

NEWS RELEASE

Industrial Alliance Ends the First Quarter of 2009 With \$46.2 Million in Net Income and Increased Financial Strength

The dividend is renewed at \$0.2450 per common share

Quebec City, May 6, 2009 – Despite the prevailing economic and financial environment, Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or "the Company") ended the first quarter of 2009 with net income to common shareholders of \$46.2 million, an 11.2% return on equity, positive net sales in all lines of business, growth of individual life insurance sales in the family market, a reinforced solvency ratio of 204%, which is above the Company's 175% to 200% target range, and high quality investments, with just 0.06% of the portfolio made up of net impaired investments.

"Despite weak financial markets and the economic slowdown, we are continuing to produce very satisfying results," declared Yvon Charest, President and Chief Executive Officer. "Profits are positive, the return is relatively high, financial strength remains very solid, the quality of investments remains excellent, the Company's book value is growing and we still have enough leeway to absorb significant market downturns. We also continued to take steps to solidify our balance sheet. In the first quarter, we issued \$100 million in subordinated debentures and we continued to actively manage our investment portfolio to optimize the asset mix and the return."

The Company's financial strength has enabled the Board of Directors to announce the payment of a quarterly dividend of \$0.2450 per common share. This dividend is the same as the one announced in the last quarter, and 9% higher than the one announced for the same period last year. According to the Company's business plan, the quarterly dividend to common shareholders is expected to remain at the current level for 2009.

Highlights			
(In millions of dollars, unless otherwise indicated)	Q1 2009	Q1 2008	Variation
Net income to common shareholders	46.2	61.7	(25%)
Earnings per common share (diluted)	\$0.58	\$0.76	(\$0.18)
Return on common shareholders equity	11.2%	14.5%	(330 bps)
Premiums and deposits	1,238.5	1,418.4	(13%)
	March 31, 2009	December 31, 2008	March 31, 2008
Assets under management and under administration	49,731.5	49,472.2	50,326.5
Solvency ratio	204%	199%	188%
Net impaired investments	8.4	8.8	17.1
Net impaired investments as a % of total investments	0.06%	0.06%	0.12%

Following are the Company's main results for the first quarter in terms of profitability, business growth and financial strength.

Profitability

Industrial Alliance ended the first quarter of 2009 with net income to common shareholders of \$46.2 million, compared to \$61.7 million for the same period in 2008. This result translates into diluted earnings per common share of \$0.58 (\$0.76 in the first quarter of 2008) and a return on common shareholders equity of 11.2% on an annualized basis (14.5% in the first quarter of 2008).

The results for the quarter benefited from a \$7.5 million gain after taxes (\$0.10 per common share) resulting from the favourable evolution of the gap between the market value of the debt instruments and that of the underlying assets. Debt instruments were classified as “held-for-trading” when the new accounting standards took effect on January 1, 2007. Hence, any difference between the variation in the market value of the debt instruments and the corresponding assets must be recognized immediately on the income statement. However, this difference should be gradually eliminated by the time the debt instruments mature, in the next five years.

On the other hand, the results for the quarter were affected by the current economic and financial environment, which reduced the Company's expected income by about \$9.9 million after taxes (\$0.12 per common share).

- The stock market downturn reduced the Company's income by some \$5.8 million after taxes (\$0.07 per common share), compared to the expected result. The S&P/TSX index of the Toronto Stock Exchange was very volatile during the quarter, suffering strong downward pressure for a few weeks before regaining a good part of the lost ground, to finally close the quarter down 3% compared to December 31, 2008. The stock market downturn had the following effects:
 - Reduced the fee income on the investment funds managed by the Company by \$3.9 million after taxes. This shortfall primarily affected the Individual Wealth Management sector and, to a lesser degree, Group Pensions.
 - Reduced the discounted future revenues on Universal Life policy funds by \$1.3 million after taxes. This shortfall only affected the Individual Insurance sector.
 - Reduced the income on capital by \$0.6 million after taxes. This shortfall comes from a decrease in the value of seed money and the decrease in income from a life insurance company in which Industrial Alliance has a 45% share.
- The financial environment reduced the Company's income by \$0.7 million after taxes (\$0.01 per common share), following the permanent writedown of a bond.
- The economic situation has contributed to an increase in group insurance claims particularly for the long-term disability benefit. This increase led to an experience loss of \$3.4 million after taxes (\$0.04 per common share).

Impact of the Economic and Financial Environment on the Net Income to Common Shareholders for the First Quarter, by Component			
(In millions of dollars, unless otherwise indicated)	Before taxes	After taxes	Per common share
Stock market downturn			
Lower than expected management fees on investment funds	(5.5)	(3.9)	(\$0.05)
Discounted future revenues on Universal Life policy funds	(1.8)	(1.3)	(\$0.01)
Income on capital	(0.8)	(0.6)	(\$0.01)
Subtotal	(8.1)	(5.8)	(\$0.07)
Credit	(1.0)	(0.7)	(\$0.01)
Economy	(4.6)	(3.4)	(\$0.04)
Total	(13.7)	(9.9)	(\$0.12)

The items indicated above affected both the Company's operating profit and income on capital. The following table shows the impact of these various items by line of business.

Impact of the Economic and Financial Environment on the Net Income to Common Shareholders for the First Quarter, by Line of Business							
(In millions of dollars, unless otherwise indicated)	Stock markets	Credit	Economy	Total	Total	After distribution of income on capital	
						Per common share (diluted)	
Operating profit (loss)							
Individual Insurance	(2.0)	--	--	(2.0)	(1.5)	(2.5)	(\$0.03)
Individual Wealth Management	(5.1)	--	--	(5.1)	(3.6)	(3.6)	(\$0.05)
Group Insurance	--	--	(4.6)	(4.6)	(3.4)	(3.6)	(\$0.04)
Group Pensions	(0.2)	--	--	(0.2)	(0.1)	(0.2)	--
Subtotal	(7.3)	--	(4.6)	(11.9)	(8.6)	(9.9)	(\$0.12)
Income on capital	(0.8)	(1.0)	--	(1.8)	(1.3)	--	--
Total – Before taxes	(8.1)	(1.0)	(4.6)	(13.7)	--	--	--
Total – After taxes	(5.8)	(0.7)	(3.4)	(9.9)	(9.9)	--	--
Per common share (diluted)	(\$0.07)	(\$0.01)	(\$0.04)	(\$0.12)	(\$0.12)	--	--

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

- *Stocks matched to long-term liabilities and segregated funds guarantee* – The Company did not have to increase the provisions for future policy benefits for stocks matched to long-term liabilities and still does not have to maintain provisions for the segregated funds guarantee, according to industry standards of practice. The Company had strengthened its provisions for future policy benefits at the end of 2008 to be in a position to absorb a stock market downturn of approximately 13%, compared to the level reached at the end of 2008. The Company does not expect that it will have to strengthen its provisions for future policy benefits for stocks matched to long-term liabilities, including the segregated funds guarantee, as long as the S&P/TSX remains above approximately 7,850 points.
- *Strain on individual insurance sales* – Strain amounted to \$20.8 million for the first quarter, which represents 66% of individual insurance sales (sales are measured in terms of first-year annualized premiums). Strain as a percentage of sales exceeds the Company's 50% to 55% mid-term target range. This difference comes primarily from a sharp decrease in the sale of the savings component of Universal Life policies.
- *Auto and home insurance* – The auto and home insurance subsidiary had a better start to the year than in 2008. Claims are in line with expectations. As a result, the company ended the first quarter with a net loss of \$0.8 million (it is normal for a general insurance company to end the first quarter with a loss, since the first quarter covers the winter months). This result compares to a net loss of \$1.4 million in the first quarter of 2008, when the Company had to deal with an extremely tough winter. As a reminder, the auto and home insurance subsidiary ended 2008 with a \$2.4 million net profit for the entire financial year.
- *Effective tax rate* – The effective tax rate amounted to 27.4% for the first quarter, which is slightly lower than the 28.0% rate obtained in the first quarter of 2008, if the \$4.0 million tax gain posted in the first quarter of last year is excluded. This rate is slightly higher than the Company's expectations of a 26% to 27% effective tax rate in the medium term.
- *Non-bank asset-backed commercial paper* – The restructuring of the non-bank asset-backed commercial paper (ABCP) was completed on January 21, 2009, when the ABCP was exchanged for interest bearing floating rate notes. Three categories of notes were created, according to the characteristics of the underlying assets: traditional assets, synthetic assets and ineligible assets. These three categories have a maturity date equivalent to that of the underlying assets. Following the restructuring, the Company now has ABCP with a nominal value of \$103.2 million (\$104.1 million before the restructuring). The paper is divided among the three categories of notes as follows: traditional assets: 40%; synthetic assets: 51%; and ineligible assets: 9%. The new notes are subject to a regular

valuation. Based on the most recent valuation, the 29% writedown taken by the Company so far on the ABCP is still adequate.

Business Growth

Following are the business growth highlights for the first quarter.

Premiums and deposits – After several years of strong growth, premiums and deposits have suffered the effects of the economic downturn. This downturn has reduced consumer enthusiasm for retail products (savings and investment products), but has not prevented the group products market from continuing to grow. Nevertheless, premium growth in the group sectors was not enough to erase the decline in the retail sectors, such that the first quarter ended with \$1.2 billion in premiums and deposits, down 13% compared to the same period in 2008.

Premiums and Deposits			
(In millions of dollars, unless otherwise indicated)	Q1 2009	Q1 2008	Variation
Individual Insurance	226.6	226.0	0%
Individual Wealth Management	589.0	792.7	(26%)
Group Insurance	232.6	219.3	6%
Group Pensions	157.6	149.6	5%
General Insurance	32.7	30.8	6%
Total	1,238.5	1,418.4	(13%)

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

- *Individual Insurance* – Individual Insurance sales continued to grow in the family market, but were down in the high net-worth market, resulting in a 7% decrease in sales for the sector in the first quarter compared to the same period last year. Sales of insurance policies used for financial planning purposes decreased somewhat during the quarter, due to the instability of the markets (“excess” premiums were down 36%), whereas sales were up for policies used to cover families basic insurance needs (“minimum premiums” were up 2% for the quarter). Also, the level of activity among agents remained steady at the beginning of the year, with the number of policies sold up 3% during the quarter. Minimum premiums and the number of policies sold are two of the most important components 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. Despite record sales of deposit products, such as guaranteed investment certificates (which jumped 21%), sales in the Individual Wealth Management sector were down 26% for the first quarter compared to the same period last year. Net segregated fund and mutual fund sales continue to be positive, however, totalling \$166.7 million in the first quarter. At the end of the first quarter, the Company ranked 4th in terms of net segregated fund sales, with a 7.3% market share. For mutual funds, the Company continues to gain market share, while its IA Clarington Investments subsidiary ranked 10th at quarter-end in terms of net sales of long-term funds, compared to 19th in terms of assets. The Company's wide range of funds, their good relative performance in the last few quarters 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* – After having reached a record level in the first quarter of last year, employee plan sales are down 12% compared to the same period last year, totalling \$24.4 million. Quotation activity was slower in the first quarter, due to the gloomy economic environment, and the sector made few large group sales. On the other hand, sales were very strong outside Quebec, thanks to the close ties developed with new distributors in the last few years. More than half of all sales came from outside Quebec in the first quarter, in accordance with the Company's desire to expand throughout the country.

- *Group Creditor Insurance* – The decline in car sales finally had an impact on the Group Creditor Insurance sector, whose sales dropped 22% in the first quarter compared to the same period last year, totalling \$29.3 million. Light vehicle sales were also down 22% in the first quarter in Canada. 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.
- *Group Insurance: Special Markets Group (SMG)* – The SMG sector continued its regular growth, with \$28.7 million in sales, up 3% compared to the same period last year. This sector specializes in certain insurance markets that are not well served by traditional group insurance carriers.
- *Group Pensions* – The Group Pensions sector had another good quarter, with \$157.6 million in sales, up 5% over the same period last year. The increase in sales is primarily explained by the signing of agreements with a few large groups in the savings product market (accumulation products). However, sales of annuity products (disbursement products) are down, as the Company continues to favour the attainment of profit margins over business growth. As with the Group Insurance Employee Plans sector, more than half of all sales for this sector were made outside Quebec in the first quarter, in accordance with the Company's desire to expand throughout the country.

Sales¹			
(In millions of dollars, unless otherwise indicated)	Q1 2009	Q1 2008	Variation
Individual Insurance			
Minimum premiums	26.3	25.8	2%
Excess premiums	5.2	8.1	(36%)
Total	31.5	33.9	(7%)
Individual Wealth Management			
General fund	122.2	101.4	21%
Segregated funds	217.7	291.5	(25%)
Mutual funds	249.1	399.8	(38%)
Total	589.0	792.7	(26%)
Group Insurance			
Employee Plans	24.4	27.8	(12%)
Creditor insurance	29.3	37.4	(22%)
Special Markets Group (SMG)	28.7	28.0	3%
Group Pensions	157.6	149.6	5%

Assets under management and under administration – Positive net fund entries in all lines of business were partially cancelled out by the stock market downturn in the first quarter, such that assets under management and under administration totalled \$49.7 billion as at March 31, 2009, up 1% for the quarter.

Assets Under Management and Under Administration			
(In millions of dollars)	March 31, 2009	December 31, 2008	March 31, 2008
Assets under management	30,416.8	30,213.8	32,790.3
Assets under administration	19,314.7	19,258.4	17,536.2
Total	49,731.5	49,472.2	50,326.5

Value of new business – The value of new business decreased by 12% (or \$3.8 million) in the first quarter compared to the same period last year, amounting to \$28.4 million (\$0.35 per common share). The decline in sales in several lines of business, particularly the Individual Wealth Management sector, reduced the value of new business by \$6.6 million. This decrease was partially offset, however, by improved profit margins and a favourable sales mix, which increased the value of new business by \$0.9 million, and by a reduction in the discount rate (resulting from the drop in interest rates), which increased the value of new business by \$1.9 million.

Financial Strength

Following are the financial strength highlights for the first quarter.

Solvency – Despite the volatility of the financial markets, the Company's financial strength continued to improve. The solvency ratio amounted to 204% as at March 31, 2009, which is 5 percentage points higher than December 31, 2008 (199%) and higher than the Company's 175% to 200% target range.

The increase in the solvency ratio is primarily attributable to the capital contribution resulting from a \$100 million subordinated debenture issue. This issue added 10 percentage points to the solvency ratio.

On the other hand, there was downward pressure on the solvency ratio due to the capital requirements for the segregated funds guarantee. These requirements reduced the solvency ratio by 4 percentage points. The Company had to start considering capital requirements for the segregated funds guarantee when the S&P/TSX index fell below 9,000 points. The Toronto Stock Exchange closed at 8,720 points on March 31, 2009. However, the Company is still not required to maintain provisions for future policy benefits for the segregated funds guarantee, according to industry standards of practice.

Capitalization – The Company's capital totalled \$2,390.4 million as at March 31, 2009, which is 5% (\$119.6 million) higher than December 31, 2008. This growth is primarily explained by the capital contribution resulting from the \$100 million subordinated debenture issue and the increase in retained earnings, which corresponds to the income for the quarter reduced by the dividends paid to common shareholders.

Book value – The book value per common share amounted to \$20.70 as at March 31, 2009, up 2% compared to December 31, 2008. This increase is essentially explained by the increase in retained earnings, which corresponds to the income for the quarter reduced by the dividends paid to common shareholders.

Financial leverage – The subordinated debenture issue in the first quarter increased the debt ratio, which nevertheless remains at a prudent level. Hence, the debt ratio amounted to 19.9% as at March 31, 2009 (17.0% as at December 31, 2008), if the debentures alone are included in the debt items, and 29.3% (26.8% as at December 31, 2008), if the preferred shares are added.

Quality of investments – Despite the prevailing economic environment, the quality of investments remained good in the first quarter. Following are a few highlights of the quarter:

- In terms of securities writedowns, the Company reduced the value of a bond that was weakened by the current economic environment by \$1.0 million before taxes (\$0.7 million after taxes or \$0.01 per common share).
- Net impaired investments decreased during the quarter, from \$8.8 million as at December 31, 2008 to \$8.4 million as at March 31, 2009. The proportion of net impaired investments represents just 0.06% of total investments, the same proportion as the end of 2008.
- The proportion of bonds rated BB and lower increased slightly during the quarter, from 0.23% as at December 31, 2008 to 0.26% as at March 31, 2009. This increase is primarily explained by the fact that the non-bank asset-backed commercial paper (ABCP), which was restructured in January into floating rate notes, is now part of the bond portfolio. All ABCP that is not rated by the rating agencies has been classified as BB and lower.
- The quality of the mortgage portfolio remained excellent, with no new loans defaulting in the first quarter. The mortgage loans delinquency rate remained stable at 0.26% of the portfolio between December 31, 2008 and March 31, 2009. Delinquent loans represent just \$9.1 million of a \$3.5 billion portfolio, including \$7.3 million for uninsured loans.

- The real estate occupancy rate remained high and stable during the quarter. The occupancy rate was 94.2% as at March 31, 2009 (94.0% as at December 31, 2008), and the market value of the real estate portfolio is still much higher than the book value.

Investment Quality Indices			
(In millions of dollars, unless otherwise indicated)	March 31, 2009	December 31, 2008	March 31, 2008
Net impaired investments	8.4	8.8	17.1
Net impaired investments as a % of total investments	0.06%	0.06%	0.12%
Bonds – Rated BB and lower	0.26%	0.23%	0.11%
Mortgage loans – Delinquency rate	0.26%	0.26%	0.33%
Real estate – Occupancy rate	94.2%	94.0%	96.2%

There were very few changes in the last quarter for securities that have been making the headlines. 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, CanWest and Abitibi Bowater, an \$11 million investment in asset-backed securities in the U.S., less than \$25 million invested in the securities of U.K. financial institutions, including just \$3 million in capital notes, and minimal exposure to securities that are currently receiving a great deal of media attention in the aviation, automobile, telecommunications and print sectors.

Following are three additional points concerning the quality of investments:

- Unrealized gross losses on fixed income securities classified as "available-for-sale" amounted to \$58.5 million as at March 31, 2009, down from \$65.3 million as at December 31, 2008.
- Unrealized net losses on fixed income securities classified as "available-for-sale" amounted to \$44.8 million as at March 31, 2009, down from \$52.3 million as at December 31, 2008.
- Unrealized losses on bonds whose market value has been 20% or more lower than the nominal value for six or more months amounted to \$44.7 million as at March 31, 2009, compared to \$12.7 million as at December 31, 2008. Most of these securities are classified as "held-for-trading."

In the current financial market environment, the Company continues to closely monitor its investment portfolio and remains on the lookout for any developments that could affect the quality of the portfolio in one way or another.

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 on Wednesday, May 6, 2009 at 11:30 a.m. (ET). To listen in on the conference call, dial 1 800 891-8794 (toll-free). A replay of the conference call will also be available for a one-week period, starting at 2:00 p.m. on Wednesday, May 6, 2009. To listen to the conference call replay, dial 1 800 558-5253 (toll-free) and enter access code 21417730. 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 three million Canadians, employs more than 3,400 people and manages and administers over \$49 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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