

NEWS RELEASE



Industrial Alliance Ends the 2008 Financial Year With a \$66.1 Million Profit

Quebec City, January 26, 2009 – Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or "the Company") ended the 2008 financial year with net income to common shareholders of \$66.1 million, compared to \$242.2 million for 2007. This translates into diluted earnings per common share of \$0.82 (\$2.99 in 2007).

For the fourth quarter of 2008, the Company recorded a net loss to common shareholders of \$110.2 million (\$1.37 per diluted common share), compared to net income to common shareholders of \$63.1 million for the same period in 2007 (\$0.78 per diluted common share).

The fourth quarter results were affected by the stock market downturn, which reduced the Company's expected earnings by about \$25.5 million after taxes, by an additional 14% devaluation of non-bank sponsored asset-backed commercial paper, increasing the total devaluation of these securities to 29%, and by a \$138.2 million after-tax strengthening of the provisions for future policy benefits. The Company decided to strengthen its provisions for future policy benefits, while implementing additional measures, to protect itself against an additional stock market downturn of about 13% and, even though it was not required to do so, in order to take into account an additional 20 basis point drop in the ultimate reinvestment rate (URR). Without the strengthening of its provisions for future policy benefits, the Company would have ended the quarter with \$20.2 million in after-tax income from its current operations.

Despite the volatility of the financial markets, financial strength, as measured by the solvency ratio, continued to improve in 2008. The Company expects to end the year with a solvency ratio of about 200% as at December 31, 2008. This is higher than the 193% ratio recorded as at December 31, 2007. The solvency ratio should be at the top of the Company's 175% to 200% target range.

"Given the volatility of the financial markets, we decided to exercise caution and protect the Company from further stock market downturns and interest rate reductions," stated Yvon Charest, President and Chief Executive Officer. "Our financial strength remains very solid, as indicated by our solvency ratio, which has proven to be very robust in the current economic environment. The quality of investments also remains very good, despite the devaluation of a few securities. We also expect to maintain our dividend at the current level throughout 2009. Clearly, we have weathered a good part of the storm without weakening the Company, and we are confident that we will be able to resist further downturns, if they occur, for the greater good of our policyholders and shareholders."

Unaudited Results

The results presented in this news release for the 2008 financial year have not been audited by the external auditors. Certain final results may differ from those presented in this news release. To simplify reading, this news release has been drafted in the affirmative, as if the results presented herein were final. The audited consolidated financial results for the financial year ending December 31, 2008, including the consolidated financial statements and management's discussion and analysis, will be published on Friday, February 13, 2009.

Profitability

Following are the profitability highlights for the fourth quarter.

| Profitability | | | | |
|---|-----------------------|-------------|-------------|--------------|
| (Millions of dollars, unless otherwise indicated) | Fourth quarter | | Year | |
| | 2008 | 2007 | 2008 | 2007 |
| Income from current operations (after taxes) | 20.2 | 65.5 | 196.7 | 242.3 |
| Strengthening of provisions for future policy benefits (after taxes) | (138.2) | (0.7) | (138.2) | (0.7) |
| Net effect of the variation in the fair value of debt instruments and underlying assets (after taxes) | 7.8 | (1.7) | 7.6 | 0.6 |
| Net income (loss) to common shareholders | (110.2) | 63.1 | 66.1 | 242.2 |
| Earnings (loss) per common share (diluted) | (\$1.37) | \$0.78 | \$0.82 | \$2.99 |
| Return on common shareholders equity | (25.8%) | 15.2% | 4.0% | 15.1% |

Income from current operations – The Company ended the fourth quarter of 2008 with income from current operations of \$20.2 million after taxes (\$0.25 per common share). The Company's profit was affected by:

- The stock market downturn, which reduced the expected profit by about \$25.5 million after taxes (\$0.32 per common share). The S&P/TSX index of the Toronto Stock Exchange dropped 24% in the fourth quarter and 35% for all of 2008. The stock market downturn reduced the fees collected on the segregated funds and mutual funds managed by the Company, decreased the discounted future revenues on Universal Life policy funds and reduced the income on capital.
- An additional 14% devaluation of the non-bank sponsored asset-backed commercial paper. This devaluation reduced the Company's earnings by \$10.6 million after taxes (\$0.13 per common share). The Company's total exposure to non-bank sponsored asset-backed commercial paper is \$104.1 million and this paper was devalued by 15% in the third quarter of 2007. The devaluation announced today increases the total devaluation of this paper to 29%. This devaluation was posted to primarily take into account the estimated loss in value of commercial paper due to the widening of interest rate spreads that occurred at the end of 2008.
- A permanent decrease of \$2.2 million after taxes (\$0.03 per common share) in the value of a few securities that were weakened by the current economic environment.
- Experience losses of \$9.6 million after taxes (\$0.12 per common share), resulting primarily from unfavourable mortality and disability experience in the Group Insurance and Group Pensions sectors.

The Company recorded gains of \$7.8 million after taxes resulting from a favourable change in the gap between the market value of debt instruments and the underlying assets (\$0.10 per common share).

Strengthening of the provisions for future policy benefits – Given the current economic and financial environment, the Company believed it was more prudent to strengthen its provisions for future policy benefits by \$138.2 million after taxes (\$1.71 per common share) to protect itself against further decreases in the interest rates and in the stock markets. At the end of each quarter, the Company makes sure its provisions are sufficient, given the existing economic environment, but it only reviews its valuation assumptions at the end of each year to take into account the most recent developments in the market and its own experience in terms of mortality, morbidity, lapse rates, unit costs and other factors. This year, the year-end review of assumptions led the Company to strengthen its provisions for future policy benefits to take into account three factors in particular:

- An additional 20 basis point decrease in the ultimate reinvestment rate (URR). Even though the Company was not required to strengthen its provisions for future policy benefits for the URR, since it already uses a lower rate than the maximum rate determined under standards of actuarial practices, it decided to exercise caution by reducing its rate once again to take into account the significant reduction in long-term interest rates at the end of the year (the

maximum URR is calculated by using data on long-term federal government bond rates for the last 10 years). Hence, to evaluate its provisions for future policy benefits, the Company now uses a lower URR than the maximum rate expected at the end of 2009, should long-term federal government bond rates remain at the current level for all of 2009.

- The sharp decline in the value of stocks backing the Company's very long-term liabilities (the stock markets dropped 35% in 2008). Given the volatility of the stock markets, the Company felt it was more prudent to strengthen its provisions for future policy benefits, while implementing additional measures, such that an additional strengthening would not necessarily be required if there was an additional drop in the stock markets of about 13% compared to December 31, 2008 (which would place the S&P/TSX index at about 7,850 points).
- The decrease in life insurance policy lapse rates.

The strengthening of the provisions for future policy benefits was partially offset by a release of reserves to take into account two factors in particular, namely the ongoing improvement in mortality rates in individual insurance and the slight increase (15 basis points) in the initial reinvestment rate (IRR). This rate is determined from a basket composed primarily of long-term provincial government bonds and reflects the current rates applicable on these bonds on the valuation date, which is December 31, 2008.

Finally, the revision of unit cost valuation assumptions did not have a material impact on the provisions for future policy benefits in 2008.

Following are a few additional points worth highlighting about the Company's fourth quarter profitability.

- *Strain on individual insurance sales* – Good strain management continued in the Individual Insurance sector. Strain, expressed as a percentage of sales, amounted to 51% in the fourth quarter (46% in the fourth quarter of 2007). Strain amounted to 56% for 2008, which is slightly higher than the Company's 50% to 55% target range.
- *Auto and home insurance* – After a challenging start to the year in terms of claims, due to poor weather conditions, the auto and home insurance subsidiary had an excellent year-end, recording a net profit of \$2.5 million in the fourth quarter (\$3.5 million in the fourth quarter of 2007).
- *Contribution by Excellence* – The contribution by Excellence Life Insurance Company and the brokerage companies it is associated with continued to be in line with expectations. When Excellence was acquired, the Company had indicated that it believed Excellence would contribute to improving its earnings per share by \$0.04 in 2008. The acquisition of Excellence was completed on January 31, 2008.
- *Income taxes* – The fourth quarter loss enabled the Company to recover tax expenses posted in previous quarters, reducing the tax expense for 2008 to \$17.0 million. This represents an effective tax rate of 17.8%. This rate is lower than the one usually applicable to the Company (around 28%). This difference is due to the fact that the reduction of earnings in 2008 did not impact specific revenue or expense items for which the Company enjoys a tax advantage.
- *Profit by line of business* – All business lines were affected in one way or another by the prevailing economic and financial environment in the fourth quarter. The Individual Insurance sector was mainly affected by the changes in assumptions for the provisions for future policy benefits, Individual Wealth Management by the stock market downturn, Group Insurance by poor claims experience, and Group Pensions by the changes in assumptions and poor claims experience.

Of all these factors, however, only the impact of the stock market downturn on the Individual Wealth Management, Group Pensions and, to a lesser degree, the Individual Insurance sector, may have a recurring impact on the results.

Impact of the Economic and Financial Environment on Net Income to Common Shareholders in the Fourth Quarter, by Line of Business

| (Millions of dollars) | Credit | Stock market downturn | Changes in assumptions | Total | Total, after allocation of income on capital | |
|------------------------------|--------|--------------------------|---------------------------|---------|--|---------------|
| | | | | | Total | Total |
| Operating profit (loss) | | | | | (After taxes) | (After taxes) |
| Individual Insurance | (11.9) | (8.0) | (175.6) | (195.5) | (138.5) | (142.9) |
| Individual Wealth Management | (0.8) | (23.2) | (1.9) | (25.9) | (18.3) | (18.4) |
| Group Insurance | -- | -- | (1.0) | (1.0) | (0.7) | (1.7) |
| Group Pensions | -- | (1.5) | (16.7) | (18.2) | (12.9) | (13.5) |
| Subtotal | (12.7) | (32.7) | (195.2) | (240.6) | (170.4) | (176.5) |
| Income on capital | (5.3) | (3.3) | -- | (8.6) | (6.1) | -- |
| Total – Before taxes | (18.0) | (36.0) | (195.2) | (249.2) | -- | -- |
| Total – After taxes | (12.8) | (25.5) | (138.2) | (176.5) | (176.5) | -- |

Guidance for 2009

The current economic and financial environment makes it more difficult than in past years to establish specific guidance to the financial markets. Given the current environment, the Company believes, however, that it is useful to provide general market guidance for 2009 to help investors better understand the source of the Company's earnings. Following are a few indications for 2009 to the best of the Company's knowledge.

Return on equity – The Company estimates that the return on common shareholders' equity (ROE) should be between 12% and 14% in 2009. This target range is lower than the 14% to 16% range announced last June. The decrease in the target ROE is primarily explained by the stock market downturn, which reduced the income on capital and management fee income drawn from segregated funds, mutual funds, Universal Life policy funds and group pension plan accumulation funds, as well as the cost of subordinated debentures and preferred shares issued in 2008.

Earnings per common share – An ROE of between 12% and 14% translates into earnings per common share (EPS) of between \$2.50 and \$3.00. The Company estimates however, that if in 2009, the S&P/TSX index should hover around the December 31, 2008 level, EPS should be within the lower end of the \$2.50 to \$3.00 range.

Solvency ratio – The Company continues to target a solvency ratio in the 175% to 200% range. If 2009 ends with an ROE of about 12% and the S&P/TSX index at around 9,000 points, the Company estimates that the solvency ratio should be in the upper end of the 175% to 200% range at the end of 2009.

Dividend – The Company expects to maintain the quarterly dividend to common shareholders at the current level for 2009, namely \$0.245 per common share.

Effective tax rate – The Company anticipates a 1 to 2 percentage point drop in the effective tax rate, which should be around 26% to 27% in 2009.

Sensitivity Analysis

Following is the sensitivity of the Company's results for a certain number of key indicators.

Net income and stock market downturn – The Company estimates that if the stock markets drop 10% at the very beginning of 2009, to subsequently recover a portion of this loss during the year, net income to common shareholders for 2009 would be about \$17 million lower than expected. The stock market downturn reduces the fees collected on the segregated funds and mutual funds managed by the Company, decreases the expected future income on Universal Life policy funds and reduces the income on capital. On the other hand, a 10% drop should not affect the Company's net income in relation to stocks backing the long-term liabilities.

Solvency ratio – The Company expects its solvency ratio to be around 200% as at December 31, 2008. The S&P/TSX index was at 8,988 points on that date. The Company estimates that if the S&P/TSX index had been at 7,400 points as at December 31, 2008, the solvency ratio would have been around 175%, and if it had been at 5,700 points, it would have been around 150%.

Stocks matching long-term liabilities and segregated funds guarantee – The Company believed that it was more prudent to strengthen its provisions for future policy benefits in 2008, while implementing additional measures, by an amount such that an additional strengthening would not necessarily be required if there was an additional drop in the stock markets of about 13% compared to December 31, 2008 (which would place the S&P/TSX index at about 7,850 points). Such a decrease in the stock markets should not affect the Company's profit.

Ultimate reinvestment rate (URR) – To calculate its provisions for future policy benefits, as at December 31, 2008, the Company used a lower ultimate reinvestment rate than the maximum rate expected at the end of 2009 if the rates of long-term federal government bonds remain at the current level (3.45%) for all of 2009. According to the Company's most recent simulations, a 10 basis point decrease in the URR would require the provisions for future policy benefits to be strengthened by about \$35 million after taxes.

Initial reinvestment rate (IRR) – To calculate its provisions for future policy benefits, as at December 31, 2008, the Company used an initial reinvestment rate that takes into account existing rates of return on the valuation date, considering the target asset mix. According to the Company's most recent simulations, a 10 basis point increase in the IRR would allow for about \$24 million after taxes to be released from the provisions for future policy benefits.

Mortality rate – As required by standards of actuarial practice, the Company does not anticipate an improvement in the mortality rate when it determines its provisions for future policy benefits in individual insurance. However, given the ongoing improvement of mortality rates in Canada, the Company regularly releases excess reserves that are no longer necessary. Hence, the Company estimates that a 5% reduction in the mortality rate could result in the release of about \$88 million after taxes in provisions for future policy benefits for all lines of business.

Business Growth

Following are the business growth highlights for the fourth quarter.

Premiums and deposits – After several years of strong growth, the gloomy economic environment has slowed consumer and investor enthusiasm in the retail markets, but has not had a significant impact in the group markets, where some sectors even had a record year. Nevertheless, strong premium growth in the group sectors was not enough to erase the decline in the retail sectors, such that premiums and deposits totalled \$1.2 billion in the fourth quarter, down 7% compared to the same period in 2007.

| Premiums and Deposits | | | | | | |
|--|-----------------------|----------------|------------------|----------------|----------------|------------------|
| (Millions of dollars, unless otherwise indicated) | Fourth quarter | | | Year | | |
| | 2008 | 2007 | Variation | 2008 | 2007 | Variation |
| Individual Insurance | 233.7 | 236.1 | (1%) | 920.7 | 897.3 | 3% |
| Individual Wealth Management | 450.9 | 663.8 | (32%) | 2,422.4 | 3,121.9 | (22%) |
| Group Insurance | 245.4 | 212.8 | 15% | 956.5 | 860.5 | 11% |
| Group Pensions | 257.8 | 174.2 | 48% | 1,114.9 | 828.3 | 35% |
| General Insurance | 33.2 | 30.7 | 8% | 128.3 | 118.2 | 9% |
| Total | 1,221.0 | 1,317.6 | (7%) | 5,542.8 | 5,826.2 | (5%) |

Sales by line of business – Following are the sales highlights by line of business for the fourth quarter.

- *Individual insurance* – Individual Insurance sales continued to grow in the family market, but were down in the high net-worth market, resulting in a 14% decrease in total sales for the sector in the fourth quarter compared to the same period last year. Investors who use their Universal Life policy as a financial planning tool decided to reduce the amounts they invest in their insurance policy savings account (excess premiums), due to the instability of the markets. On the other hand, clients continued to cover their basic insurance needs, since minimum premiums (the "insurance" component of premiums) were up 6% during the quarter. Also, the level of activity among agents remained high throughout the year, since the number of policies sold was up 5% during the quarter and 4% for 2008. Minimum premiums and the number of policies sold are two of the most important factors the Company uses to measure the sector's profitability.
- *Individual Wealth Management* – The stock market downturn continued to slow sales of savings and investment products. Hence, after several years of strong growth, sales in the Individual Wealth Management sector were down 32% for the quarter compared to the same period the previous year. On the other hand, net segregated fund and mutual fund sales were positive each quarter, which is excellent under the circumstances. The Company even outperformed the industry in terms of net mutual fund sales (the IA Clarington Investments subsidiary was ranked 9th in terms of net mutual fund sales in 2008, an increase compared to its 12th place ranking in 2007). The Company's wide range of funds, their good relative performance in the last year and the size of the Company's distribution networks should contribute to getting sales back on track as soon as the markets are more stable.
- *Group Insurance: Employee Plans* – The momentum continued in the Employee Plans sector, with fourth quarter sales more than double the same period in 2007. Sales were particularly strong in the West, thanks to the close ties developed with new distributors in the last few years. The strong sales for the quarter pushed sales for the year to a record \$92.9 million, up 29% over the previous year. More than half of all sales came from outside Quebec for a fourth consecutive year, in accordance with the Company's desire to expand throughout the country.
- *Group Creditor Insurance* – Despite a sharp drop in car sales in the country, the Group Creditor Insurance sector ended the quarter with a 1% increase in sales compared to the fourth quarter of 2007. Sales for this sector rely on car sales, since the products are distributed primarily by car dealers. The Company has been a leader in Canada in the creditor insurance market among car dealers for several years.
- *Special Markets Group (SMG)* – The SMG sector continued its regular growth, with a 7% increase in sales compared to the same period the previous year. This sector has so far been very resilient to the economic environment. This sector specializes in certain insurance markets that are not well served by traditional insurance carriers.
- *Group Pensions* – The Group Pensions sector had another excellent quarter, with a 48% increase in sales compared to the same period in 2007. Sales were strong in the accumulation products market (savings products) and in the payout products market (insured annuity products), which was particularly active in 2008. The result for the quarter pushed sales for the year to a record \$1.1 billion, up 35% over the previous year. This is the first time that sales have surpassed the billion dollar mark in this sector. As with the Group Insurance Employee Plans sector, more than half of all sales were made outside Quebec during the year, in accordance with the Company's desire to expand throughout the country.

| Sales¹ | | | | | | |
|--|-----------------------|-------------|------------------|-------------|-------------|------------------|
| (Millions of dollars, unless otherwise indicated) | Fourth quarter | | | Year | | |
| | 2008 | 2007 | Variation | 2008 | 2007 | Variation |
| Individual Insurance | | | | | | |
| Minimum premiums | 35.3 | 33.3 | 6% | 118.6 | 111.0 | 7% |
| Excess premiums | 6.9 | 15.6 | (56%) | 28.3 | 48.0 | (41%) |
| Total | 42.2 | 48.9 | (14%) | 146.9 | 159.0 | (8%) |
| Individual Wealth Management | | | | | | |
| General fund | 87.3 | 77.7 | 12% | 345.5 | 334.4 | 3% |
| Segregated funds | 149.2 | 189.0 | (21%) | 815.7 | 990.6 | (18%) |
| Mutual funds | 214.4 | 397.1 | (46%) | 1,261.2 | 1,796.9 | (30%) |
| Total | 450.9 | 663.8 | (32%) | 2,422.4 | 3,121.9 | (22%) |
| Group Insurance | | | | | | |
| Employee Plans | 22.1 | 10.2 | 117% | 92.9 | 72.0 | 29% |
| Creditor Insurance | 41.6 | 41.1 | 1% | 194.2 | 192.0 | 1% |
| Special Markets Group (SMG) | 31.8 | 29.8 | 7% | 112.9 | 104.4 | 8% |
| Group Pensions | 257.8 | 174.2 | 48% | 1,114.9 | 828.3 | 35% |

Value of new business – The value of new business decreased by 6% (or \$1.8 million) in the fourth quarter compared to the same period last year, amounting to \$27.3 million (\$0.34 per common share). This decrease comes solely from the Individual Wealth Management sector, due to a decrease in new fund entries, since the value of new business was up in all other sectors, thanks primarily to improved profit margins. Despite the decrease in the fourth quarter, the value of new business was up 1% for the year, amounting to \$122.8 million.

Financial Strength

Following are the financial strength highlights for the fourth quarter.

Solvency ratio – Despite the volatility of the financial markets, financial strength continued to improve in 2008. The Company expects to end the year with a solvency ratio of about 200% as at December 31, 2008. This is higher than the 193% ratio recorded as at December 31, 2007 and equal to the ratio as at September 30, 2008. The solvency ratio should be at the top of the Company's 175% to 200% target range.

In the last quarter, the solvency ratio benefited from a \$100 million preferred share issue concluded on November 25, 2008 (this issue added 10 percentage points to the solvency ratio) and from changes made to the solvency standards by the regulatory authorities. These changes affected the interest margin pricing risk (addition of 10 percentage points to the solvency ratio), the unrealized gains and losses on available-for-sale debt securities (addition of 4 percentage points) and the segregated funds guarantee (addition of 12 percentage points). Changes to the segregated funds guarantee allowed the Company to avoid having capital requirements for the segregated funds guarantee.

On the other hand, there was downward pressure on the solvency ratio due to the loss recorded during the quarter and the gradual recognition over two years of the impact of the new accounting standards that took effect on January 1, 2007 (the effect of the new accounting standards has now been fully recognized).

Capitalization – The Company's capital totalled \$1,857 million as at December 31, 2008, a decrease of 3% (\$55 million) compared to September 30, 2008. This decrease is explained by the loss in the fourth quarter and by the dividends paid to common shareholders, which more than offset the capital contribution resulting from the preferred share issue. The Company's book value per common share amounted to \$20.34 as at December 31, 2008, down 9% compared to September 30, 2008 (\$22.25). This decrease is explained by the reduction in the Company's capital, but also by the \$22 million increase in unrealized losses on available-for-sale securities.

Financial leverage – The combined effect of the preferred share issue and the loss for the quarter increased the Company's debt ratio, which nevertheless remains at a prudent level. The debt ratio increased from 17.0% as at September 30, 2008 to 17.9% as at December 31, 2008, if the subordinated debentures alone are included in the debt items, and from 22.5% as at September 30, 2008 to 26.9% as at December 31, 2008 if the preferred shares are added.

Quality of Investments

Despite the devaluation of certain securities during the quarter, the quality of investments remained excellent given the gloomy economic environment. Following are a few highlights of the quarter:

- As indicated earlier, the Company devalued by 14% the \$104.1 million in non-bank sponsored asset-backed commercial paper to which it is exposed, increasing the total devaluation of these securities to 29%.
- The Company sold the bond that it held in American International Group, Inc. (AIG). The Company had a \$15.8 million bond in AIG (the parent company). This investment was devalued by 40% in the third quarter. The sale of this security did not have any material impact on the results for the quarter.
- Given the economic environment, the Company reduced the value of a few securities that were weakened by the current context by \$3.0 million before taxes (\$2.2 million after taxes).
- Net impaired investments decreased slightly during the quarter, from \$8.7 million as at September 30, 2008 to \$8.4 million as at December 31, 2008. The proportion of net impaired investments represents just 0.06% of total investments as at December 31, 2008 (0.06% as at September 30, 2008).
- Almost the entire bond portfolio is composed of securities rated BBB or higher (99.77% as at December 31, 2008 compared to 99.95% as at September 30, 2008).
- The delinquency rate of the mortgage loan portfolio decreased slightly during the quarter, from 0.31% as at September 30, 2008 to 0.26% as at December 31, 2008, with no new loans defaulting in the fourth quarter. Delinquent loans represent just \$9.2 million of a \$3.5 billion portfolio.
- The real estate occupancy rate remained high and stable during the quarter (94.0% as at December 31, 2008), and the market value of the real estate portfolio is still much higher than the book value.
- Finally, there were very few changes in the last quarter for securities that have been making the headlines, other than the fact that the Company sold its interest in AIG. The Company has no investments in the U.S. subprime mortgage loan market, no investments in monolines, a \$0.7 million investment in the U.S. firms Freddie Mac and Fannie Mae, no exposure to Nortel, Teck Cominco and CanWest, a \$4 million investment in asset-backed securities in the U.S., an investment lower than \$25 million in the securities of United Kingdom financial institutions, including just \$3 million in capital notes, and minimal exposure to securities that are currently receiving media attention in the aviation, automobile, telecommunications and print sectors.

| Investment Quality Indices | | | |
|--|--------------------------|---------------------------|--------------------------|
| (Millions of dollars, unless otherwise indicated) | December 31, 2008 | September 30, 2008 | December 31, 2007 |
| Net impaired investments | 8.4 | 8.7 | 11.7 |
| Net impaired investments as a % of total investments | 0.06% | 0.06% | 0.08% |
| Bonds – Rated BB and lower | 0.23% | 0.05% | 0.11% |
| Mortgage loans – Delinquency rate | 0.26% | 0.31% | 0.16% |
| Real estate – Market/book value | 129.4% | 125.4% | 129.5% |

Acquisitions

The Company continued to build for the future with the conclusion of two new acquisitions in the fourth quarter.

On October 31, 2008, the Company concluded the acquisition of all issued and outstanding shares of Sarbit Asset Management Inc. ("Sarbit"). Sarbit is a mutual fund management firm founded in 2005 by Larry Sarbit, a portfolio manager with over 28 years of experience. When the transaction closed, Sarbit had some \$100 million in assets under management. Sarbit funds will be integrated into the fund family of IA Clarington Investments Inc., Industrial Alliance's mutual fund management subsidiary. Larry Sarbit and his investment team will continue to act as investment advisors for Sarbit's U.S. equity fund.

On December 31, 2008, the Company also concluded the acquisition of the Quebec-based mutual fund and insurance distribution network of DundeeWealth Inc. ("DundeeWealth"). When the transaction closed, DundeeWealth had some 300 mutual fund advisors and over \$2.0 billion in assets under administration. The acquired operations will be merged with Investia Financial Services Inc. ("Investia"), one of Industrial Alliance's two mutual fund brokerage firms. This acquisition will increase the size, scope and efficiency of Investia's mutual fund distribution operations.

These two acquisitions bring the number of acquisitions concluded in 2008 to five (Excellence Life Insurance Company and its affiliated companies on January 31, 2008, the shell company United Family Life Insurance Company in the U.S. on May 1, and AEGON Dealer Services Canada Inc. and the affiliated Money Concepts network on July 1, 2008).

Non-GAAP Financial Measures

The Company reports its financial results in accordance with generally accepted accounting principles (GAAP). It also occasionally uses certain non-GAAP financial measures – adjusted data – mainly concerning the profit, earnings per share and return on equity. These non-GAAP financial measures are always clearly indicated, and are always accompanied by and reconciled with GAAP financial measures. The Company believes that these non-GAAP financial measures provide investors and analysts with useful information so that they can better understand the financial results and perform a better analysis of the Company's growth and profitability potential. These non-GAAP financial measures provide a different way of assessing various aspects of the Company's operations and may facilitate the comparison of results from one period to another. Since non-GAAP financial measures do not have a standardized definition, they may differ from the non-GAAP 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. The data related to the solvency ratio, embedded value and the value of new business, as well as adjusted data, as indicated above, 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, 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. Unless otherwise indicated, any forward-looking information that presents prospective results of operations, financial position or cash flows was approved by management on the date of this news release.

Forward-looking 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. A description of significant factors that could affect forward-looking statements is contained in the Management's Discussion and Analysis section of the Company's most recent annual report.

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. Where the forward-looking statements are presented as guidance regarding the future financial results of Industrial Alliance, they are provided to help investors understand the impact on earnings of the Company's current plans and objectives. The Company may also provide objectives from time to time. An objective should be interpreted as a statement of management's goals in managing the Company, and not necessarily as a forecast that the objective will be met.

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 news release, whether foreseeable or not, except as required by applicable securities legislation.

Conference Call

Management will hold a conference call to present the Company's results at 8:30 this morning (ET). To listen in on the conference call, dial 1 800 761-0059 (toll-free). A replay of the conference call will also be available for a one-week period, starting at 11:30 this morning. To listen to the conference call replay, dial 1 800 558-5253 (toll-free) and enter access code 21411877. A webcast of the conference call (in listen only mode) will also be available on the Industrial Alliance website at www.inalco.com, as well as on the CNW website at www.cnw.ca.

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 fourth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group, which has operations across Canada as well as in the Western United States. Industrial Alliance contributes to the financial wellbeing of over 3 million Canadians, employs more than 3,300 people and manages and administers some \$50 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.

Notes

- 1) Sales (new business) are defined as follows for each sector: Individual Insurance: first-year annualized premiums; Individual Wealth Management: premiums for the general fund and segregated funds and deposits for mutual funds; Group Insurance Employee Plans: first-year annualized premiums, including premium equivalents (Administrative Services Only (ASO) contracts); Group Creditor Insurance: gross premiums (before reinsurance); Special Markets Group (SMG): premiums; Group Pensions: premiums.

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Information

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