

Industrial Alliance Third Quarter 2006 Results Conference Call Presentation



November 1, 2006

Q3/2006 Highlights and Profitability Results

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Q3/2006 Highlights

- Excellent bottom line →
 - ROE: 15.4% (above target)
 - Net income: +21% (adjusted)
 - EPS: \$0.69 (excl. NL integration charge)
- Strong top line →
 - Premiums & Deposits: +14%
 - Individual Insurance sales: +5%
- Improved margins →
 - Repricing of Ind. Insurance products
 - Quick integration of Clarington

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Profitability

(\$Million)	Q3/05	Q3/06	9M/05	9M/06
Net income (net loss) to shareholders	(1.4)	56.1	85.5	170.0
Preferred dividends	--	(1.4)	--	(3.4)
Net income (net loss) to common shareholders	(1.4)	54.7	85.5	166.6
Common EPS (diluted)	(\$0.02)	\$0.68	\$1.07	\$2.04
	Quarter annualized		Last twelve months	
Common ROE	(0.5%)	15.4%	9.7%	15.7%

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Adjusted Profitability

(\$Million)	Q3/05	Q3/06	9M/05	9M/06
Net income (net loss) to shareholders	(1.4)	56.1	85.5	170.0
NL restructuring charges, net of taxes	0.7	0.8	2.6	2.3
Change of reinsurer, net of taxes	(4.2)	--	(4.2)	--
Provision for Norshield, net of taxes	52.1	--	52.1	--
Impact of the reduction of federal tax rates on the future income tax liability	--	--	--	(11.5)
Net income to shareholders, adjusted	47.2	56.9	136.0	160.8
Common EPS (diluted), adjusted	\$0.59	\$0.69	\$1.70	\$1.93
	Quarter annualized		Last 12 months	
Common ROE, adjusted	14.3%	15.6%	14.0%	15.2%

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Shareholder Net Income By Line

(\$Million)	GAAP		Adjusted ¹		
	Q3/05	Q3/06	Q3/05	Q3/06	Var.
Individual Insurance	20.1	21.1	18.7	21.7	16%
Ind. Wealth Management	(36.0)	17.7	13.8	17.9	30%
Group Insurance	10.1	12.8	10.2	12.8	25%
Group Pensions	4.4	4.5	4.5	4.5	0%
Total	(1.4)	56.1	47.2	56.9	21%

¹ See slide 5 for adjustments.

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Q3/2006 Key Profitability Drivers

1. Individual Insurance Strain: Down to 64% of Sales in Q3/2006

	Individual Insurance						
	Q1/05	Q2/05	Q3/05	Q4/05	Q1/06	Q2/06	Q3/06
Sales (FYAP ¹) (\$M)	31.0	36.2	35.3	38.8	34.3	41.5	37.2
Strain (\$M)	18.4	21.7	21.1	21.7	25.2	28.5	23.8
Strain as a % of sales (%)	59%	60%	60%	56%	73%	69%	64%

Guidance on strain (as a % of sales):
between 50% and 55% over the mid-term

¹ First-year annualized premiums.

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Q3/2006 Key Profitability Drivers (continued)

2. Experience Gains: \$3.4 Million in Q3/2006

Sector	Gains/Losses	Comments
Individual Insurance	Loss: \$0.1 million	<ul style="list-style-type: none"> ▪ Favourable: unit costs ▪ Unfavourable: mortality
Individual Wealth Management	Gain: \$1.4 million	<ul style="list-style-type: none"> ▪ Favourable: asset base higher than expected
Group Insurance	Gain: \$2.0 million	<ul style="list-style-type: none"> ▪ Favourable: health ▪ Unfavourable: long-term disability
Group Pensions	Gain: \$0.1 million	<ul style="list-style-type: none"> ▪ Favourable: interest ▪ Unfavourable: mortality

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Q3/2006 Key Profitability Drivers (continued)

3. Federal Tax Reduction: \$2.5 Million (\$0.03 per Share)

Impact on Earnings per Share (EPS)	2006				2006	2007
	Q1	Q2	Q3	Q4 ^e	Year ^e	Year ^e
Non-recurring: Future tax liability	--	\$0.14	--	--	\$0.14	--
Recurring						
Related to Q1/2006 earnings	--	\$0.03	--	--	} \$0.12	\$0.12
Related to quarterly earnings	--	\$0.03	\$0.03	\$0.03		
Total	--	\$0.20	\$0.03	\$0.03	\$0.26	\$0.12

Effective tax rate: 28.8% in Q3/2006
Guidance: ≈ 29%

^e Estimate.

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Sources of Earnings (SOE)

(\$Million)	Q3/05	Q3/06	Key Drivers
Expected profit from in-force	68.3	82.4	<ul style="list-style-type: none"> ▪ Strong top line growth ▪ Clarington acquisition ▪ Reduced unit costs (NL integration) ▪ Sustained experience gains ▪ Expected increase in AUM for 2006
Experience gains on sales	4.3	3.4	<ul style="list-style-type: none"> ▪ Favourable: unit costs; asset base; health benefits; interest ▪ Unfavourable: mortality; long-term disability
Gain (strain) on sales	(24.2)	(25.4)	<ul style="list-style-type: none"> ▪ Strain as a % of sales: 64% in Q3/06, down from 73% in Q1/06 and 69% in Q2/06 ▪ Reduction triggered by individual insurance price revision
Operating income	48.4	60.4	

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Sources of Earnings (SOE) (continued)

(\$Million)	Q3/05	Q3/06	Key Drivers
Income on capital	19.4	19.5	<ul style="list-style-type: none"> ▪ Favourable: higher capital base (earnings and issue of \$125 million in preferred shares) ▪ Unfavourable: payment for Clarington (Clarington earnings recorded in operating profit)
Income taxes	(20.6)	(23.0)	<ul style="list-style-type: none"> ▪ Favourable: federal tax rate reductions ▪ Impact on Q3/06: +\$2.5 million (\$0.03 per share) ▪ Effective tax rate: 28.8% in Q3/06. ▪ Effective tax rate guidance: ≈ 29%
Net income, adjusted	47.2	56.9	<ul style="list-style-type: none"> ▪ ROE: 15.6% in Q3/06 (14.3% in 3/05) ▪ EPS: +21% (vs. Q3/05)
Other items	(48.6)	(0.8)	<ul style="list-style-type: none"> ▪ See slide 5 for adjustments
Net income (net loss) to shareholders	(1.4)	56.1	

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National Life Restructuring Charges

- Q3/2006 restructuring charges
 - \$0.8 million after tax (\$0.7 million after tax in Q3/2005)
- Total restructuring charges recognized so far
 - Initial expected charges: \$12.5 million (after taxes)
 - Recognized from Q4/2004 to Q3/2006: \$12.5 million (after taxes)
 - Expected overrun: \$0.5 million (after taxes). To be recognized in Q4/2006.

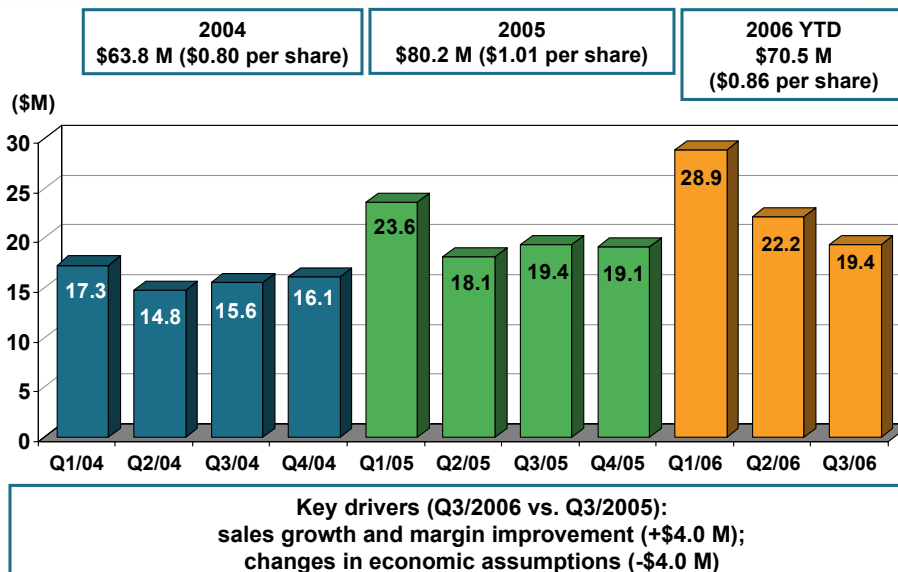
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Dividend

- Dividend → \$0.16 per common share in Q3/2006
(unchanged from Q2/2006)
- Payout → 23.2%
(based on Q3/2006 adjusted net income)
- Guidance → Payout raised to reach 28%
gradually over next 18 months
- Policy → Target range unchanged: between
20% and 30% of sustainable earnings

Value of New Business (VNB)



Solvency and Debt Ratios

	Dec. 31, 2005	June 30, 2006	Sept. 30, 2006
MCCSR ratio	188%	199%	202%
Debt ratios			
Debt / capital	21.3%	16.7%	16.3%
Debt + pref. shares / capital	21.3%	23.5%	22.9%
Excess capital	\$0 M	\$82 M	\$104 M

Guidance: around 1/3 of earnings added to excess capital each quarter, but new 2007 accounting standards should reduce excess capital by some \$30 to \$55 million on January 1, 2007

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Quality of Investments

	Dec. 31, 2005	June 30, 2006	Sept. 30, 2006
INVESTMENTS – Book value of portfolio	\$11,226.9 M	\$11,570.6 M	\$11,821.1 M
Gross impaired investments	\$96.8 M	\$96.4 M	\$95.3 M
Provisions for losses	(\$89.2 M)	(\$89.3 M)	(\$87.2 M)
Net impaired investments	\$7.6 M	\$7.1 M	\$8.1 M
Net impaired invest. as a % of investments	0.07%	0.06%	0.07%
Provisions as a % of gross impaired invest.	92.1%	92.7%	91.4%
BONDS – Book value of portfolio	\$6,619.6 M	\$6,872.0 M	\$7,097.7 M
Rated BB and lower	0.36%	0.34%	0.33%
Delinquency rate	0.02%	0.02%	0.02%
MORTGAGE LOANS – Book value of portfolio	\$2,420.8 M	\$2,447.7 M	\$2,432.8 M
Delinquency rate	0.30%	0.26%	0.30%
Prop. of impaired loans that are insured	93.0%	100.0%	93.1%
STOCKS & MARKET INDICES – Book value of port.	\$1,162.4 M	\$1,252.9 M	\$1,272.6 M
Market value/book value ratio, as a %	108.0%	107.8%	108.3%
REAL ESTATE – Book value of the portfolio	\$446.3 M	\$447.6 M	\$449.9 M
Market value/book value ratio, as a %	114.2%	115.1%	114.5%
Occupancy rate	96.8%	97.7%	95.2%

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Business Growth

Normand Pépin

Executive Vice-President
Life Subsidiaries



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Business Growth Results

(\$Million)	Q3/05	Q3/06	Var.	9M/05	9M/06	Var.
Premiums and deposits	875.9	998.8	14%	2,711.2	3,788.0	40%
Sales						
Individual Insurance	35.3	37.2	5%	102.5	113.0	10%
Ind. Wealth Management						
General funds	49.5	65.9	33%	178.2	219.1	23%
Segregated funds	179.9	158.4	(12%)	618.2	754.2	22%
Mutual funds	87.3	228.7	162%	319.8	932.9	192%
Total	316.7	453.0	43%	1,116.2	1,906.2	71%
Group Insurance						
Employee Plans	9.7	21.3	120%	37.4	55.3	48%
Creditor Insurance	49.9	53.7	8%	122.0	136.2	12%
SMG	20.8	22.3	7%	62.9	63.9	2%
Group Pensions	167.4	111.6	(33%)	435.7	622.1	43%
Assets	--	--	--	32,319.7	44,286.0	37%

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Premiums and Deposits

(\$Million)	Q3/05	Q3/06	Var.	9M/05	9M/06	Var.
Individual Insurance	183.8	208.5	13%	565.1	621.6	10%
Individual Wealth Mgmt	316.7	453.0	43%	1,116.2	1,906.2	71%
Group Insurance	183.4	198.3	8%	523.8	559.4	7%
Group Pensions	167.4	111.6	(33%)	435.7	622.1	43%
General Insurance	24.6	27.4	11%	70.4	78.7	12%
Total	875.9	998.8	14%	2,711.2	3,788.0	40%

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Individual Insurance

(\$Million)	Q3/05	Q3/06	Var.	9M/05	9M/06	Var.
Sales ¹	35.3	37.2	5%	102.5	113.0	10%
Premiums	183.8	208.5	13%	565.1	621.6	10%

Sales by network (Q3/2006)

Career	General agents	National accounts
29%	63%	8%
Growth 18% (vs. Q3/2005)	4%	(18%)

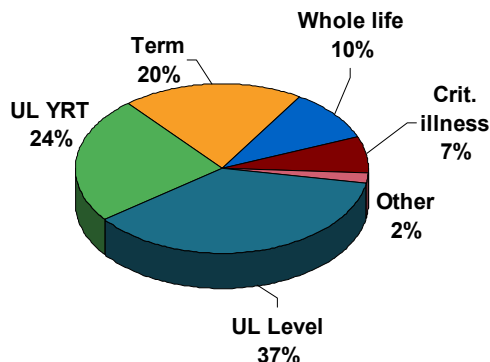
¹ Sales defined as first-year annualized premiums.

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Individual Insurance Sales¹ Mix

Q3/2006



Growth rate	Q3 2006/05	9 months 2006/05
UL Level	(7%)	1%
UL YRT	20%	25%
Total UL	2%	9%
Term	7%	13%
Whole life	27%	32%
Crit. illness	24%	0%
Other	(14%)	(7%)
Total	5%	10%

¹ Sales defined as first-year annualized premiums.

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Individual Wealth Management

(\$Million)	Q3/05	Q3/06	Var.	9M/05	9M/06	Var.
Sales¹						
General fund	49.5	65.9	33%	178.2	219.1	23%
Segregated funds	179.9	158.4	(12%)	618.2	754.2	22%
Mutual funds	87.3	228.7	162%	319.8	932.9	192%
Total	316.7	453.0	43%	1,116.2	1,906.2	71%
Net sales – Investment funds	151.1	115.6	(23%)	527.5	693.1	31%
Funds under management						
General fund	--	--	--	1,713.3	1,645.5	(4%)
Segregated funds	--	--	--	4,642.9	5,556.2	20%
Mutual funds	--	--	--	1,209.7	5,957.5	392%
Total	--	--	--	7,565.9	13,159.2	74%

¹ Sales defined as premiums for general funds and segregated funds, and deposits for mutual funds.

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Group Insurance

(\$Million)	Q3/05	Q3/06	Var.	9M/05	9M/06	Var.
Sales						
Employee plans (1 st year ann. premiums)	9.7	21.3	120%	37.4	55.3	48%
Creditor Insurance (Gross premiums)	49.9	53.7	8%	122.0	136.2	12%
Special Markets (SMG) (Premiums)	20.8	22.3	7%	62.9	63.9	2%
Premiums and equivalents	208.2	227.8	9%	599.7	651.2	9%

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Group Pensions

(\$Million)	Q3/05	Q3/06	Var.	9M/05	9M/06	Var.
Sales¹						
Accumulation products	95.0	98.2	3%	298.6	509.1	70%
Insured annuities	72.4	13.4	(81%)	137.1	113.0	(18%)
Total	167.4	111.6	(33%)	435.7	622.1	43%
Funds under management						
Accumulation products	--	--	--	2,477.9	3,015.0	22%
Insured annuities	--	--	--	2,022.9	2,084.9	3%
Total	--	--	--	4,500.8	5,099.9	13%

¹ Sales defined as premiums.

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Assets

(\$Million)	Sept. 30, 2005	Dec. 31, 2005	June 30, 2006	Sept. 30, 2006
Assets under management				
General fund	11,592.7	11,972.9	12,365.9	12,669.1
Segregated funds	7,027.0	7,348.8	8,060.6	8,456.9
Mutual funds	1,220.8	5,672.7	5,846.3	5,971.2
Other	783.1	785.9	720.5	592.9
Total	20,623.6	25,780.3	26,993.3	27,690.1
Assets under administration	11,696.1	12,390.9	12,689.5	16,595.9
Total	32,319.7	38,171.2	39,682.8	44,286.0

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Clarington Integration

- Integration risk is behind us
- 2 cent accretion in 2006 and 6 cent accretion in 2007 reiterated

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Our Distributors

Assets Under Administration			
(\$Million)	Dec. 31, 2005	June 30, 2006	Sept. 30, 2006
Investia	2,370	2,620	2,815
FundEX/FundTrade	5,069	5,308	9,291
IA Securities	1,436	1,518	1,576

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Forward-Looking Statements

This presentation 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. The forward-looking nature of these statements can generally, though not always, be identified by the use of words such as “may,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “feel,” “continue,” or other similar expressions, in the affirmative, negative or conditional. These statements entail risks and uncertainties that may cause the actual results, performance or achievements of Industrial Alliance to differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the Company’s actual results to differ from expected results include changes in government regulations or tax laws, competition, technological changes, global capital market activity, interest rates, changes in demographic data, changes in consumer behaviour and demand for the Company’s products and services, catastrophic events, and general economic conditions in Canada or elsewhere in the world. 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. Industrial Alliance is not obligated to revise or update these forward-looking statements to reflect events, circumstances or situations that occur after the date of this presentation, or following unforeseen events, except as required by applicable securities legislation.

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