	845.4	809.8
Currency translation account	(7.1)	(7.1)	(5.8)
	1,565.4	1,361.2	1,277.6
TOTAL GENERAL FUND LIABILITIES AND EQUITY	12,669.1	11,972.9	11,592.7
SEGREGATED FUNDS LIABILITIES	8,456.9	7,348.8	7,027.0

CONSOLIDATED PARTICIPATING POLICYHOLDERS' ACCOUNT

(in millions of dollars)

	Nine months ended September 30	
	2006	2005
	\$	\$
	(unaudited)	
Balance at beginning	19.7	17.3
Income for the period	5.1	4.8
Dividends	(2.5)	(2.9)
Transfer to the shareholders' account	(0.3)	(0.2)
Net income attributable to participating policyholders	2.3	1.7
Balance at end	22.0	19.0

CONSOLIDATED CONTRIBUTED SURPLUS

(in millions of dollars)

	Nine months ended September 30	
	2006	2005
	\$	\$
	(unaudited)	
Balance at beginning	12.3	9.5
Current period contribution for the stock option plan	2.4	2.5
Stock options exercised	(0.6)	(0.5)
Balance at end	14.1	11.5

CONSOLIDATED SHAREHOLDERS' RETAINED EARNINGS

(in millions of dollars)

	Nine months ended September 30	
	2006	2005
	\$	\$
	(unaudited)	
Balance at beginning	845.4	751.7
Impact of the non-consolidation of the Industrial Alliance Trust Securities	---	1.3
Net income attributable to shareholders	170.0	85.5
Common shareholders dividends	(35.6)	(28.7)
Preferred shareholders dividends	(3.4)	---
Issued cost on preferred shares	(2.3)	---
Cancellation following the redemption of common shares	(46.5)	---
Balance at end	927.6	809.8

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
CONSOLIDATED CASH FLOWS STATEMENTS
(in millions of dollars)

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	Quarters ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
	(unaudited)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	57.2	(1.1)	172.3	87.2
Items not affecting cash and cash equivalents:				
Change in provision for future policy benefits	180.8	178.2	456.9	400.9
Share of results of significantly influenced entity	(0.6)	(0.8)	(1.2)	(1.3)
Amortization of realized and unrealized (gains) losses	(45.2)	(64.8)	(103.7)	(115.5)
Amortization of premiums and discounts	(47.9)	(44.2)	(137.5)	(128.4)
Future income taxes	15.6	(14.5)	15.3	20.9
Stock option plan	0.8	0.9	2.4	2.5
Provision on invested assets	(2.1)	77.9	(2.0)	76.3
Other	0.4	10.9	15.1	25.0
	159.0	142.5	417.6	367.6
Other changes in other assets and liabilities	0.2	67.7	(68.2)	(16.2)
Cash flows from operating activities	159.2	210.2	349.4	351.4
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales, maturities and repayments of the following items:				
Bonds	500.7	297.7	1,451.9	995.7
Mortgages	115.9	129.3	285.8	413.5
Stocks	81.6	140.4	306.5	339.7
Real estate	0.1	---	2.0	1.3
Policy loans	17.7	16.7	57.3	54.3
Other invested assets	16.2	14.8	37.3	162.0
	732.2	598.9	2,140.8	1,966.5
Purchases of the following items:				
Bonds	(644.4)	(554.4)	(1,683.4)	(1,397.8)
Mortgages	(96.3)	(111.3)	(291.6)	(379.0)
Stocks	(72.7)	(136.4)	(364.2)	(362.2)
Real estate	(0.3)	(0.3)	(0.5)	(1.8)
Policy loans	(13.2)	(13.1)	(87.5)	(69.4)
Other invested assets	(48.9)	(11.0)	(104.8)	(108.3)
	(875.8)	(826.5)	(2,532.0)	(2,318.5)
Cash flows from investing activities	(143.6)	(227.6)	(391.2)	(352.0)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of common shares	0.4	0.3	3.5	3.6
Redemption of common shares	---	---	(57.9)	---
Issue of preferred shares	---	---	125.0	---
Cost of issuance of preferred shares	---	---	(3.4)	---
Issue of debenture	---	---	(67.7)	---
Redemption of debentures	---	---	4.7	---
Preferred shareholders dividends	(1.4)	---	(3.4)	---
Common shareholders dividends	(12.8)	(10.0)	(35.6)	(28.7)
Increase (decrease) in mortgage debts	(0.3)	(11.3)	(0.8)	(11.9)
Cash flows from financing activities	(14.1)	(21.0)	(35.6)	(37.0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1.5	(38.4)	(77.4)	(37.6)
CASH AND CASH EQUIVALENTS AT BEGINNING	226.8	215.1	305.7	214.3
CASH AND CASH EQUIVALENTS AT END	228.3	176.7	228.3	176.7
Supplementary information:				
Cash and cash equivalents:				
Cash, net of payments in transit			(11.9)	(16.6)
Cash equivalents			240.2	193.3
			228.3	176.7
Interest paid	5.9	3.3	15.0	15.5
Income taxes paid, net of refunds	(7.8)	11.8	19.7	33.5

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in millions of dollars)

	Nine months ended September 30 2006	Twelve months ended December 31 2005	Nine months ended September 30 2005
	\$	\$	\$
	(unaudited)		(unaudited)
Balance at beginning	7,348.8	5,913.6	5,913.6
Additions:			
Amounts received from policyholders	1,263.7	1,276.7	934.0
Investment income	163.3	189.2	111.6
Net realized gains	258.3	262.5	165.6
Net increase (decrease) in market value	40.3	442.6	438.9
	9,074.4	8,084.6	7,563.7
Deductions:			
Amounts withdrawn by policyholders	508.4	600.3	437.2
Operating expenses	109.1	135.5	99.5
	617.5	735.8	536.7
Balance at end	8,456.9	7,348.8	7,027.0

CONSOLIDATED STATEMENTS OF NET ASSETS
(in millions of dollars)

	As at September 30 2006	As at December 31 2005	As at September 30 2005
	\$	\$	\$
	(unaudited)		(unaudited)
Assets			
Bonds	2,597.7	2,113.6	2,022.1
Mortgages and mortgage-backed securities	18.3	24.1	24.4
Stocks	2,201.3	2,169.6	2,065.3
Fund units	3,192.4	2,572.0	2,420.9
Cash and short-term investments	427.1	456.3	487.6
Other assets	78.8	36.1	53.0
	8,515.6	7,371.7	7,073.3
Liabilities			
Accounts payable and accrued expenses	58.7	22.9	46.3
Net assets	8,456.9	7,348.8	7,027.0

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
(in millions of dollars, unless otherwise indicated)

1- ACCOUNTING POLICIES

These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2005, as set out in the 2005 Annual Report. The significant accounting policies followed in the preparation of these interim Consolidated Financial Statements are consistent with those found in the 2005 Annual Report.

2- ACQUISITION OF BUSINESS

On August 15, 2006, the Company completed the acquisition of 100% of the common shares of FundTrade Financial Corporation Inc. (FundTrade), for a cash consideration of \$8.6. Also, an amount up to a maximum of \$3.0 can be paid at the end of the third year if certain conditions are met. On September 1, 2006, FundTrade was merged with FundEX Investments Inc. to create one entity, FundEX Investments Inc. The final allocation is expected to be completed during the year 2007 and may result in the reallocation of the purchase price.

On June 19, 2006, the Company completed the acquisition of an additional 8.25% of the common shares of FundEX Investments Inc. (FundEX), increasing its ownership in FundEX to 91.75%, for a cash consideration of \$0.8.

In relation to the acquisition of Industrial Alliance Fund Management Inc. (formerly BLC-Edmond de Rothschild Asset Management Inc. (BLCER)), which closed on December 31, 2004, an amount of \$0.4 under the recovery clause was received in June 2006, decreasing the purchase price by this amount.

During the months of January and February 2006, the Company completed the acquisition of the last common shares of Clarington Corporation (Clarington) for a cash consideration of \$8.1 and an issuance of 90,180 of its own common shares, for a total payment of \$10.6, which had already been accounted as at December 31, 2005.

3- UNUSUAL ITEMS

During the second quarter, the Company recognized the tax rate reductions from the different governments, resulting in the following impacts on the financial statements: a \$21.1 decrease in the future income tax liability and an \$8.9 increase in the provisions for future policy benefits, creating additional income of \$12.2 related to the December 31, 2005 liabilities, of which \$11.5 is attributable to common shareholders.

The Company also recognized a reduction of the income taxes charges of \$7.5 for the nine months ended September 30, and a \$2.5 during the current quarter.

4- NORSHIELD PROVISION

In May 2005, the Company made a commitment to its clients to ensure the liquidity of their investments in two hedge funds managed by Norshield Financial Group (Norshield).

The Company decided to transfer all amounts invested by its clients in the funds managed by Norshield to another manager, the impact of which was to increase the Company's direct holdings in the two Norshield hedge funds to \$77.9.

In light of observations contained in the preliminary report tabled November 17, 2005 at the Ontario Superior Court of Justice by RSM Richter Inc. in its capacity as the court-appointed receiver of the Norshield Companies, the Company recorded, in the third quarter, a provision in Norshield of \$77.9, presented in the net investment income in the income statement (\$52.1 after tax), which corresponds to its entire investment in Norshield.

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
(in millions of dollars, unless otherwise indicated)

5- RESTRUCTURING COSTS

In acquiring Clarington on December 28, 2005, the Company developed a plan to restructure and consolidate the activities involving Clarington's business operations, locations and back-office systems. Related costs will include back office conversion expenses, penalties to third parties and compensation costs. These costs, which have been accounted for as part of the purchase price, amount to \$18.5.

In acquiring BLC-Edmond de Rothschild Asset Management Inc. (BLCER) on December 31, 2004, the Company developed a plan to restructure the operations. Costs of \$3.4 were expected to be incurred as a result of consolidating activities involving operations and systems and compensation costs. These costs were accounted for as part of the purchase price.

On June 30, 2006, Industrial Alliance Fund Management Inc. (formerly BLC-Edmond de Rothschild Asset Management Inc. (BLCER)) and Clarington were merged to create one entity, Industrial Alliance Fund Management Inc. The name of the new entity was changed to IA Clarington Investments Inc.

	Accrued on acquisition			Balance as at September 30, 2006
	Expected future costs	Amounts incurred in 2006	Cumulative amount incurred to date	
	\$	\$	\$	\$
Cost of restructuring operations	21.9	8.3	11.0	10.9

On December 1, 2004, the Company announced the combination of the operations of its subsidiary "The National Life Assurance Company of Canada" (National Life) with its own operations during the years 2005 and 2006.

The impact of this decision on the consolidated financial statements was an increase in the general expenses for the nine month period ended September 30, 2006 of \$3.3 (\$2.3 after tax) (\$4.0 (\$2.6 after tax) in 2005).

	Expenses as incurred			Balance as at September 30, 2006
	Expected future costs	Amounts incurred in 2006	Cumulative amount incurred to date	
	\$	\$	\$	\$
Compensation cost	4.0	---	3.2	0.8
Additional income taxes related to the consolidating operations	4.4	---	4.4	---
Additional provision for future policy benefits related to the consolidating operations	0.8	---	0.6	0.2
Accelerated depreciation of software and equipment	3.0	1.1	2.7	0.3
Systems conversion and other	4.0	2.2	5.1	(1.1)
Total	16.2	3.3	16.0	0.2

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
(in millions of dollars, unless otherwise indicated)

6- SHARE CAPITAL

The following category has been added to the authorized share capital:

Preferred shares

An unlimited number of class A – Series B preferred shares, without par value, without voting rights, fixed non-cumulative quarterly dividend in cash of 0.2875 dollars per share, redeemable in full or in part at the option of the Company after March 31, 2011, subject to approval by the Autorité des marchés financiers for an amount between 26 dollars and 25 dollars per share according to the year.

	Nine months ended September 30 (unaudited)			
	2006		2005	
	Number of shares (in thousands)	Amount \$	Number of shares (in thousands)	Amount \$
Common shares				
Balance at beginning	81,387.2	510.8	79,489.4	458.2
Shares issued on exercise of stock options	166.8	4.1	175.9	4.1
Shares issued on acquisition of business	90.2	2.5	---	---
Cancellation of shares issued at demutualization	(3.0)	---	(2.8)	---
Cancellation following the repurchase of common shares	(1,800.0)	(11.4)	---	---
Balance at end	79,841.2	506.0	79,662.5	462.3
Shares held in treasury	(21.6)	(0.2)	(21.6)	(0.2)
	<u>79,819.6</u>	<u>505.8</u>	<u>79,640.9</u>	<u>462.1</u>
Preferred shares - Series A				
Balance at beginning	4.0	0.1	4.0	0.1
Shares issued	---	---	---	---
Balance at end	4.0	0.1	4.0	0.1
Shares held in treasury	(4.0)	(0.1)	(4.0)	(0.1)
	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Preferred shares - Series B				
Balance at beginning	---	---	---	---
Shares issued	5,000	125.0	---	---
Balance at end	5,000	125.0	---	---
	<u>5,000</u>	<u>125.0</u>	<u>---</u>	<u>---</u>
Total share capital		<u>630.8</u>		<u>462.1</u>

The number of outstanding stock options (in thousands) as at September 30, 2006 is 3,194.0 (2,936.5 in 2005).

On February 24, 2006, the Company issued 5,000,000 class A – Series B preferred shares for an amount of \$125.0.

On May 4, 2005, the shareholders approved a two-for-one split of the Company's common shares. The split took effect on May 18, 2005. The number of common shares, the number of stock options outstanding and the weighted average exercise price in the stock-based compensation and the earnings per common share have been retroactively adjusted to reflect the split.

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
(in millions of dollars, unless otherwise indicated)

7- EARNINGS PER COMMON SHARE

	Quarters ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
		(unaudited)		
Common shareholders' net income (loss)	54.7	(1.4)	166.6	85.5
Weighted daily average number of common shares outstanding	79,809,888	79,631,988	80,690,024	79,558,225
Add: diluted effect of stock options granted and outstanding	782,563	579,857	740,501	569,667
Weighted average number of common shares outstanding on a diluted basis	80,592,451	80,211,845	81,430,525	80,127,892
Earnings (loss) per common share (in dollars)				
basic	0.68	(0.02)	2.06	1.07
diluted	0.68	(0.02)	2.04	1.07

8- EMPLOYEE FUTURE BENEFITS

	Nine months ended September 30			
	2006		2005	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
		(unaudited)		
Benefit plan expenses				
Current service cost	12.5	0.7	8.7	0.4
Interest cost	12.6	0.8	14.0	0.8
Return on plan assets	(18.2)	---	(14.6)	---
Actuarial loss (gain) on plan	0.6	---	0.7	---
Amortization of the transitional obligation	(0.3)	---	(0.3)	---
Amortization of plan amendment	0.3	---	0.3	---
Defined benefit plan costs recognized	7.5	1.5	8.8	1.2
Defined contribution plan costs recognized	0.3	---	0.4	---

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
(in millions of dollars, unless otherwise indicated)

9- SEGMENTED INFORMATION

The Company operates principally in one dominant industry segment, the life and health insurance industry, where it offers individual and group life and health insurance products, savings and retirement plans, and segregated funds. The Company also operates mutual fund, securities brokerage and trust businesses. These businesses are principally related to the Individual Wealth Management segment and are included in that segment. The Company operates mainly in Canada and the operations outside Canada are not significant.

Segmented income statements

	Quarter ended September 30, 2006 (unaudited)					
	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
\$	\$	\$	\$	\$	\$	
Revenues						
Premiums	208.5	224.3	198.3	111.6	27.4	770.1
Net investment income	126.8	30.7	18.7	46.8	(0.9)	222.1
Fees and other revenues	0.8	52.2	3.5	5.9	0.4	62.8
	336.1	307.2	220.5	164.3	26.9	1,055.0
Operating expenses						
Cost of commitments to policyholders	222.0	56.0	141.9	111.9	21.2	553.0
Net transfer to segregated funds	---	186.0	---	40.4	---	226.4
Commissions, general and other expenses	81.7	41.7	61.8	5.6	5.1	195.9
	303.7	283.7	203.7	157.9	26.3	975.3
Income before income taxes	32.4	23.5	16.8	6.4	0.6	79.7
Income taxes	(10.3)	(5.8)	(4.0)	(1.8)	(0.6)	(22.5)
Net income before allocation of other activities	22.1	17.7	12.8	4.6	---	57.2
Allocation of other activities	---	---	---	---	---	---
Net income for the period	22.1	17.7	12.8	4.6	---	57.2
Attributable to shareholders	21.1	17.7	12.8	4.5	---	56.1
Attributable to participating policyholders	1.0	---	---	0.1	---	1.1

	Quarter ended September 30, 2005 (unaudited)					
	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
\$	\$	\$	\$	\$	\$	
Revenues						
Premiums	183.8	229.4	183.4	167.4	24.6	788.6
Net investment income	106.2	(43.9)	16.8	46.2	0.4	125.7
Fees and other revenues	1.7	33.4	2.5	4.0	0.7	42.3
	291.7	218.9	202.7	217.6	25.7	956.6
Operating expenses						
Cost of commitments to policyholders	171.9	63.6	131.4	159.3	17.7	543.9
Net transfer to segregated funds	---	183.6	---	47.5	---	231.1
Commissions, general and other expenses	90.3	27.6	57.3	4.9	6.0	186.1
	262.2	274.8	188.7	211.7	23.7	961.1
Income (loss) before income taxes	29.5	(55.9)	14.0	5.9	2.0	(4.5)
Income taxes	(10.0)	19.7	(4.1)	(1.5)	(0.7)	3.4
Net income (loss) before allocation of other activities	19.5	(36.2)	9.9	4.4	1.3	(1.1)
Allocation of other activities	0.7	0.2	0.2	0.2	(1.3)	---
Net income (loss) for the period	20.2	(36.0)	10.1	4.6	---	(1.1)
Attributable to shareholders	20.1	(36.0)	10.1	4.4	---	(1.4)
Attributable to participating policyholders	0.1	---	---	0.2	---	0.3

* Includes other segments and intercompany eliminations.

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
(in millions of dollars, unless otherwise indicated)

9- SEGMENTED INFORMATION (continued)

Segmented income statements

	Nine months ended September 30, 2006 (unaudited)					
	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
\$	\$	\$	\$	\$	\$	
Revenues						
Premiums	621.6	973.3	559.4	622.1	78.7	2,855.1
Net investment income	301.4	86.1	53.0	137.6	0.7	578.8
Fees and other revenues	1.8	158.5	10.9	15.9	1.9	189.0
	924.8	1,217.9	623.3	775.6	81.3	3,622.9
Operating expenses						
Cost of commitments to policyholders	592.4	171.2	404.5	439.9	59.0	1,667.0
Net transfer to segregated funds	---	833.7	---	300.5	---	1,134.2
Commissions, general and other expenses	254.1	140.7	174.1	18.7	18.0	605.6
	846.5	1,145.6	578.6	759.1	77.0	3,406.8
Income before income taxes	78.3	72.3	44.7	16.5	4.3	216.1
Income taxes	(13.2)	(14.1)	(9.1)	(3.7)	(3.7)	(43.8)
Net income before allocation of other activities	65.1	58.2	35.6	12.8	0.6	172.3
Allocation of other activities	0.5	(0.1)	0.1	0.1	(0.6)	---
Net income for the period	65.6	58.1	35.7	12.9	---	172.3
Attributable to shareholders	63.9	58.1	35.7	12.3	---	170.0
Attributable to participating policyholders	1.7	---	---	0.6	---	2.3

	Nine months ended September 30, 2005 (unaudited)					
	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
\$	\$	\$	\$	\$	\$	
Revenues						
Premiums	565.1	796.4	523.8	435.7	70.4	2,391.4
Net investment income	286.9	18.3	49.4	135.6	1.3	491.5
Fees and other revenues	5.7	97.7	8.1	11.3	1.4	124.2
	857.7	912.4	581.3	582.6	73.1	3,007.1
Operating expenses						
Cost of commitments to policyholders	515.2	147.1	381.6	387.9	51.6	1,483.4
Net transfer to segregated funds	---	694.3	---	160.3	---	854.6
Commissions, general and other expenses	256.2	93.4	162.0	15.6	18.3	545.5
	771.4	934.8	543.6	563.8	69.9	2,883.5
Income (loss) before income taxes	86.3	(22.4)	37.7	18.8	3.2	123.6
Income taxes	(27.3)	9.0	(11.7)	(5.2)	(1.2)	(36.4)
Net income (loss) before allocation of other activities	59.0	(13.4)	26.0	13.6	2.0	87.2
Allocation of other activities	1.4	0.4	(0.2)	0.4	(2.0)	---
Net income (loss) for the period	60.4	(13.0)	25.8	14.0	---	87.2
Attributable to shareholders	59.3	(13.0)	25.8	13.4	---	85.5
Attributable to participating policyholders	1.1	---	---	0.6	---	1.7

* Includes other segments and intercompany eliminations.

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (unaudited)
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9- SEGMENTED INFORMATION (continued)

Segmented general fund assets

As at September 30, 2006 (unaudited)

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Assets						
Invested assets	5,878.2	1,912.4	1,258.5	2,580.3	191.7	11,821.1
Goodwill	30.5	246.5	19.9	---	---	296.9
Intangible assets	---	67.9	---	---	---	67.9
Other assets	147.8	132.6	78.6	53.5	70.7	483.2
Total	6,056.5	2,359.4	1,357.0	2,633.8	262.4	12,669.1

As at December 31, 2005

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Assets						
Invested assets	5,496.9	1,789.5	1,203.2	2,545.9	191.4	11,226.9
Goodwill	30.5	236.3	19.9	---	---	286.7
Intangible assets	---	67.5	---	---	---	67.5
Other assets	77.8	152.2	53.8	43.3	64.7	391.8
Total	5,605.2	2,245.5	1,276.9	2,589.2	256.1	11,972.9

As at September 30, 2005 (unaudited)

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Assets						
Invested assets	5,306.1	1,929.0	1,160.2	2,527.5	180.3	11,103.1
Goodwill	30.5	76.1	19.9	---	---	126.5
Intangible assets	---	---	---	---	---	---
Other assets	102.7	73.9	70.9	56.0	59.6	363.1
Total	5,439.3	2,079.0	1,251.0	2,583.5	239.9	11,592.7

* Includes other segments and intercompany eliminations.

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Nine months ended September 30, 2006 and 2005 (unaudited)

(in millions of dollars, unless otherwise indicated)

10- PREMIUMS**Quarter ended September 30, 2006 (unaudited)**

	Individual		Group		General Insurance	Total
	Life and Health	Wealth Management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Invested in general fund	208.5	65.9	198.3	20.5	27.4	520.6
Invested in segregated funds	---	158.4	---	91.1	---	249.5
Total	208.5	224.3	198.3	111.6	27.4	770.1

Quarter ended September 30, 2005 (unaudited)

	Individual		Group		General Insurance	Total
	Life and Health	Wealth Management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Invested in general fund	183.8	49.5	183.4	75.8	24.6	517.1
Invested in segregated funds	---	179.9	---	91.6	---	271.5
Total	183.8	229.4	183.4	167.4	24.6	788.6

Nine months ended September 30, 2006 (unaudited)

	Individual		Group		General Insurance	Total
	Life and Health	Wealth Management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Invested in general fund	621.6	219.1	559.4	140.1	78.7	1,618.9
Invested in segregated funds	---	754.2	---	482.0	---	1,236.2
Total	621.6	973.3	559.4	622.1	78.7	2,855.1

Nine months ended September 30, 2005 (unaudited)

	Individual		Group		General Insurance	Total
	Life and Health	Wealth Management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Invested in general fund	565.1	178.2	523.8	154.3	70.4	1,491.8
Invested in segregated funds	---	618.2	---	281.4	---	899.6
Total	565.1	796.4	523.8	435.7	70.4	2,391.4

11- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current year's presentation.