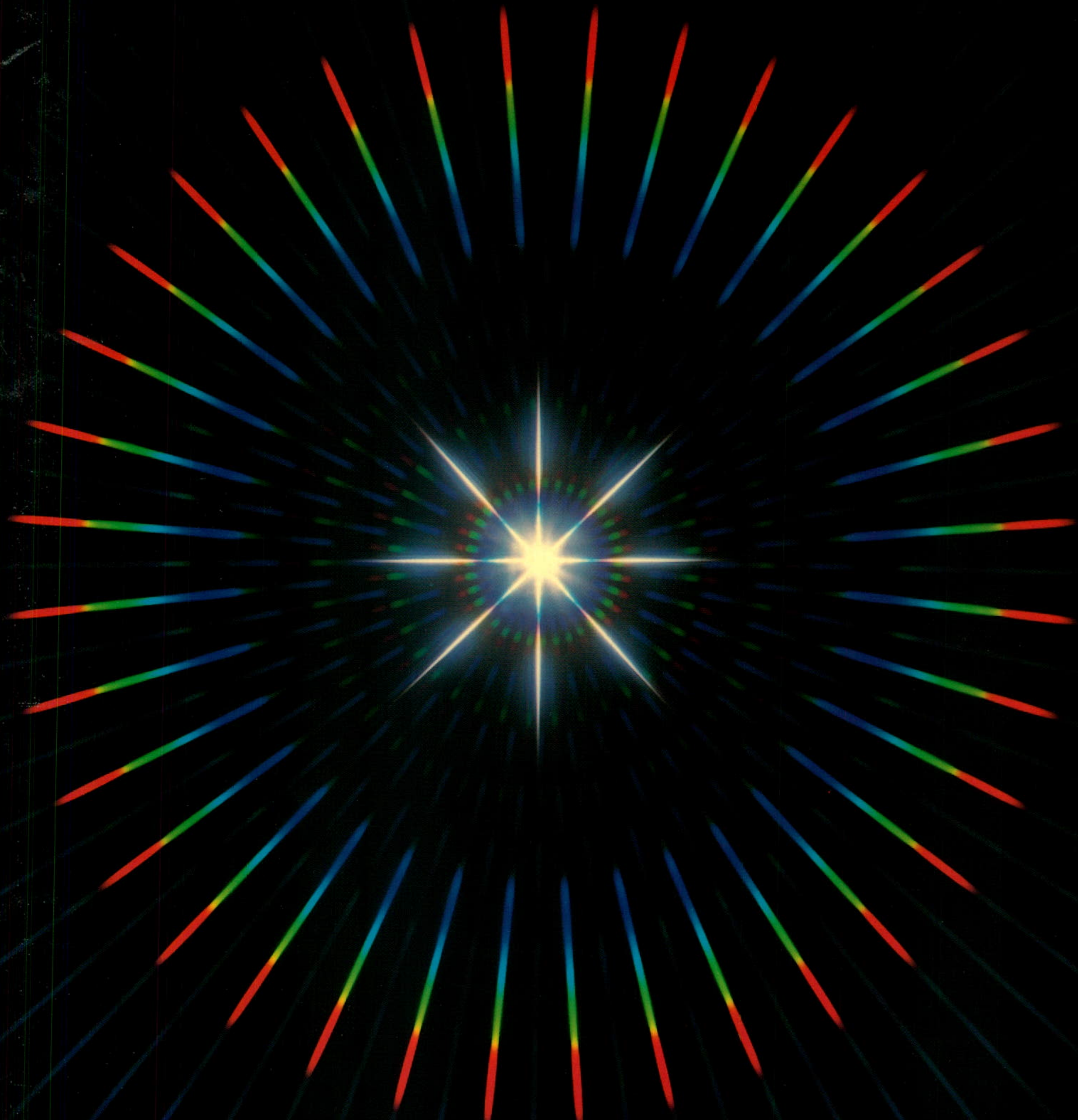


INDUSTRIAL LIFE
INSURANCE COMPANY

Alliance
Mutual Life

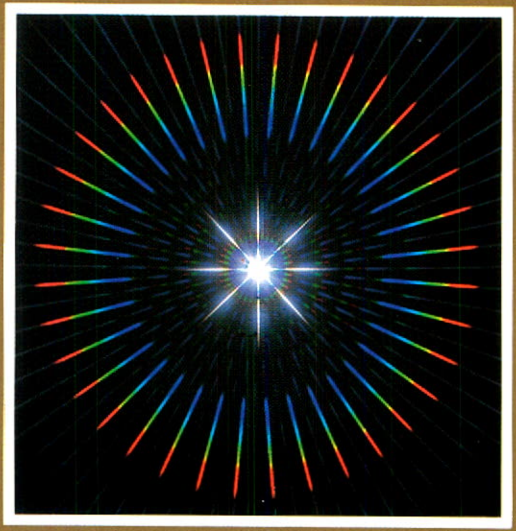
1986 ANNUAL REPORTS

CONTENTS

The Annual Meeting is held on the second Monday of March each year.

Annual Meeting:
Head Office
1080 St-Louis Road
Sillery, Québec G1K 7M3
March 9, 1987

INDUSTRIAL LIFE
INSURANCE COMPANY



1986

The Canadian and Québec economies finally attained adequate growth levels in 1986, despite certain lulls during the year. With the exception of considerable regional and sectorial differences that still exist, this fourth year of economic recovery has ultimately succeeded in restoring consumer confidence and sparking general optimism. Therefore, we were somewhat relieved to see that our 1986 forecasts had been attained.

The Gross Domestic Product increased by some 3.5 %, in real terms, as compared with 3.9 % for 1985. Inflation remained steady at 4 % while interest rates for long-term securities were stable with a slight downward trend. The behavior of oil prices and of the value of the Canadian dollar were the only two factors which upset this rather stable environment. The increase in the dollar at the end of the year reduced pressure on short-term interest rates after many months of artificial tightening.

It is realistic to expect that the current growth trend will continue into 1987 and that the strengthening of the price of raw goods will stimulate Western Canada's economy. These factors will generate interesting increases in profits. With interest rates stabilizing at a relatively low level and inflation remaining steady at roughly 4.5 %, consumers will reduce the portion of their disposable income allocated to savings. This will have a positive effect on the economy.

The economic environment will stimulate sales of our insurance products. However, for our Company, there is no doubt that the highlight of 1987 will be our merger with Alliance Mutual Life Insurance Company as well as the start-up of operations of Alliance-Industrial Financial Corporation.

This major step, which results from Industrial Life's desire to secure a strategic position within the marketplace, will help us to better meet our customers' changing requirements. Although the need for protection still exists, the population's increased wealth will spur sales of capital accumulation products for which the insured is willing to assume a greater portion of the investment risk.

Our main objective is still to satisfy our customers' protection needs. However, we will have to take into consideration the new environment where the demarcation line between protection levels and investment levels will fluctuate, given the trend towards financial product integration.

We feel that this keen competition will enhance the long-term security we provide as an insurance company as well as our institution's well-established reputation for sound product management.

André Charron, Q.C.
Chairman of the Board

In order to do so, we will have to optimize our distribution network, which is our main strength, and provide it with the tools and expertise it needs to adapt to these changes. More than ever, our profits will depend on our ability to increase the yield of our new and traditional investments and to hold in check our operating costs by continuing to look for economies of scale.

As Chairman of the Board of Industrial Life Insurance Company, I wish to thank all the Directors who have worked diligently for many years and who will continue to provide us with their expertise on the Board of Directors of the life insurance company or the financial corporation.

Industrial-Alliance Life Insurance Company is counting on the dedication and competence of all its personnel to guide it in the pursuit of its objectives and help it achieve even greater success in the future.

André Charron, Q.C.
Chairman of the Board

Nineteen eighty-six marked a turning point in the history of Industrial Life Insurance Company. At the beginning of the summer, Industrial Life's Board of Directors voted in favour of merging our Company with Alliance Mutual Life Insurance Company. The merger was a natural progression of the diversification program Industrial Life began in 1972 with the acquisition of two property insurance companies; this was followed two years later by the creation of I.S.T., a data processing services company, and, in 1982, by the purchase of The North West Life Assurance Company of Canada in Vancouver.

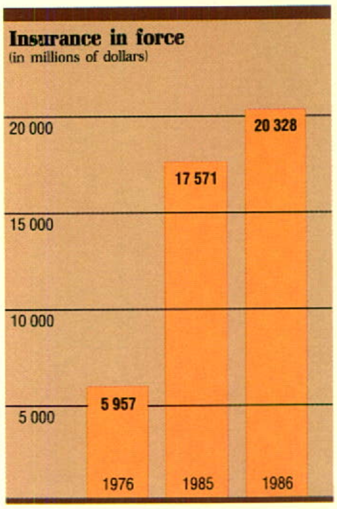
After receiving the approval of the appropriate government authorities and being ratified by the members of both companies in the fall, the merger took effect on January 1, 1987; it represents the happy ending to a carefully-considered process. In fact, Industrial Life had for sometime been on the lookout for business opportunities that would put it in a better position to meet the new challenges posed by this era of decompartmentalization of financial institutions and the deregulation of their activities. Moreover, at last September's special general meeting, during which our members gave the green light to the merger, I brought up the basic reasons why it seemed imperative to get off the beaten track; I described the overall context of the merger as follows:

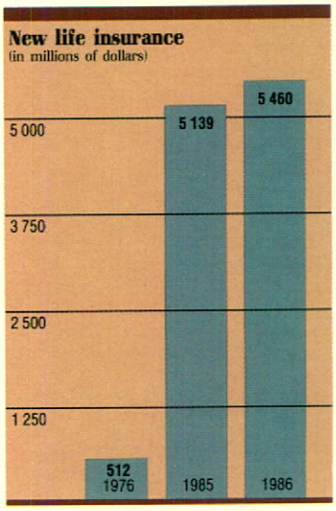
« In order to remain competitive and cost-effective in coming years, companies will also have to invest considerable sums in development programs. The justification of these investments rests in attempts to increase market shares and thus distribute costs over a larger base of products and sales. The fast pace of integration and deregulation of financial services has impacted the industry significantly and made these objectives inescapable ».

Furthermore, this merger obviously fits in with Industrial Life's past performance and direction. Since being founded in 1905, our Company has continued to grow at an ever-increasing rate. While it took Industrial Life until 1963, some 58 years, to reach its first billion dollars worth of insurance in force, it was only six years later that our total insured protection topped the $2 billion mark. And from 1970 onward, business grew at such a rate that by December 31, 1986 this figure had increased tenfold to $20.3 billion.

The addition of Alliance Mutual Life's insurance in force represents another spectacular advance, putting us still farther ahead of our Québec-based competitors. In fact, thanks to the merger with Alliance Mutual Life,

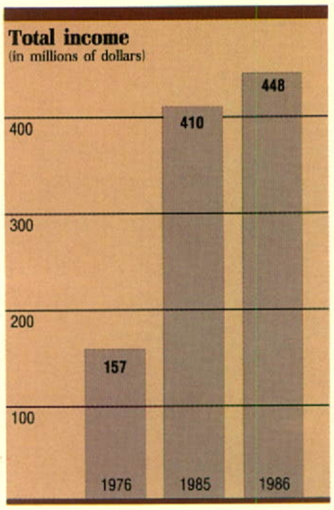
Robert Bégin, F.S.A.
President and Chief Executive Officer





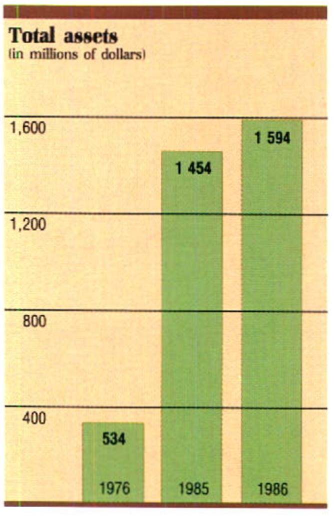
Industrial Life, which now operates under the name Industrial-Alliance Life Insurance Company, has increased its insurance in force by $8.1 billion. This is comparable to Industrial Life's growth for the past four years combined: insurance in force rose from $12.7 billion in 1982 to $20.3 billion in 1986, an increase of $7.6 billion. The merger with Alliance Mutual Life, a solidly-established company, was a logical continuation of Industrial Life's past history of progress.

Although the merger and the changes resulting from it are naturally the focus of our remarks in this report, we should not ignore the healthy financial results obtained during this historic year. First of all, total insurance in force increased by an impressive 15.7 % to reach $20 328 000 000 on December 31, 1986. This remarkable growth was due mainly to a 16.7 % increase in individual life insurance sales which surpassed 1985's record levels by $310 million for a total of $5 312 000 000 in insured protection. As for the total group life insurance in force, it increased by 10 % during the year, reaching $3 033 000 000. New business in group life insurance was $148 million, bringing total 1986 insurance sales to the unprecedented total of $5 460 000 000 in insured protection.



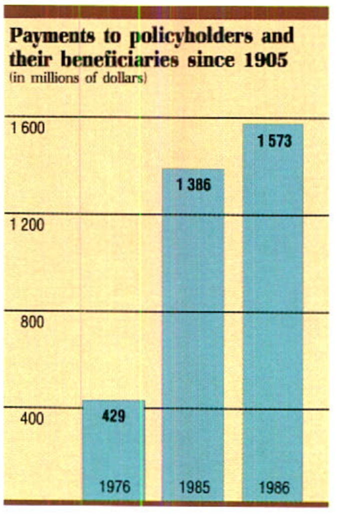
Moreover, at $448 million, total income was up a healthy 9.2 % compared with 1985. In this regard, it should be pointed out that premium income, which dropped slightly last year, rose 11.7 % to $287 443 000 in 1986. The upturn in premium income resulted mainly from the remarkable increase of 26.8 % in group annuity premiums and the 14.9 % improvement in group life insurance premiums.

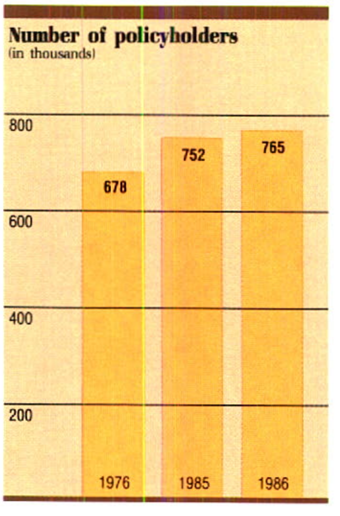
Industrial Life is also extremely pleased to report that net profits, after income taxes, for 1986 hit an all-time high at $19 987 000. Furthermore, these record profits were largely responsible for the 11.8 % increase in policyholders' equity; as of December 31, 1986, this figure stood at $202 131 000 and represented 12.7 % of the Company's total assets of $1 594 000 000.



The above figures provide a clear picture of the financial results for 1986, which marked a turning point in the development of Industrial Life. This brief overview shows without a shadow of a doubt that our Company continued to advance in 1986 and that its financial situation is more solid than ever. In fact, our Company's financial strength will propel it toward the new objectives to be reached following the merger with Alliance Mutual Life.

In short, prospects for the future are unlimited. Indeed, we intend to build our new future hand in hand with our current employees and we wish to thank them for their years of loyal and devoted service with Industrial Life. We hope that they will remain with us and share in the task of building Industrial-Alliance Life Insurance Company.





Robert Bégin

Robert Bégin, F.S.A.
President and
Chief Executive Officer

BOARD OF DIRECTORS

Ernest G. Ayers
President
Ayers Limited

Robert Bégin, F.S.A.
President and
Chief Executive Officer
Industrial Life
Insurance Company

Ronald C. Brown, Q.C.
Partner of Blake,
Cassels & Graydon,
Advocates

Pierre Brunet, C.A.
President and
Chief Executive Officer
Lévesque, Beaubien Inc.

André Charron, Q.C.
Chairman of the Board
Lévesque, Beaubien Inc.

Camille A. Dagenais
Consultant
Groupe S N C

G. Yves Landry, M.Sc.C.
General Manager,
(Import Operations)
Chrysler Motors
Corporation

***Jean Marier, LL.M.**
Partner of Stein,
Monast, Pratte & Marseille,
Advocates

David Morton, M.A.
President and
Chief Operating Officer
Alcan Aluminium Ltd.

J. Robert Ouimet
President and
General Manager
Ouimet Cordon-Bleu Inc.

P.-Émile Reinhardt, CFA
Vice-President and
General Manager,
Investments
Industrial Life Insurance
Company

J. Frank Roberts

Raymond Sirois, M.Sc.C.
Chairman of the Board,
President and Chief
Executive Officer
Québec Téléphone

* Secretary of the Board

BOARD COMMITTEES

Executive Committee
Robert Bégin —
Chairman
André Charron
Jean Marier
P.-Émile Reinhardt
J. Frank Roberts

Investment Committee
André Charron —
Chairman
Ernest G. Ayers
Robert Bégin
Ronald C. Brown
P.-Émile Reinhardt

Audit Committee
Raymond Sirois —
Chairman
Camille A. Dagenais
Jean Marier

Human Resources Committee
J. Frank Roberts —
Chairman
Pierre Brunet
G. Yves Landry

MANAGEMENT

André Charron, Q.C.
Chairman of the Board

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President and Chief Executive Officer

Yvon Côté, CFA
Vice-President and General Manager, Administration

Alex Langlois, F.S.A.
Vice-President and General Manager, Actuarial and Group

Normand Pépin, F.S.A.
Vice-President and General Manager, Marketing

P.-Émile Reinhardt, CFA
Vice-President and General Manager, Investments

Georges Smith, LL.L.
Vice-President and General Manager, Corporate Affairs

Paul-Émile Burelle
Vice-President, Sales, Combination Section

Marcel Dumas, F.S.A.
Vice-President, Sales, Ordinary Section

Michel Gauthier, B.Sc.Math.
Vice-President, Data Processing

Donald C. Harding
Vice-President, Sales, Ontario

Cyrille Jutras, F.S.A.
Vice-President, Actuarial Division

Robert Mailloux
Vice-President, Real Estate Investments

Rémi Normand, F.S.A.
Vice-President, Group Insurance and Pensions

Yvon Sauvageau, M.Sc.Econ.
Vice-President, Securities

Gaëtan Audet, C.L.U.
Director, Instruction Programs

Bernard Bazinet
Director, Branch Office Administrative Services

André Blais
Director, Claims, Group Insurance

Roger Blais, F.L.M.I.
Director, Life and Health Claims

André Blouin
Director, Claims, General Insurance

Pierre Blouin, L.Sc.Adm.
Superintendent, Sales

Clément Boivin, A.S.A.
Director, Group Insurance Underwriting

Roland Bonenfant
Director, Montréal Regional Administration Office

Andrée Brunet, B.Sc.Adm.
Director, Real Estate Development and Promotion

Yvon Charest, F.S.A.
Assistant Vice-President, Corporate Affairs

Paul-H. Chrétien, C.M.A.
Director, Accounting

Gilles Cloutier, B.Sc.A.
Director, General and Group Insurance Systems

Rodrigue Cloutier
Director, Supportive Administrative Services

Hervey Côté, C.L.U.
Superintendent, Sales

Réjean Devin, B.Sc.Phys.
Director, Technical Services and Production Control

Robert Dionne
Director, Québec Regional Administration Office

Raymond Donnelly
Senior Director, Regional Administration Offices

Jean Dorion, C.App.
Senior Director, Mortgage Loans

Gilles Duchesneau, M.B.A.
Senior Director, Individual Insurance Services

Louis Duclos, M.B.A.
Assistant Vice-President, Human Resources

Lucienne Forbes, LL.B.
Associate Legal Counsel

Jean-Guy Fortier, F.L.M.I.
Director, Policy Records and Premium Collection

Jean-Baptiste Fortin, F.L.M.I.
Director, Administration, Mortgage Loans

Valmont Garneau, B.Com.
Senior Director, Accounting Services

Jocelyne Gaudet
Director, Contracts, General Insurance

Laurent Gilbert
Director, Underwriting, Mortgage Loans

Jocelyne G. Gravel
Director, Underwriting, General Insurance

François Harvey, C.A.
Director of Internal Auditing

Marc Lalonde
Superintendent, Sales

Jean-Marc Lavoie, F.L.M.I.
Senior Director, Sales Personnel Remuneration

Yvon Lavoie, L.Sc.Adm.
Director, Individual Life Systems

Marcel Légaré, F.A.S.G.
Director, Real Estate Construction

Claude Lemieux
Director, Underwriting

André Marceau
Director, Sales Secretariat

Daniel Marceau, F.S.A.
Director, Actuarial Department

Bertin Michaud
Superintendent, Sales

Hermann Morissette, A.S.A.
Director of Taxation

Joe O'Farrell, C.M.A.
Senior Director, Personnel

René Paré, F.L.M.I.
Superintendent, Sales

Laurent Perreault, F.L.M.I.
Director, Administration, Group Insurance

Guy Pilote
Director, Policy Contracts, Individual Insurance

François Plante, B.Sc.Adm.
Superintendent, Sales

Sheila Quinn, F.S.A.
Actuary, Individual Insurance

Marc Renaud
Senior Director, Office and Supportive Administrative Services

Gaston Rivard
Director, Branch Office Administrative Services

Jacques Simard
Director, Sales Personnel Remuneration

Jacques Taché, LL.L.
Legal Counsel

Maureen Talifre
Director, Ontario Regional Office

Claude Tessier, B.Sc.A.
Assistant Vice-President, Real Estate

Raymond Tremblay, B.Com.
Senior Director, Marketing, Group Insurance

Michel Turcotte, F.S.A.
Senior Director, Group Pensions

Richard Watier, L.Sc.Adm.
Senior Director, Research and Development, Marketing

"Rue du Campanile" Ste-Foy
An Industrial Life achievement

INCOME

Year ended December 31, 1986
(in thousands of dollars)

INCOME	1986	1985
	$	$
Premiums	**287 443**	257 426
Net investment income (note 4)	**157 292**	149 711
Contributions to employees' pension fund	**3 273**	3 208
	448 008	410 345

APPROPRIATION OF INCOME		
Normal increase in actuarial reserve	**107 097**	115 937
Claims incurred	**187 851**	154 945
Dividends and group experience refunds	**5 839**	7 010
Interest credited to amounts on deposit	**729**	1 588
Commissions	**39 712**	40 392
Taxes, licences and fees	**3 413**	3 145
General expenses	**39 501**	34 549
Payments from and increase in employees' pension fund	**8 607**	8 003
Miscellaneous	**33 907**	23 013
	426 656	388 582
Net income before income taxes	**21 352**	21 763
Income taxes	**1 365**	2 465
Net income for the year	**19 987**	19 298

(in thousands of dollars)

APPROPRIATED SURPLUS (note 5)	**1986**	1985
	$	$
Balance at beginning	**32 051**	26 029
Changes in additional reserves	**4 533**	(1 184)
Changes in valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks	**3 958**	7 206
Balance at end	**40 542**	32 051

UNAPPROPRIATED SURPLUS		
Balance at beginning	**148 671**	128 817
Net income for the year	**19 987**	19 298
Changes in valuation of actuarial reserve	**(2 500)**	17
Transfer from (to) appropriated surplus for additional reserves	**(4 533)**	1 184
Non-amortizable capital gains (losses)	**(36)**	(645)
Balance at end	**161 589**	148 671

BALANCE SHEET
As of December 31, 1986
(in thousands of dollars)

ASSETS

INVESTMENTS	1986	1985
	$	$
Bonds (note 2)	**461 245**	471 664
Stocks (note 3)	**148 968**	114 644
Mortgage loans	**672 135**	603 071
Real estate (note 8)	**87 686**	49 787
Policy loans	**19 672**	21 316
Term deposits and cash	**49 794**	28 255
Subsidiaries (note 6)	**60 087**	85 155
	1 499 587	1 373 892

OTHER ASSETS		
Investment income due and accrued	**19 430**	19 435
Outstanding premiums	**5 057**	5 738
Amounts receivable	**1 540**	1 184
Income taxes recoverable	**1 172**	—
Miscellaneous (note 9)	**10 698**	2 913
Segregated funds	**56 751**	50 883
	94 648	80 153
	1 594 235	1 454 045

On behalf of the Board: André Charron, Director
Robert Bégin, Director

LIABILITIES

ACTUARIAL LIABILITIES	1986	1985
	$	$
Actuarial reserve (note 7)	**1 212 323**	1 102 727
Provision for dividends and group experience refunds	**5 013**	5 844
Provision for unreported claims	**7 916**	7 897
Employees' pension fund	**47 714**	42 382
	1 272 966	1 158 850

OTHER LIABILITIES		
Amounts on deposit	**21 841**	23 764
Premiums paid in advance	**8 982**	6 560
Other contractual liabilities	**3 166**	3 547
Unsettled claims	**3 013**	5 775
Accounts payable and accrued expenses	**10 563**	7 237
Bank overdrafts and loans	**1 550**	2 434
Income taxes payable	**—**	2 945
Miscellaneous	**13 272**	11 328
Segregated funds	**56 751**	50 883
	119 138	114 473

POLICYHOLDERS' EQUITY		
Surplus — appropriated (note 5)	**40 542**	32 051
— unappropriated	**161 589**	148 671
	202 131	180 722
	1 594 235	1 454 045

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with rules and accounting principles generally accepted in the field of life insurance and with the requirements of the Québec Act respecting Insurance, mainly:

- Income taxes are provided for on a "taxes payable" basis;
- Realized gains and losses on disposal of stocks and bonds as well as unrealized gains and losses on stocks are recorded in the appropriated surplus account and amortized to operations on a straight-line basis over a period of 10 years.

2. BONDS

Bonds are carried at cost, adjusted by amortization of premiums and discounts.

	1986	1985
	$	$
Cost after amortization	**461 245 010**	471 664 135
Market value	**521 462 260**	522 652 704

3. STOCKS

Stocks are carried at their market value, as required by the Québec Act respecting Insurance.

	1986	1985
	$	$
Market value	**148 967 565**	114 644 078
Cost	**121 500 103**	87 570 694

4. NET INVESTMENT INCOME

Investment income is shown net of related expenses of $12 461 615 ($11 037 234 in 1985). Furthermore, it includes a variation of $2 057 258 in the book value of subsidiaries' stocks ($1 393 525 in 1985).

5. APPROPRIATED SURPLUS

	1986	1985
	$	$
Additional reserve for interest deficiency under unregistered individual flexible premiums contracts	**404 282**	—
Additional reserve for negative reserves	**17 866 276**	15 067 424
Reserve for fluctuations in market value of investments	**15 235 000**	13 904 440
Valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks	**7 036 612**	3 078 999
Appropriated surplus	**40 542 170**	32 050 863

6. SUBSIDIARIES (Investments in subsidiaries are detailed as follows:)

	Value	**Variation in book value of stocks**
At equity value		
	$	$
Industrial Life-Technical Services Inc.	**12 497 671**	(2 030 889)
Cogena (1980) Inc.	**1 289 430**	34 312
The Equitable General Insurance Company	**8 841 631**	318 171
Industrial General Insurance Company	**4 231 483**	47 282
Industrial Life, Real Estate Services Inc.	**74 923**	20 366
Industrial Life, Management Company Inc.	**27 253 930**	3 547 054
2312-9653 Québec Inc.	**—**	120 962
At cost		
2325-1044 Québec Inc.	**3 397 803**	—
2421-8661 Québec Inc.	**2 500 010**	—
	60 086 881	2 057 258

During the year, Industrial Life purchased 2312-9653 Québec Inc. and this transaction was recorded according to the purchase method. By subsequently liquidating this subsidiary as well as subsidiary 2170-5835 Québec Inc., Industrial Life became the owner of the "Maison IST" at a cost of $28.9 million and joint owner of the "Industrial Life Tower" for $27.5 million.

7. ACTUARIAL RESERVE
As of December 31, 1986, the actuarial reserve, calculated under the net level premium method, amounts to $ 1 296 189 583. Deferred acquisition expenses in the amount of $ 83 866 396 have been deducted, leaving a net reserve of $ 1 212 323 187.

8. REAL ESTATE

	Cost	Accumulated depreciation	Net value 1986	Net value 1985
	$	$	**$**	$
Real estate held for investment	134 762 981	5 779 566	**128 983 415**	68 392 542
Related mortgage debts	47 320 601	—	**47 320 601**	24 070 823
	87 442 380	5 779 566	**81 662 814**	44 321 719
Repossessed properties	334 316	—	**334 316**	105 747
Head Office building	8 102 839	2 413 388	**5 689 451**	5 359 731
	95 879 535	8 192 954	**87 686 581**	49 787 197

Depreciation is principally computed on a sinking fund basis.

Depreciation for the year is $ 854 623 ($ 742 062 in 1985).

Industrial Life has offered one of its partners in a subsidiary the option of purchasing, before January 1, 1988, a 20 % joint ownership interest in the "Maison IST" at the original cost.

9. MISCELLANEOUS ASSETS

	Cost	Accumulated depreciation	Net value 1986	Net value 1985
	$	$	**$**	$
Equipment for resale	38 178	—	**38 178**	—
Furniture	6 588 276	2 854 146	**3 734 130**	1 729 567
	6 626 454	2 854 146	**3 772 308**	1 729 567
Balance of selling price of buildings	—	—	**2 913 575**	—
Prorata share of assets held in joint ownership	—	—	**2 811 473**	—
Advances to agents	—	—	**1 200 086**	1 183 734
			10 697 442	2 913 301

Depreciation is principally computed on a diminishing balance basis at annual rates of 20 % and 30 %.

Depreciation for the year is $ 923 259 ($ 532 401 in 1985).

10. RELATED PARTY TRANSACTIONS
In the normal course of business, the Company entered into certain transactions with its subsidiaries. In 1986, such purchases of services amounted to $ 5 485 951 ($ 5 142 075 in 1985) while the sum of $ 3 197 807 ($ 3 261 583 in 1985) was recovered from the subsidiaries as their portion of the administrative and financial expenses. As at December 31, 1986, a balance of $ 461 890 remains owing to the Company under this item.

11. EVENT SUBSEQUENT TO THE DATE OF THE BALANCE SHEET
On January 1, 1987, Industrial Life and Alliance Mutual Life Insurance Company merge their operations to form Industrial-Alliance Life Insurance Company. Moreover, several subsidiaries of the new company will be grouped under the umbrella of Alliance-Industrial Financial Corporation.

VALUATION ACTUARY'S REPORT

I have made the valuation of the actuarial liabilities of Industrial Life Insurance Company for the purpose of its balance sheet as of December 31, 1986, and its statement of income for the year then ended. In my opinion,

i) the valuation conforms to the Recommendations of the Canadian Institute of Actuaries for Insurance Company Financial Reporting;

ii) the amounts for actuarial liabilities make proper provision for the future payments under the Company's contracts;

iii) proper charges have been made in the statement of income, and

iv) the amount of surplus appropriated for policies whose reserves are negative is proper.

Sheila Quinn

Sheila Quinn, F.S.A. — Québec, February 6, 1987.
Valuation Actuary

AUDITORS' REPORT

We have examined the statements of income and surplus of Industrial Life Insurance Company for the year ended December 31, 1986, and its balance sheet at that date. We have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances; we have relied on the opinion of the Company's Valuation Actuary, formulated in her report joined to the financial statements, as to the amount of the actuarial liabilities.

In our opinion and according to the opinion of the Valuation Actuary, according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the results of operations of the Company for the year ended December 31, 1986, and a true and correct view of the state of its affairs at that date in accordance with the accounting principles described in note 1, applied on a basis consistent with that of the preceding year.

Samson Bélair
Chartered Accountants — Québec, February 6, 1987.

MANAGEMENT'S REPORT

The financial statements of Industrial Life Insurance Company and the financial information contained in this Annual Report are the responsibility of the Company's Management and have been approved by the Board of Directors. These financial statements have been prepared in accordance with the accounting principles described in the accompanying notes and, in certain cases, contain amounts based on best judgment and estimates.

The Company employs an adequate system of internal controls and auditing, within acceptable cost limits. The purpose of these mechanisms is to provide a reasonable degree of certainty that financial transactions are properly recorded and executed with the required authorizations, that the financial statements are properly prepared and assets well protected.

The Board of Directors carries out its responsibility in regard to the financial statements contained in this Annual Report primarily through its Audit Committee. This Committee is made up exclusively of Directors from outside the Company and meets periodically with Management and the internal and external auditors. The latter may, as they see fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

On behalf of Management,

Robert Bégin

Robert Bégin, F.S.A. — Québec, February 23, 1987.
President and
Chief Executive Officer

Located at 1611 Crémazie Blvd. East, Montréal, the "Maison IST" is an "intelligent" building specially designed to accomodate IST's operations.

I.S.T. and COGENA
Condensed Consolidated Financial Statements as of November 30, 1986

INCOME	IST	COGENA
	$	$
Data processing services	41 324 485	1 876 624
Management and consulting fees	6 432 572	9 111
Other income	6 849 193	105 791
	54 606 250	1 991 526
Operation	43 177 688	1 459 921
Depreciation	7 112 671	73 733
Financial expenses	2 657 639	386 981
	52 947 998	1 920 635
Net income before extraordinary items, minority interests and income taxes	1 658 252	70 891
Income taxes	(961 451)	(29 137)
Extraordinary items	(2 309 703)	29 137
Minority items	(53 709)	—
Net income (loss)	(1 666 611)	70 891

BALANCE SHEET		
Current assets	13 021 961	412 671
Fixed assets	11 745 222	41 789
Investments	—	5 398 323
Other assets	11 887 161	—
Total assets	36 654 344	5 852 783
Current liabilities	8 551 242	671 444
Current portion of long-term debt	3 888 544	—
Long-term liabilities	17 186 605	3 569 551
Capital stock	14 476 873	2 000 100
Deficit	(7 448 920)	(388 312)
Total liabilities and equity	36 654 344	5 852 783

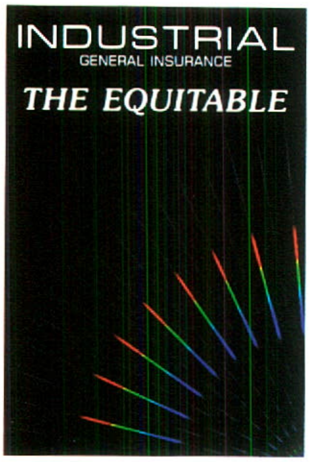
INCOME

	$
Premiums	44 923 768
Net investment income	39 673 547
	84 597 315
Claims incurred	52 028 757
Increase in actuarial reserve	21 642 256
Commissions	3 276 805
Administrative expenses and taxes	5 906 676
Income taxes	161 457
	83 015 951
Net income before extraordinary items	1 581 364
Write down and losses on sales of investments	(1 176 348)
Change in valuation basis of actuarial reserve	2 776 795
Gain due to change in book rates of exchange	366 720
Net income	3 548 531

BALANCE SHEET

Bonds	88 427 260
Stocks	6 052 208
Mortgage loans	206 433 597
Policy loans	39 883 072
Term deposits	25 730 654
Other assets	24 568 059
Total assets	391 094 850
Actuarial liabilities	325 930 780
Other liabilities	37 943 228
Capital stock	11 767 082
Retained earnings	15 453 760
Total liabilities and equity	391 094 850

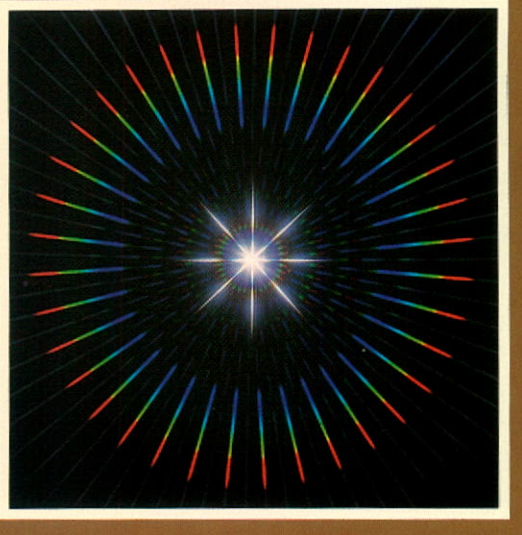
INDUSTRIAL GENERAL and THE EQUITABLE
Condensed Financial Statements as of December 31, 1986



INCOME	INDUSTRIAL GENERAL	THE EQUITABLE
	$	$
Net earned premiums	8 693 044	16 677 821
Net investment income	811 076	1 343 771
	9 504 120	18 021 592
Claims and expenses	6 110 977	11 438 865
Commissions	1 486 457	2 946 523
Administrative expenses and taxes	2 057 351	3 425 336
Income taxes	(197 947)	(107 303)
	9 456 838	17 703 421
Net income	47 282	318 171

BALANCE SHEET		
Bonds	3 423 045	5 304 402
Stocks	4 679 658	11 971 000
Term deposits	495 475	2 346 937
Other assets	2 204 597	4 877 368
Total assets	10 802 775	24 499 707
Unsettled claims	1 706 965	4 380 597
Unearned premiums	4 198 744	10 001 264
Other liabilities	665 583	1 276 215
Capital stock	1 000 000	1 000 000
Retained earnings	3 231 483	7 841 631
Total liabilities and equity	10 802 775	24 499 707

Alliance
Mutual Life



1986

Alliance Mutual Life
680 Sherbrooke Street West
Montréal, Québec
H3A 2S6

The year 1986 will go down in the history of Alliance Mutual Life Insurance Company as a crucial year. The major change, which occurred at midyear, in the Company's structure and orientations modified both the course and the dimension of our mutual. A merger agreement was approved by the Board of Directors on June 30, 1986 and subsequently by the members during a special general meeting last September.

Formerly known as Alliance Nationale and most recently as Alliance Mutual Life Insurance Company, the Company has now become Industrial-Alliance Life Insurance Company as a result of the merger with Industrial Life. It is still a mutual but its charter is now under Québec jurisdiction.

For the past several years, our Company had been planning to diversify and was ready to brave what nowadays is called "integration" or "deregulation." The Management and Directors had seriously considered the purchase of companies that might complement our diversification. The merger with Industrial Life Insurance Company marks the successful outcome of this process.

During the next few months, Alliance Mutual Life and Industrial Life will be making major changes in their respective environments, for the sole purpose of paving the way for a new and larger insurance company which will optimize service to customers and maximize their already strong financial security.

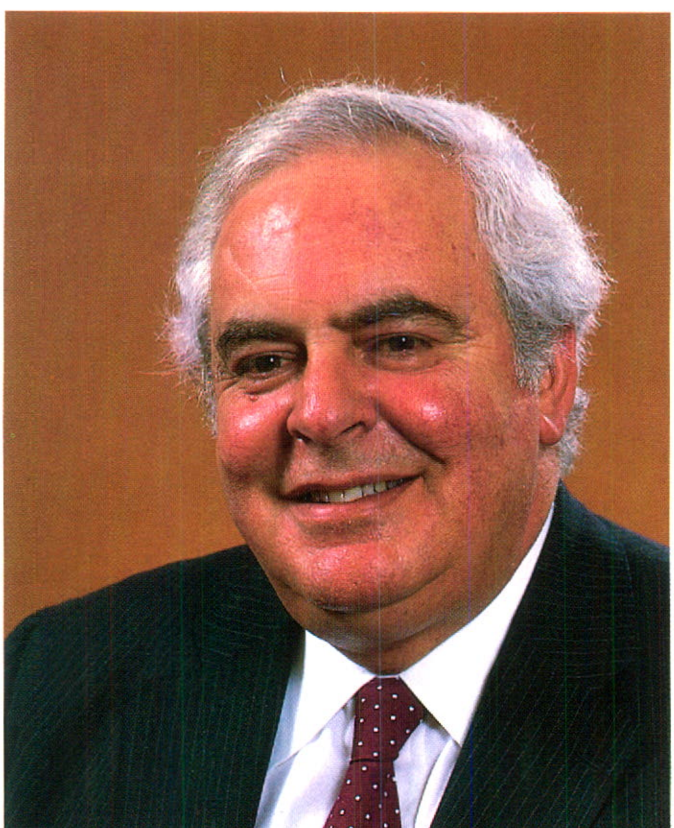
Therefore, it is with a tinge of sadness that we are presenting the last financial report of Alliance Mutual Life. We are pleased with the results obtained during the 1986 fiscal year. We succeeded in maintaining our operating costs within reasonable limits, although the operating income could have been more favorable if the results posted in claims, in particular death claims, had been better.

Assets
Company assets at December 31, 1986, exceeded the $793 million mark. The $94 million increase obtained during the year represents a 13.4 % growth rate.

Analysis of the balance sheet clearly shows that investments were made primarily in mortgage loans and stocks.

The decrease in interest rates during the year and the steady gap in the rate of return between bonds and mortgages proved favorable for these investment vehicles. As a result, the mortgage loan portfolio increased by over 31 % during the year.

As regards stocks, we have promoted, over the last few years, aggressive investment programs that will generate considerable capital gains. In 1986, our investments yielded over $13 million. The Company's investment in the authorized capital stock of General Trustco of Canada is roughly 30 %. The overall increase in the stock portfolio is 27 %.



Jean Denis Vincent
President and Chief Executive Officer

Finally, the "Pooled and segregated investment funds" item increased by \$23.5 million, that is by 33 %.

Other assets items posted normal results, including "Other" items in which are added each year the investments in office automation, data processing and the redesign of the office environment.

Policy reserves
Policy reserves, the main liability item, stood at \$533 million. The Valuation Actuary indicates in his report that, given the insurance premiums payable and future interest income, these reserves make appropriate provision for the Company's policy obligations.

Surplus
The surplus provides the members of the mutual company, who are already protected by the policy reserves, with an additional safety margin. It also allows Management to take advantage of profitable business opportunities that are necessary to further the Company's strategic development without endangering its financial soudness.

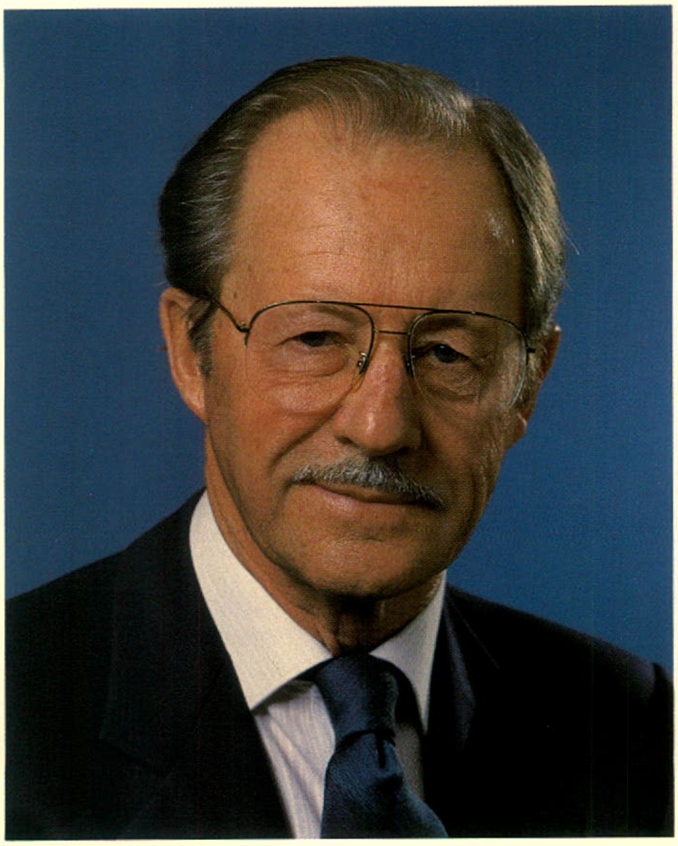
The surplus stands at \$80 million, that is a 4.8 % increase over 1985. The increase in surplus was affected by a \$2 680 837 transfer to the policy reserves. This transfer was required in order to comply with a note sent by the Department of Insurance of Canada to the Valuation Actuaries of life and health insurance companies.

On January 1, 1987, our Company merged with Industrial Life Insurance Company under the terms of the Québec Act respecting Insurance. The policyholders' equity, calculated according to the regulation respecting the application of this Act, stands at \$114 million.

Income
Income from all sources totalled \$207 million in 1986, compared with \$176 million a year earlier.

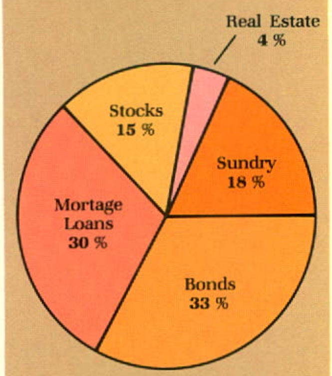
Premium income increased by 19.2 %, since we were very active in the segregated pension fund sector. Investment income, net of related costs, increased by 14.8 %.

Sectorial contribution to premium income
In the life and health insurance sector, the customers' predilection for financial products remained quite high. An example of this trend is the increasing sales of "Universal Life" type products and individual savings plans. Whole life sales decreased as compared with last year while term insurance posted a strong increase during the year.

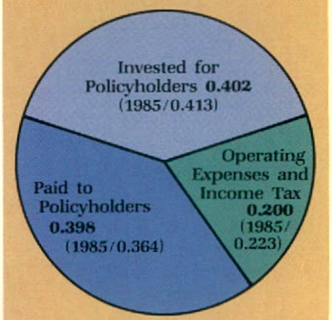


Hervé Belzile, F.C.A.
Chairman of the Board

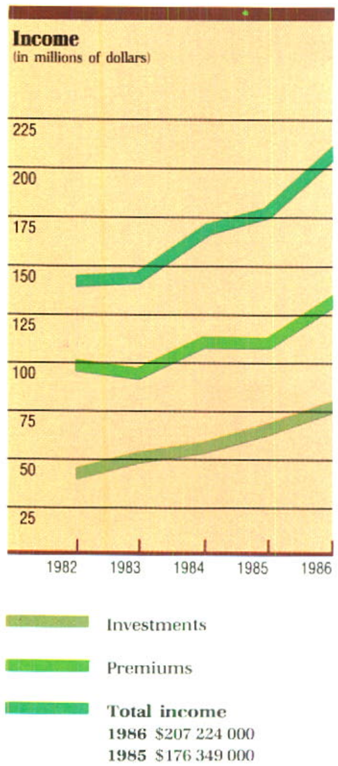
Allocation of Assets



Application of the Dollar



Source of the dollar
Premiums from policyholders: 0,634
Net earnings on investments: 0,366



In the group life and health insurance sector, the market was rather slow during 1986. Consequently, competition was quite stiff because few of the larger groups requested quotations. However, this stability favored contract persistency.

Individual insurance

1) Premium income totalled $36.4 million, a 4,6 % increase over 1985;

2) The Universal Life contribution to total individual insurance premiums collected increased to 28 % in 1986, up from 22 %;

3) Renewal premiums increased by 7 %, a higher rate of increase than in 1985. This is an encouraging sign.

Group life and health insurance

1) Premium income is slightly over $38 million, that is a 10.2 % increase over 1985;

2) The new business produced by Standard Life/Alliance Mutual Services stood at $15 million in annualized premiums;

3) The in force group life insurance premiums exceeded the $15 million mark while those for group health insurance stood at $45 million, a 9.95 % increase over 1985.

Individual and group annuities

1) Premiums from this source totalled $42.5 million, a 10.8 % increase over 1985. These results do not include segregated pension funds;

2) The individual annuity sector posted excellent results, that is $24.7 million as compared with $16.6 million in 1985, thanks to sales of our new Retirement savings plan (RSP). However, the results were moderated because of decreased annuity sales. The aggregate increase was 24 %;

3) The picture of the group annuity sector is as follows:

a) higher sales of our group registered retirement savings plans and of segregated pension funds,

b) downturn in the insured annuity sector,

c) decrease in the growth of the deposit administration funds which had a positive effect on the new group RSPs and segregated pension funds.

To summarize, the marketing of new insurance products and individual annuities as well as the necessary changes made to certain products, namely in group annuities, helped offset the slowdown recorded in the sale of traditional products, that is whole life and insured pension plans, and produced a satisfactory overall increase in premium income.

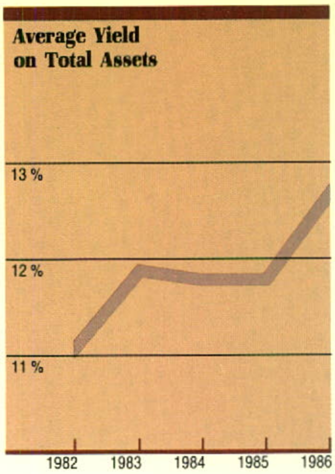
Investment income

The annual and continued growth in the sale of financial products is fueling competition among financial services companies which are trying to attract a larger share of consumer savings.

This creates the need to adopt an investment policy that is dynamic and that ensures the diligent and skillful management of our portfolios. Our great variety of products and the segregated funds we administer, lead us to practice a type of segmentation of our investments which better takes into consideration the interests and objectives of each product and fund.

Funds invested by our investment services in 1986 totalled $246 million, broken down as follows:

- 71 % in fixed income investments for an average yield of 10.58 %;
- 29 % in variable yield investments.



Aggregate investment income stood at $75.9 million, a 14.7 % increase over 1985. Profits from the sale of shares was $13 million and, due to accounting methods that are particular to federally-chartered insurance companies, these profits are accounted for in the investment income at the rate of 15 % per year.

The average rate of return on assets was 12.71 % as compared with 11.80 % in 1985. These results are interesting given that interest rates decreased steadily during the year.

Our determination to achieve each year a higher volume of sales in a market where competition is becoming increasingly stiffer, coupled with the need to achieve a rate of return which stacks up well against that of other financial institutions, must not lead us to ignore the quality and security of our investments. This is the golden rule that our Directors have decided to follow and that Management has undertaken to respect.

Payments to policyholders and their beneficiaries

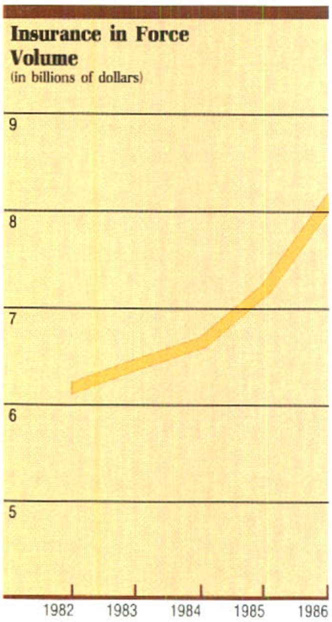
Policyholders and their beneficiaries received a total of $82.4 million in benefits during the year, that is a 28.7 % increase over 1985 results which were 4 % lower than in 1984.

The proportion between death claims and the total volume of in force insurance was greater than it had been in the last 10 years, particularly in the individual insurance sector. It is rather surprising that this phenomenon occurred simultaneously in individual and in group insurance. If the results for 1986 had been normal, as past results, our operating income would have increased by $2.5 million.

The cash surrender values seem to indicate that the 1986 results were poor since they exceed the 1985 results by 30.9 %. However, this is not the case. The individual insurance cash surrender values decreased by 22 % as compared with 1985. There was roughly $81.5 million in retirement savings plans, which were issued in 1981, that were maturing; 95.7 % were renewed and the remaining $3.5 million boosted the 1986 figures without posting corresponding results for 1985. Finally, in 1986, the internal transfer of assets to the segregated funds were considerable as compared with the previous year, so that, notwithstanding these transfers, the increase in the cash surrender values would have been 10.98 %.

The group health insurance sector was also hard hit. The number of claims increased considerably while the average amount of settlements decreased by roughly 11 %. This seems to indicate that insureds are now submitting claims more quickly. The items which were more seriously affected by this situation were long-term disability income benefits, medication and hospitalization.

To summarize, the accounting of claims points to a situation which seems dramatic while the sectorial analysis points to a different conclusion. We could go so far as to say that the high number of requests for death and health care settlements justifies even more the social purpose of life and health insurance.



1986	$8 092 342 000
1985	$7 181 282 000

Expenses
Total sales and administration expenditures were $42.5 million, that is 7.7 % higher than in 1985. Commissions, salaries and fringe benefits represented 57 % of total expenses and increased by 6.1 % over 1985.

The requirements of each sector are quite high. However, given the absolute necessity to maintain profitability, we must concentrate our efforts on essential needs and postpone those which are only useful. Therefore, we have cut down the growth rate of our expenses which currently stands at 14 %.

Net profit
The net profit of the Company for 1986 reached $6 409 088 as compared with $8 925 136 for 1985. We have already mentioned that, had we posted normal results in death benefits, we easily could have added $2.5 million in profits for 1986. Secondly, since the amount of dividends and experience refunds payable to the insureds remained the same as in 1985, 52 % of our operating income was paid to insureds as compared with 39 % for the previous year. Finally, the calculation of taxes according to the tax payable basis generated a fiscal advantage of $1 036 000 which was added to the income before income taxes.

Board of Directors
The Chairman of the Board, the President and all the members of top management have known the Directors to be always vigilant and very concerned with dedicating their experience and good judgment to the attainment of corporate objectives. It must be mentioned that, this year, Board members took the ultimate decision when they recommended to the members of the mutual to approve the by-law to merge with Industrial Life Insurance Company. Gentlemen of the Board, we salute you and sincerely thank you.

We especially wish to thank Mr. Charles E. Demers who is stepping down from the Board since he is bound by our by-laws which dictate retirement age. We were fortunate to benefit from his sound advice, foresight and constant support ever since he was elected to the Board in 1969.

Conclusion
We wish to thank, in all sincerity, the Directors and Management of the Company as well as each and every employee of Alliance Mutual Life.

Each of you who worked or who are working with us have helped to shape our Company, each one in his own way and according to his means. Although it may seem that the merger has dimmed the unique character of Alliance, we know that it will continue to shine within the new company. At the dawn of this new era, we hope that all those who will continue their journey with us will find personal satisfaction and fulfillment within the fold of Industrial-Alliance Life Insurance Company.

Hervé Belzile

Hervé Belzile, F.C.A.
Chairman of the Board

J. D. Vincent

Jean Denis Vincent
President and
Chief Executive Officer

BOARD OF DIRECTORS

Jean A. Béliveau, O.C.
Senior Vice-President,
Corporate Affairs
Club de Hockey Canadien
Inc.

Hervé Belzile, F.C.A.
Chairman of the Board
Alliance Mutual Life

Marc Bourgie
Chairman of the Board and
Chief Executive Officer
Urgel Bourgie Ltd.

J. Marcel Boyer, C.A.
Executive Vice-President
Alliance Mutual Life

Marcel Cazavan, F.C.A.
Chairman of the Board
General Trust of Canada

Charles-E. Demers, Eng.
President
Komo Construction Inc.

Jean Deschamps
President and General
Manager
Olympic Installations
Board

André Dion, C.A.
President and General
Manager
Groupe RO-NA

Marie-Josée Drouin
General Manager
Hudson Institute of
Canada Inc.

Reginald K. Groome, O.C.
Chairman of the Board and
President
Hilton Canada Inc.

Norman D. Hébert
President and General
Manager
Park Avenue Chevrolet,
Oldsmobile, Cadillac Inc.

Roger Lachapelle
President and Chief
Executive Officer
Corby Distilleries Limited

Pierre Laurin, O.C.
Vice-President,
Development
Aluminium Company of
Canada Ltd.

Jean Denis Vincent
President and Chief
Executive Officer
Alliance Mutual Life

BOARD COMMITTEES

Executive Committee
Jean Denis Vincent —
Chairman
Hervé Belzile
Marcel Cazavan
Norman D. Hébert
Roger Lachapelle
Pierre Laurin

Investment Committee
Hervé Belzile —
Chairman
Marc Bourgie
J. Marcel Boyer
Marcel Cazavan
André Dion
Jean Denis Vincent

Human Resources Committee
Roger Lachapelle —
Chairman
Reginald K. Groome
Pierre Laurin

Audit Committee
Reginald K. Groome —
Chairman
Jean A. Béliveau
Hervé Belzile
Jean Deschamps
Marie-Josée Drouin

Clément Beaulieu, B.A. (Econ.)
Vice-President, Marketing, Individual Insurance

Adrien Bordua, LL.L.
Vice-President, Secretary and General Counsel

J. Marcel Boyer, C.A.
Executive Vice-President

Jacques Dumont, CFA
Vice-President, Finance

Maurice Germain, F.S.A.
Vice-President, Actuarial Services

Jacques Laverdure, C.A.
Vice-President, Investments

Jacques Lorange, C.A.
Vice-President, Control

André Mailhot, LL.L.
Vice-President, Administration

Léon Mondoux, F.S.A.
Vice-President and Actuary

Daniel Bannon, A.S.A.
Sales Coordinator, Group Annuities

Lauréat Boily
Interim Administrative Manager, Securities Portfolio

Raymond Boisvert
Systems Operations Coordinator

Jean-Pierre Boutin, I.R.C.
Human Resources Manager

Danielle P. Braconnier
Communications and Public Relations Manager

Gaétan Chalifoux, C.G.A.
Chief Accountant, General Accounting

Jean Champagne, C.App.
Mortgage Loans Manager

Ronald Comeau
Superintendent, Les Immeubles Alliance Ltée

Normand Corbeil, L.Sc.Comm.
Securities Portfolio Manager

Pierre-Paul Cournoyer, F.L.M.I.
Administrative Assistant, Marketing

Pierre Desbiens, A.S.A.
Marketing Manager, Individual Insurance

Claude E. Dufresne
Manager, Internal Audit and Data Security Services

Claude Frappier
Director, Segregated Pension Funds Development

Marcel Gagné, F.S.A.
Manager, Group Pension Actuarial Services and Administration

Normand Gour, F.S.A.
Actuarial Assistant, Individual Insurance

Jacques Haine, F.L.M.I.
Systems and Methods Manager

Madeleine Jacob, D.D.N.
Notary and Legal Manager, Mortgage Loans

Richard Lauzon
Manager, New Business

Georges Marcotte
Superintendent of Agencies

Jean-Pierre Papineau, C.L.U.
Customer Services Manager

Marc Pelletier
Manager, Training Department, Marketing

Valère Pelletier, C.S.A.
Data Systems Manager

Yves Piette, M.D.
Medical Director

Stéphane Rivard, LL.L.
Assistant General Counsel

Pierre St-Germain, C.L.U.
Brokerage Manager

Richard St-Laurent, C.A.
Accounting Practices Manager

Pierre Simard, A.S.A.
Senior Auditor

Doris Therrien, B.Sc.Math.
Systems Development Coordinator

Gilles Turgeon
Marketing Manager, Individual Annuities

TOUR A, Place Val-des-Arbres
1600 St-Martin Blvd. East
Laval, Québec
H7G 4R8

HIGHLIGHTS

	1986	1985	
	$	$	%
Premium income:			
Individual insurance	**36 406 000**	34 817 000	+4.6
Individual and group annuities*	**42 529 000**	38 394 000	+10.8
Group life and health insurance	**38 030 000**	34 500 000	+10.2
Net investment income	**75 931 000**	66 218 000	+14.8
Total income	**207 224 000**	176 349 000	+17.5
Payments to policyholders and beneficiaries	**82 490 000**	64 102 000	+28.7
Insurance in force	**8 092 342 000**	7 181 282 000	+12.7
Assets	**793 369 000**	699 758 000	+13.4
Surplus	**80 819 000**	77 091 000	+4.8
Dividends to policyholders	**5 835 000**	5 701 000	+2.4
Net profit	**6 409 000**	8 925 000	−28.2
Average rate of return on investments	**12.71 %**	11.80 %	

* Excluding segregated pension funds

CONSOLIDATED BALANCE SHEET
As of December 31, 1986

ASSETS	1986	1985
	$	$
Bonds and debentures	**259 313 565**	280 987 429
Preferred and common stocks	**115 637 664**	91 051 496
Mortgage loans	**234 135 657**	178 542 745
Real estate	**27 768 467**	26 378 651
Loans on policies	**18 470 047**	19 095 567
Cash and term deposits	**10 028 502**	4 114 296
Premiums in course of collection	**6 115 889**	4 626 736
Investment income, due and accrued	**10 445 784**	11 232 900
Amounts receivable	**3 716 491**	3 333 771
Other assets	**13 867 329**	10 092 192
Pooled and segregated investment funds	**93 869 899**	70 302 653
	793 369 294	699 758 436

LIABILITIES		
Policy reserves	**533 101 908**	471 096 958
Policy claims in course of settlement and provision for unreported claims	**7 400 762**	6 609 163
Amounts left on deposit by policyholders and accrued interest	**30 264 142**	29 314 521
Provision for dividends to policyholders	**7 086 346**	7 287 817
Sundry deposits	**2 509 795**	2 252 944
Mortgage payable, 9 %, maturing in 1996	**9 294 951**	9 394 911
Accounts payable and sundries	**4 591 161**	4 625 370
Staff pension and insurance funds	**26 816 468**	23 958 706
Pooled and segregated investment funds	**91 484 778**	68 127 314
	712 550 311	622 667 704

POLICYHOLDERS' EQUITY		
Appropriated surplus	**25 319 163**	28 000 000
Unappropriated surplus	**55 499 820**	49 090 732
	80 818 983	77 090 732
	793 369 294	699 758 436

The accompanying notes are an integral part of the consolidated financial statements.

Signed on behalf of the Board of Directors,

Hervé Belzile, F.C.A.
Jean Denis Vincent

INCOME	1986	1985
	$	$
Premiums	131 292 735	110 130 983
Investment income, net of related expenses	75 931 747	66 218 113
Total income	207 224 482	176 349 096

EXPENSES		
Benefits and claims:		
Death	18 056 897	13 639 294
Health insurance and other benefits	32 604 206	24 895 829
Cash surrender values	25 993 790	19 865 263
	76 654 893	58 400 386
Increase in policy reserves	59 324 113	60 682 077
Transfer to pooled and segregated investment funds	17 518 473	3 265 546
	153 497 479	122 348 009
Other expenses:		
Commissions, salaries and employee benefits	24 201 777	22 812 997
General expenses	11 093 569	9 722 834
Financial expenses	5 954 610	5 606 691
Taxes on premiums	1 269 032	1 323 846
	42 518 988	39 466 368
Total expenses	196 016 467	161 814 377

NET INCOME		
Operating income before dividends to policyholders	11 208 015	14 534 719
Dividends to policyholders	5 834 927	5 701 470
Income before income taxes	5 373 088	8 833 249
Income taxes	(1 036 000)	—
Income before minority interest in the subsidiaries	6 409 088	8 833 249
Minority interest in the subsidiaries	—	(91 887)
Net income	6 409 088	8 925 136

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF APPROPRIATED SURPLUS

For the year ended December 31, 1986

	1986	1985
	$	$
Balance, beginning of year:		
As previously reported	**28 000 000**	28 000 000
Changes in policy reserves (note 4)	**2 680 837**	—
As restated	**25 319 163**	28 000 000
Transfer among appropriated surplus:		
Consolidation of cash values and certain other policy reserves	**(93 554)**	681 854
Investment valuation	**400 000**	200 000
Miscellaneous assets valuation	**2 145 569**	2 266 985
Contingencies	**(2 452 015)**	(3 148 839)
	—	—
Balance, end of year	**25 319 163**	28 000 000
The appropriated surplus at the end of year is as follows:		
Consolidation of cash values and certain policy reserves	**9 091 455**	9 185 009
Investment valuation and currency	**7 200 000**	6 800 000
Miscellaneous assets valuation	**7 806 672**	5 661 103
Contingencies	**1 221 036**	6 353 888
	25 319 163	28 000 000

CONSOLIDATED STATEMENT OF UNAPPROPRIATED SURPLUS

For the year ended December 31, 1986

	1986	1985
	$	$
Balance, beginning of year	**49 090 732**	40 165 596
Net income	**6 409 088**	8 925 136
Balance, end of year	**55 499 820**	49 090 732

The accompanying notes are an integral part of the consolidated financial statements.

SOURCE OF FUNDS	1986	1985
	$	$
Net income	**6 409 088**	8 925 136
Items not affecting funds:		
Increase in policy reserves and other reserves related to policyholders	**60 115 712**	60 406 509
Amortization related to investments	**95 697**	469 178
Interests in associated companies and pooled investment funds, net of cashed dividends	**(209 782)**	(2 962 071)
Depreciation	**2 574 587**	1 510 769
Increase in staff pension and insurance funds	**2 857 762**	3 124 969
Other	**(1 465 078)**	379 198
Net cash flow	**70 377 986**	71 853 688

APPLICATION OF FUNDS		
Investments in:		
Bonds and debentures	**(22 362 864)**	2 889 505
Stocks	**26 723 681**	23 710 787
Mortgage loans	**55 640 912**	35 986 081
Real estate	**(11 000)**	7 003 088
Loans on policies	**(625 520)**	(838 998)
Additions to fixed assets	**5 255 462**	4 777 757
Other	**(156 891)**	134 431
	64 463 780	73 662 651
Decrease in cash and term deposits	**5 914 206**	(1 808 963)
Cash and term deposits, beginning of year	**4 114 296**	5 923 259
Cash and term deposits, end of year	**10 028 502**	4 114 296

The accompanying notes are an integral part of the consolidated financial statements.

1- ACCOUNTING POLICIES

The financial statements have been prepared according to the following accounting policies and are in accordance with the annual statements filed with the Department of Insurance of Canada.

a) Principles of consolidation The consolidated financial statements combine the life and health insurance branches of the Company. The investments other than preferred and common stock portfolio investments are recorded according to the following methods:

— The accounts of the subsidiaries have been consolidated;

— The accounts of the joint venture are accounted for by the proportionate consolidation method;

b) Bonds and debentures Bonds and debentures are carried at amortized cost plus or minus the unamortized balance of gains and losses realized on the sale of these securities. Gains and losses are amortized until the maturity of the security or over 20 years, whichever is shorter.

c) Preferred and common stocks Stocks are carried at cost plus or minus the unamortized balance of gains and losses realized on the sale of these securities. Gains and losses are amortized over a period of approximately seven years taking into account the difference between market value and cost.

d) Mortgage loans Mortgage loans are carried at cost.

e) Real estate Real estate owned by the Company and one of its subsidiaries are carried at market value minus the unamortized balance of unrealized gains. These unrealized gains are amortized under the straight-line method over a period of 10 years. The market value is assessed under appropriate valuations.

f) Loans on policies Loans on policies are carried at cost and are fully secured by the cash values of the policies.

g) Fixed assets Fixed assets are shown at historical cost less accumulated depreciation. Depreciation of furniture and fixtures, leasehold improvements, and computers, related equipment and software is calculated from the date of utilization under the straight-line method at annual rates varying from 14 % to 25 %.

h) Deferred charges Deferred charges included principally the joint venture's start-up costs, commissions paid to real estate agents, leasehold improvements for the lessee and claims paid in advance. These charges are amortized principally using the straight-line method over a period of approximately 7 years with the exception of commissions and leasehold improvements which are amortized over the term of the leases and the first renewal option.

i) Pooled and segregated investment funds Funds provided by certain individual or collective annuity contracts are invested in segregated portfolios. Stocks, bonds and debentures and the mortgage loans held in these funds are carried at market value.

j) Policy reserves Actuarial liabilities represent the amount which, together with future premiums and investment income, provides for all Company commitments under policies in force. The policy reserves are established after deducting acquisition expenses which are deferred and amortized over the respective terms of contracts.

k) Income taxes Income taxes are determined under the taxes payable basis. The tax benefit arising from loss carry-forwards which the Company is virtually certain of realizing is recorded in the year in which the loss for tax purposes has occurred.

2- CHANGE IN ACCOUNTING POLICIES

In the past, the Company accounted for its investment in an associated company using the equity method. In accordance with instructions issued by the Department of Insurance of Canada during the year, this investment is now accounted for in accordance with the method used for common shares.

This change was applied prospectively and resulted in an increase in the value of shares, unappropriated surplus, investment income and net income for the year in the amount of $2 300 000.

3- CHANGE IN GOVERNING STATUTE

The Company, incorporated under the Canadian and British Insurance Companies Act has been continued under the Québec Act respecting Insurance on December 31, 1986.

Regulations under the Québec Act respecting Insurance differ from regulations under the Canadian and British Insurance Companies Act, particularely with respect to the evaluation of investments and the accounting method for realized and unrealized gains and losses on such investments.

As the Company's certificate of continuance was delivered on the last day of the year, the Québec Inspector General of Financial Institutions does not require the Company to comply with the Québec regulations mentioned above for the year ended December 31, 1986 and will accept the Annual Report as filed with the Department of Insurance of Canada.

4- CHANGE IN POLICY RESERVES

During the year, the Company modified certain policy reserves computation methods to give effect to the modified instructions for 1986 received by the Valuation Actuary from the Department of Insurance of Canada. This change has resulted in an increase in policy reserves in the amount of $2 680 837. The change in policy reserves has been accounted for as an adjustment in the Company's surplus.

5- OTHER ASSETS The detail of other assets is as follows:

	Cost	Accumulated depreciation 1986	Net book value 1986	Net book value 1985
Fixed assets:	$	$	$	$
Computers, related equipment and software	**9 279 805**	**3 457 151**	**5 822 654**	5 343 467
Furniture and fixtures	**2 790 949**	**1 066 280**	**1 724 669**	1 460 285
Leasehold improvements	**1 695 304**	**630 585**	**1 064 719**	656 796
	13 766 058	**5 154 016**	**8 612 042**	7 460 548
Deferred charges	—	—	**2 589 628**	1 114 238
Tax benefit	—	—	**2 386 155**	1 350 155
Other	—	—	**279 504**	167 251
			13 867 329	10 092 192

6- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

7- SUBSEQUENT EVENT

On January 1, 1987, the Company merged with Industrial Life Insurance Company under the provisions of the Québec Act respecting Insurance and the new company's name is Industrial-Alliance Life Insurance Company. The merger will be accounted for under the pooling of interests method. Based on the regulations of the Québec Act respecting Insurance, the policyholders' equity of the Company amounts to $114 742 893 on January 1, 1987, immediatly before the merger. The policyholders' equity of the new company will be increased by the policyholders' equity of Industrial Life.

VALUATION ACTUARY'S REPORT

I have made the valuation of the actuarial liabilities of Alliance Mutual Life Insurance Company for its consolidated financial statements as at December 31, 1986.

In my opinion, i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, ii) the amount of the policy reserves makes proper provision for the future payments under the Company's policies, iii) a proper charge on account of those reserves has been made in the consolidated statement of operations and iv) the amount of appropriated surplus for the consolidation of cash values and certain policy reserves is proper.

Léon Mondoux, F.S.A., F.C.I.A.
Vice-President and Actuary

Montréal
January 29, 1987.

AUDITORS' REPORT

To the policyholders of
Alliance Mutual Life Insurance Company

We have examined the consolidated balance sheet of Alliance Mutual Life Insurance Company as at December 31, 1986, and the consolidated statements of operations, appropriated surplus, unappropriated surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The policy reserves were determined and certified by the Valuation Actuary.

In our opinion, based on our examination and the Valuation Actuary's report, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1986, and the results of its operations for the year then ended, in accordance with the accounting policies described in note 1 and, except for the prospective change to the method of accounting for its investment in an associated company explained in note 2, these accounting policies have been applied on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Montréal
January 29, 1987.

MANAGEMENT'S REPORT ON THE FINANCIAL STATEMENTS

The financial statements were prepared by the Management of Alliance Mutual Life Insurance Company in accordance with appropriate accounting policies. They have been approved by the Board of Directors.

Management maintains accounting and internal control systems designed to provide assurance that reliable financial information is produced and that assets are safeguarded. These systems are reviewed by an internal audit team on a regular basis.

Audit Committee

The Board of Directors is assisted in its responsibilities for these financial statements by its Audit Committee. This Committee consists of directors who are not involved in the daily operations of the Company.

The function of this Committee is to review the financial statements and recommend them for approval to the Board of Directors; review the systems of internal control and security; recommend the appointment of the external auditors and their fee arrangements to the Board of Directors; review other accounting, financial and security matters as required.

In carrying out the above responsibilities, the Audit Committee meets regularly with the internal and the external auditors, with or without Management, to review their respective audit plans and discuss the findings of their work.

Valuation Actuary

The Valuation Actuary is appointed by the Board of Directors pursuant to Section 71.1 of the Canadian and British Insurance Companies Act. His function is to carry out an annual valuation of the Company's actuarial liabilities in accordance with the Recommendations of the Canadian Institute of Actuaries with respect to the financial statements of insurance companies for the purpose of issuing reports to the policyholders, the directors and the external auditors.

External auditors

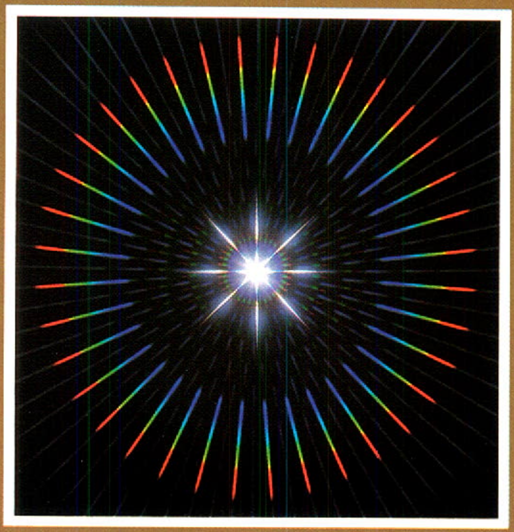
Raymond, Chabot, Martin, Paré, chartered accountants, have been appointed external auditors to report to the policyholders, the directors and the Superintendent of Insurance regarding the fairness of presentation in accordance with the accounting policies used.

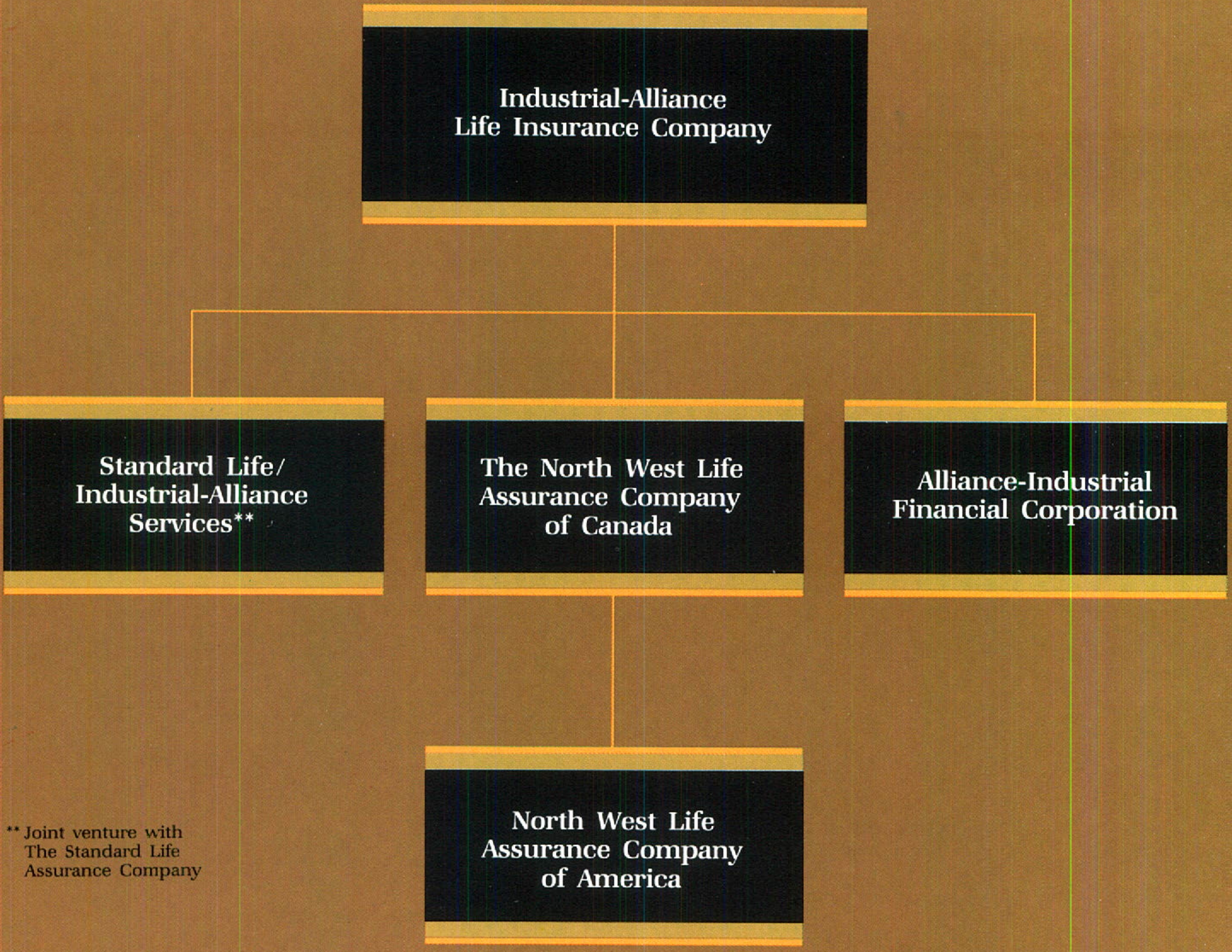
Jean Denis Vincent
President and Chief Executive Officer

Jacques Lorange, C.A.
Vice-President, Control

Montréal
January 29, 1987.

CORPORATE STRUCTURE OF INDUSTRIAL-ALLIANCE





** Joint venture with The Standard Life Assurance Company

Industrial-Alliance Life Insurance Company legally exists since January 1, 1987 in a very enviable starting position of strength.

Our new Company inherits from the two merged companies all the experience and background acquired throughout the years and, at the same time, a financial size and solidity uncommon in our midst which gives it the bases for the orderly diversification targeted for the next few years.

This merger first deemed desirable by the two companies' Management was submitted to their respective Board of Directors who gave their unanimous approval before it was ratified by policyholders as members of both companies. Thus were brought together two well-known and respected names designating two financial institutions whose reputation extends way beyond their respective city of origin and who are both mutual life insurance companies having traced for themselves a line of traditions and innovations over the years.

Continuing in this vein of innovation, Industrial Life joined the already existing joint venture between Alliance Mutual Life and Standard Life for the sale and administration of group life and health insurance in Canada by contributing its entire own portfolio, implying at the same time its complete withdrawal from this line of business.

Our traditions have always been particularly directed to the promotion of individual life insurance and annuities through an efficient presentation to the consumer who thereafter is offered the impeccable service he rightfully expects. It is therefore in this particular domain that will be devoted the efforts of the insurance company in order to enlarge and strenghten its distribution network and to extend it to the entire Canadian territory with the contribution of its subsidiary in Vancouver, The North West Life Assurance Company of Canada. Those efforts will also strive to position our Company advantageously so as to fully benefit from the deregulation and decompartmentalization of financial institutions when the time comes.

Our Company will operate from its Head Office in Québec City with the technical and operational help of its other main business office in Montréal. Our already numerous sales and service offices in Québec and Ontario will undoubtedly grow in number and call for the opening of other main business offices whenever proper servicing of the added clientele requires it.

At the same time as the two insurance companies officially merged on January 1, 1987, Industrial-Alliance Life Insurance Company established a wholly-owned subsidiary, Alliance-Industrial Financial Corporation, with its Head Office in Montréal. As a downstream holding company, it will shortly become the owner of all subsidiaries not related to life insurance business together with the titles to important participations in the capital stock of other financial institutions. Its current and future mission is no doubt to help pursue the objectives of the life insurance company, even though it must actively strive to influence the orientations of our whole group of companies.

The detailed financial statements of the two life insurance companies for

Industrial-Alliance
Life Insurance Company
Head Office:
1080 St-Louis Road
Sillery, Québec
G1K 7M3

Robert Bégin, F.S.A.
President and Chief Executive Officer

Hervé Belzile, F.C.A.
Chairman of the Board

the year 1986 with the related notes and comments contained in this publication are quite sufficient to outline the strength and solidity that, through their merger, are now at the disposal of the new Company to pursue and accelerate its ascending trend. It is therefore sufficient to underline that the combined assets of $2 billion 428 million and the cumulative surplus of $317 million do provide unequivocal security for our policyholders who now hold close to $22 billion in protection in individual life insurance.

*1986 COMBINED FINANCIAL RESULTS

Industrial Life Insurance Company and Alliance Mutual Life Insurance Company

	$
New life insurance	7 275
Insurance in force	28 204
Premium income	422
Net investment income	233
Total income	655
Net income	26
Total assets	2 428
Policyholders' equity	317

* In millions of dollars

It is self evident that we have dedicated the year 1987 to the harmonization and consolidation of our operational practices. But it is not without nostalgia that we must all forsake a deeply rooted sense of belonging to turn together with determination towards our new Company in order to ensure it of an even more brilliant future.

We strongly wish that everybody, former members of the Boards who will be called upon again to guide us, members of the new Managements, employees, agents and brokers, do share our enthusiasm and determination to face up to all internal and external challenges as they occur in order to bring to complete fruition this extraordinary adventure.

Hervé Belzile, F.C.A.
Chairman of the Board

Robert Bégin

Robert Bégin, F.S.A.
President and
Chief Executive Officer

BOARD OF DIRECTORS

Robert Bégin, F.S.A.
President and Chief Executive Officer
Industrial-Alliance Life Insurance Company

Jean A. Béliveau, O.C.
Senior Vice-President, Corporate Affairs
Club de Hockey Canadien Inc.

Hervé Belzile, F.C.A.
Chairman of the Board
Industrial-Alliance Life Insurance Company

Marc Bourgie
Chairman of the Board and Chief Executive Officer
Urgel Bourgie Ltd.

J. Marcel Boyer, C.A.
Executive Vice-President and Assistant to the President
Industrial-Alliance Life Insurance Company

Pierre Brunet, C.A.
President and Chief Executive Officer
Lévesque, Beaubien Inc.

Marcel Cazavan, F.C.A.
Chairman of the Board
General Trust of Canada

André Charron, Q.C.
Chairman of the Board
Lévesque, Beaubien Inc.

Camille A. Dagenais
Consultant
Groupe S N C

Norman D. Hébert
President and General Manager
Park Avenue Chevrolet, Oldsmobile, Cadillac Inc.

Roger Lachapelle
President and Chief Executive Officer
Corby Distilleries Limited

G. Yves Landry, M.Sc.C.
General Manager, (Import Division)
Chrysler Motors Corporation

David Morton, M.A.
President and Chief Operating Officer
Alcan Aluminium Ltd.

P.-Émile Reinhardt, CFA
Vice-President and General Manager, Investments
Industrial-Alliance Life Insurance Company

Jean Denis Vincent
President and Chief Executive Officer
Alliance-Industrial Financial Corporation

BOARD COMMITTEES

Executive Committee
Jean Denis Vincent — Chairman
Robert Bégin
Hervé Belzile
Pierre Brunet
André Charron
Roger Lachapelle

Investment Committee
Marcel Cazavan — Chairman
Marc Bourgie
J. Marcel Boyer
André Charron
P.-Émile Reinhardt
Robert Bégin (ex officio)

Audit Committee
Camille A. Dagenais — Chairman
Jean A. Béliveau
Pierre Brunet
Norman D. Hébert
Robert Bégin (ex officio)

Human Resources Committee
André Charron — Chairman
Hervé Belzile
Roger Lachapelle
G. Yves Landry
Jean Denis Vincent
Robert Bégin (ex officio)

PRO FORMA BALANCE SHEET

As of January 1, 1987
(in thousands of dollars)

ASSETS

INVESTMENTS	1987
	$
Bonds (note 3)	719 498
Preferred and common stocks (note 4)	324 638
Mortgage loans	906 278
Real estate (note 7)	96 545
Policy loans	38 142
Term deposits and cash	65 094
Subsidiaries	63 238
	2 213 433

OTHER ASSETS	
Investment income due and accrued	29 876
Outstanding premiums	11 173
Amounts receivable	3 587
Income taxes receivable	3 558
Miscellaneous (note 8)	16 003
Pooled and segregated funds	150 622
	214 819
	2 428 252

LIABILITIES

ACTUARIAL LIABILITIES

	1987
	$
Policy reserves (note 6)	1 758 125
Provision for dividends and group experience refunds	12 097
Provision for unreported claims	13 631
Employees' pension and insurance funds	74 530
	1 858 383

OTHER LIABILITIES

Amounts on deposit	51 590
Premiums paid in advance	9 228
Other contractual liabilities	3 633
Unsettled claims	4 638
Accounts payable and accrued expenses	12 312
Bank overdrafts and loans	6 940
Miscellaneous	16 418
Pooled and segregated funds	148 236
	252 995

POLICYHOLDERS' EQUITY

Surplus — appropriated (note 5)	112 986
— unappropriated	203 888
	316 874
	2 428 252

NOTES TO THE PRO FORMA BALANCE SHEET

1. PRO FORMA BALANCE SHEET
The balance sheet presents the financial position as of January 1, 1987 of Industrial-Alliance Life Insurance Company, resulting from the merger of Industrial Life Insurance Company and Alliance Mutual Life Insurance Company. The balance sheet of Alliance Mutual Life Insurance Company which was used in computing this pro forma balance sheet differs from the one prepared as of December 31, 1986, because it was prepared according to the Canadian and British Insurance Companies Act.

2. SIGNIFICANT ACCOUNTING POLICIES
The financial statements are prepared in accordance with rules and accounting principles generally accepted in the field of life insurance and with the requirements of the Québec Act respecting Insurance, mainly:

- Income taxes are provided for on a "taxes payable" basis;
- Realized gains and losses on disposal of stocks and bonds as well as unrealized gains and losses on stocks are recorded in the appropriated surplus account and amortized to operations on a straight-line basis over a period of 10 years.

3. BONDS
Bonds are carried at cost, adjusted by amortization of premiums and discounts.

	$
Cost after amortization	719 498 181
Market value	795 314 374

4. STOCKS
Stocks are carried at their market value, as required by the Québec Act respecting Insurance.

	$
Market value	324 638 314
Cost	*246 958 822*

5. APPROPRIATED SURPLUS

	$
Additional reserve for negative reserves and interest deficiency	19 735 202
Reserve for fluctuations in market value of investments	22 435 000
Valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks	70 815 394
Appropriated surplus	**112 985 596**

6. POLICY RESERVES
Actuarial liabilities represent the amount which, together with future premiums and investment income, provides for all Company commitments under contracts in force. The policy reserves are established after deducting acquisition expenses which are deferred and amortized over the respective terms of contracts.

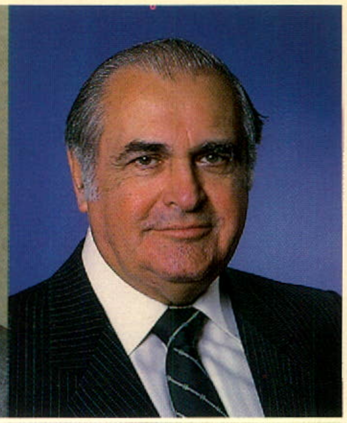
7. REAL ESTATE

	Cost $	Accumulated depreciation $	Net value $
Real estate held for investment	143 863 578	6 021 939	137 841 639
Related mortgage debts	47 320 601	—	47 320 601
	96 542 977	6 021 939	90 521 038
Repossessed properties	334 316	—	334 316
Head Office building	8 102 839	2 413 388	5 689 451
	104 980 132	**8 435 327**	**96 544 805**

8. MISCELLANEOUS ASSETS

	$
Furniture and equipment	8 077 194
Balance of selling price of buildings	3 266 164
Prorata share of assets held in joint ownership	2 811 473
Advances to agents	1 847 856
	16 002 687

Robert Bégin, F.S.A.
President and
Chief Executive Officer



J. Marcel Boyer, C.A.
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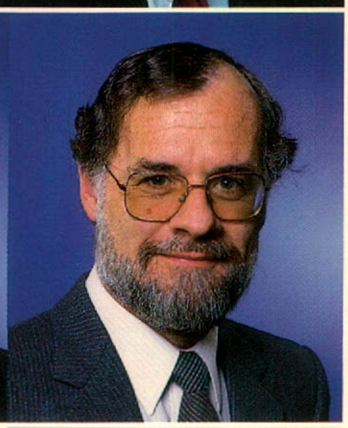
Assistant to the President

Yvon Côté, CFA
Vice-President and
General Manager and
Assistant to the President

Alex Langlois, F.S.A.
Vice-President and
General Manager,
Actuarial

Jacques Laverdure, C.A.
Senior Vice-President,
Investments



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General Manager,
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Normand Pépin, F.S.A.
Vice-President and
General Manager,
Marketing

P.-Émile Reinhardt, CFA
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Seymour Socransky
General Agent
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General Agent
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Ste-Foy G1V 2K1

QUÉBEC-LAURIER
Roland Dubeau, C.L.U.
General Agent
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Les Saules G2E 5B7

STE-FOY
Jacques Richard
Director
3700 du Campanile St.
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PROVINCE OF NEW BRUNSWICK

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TORONTO
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Michael L. Schwartzkopf
Regional Sales Director

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David W. McAdam
Regional Sales Director
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Heather M. Steven
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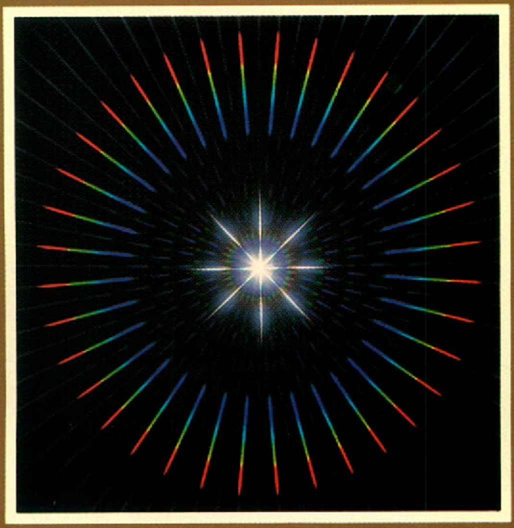
ALLIANCE-INDUSTRIAL
FINANCIAL CORPORATION



1987

Origin
The Alliance-Industrial Financial Corporation was formed on January 1, 1987. At present, it is wholly owned by Industrial-Alliance Life Insurance Company. The reasons for the creation of the Corporation are rooted in the merging partners' firm intent to use the human and financial resources required to promote the development activities related to the life and health insurance field. Their intent to follow actively the trend towards integration of financial services results from the desire to improve the new insurance company's competitive position while allowing the companies, which are part of the network, to grow more rapidly. We believe that this should benefit the insureds and clients, as well as the agents and employees of the companies.

This decision reflects changes that have occurred in the financial services marketplace in which the life insurance industry plays an important role. Changes in sociological and economic conditions have impacted consumers' needs; competition within the industry also increased drastically, due, on the one hand, to such needs and, on the other hand, to economic reasons relating to profitability.

Simultaneously, competition among various institutions and sectors has amplified since each one wants to carve out a greater market share in order to bolster the investments required to keep products competitive and absorb increasing unit costs.

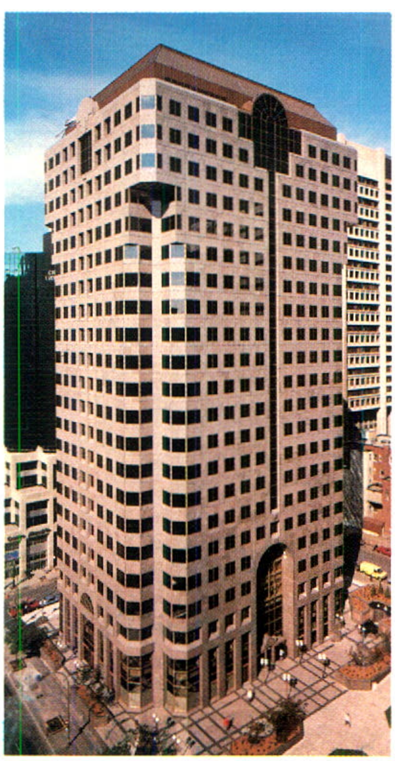
Integration does not result only from these changes; it is also gathering momentum because of the government authorities' intent to revise regulations governing financial institutions.

These revisions, proposed by both the Federal and Provincial governments, have two purposes. First, they aim at intensifying competition thereby allowing enterprises to grow in order to rival the larger companies which dominate the market. Secondly, the policies of the various governments also aim at improving and ensuring consumers' protection.

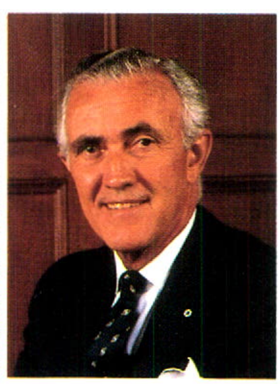
It is based on such factors that Alliance-Industrial Financial Corporation will be both an extension of the life insurance company and a strong contender in the Canadian financial services market.

Initial Mandate
This holding company will operate initially in four sectors: the general insurance sector through The Equitable General Insurance Company and Industrial General Insurance Company; the data processing sector through Industrial Life – Technical Services Inc. (I.S.T.), its subsidiaries and Cogena; the trust sector through an interest in General Trustco of Canada; the investment management sector through Lapierre & Associates. These various subsidiaries, previously owned by the merging life insurance companies, are or shortly will be owned by the Financial Corporation. In addition, the Corporation will hold a minority interest in the capital of Sodarcan, a large holding company specialized in insurance brokerage and reinsurance. It will also become owner of the office building situated at 680 Sherbrooke Street West where the main Montréal office of the life insurance company is located.

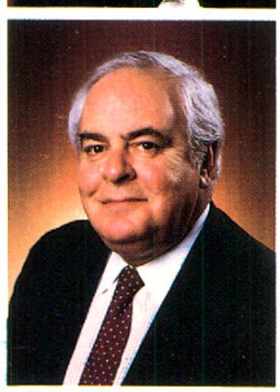
Alliance-Industrial Financial Corporation has a dual mandate. First, as a downstream holding company of the insurance



Industrial Life Tower
2000 McGill College Avenue
Montréal, Québec
H3A 3H3



André Charron, Q.C.
Chairman of the Board



Jean Denis Vincent
President and Chief Executive Officer

company, it will hold, supervise and ensure the development of the companies associated or affiliated with the Corporation's network which do not operate in the life and health insurance field. Secondly, by supporting and supervising its subsidiaries, it will serve and enhance the various distribution networks of the group's companies, thus increasing their scope while adding an important contribution to consumer services. In accordance with its mandate, the products and services provided by subsidiaries and associated companies should be available to the network's enterprises.

Financial aspect
The Financial Corporation's initial issued and paid-up capital of approximately $120 million will be used to purchase the above subsidiaries, affiliated companies and other interests.

The Corporation will also have access to additional capital which the insurance company has undertaken to provide in order to enable it to maximize and support the development of its enterprises. Initial assets of the Financial Corporation will total some $200 million.

Context
We are convinced that, in the light of existing positive factors, this Corporation will attain its goal. Its very sound financial position coupled with the considerable strength of the parent company and the current evolution of the financial services sector permit us to anticipate excellent results. The Corporation's access to a well-established distribution network throughout Canada also enhances its chances of success.

Short-term objectives
At the onset, the strategic concerns of the enterprise will consist of a reassessment with managements of the short-term objectives of all subsidiaries and an appraisal of required capabilities and means. Thereafter, appropriate strategic plans for each sector will be developed.

We should also mention that the Board and Management of the Financial Corporation feel that it is probable that the Company might wish to become public in the not-too-distant future.

This should enable it to increase its financial resources and allow its subsidiaries to be more fully capitalized in order to meet growth requirements while maintaining a sound financial position thereby ensuring the greater welfare of its customers, consumers and shareholders.

André Charron, Q.C.
Chairman of the Board

Jean Denis Vincent
President and
Chief Executive Officer

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BOARD COMMITTEES

BOARD OF DIRECTORS

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President
Ayers Limited

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Chairman of the Board
Industrial-Alliance Life Insurance Company

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Chairman of the Board
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President and General Manager
Olympic Installations Board

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General Manager
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President and General Manager
Ouimet-Cordon Bleu Inc.

J. Frank Roberts

Raymond Sirois, M.Sc.C.
Chairman of the Board, President and Chief Executive Officer
Québec Téléphone

Jean Denis Vincent
President and Chief Executive Officer
Alliance-Industrial Financial Corporation

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Hervé Belzile
André Charron
Pierre Laurin
Raymond Sirois
Jean Denis Vincent

Human Resources Committee
André Charron — Chairman
Robert Bégin
Hervé Belzile
André Dion
J. Robert Ouimet
J. Frank Roberts
Jean Denis Vincent (ex officio)

Audit Committee
Reginald K. Groome — Chairman
Ernest G. Ayers
Jean Deschamps
Marie-Josée Drouin
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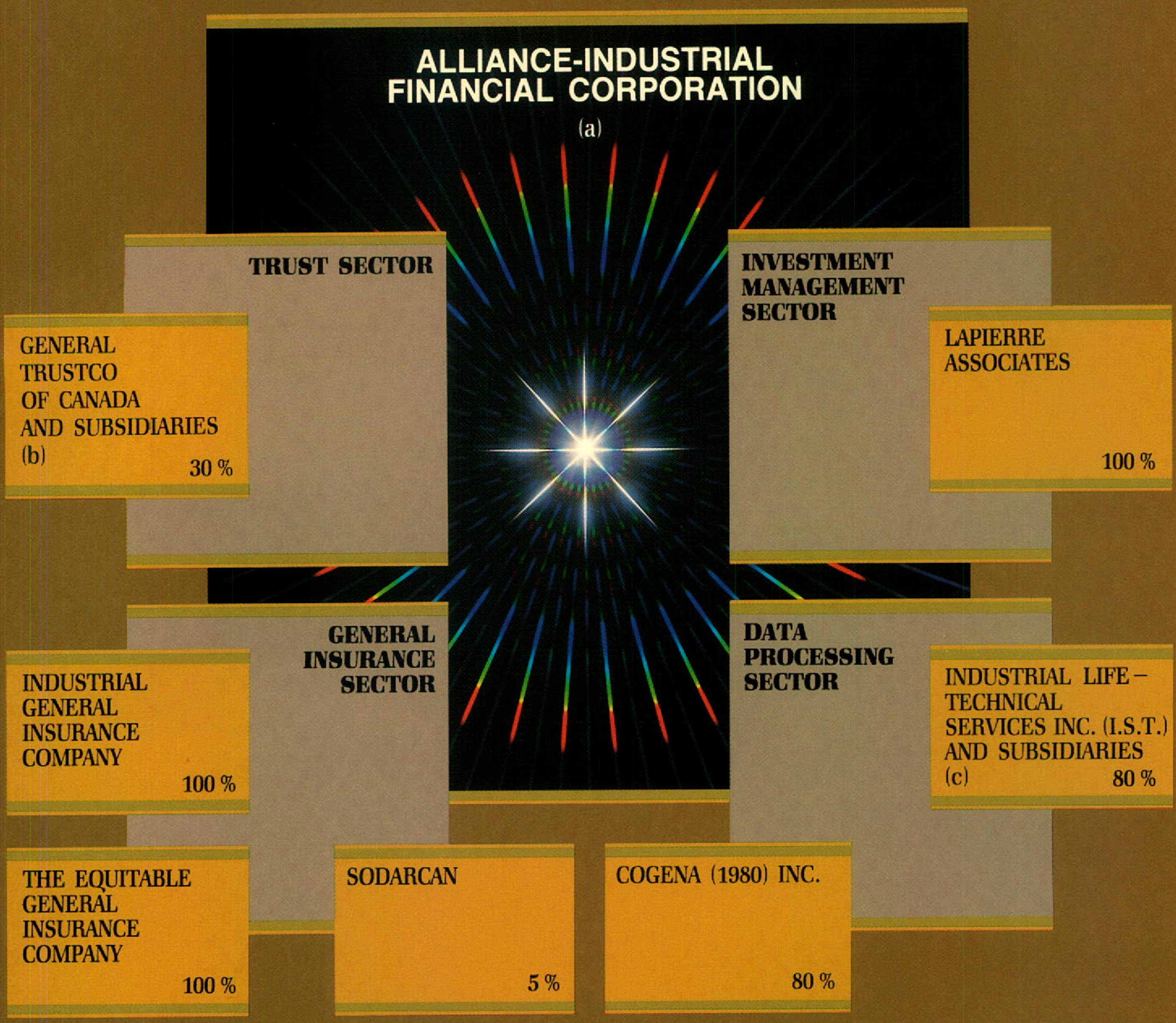
MANAGEMENT

Georges Smith, LL.L.
Senior Vice-President

Jean Denis Vincent
President and Chief Executive Officer

Jacques Dumont, CFA
Senior Vice-President



(a) Wholly-owned subsidiary of Industrial-Alliance Life Insurance Company

(b) General Trust of Canada, Sterling Trust, Sherbrooke Trust and T.G.C. Inc.

(c) IST-Healtcomp. Inc., IST-Santé Inc., Société Informas du Québec (S.I.Q.) Inc. and IST-Informatech Inc.

This report was produced by
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of Industrial-Alliance Life Insurance Company

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