



**INDUSTRIAL ALLIANCE CONTINUES ITS MOMENTUM:
INCREASE OF 20% IN PREMIUM INCOME
AND 18% IN NET INCOME IN THE THIRD QUARTER 2004**

The return on equity reaches 15.3%

Quebec City, November 3, 2004 – Industrial Alliance Insurance and Financial Services Inc. set another quarterly record, with shareholder net income of \$42.8 million in the third quarter of 2004, an 18% increase over the same period last year. This income translates into diluted earnings per share of \$1.07, up \$0.15 compared to the third quarter of 2003, and an annualized quarterly return on equity of 15.3% (14.8% in the third quarter of 2003), which is above the Company’s 13% to 15% target range. All sectors obtained good profits, particularly Group Insurance, which recorded exceptional experience gains.

In terms of business growth, sales are up, and in many cases sharply, in almost all lines of business. Sales for the quarter are higher than the same period last year in Individual Insurance (+17%), Individual Annuities (+36%), Group Insurance Employee Plans (+75%) and Group Pensions (+52%). The growth of sales and a good persistency rate on in-force business pushed total premiums to \$659.1 million for the third quarter, a 20% increase over the same period in 2003. Premiums are up in all sectors, particularly the two wealth management sectors.

“These results once again confirm the Company's ability to outdo itself in an increasingly competitive environment,” stated Yvon Charest, President and Chief Executive Officer. “The Company quietly continues to make strides by taking advantage of the consolidation in the industry. All sectors obtained good results this quarter. Sales are excellent, profitability exceeds our target range, our capitalization is still above our objective and the already excellent quality of our investments has improved once again. The key to our success lies in our strong financial discipline, our prudent management philosophy and, perhaps above all, the excellent rapport that we maintain with our various distribution networks.”

HIGHLIGHTS						
(Millions of dollars, unless otherwise indicated)	Third quarter			Year to date as at September 30		
	2003	2004	Variation	2003	2004	Variation
Net income	36.3	42.8	18%	99.4	119.3	20%
Earnings per share (diluted)	\$0.92	\$1.07	\$0.15	\$2.53	\$3.00	\$0.47
Return on equity (ROE)						
Quarter annualized	14.8%	15.3%	--	--	--	--
Last twelve months	--	--	--	14.1%	14.5%	--
Insurance and annuity premiums	549.8	659.1	20%	1,921.1	2,118.1	10%
Excluding the NBT transfer ⁽¹⁾	--	--	--	1,733.6	2,118.1	22%
	September 30, 2003	December 31, 2003		June 30, 2004	September 30, 2004	
Assets under management/administration	18,578.3	19,573.5		24,721.2	25,533.0	
Solvency ratio	214%	221%		227%	229%	

Analysis of Income by Line of Business

All lines of business experienced a solid quarter in terms of profitability. All lines obtained one of their highest incomes to date on a quarterly basis, and for the year to date, they all achieved income growth compared to the same period last year.

Group Insurance – It was the Group Insurance sector that pushed the Company's profit to a new high this quarter. Group Insurance obtained a profit of \$11.2 million for the third quarter, almost double last year's already more than satisfactory result. This profit was made possible by very strong experience gains (for a third consecutive quarter), with most types of coverage obtaining excellent claims ratios. However, results can fluctuate quite a bit from one quarter to another, as is evidenced by the volatility of results over the last nine quarters.

Individual Annuities – After a string of poor quarters in 2002 and the first quarter of 2003, the Individual Annuities sector recorded excellent results for a sixth straight quarter, with net income of \$8.4 million, an 18% increase over the same period last year. This result reflects the strength of individual annuity sales and the significant stock market recovery over the last couple of years.

Individual Insurance – Profits in the Individual Insurance sector remained relatively stable at \$19.4 million, similar to the results for the last four quarters. This result comes despite the fact that the new business strain is very high (up 31% over the same period last year), reflecting the strong increase in Universal Life policy sales during the quarter (+26%).

Group Pensions – The Group Pensions sector had another good quarter, with income of \$3.8 million. Although this result is lower than last year, when experience gains were particularly high, it is similar to the results for the last three quarters and is in line with the Company's expectations.

INCOME BY LINE OF BUSINESS							
	Third quarter			Year to date as at September 30			
(\$Million)	2003	2004	Variation	2003	2003	2004	Variation vs. 2003 adjusted
Individual Insurance	18.4	19.4	5%	53.3	55.9	57.2	2%
Individual Annuities	7.1	8.4	18%	21.0	20.0	25.4	27%
Group Insurance	6.0	11.2	87%	14.1	13.0	25.6	97%
Group Pensions	4.8	3.8	(21%)	11.0	10.5	11.1	6%
Total	36.3	42.8	18%	99.4	99.4	119.3	20%

Analysis of Income by Source of Earnings

Expected profit from in-force – The expected profit on in-force business is \$59.2 million for the third quarter, an 18% increase over the same quarter last year. This increase results from the sustained and profitable growth of in-force business, as well as the Company's strong discipline in terms of pricing. The Company believes that low double digit growth is sustainable in the short term.

Experience gains (losses) – Experience gains amounted to \$6.6 million for the quarter, much higher than those of last year and the last quarter. Most of the experience gains come from excellent mortality and morbidity results in the Group Insurance sector. Experience gains in the Individual Insurance sector were stable and have held steady at almost zero for the last four quarters, after several quarters of extremely favourable mortality results. The wealth management sectors recorded slight experience losses due to poorer than expected mortality results for insured annuities.

Gain (strain) on sales – At \$21.7 million for the third quarter, the new business strain is 27% higher than the same period in 2003. This increase is almost entirely attributable to the Individual Insurance sector, where sales of Universal Life insurance policies increased by 26% during the quarter.

Income on capital – Income on capital totalled \$17.6 million in the third quarter, an increase of 5% compared to the previous quarter and 22% compared to the third quarter of 2003. The main reasons behind this increase are lower costs related to debentures, growing capital base and a non-recurrent recovery on a mortgage loan in default. This recovery resulted in a \$1.4 million gain before taxes, \$1.1 million of which is recorded as income on capital and \$0.3 million as experience gains.

Income taxes – At 30.6%, the effective tax rate is the same as the previous quarter, which is consistent with management's expectations of around 30% in the short term.

After an excellent first two quarters, the outstanding third quarter results add up to shareholder net income of \$119.3 million for the first nine months, a 20% increase compared to the net income for the same period last year. The return on equity is 14.5% for the last twelve months.

SOURCES OF EARNINGS					
(\$Million)	Third quarter		Year to date as at September 30		
	2003	2004	2003	2003	2004
Operating income				Adjusted ⁽²⁾	
Expected profit from in-force	50.1	59.2	148.5	148.5	171.1
Experience gains (losses)	4.0	6.6	11.5	11.5	16.5
Gain (strain) on sales	(17.1)	(21.7)	(51.5)	(51.5)	(61.5)
Changes in assumptions	0.0	0.0	(8.2)	0.0	0.0
Total	37.0	44.1	100.3	108.5	126.1
Income on capital	14.4	17.6	37.6	37.6	47.3
Other income	0.0	0.0	7.1	(1.6)	0.0
Income taxes	(15.1)	(18.9)	(45.6)	(45.1)	(54.1)
Net income	36.3	42.8	99.4	99.4	119.3

Business Growth

The Company had one of its best quarters in terms of business growth. Sales were up, and in many cases sharply, in almost all lines of business.

The growth of sales and the good persistency rate of in-force business pushed total premiums to \$659.1 million for the third quarter, a 20% increase over the same period last year. Premiums are up in all sectors, particularly the two wealth management sectors (Individual Annuities and Group Pensions). Premiums for the year to date total \$2.1 billion, which is 10% higher than last year (22% if the special transfer of the second block of business from National Bank Trust in the first quarter of 2003 is excluded).

BUSINESS GROWTH				
	Third quarter		Year to date as at September 30	
	2004	Variation vs. 2003	2004	Variation vs. 2003
	(\$Million)	(%)	(\$Million)	(%)
Insurance and annuity premiums	659.1	20%	2,118.1	10%
Excluding the NBT transfer in 2003 ⁽¹⁾	--	--	2,118.1	22%
Sales ⁽³⁾				
Individual Insurance	35.6	17%	100.3	9%
Individual Annuities	184.2	36%	709.3	42%
Group Insurance				
Employee Plans	14.9	75%	47.7	9%
Creditor Insurance	37.5	(7%)	100.2	0%
Special Markets Group (SMG)	18.6	4%	56.5	9%
Group Pensions	107.8	52%	332.4	(21%)
Excluding the NBT transfer in 2003 ⁽¹⁾	--	--	332.4	43%
Assets under management/administration	25,533.0	37%	--	--

Following are comments on the sales performance of each sector for the third quarter of 2004.

Individual Insurance – The Individual Insurance sector had one of its best quarters in three years. Sales grew 17% in the third quarter to reach \$35.6 million. This is the fifth consecutive quarter where sales for this sector are higher than the sales for the corresponding quarters the previous year. Sales are mainly up in the National Accounts network (+43% in the third quarter) and for our main product, the Universal Life policy (+26%), for which the Company is the leader in Canada. In terms of individual life insurance sales, the Company was ranked third in Canada for the first six months of the year, with 12.6% of the market.

Individual Annuities – Sales continue to be very good in the Individual Annuities sector, in spite of the relative market stagnation that has prevailed for the last six months. Sales grew 36% in the third quarter, totalling \$184.2 million. This is the fifth straight quarter where sales have grown more than 20% compared to the corresponding quarter the previous year. Sales are up for all distribution networks and all product categories, particularly segregated funds. Segregated fund sales are up 50% for the third quarter and 63% for the first nine months, a sure sign that investors have not lost confidence in the stock markets. Net segregated fund sales were positive once again, totalling \$280.7 million for the first nine months of the year, ranking the Company fourth in Canada, with a 13.9% market share.

Group Insurance: Employee Plans – As with the Individual Insurance and Annuities sectors, third quarter sales for the Group Insurance Employee Plans sector were excellent. Sales totalled \$14.9 million, 75% higher than the same period last year. Just over half of the sales were made outside of Quebec. Sales for the quarter were sufficient to erase the accumulated shortfall since the beginning of the year, so that sales totalled \$47.7 million for the first nine months of the year, 9% higher than the same period in 2003.

Group Creditor Insurance – The decrease in car sales has finally impacted creditor insurance sales, which were down 7% during the quarter compared to the same period last year (the Creditor Insurance sector, which primarily distributes its products through car dealers, relies heavily on the automobile market). Nevertheless, sales totalled \$100.2 million after nine months, the same level as the corresponding period in 2003. The Company is the leader in Canada in the group creditor insurance market among automobile dealers, with over 40% of the market.

Group Insurance: Special Markets Group – Special Markets Group (SMG) continues to take advantage of past years' strong sales, with third quarter premium growing 4% compared to the same quarter last year, to reach \$18.6 million. SMG specializes in certain niche group insurance markets that are not well served by traditional group insurance providers.

Group Pensions – This sector had a third consecutive excellent quarter, with sales growing 52% compared to the same period last year, to total \$107.8 million. Sales are up compared to last year in both accumulation products and insured annuities.

Added value of sales – The strong growth of sales boosted the added value of sales by 30% during the quarter, to \$15.6 million (\$0.39 per common share). All sectors recorded growth in the added value of sales. This is the fourth consecutive quarter where the added value of sales is up compared to the same quarter the previous year.

Assets Under Management and Under Administration

In spite of the recent stock market stagnation, strong business growth has increased assets under management and under administration to \$25.5 billion as at September 30, 2004, a 3% increase for the quarter. The growth rate has been much more impressive since the beginning of the year (+30%), due to the purchase of a majority position in FundEX Investments (\$4.0 billion in assets as at September 30, 2004) and the rapid growth of funds under administration at Industrial Alliance Securities (which increased from \$450 million as at December 31, 2003 to \$806 million as at September 30, 2004).

Solvency and Capitalization

The solvency ratio was 229% as at September 30, 2004, 2 percentage points higher than at the end of the previous quarter and 8 points higher than at the end of 2003. It is still above the Company's 175% to 200% target range.

Quality of Investments

The quality of investments – which was already excellent – improved even more during the third quarter following the settlement of a mortgage loan in default. This mortgage loan represented about 50% of the mortgage loans in arrears, and the settlement of this loan considerably improved the delinquency rate of the mortgage loans portfolio, which decreased from 0.64% as at June 30, 2004 to 0.37% as at September 30, 2004. The settlement of this loan also improved several overall quality of investment indices. Hence:

- gross impaired investments decreased from \$55.6 million as at June 30, 2004 (\$15.5 million net of provisions) to \$48.5 million as at September 30, 2004 (\$9.2 million net of provisions);
- net impaired investments decreased from 0.15% of total investments as at June 30, 2004 to 0.09% as at September 30, 2004; and
- provisions increased from 72.1% of gross impaired investments as at June 30, 2004 to 81.0% as at September 30, 2004.

There was no significant change in the quality of the bond portfolio during the quarter. No new bonds are in default and bonds rated BB and lower remained stable at 0.09% of the portfolio as at September 30, 2004 (0.13% as at December 31, 2003 and 0.09% as at June 30, 2004). Bonds rated BB and lower represent just \$5.0 million of a portfolio of almost \$6 billion.

The occupancy rate of the Company's real estate portfolio remained stable during the third quarter, at 96.9% (93.9% as at December 31, 2003 and 96.7% as at June 30, 2004).

QUALITY OF INVESTMENTS				
	Sept. 30, 2003	Dec. 31, 2003	June 30, 2004	Sept. 30, 2004
Overall quality indices				
Net impaired investments	\$20.4 M	\$19.8 M	\$15.5 M	\$9.2 M
Net impaired investments as a % of total investments	0.21%	0.20%	0.15%	0.09%
Provisions for losses	\$41.2 M	\$40.7 M	\$40.1 M	\$39.3 M
Provisions as a % of gross impaired investments	66.9%	67.3%	72.1%	81.0%
Bonds – Value of the portfolio	\$5,377.1 M	\$5,527.9 M	\$5,876.7 M	\$5,953.3 M
Rated BB and lower	0.09%	0.13%	0.09%	0.09%
Delinquency rate	0.03%	0.03%	0.02%	0.02%
Mortgage Loans – Value of the portfolio	\$2,469.2 M	\$2,490.4 M	\$2,493.8 M	\$2,501.4 M
Delinquency rate	0.87%	0.86%	0.64%	0.37%
Proportion of impaired loans that are insured	42.6%	42.2%	42.0%	76.7%
Stocks and Market Indices – Value of the portfolio	\$873.7 M	\$930.3 M	\$976.9 M	\$1,017.0 M
Market/book value ratio, as a %	100.7%	102.9%	103.2%	103.1%
Real Estate – Value of the portfolio	\$426.8 M	\$425.7 M	\$445.0 M	\$444.6 M
Market/book value ratio, as a %	104.4%	104.9%	104.4%	104.3%
Occupancy rate	92.7%	93.9%	96.7%	96.9%

Declaration of Dividend

The Board of Directors has declared the payment of a quarterly dividend of \$0.22 per common share. The dividend is payable in cash on December 15, 2004, to the shareholders of record as at November 19, 2004. The Company had increased its dividend by \$0.03 per common share (or 16%) last quarter.

Non-GAAP Financial Measures

The Company occasionally uses non-GAAP financial measures for presentation and analysis purposes. The non-GAAP financial measures are always clearly indicated, and are always accompanied by and reconciled with GAAP financial measures. The non-GAAP measures are presented in order to facilitate the comparison of results from one period to another and to allow for a better analysis of the Company's business growth and profitability potential. These non-GAAP financial measures do not have a standardized definition and cannot be compared directly with similar measures presented by other issuers. The data related to the embedded value and the added value of sales are not subject to GAAP.

Forward-Looking Statements

This news release may contain forward-looking statements about the operations, objectives and strategies of Industrial Alliance Insurance and Financial Services Inc., as well as its financial situation and performance. These statements can generally be identified by the use of words such as "may," "expect," "anticipate," "intend," "believe," "estimate," "feel," "continue," or other similar expressions, in the affirmative or negative. These statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations include changes in government regulations or in tax laws, competition, technological changes, global capital market activity, interest rates, changes in demographic data, changes in consumer demand for the Company's products and services, catastrophic events and general economic conditions in Canada or elsewhere in the world. 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.

About Industrial Alliance

Founded in 1892, Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company that offers a wide range of insurance products and financial services. The fifth largest life insurance company in Canada, Industrial Alliance is at the head of a large financial group – the Industrial Alliance Group – which has operations across Canada. Either directly or through its two life insurance subsidiaries (National Life, whose head office is in Toronto, and Industrial Alliance *Pacific*, whose head office is in Vancouver), Industrial Alliance insures over 1.7 million Canadians, employs more than 2,400 people and manages and administers \$25.5 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.

Conference Call

Industrial Alliance will hold a conference call to present its results on Wednesday, November 3, 2004, at 2:00 p.m. (ET). Everyone is invited to listen in on the conference call, by dialling 1-800-428-5596 (toll free) 10 minutes before the start of the conference. A replay of the conference call will also be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 3, 2004. To listen to the conference call replay, dial 1-800-558-5253 (toll free) and enter access code 21210106. All third quarter financial results are available on the Company's website at www.inalco.com, in the *Investor Relations* section, under *Financial Reports/Financial Results for the Third Quarter 2004*.

Notes

- (1) Premiums include the amounts invested in the Company's general funds and segregated funds. Note that in the first quarter of 2003, the Company's Group Pensions sector received a special one-time transfer of \$187.5 million under an agreement with National Bank Trust (NBT).
- (2) The second quarter 2003 data have been adjusted (and, consequently, the year to date data for 2003) to exclude the impact of the government assistance program for major investment projects and the equivalent increase in reserves (\$6.0 million after taxes). These adjustments had no impact on the net income, but somewhat modified the results of the various lines of business.
- (3) Sales are defined as follows for each sector: Individual Insurance and Group Insurance Employee Plans: first year annualized premiums; Individual Annuities, Group Pensions and Special Markets Group (SMG): accounting premiums; Group Creditor Insurance: gross premiums (accounting premiums before reinsurance).

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