Agenda

> Industrial Alliance profile
> Financial performance since demutualization
> Demutualization
> Sources of earnings disclosure
> Embedded value disclosure
> Conclusion
INDUSTRIAL ALLIANCE PROFILE
IA’s Head Office

Quebec City

Head office since 1951 with four expansion projects, the most recent one in 2002
Industrial Alliance in a Nutshell

One of the Largest Financial Institutions in Canada

- Rank: 5th largest (life and health insurance)
- Market capitalization: $3.1 billion (among top 100 TSX companies)
- Assets: $50.0 billion (March 31, 2007)
- Premium income: $5.0 billion (2006)
- Agents and brokers: Over 12,000
- Employees: 2,819 (December 31, 2006)
- Clients: Over 3 million
## Canada’s Dominant Insurers

<table>
<thead>
<tr>
<th>Group</th>
<th>Companies</th>
<th>World rank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group 1</strong>&lt;br&gt;Big 3</td>
<td>- Sun Life&lt;br&gt;- Great-West Life&lt;br&gt;- Manulife</td>
<td>28&lt;br&gt;10&lt;br&gt;11</td>
</tr>
<tr>
<td><strong>Group 2</strong>&lt;br&gt;Race for 4th place between 3 Quebec companies</td>
<td>- Desjardins&lt;br&gt;- Industrial Alliance&lt;br&gt;- Standard Life</td>
<td>23</td>
</tr>
<tr>
<td><strong>Group 3</strong></td>
<td>- RBC&lt;br&gt;- S.S.Q.&lt;br&gt;- Transamerica&lt;br&gt;- AIG&lt;br&gt;- Empire</td>
<td>8&lt;br&gt;1&lt;br&gt;</td>
</tr>
<tr>
<td><strong>Group 4</strong></td>
<td>- AXA</td>
<td>3</td>
</tr>
</tbody>
</table>
IA Operates in Four Lines of Business

- **Retail**
  - Individual Insurance
  - Individual Wealth Management
  - Integrated Development and Distribution Strategy

- **Group**
  - Group Insurance
  - Group Pensions
A Canada-Wide Company

20 Years Ago, Virtually All IA Operations Were in Quebec

Premiums and deposits 2006

- Western Canada: 19%
- Ontario: 32%
- Quebec: 43%
- Atlantic Provinces: 5%
- Outside Canada: 1%
A Century-Old Company

Our Roots

> 1892  Creation of **Alliance** (Montreal)
> 1905  Creation of **Industrial** (Quebec City)
> 1987  Merger of **Industrial** and **Alliance**
       (Head Office in Quebec City)
> 2000  Demutualization: Industrial Alliance becomes
       a stock company and its stock begins
       trading on the TSX under the ticker symbol
       IAG.
FINANCIAL PERFORMANCE SINCE DEMUTUALIZATION
A Profitable Company

Solid Double-Digit Core Earnings Growth

Net Income to Common Shareholders
(Adjusted for Unusual Items)
($Million)

2001-2006 CAGR: 15%

2001 2002 2003 2004 2005 2006

106.6 116.1 136.6 161.1 184.2 214.5
Strong Double-Digit Top Line Growth

Premiums and Deposits ($Million)

2001 to 2006 CAGR: 19%

2001: 2,077
2002: 2,337
2003: 2,567
2004: 2,852
2005: 3,584
2006: 4,991

Wealth Mgmt  Life & Health Ins.  P&C
Strong Double-Digit Asset Growth

Assets Under Management/Administration ($Million)

2001 to Q1/2007 CAGR: 26%

2001-Q1/2007 CAGR

AUA 50%

AUM 18%

2001  2002  2003  2004  2005  2006  Q1/07

15,129  16,761  19,574  28,476  38,171  46,904  49,995

General Funds  Seg Funds  Mutual Funds  Other AUM  AUA
Top Line Growth Faster Than the Industry

Industry +5% Objective Reached in Most Lines

2001-2006 CAGR (%)

Sales

Assets

Premiums & Equivalents

Assets

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales CAGR</th>
<th>Assets CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Insurance</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Ind. Wealth Mgmt (Seg Funds)</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Group Insurance</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Group Pensions (Acc. products)</td>
<td>24</td>
<td>9</td>
</tr>
</tbody>
</table>

1 2000-2005 CAGR (%).
A Performance Recognized by the Markets

Stock Performance Since Demutualization

Growth: 398%

Feb. 3, 2000

IAG Among S&P/TSX Top 100

May 17, 2007
DEMUTUALIZATION
Why Did We Demutualize?

Advantages

Drawbacks

Opportunities

Risks

> Primary reason: Growth financing

> Main risk: Loss of control of the company
External Environment Challenges

Goal: meet external expectations and pressures

- Disclosure and transparency
- Pressures at any moment
- Analysts’ expectations
- Role of the board
Assume Our Objectives...

... now public and more demanding

> New profitability and growth objectives
  > *EPS*: Up by some 10 to 13% in 2007
  > Growth rate: “industry + 5%”, for each of the four lines of business

> Additional challenge: reset the counters at zero each quarter

Favourable repercussion:
  maintain a high-performance climate in each sector (no loss-leader)
Disclosure and Transparency

- We often meet internal resistance
- Sometimes the public isn’t ready
- Standards do not replace judgement
- It can be hard to tell the truth

Favourable repercussions: exposes management’s competence; gives us an opportunity to stand out
Current Pressures – General

> Resist or give in?
  > Dividend
  > Strategic choices

> Satisfy all shareholders?
  > Growth or value styles
  > Short or long term horizons

The key: do not lose sight of the objective of growing shareholder value in the long term... while remaining sensitive to what’s going on in the market
Current Pressures – Strategy

The experts (analysts) question our decisions

▶ Individual Insurance        Growth potential?
▶ Wealth management        Too little too late?
▶ Acquisitions                       Significant addition
to short term profit?

Globally...

▶ Market consolidation       Viable?

Consistency of our decisions with the corporate strategy
and with our primary strength, distribution
Analysts Expectations

12 analysts; 12 points of view

> Be consistent in our messages
  > Centralize requests

> Take the lead
  > Telephone conferences, news releases, analysts reports

> Choose words well

> Favour exchanges
  > Rotation of analysts during meetings with investors
Role of the Board of Directors

Evolution of the role and responsibilities:

> More demanding, more complex

> For the first time board members have outside sources of information

> Their role and responsibilities: ensure the constant growth of shareholders equity

> All of this in an environment where governance is developing further
SOURCES OF EARNINGS DISCLOSURE
SOE: a Powerful Disclosure Tool

> One of the key tools to help investors better understand how the Company creates value for the shareholders

> Identify the primary sources of gains and losses in each reporting period

> Provides an overview of trends in terms of income

> Prepared in accordance with regulatory guidelines and in accordance with guidelines prepared by the Canadian Institute of Actuaries
Income Statement: A Partial View of Profitability

<table>
<thead>
<tr>
<th>($Million)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums</td>
<td>2,337.2</td>
<td>2,566.7</td>
<td>2,852.4</td>
<td>3,171.1</td>
<td>3,763.0</td>
</tr>
<tr>
<td>Net investment income</td>
<td>450.2</td>
<td>677.3</td>
<td>696.9</td>
<td>690.9</td>
<td>860.0</td>
</tr>
<tr>
<td>Fees and other income</td>
<td>90.8</td>
<td>99.5</td>
<td>128.9</td>
<td>167.4</td>
<td>314.9</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,878.2</td>
<td>3,343.5</td>
<td>3,678.2</td>
<td>4,029.4</td>
<td>4,937.9</td>
</tr>
<tr>
<td>Cost of commitments to policyholders</td>
<td>1,411.3</td>
<td>1,807.3</td>
<td>1,840.2</td>
<td>1,988.9</td>
<td>2,365.0</td>
</tr>
<tr>
<td>Net transfer to segregated funds</td>
<td>737.9</td>
<td>710.2</td>
<td>929.7</td>
<td>1,116.1</td>
<td>1,400.5</td>
</tr>
<tr>
<td>Commissions and expenses</td>
<td>588.7</td>
<td>618.5</td>
<td>671.4</td>
<td>730.4</td>
<td>872.8</td>
</tr>
<tr>
<td>Total policy benefits and expenses</td>
<td>2,737.9</td>
<td>3,136.0</td>
<td>3,441.3</td>
<td>3,835.4</td>
<td>4,638.3</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>140.3</td>
<td>207.5</td>
<td>236.9</td>
<td>194.0</td>
<td>299.6</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(36.8)</td>
<td>(67.2)</td>
<td>(77.7)</td>
<td>(59.4)</td>
<td>(68.3)</td>
</tr>
<tr>
<td>Net income</td>
<td>103.5</td>
<td>140.3</td>
<td>159.2</td>
<td>134.6</td>
<td>231.3</td>
</tr>
<tr>
<td>Net income to participating policyholders</td>
<td>6.1</td>
<td>3.4</td>
<td>4.1</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Net income to shareholders</td>
<td>97.4</td>
<td>136.9</td>
<td>155.1</td>
<td>132.2</td>
<td>227.9</td>
</tr>
</tbody>
</table>
## Analysis of Income by Sources of Earnings (SOE)

<table>
<thead>
<tr>
<th>($Million)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected profit from in-force</td>
<td>179.9</td>
<td>199.2</td>
<td>231.7</td>
<td>268.3</td>
<td>321.2</td>
</tr>
<tr>
<td>Experience gains (losses)</td>
<td>(24.6)</td>
<td>13.0</td>
<td>18.2</td>
<td>19.0</td>
<td>18.7</td>
</tr>
<tr>
<td>Gain (strain) on sales</td>
<td>(59.6)</td>
<td>(69.4)</td>
<td>(82.4)</td>
<td>(92.4)</td>
<td>(109.4)</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>2.0</td>
<td>(4.7)</td>
<td>(3.7)</td>
<td>(2.1)</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>97.7</td>
<td>138.1</td>
<td>163.8</td>
<td>192.8</td>
<td>231.1</td>
</tr>
<tr>
<td><strong>Income on capital</strong></td>
<td>35.1</td>
<td>54.7</td>
<td>69.8</td>
<td>74.5</td>
<td>78.0</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>(35.4)</td>
<td>(59.9)</td>
<td>(72.4)</td>
<td>(83.1)</td>
<td>(89.7)</td>
</tr>
<tr>
<td><strong>Net income before non-rec. items</strong></td>
<td>97.4</td>
<td>132.9</td>
<td>161.2</td>
<td>184.2</td>
<td>219.4</td>
</tr>
<tr>
<td><strong>Non-recurring items</strong></td>
<td>0.0</td>
<td>4.0</td>
<td>(6.1)</td>
<td>(52.0)</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>97.4</td>
<td>136.9</td>
<td>155.1</td>
<td>132.2</td>
<td>227.9</td>
</tr>
</tbody>
</table>
Definition of Sources

> Expected profit from in-force:

  > Expected profit to be generated on in-force business, if expected results are in line with the Company's assumptions regarding mortality, morbidity, lapse, interest and expenses

> Experience gains or losses:

  > Difference between the expected profit on in-force and the realized profit
> **Gain or strain on sales:**

  > Difference between the provision for adverse deviation incorporated in the reserves and the profit margins incorporated into product prices.

> **Income on capital:**

  > Income derived from the investments backing the Company's capital minus any expenses incurred to generate this income.
EMBEDDED VALUE DISCLOSURE
Context

> End of the 90s: Canadian insurers demutualize
> The financial markets seek to measure the true value of life insurance companies
Traditional Measuring Instruments

For the stock markets

> Price/earnings ratio
> Market/book value ratio
### Traditional Stock Market Multiples

<table>
<thead>
<tr>
<th>Company</th>
<th>Price/earnings</th>
<th>Price/book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great-West</td>
<td>15.3x</td>
<td>3.24x</td>
</tr>
<tr>
<td>IAG</td>
<td>13.2x</td>
<td>1.99x</td>
</tr>
<tr>
<td>Manu</td>
<td>14.1x</td>
<td>2.33x</td>
</tr>
<tr>
<td>Sun</td>
<td>13.2x</td>
<td>1.81x</td>
</tr>
<tr>
<td><strong>Canadian Lifecos</strong></td>
<td><strong>14.2x</strong></td>
<td><strong>2.43x</strong></td>
</tr>
<tr>
<td><strong>U.S. Lifecos</strong></td>
<td><strong>13.0x</strong></td>
<td><strong>1.85x</strong></td>
</tr>
<tr>
<td><strong>Canadian Banks</strong></td>
<td><strong>12.5x</strong></td>
<td><strong>2.84x</strong></td>
</tr>
</tbody>
</table>

1Source: Scotia Capital, April 2, 2007.
GAAP… a Partial View

Limits of traditional stock market multiples

> Prudence inherent in long-term contracts
  > Future profits are already in the balance sheet
> Value of new business
  > The impact on the results CONTRADICTS with the impact on the company’s worth
> The annual results (GAAP) can therefore create a false impression

Concept to properly understand:
life insurance companies manage contracts for the long term
Analysis of Gains and Losses at IAG

Individual Insurance

“The more you sell, the less profit you make!”

($Million, before taxes)

Profit on in-force
Sales strain

2002 | 145 | -52.9
2003 | 166 | -57.7
2004 | 182.8 | -70.3
2005 | 201.6 | -82.9
2006 | 224 | -102.7
THERE IS A BETTER TOOL TO MEASURE A LIFE INSURANCE COMPANY’S WORTH

... EMBEDDED VALUE
Definition of Embedded Value

- Measures the value of in-force contracts (insurance policies sold in the past)
  - Commuted value of amounts that will become available to shareholders
- Calculated separately from the value of new business (life insurance policies that will be sold in the future thanks to the distribution network)

Embedded value is NOT a market value
Embedded Value vs. Market Value

Value of Future Sales + Embedded Value (EV) = Appraisal Value (AV) + Other Sources of Value = Market Value
Advantages of Embedded Value

For Shareholders

> Measures the prudence of an insurance company
> Constitutes a leading indicator as to the profitability of new business
> Summarizes everything with a single number

Evaluation method used by insurance companies for acquisitions
HOW TO ILLUSTRATE THE CONCEPT OF EMBEDDED VALUE?
If I Were a Journalist...

Visible part

Hidden part

Book value

Embedded value

Provisions for adverse deviations (PAD)
If I Were a Financial Analyst...

> Embedded Value = Current value of future cash flows
If I Were an Accountant...

Liabilities and Equity

- **Actuarial Reserves (without cushion)**
- **Cushions (PAD)**
- **Required capital**
- **Excess capital**

**Embedded value**

**Excess capital**

**Book value**
But Since I’m an Actuary...

Actuarial Reserves

Amount ($)

Duration, in years

- **Without margins**
- **With margins**
Profit That Will be Returned to Shareholders

... Over the Years

Profit ($)

Shareholders Income

Duration, in years
Cost of Capital

Required Capital

Amount ($)

Target Capital

Duration, in years
FROM CONCEPT TO REAL LIFE
## IAG Embedded Value - 2006

<table>
<thead>
<tr>
<th></th>
<th>EmV ($Million)</th>
<th>EmV per share ($)</th>
<th>EmV/BV ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2005</td>
<td>2,133</td>
<td>26.78</td>
<td>1.63x</td>
</tr>
<tr>
<td>Embedded Value added in 2006</td>
<td>315</td>
<td>3.86</td>
<td>---</td>
</tr>
<tr>
<td>December 31, 2006</td>
<td>2,448</td>
<td>30.64</td>
<td>1.65x</td>
</tr>
</tbody>
</table>
### Balance Sheet of a Life Insurance Company

#### Liabilities and Equity

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial reserves (without cushion)</td>
<td>Excess capital</td>
</tr>
<tr>
<td>Cushions (PAD)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**As at December 31, 2006**

- **Value of in-force**
  - $961 M

- **Embedded value**
  - $2,448 M

- **Book value**
  - $1,487 M

**Embedded value/book value ratio = 1.65**
## IAG Embedded Value Added - 2006

<table>
<thead>
<tr>
<th></th>
<th>EmV ($Million)</th>
<th>Growth (%)</th>
<th>EmV per share ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedded value as at December 31,</td>
<td>2,133</td>
<td>26.78</td>
<td></td>
</tr>
<tr>
<td>Capital variance</td>
<td>6</td>
<td>0.3</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Recurring items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected increase in EmV</td>
<td>147</td>
<td>6.9</td>
<td>1.86</td>
</tr>
<tr>
<td>New sales</td>
<td>96</td>
<td>4.5</td>
<td>1.19</td>
</tr>
<tr>
<td>Total</td>
<td>243</td>
<td>11.4</td>
<td>3.05</td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>114</td>
<td>5.3</td>
<td>1.43</td>
</tr>
<tr>
<td>Shareholders’ dividend</td>
<td>(48)</td>
<td>(2.2)</td>
<td>(0.60)</td>
</tr>
<tr>
<td>Embedded value as at December 31,</td>
<td>2,448</td>
<td>14.8</td>
<td>30.64</td>
</tr>
</tbody>
</table>
Another Look at Embedded Value

> Made up of four elements:

- **Equity**
  - + Free capital
  - + Initial locked-in capital
- **Risk-adjusted value of in-force business**
  - + Present value (PV) of future after-tax profits
  - - Present value (PV) of the cost of capital
## Comparison with Industry - Dec. 31, 2006

### Embedded Value ($M)

<table>
<thead>
<tr>
<th></th>
<th>IA</th>
<th>Manu</th>
<th>Sun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of shareholders net equity</td>
<td>1,159</td>
<td>17,878</td>
<td>N/A</td>
</tr>
<tr>
<td>Value of future income on in-force business</td>
<td>1,773</td>
<td>18,495</td>
<td>N/A</td>
</tr>
<tr>
<td>Cost of locked-in capital</td>
<td>(484)</td>
<td>(4,002)</td>
<td>N/A</td>
</tr>
<tr>
<td>Embedded value</td>
<td>2,448</td>
<td>32,371</td>
<td>17,249</td>
</tr>
<tr>
<td>EV / BV</td>
<td>1.65</td>
<td>1.29</td>
<td>1.09</td>
</tr>
</tbody>
</table>
## Growth of Embedded Value in 2006

### Canadian Life Insurance Companies

<table>
<thead>
<tr>
<th>2006</th>
<th>Embedded value/book value (2006/2005)</th>
<th>Growth of embedded value (%)</th>
<th>Contribution of recurring items to growth (%)</th>
<th>Embedded value of new business (Per share)</th>
<th>New business as a % of embedded value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAG</td>
<td>1.65</td>
<td>15%</td>
<td>11%</td>
<td>$1.19</td>
<td>4.5%</td>
</tr>
<tr>
<td>Manu</td>
<td>1.30</td>
<td>12%</td>
<td>N/A</td>
<td>$1.24</td>
<td>6.6%</td>
</tr>
<tr>
<td>Sun</td>
<td>1.09</td>
<td>14%</td>
<td>N/A</td>
<td>$1.44</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
EMBEDDED VALUE AND THE STOCK MARKETS
Appraisal Value

> One way to look at appraisal value:

> Appraisal value = *embedded value + a multiple of new business*

> The ratio of market value to embedded value is another key metric

> The multiple usually reflects the growth and profitability of new sales

> Surveys show that embedded value is the preferred analysis tool among European analysts
Worldwide Practice (Except North America)

- Embedded Value of in-force
- New business EV
- Sensitivity to assumptions
- Analysis of change in EV
- Split by line of business
- MD&A

Very popular metric
Major Insurance Groups Publishing EEV in Europe

- Aegon
- Allianz
- Aviva
- AXA
- CNP
- Eureko
- Friends Provident
- Fortis
- Generali
- Hannover Re
- ING
- Irish Life
- Legal and General
- Mapfre
- Mediolanum
- Munich Re
- Old Mutual
- Prudential (UK)
- Scottish Widows
- Standard Life
- Swiss Re
- Zurich
European Embedded Value (EEV) Principles

Published in May 2004 by the European CFO Forum

- 12 key Principles, 65 areas of Guidance
- Commentary on Principles & Guidance
  - Describes basis for conclusions
- Both real-world and market-consistent approaches are acceptable
Major Improvements From EEV Principles

> Codification of several areas of current best practice, including disclosure on methodology and assumptions used

> Requirement for stochastic evaluation of options and guarantees

> Suggestion to use company-specific economic capital requirements

> Disclosure of sensitivities and analysis of movement
Recent Developments

> Life insurance companies have started to publish results under the EEV Principles (since 2004)

> Equity analysts have criticized the variety of approaches taken

> CFO Forum has responded to analyst comments by publishing Additional Guidance on EEV Disclosures and updates to the EEV principles (October 2005)
### Use of Embedded Value in Canada

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions</td>
<td>100%</td>
</tr>
<tr>
<td>Financial analysts</td>
<td>2/3</td>
</tr>
<tr>
<td>Investors</td>
<td>Stable</td>
</tr>
</tbody>
</table>
Why not More Popular in Canada?

> Not prescriptive enough
> Not independently reviewed
> No sufficient disclosure
> Not linked to management compensation
> Available only once a year
> More relevant accounting model

Sources of earnings has replaced embedded value in importance
How Is Embedded Value Used in Canada?

➢ To understand the business
➢ To provide an estimate of stock price movement
➢ To gauge new business profitability
➢ Threshold for acquisition
Slower Adoption of EEV in U.S.

> Traditional EV (TEV) not yet widely accepted in the U.S.
  > Dominance of U.S. GAAP reporting
  > Hartford Life is the only U.S.-based company that has published EV results
  > A growing number of U.S.-based companies use TEV for performance measurement and incentive compensation
  > US subsidiaries of European multinationals calculate and publish EEV results
Market consistent techniques are increasingly used in the U.S. to model impact of hedging or to price embedded guarantees on a market-consistent basis.

- Provides consistency between pricing and valuation
- AXA (US), Allianz Life, Munich Re and Old Mutual have published on MCEV basis for year-end 2006
> Multinationals are setting the bar for EEV/MCEV reporting
> Domestic players are gradually coming around, driven by advances in risk and capital management
> Canadian companies have introduced some changes since they first published EV in 2000
  > Quarterly reporting of VNB
  > Quarterly “Source of Earnings” disclosure
> Move to IFRS should further accelerate development of MCEV in North America
  > Provides fair value of liabilities
  > IFRS #8 requires disclosure of a business segment’s profit/loss and balance sheet on the basis that is used to manage the business more EV disclosures
## Additional Stock Market Multiples

<table>
<thead>
<tr>
<th></th>
<th>Price/earnings</th>
<th>Price/book value</th>
<th>Price/embedded value</th>
<th>Price as multiple of VNB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great-West</td>
<td>15.3x</td>
<td>3.24x</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>IAG</td>
<td>13.2x</td>
<td>1.99x</td>
<td>1.28x</td>
<td>7.19x</td>
</tr>
<tr>
<td>Manu</td>
<td>14.1x</td>
<td>2.33x</td>
<td>1.91x</td>
<td>15.30x</td>
</tr>
<tr>
<td>Sun</td>
<td>13.2x</td>
<td>1.81x</td>
<td>2.04x</td>
<td>15.38x</td>
</tr>
<tr>
<td>Canadian Lifecos</td>
<td>14.2x</td>
<td>2.43x</td>
<td>1.93x</td>
<td>15.06x</td>
</tr>
<tr>
<td>U.S. Lifecos¹</td>
<td>13.0x</td>
<td>1.85x</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Canadian Banks¹</td>
<td>12.5x</td>
<td>2.84x</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Price = embedded value + a multiple of value of new business

¹Source: Scotia Capital, April 2, 2007.
Usefulness of the Concept of Embedded Value

Embedded Value...

- Goes beyond GAAP
- Goes beyond geographic borders
- The market value/embedded value ratio is a more sophisticated valuation ratio than traditional ratios
CONCLUSION
Lessons to Draw

> Becoming a stock company has created opportunities
  > High-performance environment
    > Rigour in the strategy
    > Excellence in the results
  > Add incentives to remuneration
  > Greater awareness of Industrial Alliance
Lessons to Draw (cont’d)

> … and constantly reminds us of the basic rules
  > Personnel
  > Constant communication
  > Climate of trust
  > Board of directors: Understanding of the challenges
Industrial Alliance
Post-Demutualization and Financial Disclosure Tools

Denis Ricard
Senior Vice-President
Chief Actuary

A PARTNER YOU CAN TRUST.

May 18, 2007
What is Strain?

Strain = Present Value of Profits - Present Value of PADs

- Present value of embedded profit in a product
- Present value of margins of prudence in actuarial reserves: level varies with risks, i.e.
  - Product mix and features
  - Reinsurance or not
  - Timing between reserve increase vs. price increase

Year 1 (Point of sale)

Years 2+ (Renewals)
How is Strain Released?

Strain = Present Value of Profits - Present Value of PADs

Cumulative % of PFADs that flows through expected profit as risks are released.