

NEWS RELEASE

Industrial Alliance Reports Net Income of \$45.7 Million in the Third Quarter Business growth continues for an eighth consecutive quarter

Quebec City, November 2, 2011 – Industrial Alliance Insurance and Financial Services Inc. (TSX:IAG) announces its results for the quarter ended September 30, 2011. A detailed discussion of the third quarter results is available at www.inalco.com under *Investor Relations / Financial Reports*.

Third Quarter Overview

- Net income to common shareholders of \$45.7 million (\$63.5 million in Q3/10)
- Diluted and adjusted EPS of \$0.53 (\$0.75 in Q3/10)
- Annualized ROE of 8.0% versus 12.7% a year ago
- Premiums and deposits of \$1.6 billion, up 7% year over year
- Solvency ratio of 197%, including the share issue of \$200 million
- Book value per share of \$26.74, up from \$25.84 in Q2/11
- Impaired loans at all-time low of 0.06% of total investments

Highlights

(In millions of dollars, unless otherwise indicated)	Third quarter				Year-to-date as at September 30			
	2011 IFRS	2010 IFRS	Var.	2010 CGAAP	2011 IFRS	2010 IFRS	Var.	2010 CGAAP
Net income to common shareholders	45.7	63.5	(28%)	65.4	184.5	179.3	3%	183.4
Earnings per common share (diluted and adjusted ¹)	\$0.53	\$0.75	(\$0.22)	--	\$2.16	\$2.14	\$0.02	--
Earnings per common share (diluted)	\$0.52	\$0.73	(\$0.21)	\$0.78	\$2.10	\$2.07	\$0.03	\$2.19
Return on common shareholders' equity (adjusted and annualized)	8.0%	12.7%	--	12.7%	11.3% ²	--	--	12.9% ²
Premiums and deposits	1,579.9	1,475.7	7%	1,477.7	5,260.8	4,930.6	7%	4,942.9
Effective tax rate (%)	22.7%	26.8%	--	26.0%	22.9%	26.6%	--	25.9%
	September 30, 2011 IFRS	June 30, 2011 IFRS			December 31, 2010			September 30, 2010 CGAAP
Solvency ratio	197%	194%			IFRS	CGAAP		211%
Book value per share	\$26.74	\$25.84			\$24.77	\$25.49		\$25.02
Assets under management and administration	70,393.4	71,537.1			68,833.0	68,474.0		65,580.5
Net impaired investments	13.2	15.0			21.5	22.8		16.0
Net impaired investments as a % of total investments	0.06%	0.08%			0.12%	0.12%		0.09%

¹ Adjusted for innovative Tier 1 debt instruments (IATS) in 2011.

² Trailing 12 months.

“The macroeconomic environment in the third quarter of 2011 was certainly one of the most difficult since the financial crisis in 2008,” stated Yvon Charest, President and Chief Executive Officer. “In addition to long-term interest rates that hovered near all-time lows, equity markets pulled back in Q3 taking 19 cents per share off our Individual Insurance and Wealth Management businesses. About a third of this impact is related to the dynamic risk management program implemented in late 2010 to hedge our guaranteed annuity product. Profitability in the third quarter was equally affected by unfavourable policyholder experience in Individual Insurance and Group Insurance.”

“Looking at our performance by line of business, I want to reiterate our excellent top-line results in Individual Wealth Management as well as the continued growth in our creditor and general insurance businesses,” continued Mr. Charest. “In Individual Insurance, price increases put in place in January are now fully reflected in our product mix and strain is back to about 50%. During the quarter, we strengthened our capital position through a common equity issue and we finished the quarter with a solvency ratio at the upper end of our targeted 175-200%. As for the quality of our investment portfolio, it is solid and continues to improve on key parameters.”

“In light of the low interest rates since the beginning of the 2011, we have reviewed the adequacy of our actuarial reserves and at September 30, 2011, we are satisfied that we can absorb the year-to-date drop of 58 basis points in long-term interest rates as well as decreasing our ultimate re-investment rate (URR) by 10 basis points,” concluded Mr. Charest. “That being said, I would caution that if interest rates further deteriorate in the fourth quarter, we will have to strengthen actuarial reserves and most likely decrease our URR by another 10 basis points. Otherwise, we are confident that we can manage our year-end assumption review with minimal impact to our overall reserves if long-term interest rates cooperate and remain above third quarter-end thresholds.”

Third Quarter Highlights

Profitability – Net income to common shareholders amounted to \$45.7 million (\$63.5 million in 2010) and diluted earnings per share were \$0.53 (\$0.75 in 2010), adjusted for the potential conversion of the Company’s innovative Tier 1 debt instruments (IATS) into common shares as required under IFRS. Unadjusted diluted earnings per share were \$0.52 (\$0.73 in 2010). Earnings per share reflect the issue of 6,000,000 shares completed on September 15, 2011.

The adjusted return on common shareholders’ equity was 8.0% on an annualized basis, versus 12.7% in the same quarter last year.

The Company’s profitability in the third quarter reflects the negative impact of the equity markets on the Individual Insurance and Wealth Management sectors, as well as unfavourable policyholder experience in the Individual and Group Insurance sectors.

Impact of equity markets – The S&P/TSX Index closed at 11,624 points on September 30, 2011, down by 12.6% from the previous quarter-end. The weak equity markets resulted in a loss of \$0.08 per share in Individual Insurance related to the decrease in expected future profits on universal life policies. The loss in Individual Wealth Management amounted to \$0.11 per share, that is, \$0.05 from the decrease in management fees on assets under management and \$0.06 related to the dynamic hedging program put in place in October 2010 to hedge the Company’s guaranteed annuity product (guaranteed minimum withdrawal benefit or GMWB).

The loss generated by the dynamic hedging program – the largest since its inception – reflects the extreme volatility of the markets during the third quarter. Representing \$5.0 million after tax or \$0.06 per share, the loss derives principally from the difference between the increase in the economic value of the guaranteed annuity liability (\$117.0 million) and the increase in the value of the assets (\$111.6 million) used to hedge the equity exposure. The hedging program achieved 95% efficiency during the third quarter, that is, it covered 95% of the increase in the guaranteed annuity liability. This is an extremely satisfactory result given the market volatility in the third quarter.

Unfavourable policyholder experience – The Individual Insurance sector generated an additional loss of \$0.09 as mortality experience during the third quarter proved to be less favourable than expected.

Group Insurance (Employee Plans) realized a loss of \$0.07 per share resulting principally from a higher number of long-term disability claims during the quarter. Experience for other contingencies (health, dental, short-term disability) was in line with expectations.

Individual Insurance strain – Strain on new sales represented 50% in the third quarter, comparable with 51% in the second quarter of 2011. At September 30, 2011, all Individual Insurance sales reflect the new pricing put in place in January 2011.

Other items – Income on capital amounted to \$25.8 million pre-tax versus \$31.9 million in the second quarter. Investment income reflects a lower contribution from IA Auto and Home (primarily due to weather conditions), which had a loss of \$0.5 million in the third quarter of 2011 compared with an after-tax gain of \$2.6 million in the third quarter last year. The gain on assets available for sale (AFS) amounted to \$9.7 million pre-tax in the third quarter.

The effective tax rate in the third quarter was 22.7% compared with 26.8% in the same quarter of 2010. The difference relates primarily to the larger proportion of high-dividend stocks in the Company's investment portfolio following management actions put in place in the last quarter of 2010. These dividends are non-taxable.

Impact of Changing Economic Environment and Preview of Year-end Changes in Valuation Assumptions

Since the Company's last valuation date on December 31, 2010 to the end of the third quarter of 2011, the proxy (Québec long-term bond) for the Company's Initial Reinvestment Rate (IRR) has dropped by 58 basis points. Consistent with our review of reserve adequacy performed at each quarter end, we are satisfied that at September 30, 2011 we are able to absorb the year-to-date drop in our IRR, as well as reduce our Ultimate Reinvestment Rate by 10 basis points to 3.6%. This is achieved through update of the mortality assumption and management actions undertaken since the beginning of 2011 to increase the expected return on assets supporting long-term liabilities; decrease the reinvestment risk on certain investments; and improve the asset-liability matching of certain blocks of business.

With regard to the year-end change in valuation assumptions, management has determined that if interest rates further deteriorate below third quarter-end thresholds, that is 4.15% for the Québec long-term bond and 2.8% for the Canada long-term bond, the IRR assumption would have to be strengthened and the URR would most likely be decreased by another 10 basis points to 3.5%. As per the Company's published interest rate sensitivities, the impact on net income of a 10 basis point change in the IRR is \$28 million and the impact of a 10 basis point change in the URR is \$49 million.

Business growth – Business growth in the third quarter of 2011 maintained its positive trend for the eight consecutive quarter. Premiums and deposits rose 7% to almost \$1.6 billion, reflecting increases from Group Insurance (+19%), Individual Insurance (+10%), Individual Wealth Management (+3%) and IA Auto and Home (+41%).

In Individual Insurance, total sales increased 21% to \$55.5 million, led by growth in minimum premiums (basic insurance coverage).

In Individual Wealth Management, net sales of segregated and mutual funds amounted to \$229.1 million compared with \$243.3 million in the third quarter of 2010, which was an exceptional year in terms on net sales. At September 30, 2011, Industrial Alliance continued to rank number one for sales of segregated funds in Canada and 11th for mutual fund sales.

In Group Insurance, Creditor Insurance sales increased 66% to \$95.4 million, reflecting the added contribution from VAG acquired in February 2011 together with outstanding growth in Atlantic and Western Canada. Employee Plan sales amounted to \$4.8 million in the third quarter versus \$23.5 million last year, with year-to-date sales up by 88% as a result of two large groups added in the second quarter. Special Markets Group sales of \$31.1 million compare with same-quarter sales of \$33.1 million last year.

In Group Savings and Retirement, sales totalled \$154.8 million compared with \$224.1 million last year.

At September 30, 2011, assets under management and administration (AUM/AUA) of \$70.4 billion were down quarter over quarter by 2% as a result of the decrease in equity markets.

The value of new business (VNB) was \$38.6 million (\$0.43 per share, diluted and \$0.45 per share, diluted and adjusted), compared with \$41.4 million a year ago. The principal factor underlying the change in VNB was the cost of the dynamic hedging program that reduced profit margins, offset by additional sales from the Individual Insurance sector during the quarter.

Solvency – At September 30, 2011, the solvency ratio was 197% compared with 194% at June 30, 2011. The change is explained by the issue of 6,000,000 common shares on September 15, 2011 that added 14 points to the solvency ratio, offset by increased capital requirements for segregated funds (4 points); higher capital requirements related to the increase in the market value of the bond portfolio backing policy liabilities (4 points); the decreased contribution from net earnings during the quarter (2 points); and the transition to the IFRS accounting standards to be completed by December 31, 2012 (1 point). The solvency ratio remains at the upper limit of the Company's target range of 175-200%.

Quality of investments – At September 30, 2011, the quality of our investment portfolio remains very high and continues to improve on key parameters:

- impaired loans decreased to 0.06% of total investments from 0.08% at June 30, 2011, following the settlement of five impaired mortgage loans;
- the delinquency rate of the mortgage loan portfolio decreased to 0.27% from 0.32% at June 30, 2011, following the settlement of the five mortgage loans mentioned above;
- the occupancy rate on the real estate portfolio increased to 93.2% from 92.7% at June 30, 2011;
- the proportion of bonds rated BB and lower in our bond portfolio increased slightly to 0.14% from 0.09% as at June 30, 2011, as a result of the downgrade of one corporate security.

Dividend – The Board of Directors declared a quarterly dividend of \$0.2450 per common share, which corresponds to a payout ratio of 45% of net earnings.

Sensitivity Analysis – As at September 30, 2011, the Company can absorb a decrease of about 10% in the S&P/TSX index before having to strengthen stocks matching long-term liabilities. This means that the index would have to decrease to 10,500 points (10,600 in Q2/11) from its level of 11,624 points at the end of the third quarter.

Share Issue

On September 15, 2011, the Company announced the closing of a private placement with the Caisse de dépôt et placement du Québec for the purchase of 6,000,000 common shares of Industrial Alliance at a price of \$33.31 per common share, for gross proceeds of \$199.9 million. The net proceeds, after financing fees of 3.75%, amounted to \$192.4 million. The proceeds were added to the Company's capital to be used for general corporate purposes.

Credit Ratings

On November 1, 2011, Standard & Poor's (S&P) confirmed the A+ (Strong) credit rating that it grants to Industrial Alliance for its financial strength and confirmed its Stable outlook. Likewise, on July 18, 2011, DBRS confirmed the Company's assigned credit rating of IC-2 (Satisfactory) and its Stable outlook. The A.M. Best rating of A (Excellent) was unchanged in the third quarter.

Transition to IFRS

The Company adopted International Financial Reporting Standards (IFRS) in the first quarter of 2011. A detailed description of the impact of the transition to IFRS is provided in *Note 4 Transition to International Financial Reporting Standards (IFRS)* accompanying the unaudited condensed financial statements for the period ended September 30, 2011.

GENERAL INFORMATION

Internal Control over Financial Reporting

No changes were made in the Company's internal control over financial reporting during the interim period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-IFRS Financial Information

The Company reports its financial results in accordance with International Financial Reporting Standards (IFRS). It also publishes certain non-IFRS financial measures that do not have an IFRS equivalent, including sales, value of new business, embedded value and solvency ratio, or which have an IFRS equivalent such as data on operating profit and income taxes on earnings presented in the sources of earnings table. The Company also uses non-IFRS adjusted data in relation to net income, earnings per share and return on equity. These non-IFRS financial measures are always accompanied by and reconciled with IFRS financial measures. The Company believes that these non-IFRS financial measures provide investors and analysts with additional information to better understand the Company's financial results as well as assess its growth and earnings potential. Since non-IFRS financial measures do not have a standardized definition, they may differ from the non-IFRS financial measures used by other institutions. The Company strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure.

Conference Call

Management will hold a conference call to present the Company's results on Wednesday, November 2, 2011 at 2:00 p.m. (ET). To listen in on the conference call, dial 1 888 754-4437 (toll-free). A replay of the conference call will also be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 2, 2011. To listen to the conference call replay, dial 1 800 558-5253 (toll-free) and enter access code 21535957. A webcast of the conference call (in listen only mode) will also be available on the Industrial Alliance website at www.inalco.com.

Documents Related to the Financial Results

For a detailed discussion of the Company's third quarter results, investors are invited to consult the MD&A, financial statements and accompanying notes as well as our supplemental information package, all of which are available on the Industrial Alliance website at www.inalco.com under *Investor Relations / Financial Reports* and on SEDAR at www.sedar.com.

Forward-looking Statements

This Management's Discussion and Analysis may contain statements relating to strategies used by Industrial Alliance or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective" or "goal" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. Forward-looking statements include, but are not limited to, information concerning the Company's possible or assumed future operating results. These statements are not historical facts; they represent only the Company's expectations, estimates and projections regarding future events.

Although Industrial Alliance believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of Industrial Alliance including the availability of financing to meet existing financial commitments on their expected maturity dates when required; and insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism. Additional information about

material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in Industrial Alliance's most recent annual report under the "Risk Management" section of the Management's Discussion and Analysis and in the "Management of Risks Associated with Financial Instruments" note to Industrial Alliance's consolidated financial statements, available for review at www.sedar.com.

Industrial Alliance does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Management's Discussion and Analysis or to reflect the occurrence of unanticipated events, except as required by law.

About Industrial Alliance

Founded in 1892, Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company with operations in all regions of Canada as well as in the United States. The Company 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 for both individuals and groups. The fourth largest life and health insurance company in Canada, Industrial Alliance contributes to the financial security of over three million Canadians, employs more than 4,000 people and manages and administers more than \$70 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG.

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