

CONSOLIDATED FINANCIAL STATEMENTS

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



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INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
CONSOLIDATED INCOME STATEMENTS

(in millions of dollars, unless otherwise indicated)

	Three months ended March 31	
	2007	2006
	\$	\$
	(unaudited)	
REVENUES		
Premiums (note 8)	1,177.4	1,078.1
Net investment income	170.3	223.6
Fees and other revenues	86.4	73.5
	1,434.1	1,375.2
POLICY BENEFITS AND EXPENSES		
Change in provisions for future policy benefits	123.9	156.5
Payments to policyholders and beneficiaries	437.8	430.9
Net transfer to segregated funds	552.5	488.0
Dividends, experience rating refunds and interest on amounts on deposit	9.3	16.2
Commissions	123.7	113.6
Premium and other taxes	14.2	13.4
General expenses	84.1	78.8
Financing expenses	4.2	5.0
	1,349.7	1,302.4
INCOME BEFORE INCOME TAXES	84.4	72.8
Income taxes	(24.4)	(23.7)
NET INCOME	60.0	49.1
Less: net income attributable to participating policyholders	0.7	0.3
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS	59.3	48.8
Less: preferred shareholders dividends	1.4	0.6
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	57.9	48.2
Earnings per common share (note 5)		
basic (in dollars)	0.72	0.59
diluted (in dollars)	0.72	0.59

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEETS

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(in millions of dollars)

	<u>As at</u> <u>March 31</u> <u>2007</u> \$ (unaudited)	<u>As at</u> <u>December 31</u> <u>2006</u> \$	<u>As at</u> <u>March 31</u> <u>2006</u> \$ (unaudited)
ASSETS			
Invested assets			
Bonds	8,428.0	7,189.4	6,738.2
Mortgages	2,517.2	2,457.2	2,423.6
Stocks	1,635.9	1,453.5	1,294.4
Real estate	476.8	451.8	446.0
Policy loans	263.6	220.3	225.6
Short-term investments	---	---	3.0
Cash and cash equivalents	269.8	371.8	233.7
Other invested assets	144.2	112.2	96.3
	13,735.5	12,256.2	11,460.8
Goodwill	67.7	67.7	287.5
Intangible assets	297.6	297.6	67.4
Other assets	520.8	469.2	427.4
Derivative products	1.4	---	---
	887.5	834.5	782.3
TOTAL GENERAL FUND ASSETS	14,623.0	13,090.7	12,243.1
SEGREGATED FUNDS NET ASSETS	9,708.9	9,204.1	7,999.4
LIABILITIES			
Policy liabilities			
Provisions for future policy benefits	11,369.4	9,446.6	8,857.5
Provisions for dividends to policyholders and experience rating refunds	39.8	38.6	58.5
Benefits payable and provision for unreported claims	165.5	146.6	153.6
Policyholders' amounts on deposit	178.8	175.2	162.9
	11,753.5	9,807.0	9,232.5
Other liabilities	507.8	494.8	420.0
Future income tax	305.7	285.7	278.4
Deferred net realized gains	9.4	558.2	468.2
Debentures	323.3	310.1	310.1
Participating policyholders' account	23.8	23.1	20.0
EQUITY			
Share capital (note 4)	637.0	632.7	638.9
Contributed surplus	15.0	14.6	12.5
Retained earnings	1,024.7	971.3	869.6
Currency translation account	---	(6.8)	(7.1)
Accumulated other comprehensive income	22.8	---	---
	1,699.5	1,611.8	1,513.9
TOTAL GENERAL FUND LIABILITIES AND EQUITY	14,623.0	13,090.7	12,243.1
SEGREGATED FUNDS LIABILITIES	9,708.9	9,204.1	7,999.4

CONSOLIDATED PARTICIPATING POLICYHOLDERS' ACCOUNT

(in millions of dollars)

	Three months ended March 31	
	2007	2006
	\$	\$
	(unaudited)	
Balance at beginning	23.1	19.7
Income for the period	1.5	1.3
Dividends	(0.7)	(0.9)
Transfer to the shareholders' account	(0.1)	(0.1)
Net income attributable to participating policyholders	0.7	0.3
Balance at end	23.8	20.0

CONSOLIDATED CONTRIBUTED SURPLUS

(in millions of dollars)

	Three months ended March 31	
	2007	2006
	\$	\$
	(unaudited)	
Balance at beginning	14.6	12.3
Current period contribution for the stock option plan	1.0	0.7
Stock options exercised	(0.6)	(0.5)
Balance at end	15.0	12.5

CONSOLIDATED SHAREHOLDERS' RETAINED EARNINGS

(in millions of dollars)

	Three months ended March 31	
	2007	2006
	\$	\$
	(unaudited)	
Balance at beginning	971.3	845.4
Impact of the new accounting standards (note 2)	9.9	---
Net income attributable to shareholders	59.3	48.8
Common shareholders dividends	(14.4)	(11.4)
Preferred shareholders dividends	(1.4)	(0.6)
Issue cost of preferred shares, net of taxes	---	(2.2)
Cancellation following the redemption of common shares	---	(10.4)
Balance at end	1,024.7	869.6

CONSOLIDATED COMPREHENSIVE INCOME

(in millions of dollars)

	Three months ended March 31 <u>2007</u> \$ (unaudited)
NET INCOME	60.0
Other comprehensive income, net of income tax:	
Available-for-sale	
Unrealized gains (losses) on assets available-for-sale arising during the period:	
Bonds	---
Stocks	2.9
Reclassification adjustment for gains (losses) included in the net income:	
Bonds	(1.5)
Stocks	---
Change in unrealized gains (losses) on assets available-for-sale	1.4
Currency translation account	
Unrealized gains (losses) on foreign currency translation	---
Total other comprehensive income	1.4
Comprehensive income	61.4
Comprehensive income attributable to shareholders	60.7
Comprehensive income attributable to participating policyholders	0.7

CONSOLIDATED ACCUMULATED OTHER COMPREHENSIVE INCOME

(in millions of dollars)

	As at March 31, 2007				
	Available-for-sales			Currency translation account	
	Bonds	Stocks	Other	\$	Total
	\$	\$	\$	\$	\$
	(unaudited)				
Balance at beginning	---	---	---	---	---
Impact of the new accounting standards (note 2)	5.7	22.4	0.1	(6.8)	21.4
Total other comprehensive income	(1.5)	2.9	---	---	1.4
Balance at end	4.2	25.3	0.1	(6.8)	22.8

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

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	Three months ended March 31	
	2007	2006
	\$	\$
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	60.0	49.1
Items not affecting cash and cash equivalents:		
Change in provision for future policy benefits	123.9	156.5
Share of results of entity subject to significant influence	(0.5)	(0.4)
Amortization of realized and unrealized (gains) losses	(2.2)	(62.4)
Amortization of premiums and discounts	0.3	(43.9)
Variation of unrealized (gains) losses	(49.7)	---
Realized (gains) losses on assets available-for-sale	(2.2)	---
Future income taxes	3.4	14.3
Stock option plan	1.0	0.7
Provision on invested assets	0.1	0.1
Deferred sales commissions and fixed assets depreciation	8.1	13.8
Other	8.5	5.0
	150.7	132.8
Other changes in other assets and liabilities	(68.2)	(58.6)
Cash flows from operating activities	82.5	74.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales, maturities and repayments of the following items:		
Bonds	300.0	394.5
Mortgages	85.9	81.9
Stocks	67.1	129.1
Real estate	0.2	1.9
Policy loans	20.7	17.2
Other invested assets	0.8	11.6
	474.7	636.2
Purchases of the following items:		
Bonds	(337.0)	(429.9)
Mortgages	(142.2)	(85.0)
Stocks	(79.8)	(217.0)
Real estate	(1.0)	---
Policy loans	(62.9)	(59.1)
Other invested assets	(23.8)	(27.6)
	(646.7)	(818.6)
Cash flows from investing activities	(172.0)	(182.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of common shares	3.6	2.8
Redemption of common shares	---	(13.0)
Issue of preferred shares	---	125.0
Cost of issuance of preferred shares	---	(3.4)
Increase of debenture	---	4.7
Redemption of debentures	---	(67.7)
Preferred shareholders dividends	(1.4)	(0.6)
Common shareholders dividends	(14.4)	(11.4)
Increase (decrease) in mortgage debts	(0.3)	(0.2)
Cash flows from financing activities	(12.5)	36.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(102.0)	(72.0)
CASH AND CASH EQUIVALENTS AT BEGINNING	371.8	305.7
CASH AND CASH EQUIVALENTS AT END	269.8	233.7
Supplementary information:		
Cash and Cash equivalents:		
Cash	(27.8)	(20.4)
Cash equivalents	297.6	254.1
	269.8	233.7
Interest paid	4.8	5.6
Income taxes paid, net of refunds	18.6	16.1

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in millions of dollars)

	Three months ended March 31 2007	Twelve months ended December 31 2006	Three months ended March 31 2006
	\$	\$	\$
	(unaudited)		(unaudited)
Balance at beginning	9,204.1	7,348.8	7,348.8
Impact of the new accounting standards (note 2)	(2.3)	---	---
Additions:			
Amounts received from policyholders	586.5	1,676.5	574.1
Investment income	64.8	222.5	50.0
Net realized gains	57.3	462.4	92.6
Net increase in market value	39.3	379.9	183.6
	9,949.7	10,090.1	8,249.1
Deductions:			
Amounts withdrawn by policyholders	195.9	736.2	209.6
Operating expenses	44.9	149.8	40.1
	240.8	886.0	249.7
Balance at end	9,708.9	9,204.1	7,999.4

CONSOLIDATED STATEMENTS OF NET ASSETS

(in millions of dollars)

	As at March 31 2007	As at December 31 2006	As at March 31 2006
	\$	\$	\$
	(unaudited)		(unaudited)
Assets			
Bonds	2,741.3	2,679.4	2,308.6
Mortgages and mortgage-backed securities	20.0	21.2	21.2
Stocks	2,568.3	2,411.6	2,243.7
Fund units	3,979.0	3,624.9	2,956.8
Cash and short-term investments	379.3	438.1	453.0
Other assets	104.4	50.1	82.1
	9,792.3	9,225.3	8,065.4
Liabilities			
Accounts payable and accrued expenses	83.4	21.2	66.0
Net assets	9,708.9	9,204.1	7,999.4

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

Three months ended March 31, 2007 and 2006 (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, 2006, as set out in the 2006 Annual Report. The significant accounting policies followed in the preparation of these interim Consolidated Financial Statements are consistent with those found in the 2006 Annual Report, except as described in note 2 below.

2- CHANGE IN ACCOUNTING POLICIES

Financial Instruments

On January 1, 2007, the Company adopted the following accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, Handbook Section 3865, Hedges and Handbook section 4211 Life insurance enterprise-specific items.

Financial Instruments – Recognition and Measurement

Financial assets subject to the new standard are classified as one of the following: Held-for-trading, Available-for-sale, Held-to-maturity, Loans and Receivables. Financial liabilities subject to the new standard are classified as Held-for-trading or Other. Held-for-trading financial instruments are measured at fair value with gains and losses recognized in Net income. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses are recognized in other comprehensive income. Held-to-maturity, Loans and Receivables financial assets and financial liabilities classified as Other are measured at amortized cost using the effective interest rate method. The new standard allows an entity to designate financial instruments as Held-for-trading at the initial accounting or at the adoption of the standard even if this financial instrument does not satisfy the definition of financial instruments Held-for-trading. The financial instrument classified as Held-for-trading under the fair value option should have a reliable fair value.

When a financial instrument is acquired, it should be recorded on the balance sheet at fair value except for the related party transactions. Subsequent measurement of the financial instruments will be determined by their initial classification.

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties. Fair value is based on quoted market rates (bid/ask) prices. If not, the fair value is based on prevailing market prices for instruments with similar characteristics and risk profiles or internal or external valuation models using observable market based inputs.

For the asset with a regular-way contract, the Company continues to apply the settlement-date accounting method. Under this method, the gain or loss in value between the transaction date and the settlement date is assumed in the Net income for assets Held-for-trading and in the other comprehensive income for the assets Available-for-sale.

Derivatives must be accounted for at the fair value, unless they are specifically designated within an effective hedging relation. The change in fair value will be presented directly in Net income.

The Company has chosen to classify assets matching the provisions for future policy benefits as Held-for-trading with the exception of mortgages, as well as private stocks and private bonds that are not quoted on an active market. This is because the provisions for future policy benefits are excluded from the new standards. The provisions for policy benefits are calculated based on the Canadian Asset Liability Method (CALM). Under this method, the carrying value of assets matching these liabilities is considered in the basis of the calculation. Therefore, any changes in fair value of assets matching these liabilities will be taken into account in the calculation.

Bonds and stocks quoted on an active market, but which do not match the provisions for future policy benefits are classified as Available-for-sale. The change in fair value of these assets will therefore be presented in the comprehensive income statement. Mortgages and private bonds not quoted on an active market are classified as Loans and Receivables and measured at amortized cost using the effective interest rate method. The private stocks are classified Available-for-sale but will be valued at cost.

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

Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

2- CHANGE IN ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Transaction fees related to financial assets and liabilities classified as Available-for-sale or Held-for-trading are assumed in the net income when they are incurred. Transaction fees related to assets classified as Loans and Receivables and liabilities classified in the Other category are capitalized and amortized according to the effective interest rate method.

Real estate is excluded from this new standard and continues to be presented at the moving average method. The realized gains and losses on disposal continues to be deferred and amortized at 3% per quarter on a declining balance basis.

Comprehensive Income

As a result of adopting these standards, a new category, Accumulated other comprehensive income, has been added to Shareholders' equity on the Consolidated Balance Sheets. This new category includes unrealized gains and losses net of income taxes for financial assets classified as Available-for-sale as well as unrealized foreign currency translation gains and losses for self-sustaining establishments.

Hedges

This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies. The Company don't use the hedge accounting.

The impact of initial adoption of new standards

Market value adjustments attributable to the classification of certain assets and liabilities as instruments Held-for-trading and the elimination of unamortized deferred gains and losses, impact the provisions for future policy benefits due to the re-evaluation of the financial assets matching these liabilities. These adjustments are recognized in the opening balance of the retained earnings on January 1, 2007. The impact is a \$9.9 increase in the retained earnings (RE).

The adjustments resulting from the re-evaluation of financial assets classified as Available-for-sale are recognized in the opening balance of the accumulated other comprehensive income (OCI) on January 1, 2007. The impact is a \$28.2 increase.

The results for the previous periods have not been restated, except for the reclassification of the opening balance of the currency translation account in the accumulated other comprehensive income and commission and interest expenses discounted as mortgage loans.

The adjustments from the re-evaluation of segregated fund assets to use the Bid price are a \$2.3 reduction of the net assets.

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

Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

2- CHANGE IN ACCOUNTING POLICIES (continued)**Financial Instruments** (continued)

Impact of the new standard on the opening balance sheet

	As at	Impact of the new		As at
	December 31	standard		January 1
	2006	Retained	OCI	2007
	\$	earnings	\$	\$
(unaudited)				
ASSETS				
Invested assets				
Bonds	7,189.4	1,160.6	8.3	8,358.3
Mortgages	2,457.2	2.8	---	2,460.0
Stocks	1,453.5	114.6	32.8	1,600.9
Real estate	451.8	---	---	451.8
Policy loans	220.3	---	---	220.3
Cash and cash equivalents	371.8	---	---	371.8
Other invested assets	112.2	0.9	0.1	113.2
	12,256.2	1,278.9	41.2	13,576.3
Goodwill	67.7	---	---	67.7
Intangible assets	297.6	---	---	297.6
Other assets	469.2	(3.9)	---	465.3
	834.5	(3.9)	---	830.6
TOTAL GENERAL FUND ASSETS	13,090.7	1,275.0	41.2	14,406.9
LIABILITIES				
Policy liabilities				
Provisions for future policy benefits	9,446.6	1,798.9	---	11,245.5
Provisions for dividends to policyholders and experience rating refunds	38.6	---	---	38.6
Benefits payable and provision for unreported claims	146.6	---	---	146.6
Policyholders' amounts on deposit	175.2	---	---	175.2
	9,807.0	1,798.9	---	11,605.9
Other liabilities	780.5	1.5	13.0	795.0
Deferred net realized gains	558.2	(548.5)	---	9.7
Debentures	310.1	13.2	---	323.3
Participating policyholders' account	23.1	---	---	23.1
EQUITY				
Share capital	632.7	---	---	632.7
Contributed surplus	14.6	---	---	14.6
Retained earnings	971.3	9.9	---	981.2
Currency translation account	(6.8)	---	6.8	---
Accumulated other comprehensive income	---	---	21.4	21.4
	1,611.8	9.9	28.2	1,649.9
TOTAL GENERAL FUND LIABILITIES AND EQUITY	13,090.7	1,275.0	41.2	14,406.9

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

Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

2- CHANGE IN ACCOUNTING POLICIES (continued)**Financial Instruments (continued)**

Distribution of investments according to the categories of financial instruments

	As at January 1, 2007					Total
	Held-for- trading	Designated Held-for- trading	Available- for-sale	Loans and Receivables	Other	
	\$	\$	\$	\$	\$	
			(unaudited)			
Bonds	---	6,753.1	911.7	693.5	---	8,358.3
Mortgages	---	---	---	2,460.0	---	2,460.0
Stocks	---	1,308.9	292.0	---	---	1,600.9
Real estate	---	---	---	---	451.8	451.8
Policy loans	---	---	---	220.3	---	220.3
Cash and cash equivalents	371.8	---	---	---	---	371.8
Other invested assets	---	---	---	98.0	15.2	113.2
Total	371.8	8,062.0	1,203.7	3,471.8	467.0	13,576.3

3- RESTRUCTURING COSTS**IA Clarington Investments Inc.**

In acquiring Clarington Corporation on December 28, 2005, the Company established a plan to restructure and consolidate the activities involving Clarington's business operations, locations and back-office systems. Related costs 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 BLCER) and Clarington were merged to create a single entity, IA Clarington Investments Inc.

	Accrued on acquisition				Balance as at March 31, 2007
	Expected future costs	Cumulative amount incurred as at December 31, 2006	Amounts incurred in 2007	Cumulative amount incurred to date	
	\$	\$	\$	\$	
				(unaudited)	
Cost of restructuring operations	21.9	11.8	1.0	12.8	9.1

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

4- SHARE CAPITAL

	Three months ended March 31 (unaudited)			
	2007		2006	
	Number of shares (in thousands)	Amount \$	Number of shares (in thousands)	Amount \$
Common shares				
Balance at beginning	79,919.1	507.9	81,387.2	510.8
Shares issued on exercise of stock options	177.0	4.3	134.3	3.3
Shares issued on acquisition of business	---	---	90.2	2.5
Cancellation of shares issued at demutualization	---	---	(3.0)	---
Cancellation following the repurchase of common shares	---	---	(400.0)	(2.5)
Balance at end	80,096.1	512.2	81,208.7	514.1
Shares held in treasury	(21.6)	(0.2)	(21.6)	(0.2)
	80,074.5	512.0	81,187.1	513.9
Preferred shares, class A - 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)
	---	---	---	---
Preferred shares, class A - Series B				
Balance at beginning	5,000.0	125.0	---	---
Shares issued	---	---	5,000.0	125.0
Balance at end	5,000.0	125.0	5,000.0	125.0
Total share capital		637.0		638.9

The number of outstanding stock options (in thousands) as at March 31, 2007 is 3,432.5 (3,226.5 in 2006).

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

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

Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

5- EARNINGS PER COMMON SHARE

	Three months ended March 31	
	2007	2006
	\$	\$
	(unaudited)	
Common shareholders' net income	57.9	48.2
Weighted daily average number of common shares outstanding	79,992,086	81,497,847
Add: diluted effect of stock options granted and outstanding	915,184	705,008
Weighted daily average number of common shares outstanding on a diluted basis	80,907,270	82,202,855
Earnings per common share (in dollars)		
basic	0.72	0.59
diluted	0.72	0.59

6- EMPLOYEE FUTURE BENEFITS

	Three months ended March 31			
	2007		2006	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
	(unaudited)			
Benefit plan expenses				
Current service cost	4.5	0.4	4.2	0.2
Interest cost	5.3	0.4	4.2	0.3
Return on plan assets	(6.4)	---	(6.1)	---
Actuarial loss (gain) on plan	0.6	0.2	0.2	---
Amortization of the transitional obligation	(0.1)	---	(0.1)	---
Amortization of plan amendment	0.1	---	0.1	---
Defined benefit plan costs recognized	4.0	1.0	2.5	0.5
Defined contribution plan costs recognized	0.1	---	0.1	---

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

Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

7- SEGMENTED INFORMATION

The Company operates principally in one dominant industry segment, the life and health insurance industry, and 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 with the Individual Annuities. The Company operates mainly in Canada and the operations outside Canada are not significant.

Segmented income statements

Three months ended March 31, 2007 (unaudited)

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Revenues						
Premiums	214.7	480.0	200.2	254.4	28.1	1,177.4
Net investment income	90.7	24.5	17.7	38.7	(1.3)	170.3
Fees and other revenues	0.6	77.1	2.0	5.7	1.0	86.4
	306.0	581.6	219.9	298.8	27.8	1,434.1
Operating expenses						
Cost of commitments to policyholders	189.6	41.3	146.1	172.9	21.1	571.0
Net transfer to segregated funds	---	439.3	---	113.2	---	552.5
Commissions, general and other expenses	76.5	75.9	60.5	6.5	6.8	226.2
	266.1	556.5	206.6	292.6	27.9	1,349.7
Income before income taxes	39.9	25.1	13.3	6.2	(0.1)	84.4
Income taxes	(11.3)	(7.6)	(3.7)	(1.7)	(0.1)	(24.4)
Net income (loss) before allocation of other activities	28.6	17.5	9.6	4.5	(0.2)	60.0
Allocation of other activities	(0.1)	---	---	(0.1)	0.2	---
Net income for the period	28.5	17.5	9.6	4.4	---	60.0
Attributable to shareholders	28.0	17.5	9.6	4.2	---	59.3
Attributable to participating policyholders	0.5	---	---	0.2	---	0.7

Three months ended March 31, 2006 (unaudited)

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Revenues						
Premiums	203.8	454.2	173.5	221.6	25.0	1,078.1
Net investment income	131.9	24.1	17.5	46.0	4.1	223.6
Fees and other revenues	0.6	62.2	4.0	5.7	1.0	73.5
	336.3	540.5	195.0	273.3	30.1	1,375.2
Operating expenses						
Cost of commitments to policyholders	224.8	55.8	130.4	173.1	19.5	603.6
Net transfer to segregated funds	---	400.1	---	87.9	---	488.0
Commissions, general and other expenses	81.3	62.9	53.2	6.4	7.0	210.8
	306.1	518.8	183.6	267.4	26.5	1,302.4
Income before income taxes	30.2	21.7	11.4	5.9	3.6	72.8
Income taxes	(10.1)	(4.1)	(3.8)	(1.7)	(4.0)	(23.7)
Net income (loss) before allocation of other activities	20.1	17.6	7.6	4.2	(0.4)	49.1
Allocation of other activities	(0.4)	---	0.1	(0.1)	0.4	---
Net income for the period	19.7	17.6	7.7	4.1	---	49.1
Attributable to shareholders	19.6	17.6	7.7	3.9	---	48.8
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

Three months ended March 31, 2007 and 2006 (unaudited)
(in millions of dollars, unless otherwise indicated)

7- SEGMENTED INFORMATION (continued)

Segmented general fund assets

As at March 31, 2007 (unaudited)

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Assets						
Invested assets	7,468.4	1,914.6	1,365.8	2,801.6	185.1	13,735.5
Goodwill	30.5	17.3	19.9	---	---	67.7
Intangible assets	---	297.6	---	---	---	297.6
Other assets	138.1	142.2	74.4	91.7	75.8	522.2
Total	7,637.0	2,371.7	1,460.1	2,893.3	260.9	14,623.0

As at December 31, 2006

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Assets						
Invested assets	6,271.9	1,879.1	1,289.0	2,623.7	192.5	12,256.2
Goodwill	30.5	17.3	19.9	---	---	67.7
Intangible assets	---	297.6	---	---	---	297.6
Other assets	133.9	137.5	74.4	45.9	77.5	469.2
Total	6,436.3	2,331.5	1,383.3	2,669.6	270.0	13,090.7

As at March 31, 2006 (unaudited)

	Individual		Group		Other activities*	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Assets						
Invested assets	5,683.5	1,860.8	1,195.1	2,544.3	177.1	11,460.8
Goodwill	30.5	237.1	19.9	---	---	287.5
Intangible assets	---	67.4	---	---	---	67.4
Other assets	125.5	115.4	71.2	52.6	62.7	427.4
Total	5,839.5	2,280.7	1,286.2	2,596.9	239.8	12,243.1

* Includes other segments and intercompany eliminations.

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

Three months ended March 31, 2007 and 2006 (unaudited)

(in millions of dollars, unless otherwise indicated)

8- PREMIUMS

Three months ended March 31, 2007 (unaudited)

	Individual		Group		General Insurance	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Invested in general fund	214.7	99.9	200.2	77.5	28.1	620.4
Invested in segregated funds	---	380.1	---	176.9	---	557.0
Total	214.7	480.0	200.2	254.4	28.1	1,177.4

Three months ended March 31, 2006 (unaudited)

	Individual		Group		General Insurance	Total
	Life and Health	Wealth management	Life and Health	Pensions		
	\$	\$	\$	\$	\$	\$
Invested in general fund	203.8	84.3	173.5	59.3	25.0	545.9
Invested in segregated funds	---	369.9	---	162.3	---	532.2
Total	203.8	454.2	173.5	221.6	25.0	1,078.1

9- COMPARATIVE FIGURES

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