

NEWS RELEASE

Industrial Alliance Announces a 17% Increase in Net Income to Common Shareholders in the Third Quarter of 2009

Individual insurance sales jump 18%

Quebec City, November 4, 2009 – Industrial Alliance Insurance and Financial Services Inc. (“Industrial Alliance” or “the Company”) ended the third quarter of 2009 with net income to common shareholders of \$60.1 million, a 17% increase compared to the same period in 2008. This result translates into diluted earnings per common share of \$0.74 (\$0.63 in the third quarter of 2008) and a 13.7% return on equity to common shareholders on an annualized basis (11.5% in the third quarter of 2008). This return is in the upper end of the 12% to 14% range targeted by the Company for 2009.

Profitability for the quarter was stimulated by the stock market upswing, which improved the profit by \$6.5 million after taxes (\$0.08 per common share) compared to the expected result, and by a \$1.1 million gain after taxes (\$0.01 per common share) resulting from the favourable evolution of the difference between the market value of the debt instruments and that of the underlying assets. The profit was also affected by a \$1.2 million after-tax shortfall (\$0.01 per common share) resulting from lower sales in the Creditor Insurance sector. The Company did not post any credit losses during the quarter and did not have to strengthen its provisions for future policy benefits, thanks to prudent risk management.

“Our strict management during the crisis and the general improvement in market conditions are paying off,” declared Yvon Charest, President and Chief Executive Officer. “Profit was up sharply during the quarter. The return rose to the upper end of our target range. Assets reached a new high. Sales growth has resumed in the retail sectors and even jumped considerably in the Individual Insurance sector. The solvency ratio is above our target range. Financial strength was augmented by a \$100 million preferred share issue. The quality of investments remains very high. The leeway that we’ve developed in the last year to absorb significant potential market downturns remains very good. The dividend was maintained at the same level as the previous quarter. And we continued to build for the future, by signing an agreement to acquire Vancity’s socially responsible investing mutual fund business.”

Highlights						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2009	2008	Variation	2009	2008	Variation
Net income to common shareholders	60.1	51.2	17%	138.4	176.3	(21%)
Earnings per common share (diluted)	\$0.74	\$0.63	\$0.11	\$1.72	\$2.17	(\$0.45)
Return on common shareholders' equity	13.7%	11.5%	220 bps	--	--	--
Premiums and deposits	1,248.6	1,374.8	(9%)	3,684.4	4,321.8	(15%)
	Sept. 30, 2009	June 30, 2009		Dec. 31, 2008	Sept. 30, 2008	
Assets under management and under administration	56,737.6	53,958.1		49,472.2	50,626.3	
Solvency ratio	197%	202%		199%	200%	
Net impaired investments	15.3	14.2		8.8	9.2	
Net impaired investments as a % of total investments	0.10%	0.09%		0.06%	0.06%	

Highlights

Following are a few of the highlights of the third quarter.

Provisions for future policy benefits – The Company's past prudence in terms of evaluating the provisions for future policy benefits was rewarded once again this quarter, since the Company did not have to strengthen its provisions for future policy benefits in the third quarter. In addition, according to the indications available at this time, and if current market conditions prevail until the end of 2009, the Company believes that the in-depth review of the various valuation assumptions that it performs at the end of the year should not lead to a significant adjustment to the provisions for future policy benefits in the fourth quarter, and should therefore not have a material impact on year-end net profit.

Group insurance employee plan claims – The experience results for the Group Insurance Employee Plans sector were in line with expectations for the third quarter (no gain or loss), thanks to improved short and long-term disability insurance and dental insurance claims.

Dividend – 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. It corresponds to a payout ratio of 33% of earnings, which is in the upper end of the Company's 25% to 35% target range. The Company reiterates that its business plan provides for the quarterly dividend to common shareholders to be maintained at the current level for 2009.

Business growth – Sales jumped 18% in the Individual Insurance sector in the third quarter, compared to the same period last year, and the downward trend that has prevailed in the Individual Wealth Management sector since the financial crisis began has been reversed, with a 2% increase in sales in the third quarter. However, the recovery in the retail sectors has not yet reached the group sectors, primarily due to the weak job market and a lack of sales to large groups.

Premiums and deposits totalled \$1.2 billion in the third quarter, which is 9% lower than the same period last year. The decrease is solely attributed to the Group Pensions sector, since premiums and deposits are either stable or increasing in all other sectors. The decrease in the Group Pensions sector is due to the fact that the Company was not able to sign any large contracts during the quarter, contrary to last year, when the signing of a few large contracts allowed the sector to end the quarter with sales among the highest in its history.

Measured in terms of assets, the strong stock market upswing and positive net fund entries in all lines of business increased assets under management and under administration to a new high of \$56.7 billion as at September 30, 2009, up 5% for the quarter and 15% for the year-to-date. All asset components increased, particularly segregated funds and mutual funds.

Solvency – The Company ended the third quarter with a solvency ratio of 197% as at September 30, 2009, which is slightly below the ratio of 202% recorded as at June 30, 2009. However, if the \$100 million preferred share issue concluded on October 15, 2009 is included, the solvency ratio amounts to 207% on a pro forma basis, which is higher than the Company's 175% to 200% target range. There was downward pressure on the solvency ratio in the third quarter primarily due to the higher capital requirements related to the increase in market value of stocks and bonds (a consequence of the stock market upswing, the reduction in long-term interest rates and the purchase of new securities). The decrease in the solvency ratio was, however, mitigated by the contribution of the net income to the available capital, net of the normal increase in required capital related to business growth.

Quality of investments – The quality of investments remained very good in the third quarter, benefiting from the prevailing economic environment, which has improved in the last few months, even though it is still fragile. Following are a few highlights of the quarter.

- The Company did not record any credit losses during the quarter.
- Net impaired investments increased slightly during the quarter, from \$14.2 million as at June 30, 2009 to \$15.3 million as at September 30, 2009. The increase results from the posting as an impaired loan of a previously foreclosed property for which no provision was deemed necessary. The proportion of net impaired investments represented just 0.10% of total investments as at September 30, 2009 (0.09% as at June 30, 2009).
- The proportion of bonds rated BB or lower decreased from 0.15% as at June 30, 2009 to 0.12% as at September 30, 2009. This decrease is essentially attributable to the maturity of one bond, and the sale of another (under favourable conditions) rated BB or lower.
- The Company received a \$4.0 million repayment of non-bank sponsored asset-backed commercial paper ("ABCP") principal in the third quarter, which increased the total amount of repayments of principal to \$23.7 million since the ABCP was restructured (the restructuring took place on January 21, 2009). During the quarter, the Company wrote off its entire holdings in certain notes, which had already been totally devalued, and whose underlying assets, composed exclusively of ineligible assets, had a nominal value of \$0.6 million. These transactions reduced the nominal value of the ABCP held by the Company as at September 30, 2009 to \$78.9 million, and reduced the overall devaluation taken for the ABCP due to credit risk to \$29.0 million. Despite the recent improvement in market conditions, the Company believes that this devaluation is still justified. This devaluation is equal to 36.8% of the nominal value of the ABCP held as at September 30, 2009.

Sensitivity analysis – The Company took advantage of the publication of the third quarter results to update its sensitivity analyses. The results of these analyses vary from one quarter to another according to numerous factors, including changes in the economic and financial environment and the normal evolution of the Company's business. The results of the most recent analyses, which take into account the preferred shares issued on October 15, 2009, show that the leeway the Company has developed to absorb significant potential market downturns remains very good.

Hence, the provisions for future policy benefits will not have to be strengthened for the stocks matched to the long-term liabilities (including the segregated funds guarantee) as long as the S&P/TSX index remains above about 8,200 points (7,850 in the last update). The solvency ratio will remain above 175% as long as the S&P/TSX index remains above about 7,300 points (7,100 in the last update) and will remain above 150% as long as the index remains above 5,800 points (5,450 in the last update).

The results of all other sensitivity analyses concerning the impact of a decrease or increase in the stock markets or interest rates on the net profit, the ultimate reinvestment rate ("URR") or the initial reinvestment rate ("IRR") remain unchanged (for more details refer to the Management's Discussion and Analysis that follows this news release).

Acquisition of Vancity's socially responsible investing mutual funds – On October 1, 2009, Industrial Alliance announced that its IA Clarington Investments Inc. ("IA Clarington") mutual fund subsidiary had signed an agreement to acquire the socially responsible investing ("SRI") mutual fund business of Inhance Investment Management Inc. ("Inhance"), a subsidiary of Vancouver City Savings Credit Union ("Vancity"), one of the largest credit unions in Canada. Inhance is an investment fund manager recognized as an industry leader in the socially responsible investing arena. It has about \$75 million in assets under management. Under the agreement, Inhance's current team of portfolio managers will continue to manage IA Clarington's new SRI funds, which IA Clarington will be promoting in its network. The agreement also provides for the establishment of a long-term strategic relationship for the distribution of IA Clarington mutual funds through Vancity branches. The transaction is expected to close in mid-December 2009.

Issue of \$100 million in preferred shares – On October 15, 2009, Industrial Alliance announced the closing of an issue of \$100 million in Non-Cumulative Class A Preferred Shares Series E, offering an annual rate of return of 6.00%. These shares are not redeemable by the Company before December 31, 2014. The offering was underwritten, on a bought deal basis, by a syndicate of underwriters co-led by Scotia Capital Inc. and RBC Dominion Securities Inc. The issue increased the Company's solvency ratio by 10 percentage points, on a pro forma basis as at September 30, 2009, and reduced the debt ratio by 70 basis points if the debentures alone are included in the debt items, and increased it by 270 basis points, if the preferred shares are added. The issue will also reduce the Company's earnings per share by about \$0.03 for a full year.

The Company's results are explained in more detail in the Management's Discussion and Analysis that follows this news release.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER OF 2009

and for the nine-month period ended September 30, 2009

November 4, 2009

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ECONOMIC AND FINANCIAL ENVIRONMENT IN THE THIRD QUARTER OF 2009

The results of Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or "the Company") depend in part on the prevailing economic and financial environment. In this respect, after having gone through one of the worst financial crises in its history, the Canadian economy continued to show signs of recovery in the third quarter. The stock markets continued to grow (10% increase by the S&P/TSX index in the third quarter and 27% for the year to date), credit conditions continued to improve, even though the situation remains precarious in certain activity sectors, interest rates continued to drop and remain among the lowest in history, spreads have also narrowed, to return to more normal levels, and, despite the general improvement in economic conditions, consumers and businesses continue to behave very cautiously.

Industrial Alliance benefited considerably from the improved economic and financial environment in the third quarter, particularly due to the stock market upswing and improved credit conditions. This is also what allows the Company to present its strongest results since the financial crisis began.

Profit was up sharply during the quarter and is near the pre-crisis level. The return rose to the upper end of the Company's target range for 2009. Assets reached a new high. Sales growth has resumed in the retail sectors and even jumped considerably in the Individual Insurance sector. The solvency ratio is above the Company's target range. Financial strength was augmented by a \$100 million preferred share issue. The quality of investments remains very high. The book value per common share continues to grow. The leeway that the Company developed in the last year to absorb significant potential market downturns remains very good. The dividend was maintained at the same level as the previous quarter. And the Company continued to build for the future, by signing an agreement to acquire Vancity's socially responsible investing mutual fund business.

PROFITABILITY

Industrial Alliance ended the third quarter of 2009 with net income to common shareholders of \$60.1 million, a 17% increase compared to the same period in 2008. This result translates into diluted earnings per common share of \$0.74 (\$0.63 in the third quarter of 2008) and a 13.7% return on equity to common shareholders on an annualized basis (11.5% in the third quarter of 2008). This return is in the upper end of the Company's 12% to 14% target range for 2009.

Profitability						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2009	2008	Variation	2009	2008	Variation
Net income to common shareholders	60.1	51.2	17%	138.4	176.3	(21%)
Less: gain (loss) resulting from the variation in the fair value of debt instruments and underlying assets (after taxes)	1.1	0.3	--	(10.7)	(0.2)	--
Net income to common shareholders on regular operations	59.0	50.9	16%	149.1	176.5	(16%)
Earnings per common share (diluted)	\$0.74	\$0.63	\$0.11	\$1.72	\$2.17	(\$0.45)
Earnings per common share on regular operations (diluted)	\$0.73	\$0.63	\$0.10	\$1.85	\$2.18	(\$0.33)
	Third quarter annualized			Trailing twelve months		
Return on common shareholders' equity	13.7%	11.5%	220 bps	1.6%	13.9%	--
Return on common shareholders' equity on regular operations	13.5%	11.4%	210 bps	1.8%	14.1%	--

Profitability for the quarter was stimulated by the stock market upswing, which improved the profit by \$6.5 million after taxes (\$0.08 per common share) compared to the expected result, but was somewhat affected by the economic slowdown, which resulted in a \$1.2 million shortfall after taxes (\$0.01 per common share), primarily due to lower sales in the Creditor Insurance sector. Despite the fragility of several economic sectors, the Company did not post any credit losses during the quarter, which demonstrates the very good quality of the investment portfolio.

Impact of the Economic and Financial Environment on the Net Income to Common Shareholders for the Third Quarter, by Component			
(In millions of dollars, unless otherwise indicated)	Before taxes	After taxes	Per common share
Increase in stock markets			
Higher than expected management fees on investment funds	5.7	4.1	\$0.05
Discounted future revenues on Universal Life policy funds	2.7	2.0	\$0.02
Income on capital	0.5	0.4	\$0.01
Subtotal	8.9	6.5	\$0.08
Economic slowdown	(1.6)	(1.2)	(\$0.01)
Credit conditions	--	--	--
Total	7.3	5.3	\$0.07

Following are a few additional highlights about the Company's profitability.

- In addition to the gains resulting from the stock market upswing, the Individual Insurance sector had good experience results in the third quarter, particularly in terms of lapses.
- The experience results for the Group Insurance Employee Plans sector were in line with expectations for the third quarter (no gain or loss), thanks to improved short and long-term disability insurance and dental insurance claims.
- The profitability of the Individual Wealth Management sector continued to grow, at the same time as the stock market upswing. Profitability in this sector is closely tied to the performance of the stock markets.
- The Company recorded a \$1.1 million gain after taxes (\$0.01 per common share) in the third quarter resulting from the favourable evolution of the difference between the market value of the debt instruments and that of the underlying assets (\$0.3 million gain in the third quarter of 2008). This gain results from the reduction in risk premiums during the quarter, which increased the value of the assets matched to the debt instruments by a little more than the value of these same instruments. This gain is, by definition, temporary and does not affect the Company's earning power. Refer to the "Other item" paragraph in the "Sources of Earnings" section below for more information about the impact of this factor.
- The Company's past prudence in terms of evaluating the provisions for future policy benefits was rewarded once again this quarter, since the Company did not have to strengthen its provisions for future policy benefits in the third quarter. In addition, according to the indications available at this time, and if current market conditions prevail until the end of 2009, the Company believes that the in-depth review of the various valuation assumptions that it performs at the end of the year should not lead to a significant adjustment to the provisions for future policy benefits in the fourth quarter, and should therefore not have a material impact on year-end net profit.

SOURCES OF EARNINGS

Following is an analysis of the Company's profitability for the third quarter of 2009 according to the sources of earnings.

Expected profit on in-force – The expected profit on in-force amounted to \$83.1 million for the third quarter of 2009, a 17% decrease compared to the third quarter of 2008. The decrease mainly affected the savings and investment product sectors, such as Individual Wealth Management and Group Pensions. It is primarily explained by the stock market downturn in the last year (even though the S&P/TSX index has grown 27% since the beginning of 2009, it is 25% lower than the high reached on June 6, 2008). The market downturn reduced the management fee income from segregated

funds, mutual funds, Universal Life policy funds and group pension plan accumulation funds. The decrease in the expected profit on in-force is in line with the guidance that the Company gave to the financial markets when it published its fourth quarter 2008 results.

Experience gains (losses) – The Company recorded \$6.9 million in experience gains in the third quarter of 2009, compared to \$15.3 million in experience losses in the third quarter of last year. This is the first quarter where the Company has posted experience gains since the financial crisis began. The experience gains are primarily explained by the stock market upswing during the quarter, which increased the fees collected on investment funds and the discounted future revenues on Universal Life policy funds, and by good experience results in the Individual Insurance sector, particularly in terms of lapses.

The gains obtained in the Individual Wealth Management sector from the stock market upswing were reduced by unfavourable mortality results and a higher than expected persistency rate on investment funds (which is favourable in the long term, but reduces the income from surrender fees in the short term compared to expectations).

Experience results for the Group Insurance Employee Plans sector were in line with expectations for the third quarter (no gain or loss), thanks to improved short and long-term disability insurance and dental insurance claims. Claims for these benefits in this sector had increased considerably in the last few quarters.

Gain (strain) on sales – New business strain was \$27.5 million in the third quarter, which is 18% higher than the same period last year. The strain comes almost entirely from the Individual Insurance sector and is primarily explained by the increase in sales in this sector in the third quarter (18% higher than the same period in 2008).

If the Individual Insurance sector alone is taken into account, strain, expressed as a percentage of sales (measured in terms of first-year annualized premiums), amounted to 62%, which is comparable to the rate for the third quarter of 2008 (61%), but lower than the second quarter of 2009 (67%). This rate is closer to, but surpasses the Company's 50% to 55% mid-term target range. The difference primarily results from the fact that the savings component of Universal Life policies has dropped sharply since the beginning of the financial crisis (despite an increase this quarter). The Company believes that the strain as a percentage of sales should return to the target range on its own, as the stock markets improve and consumers resume using their Universal Life policy to its full potential.

Income on capital – Income on capital amounted to \$21.5 million in the third quarter of 2009, which is slightly more than double the amount for the same period last year (\$10.7 million). Income on capital benefited from the stock market upswing (\$0.5 million), gains resulting from the sale of financial securities matched to equity (\$2.8 million) and the good profitability of the auto and home insurance subsidiary (earnings before taxes of \$4.6 million in the third quarter of 2009, compared to \$3.1 million in the third quarter of 2008). Interest on the debt instruments issued in August 2008 and in March 2009 reduced the income on capital by \$3.2 million in the third quarter of 2009. Last year's income on capital was affected by credit losses (\$10.1 million) and by the stock market downturn (\$3.1 million).

Income taxes – Income taxes totalled \$22.0 million for the third quarter of 2009, which is \$2.1 million higher than the third quarter of 2008. This increase results from an increase in profit for the period. The effective tax rate amounted to 26.2% in the third quarter of 2009 (27.6% for the corresponding quarter of 2008), which is in line with the Company's expectations of approximately 26% to 27% in the medium term.

Other item – The income for the quarter was stimulated by an unusual, temporary gain of \$1.1 million after taxes (\$0.01 per common share) resulting from the favourable evolution of the difference between the market value of the debt instruments and that of the underlying assets (\$0.3 million gain in the third quarter of 2008). This gain results from the reduction in risk premiums during the quarter, which increased the value of the assets matched to the debt instruments by a little more than the value of these same instruments. Debt instruments were classified as "held for trading" when the new accounting standards on financial instruments took effect on January 1, 2007. Hence, any difference between the market value of the debt instruments and the corresponding assets must be recognized

immediately on the income statement. The gaps thus created will be reversed as the debt instruments approach maturity, which is in the next five years. As at September 30, 2009, the Company had recorded accumulated losses worth \$5.9 million after taxes.

Sources of Earnings				
(In millions of dollars)	Third quarter		Year-to-date as at September 30	
	2009	2008	2009	2008
Operating profit				
Expected profit on in-force	83.1	100.2	236.7	291.3
Experience gains (losses)	6.9	(15.3)	(5.7)	(28.5)
Gain (strain) on sales	(27.5)	(23.4)	(73.2)	(65.6)
Changes in assumptions	--	--	--	--
Subtotal	62.5	61.5	157.8	197.2
Income on capital				
Investment income	18.7	13.6	53.0	44.9
Gains (losses) on assets available for sale	2.8	(2.9)	5.3	2.7
Subtotal	21.5	10.7	58.3	47.6
Income taxes	(22.0)	(19.9)	(57.4)	(64.0)
Net income to shareholders on regular operations	62.0	52.3	158.7	180.8
Less: dividends on preferred shares	3.0	1.4	9.6	4.3
Net income to common shareholders on regular operations	59.0	50.9	149.1	176.5
Plus: gain (loss) resulting from the variation in the fair value of debt instruments and underlying assets (after taxes)	1.1	0.3	(10.7)	(0.2)
Net income to common shareholders	60.1	51.2	138.4	176.3

SENSITIVITY ANALYSIS

The Company took advantage of the publication of its third quarter results to update its sensitivity analyses. The results of these analyses vary from one quarter to another according to numerous factors, including changes in the economic and financial environment and the normal evolution of the Company's business. The results of the most recent analyses, which take into account the preferred share issue concluded on October 15, 2009, show that the leeway that the Company has developed to absorb significant potential market downturns remains very good.

- *Stocks matched to the long-term liabilities and segregated funds guarantee* – The Company does not expect to 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 index remains above about 8,200 points (7,850 points in the last update). Hence, the Company did not have to increase the provisions for future policy benefits for stocks matched to long-term liabilities in the third quarter and does not have to maintain provisions for the segregated funds guarantee, according to industry standards of practice.
- *Impact of the variation in the stock markets on net profit* – The Company estimates that if, on average, the stock markets were to remain at a level 10% lower (or higher) than its expectations for a full year (the Company generally expects the S&P/TSX to grow about 7.5% annually), the net income to common shareholders would be about \$17 million lower (or higher) than expected (no change since the last update). This amount represents the impact of a stock market variation for a full year. By quarter, however, the decrease (or increase) in profit is not necessarily proportional. Among other things, it depends on the average level of the stock market index during the period and its closing level at the end of the period.
- *Impact of a stock market downturn on the solvency ratio* – The Company expects that the solvency ratio would be 175% if the S&P/TSX index dropped to about 7,300 points (7,100 points in the last update), and 150% if it dropped to about 5,800 points (5,450 points in the last update).
- *Ultimate reinvestment rate ("URR")* – The Company believes that a 10 basis point decrease (or increase) in the ultimate reinvestment rate would require the provisions for future policy benefits to be strengthened (or would allow for provisions for future policy benefits to be released) by some \$35 million after taxes (no change compared to the

last update). As at December 31, 2008, to calculate its provisions for future policy benefits, the Company was using a lower ultimate reinvestment rate than the maximum rate expected at the end of 2009. If the rate of long-term federal government bonds remains at the current level (3.96% at the end of October 2009) until the end of the year, the maximum ultimate reinvestment rate would be 4.10% at the end of 2009.

- *Initial reinvestment rate ("IRR")* – The Company believes that a 10 basis point decrease (or increase) in the initial reinvestment rate would require the provisions for future policy benefits to be strengthened (or would allow for provisions for future policy benefits to be released) by some \$24 million after taxes (no change compared to the last update). To calculate its provisions for future policy benefits, the Company uses an initial reinvestment rate that takes into account existing rates of return on the valuation date, taking into account the target composition of the asset portfolio.

BUSINESS GROWTH

Following are the business growth highlights for the third quarter.

Premiums and Deposits

Despite the market upswing and good sales results for the retail sectors, premiums and deposits totalled \$1.2 billion in the third quarter, which is 9% lower than the same period last year. The decrease is solely attributed to the Group Pensions sector, since premiums and deposits are either stable or increasing in all other sectors. The decrease in the Group Pensions sector is due to the fact that the Company was not able to sign any large contracts during the quarter, contrary to last year, when the signing of a few large contracts allowed the sector to end the quarter with sales among the highest in its history.

Premiums and Deposits						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2009	2008	Variation	2009	2008	Variation
Individual Insurance	238.6	235.6	1%	697.0	687.0	1%
Individual Wealth Management	531.0	518.8	2%	1,593.8	1,971.5	(19%)
Group Insurance	247.9	247.8	0%	718.3	711.1	1%
Group Pensions	194.9	339.8	(43%)	572.4	857.1	(33%)
General insurance	36.2	32.8	10%	102.9	95.1	8%
Total	1,248.6	1,374.8	(9%)	3,684.4	4,321.8	(15%)

Sales by Line of Business

Generally speaking, third quarter sales were up for the retail sectors, and even jumped considerably in the Individual Insurance sector, whereas sales for the group sectors continue to be affected by the economic slowdown and a lack of sales to large groups.

Sales are defined as fund entries on new business written during the period (sales exclude fund entries from in-force contracts). Refer to note 1 at the end of this report for the definition of sales for each line of business.

Individual Insurance – One of the greatest successes of the quarter is the fact that sales in the Individual Insurance sector jumped in the third quarter, amounting to \$40.7 million, an 18% increase over the same period the previous year. Sales are up in all regions, in all distribution networks, for all product categories and in all market segments, both in the family market ("minimum premiums" were up 12%) and the high net-worth market ("excess premiums" grew 50%). The level of activity among agents also remained steady during the quarter, with the number of policies sold up 7%. Growth during the quarter was sufficient to reverse the trend of the first two quarters, such that sales are up 1% for the year-to-date compared to the same period last year.

Individual Wealth Management – Sales growth also resumed in the Individual Wealth Management sector, thanks to the stock market upswing. Sales totalled \$531.0 million in the third quarter, a 2% increase over the same period in 2008. Sales are up for guaranteed return products (+19%), as has been the case since the financial crisis began, and for segregated funds (+5%), but are down for mutual funds (-5%).

Net segregated fund and mutual fund sales continue to be positive, and are even up, totalling \$159.7 million in the third quarter, a 23% increase over the same period last year. This good performance has allowed the Company to gain market share. For the third quarter, the Company ranked 4th in terms of net segregated fund sales, with an 11.9% market share (4th after six months, with a 6.9% market share). For mutual funds, the Company also continues to gain market share, ending the first nine months of the year ranked 7th in terms of net sales, compared to 17th in terms of assets.

Group Insurance: Employee Plans – The Group Insurance Employee Plans sector continues to be affected by the general weakness of the job market, such that sales totalled \$12.5 million in the third quarter, a 49% decrease compared to the same period last year. The sector remained very disciplined in terms of pricing during the quarter and focused on client service and claims management, which translated into a significant increase in profitability.

Group Creditor Insurance – The decline in car sales continued to affect growth in the Group Creditor Insurance sector, whose sales dropped 22% in the third quarter compared to the same period last year, totalling \$46.1 million. The year-to-date decrease is 23%. The performance since the beginning of the year is explained by the sharp drop in light vehicle sales in Canada (14% decline for the first nine months of the year) and a lack of financing. 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 continues to hold its own in the current economic environment, with \$28.5 million in sales in the third quarter, a 1% increase over the same period last year. This sector specializes in certain insurance markets that are not well served by traditional insurance carriers.

Group Pensions – The Group Pensions sector had a satisfactory third quarter compared to expectations, even though sales are down compared to last year. Sales totalled \$194.9 million in the third quarter, a 43% decrease compared to the same period in 2008. This is due to its success last year, when a few large savings plan contracts (accumulation products) were signed in the third quarter. In terms of insured annuities (disbursement products), the Company continues to emphasize the attainment of profit margins over business growth. Sales in the Group Pensions sector can fluctuate considerably from one quarter to another, due to the size of the mandates granted.

Sales¹						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2009	2008	Variation	2009	2008	Variation
Individual Insurance						
Minimum premiums	32.6	29.1	12%	89.0	83.3	7%
Excess premiums	8.1	5.4	50%	17.1	21.4	(20%)
Total	40.7	34.5	18%	106.1	104.7	1%
Individual Wealth Management						
General fund	88.9	74.7	19%	312.3	258.2	21%
Segregated funds	193.2	183.3	5%	558.1	666.5	(16%)
Mutual funds	248.9	260.8	(5%)	723.4	1,046.8	(31%)
Total	531.0	518.8	2%	1,593.8	1,971.5	(19%)
Group Insurance						
Employee Plans	12.5	24.3	(49%)	58.0	70.8	(18%)
Creditor insurance	46.1	58.9	(22%)	117.8	152.6	(23%)
Special Markets Group (SMG)	28.5	28.3	1%	82.0	81.1	1%
Group Pensions	194.9	339.8	(43%)	572.4	857.1	(33%)

Assets under management and under administration – The strong stock market upswing and positive net fund entries in all lines of business increased assets under management and under administration to a new high of \$56.7 billion as at September 30, 2009, up 5% for the quarter and 15% for the year-to-date. All asset components increased, particularly segregated funds and mutual funds.

Assets Under Management and Under Administration				
(In millions of dollars)	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
Assets under management				
General fund	16,920.4	16,222.5	15,415.2	15,269.5
Segregated funds	10,970.4	10,091.3	8,924.2	9,830.0
Mutual funds	6,224.5	5,756.4	5,277.7	6,200.2
Other	659.0	640.7	596.7	598.4
Subtotal	34,774.3	32,710.9	30,213.8	31,898.1
Assets under administration	21,963.3	21,247.2	19,258.4	18,728.2
Total	56,737.6	53,958.1	49,472.2	50,626.3

Value of new business – The value of new business decreased by 5% (or \$1.4 million) in the third quarter compared to the same period last year, amounting to \$28.7 million (\$0.36 per common share). The value of new business evolves according to three components: the level of sales, profit margins and changes in the discount rate. Hence, as the table below shows, despite the recovery of sales in the retail sectors, the “sales” component reduced the value of new business by \$1.2 million in the third quarter, due to lower sales in the group sectors. The product mix was also generally unfavourable in the third quarter, which reduced the value of new business by \$1.9 million for the “profit margin” component. These decreases were partially offset, however, by a reduction in the discount rate (resulting from the drop in interest rates), which increased the value of new business by \$1.7 million.

Value of New Business by Component		
(In millions of dollars)	Third quarter	Year-to-date as at September 30
Value of new business in 2008	30.1	95.5
Sales	(1.2)	(16.5)
Profit margins	(1.9)	1.0
Discount rate (decrease)	1.7	5.2
Value of new business in 2009	28.7	85.2

FINANCIAL STRENGTH

Following are the financial strength highlights for the third quarter.

Solvency

The Company ended the third quarter with a solvency ratio of 197% as at September 30, 2009, which is slightly below the ratio of 202% recorded as at June 30, 2009. However, if the \$100 million preferred share issue concluded on October 15, 2009 is included, the solvency ratio amounts to 207% on a pro forma basis, which is higher than the Company's 175% to 200% target range.

There was downward pressure on the solvency ratio in the third quarter, primarily due to the higher capital requirements related to the increase in the market value of stocks (a result of the stock market upswing and the purchase of new securities) and the increase in the market value of bonds (a result of the reduction in long-term interest rates and the purchase of new securities). The decrease in the solvency ratio was, however, mitigated by the contribution of the net income to the available capital, net of the normal increase in required capital related to business growth.

Solvency					
(In millions of dollars, unless otherwise indicated)	September 30, 2009	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
	(Pro forma)				
Available capital					
Tier 1	1,944.6	1,842.6	1,793.6	1,726.0	1,758.4
Tier 2	309.5	309.5	306.0	195.4	201.9
Total	2,254.1	2,152.1	2,099.6	1,921.4	1,960.3
Required capital	1,090.4	1,090.0	1,041.2	967.1	981.0
Solvency ratio	207%	197%	202%	199%	200%

Capitalization

The Company's capital totalled \$2,568.1 million as at September 30, 2009, which is 3% (\$82.0 million) higher than June 30, 2009. This growth is primarily explained by: 1) the increase in retained earnings (resulting from the income for the quarter reduced by the dividends paid to common shareholders); 2) the latent gains accumulated under other comprehensive income (attributable to narrower spreads and the stock market upswing); and 3) the appreciation in the market value of the debentures (a result of narrower spreads).

Capitalization					
(In millions of dollars)	September 30, 2009	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
	(Pro forma)				
Equity					
Common shares	541.5	541.5	541.2	541.0	540.9
Preferred shares	325.0	225.0	225.0	223.7	125.0
Retained earnings	1,207.3	1,207.3	1,166.8	1,127.7	1,260.1
Contributed surplus	21.6	21.6	21.0	19.8	18.9
Accumulated other comprehensive income	20.5	20.5	(10.0)	(54.3)	(32.5)
Subtotal	2,115.9	2,015.9	1,944.0	1,857.9	1,912.4
Debentures	524.3	524.3	514.0	385.9	403.1
Participating policyholders' account	27.9	27.9	28.1	27.0	27.1
Total	2,668.1	2,568.1	2,486.1	2,270.8	2,342.6

Financial Leverage

The market value of the Company's debentures increased in the third quarter, but in a lower proportion than its capital, causing a slight decrease in the debt ratio, to 20.4% as at September 30, 2009 if the debentures alone are included in the debt items, and 29.2% if the preferred shares are added. These two ratios were at 20.7% and 29.7% respectively as at June 30, 2009.

If the \$100 million in preferred shares issued in October are included, the pro forma debt ratio as at September 30, 2009 amounted to 19.7% if the debentures alone are included in the debt items, and 31.9% if the preferred shares are added.

Debt Ratio					
	September 30, 2009	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
	(Pro forma)				
Debentures/capital	19.7%	20.4%	20.7%	17.0%	17.2%
Debentures and preferred shares/capital	31.9%	29.2%	29.7%	26.8%	22.5%

Book Value per Common Share and Market Capitalization

The book value per common share increased for a third consecutive quarter, amounting to \$22.30 as at September 30, 2009, an increase of 4% compared to June 30, 2009 and 10% since the end of 2008. The Company's good profitability during the quarter and the latent gains accumulated under other comprehensive income, attributable to narrower interest rate spreads and the stock market upswing, are among the factors that contributed to this increase.

The Company's market capitalization amounted to \$2,355.0 million as at September 30, 2009, a 14% increase compared to June 30, 2009. This increase is similar to the one recorded by the Company's stock price, which also grew 14% in the third quarter (from \$25.75 as at June 30, 2009 to \$29.31 as at September 30, 2009).

The Company had 80,346,771 issued and outstanding common shares as at September 30, 2009, compared to 80,338,771 as at June 30, 2009. The increase during the quarter comes from the issuance of 8,000 common shares following the exercise of options under the Company's stock option plan.

Book Value per Common Share and Market Capitalization				
(In millions of dollars, unless otherwise indicated)	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
Book value per common share	\$22.30	\$21.41	\$20.35	\$22.25
Market capitalization	2,355.0	2,068.7	1,872.5	2,715.1

Composition of Investments

The Company's investment portfolio is composed of various assets, the main ones being bonds, mortgage loans, stocks and real estate. There was no significant change to the distribution of investments by asset category in the third quarter. However, the total value of investments increased by \$660.8 million, from \$15,151.7 million as at June 30, 2009 to \$15,812.5 million as at September 30, 2009, a 4% increase. This increase comes primarily from the appreciation of the stock portfolio, which benefited from the growth of the stock markets, and the growth of the bond portfolio, a result of narrower interest rate spreads during the quarter.

Investments				
(In millions of dollars, unless otherwise indicated)	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
Book value of investments	15,812.5	15,151.7	14,396.3	14,233.0
Distribution of investments by asset category				
Bonds	57.1%	55.7%	55.2%	53.2%
Mortgage loans	21.6%	22.8%	24.3%	23.9%
Stocks	11.3%	10.6%	9.3%	11.2%
Real estate	4.1%	4.2%	4.4%	3.7%
Other	5.9%	6.7%	6.8%	8.0%
Total	100.0%	100.0%	100.0%	100.0%

Quality of Investments

The quality of investments remained very good in the third quarter, benefiting from the prevailing economic environment, which has improved in the last few months, even though it is still fragile. Following are a few highlights of the quarter:

- The Company did not record any credit losses during the quarter.
- Net impaired investments increased slightly during the quarter, from \$14.2 million as at June 30, 2009 to \$15.3 million as at September 30, 2009. The increase results from the posting as an impaired loan of a previously foreclosed property for which no provision was deemed necessary. The proportion of net impaired investments represents just 0.10% of total investments as at September 30, 2009 (0.09% as at June 30, 2009).

- The proportion of bonds rated BB or lower decreased from 0.15% as at June 30, 2009 to 0.12% as at September 30, 2009. This decrease is essentially attributable to the maturity of one bond, and the sale of another (under favourable conditions) rated BB or lower.
- The Company received a \$4.0 million repayment of non-bank sponsored asset-backed commercial paper ("ABCP") principal in the third quarter, which increased the total amount of repayments of principal to \$23.7 million since the ABCP was restructured (the restructuring took place on January 21, 2009). During the quarter, the Company wrote off its entire holdings in certain notes, which had already been totally devalued, and whose underlying assets, composed exclusively of ineligible assets, had a nominal value of \$0.6 million. These transactions reduced the nominal value of the ABCP held by the Company as at September 30, 2009 to \$78.9 million, and reduced the overall devaluation taken for the ABCP due to credit risk to \$29.0 million. Despite the recent improvement in market conditions, the Company believes that this devaluation is still justified. This devaluation is equal to 36.8% of the nominal value of the ABCP held as at September 30, 2009 (refer to note 6 of the Company's interim consolidated financial statements for more information about ABCP and the valuation model used by the Company).

Even though the Company believes its ABCP valuation model to be appropriate, it is important to note that there is still a great deal of uncertainty as to the market value of ABCP. It is therefore possible that the definitive fair value of these investments will differ, maybe even considerably, from the current estimate. Depending on the size of the variation, it could have an impact on the Company's financial results.

- In terms of mortgage loans, the delinquency rate of the portfolio increased slightly, from 0.30% as at June 30, 2009 to 0.34% as at September 30, 2009. Delinquent loans represent just \$11.5 million of a \$3.4 billion portfolio.
- The real estate occupancy rate remained stable during the quarter (94.2% as at June 30, 2009 and 94.3% as at September 30, 2009) and the market value of the real estate portfolio is still much higher than the book value (the market to book value ratio was 126.9% as at September 30, 2009, compared to 127.8% as at June 30, 2009).
- Finally, there was little change 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 U.S. automobile manufacturers, no investments in monolines, and a \$25 million investment in the securities of U.K. financial institutions, including just \$3 million in capital notes. Also, other than a \$15.6 million investment in a bond guaranteed by a property leased almost entirely to Air Canada, the Company only has minimal exposure to securities that are currently receiving a great deal of media attention in the aviation, telecommunications and print sectors.

Quality of Investments				
(In millions of dollars, unless otherwise indicated)	September 30, 2009	June 30, 2009	December 31, 2008	September 30, 2008
Net impaired investments	15.3	14.2	8.8	9.2
Net impaired investments as a % of total investments	0.10%	0.09%	0.06%	0.06%
Bonds – Proportion rated BB and lower	0.12%	0.15%	0.23%	0.05%
Mortgage loans – Delinquency rate	0.34%	0.30%	0.26%	0.31%
Real estate – Occupancy rate	94.3%	94.2%	94.0%	94.0%

Finally, still with respect to the quality of investments, the following two items continue to interest the financial markets:

- Unrealized losses on corporate fixed income securities classified as "available for sale" amounted to \$9.6 million as at September 30, 2009, which represents 0.5% of equity, compared to \$33.8 million as at June 30, 2009.
- The nominal value of bonds whose market value has been 20% or more lower than the nominal value for six or more months amounted to \$54.4 million as at September 30, 2009, which represents 2.7% of equity. This figure has increased continually since the beginning of the financial crisis, amounting to \$111.5 million as at June 30, 2009. However, the unrealized losses on these bonds (measured according to the difference between the market value

and the nominal value), decreased again in the third quarter of 2009, from \$36.8 million as at June 30, 2009 to \$17.3 million as at September 30, 2009. 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.

CREDIT RATINGS

On September 30, 2009, Standard & Poor's confirmed all of the credit ratings and the outlook that it assigns to Industrial Alliance. Also, the three agencies that rate Industrial Alliance assigned the new preferred shares recently issued by the Company (\$100 million issue concluded on October 15, 2009) the same ratings that they had assigned to the preferred shares previously issued by the Company (these ratings appear in the table below). Other than the preceding, there are no other developments to report about the credit ratings assigned to Industrial Alliance.

Industrial Alliance Credit Ratings as at November 4, 2009			
Agency	Type of Evaluation	Rating	Outlook
Standard & Poor's	Financial Strength	A+ (Strong)	Negative
	Subordinated Debentures	A	--
	Industrial Alliance Trust Securities (IATS) (global scale)	A-	--
	Preferred Shares (global scale)	A-	--
A.M. Best	Financial Strength	A (Excellent)	Stable
	Issuer Credit Rating	a+	Stable
	Subordinated Debentures	a-	--
	Industrial Alliance Trust Securities (IATS)	bbb+	--
	Preferred Shares	bbb+	--
DBRS	Claims Paying Ability	IC-2	Stable
	Subordinated Debentures	A	Stable
	Industrial Alliance Trust Securities (IATS)	A (low)yn	Stable
	Preferred Shares	Pfd-2 (high)n	Stable

IA CLARINGTON SIGNS AN AGREEMENT TO ACQUIRE VANCITY'S SOCIALLY RESPONSIBLE INVESTING MUTUAL FUNDS

On October 1, 2009, IA Clarington Investments Inc. (“IA Clarington”), a wholly owned subsidiary of Industrial Alliance, and Vancouver City Savings Credit Union (“Vancity”) announced that they have entered into a definitive agreement whereby IA Clarington will purchase the socially responsible investing (“SRI”) mutual fund business of Inhance Investment Management Inc. (“Inhance”), a wholly owned subsidiary of Vancity, and enter into a long-term strategic relationship for the distribution of IA Clarington mutual funds through Vancity branches.

Founded in 2001, Inhance is a Vancouver mutual fund company which has become a recognized industry leader in the SRI arena in Canada. It has about \$75 million in assets under management. Vancity is one of Canada's largest credit unions, with \$14.5 billion in assets, more than 400,000 members, and 60 retail branches in British Columbia.

Inhance's SRI fund family will be merged with six new SRI funds that will be launched by IA Clarington, and with two existing IA Clarington funds. The acquired SRI funds will continue to be managed by Inhance's current management team, which will act as sub-advisor of the new IA Clarington SRI funds. IA Clarington will actively promote the SRI funds in its network. Under the agreement, IA Clarington will become the exclusive provider of SRI funds in Vancity branches and will be able to distribute all of its other mutual funds through these branches as well.

This agreement has numerous advantages for Industrial Alliance. It gives the Company access to the socially responsible investing market, which is becoming increasingly popular; it allows the Company to enter this market with a renowned line of funds and seasoned managers; and it gives the Company access to a new distribution network in Western Canada, composed of experienced advisors.

The transaction is subject to approval by Vancity unitholders, regulatory bodies as well as other approvals. It is expected to close in mid-December 2009.

INDUSTRIAL ALLIANCE ISSUES \$100 MILLION IN PREFERRED SHARES

On October 15, 2009, Industrial Alliance announced the closing of the issue of four million Non-Cumulative Class A Preferred Shares Series E ("Series E Preferred Shares") at a price of \$25.00 per Series E Preferred Share, for aggregate gross proceeds of \$100 million.

The Series E Preferred Shares yield 6.00% per annum, payable quarterly, as and when declared by the board of directors of the Company. The Series E Preferred Shares are trading on the Toronto Stock Exchange under the symbol IAG.PR.E. The net proceeds of the offering are being used for general corporate purposes.

The Series E Preferred Shares are not redeemable by the Company prior to December 31, 2014. Subject to regulatory approval, on or after December 31, 2014, Industrial Alliance may, on no less than 30 and no more than 60 days' notice, redeem the Series E Preferred Shares in whole or in part, at the Company's option, by paying the amount of \$26.00 per Series E Preferred Share if redeemed prior to December 31, 2015, \$25.75 per Series E Preferred Share if redeemed on or after December 31, 2015 but prior to December 31, 2016, \$25.50 per Series E Preferred Share if redeemed on or after December 31, 2016 but prior to December 31, 2017, \$25.25 per Series E Preferred Share if redeemed on or after December 31, 2017 but prior to December 31, 2018 and \$25.00 per Series E Preferred Share if redeemed on or after December 31, 2018, in each case together with all declared and unpaid dividends up to but excluding the date fixed for redemption.

The offering was underwritten, on a bought deal basis, by a syndicate of underwriters co-led by Scotia Capital Inc. and RBC Dominion Securities Inc. This offering was made under the terms of a prospectus supplement dated October 7, 2009 to the short form base shelf prospectus dated April 30, 2009. The prospectus supplement is available on the SEDAR website at www.sedar.com and on the Company's website at www.inalco.com.

From a financial standpoint, the Series E Preferred Share issue increased the Company's solvency ratio by 10 percentage points, on a pro forma basis as at September 30, 2009, and reduced the debt ratio by 70 basis points, if the debentures alone are included in the debt items, and increased it by 270 basis points, if the preferred shares are added (refer to the "Solvency" and "Financial Leverage" sections above, under "Financial Strength" for more information about the impact of the preferred shares on the solvency ratio and debt ratio). Finally, the net financing cost of this issue will reduce the Company's earnings per share by about \$0.03 for a full year.

DECLARATION OF DIVIDEND

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. It corresponds to a payout ratio of 33% of earnings, which is in the upper end of the Company's 25% to 35% target range. The Company reiterates that its business plan provides for the quarterly dividend to common shareholders to be maintained at the current level for 2009.

Following are the amounts and dates of payment and closing of registers for the Company's common shares and the various categories of its preferred shares.

The board of directors has declared the payment of a quarterly dividend of \$0.2450 per common share. The dividend is payable in cash on December 15, 2009, to the common shareholders of record as at November 20, 2009.

The board of directors has declared the payment of a quarterly dividend of \$0.2875 per non-cumulative class A preferred share series B. The dividend is payable in cash on December 31, 2009, to the preferred shareholders of record as at November 30, 2009.

The board of directors has declared the payment of a quarterly dividend of \$0.3875 per non-cumulative class A preferred share series C. The dividend is payable in cash on December 31, 2009, to the preferred shareholders of record as at November 30, 2009.

The board of directors has declared the payment of a quarterly dividend of \$0.3139 per non-cumulative class A preferred share series E. The dividend is payable in cash on December 31, 2009, to the preferred shareholders of record as at November 30, 2009.

For the purposes of the enhanced dividend tax credit rules contained in the Income Tax Act (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid by Industrial Alliance on its common and preferred shares since January 1, 2006 are considered to be eligible dividends. Unless otherwise indicated, all dividends paid by the Company are now eligible dividends for the purposes of such rules.

ADDITIONAL COMMENTS ON THE FINANCIAL RESULTS

Following is the presentation of the Company's third quarter 2009 financial results according to the financial statements.

Revenues

Revenues are composed of three items in the financial statements: premiums (which include the amounts invested by insureds in the Company's segregated funds, but exclude those invested by clients in mutual funds), net investment income and fees and other revenues. Revenues totalled \$1.7 billion for the third quarter, which represents a 107% increase compared to the same period the previous year, while for the nine-month period ending September 30, 2009, revenues increased by 30%. The factors that contributed to these variations are explained below.

Revenues (In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2009	2008	Variation	2009	2008	Variation
Premiums	999.7	1,114.1	(10%)	2,961.0	3,275.1	(10%)
Net investment income	597.2	(393.7)	--	1,203.1	(144.1)	--
Fees and other revenues	95.9	97.7	(2%)	267.0	290.2	(8%)
Total	1,692.8	818.1	107%	4,431.1	3,421.2	30%

Premiums totalled \$999.7 million in the third quarter of 2009, which is 10% lower than the same period in 2008. This reduction is primarily attributable to a decrease in sales in the Group Pensions sector (mainly in terms of segregated fund premiums). This sector did not achieve the same success as the third quarter of last year in terms of sales to large groups. Premiums totalled \$3.0 billion for the first nine months of the year, down 10% compared to the same period last year. This decrease is explained by lower sales in the Group Pensions sector in the third quarter and by the decrease in sales in the Individual Wealth Management sector in the first few months of 2009. This sector had been particularly affected by the stock market turbulence at the beginning of 2009.

If mutual fund deposits are added to the premiums, premiums and deposits totalled \$1.2 billion in the third quarter, a 9% decrease compared to the same period the previous year. This decrease reflects a 5% drop in mutual fund deposits in the third quarter of 2009, compared to the same period last year. This decrease is not as strong as in the previous two quarters, a sign that investors have begun to feel reassured by the stock market upswing that followed the period of strong volatility in the markets. For the nine-month period ending September 30, 2009, premiums and deposits are down 15%, which is primarily explained by weak sales of investment funds (segregated funds and mutual funds) compared to the same period in 2008.

Premiums and Deposits (In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2009	2008	Variation	2009	2008	Variation
Premiums						
General fund	667.5	673.9	(1%)	1,926.2	1,928.6	0%
Segregated funds	332.2	440.2	(25%)	1,034.8	1,346.5	(23%)
Subtotal	999.7	1,114.1	(10%)	2,961.0	3,275.1	(10%)
Deposits – mutual funds	248.9	260.8	(5%)	723.4	1,046.8	(31%)
Total	1,248.6	1,374.8	(9%)	3,684.4	4,321.8	(15%)

The main items that make up net investment income are: investment income as such (including interest income, dividends and net income from rental properties), the amortization of realized and unrealized gains and losses on real estate, realized gains and losses on the disposition of assets available-for-sale and variations in the market value of assets held for trading.

Since the adoption of the new accounting standards concerning financial instruments at the beginning of 2007, assets held for trading (other than real estate) have been accounted for at their market value. This accounting approach may lead to significant volatility of the net investment income from period to period since variations in the market value of these assets now directly influence net investment income rather than being amortized on the income statement, as was the case in the past. However, a large portion of these variations in market value are offset by corresponding variations in the provisions for future policy benefits, so that their overall impact on net income is largely mitigated.

Net investment income amounted to \$597.2 million in the third quarter of 2009, compared to a negative amount of \$393.7 million in the third quarter of 2008. The difference between these two amounts (a \$990.9 million increase) is primarily attributable to the appreciation of the stock portfolio, which benefited from the growth of the stock markets, and the increase in the bond portfolio, a result of narrower interest rate spreads during the quarter. It is important to note that the majority of stocks and bonds are classified as held for trading and used as assets underlying the provisions for future policy benefits. For this reason, the impact of the increase in net investment income on the results is largely neutralized by a corresponding increase in the provisions for future policy benefits.

For the first nine months of 2009, net investment income was \$1,347.2 million higher than the same period in 2008. Once again, this difference is explained by the variation in the market value of assets held for trading. The market values increased by \$750.2 million in the first nine months of 2009, whereas they decreased by \$475.5 million during the same period in 2008.

The table below provides an overview of the composition of net investment income.

Net Investment Income				
(In millions of dollars)	Third quarter		Year-to-date as at September 30	
	2009	2008	2009	2008
Investment income	167.8	100.8	434.9	322.9
Amortization of realized and unrealized gains (losses) on real estate	4.8	3.5	14.8	11.0
Gains (losses) realized on assets available for sale	2.8	(2.9)	5.3	2.7
Variation in market value of assets held for trading	421.7	(495.0)	750.2	(475.5)
Change in provisions for losses	0.1	(0.1)	(2.1)	(5.2)
Total	597.2	(393.7)	1,203.1	(144.1)

Fees and other revenues represent fees earned from the management of investment funds (segregated funds and mutual funds), revenues from administrative services only (ASO) contracts and fees from the Company's brokerage subsidiaries. Fees and other revenues decreased by \$1.8 million in the third quarter of 2009 compared to the same quarter of 2008, and by \$23.2 million for the first nine months of 2009 compared to the same period last year. Even though the S&P/TSX index grew almost 10% in the third quarter of 2009, average investment fund assets under management were lower than last year due to the sharp drop in stock market values that occurred between June 30, 2008 and March 31, 2009 (the S&P/TSX index dropped almost 40% during that period).

Policy Benefits and Expenses

Policy benefits and expenses totalled \$1.6 billion in the third quarter of 2009, which represents an \$863.1 million increase compared to the same period in 2008, while for the first nine months of 2009, they amounted to \$4.2 billion, up \$1,055.4 million compared to the first nine months of 2008. Policy benefits and expenses are made up of the items shown in the table below.

Policy Benefits and Expenses				
(In millions of dollars)	Third quarter		Year-to-date as at September 30	
	2009	2008	2009	2008
Variation in provisions for future policy benefits	584.7	(351.2)	1,129.5	(176.1)
Payments to policyholders and beneficiaries	458.0	427.6	1,431.5	1,464.3
Net transfer to segregated funds	275.2	399.2	845.0	1,112.0
Commissions	133.6	138.6	382.8	402.8
General expenses	98.1	93.5	292.0	267.6
Other	57.5	36.3	147.5	102.3
Total	1,607.1	744.0	4,228.3	3,172.9

Provisions for future policy benefits increased by \$584.7 million in the third quarter of 2009, compared to a \$351.2 million decrease in the third quarter of 2008, which represents a \$935.9 million expense increase for this item on the income statement. This increase reflects the increase in the market values of the underlying assets and largely offsets the increase in investment income related to these assets. For the first nine months of 2009, the expense related to the variation in provisions for future policy benefits is \$1,305.6 million higher than last year.

The variation in provisions for future policy benefits evolves according to several factors, including the increase in premiums (upward impact on the provisions for future policy benefits), the return on the underlying assets (increase), claims incurred (decrease) and the net transfer to segregated funds (decrease). Since the new accounting standards concerning financial instruments took effect at the beginning of 2007, the variation in the market value of the assets underlying the provisions for future policy benefits (increase or decrease) must be added to this list of factors. The impact of the new accounting standards on the variation in provisions for future policy benefits has very little impact on the net income, however, given that a corresponding variation in net investment income is recorded on the income statement, as explained above.

Payments to policyholders and beneficiaries in the third quarter of 2009 were \$30.4 million higher than the corresponding period of 2008, which reflects the normal evolution of business and the increase in the in-force block of business. On the other hand, for the first nine months of 2009, payments to policyholders and beneficiaries decreased by \$32.8 million, which is primarily explained by a decrease in redemptions in the Group Pensions sector following the good results obtained in the conservation of existing groups. Payments to policyholders and beneficiaries include benefits paid due to death, disability, illness or contract terminations, as well as annuity payments.

Net transfers to segregated funds in the third quarter of 2009 decreased by \$124.0 million compared to the third quarter of 2008, and by \$267.0 million for the first nine months of 2009 compared to the same period last year. These decreases are partially explained by lower segregated fund sales in the Individual Wealth Management and Group Pensions sectors compared to last year. Even though the stock markets were up in the last few months, the economic environment remains fragile and investors still remember the recent volatility of the stock markets, making them less inclined to invest in segregated funds since the beginning of 2009. Net transfers to segregated funds are made up of amounts withdrawn from the general fund to be invested in segregated funds, less any amounts transferred from segregated funds to the general fund. Net transfers to segregated funds can vary from one period to another depending on the demand from clients, who at times favour general fund products, which usually offer guaranteed returns, and at other times are more attracted by segregated fund products, whose return fluctuates with the markets. Also, in a sector like Group Pensions, segregated fund deposits can fluctuate substantially from one quarter to another according to the size of the mandates granted by certain groups.

Commissions decreased by \$5.0 million in the third quarter of 2009 and by \$20.0 million in the first nine months of 2009, compared to the same periods the previous year. The decrease in commissions in the third quarter is primarily due to the decrease in sales in the Group Creditor Insurance sector (a result of the decrease in sales of light vehicles in Canada), while for the first nine months, sales were also down due to the decrease in sales in the first two quarters of 2009 in the Individual Wealth Management sector (a result of the stock market downturn). Commissions correspond to the remuneration of financial advisors for new sales and certain in-force contracts.

General expenses increased by \$4.6 million in the third quarter of 2009 compared to the third quarter of 2008, and by \$24.4 million for the first nine months of the year compared to the same period in 2008. These increases are primarily explained by the following items: general expenses in the first half of 2008 were reduced following the recovery of sales tax, expenses related to the different acquisitions made in 2008 (which are added to the 2009 general expenses), the auto and home insurance subsidiary's advertising campaign and the increase in the number of employees, resulting mainly from acquisitions.

Financial Results for the Last Eight Quarters

The following table presents a summary of Industrial Alliance's financial results for the last eight quarters.

Selected Financial Information								
(In millions of dollars, unless otherwise indicated)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Revenues	1,692.8	1,607.6	1,130.7	1,043.9	818.1	1,313.9	1,289.2	1,332.6
Net income								
Net income (net loss) to common shareholders	60.1	32.1	46.2	(110.2)	51.2	63.4	61.7	63.1
Less: gain (loss) resulting from the variation in the fair value of debt instruments and underlying assets (after taxes)	1.1	(19.3)	7.5	7.8	0.3	1.1	(1.6)	(1.7)
Net income (net loss) to common shareholders on regular operations	59.0	51.4	38.7	(118.0)	50.9	62.3	63.3	64.8
Earnings per common share								
Basic	\$0.75	\$0.40	\$0.58	(\$1.37)	\$0.64	\$0.79	\$0.77	\$0.79
Diluted	\$0.74	\$0.40	\$0.58	(\$1.37)	\$0.63	\$0.78	\$0.76	\$0.78
Earnings per common share on regular operations								
Basic	\$0.74	\$0.64	\$0.48	(\$1.47)	\$0.63	\$0.78	\$0.79	\$0.81
Diluted	\$0.73	\$0.64	\$0.48	(\$1.47)	\$0.63	\$0.77	\$0.78	\$0.80

Cash Flows

In the third quarter of 2009, operating activities produced positive cash flows of \$279.4 million, an increase of \$65.2 million over the same period the previous year. This increase reflects the normal evolution of business and variations in other assets and liabilities. A large part of the increase in expenses associated with the increase in provisions for future policy benefits during the quarter and for the first nine months of 2009 was offset by a variation in the fair value of securities designated as "held for trading."

Investment activities produced negative cash flows of \$330.0 million in the third quarter of 2009, compared with negative cash flows of \$99.7 million in the third quarter of 2008, which represents a difference of \$230.3 million. This difference primarily results from net purchases of stocks and bonds compared to the third quarter of 2008.

Financing activities produced negative cash flows of \$21.7 million for the third quarter of 2009, which is an \$86.3 million difference from the \$64.6 million in positive cash flows posted in the corresponding quarter of 2008. This difference is explained by the fact that no debenture issue expenses were incurred in the third quarter of 2009, contrary to the third quarter of 2008.

In total, for the first nine months of 2009, cash flows decreased by \$59.1 million compared to a \$102.4 million increase for the corresponding period in 2008, a difference of \$161.5 million. This difference essentially reflects the normal course of operating, investment and financing activities during these periods.

Cash Flows				
(In millions of dollars)	Third quarter		Year-to-date as at September 30	
	2009	2008	2009	2008
Cash flows related to the following activities:				
Operating	279.4	214.2	602.4	441.0
Investment	(330.0)	(99.7)	(684.5)	(357.7)
Financing	(21.7)	64.6	30.3	18.1
Currency gain (loss) on cash and cash equivalents	(4.5)	1.0	(7.3)	1.0
Increase (decrease) in cash and cash equivalents	(76.8)	180.1	(59.1)	102.4
Cash and cash equivalents at beginning of period	276.2	284.1	258.5	361.8
Cash and cash equivalents at end of period	199.4	464.2	199.4	464.2

Liquidity

The Company's main source of capital is fund entries related to operations, particularly premiums, net investment income and management fees and other revenues. This capital is primarily used to pay benefits to policyholders and beneficiaries, dividends attributed to holders of participating policies, commissions, operating expenses, interest charges and dividends to shareholders. Cash flows from operating activities are generally applied to payments that will have to be made at a later date, including the payment of dividends to shareholders. The Company maintains a prudent level of liquidity in order to honour its commitments by holding a good proportion of marketable securities and by strictly managing cash flows and matching.

Given the quality of its investment portfolio, and despite the financial market volatility, the Company does not expect its liquidity level to become a worrisome issue in the near future. Due to the nature of its operations and its matching policy, the Company regularly finds itself in a positive cash flow position. This means that fund entries are regularly higher than fund disbursements.

In an extreme scenario where the Company would have to redeem all of its redeemable contracts, easily convertible assets, which represent sources of liquidity, would cover almost two times the liquidity needed. Hence, according to this extreme scenario, the liquidity ratio totalled 187% as at September 30, 2009 (183% as at June 30, 2009).

Moreover, given the difficult liquidity conditions that recently prevailed in the financial markets, the Company has carried out additional simulations to take into account a lower level of liquidity for certain asset categories that are normally considered very liquid. According to this more demanding scenario, the liquidity ratio amounted to 140% as at September 30, 2009 (133% as at June 30, 2009).

Moreover, as at September 30, 2009, the Company had operating lines of credit totalling \$100.2 million (the same amount as at June 30, 2009 and as at December 31, 2008). As at September 30, 2009, the Company had used \$15.3 million of these lines of credit. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

Off Balance Sheet Financial Instruments

The Company holds swap contracts whose cash flow exchanges are calculated using a nominal reference amount of \$870.8 million as at September 30, 2009 (\$807.4 million as at June 30, 2009 and \$741.1 million as at December 31, 2008). These contracts are primarily used for matching Universal Life policies and for managing the credit and currency risks.

The current credit risk related to swap contracts, which corresponds to the amounts payable to the Company by the different counterparties as at September 30, 2009, is \$15.3 million. This amount fluctuates from one period to another according to changes in the interest rates and equity markets. For example, it was \$11.6 million as at June 30, 2009 and \$16.6 million as at December 31, 2008.

The future credit risk related to these contracts, which corresponds to the amount that the counterparties could potentially owe the Company according to different market scenarios, was \$27.1 million as at September 30, 2009

(\$26.5 million as at June 30, 2009 and \$28.7 million as at December 31, 2008). It should be specified that all the counterparties with whom the Company has signed such contracts are financial institutions rated AA- or better.

Related Party Transactions

There were no material related party transactions to report during the third quarter of 2009.

Accounting Policies and Main Accounting Estimates

The unaudited interim consolidated financial statements have been prepared according to Canadian generally accepted accounting principles ("GAAP"). Note 2 to the 2008 audited consolidated financial statements on pages 81 to 87 of the 2008 annual report contains the main accounting policies used by the Company.

These accounting policies require that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues, policy benefits, and expenses during the year. Actual results could differ from management's best estimates. The most significant estimates are related to the determination of policy liabilities, employee future benefits, the fair values of invested assets and the goodwill and intangible assets depreciation test.

No changes were made to the accounting policies used by the Company for the period, except those described in note 2 – Change in Accounting Policies – Impact of the Change in Accounting Policies in the unaudited interim consolidated financial statements.

The details of future changes in accounting are presented in note 2 – Change in Accounting Policies – Future Changes in Accounting in these same financial statements.

International Financial Reporting Standards

The Company will adopt International Financial Reporting Standards ("IFRS") on January 1, 2011 and will produce its first financial statements using IFRS in the first quarter of 2011, including comparative data, as the Accounting Standards Board of Canada has confirmed that all publicly accountable enterprises in Canada will have to adopt IFRS rather than GAAP for years beginning on or after January 1, 2011.

A conversion plan containing three phases has been established: 1) determination of risks; 2) implementation of new standards; and 3) conversion.

The Company is continuing to work on the implementation of the new standards. It is currently continuing the analysis and evaluation of the standards established in the risk determination phase, including initial adoption and transition options under IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The impact of the various standards on the Company's financial situation and future results cannot be established until the analysis and evaluation are completed. In addition, the Company has not yet chosen the accounting policies that it will apply.

As an insurer, one of the key elements of the conversion plan is the classification of insurance contracts according to the definition of IFRS 4, *Insurance Contracts*. Based on the analysis work done so far on the classification of insurance contracts, the Company does not expect a material impact on its financial statements. However, the final decisions are yet to be made.

Phase II of IFRS 4, *Insurance Contracts*, which covers the evaluation and recognition of insurance contracts, is currently being developed and will probably not be in effect on January 1, 2011. Consequently, when IFRS is adopted, the Company will continue to evaluate provisions for future policy benefits according to the Canadian Asset Liability Method. According to this method, the evaluation of provisions for future policy benefits is based on the book value of the matched assets.

The Company monitors changes made to IFRS throughout the analysis process, considering that these changes could have an impact on the Company's preliminary decisions.

The Company also continues to train its personnel through external courses, as well as in-house presentations and workshops according to the progress in the analysis of the standards.

The overall impact of adopting IFRS on the Company's financial situation and future results cannot be reasonably established until the process is completed.

WARNING AND 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, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 or data on regular operations – 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 or data on regular operations, as indicated above, are not subject to GAAP.

Forward-Looking Statements

This Management's Discussion and Analysis 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 report. 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

Management's Discussion and Analysis, whether foreseeable or not, except as required by applicable securities legislation.

Documents Related to the Financial Results

All documents related to Industrial Alliance's financial results are available on the Company's website at www.inalco.com, in the *Investor Relations* section, under *Financial Reports*. More information about the Company can also be found on the SEDAR website at www.sedar.com, as well as in the Company's Annual Information Form, which can be found on the Company website or the SEDAR website.

Conference Call

Management will hold a conference call to present the Company's results on Wednesday, November 4, 2009 at 2:00 p.m. (ET). To listen in on the conference call, dial 1 800 933-2547 (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 4, 2009. To listen to the conference call replay, dial 1 800 558-5253 (toll-free) and enter access code 21434508. 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 well-being of over three million Canadians, employs more than 3,400 people and manages and administers over \$56 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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CONSOLIDATED INCOME STATEMENTS

(in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
	(unaudited)			
Revenues				
Premiums	1,000	1,114	2,961	3,275
Net investment income	597	(394)	1,203	(144)
Fees and other revenues	96	98	267	290
	1,693	818	4,431	3,421
Policy benefits and expenses				
Payments to policyholders and beneficiaries	458	427	1,432	1,464
Net transfer to segregated funds	275	399	845	1,112
Dividends, experience rating refunds and interest on amounts on deposit	24	20	40	49
Change in provisions for future policy benefits	584	(351)	1,129	(176)
	1,341	495	3,446	2,449
Commissions	134	139	383	403
Premium and other taxes	16	16	47	46
General expenses	98	94	292	268
Financing expenses	18	---	60	7
	1,607	744	4,228	3,173
Income before income taxes	86	74	203	248
Less: income taxes	23	21	54	65
Net income	63	53	149	183
Less: net income attributed to participating policyholders	---	1	1	3
Net income attributed to shareholders	63	52	148	180
Less: preferred share dividends	3	1	10	4
Net income available to common shareholders	60	51	138	176
Earnings per common share (in dollars)				
basic	0.75	0.64	1.72	2.20
diluted	0.74	0.63	1.72	2.17

CONSOLIDATED BALANCE SHEETS

(in millions of dollars)	As at September 30 2009 \$ (unaudited)	As at December 31 2008 \$	As at September 30 2008 \$ (unaudited)
Assets			
Invested assets			
Bonds	9,030	7,942	7,575
Mortgages	3,412	3,508	3,406
Stocks	1,785	1,340	1,588
Real estate	644	630	519
Policy loans	374	320	305
Cash and cash equivalents	199	259	464
Other invested assets	368	397	376
	15,812	14,396	14,233
Other assets	636	547	582
Intangible assets	361	357	323
Goodwill	111	115	131
Total general fund assets	16,920	15,415	15,269
Segregated funds net assets	10,970	8,924	9,830
Liabilities			
Policy liabilities			
Provisions for future policy benefits	12,923	11,853	11,563
Provisions for dividends to policyholders and experience rating refunds	49	56	48
Benefits payable and provision for unreported claims	148	156	160
Policyholders' amounts on deposit	205	185	192
	13,325	12,250	11,963
Other liabilities	678	648	642
Future income tax	340	236	312
Deferred net realized gains	9	10	10
Debentures	524	386	403
Participating policyholders' account	28	27	27
	14,904	13,557	13,357
Equity			
Share capital	767	765	666
Contributed surplus	22	19	19
Retained earnings and accumulated other comprehensive income	1,227	1,074	1,227
	2,016	1,858	1,912
Total general fund liabilities and equity	16,920	15,415	15,269
Segregated funds liabilities	10,970	8,924	9,830

Nine months ended September 30, 2009 and 2008 (unaudited)
(in millions of dollars, unless otherwise indicated)

Segmented Information

The Company operates principally in one dominant industry segment, the life and health insurance industry, and offers individual and group life and health insurance products, savings and retirement plans, and segregated funds. The Company also operates mutual fund, securities brokerage and trust businesses. These businesses are principally related to the Individual Wealth Management segment and are included in that segment with the Individual Annuities. The Company operates mainly in Canada and the operations outside Canada are not significant.

Segmented Income Statements

	Quarter ended September 30, 2009 (unaudited)					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
	\$	\$	\$	\$	\$	\$
Revenues						
Premiums	239	282	248	195	36	1,000
Net investment income	444	34	32	86	1	597
Fees and other revenues	3	79	1	8	5	96
	686	395	281	289	42	1,693
Operating expenses						
Cost of commitments to policyholders	541	80	195	228	22	1,066
Net transfer to segregated funds	---	228	---	47	---	275
Commissions, general and other expenses	102	69	72	8	15	266
	643	377	267	283	37	1,607
Income before income taxes	43	18	14	6	5	86
Less: income taxes	11	5	4	1	2	23
Net income before allocation of other activities	32	13	10	5	3	63
Allocation of other activities	3	---	---	---	(3)	---
Net income	35	13	10	5	---	63
Attributed to shareholders	35	13	10	5	---	63
Attributed to participating policyholders	---	---	---	---	---	---

	Quarter ended September 30, 2008 (unaudited)					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
	\$	\$	\$	\$	\$	\$
Revenues						
Premiums	235	258	248	340	33	1,114
Net investment income	(408)	16	6	(4)	(4)	(394)
Fees and other revenues	(3)	83	2	7	9	98
	(176)	357	256	343	38	818
Operating expenses						
Cost of commitments to policyholders	(291)	41	166	159	21	96
Net transfer to segregated funds	---	223	---	176	---	399
Commissions, general and other expenses	85	69	76	7	12	249
	(206)	333	242	342	33	744
Income before income taxes	30	24	14	1	5	74
Less: income taxes	8	7	3	---	3	21
Net income before allocation of other activities	22	17	11	1	2	53
Allocation of other activities	2	---	---	---	(2)	---
Net income	24	17	11	1	---	53
Attributed to shareholders	23	17	11	1	---	52
Attributed to participating policyholders	1	---	---	---	---	1

* Includes other segments and intercompany eliminations.

Nine months ended September 30, 2009 and 2008 (unaudited)
(in millions of dollars, unless otherwise indicated)

Segmented Information (continued)

Segmented Income Statements (continued)

	Nine months ended September 30, 2009 (unaudited)					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
\$	\$	\$	\$	\$	\$	
Revenues						
Premiums	697	870	718	573	103	2,961
Net investment income	810	90	77	222	4	1,203
Fees and other revenues	10	219	6	22	10	267
	1,517	1,179	801	817	117	4,431
Operating expenses						
Cost of commitments to policyholders	1,100	280	563	586	72	2,601
Net transfer to segregated funds	---	655	---	190	---	845
Commissions, general and other expenses	303	206	208	27	38	782
	1,403	1,141	771	803	110	4,228
Income before income taxes	114	38	30	14	7	203
Less: income taxes	28	11	9	3	3	54
Net income before allocation of other activities	86	27	21	11	4	149
Allocation of other activities	4	---	---	---	(4)	---
Net income	90	27	21	11	---	149
Attributed to shareholders	89	27	21	11	---	148
Attributed to participating policyholders	1	---	---	---	---	1

	Nine months ended September 30, 2008 (unaudited)					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
\$	\$	\$	\$	\$	\$	
Revenues						
Premiums	687	925	711	857	95	3,275
Net investment income	(310)	60	42	67	(3)	(144)
Fees and other revenues	1	249	7	22	11	290
	378	1,234	760	946	103	3,421
Operating expenses						
Cost of commitments to policyholders	8	162	506	589	72	1,337
Net transfer to segregated funds	---	786	---	326	---	1,112
Commissions, general and other expenses	255	209	209	22	29	724
	263	1,157	715	937	101	3,173
Income before income taxes	115	77	45	9	2	248
Less: income taxes	29	22	10	2	2	65
Net income before allocation of other activities	86	55	35	7	---	183
Allocation of other activities	---	---	---	---	---	---
Net income	86	55	35	7	---	183
Attributed to shareholders	83	55	35	7	---	180
Attributed to participating policyholders	3	---	---	---	---	3

* Includes other segments and intercompany eliminations.

Nine months ended September 30, 2009 and 2008 (unaudited)
(in millions of dollars, unless otherwise indicated)

Segmented Information (continued)

Segmented General Fund Assets

	As at September 30, 2009 (unaudited)					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
\$	\$	\$	\$	\$	\$	
Assets						
Invested assets	8,683	1,953	1,712	3,166	298	15,812
Other assets	219	172	98	45	102	636
Intangible assets	46	311	3	1	---	361
Goodwill	46	45	20	---	---	111
Total	8,994	2,481	1,833	3,212	400	16,920

	As at December 31, 2008					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
\$	\$	\$	\$	\$	\$	
Assets						
Invested assets	7,915	1,776	1,488	2,981	236	14,396
Other assets	158	147	83	47	112	547
Intangible assets	42	312	2	1	---	357
Goodwill	49	46	20	---	---	115
Total	8,164	2,281	1,593	3,029	348	15,415

	As at September 30, 2008 (unaudited)					
	Individual		Group			Total
	Life and Health	Wealth Management	Life and Health	Pensions	Other activities*	
\$	\$	\$	\$	\$	\$	
Assets						
Invested assets	7,830	1,804	1,463	2,934	202	14,233
Other assets	179	151	83	60	109	582
Intangible assets	9	311	2	1	---	323
Goodwill	84	27	20	---	---	131
Total	8,102	2,293	1,568	2,995	311	15,269

* Includes other segments and intercompany eliminations.