**INDUSTRIAL ALLIANCE STARTS THE YEAR ON A STRONG NOTE:
14% INCREASE IN NET INCOME FOR THE FIRST QUARTER OF 2005**

The dividend is increased by 14%

Quebec City, May 4, 2005 – Industrial Alliance Insurance and Financial Services Inc. continued its momentum and ended the first quarter of 2005 with shareholder net income of $42.4 million, a 14% increase over the same period last year. This income translates into diluted earnings per share of $1.06, up $0.13 over the first quarter of 2004. At 13.8% annualized for the quarter (13.5% in the first quarter of 2004), the return on equity remained within the Company's 13% to 15% target range.

The increase in income is a result of the profitable growth of the Company's in-force block of business, and the increase in income on capital, the latter of which is partially due to an excellent first quarter for the Company's auto and home subsidiary. All lines of business contributed to the Company's profitability and obtained a higher income during the quarter compared to the same period last year.

The income for the quarter contains two offsetting components: $0.9 million (after taxes) in restructuring charges related to the integration of the operations of National Life with those of the parent company and a $1.1 million gain (after taxes) from the sale of the Teleglobe bonds held by the Company.

In terms of business growth, the year also got off to a good start, with premiums and deposits totalling $997.9 million, an increase of 25% compared to the same period last year. The Company's Individual Wealth Management sector had a very successful RRSP season, as general fund, segregated fund and mutual fund sales totalled $495.2 million, up 52% over the first quarter of last year. Net segregated fund sales did particularly well, reaching a record $198.9 million, which ranks the Company third in Canada in this area, with a 20.1% market share (13.7% for 2004). The Individual Wealth Management sector, a new sector for the Company, combines the general fund and segregated fund sales of the former Individual Annuities sector, with mutual fund deposits from the Company's fund management subsidiaries.

"We started 2005 with the same vitality that we ended 2004," stated Yvon Charest, President and Chief Executive Officer. "The first quarter was an opportunity for us to get a strong foothold in the mutual funds market, following the acquisition of BLC-Edmond de Rothschild at the end of last year. The Laurentian Bank distribution network, with which we have signed a ten-year exclusive distribution agreement to sell our mutual funds, has fulfilled all of our expectations. The integration of the National Life operations is going very well. From a legal standpoint, the integration could even take place on June 30, 2005, six months earlier than expected. New business continues to be profitable, with the added value of sales increasing by 36% over the same period last year to reach a new high. Our capital ratio still exceeds our target range, providing us with considerable financial flexibility, which allows us to increase the dividend by $0.03 per share, to $0.25 per share. This dividend corresponds to a payout ratio of 24%, which brings us closer to our objective of increasing the payout to 25% of the Company's net income within the next year."

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HIGHLIGHTS			
	First quarter		
(Millions of dollars, unless otherwise indicated)	2004	2005	Variation
	(Restated[1])		
Net income to shareholders			
Individual Insurance	18.9	20.1	6%
Individual Wealth Management	7.8	10.3	32%
Group Insurance	6.7	7.7	15%
Group Pensions	3.7	4.3	16%
Total	37.1	42.4	14%
Diluted earnings per share	$0.93	$1.06	$0.13
Return on equity			
Quarter annualized	13.5%	13.8%	30 basis pts
Last twelve months	14.2%	13.5%	(70 basis pts)
Premiums and deposits	801.4	997.9	25%
Assets under management/administration	20,528.4	29,578.2	44%

Retirement of John Gill, President of Industrial Alliance *Pacific*

Mr. Charest also announced that John Gill, President of Industrial Alliance *Pacific* Insurance and Financial Services Inc., will be retiring in July.

"It is with deep regret that we will bid John farewell," Mr. Charest commented. "John played a key role in the acquisition of Seaboard Life in 1999. Not only did he succeed in integrating Seaboard and its retail operations, he also succeeded in developing two strong and profitable market niches from the Industrial Alliance *Pacific* head office in Vancouver: creditor insurance with car dealers and Special Markets Group. He leaves this organization with a strong and capable management team."

Mr. Gill, who turns 63 next month, has been with the Industrial Alliance Group for over 30 years. In 1982, he was appointed president of Industrial Alliance *Pacific*, a life and health insurance subsidiary whose head office is in Vancouver.

"We have recently set up a committee of the Board that will be in charge of finding a successor for John," Mr. Charest added. "The mandate of this successor will be to continue using the same winning strategy that John has implemented so well. We hope to be able to announce John's successor at the end of July, when we publish our results for the second quarter. On behalf of all Industrial Alliance Group employees, particularly those of Industrial Alliance *Pacific*, I wish John a long and healthy retirement."

Sources of Earnings

Following are the main profitability factors for the first quarter of 2005.

Expected profit from in-force business – The expected profit from in-force business reached $64.0 million in the first quarter, a 17% increase over the same period in 2004. This increase is in line with the Company's expectations of low double-digit growth for the expected profit from in-force business. This increase is a result of the profitable growth of in-force business over the past several years, the pricing discipline maintained by the Company, the growth of assets in the Individual Wealth Management sector, the recognition of experience gains from prior years and the caution exercised in the determination of actuarial liability valuation margins.

Experience gains (losses) – Experience gains contributed to a $3.4 million increase in profit for the quarter. All lines of business recorded experience gains during the quarter. About one half of the experience gains are attributed to the amount recovered from the disposition of Teleglobe bonds, the other half being attributed to the collection of higher than expected management fees due to a higher asset base and a favourable mortality rate on insured annuities in the Group Pensions sector.

Gain (strain) on sales – New business strain was $20.7 million for the quarter, up 7% over the same period last year. The increase is explained by the growth of sales during the quarter and by the conservatism of the assumptions used in the valuation of the reserves. New business strain is a latent benefit that will be realized on the income statement in future years if the pricing assumptions materialize.

Income on capital – Income on capital totalled $16.8 million, which is 24% higher than last year. There are three reasons for this increase: the improved profitability of the auto and home insurance subsidiary due to particularly good claims experience for a first quarter, a decrease in the cost of financing debt securities and higher investment income than last year for almost all asset categories, owing in part to a higher asset base.

Income taxes – Income taxes totalled $20.2 million for the first quarter of 2005, up from $17.8 million for the same period last year, but consistent with the Company's increased profitability. The effective tax rate was 31.8% for the first quarter compared to 32.4% for the same period last year.

Other items: National Life integration – In the first quarter, the Company recorded a $0.9 million charge (after taxes) for the integration of National Life. This charge is in line with plan. The Company still expects restructuring charges will total $12.5 million (after taxes). Of this amount, $6.1 million was recognized in the fourth quarter of 2004 and $0.9 million in the first quarter of 2005, for a total of $7.0 million. The other charges will be recognized as they are incurred, from now until the end of 2006, which corresponds to the expected integration period for the administration systems. Any cost savings related to the integration are included in the operating profit. For 2005, the Company expects this combination will be neutral from a profitability standpoint.

SOURCES OF EARNINGS		
	First quarter	
(Millions of dollars)	**2004**	**2005**
	(Restated[1])	
Operating profit		
Expected profit from in-force	54.6	64.0
Experience gains (losses)	6.0	3.4
Gain (strain) on sales	(19.3)	(20.7)
Changes in assumptions	0.0	0.0
Total	41.3	46.7
Income on capital	13.6	16.8
Income taxes	(17.8)	(20.2)
Other items	0.0	(0.9)
Net income	37.1	42.4

New Name for the Individual Annuities Sector: Individual Wealth Management

Because of the growing importance of its wealth management operations, the Company has decided to combine all wealth management business into a single sector. The Company has therefore renamed the "Individual Annuities" sector "Individual Wealth Management." From a profitability standpoint, this sector now contains the operations of Industrial Alliance Mutual Funds, Industrial Alliance Fund Management (formerly BLC-Edmond de Rothschild Asset Management), Industrial Alliance Securities, Investia and FundEX, in addition to the operations of the former Individual Annuities sector (general funds and segregated funds). From a sales standpoint, in addition to general funds and segregated funds, the Company will take into account sales of mutual funds managed by its Industrial Alliance Mutual Funds and Industrial Alliance Fund Management subsidiaries. The operations of these two subsidiaries will be combined in the next few months. The 2004 results have not been restated given that the impact is not material.

Business Growth
A highly successful RRSP period and a good business persistency rate pushed premiums and deposits to a historical high of almost $1 billion for the quarter ($997.9 million), a 25% increase over the same period in 2004. Growth came mainly from the Individual Wealth Management sector, which greatly benefited from sales of mutual funds distributed by the recently acquired fund management subsidiary now known as Industrial Alliance Fund Management. All lines of business recorded an increase in premiums.

Following are a few of the sales highlights for each line of business for the first quarter of 2005.

Individual Insurance – The Individual Insurance sector recorded sales growth for a seventh straight quarter, compared to the same quarter the previous year, closing the quarter with $31.0 million in sales, up 1% over the first quarter of 2004. Sales are up in the Career and General Agents networks. The combination of the distribution operations of the Industrial Alliance Group's three life insurance companies is proceeding normally. This combination has led to a reorganization of the distribution structure by network rather than by company. This new strategy aims to offer a single line of insurance and wealth management products to all distribution networks and to ensure better coordination of the Company's product and service development and marketing operations across Canada. The Company was ranked third with respect to individual insurance sales in Canada in 2004, with 13.2% of the market.

Individual Wealth Management – The 2005 RRSP season was excellent, after an exceptional season in 2004. Sales of general funds (mainly composed of guaranteed investment certificates), segregated funds and mutual funds reached $495.2 million for the first quarter, up 52% over the same period last year. This increase comes from the contribution of the Company's fund management subsidiaries, which had an excellent RRSP campaign, with mutual fund sales of $145.6 million. Segregated funds also recorded good results, ending the quarter with record net sales of $198.9 million, which ranks the Company third in Canada in this area, with a 20.1% market share (the Company was ranked fourth at the end of 2004, with a 13.7% market share).

Group Insurance: Employee Plans – The year got off to a slow start for the Group Insurance Employee Plans sector, with sales of $13.9 million, down 36% compared to the first quarter of last year. This slowdown is explained by the lack of activity on the market, with the industry suffering a 28% decrease in sales.

Group Creditor Insurance – It was an excellent start to the year for Group Creditor Insurance, after a rather challenging year in 2004. Sales reached $28.1 million in the first quarter, up 14% over last year. Practically all regions obtained double-digit growth. This favourable result is explained by the successful recruitment of new car dealers in 2004. The Company is ranked first in Canada in the creditor insurance market among car dealers, with over 40% of the market.

Group Insurance: Special Markets Group (SMG) – Special Markets Group continues to benefit from strong growth of sales in past years, so that the business volume reached $21.4 million, a 6% increase in the first quarter. Special Markets Group specializes in certain group insurance market segments that are not well served by traditional group insurance providers.

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Group Pensions – In spite of a lack of transfers of large groups, sales increased by 4% in the Group Pensions sector, totalling $130.9 million. This increase primarily comes from the insured annuities segment, as well as strong growth of recurring premiums from accumulation contracts. From a strategic standpoint, the Company continues to focus on the accumulation contracts segment.

BUSINESS GROWTH			
	First quarter		
(Millions of dollars, unless otherwise indicated)	2004	2005	Variation
Premiums and deposits			
Insurance and annuity premiums	801.4	852.3	6%
Mutual fund deposits	--	145.6	--
Total	801.4	997.9	25%
Sales[2]			
Individual Insurance	30.6	31.0	1%
Individual Wealth Management			
General funds	78.4	74.5	(5%)
Segregated funds	246.9	275.1	11%
Mutual funds	--	145.6	--
Total	325.3	495.2	52%
Group Insurance			
Employee Plans	21.6	13.9	(36%)
Creditor Insurance	24.6	28.1	14%
Special Markets Group (SMG)	20.1	21.4	6%
Group Pensions	125.3	130.9	4%
Assets under management/under administration			
Assets under management	16,131.8	19,331.2	20%
Assets under administration	4,396.6	10,247.0	133%
Total	20,528.4	29,578.2	44%

Added Value of Sales

The Company continues to underwrite very profitable business, as the added value of sales grew 36% in the first quarter of 2005, to $23.6 million ($0.59 per share). This is the most solid quarter the Company has experienced, in absolute terms and in terms of rate of growth, since it began disclosing the added value of sales. This increase is primarily explained by the following three factors: the consideration of mutual funds in the calculation of the added value of sales, the increase in segregated fund sales and the update of economic assumptions to take into account the current environment of Canadian bond returns.

Assets Under Management and Under Administration

Assets under management and under administration totalled $29.6 billion as at March 31, 2005, an increase of 4% for the quarter and 44% in the last twelve months. Growth was good in all sectors during the quarter, owing to an increase in premium income, the growth of the Company's different subsidiaries and the performance of the stock markets. Growth over the last year comes primarily from the purchase of BLC-Edmond de Rothschild Asset Management, the acquisition of a majority share in FundEX Investments and solid growth by the Company's various wealth management subsidiaries.

Solvency

The solvency ratio was 222% as at March 31, 2005, unchanged from the end of 2004. No significant changes impacted the solvency ratio during the quarter. The Company's solvency ratio target range is between 175% and 200%.

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Quality of Investments
The quality of investments remains excellent. Highlights of the quarter included the disposition of the Teleglobe bonds held by the Company. These bonds had a book value of $27.9 million and were fully provisioned. The proceeds of the sale totalled $1.7 million, which translates into an after-tax profit of $1.1 million.

The disposition of the Teleglobe bonds decreased gross impaired investments from $47.6 million as at December 31, 2004 to $22.3 million as at March 31, 2005, while provisions decreased from $39.1 million to $11.3 million for the same dates. Net impaired investments remained at about the same level, increasing from $8.5 million as at December 31, 2004 (0.08% of total investments) to $11.0 million as at March 31, 2005 (0.10% of total investments).

A $1.9 million US conventional mortgage loan has defaulted. This default increases the mortgage loans delinquency rate from 0.32% as at December 31, 2004 to 0.43% as at March 31, 2005. Mortgage loans in arrears total $10.8 million. Four loans account for 93% of the arrears. The Company is not expecting any losses on the loans in default.

Finally, no bonds defaulted during the quarter, and the real estate occupancy rate remains excellent (95.8% as at March 31, 2005 compared to 95.2% as at December 31, 2004).

QUALITY OF INVESTMENTS			
	March 31, 2004	**December 31, 2004**	**March 31, 2005**
Overall quality indices			
Gross impaired investments	$56.4 M	$47.6 M	$22.3 M
Provisions for losses	$40.2 M	$39.1 M	$11.3 M
Net impaired investments	$16.2 M	$8.5 M	$11.0 M
Impaired investments as a % of total investments	0.16%	0.08%	0.10%
Provisions as a % of gross impaired investments	71.3%	82.0%	50.6%
Bonds – Value of the portfolio	$5,774.9 M	$6,074.5 M	$6,188.1 M
Rated BB and lower	0.09%	0.24%	0.23%
Delinquency rate	0.02%	0.02%	0.02%
Mortgage loans – Value of the portfolio	$2,523.3 M	$2,491.8 M	$2,478.2 M
Delinquency rate	0.66%	0.32%	0.43%
Proportion of impaired loans that are insured	43.6%	81.0%	64.3%
Stocks and market indices – Value of the portfolio	$963.4 M	$1,081.1 M	$1,114.6 M
Market/book value ratio, as a %	104.1%	104.6%	104.8%
Real estate – Value of the portfolio	$425.5 M	$444.5 M	$445.4 M
Market/book value ratio, as a %	104.6%	108.6%	109.2%
Occupancy rate	95.9%	95.2%	95.8%

Acquisition of Business
On April 22, 2005, Industrial Alliance Securities Inc., the Company's securities subsidiary, concluded the acquisition of certain assets of KingsGate Securities Inc. (KingsGate), owned by KingsGate Wealth Management Services Limited. The agreement in principle was announced on March 3, 2005. KingsGate is a full-service securities brokerage firm located in Ontario. It has some 20 securities brokers, over 5,000 clients and administers almost $280 million in assets. The purchase price was $1.8 million. KingsGate will be in charge of business development for Industrial Alliance Securities in Ontario. This acquisition will increase the assets under administration of Industrial Alliance Securities to over $1.2 billion.

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Embedded Value

The Company took advantage of the disclosure of its quarterly results to publish its embedded value for 2004. Hence, on December 31, 2004, Industrial Alliance's embedded value reached $2.1 billion, or $53.80 per common share. This is a 14.3% increase over the value calculated as at December 31, 2003, before the payment of dividends to shareholders, and 12.6% after the payment of dividends.

Recurring items, which are those over which the Company has a certain control, added 10.9% to the Company's embedded value. Since Industrial Alliance began calculating embedded value, recurring items have always resulted in a double-digit growth rate for embedded value, which is consistent with the Company's expectations.

The Company continues to stand out through its capacity to generate profitable new sales, as is demonstrated by the value of new sales. The value of new sales reached $1.60 per common share in 2004, accounting for a 3.4% increase in the embedded value for the year. The embedded value of new sales is particularly significant for the financial community, since it can be used to judge the profitability of the products and services offered by a company and the productivity of its distribution networks.

The Company's embedded value remains the highest in the industry according to a key parameter, the embedded value/book value ratio, which was 1.76x as at December 31, 2004 compared to 1.88x as at December 31, 2003. The slight decrease during the year is primarily attributed to the transfer of a portion of the participating policyholders' account to the shareholders' account.

EMBEDDED VALUE			
As at December 31, 2004	**Embedded value**	**Contribution to the embedded value**	**Embedded value per share**
	($Million)	(%)	($)
Embedded value as at December 31, 2003	**1,899**	**--**	**$48.41**
Preferred shares conversion	19	1.0%	($0.08)
Transfer from participating policyholders' account	26	1.4%	$0.66
Total capital variance	**45**	**2.4%**	**$0.58**
Expected growth	143	7.5%	$3.53
New sales	64	3.4%	$1.60
Total recurring items	**207**	**10.9%**	**$5.13**
Experience gains or losses			
Related to the stock markets	18	0.9%	$0.45
Not related to the stock markets	8	0.4%	$0.20
Changes in assumptions	(10)	(0.6%)	($0.25)
National Life integration	37	2.0%	$0.92
Acquisition of BLC-Edmond de Rothschild	(33)	(1.7%)	($0.82)
Total non-recurring items	**20**	**1.0%**	**$0.50**
Total before payment of dividends	**272**	**14.3%**	**$6.21**
Dividends paid to shareholders	**(33)**	**(1.7%)**	**($0.82)**
Total embedded value added	**239**	**12.6%**	**$5.39**
Embedded value as at December 31, 2004	**2,138**	**--**	**$53.80**

Declaration of Dividend

The Board of Directors has declared the payment of a quarterly dividend of $0.25 per common share, an increase of $0.03 per common share (or 14%). This dividend will be payable in cash on June 15, 2005, to the shareholders of record on May 20, 2005.

At the annual general and special meeting of the shareholders and participating policyholders, which will begin at 2 p.m. on May 4, 2005, the shareholders will be called upon to vote on a resolution to carry out a two-for-one split of the Company's common stock. If this resolution is approved, the split will take effect on May 18, 2005, and the Company's shares will commence trading on a split-adjusted basis on May 16, 2005, in accordance with the rules of the Toronto Stock Exchange. In this case, the dividend paid to the shareholders of record on May 20, 2005 will be $0.125 per share on a split-adjusted basis.

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, as well as adjusted data, 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 life and health insurance products, savings and retirement plans, RRSPs, mutual and segregated funds, securities, auto and home insurance, mortgage loans and other financial products and services. The fifth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group – the Industrial Alliance Group – which has operations across Canada. Industrial Alliance insures over 1.7 million Canadians, employs over 2,600 people and manages and administers $30 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.

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Conference Call
Industrial Alliance will hold a conference call to present its results on Wednesday, May 4, 2005, at 11:30 a.m. (ET). Everyone is invited to listen in on the conference call, by dialling 1-800-377-5794 (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, May 4, 2005. To listen to the conference call replay, dial 1-800-558-5253 (toll free) and enter access code 21235347. All first quarter 2005 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 First Quarter 2005*.

Notes
(1) The data for the first three quarters of 2004 were restated after the Company realized that the amount that could be transferred from the participating policyholders' account to the retained earnings account, pursuant to the *Insurance Companies Act*, had been understated each year since 1981 following the incorrect application of the calculation method.
(2) Sales are defined as follows for each sector: Individual Insurance: first year annualized premiums; Individual Wealth Management: premiums for general funds and segregated funds and deposits for mutual funds; Group Insurance: first year annualized premiums for Employee Plans, including Administrative Services Only (ASO) contracts, gross premiums for Creditor Insurance and premiums for Special Markets Group (SMG); Group Pensions: premiums.

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