

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the short form base shelf prospectus dated April 16, 2015 to which it relates, as amended or supplemented, and each document incorporated by reference in the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, within the United States, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), except in certain transactions permitted under the Underwriting Agreement (as defined herein) exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.

Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus dated April 16, 2015 from documents filed with securities commissions or similar authorities in Canada. See “Documents Incorporated by Reference”. Copies of the documents incorporated herein or therein by reference may be obtained on request without charge from the Vice President, Legal Services and Corporate Secretary, Industrial Alliance Insurance and Financial Services Inc., 1080 Grande Allée West, Québec City, Québec, G1S 1C7, telephone (418) 684-5000 or fax (418) 684-5185, and are also available electronically at www.sedar.com.

PROSPECTUS SUPPLEMENT

(To the Short Form Base Shelf Prospectus dated April 16, 2015)

New Issue

December 7, 2016



\$139,125,000

2,500,000 Common Shares of Industrial Alliance Insurance and Financial Services Inc.

This offering of common shares (the “**Common Shares**”) of Industrial Alliance Insurance and Financial Services Inc. (“**Industrial Alliance**” or the “**Company**”) under this prospectus supplement consists of 2,500,000 Common Shares (collectively, with the Common Shares issuable upon the exercise of the Over-Allotment Option (as defined herein), the “**Offered Shares**”) at a price of \$55.65 per Offered Share (the “**Offering Price**”). The Common Shares will be offered in each of the provinces of Canada.

The Offered Shares are being offered pursuant to an underwriting agreement dated December 7, 2016 (the “**Underwriting Agreement**”) between Industrial Alliance and TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Industrial Alliance Securities Inc. and National Bank Financial Inc. (collectively, the “**Underwriters**”). **In certain circumstances, the Underwriters may offer the Offered Shares at a price lower than the Offering Price in this prospectus supplement.** See “Plan of Distribution”.

Industrial Alliance’s Common Shares are listed for trading under the symbol “IAG” on the Toronto Stock Exchange (“**TSX**”). On December 5, 2016, the last full trading day before the public announcement of this offering, the closing sale price of the Common Shares on the TSX was \$56.78.

The Company has applied to list the Offered Shares on the TSX. Listing will be subject to the Company fulfilling all of the requirements of the TSX.

Price: \$55.65 per Common Share

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale if, as and when issued by Industrial Alliance and accepted by the Underwriters in accordance with the terms and conditions of the

Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of Industrial Alliance by Norton Rose Fulbright Canada LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

	<u>Price to the Public</u>	<u>Underwriters’ Fee⁽¹⁾</u>	<u>Net Proceeds to Industrial Alliance⁽²⁾</u>
Per Common Share.....	\$55.65	\$2.226	\$53.424
Total.....	\$139,125,000	\$5,565,000	\$133,560,000

- 1) Before deduction of expenses of this offering payable by Industrial Alliance estimated at \$600,000.
- 2) The Company has granted to the Underwriters an option (the “**Over-Allotment Option**”) to purchase up to an additional 250,000 Common Shares on the same terms and conditions as this offering, exercisable in whole or in part from time to time, not later than the 30th day following the closing of this offering for market stabilization purposes and to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters’ fee and net proceeds to the Company (before deducting the estimated expenses of this offering) will be \$153,037,500, \$6,121,500 and \$146,916,000, respectively. This prospectus supplement qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issuable on the exercise of the Over-Allotment Option. See “Plan of Distribution”. Unless otherwise indicated, this prospectus supplement assumes that the Over-Allotment Option has not been exercised.

<u>Underwriters’ Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to an additional 250,000 Common Shares	30 days following closing of the offering	\$55.65 per Common Share

Industrial Alliance Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of Industrial Alliance. Therefore, Industrial Alliance is a “related issuer” of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance’s interest in Industrial Alliance Securities Inc. See “Plan of Distribution”. In addition, Industrial Alliance Securities Inc. is a party to the Acquisition Agreement (as defined herein), as proposed purchaser of certain assets used in connection with the business conducted by The Bank of Nova Scotia under the “HollisWealth” brand. Scotia Capital Inc., one of the Underwriters, is an affiliate of The Bank of Nova Scotia, which is proposing to sell HollisWealth to Industrial Alliance and Industrial Alliance Securities Inc. pursuant to the terms of the Acquisition Agreement which acquisition will also include assets and liabilities that are held in a division of Scotia Capital Inc. See “The Acquisition”. Industrial Alliance will use the net proceeds of this offering to partially fund the purchase price and related fees and expenses of the Acquisition (as defined herein) to the extent it is completed. See “Use of Proceeds”. Therefore, Industrial Alliance may also be considered to be a “connected issuer” of each of Scotia Capital Inc. and Industrial Alliance Securities Inc. within the meaning of National Instrument 33-105 – *Underwriting Conflicts* (“NI 33-105”). See “Plan of Distribution”.

A purchaser who acquires Offered Shares forming part of the Underwriters’ over-allocation position acquires those Offered Shares under this prospectus supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Offering Price was determined by negotiation between Industrial Alliance and the Underwriters. In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close

the subscription books at any time without notice. It is expected that the closing of this offering will take place on December 14, 2016 (the “**Closing Date**”) or on such other date as Industrial Alliance and the Underwriters may agree but not later than December 28, 2016. Unless otherwise determined by Industrial Alliance and the Underwriters, it is expected that the purchased Offered Shares will be deposited and represented electronically through the non-certificated inventory (“**NCI**”) system of CDS Clearing and Depository Services Inc. (“**CDS**”) on the date of closing of this offering. No certificate evidencing the purchased Offered Shares will be issued to purchasers, except if requested. Purchasers of Offered Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Offered Shares are purchased.

Industrial Alliance’s head and registered office is located at 1080 Grande Allée West, Québec City, Québec, G1S 1C7.

TABLE OF CONTENTS

PRESENTATION OF INFORMATION	S-4
CAUTION REGARDING FORWARD-LOOKING STATEMENTS	S-4
NON-IFRS FINANCIAL INFORMATION	S-7
DOCUMENTS INCORPORATED BY REFERENCE	S-7
MARKETING MATERIALS	S-8
ELIGIBILITY FOR INVESTMENT	S-9
DETAILS OF THE OFFERING	S-9
DESCRIPTION OF SHARE CAPITAL	S-9
RECENT DEVELOPMENTS	S-9
RESTRICTIONS	S-10
USE OF PROCEEDS	S-10
CONSOLIDATED CAPITAL AND INDEBTEDNESS	S-10
THE ACQUISITION	S-11
PLAN OF DISTRIBUTION	S-12
RISK FACTORS	S-14
PRIOR SALES	S-19
TRADING PRICE AND VOLUME OF INDUSTRIAL ALLIANCE'S SECURITIES	S-22
LEGAL MATTERS	S-22
INDEPENDENT AUDITOR, TRANSFER AGENT AND REGISTRAR	S-22
PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	S-23
CERTIFICATE OF THE UNDERWRITERS	C-1

PRESENTATION OF INFORMATION

In this prospectus supplement (the "Prospectus Supplement"), unless otherwise indicated, capitalized terms which are defined in the accompanying short form base shelf prospectus of the Company dated April 16, 2015 (the "**Prospectus**") are used herein with the meaning defined therein. If information in this Prospectus Supplement is inconsistent with the accompanying Prospectus, investors should rely on the information in this Prospectus Supplement. All references to "dollars" in this Prospectus Supplement are to Canadian dollars unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus Supplement, the Prospectus or in documents incorporated by reference herein, including those relating to Industrial Alliance's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "outlook", "expect", "anticipate", "intend", "plan", "believe", "estimate", "feel", "seek", and "continue" (or the negative thereof), as well as words such as "objective" or "goal" or other similar words or expressions, are forward-looking information within the meaning of securities laws. Forward-looking statements include, but are not limited to, information concerning the Company's possible or assumed future operating results, statements related to the completion and the anticipated Closing Date of this offering of Offered Shares, the net proceeds from this offering of Offered Shares and the use of such proceeds, Industrial Alliance's business model and acquisition strategy, the proposed Acquisition (as defined below) and the timing thereof, the Company's ability to successfully integrate HollisWealth's business; the expected benefits of the Acquisition, such as the anticipated market position of the Company, combined AUA (as defined below), additional scale and growth potential, the expected impact of the Acquisition on the Company's solvency ratio, and the expected accretion to the Company's earnings and estimated future earnings per share. These statements are not historical facts; they represent only the Company's expectations, estimates and projections regarding future events. Forward-looking statements also include, without limitation, the information concerning possible or assumed future results of operations of Industrial Alliance, including market guidance for 2016 and sensitivity analysis. Although Industrial Alliance believes that the expectations reflected in such forward-looking statements

are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts' expectations in any way.

Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Certain important assumptions by the Company or its consultants in making forward-looking statements include, but are not limited to, the satisfaction of all conditions to the completion of this offering of Offered Shares, the receipt of required regulatory approvals (including stock exchange) and successful completion of this offering of Offered Shares, the satisfaction of all conditions of closing of the Acquisition, the absence of exercise of any termination right, the expected impact of the Acquisition on the Company's solvency ratio and the realization of the anticipated benefits and synergies of the Acquisition for the Company, including from an accretion perspective, in the time frame anticipated. Factors that could cause actual results to differ materially from expectations include, but are not limited to:

- the failure to receive regulatory approvals (including stock exchange) or otherwise satisfy the conditions to the completion of this offering of Offered Shares and the funds thereof not being available to the Company;
- the failure to receive regulatory approvals or other approvals or otherwise satisfy the conditions to the completion of the Acquisition;
- the failure or delay in completing the Acquisition;
- the risk that Industrial Alliance's or HollisWealth's business will be adversely impacted during the pendency of the Acquisition;
- potential undisclosed costs or liabilities associated with the Acquisition;
- the failure to retain HollisWealth's personnel and clients;
- the failure to realize, in the time frame anticipated or at all, the anticipated benefits and synergies of acquisitions completed by the Company, including the Acquisition;
- factors relating to the integration of the companies and businesses acquired by the Company (including the Acquisition), such as the time and resources required to integrate such companies, businesses and products, diversion of management time on acquisition-related issues, and the difficulties and delays associated with such integrations;
- market conditions that adversely affect Industrial Alliance's capital position or its ability to raise capital;
- general business and economic conditions (including but not limited to performance and volatility of equity markets, interest rate fluctuations and movements in credit spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties);
- level of competition and consolidation;
- changes in laws and regulations including tax laws;
- changes in accounting standards;
- ability to execute strategic plans and changes to strategic plans;
- liquidity of Industrial Alliance, including the availability of financing to satisfy existing financial liabilities on their expected maturity dates when required;
- downgrades in Industrial Alliance's financial strength or credit ratings;

- dependence on third party relationships, including outsourcing arrangements;
- ability to maintain Industrial Alliance's reputation;
- impairments of goodwill or intangible assets or the establishment of valuation allowances against future tax assets;
- insurance risks, including product design and pricing, mortality, morbidity, longevity and policyholder behaviour and including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism;
- accuracy of estimates used in applying accounting policies and actuarial methods used by Industrial Alliance;
- accuracy of accounting policies and actuarial methods used by Industrial Alliance;
- ability to market and distribute products through current and future distribution channels;
- ability to implement effective hedging strategies and unforeseen consequences arising from such strategies;
- ability to source appropriate non-fixed income assets to back Industrial Alliance's long dated liabilities;
- failure of information systems and Internet-enabled technology;
- breaches of computer security and privacy;
- the realization of losses arising from the sale of investments classified as available for sale;
- obligations to pledge additional collateral;
- the availability of letters of credit to provide capital management flexibility;
- accuracy of information received from counterparties and ability of counterparties to meet their obligations;
- the availability, affordability and adequacy of reinsurance;
- legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings and including private legal proceedings and class actions relating to practices in the mutual fund, insurance, annuity and financial product distribution industries;
- ability to adapt products and services to the changing market;
- ability to attract and retain key executives, employees and agents;
- the appropriate use and interpretation of complex models or deficiencies in models used;
- acquisitions and Industrial Alliance's ability to complete acquisitions including the availability of equity and debt financing for this purpose;
- unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses;
- the disruption of or changes to key elements of Industrial Alliance's or public infrastructure systems;
- environmental concerns; and

- Industrial Alliance’s ability to protect its intellectual property and exposure to claims of infringement.

Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this Prospectus Supplement and in the Prospectus under “Risk Factors”, under “Risk Factors” in Industrial Alliance’s most recent annual information form, in Industrial Alliance’s management’s discussion and analysis for the most recent audited consolidated financial statements under “Risk Management”, in the “Management of Risks Associated with Financial Instruments” and “Insurance Contract Liabilities and Investment Contract Liabilities” notes to Industrial Alliance’s most recent audited consolidated financial statements, and elsewhere in Industrial Alliance’s filings with Canadian securities regulators, which are available for review at www.sedar.com.

The forward-looking statements in this Prospectus Supplement or the documents incorporated by reference in this Prospectus Supplement reflect, unless otherwise indicated, Industrial Alliance’s expectations as of the date of this Prospectus Supplement or the documents incorporated by reference in this Prospectus Supplement. Industrial Alliance does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Prospectus Supplement or to reflect the occurrence of unanticipated events, except as required by law.

To the extent any forward-looking information in this Prospectus Supplement or the documents incorporated by reference in this Prospectus Supplement constitutes financial outlook within the meaning of securities laws, such information is being provided to demonstrate the potential benefits of the transaction and readers are cautioned that this information may not be appropriate for any other purpose.

NON-IFRS FINANCIAL INFORMATION

Industrial Alliance reports its financial results in accordance with International Financial Reporting Standards (“**IFRS**”). It also publishes certain non-IFRS financial measures that do not have an IFRS equivalent, including sales, value of new business and solvency ratio, or which have an IFRS equivalent such as data on operating profit and income taxes on earnings presented in the sources of earnings table. The Company also uses non-IFRS adjusted data in relation to net income, earnings per share and return on equity. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. The Company believes that these non-IFRS financial measures provide investors and analysts with additional information to better understand the Company’s financial results as well as assess its growth and earnings potential. Since non-IFRS financial measures do not have a standardized definition, they may differ from the non-IFRS financial measures used by other institutions. The Company strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference, as of the date hereof, into the Prospectus solely for the purpose of this offering of Offered Shares. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars thereof. The following documents have been filed by Industrial Alliance with the securities commissions or similar authorities in each province of Canada and are incorporated by reference into the Prospectus and this Prospectus Supplement:

- (a) Industrial Alliance’s audited consolidated financial statements and the notes thereto for the years ended December 31, 2015 and 2014, together with the independent auditor’s report thereon and the report of the appointed actuary for the years ended December 31, 2015 and 2014, as set out on page 3 of the audited consolidated financial statements;
- (b) Industrial Alliance’s management’s discussion and analysis dated February 11, 2016 for the audited consolidated financial statements referred to in paragraph (a);

- (c) Industrial Alliance’s management information circular for the solicitation of proxies dated February 29, 2016 in connection with the annual meeting of shareholders and participating policyholders held on May 5, 2016;
- (d) Industrial Alliance’s Annual Information Form dated March 30, 2016 for the year ended December 31, 2015;
- (e) Industrial Alliance’s unaudited condensed consolidated financial statements and the notes thereto for the three- and nine-month periods ended September 30, 2016 and September 30, 2015, except for the notice of no auditor review;
- (f) Industrial Alliance’s management’s discussion and analysis dated November 2, 2016 for the unaudited condensed consolidated financial statements referred to in paragraph (e);
- (g) Industrial Alliance’s material change report dated December 5, 2016 in respect of its agreement to acquire HollisWealth; and
- (h) the template version of the term sheet (the “**Term Sheet**”) prepared for potential investors in connection with this offering of Offered Shares dated December 5, 2016.

Any documents of the types referred to above, any business acquisition reports and any material change reports (excluding confidential material change reports if any) and any marketing materials (as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed by Industrial Alliance with the securities regulatory authorities in Canada after the date of this Prospectus Supplement and prior to the completion or withdrawal of the distribution of the Offered Shares, shall be deemed to be incorporated by reference into the Prospectus and this Prospectus Supplement.

Any statement in this Prospectus Supplement, the Prospectus or contained in a document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or in the Prospectus is deemed to be modified or superseded, for purposes of this Prospectus Supplement or of the Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement or the Prospectus.

MARKETING MATERIALS

The Term Sheet may be considered marketing material for purposes of applicable securities legislation. The Term Sheet is not part of the Prospectus Supplement to the extent that the contents of the Term Sheet have been modified or superseded by a statement contained in this Prospectus Supplement.

Any “template version” of “marketing materials” (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) filed on SEDAR after the date of this Prospectus Supplement and before the termination of the distribution under this offering will be deemed to be incorporated into this Prospectus Supplement.

ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Fulbright Canada LLP, counsel to Industrial Alliance, and McCarthy Tétrault LLP, counsel to the Underwriters, the Offered Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), would be, if issued on the date hereof, qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), registered disability savings plans, registered education savings plans, deferred profit sharing plans, and tax-free savings accounts (“**TFSAs**”).

Notwithstanding the foregoing, if the Offered Shares are “prohibited investments” for a particular TFSA, RRSP or RRIF for purposes of the Tax Act, the holder of the TFSA or annuitant under the RRSP or RRIF, as the case may be, will be subject to a penalty tax under the Tax Act. The Offered Shares, if issued on the date hereof, would not be a “prohibited investment” for these purposes unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as the case may be, (i) does not deal at arm's length with Industrial Alliance for purposes of the Tax Act, or (ii) has a “significant interest”, as defined in the Tax Act, in Industrial Alliance. Prospective purchasers should consult their own tax advisors regarding their particular circumstances. In addition, the Offered Shares will generally not be “prohibited investments” if they are “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for a TFSA, RRSP or RRIF. Prospective purchasers who intend to hold Offered Shares in a TFSA, RRSP or RRIF should consult their own tax advisors in this regard.

DETAILS OF THE OFFERING

The Prospectus provides for a description of the general terms and provisions of the Common Shares. See “Description of Share Capital – Description of the Common Shares” in the Prospectus. As of December 6, 2016, there were 102,995,492 Common Shares outstanding. After giving effect to the issue of the Offered Shares (assuming the Over-Allotment Option is exercised in full), there will be 105,745,492 Common Shares outstanding.

DESCRIPTION OF SHARE CAPITAL

The share capital of Industrial Alliance consists of (a) an unlimited number of Common Shares without nominal or par value. (b) 10,000,000 preferred shares with a nominal or par value of \$25 per share, issuable in series, and (c) an unlimited number of Class A Preferred Shares without nominal or par value, issuable in series (the “**Class A Preferred Shares**”).

As of December 6, 2016, 102,995,492 Common Shares, 5,000,000 Non-Cumulative Class A Preferred Shares Series B and 10,000,000 Non-Cumulative Class A Preferred Shares Series G were issued and outstanding. In addition, as of December 6, 2016, 10,000,000 Non-Cumulative Class A Preferred Shares Series H were reserved for issuance upon the conversion of the Non-Cumulative Class A Preferred Shares Series G. See “Description of Share Capital” in the Prospectus for a summary of certain rights, privileges, restrictions and conditions attaching to the Common Shares and the Class A Preferred Shares.

RECENT DEVELOPMENTS

On October 26, 2016, Industrial Alliance announced that it had sent to all registered holders of the outstanding \$250,000,000 principal amount of its 4.75% Subordinated Debentures due December 14, 2021 (the “**4.75% Debentures**”) a formal notice and instructions for the redemption of the 4.75% Debentures (the “**4.75% Debenture Redemption**”), following the approval of the *Autorité des marchés financiers* (“**AMF**”). Industrial Alliance will redeem the 4.75% Debentures, as of December 14, 2016, upon payment of a redemption amount of \$1,023.75 for each \$1,000 principal amount of 4.75% Debentures, being equal to the aggregate of (i) \$1,000 and (ii) all accrued and unpaid interest.

On December 5, 2016, Industrial Alliance announced that it had entered into a definitive agreement under which, subject to certain conditions, it will acquire HollisWealth. See “The Acquisition”.

RESTRICTIONS

The Prospectus sets out a summary of the restrictions contained in *An Act respecting Insurance (Québec)* (the “**Insurance Act**”) concerning the declaration and payment of dividends. The Company does not anticipate that such restrictions will prevent the declaration or payment of dividends on the Common Shares in the normal course and the AMF has not given any instructions to the Company pursuant to the Insurance Act regarding its capital or its liquidity. See “Insurance Act Restrictions and Approvals” in the Prospectus.

The Prospectus also sets out a summary on the restrictions for the acquisition, issue, transfer and voting of voting shares of Industrial Alliance representing 10% or more of the voting rights attached to such shares. See “Constraints on Voting Shares” in the Prospectus.

USE OF PROCEEDS

The estimated net proceeds to Industrial Alliance from the sale of the Offered Shares offered under this Prospectus Supplement, after deducting the Underwriters’ fee and the estimated expenses of the issue will amount to \$132,960,000 (\$146,266,000) if the Over-Allotment Option is exercised in full). Industrial Alliance will use the net proceeds of this offering to partially fund the purchase price and related fees and expenses of its acquisition of HollisWealth (the “**Acquisition**”).

Industrial Alliance intends to finance the Acquisition through cash funded from the net proceeds to Industrial Alliance from the sale of the Offered Shares offered under this Prospectus Supplement and the difference through existing balance sheet liquidity. Until used for these purposes, the net proceeds will be invested in accordance with the Company’s investment policies and in a similar manner as to the other capital and surplus of the Company.

The completion of this offering of Offered Shares is not conditional on the closing of the Acquisition, and if such Acquisition were not to close for any reason, the proceeds of this offering of Offered Shares will not be returned to investors but rather will be used for the Company’s general corporate purposes, which may include providing working capital, funding capital expenditures or for making one or more future acquisitions. The Company evaluates potential acquisitions on an ongoing basis and completes acquisitions from time to time as part of its strategy to grow the business. If the Acquisition is not completed and the Company ultimately proceeds with one or more other acquisitions, all or any portion of the net proceeds of this offering of Offered Shares may be used to finance the purchase price of such acquisitions and other related acquisition fees and expenses. At the moment, the Company is not in a position to confirm whether any such potential acquisitions will be completed, or if completed, the terms and timing of such acquisitions. See “Risk Factors – Risks Relating to the Acquisition”.

This issue will increase Industrial Alliance’s Tier 1 capital determined in accordance with the capital adequacy guidelines established by the AMF.

CONSOLIDATED CAPITAL AND INDEBTEDNESS

There have been no material changes in the share and loan capital of Industrial Alliance on a consolidated basis from September 30, 2016 to the date of this Prospectus Supplement.

The following table sets forth the consolidated capitalization of Industrial Alliance as of September 30, 2016, before and after giving effect to the sale by Industrial Alliance of the Offered Shares offered by this Prospectus Supplement (assuming no exercise of the Over-Allotment Option) and the 4.75% Debenture Redemption. This table should be read in conjunction with the detailed information and financial statements appearing in the documents incorporated by reference in the Prospectus and this Prospectus Supplement.

Certain related financial data set forth below has been derived from Industrial Alliance’s unaudited condensed consolidated financial statements and the notes thereto for the three- and nine-month periods ended September 30, 2016.

	<u>September 30, 2016</u>	<u>September 30, 2016</u> <u>as adjusted for the</u> <u>Offered Shares and</u> <u>the 4.75%</u> <u>Debenture</u> <u>Redemption</u>
	(\$ millions)	(\$ millions)
Direct Unsecured 4.75% Fixed/Floating Subordinated Debentures ⁽¹⁾	249.2	---
Subordinated Debentures bearing interest between 5.63% and 7% ⁽²⁾	100.0	100.0
Direct Unsecured 2.80% Fixed/Floating Subordinated Debentures ⁽³⁾	248.8	248.8
Direct Unsecured 2.64% Fixed/Floating Subordinated Debentures ⁽⁴⁾	248.7	248.7
Direct Unsecured 3.30% Fixed/Floating Subordinated Debentures ⁽⁵⁾	397.7	397.7
Participating Policyholders’ Account	45.7	45.7
Class A Preferred Shares Series B	125.0	125.0
Class A Preferred Shares Series G	250.0	250.0
Common Shareholders’ Equity	<u>3,975.0</u>	<u>4,108.0⁽⁶⁾</u>
Total Capital and Indebtedness	<u>5,640.1</u>	<u>5,523.9⁽⁶⁾</u>

- 1) The debentures were issued on December 14, 2011 under a prospectus supplement dated December 13, 2011. The Company plans to redeem these debentures on December 14, 2016 pursuant to a redemption notice sent to holders of the debentures dated October 25, 2016.
- 2) The debenture was issued on August 1, 2008.
- 3) The debentures were issued on May 16, 2014 under a prospectus supplement dated May 13, 2014.
- 4) The debentures were issued on February 23, 2015 under a prospectus supplement dated February 18, 2015.
- 5) The debentures were issued on September 16, 2016 under a prospectus supplement dated September 13, 2016.
- 6) Assuming full exercise of the Over-Allotment Option, Common Shareholders’ Equity and Total Capital and Indebtedness would be \$4,121.3 million and \$5,537.2 million, respectively.

THE ACQUISITION

On December 5, 2016, Industrial Alliance announced that it had entered into a definitive agreement (the “**Acquisition Agreement**”) under which, subject to certain conditions, Industrial Alliance and Industrial Alliance Securities Inc. will acquire HollisWealth, a leading Canadian financial network, from The Bank of Nova Scotia, through a combination of share and asset purchase. The purchase price for the Acquisition will vary depending on the level of assets under administration (“**AUA**”) at closing and will be subject to adjustments and other transaction costs.

HollisWealth provides diversified investment and wealth management services to individuals, families and corporations. They are the fourth-largest independent advisor network in Canada, with \$34 billion in AUA, 800 licensed advisors, 400,000 active client accounts and over 300 locations across Canada. HollisWealth was part of Scotiabank’s acquisition of DundeeWealth Inc. in 2011, which also included Dynamic Funds, one of Canada’s most

recognized asset management firms. Dynamic Funds is not part of the Acquisition and will remain part of Scotiabank.

Expanding its wealth management platform and capabilities has been a top strategic priority for Industrial Alliance. Since 2000, it has grown its business through a combination of organic growth and acquisitions. Industrial Alliance has completed 25 acquisitions in wealth management during that period and today has AUA of more than \$40 billion. With the addition of HollisWealth, combined AUA will be \$75 billion.

Assuming the completion of this offering of Offered Shares, the expected impact of the Acquisition on the Company's solvency ratio will be a decrease of eight percentage points. On a pro forma basis after giving effect to this offering of Offered Shares, the Acquisition and the previously announced 4.75% Debenture Redemption, the Company's solvency ratio would be 199%. The Acquisition is expected to be modestly accretive to Industrial Alliance's earnings in 2018 and contribute an estimated \$0.05 per share in 2019.

Additional information about the Acquisition may be found in Industrial Alliance's material change report dated December 5, 2016, which is incorporated by reference in this Prospectus Supplement, and in the Acquisition Agreement, both of which have been filed by Industrial Alliance with Canadian securities regulators and are available for review at www.sedar.com.

The Acquisition, which is subject to customary closing conditions and the receipt of regulatory approvals and clearances, including approvals and/or non-objection letters by the Mutual Fund Dealers Association, Investment Industry Regulatory Organization of Canada, the Ontario Securities Commission and the AMF (collectively referred to as the "**Securities Regulatory Authorities**") and clearance under the *Competition Act* (Canada) through the issuance of an advance ruling certificate or no action letter by the Commissioner of Competition ("**Commissioner**"), is expected to close in the third calendar quarter of 2017, and there can be no assurance that any such approvals will be obtained or that any such conditions will be satisfied or waived. See "Risk Factors – Risks Relating to the Acquisition – Regulatory Approvals and Clearances".

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated December 7, 2016 (the "**Underwriting Agreement**") between Industrial Alliance and the Underwriters, Industrial Alliance has agreed to sell and the Underwriters have agreed to purchase jointly (but not solidarily nor jointly and severally), as principals, on December 14, 2016, or such other date as may be agreed upon, but not later than December 28, 2016, subject to the terms and conditions stated therein, all but not less than all of the 2,500,000 Offered Shares offered hereby at a price of \$55.65 per share, for total gross proceeds of \$139,125,000, payable in cash to Industrial Alliance against delivery of such Offered Shares. The Offered Shares will be offered in each of the provinces of Canada.

The Company has granted to the Underwriters the Over-Allotment Option, which entitles the Underwriters to purchase up to an additional 250,000 Offered Shares on the same terms and conditions as this offering exercisable in whole or in part from time to time, no later than the 30th day following the closing of this offering for market stabilization purposes and to cover over-allotments, if any. This Prospectus Supplement qualifies the grant of the Over-Allotment Option and the distribution of the Offered Shares issuable on the exercise of the Over-Allotment Option.

The Underwriting Agreement provides that the Underwriters will be paid a fee equal to \$2.226 per Offered Share issued and sold by the Company pursuant to this offering (and, if applicable, pursuant to the Over-Allotment Option).

A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires those Offered Shares under this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Company has applied to list the Offered Shares on the TSX. Listing will be subject to the Company fulfilling all of the requirements of the TSX.

The obligations of the Underwriters under the Underwriting Agreement are joint (and not solidary nor joint and several) and may be terminated at their discretion upon the occurrence of certain stated events set forth in the Underwriting Agreement. The Underwriters are, however, obligated to take up and pay for all of the Offered Shares if any of such shares are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Offered Shares initially at the Offering Price of \$55.65. After the Underwriters have made a reasonable effort to sell all of the Offered Shares at that price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than \$55.65, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to Industrial Alliance. Any such reduction will not affect the proceeds received by the Company.

In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution under this Prospectus Supplement, bid for or purchase securities of the Company for their own account or for accounts over which they exercise control or direction. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution.

The Underwriting Agreement provides that, without the prior consent of TD Securities Inc. (on behalf of the Underwriters), such consent not to be unreasonably withheld or delayed, the Company will not sell or announce its intention to sell, nor will the Company authorize or issue, or announce its intention to authorize or issue, any Common Shares or securities convertible or exchangeable for or exercisable into Common Shares, during the period commencing on the date of the Underwriting Agreement and ending 90 days after the closing of the offering, other than (i) securities issued pursuant to the exercise, conversion or exchange of currently outstanding convertible, or exchangeable securities of the Company; (ii) deferred shares pursuant to Industrial Alliance's deferred share units plan; (iii) pursuant to Industrial Alliance's dividend reinvestment and share purchase plan, stock option plan, deferred share units plan, share purchase plan or medium-term incentive plan; or (iv) under any rights plan adopted from time to time by Industrial Alliance and (v) Offered Shares pursuant to the offering contemplated hereby.

The Offered Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act and applicable United States state securities laws. Accordingly, the Offered Shares are not being offered and sold in the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A under the U.S. Securities Act. As used in this paragraph, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S under the U.S. Securities Act.

This Prospectus Supplement and the accompanying Prospectus do not constitute an offer to sell or a solicitation of an offer to buy the Offered Shares in the United States. In addition, until 40 days after the commencement of this offering, an offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such an offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Industrial Alliance Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of Industrial Alliance. Therefore, Industrial Alliance is a “related issuer” of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance’s interest in Industrial Alliance Securities Inc. In addition, Industrial Alliance Securities Inc. is a party to the Acquisition Agreement, as proposed purchaser of certain assets used in connection with the business conducted by The Bank of Nova Scotia under the “HollisWealth” brand. Scotia Capital Inc., one of the underwriters, is an affiliate of The Bank of Nova Scotia, which is proposing to sell HollisWealth to Industrial Alliance pursuant to the terms of the Acquisition Agreement, which acquisition will also include assets and liabilities that are held in a division of Scotia Capital Inc. See “The Acquisition”. Industrial Alliance will use the net proceeds of this offering to partially fund the purchase price and related fees and expenses of the Acquisition to the extent it is completed. See “Use of Proceeds”. Therefore, Industrial Alliance may be considered to be a “connected issuer” of each of Scotia Capital Inc. and Industrial Alliance Securities Inc. within the meaning of NI 33-105.

Under applicable securities legislation, TD Securities Inc. is an independent dealer acting as underwriter in connection with this offering and is not related or connected to Industrial Alliance. In that capacity, TD Securities Inc. has participated with all other Underwriters in due diligence meetings relating to this Prospectus Supplement with Industrial Alliance and its representatives, has reviewed this Prospectus Supplement and has had the opportunity to propose such changes to this Prospectus Supplement as it considered appropriate. In addition, TD Securities Inc. has participated in the structuring and pricing of this offering.

The decision to distribute the Offered Shares and the determination of the terms of this offering were made through negotiations between Industrial Alliance and TD Securities Inc., on behalf of the other Underwriters. Neither Industrial Alliance Securities Inc. nor Scotia Capital Inc. will receive any benefit in connection with this offering, other than their respective share of the Underwriters’ fee payable by Industrial Alliance and the portion of the proceeds potentially received by Scotia Capital Inc. in connection with the Acquisition and as otherwise disclosed herein.

RISK FACTORS

An investment in the Offered Shares is subject to various risks, including those risks inherent in investing in a diversified financial institution. Before deciding whether to invest in the Offered Shares, investors should consider carefully the risks relating to Industrial Alliance described below and elsewhere in this Prospectus Supplement and in the Prospectus and in the information incorporated by reference in the Prospectus and this Prospectus Supplement (including subsequently filed documents incorporated by reference).

General

Prospective investors should consider the categories of risks identified and discussed under “Risk Factors” in the Prospectus, under “Risk Factors” in Industrial Alliance’s most recent annual information form, in Industrial Alliance’s management’s discussion and analysis for the most recent audited consolidated financial statements under “Risk Management”, in the “Management of Risks Associated with Financial Instruments” and “Insurance Contract Liabilities and Investment Contract Liabilities” notes to Industrial Alliance’s most recent audited consolidated financial statements, and elsewhere in Industrial Alliance’s filings with Canadian securities regulators, which are available for review at www.sedar.com. These sections discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on Industrial Alliance’s business, financial condition or results of operations. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business. We cannot assure you that any of the events discussed in the risk factors below will not occur. If any of such events does occur, you may lose all or part of your original investment in the securities distributed under this Prospectus Supplement.

The Common Shares are Subject to Market Price Volatility

The market price of the Common Shares may be adversely affected by a variety of factors relating to Industrial Alliance’s business, including fluctuations in Industrial Alliance’s operating and financial results, the

results of any public announcements made by Industrial Alliance and Industrial Alliance's failure to meet analysts' expectations. In addition, from time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to Industrial Alliance's performance. The continuing volatility in financial markets may adversely affect Industrial Alliance and the market price of the Common Shares. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect Industrial Alliance and the market price of the Common Shares. Additionally, the value of the Common Shares is subject to market value fluctuations based upon factors which influence Industrial Alliance's operations, such as legislative or regulatory developments, competition, technological change and the performance of equity markets and changes in interest rates.

Potential Dilution

The number of Common Shares Industrial Alliance is authorized to issue is unlimited. The board of directors has the discretion to issue additional Common Shares. Additional Common Shares may also be issued on the exercise of stock options or other securities convertible into or exchangeable for Common Shares. Any issuance of Common Shares may have a dilutive effect on the voting power of the holders of Common Shares and Industrial Alliance may experience dilution in its earnings per Common Share.

Dividends

The holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of Industrial Alliance, subject to the preference of the holders of Class A Preferred Shares, preferred shares and any other shares ranking senior to the Common Shares with respect to priority in payment of dividends. The Insurance Act prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing a company is, or the payment of the dividend would cause the company to be, in contravention of any regulation made under the Insurance Act respecting the maintenance by life insurance companies of an adequate capital base consistent with sound and prudent management and such liquid assets as are adequate to ensure sound and prudent management and adequate and appropriate forms of liquidity. The declaration and payment of dividends and the amount thereof is subject to the discretion of the board of directors of Industrial Alliance and is dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, Industrial Alliance and other factors deemed relevant by the board of directors of Industrial Alliance. Industrial Alliance is not required to do so and the board of directors of Industrial Alliance may reduce, defer or eliminate Industrial Alliance's Common Share dividend in the future. See "Restrictions" for a summary of additional statutory and contractual restrictions concerning the declaration of dividends by Industrial Alliance.

Changes in Regulatory Framework and Prudential Regulatory Supervision

The operations of the Company and its regulated subsidiaries are subject to a variety of insurance and other laws and regulations as well as supervision by regulators. As a result of the global financial crisis, financial authorities and regulators, including the AMF, are reviewing (and in some cases, enhancing) their requirements and considering potential changes. Insurance company prudential regulators in Canada are currently focused on insurance company's compliance with their requirements relating to risk management systems and procedures and appropriate corporate governance procedures, among others. Failure to comply with laws or to conduct the Company's business consistent with changing regulatory expectations and requirements could adversely affect the Company and may also lead to regulatory steps, proceedings, penalties and litigation.

From time to time, regulators raise issues during examinations or audits of Industrial Alliance and its regulated subsidiaries that could have a material adverse impact on the Company. The Company cannot predict whether or when regulatory actions may be taken that could adversely affect Industrial Alliance's operations. In addition, the application of regulations by regulators may change and laws may be enacted with retroactive effect, and new and revised guidelines and other regulatory requirements may be adopted, particularly in areas such as corporate risk management, capital requirements, corporate governance, accounting or statutory reserve requirements. For further discussion of legal and regulatory compliance risk, please refer to "Legal and

Regulatory Compliance Risk” in Industrial Alliance’s management’s discussion and analysis for the most recent audited consolidated financial statements.

Risks Relating to the Acquisition

Possible Failure or Delay in the Acquisition

The closing of this offering of Offered Shares will occur before the closing date of the Acquisition and the closing of the Acquisition is subject to the receipt of required regulatory approvals and the satisfaction of certain closing conditions and may not occur. There is no certainty, nor can Industrial Alliance provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining regulatory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on Industrial Alliance’s ability to complete the Acquisition and, should the Acquisition be completed on those unfavourable terms or conditions, on Industrial Alliance’s business or the HollisWealth business, financial condition or results of operations. If the Acquisition is not completed as contemplated, Industrial Alliance would not realize any anticipated benefits from the Acquisition. In addition, the ongoing business of Industrial Alliance may be adversely affected, and Industrial Alliance could suffer adverse consequences, including the loss of investor confidence, and experience negative reactions from the financial markets, which could cause a decrease in the market price of the Offered Shares, particularly if the market price reflects market assumptions that the Acquisition will be completed. Industrial Alliance may also experience negative reactions from its customers and employees. Such reactions may have an adverse effect on Industrial Alliance’s business.

The completion of this offering of Offered Shares is not conditional on the closing of the Acquisition, and if such Acquisition were not to close for any reason, the proceeds of this offering of Common Shares will not be returned to investors and the issuance of Offered Shares in connection with this offering will nevertheless occur, which may have a dilutive impact on holders of Offered Shares. In addition, if the Acquisition is not completed, the Company may not be able to use the net proceeds of this offering for an alternative use that provides economic returns and cash flows consistent with the returns anticipated by the Company as a result of completing the Acquisition, resulting in negative accretion to the Company’s earnings per share.

Integration of the Combined Business

Industrial Alliance’s ability to maintain and successfully operate its business depends upon the judgment and project execution skills of its senior professionals. Any management disruption or difficulties in integrating Industrial Alliance’s and HollisWealth’s management and operations staff could significantly affect the Company’s business and results of operations. The success of the Acquisition will depend, in large part, on the ability of management to realize the anticipated benefits and cost synergies from integration of the business of Industrial Alliance and the HollisWealth business. The integration of the businesses may result in significant challenges, and management may be unable to accomplish the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with business partners or employees or to achieve the anticipated benefits of the Acquisition.

The integration of HollisWealth requires the dedication of substantial effort, time and resources on the part of management, which may divert management’s focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that Industrial Alliance will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Acquisition. The extent to which synergies are realized and the timing of such cannot be assured. Any inability of the Company to successfully integrate the operations of the Company and HollisWealth, including, but not limited to, information technology and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of Industrial Alliance. The challenges involved in the integration may include, among other things, the following: the necessity of coordinating both geographically disparate and overlapping organizations and addressing possible differences in

corporate and regional cultures and management philosophies; retaining key personnel during the period between execution of the Acquisition Agreement and the closing and post-closing of the Acquisition, including addressing the uncertainties of key employees regarding their future; integrating information technology systems and resources; integrating HollisWealth into the Company's accounting system and adjusting the Company's internal control environment to cover HollisWealth's operations; unforeseen expenses or delays associated with the Acquisition; performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the Acquisition; meeting the expectations of business partners during the period between execution of the Acquisition Agreement and the closing and post-closing of the Acquisition with respect to the overall integration of the businesses; and unplanned costs required to integrate the businesses and achieve synergies.

The successful integration of the Acquisition is also subject to the risk that personnel from HollisWealth and Industrial Alliance may not be able to work together successfully, which could adversely impact the Company's business, financial condition and results of operations.

The benefits expected as a result of the Acquisition will depend, in part, on Industrial Alliance's ability to realize anticipated growth opportunities. The Company's success in realizing these growth opportunities, and the timing of this realization, depends on the successful integration of the HollisWealth business and operations with the Company's business and operations. Even if the Company is able to integrate these businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities currently expected within the anticipated time frame or at all. Accordingly, the benefits from the proposed Acquisition may be offset by delays in integrating the businesses, which could cause the Company's revenue assumptions to be inaccurate.

The pendency of the Acquisition could adversely affect the business and operations of the Company and HollisWealth

In connection with the pending Acquisition, some customers of each of the Company and HollisWealth may delay or defer decisions, which could negatively impact the revenues, earnings, cash flows and expenses of the Company and HollisWealth, regardless of whether the Acquisition is completed. Similarly, current and prospective employees of the Company and HollisWealth may experience uncertainty about their future roles following the Acquisition, which may materially adversely affect the ability of each of the Company and HollisWealth to attract, retain and motivate key personnel during the pendency of the Acquisition and which may materially adversely divert attention from the daily activities of the Company's and HollisWealth's existing employees.

Liabilities Related to the Acquisition and Inability to Retain HollisWealth's Clients or Employees

Although Industrial Alliance has conducted what it believes to be a prudent and thorough level of investigation in connection with the Acquisition and has negotiated indemnities with The Bank of Nova Scotia in the Acquisition Agreement to cover certain potential future liabilities, such indemnities may be limited and an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, HollisWealth. Following the Acquisition, the Company may discover that it has acquired substantial undisclosed liabilities. See also " – Potential Liabilities Associated with the Acquisition".

In addition, the Company may be unable to retain HollisWealth's clients or employees following the Acquisition. The continuing and collaborative efforts of HollisWealth's senior management and employees are important to its success and its business would be harmed if it were to lose their services. The existence of undisclosed liabilities and the Company's inability to retain HollisWealth's clients or employees could have an adverse impact on the Company's business, financial condition and results of operations.

No Assurance of Future Performance

Historic and current performance of the business of Industrial Alliance and HollisWealth may not be indicative of success in future periods. The future performance of the business of the Company after the

Acquisition may be influenced by, among other factors, economic downturns, long-term changes in customer preferences and other factors beyond the control of the Company. As a result of any one or more of these factors, the operations and financial performance of the Company including HollisWealth may be negatively affected, which may adversely affect the Company's financial results.

Regulatory Approvals and Clearances

The closing of the Acquisition is subject to the receipt of regulatory approvals and clearances, including approvals and/or non-objection letters by the Securities Regulatory Authorities and clearance under the *Competition Act* (Canada) through the issuance of an advance ruling certificate or no action letter by the Commissioner. The Securities Regulatory Authorities and/or the Commissioner may decline to give approval or clearance for the Acquisition or may attach conditions to their approval or clearance, which could adversely affect the Company's ability to realize the anticipated benefits of the Acquisition. The Company can provide no assurance that all required regulatory approvals and clearances will be obtained. In addition, there can be no assurance as to the cost, scope or impact of the actions that may be required to obtain such regulatory approvals and clearances.

Potential Liabilities Associated with the Acquisition

There may be liabilities that Industrial Alliance failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to the execution of the Acquisition Agreement, and the Company may not be indemnified for some or all of these liabilities or the indemnification may be subject to limitations set forth in the Acquisition Agreement. There can be no assurance of adequate recovery by the Company from The Bank of Nova Scotia for any breach of the representations, warranties and covenants or in respect of any indemnities provided by The Bank of Nova Scotia under the Acquisition Agreement, or that the length and amounts of the indemnities provided will be sufficient to satisfy such obligations or that The Bank of Nova Scotia will have the financial ability to satisfy same. The discovery of any material liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on Industrial Alliance's business, financial condition or future prospects.

While the Company has estimated these potential liabilities for the purposes of making its decision to enter into the Acquisition Agreement, there can be no assurance that any resulting liability will not exceed the Company's estimates. The amount of such liability could have a material adverse effect on Industrial Alliance's financial position. See also " – Liabilities Related to the Acquisition and Inability to Retain HollisWealth's Clients or Employees".

Significant Transaction and Related Costs in connection with the Acquisition.

The Company expects to incur a number of costs associated with completing the Acquisition and integrating the operations of the Company and HollisWealth. The substantial majority of these costs will be non-recurring expenses resulting from the Acquisition and will consist of transaction costs related to the Acquisition, facilities and systems consolidation costs and employment-related costs. Such expenses are difficult to estimate accurately, and may exceed current estimates. Additional unanticipated costs may be incurred in the integration of the Company's business and the HollisWealth business. Although the Company expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction-related costs over time, this net benefit may not be achieved in the near term or at all. Accordingly, the benefits from the proposed Acquisition may be offset by unexpected costs incurred in integrating the businesses, which could cause the Company's revenue assumptions to be inaccurate. Thus, any net benefit may not be achieved in the near term, the long term or at all.

Information Provided with Respect to HollisWealth

This Prospectus Supplement contains other disclosure regarding HollisWealth that is based on information provided to Industrial Alliance by The Bank of Nova Scotia. Although Industrial Alliance has conducted what it believes to be a prudent and thorough level of investigation of HollisWealth in connection with the Acquisition, an unavoidable level of risk remains regarding the accuracy and completeness of the information provided to the

Company by The Bank of Nova Scotia. While the Company has no reason to believe the information provided by The Bank of Nova Scotia is misleading, untrue or incomplete, there may be events which may have occurred with respect to HollisWealth or which may affect the completeness or accuracy of the information provided by The Bank of Nova Scotia which are unknown to the Company. The fact that information has been obtained by the Company from The Bank of Nova Scotia does not relieve the Company of any liability it may be found to have in the event the disclosure in this Prospectus Supplement based on such information were to contain a misrepresentation under applicable securities laws.

PRIOR SALES

The following chart summarizes the issuances by Industrial Alliance of Common Shares and securities convertible or exercisable into Common Shares for the period from December 6, 2015 through December 6, 2016:

Date of Issuance	Description of Transaction / Securities Issued	Number of Securities Issued	Issue Price per Common Share \$
December 7, 2015	Exercise of stock options	11,500 Common Shares	\$30.22
December 7, 2015	Exercise of stock options	6,000 Common Shares	\$38.48
December 7, 2015	Exercise of stock options	2,500 Common Shares	\$26.03
December 7, 2015	Exercise of stock options	2,250 Common Shares	\$35.51
December 9, 2015	Exercise of stock options	4,000 Common Shares	\$30.22
December 9, 2015	Exercise of stock options	2,000 Common Shares	\$35.64
December 15, 2015	Dividend reinvestment and share purchase plan	310,329 Common Shares	\$43.36
December 15, 2015	Dividend reinvestment and share purchase plan	840 Common Shares	\$44.24
December 21, 2015	Exercise of stock options	13,300 Common Shares	\$30.22
December 21, 2015	Exercise of stock options	2,000 Common Shares	\$38.48
December 30, 2015	Exercise of stock options	5,000 Common Shares	\$30.22
January 4, 2016	Exercise of stock options	26,100 Common Shares	\$19.23
January 4, 2016	Exercise of stock options	20,000 Common Shares	\$26.03
January 5, 2016	Exercise of stock options	25,900 Common Shares	\$19.23
January 5, 2016	Exercise of stock options	2,000 Common Shares	\$30.22
February 5, 2016	Grant of stock options	491,000 stock options	\$40.91
February 10, 2016	Exercise of stock options	2,000 Common Shares	\$30.22
March 4, 2016	Exercise of stock options	4,000 Common Shares	\$30.22
March 7, 2016	Exercise of stock options	6,000 Common Shares	\$30.22
April 26, 2016	Exercise of stock options	6,250 Common Shares	\$26.03
May 13, 2016	Exercise of stock options	1,750 Common Shares	\$38.48
May 13, 2016	Exercise of stock options	3,500 Common Shares	\$26.03
May 13, 2016	Exercise of stock options	3,500 Common Shares	\$35.51
May 13, 2016	Exercise of stock options	2,000 Common Shares	\$39.96
May 16, 2016	Exercise of stock options	2,000 Common Shares	\$35.64
May 17, 2016	Exercise of stock options	4,000 Common Shares	\$35.64
May 18, 2016	Exercise of stock options	2,000 Common Shares	\$35.64
May 19, 2016	Exercise of stock options	10,000 Common Shares	\$37.37
May 19, 2016	Exercise of stock options	3,500 Common Shares	\$19.23
May 20, 2016	Exercise of stock options	4,500 Common Shares	\$26.03
May 20, 2016	Exercise of stock options	1,500 Common Shares	\$19.23
May 26, 2016	Exercise of stock options	600 Common Shares	\$26.03
May 30, 2016	Exercise of stock options	4,000 Common Shares	\$35.64
May 30, 2016	Exercise of stock options	4,000 Common Shares	\$37.37
May 30, 2016	Exercise of stock options	3,000 Common Shares	\$19.23

May 30, 2016	Exercise of stock options	3,000 Common Shares	\$32.08
May 30, 2016	Exercise of stock options	1,150 Common Shares	\$26.03
May 31, 2016	Exercise of stock options	6,000 Common Shares	\$35.64
July 19, 2016	Exercise of stock options	5,750 Common Shares	\$35.51
August 9, 2016	Exercise of stock options	4,000 Common Shares	\$32.08
August 10, 2016	Exercise of stock options	1,000 Common Shares	\$35.51
August 11, 2016	Exercise of stock options	2,500 Common Shares	\$35.51
August 11, 2016	Exercise of stock options	2,000 Common Shares	\$38.48
August 11, 2016	Exercise of stock options	1,500 Common Shares	\$26.03
August 12, 2016	Exercise of stock options	5,000 Common Shares	\$19.23
August 12, 2016	Exercise of stock options	8,000 Common Shares	\$35.64
August 12, 2016	Exercise of stock options	13,900 Common Shares	\$26.03
August 12, 2016	Exercise of stock options	8,700 Common Shares	\$32.08
August 12, 2016	Exercise of stock options	4,000 Common Shares	\$37.37
August 15, 2016	Exercise of stock options	2,500 Common Shares	\$19.23
August 15, 2016	Exercise of stock options	3,000 Common Shares	\$38.48
August 15, 2016	Exercise of stock options	11,000 Common Shares	\$26.03
August 15, 2016	Exercise of stock options	4,000 Common Shares	\$35.64
August 15, 2016	Exercise of stock options	2,300 Common Shares	\$32.08
August 16, 2016	Exercise of stock options	19,250 Common Shares	\$35.64
August 16, 2016	Exercise of stock options	6,000 Common Shares	\$38.48
August 16, 2016	Exercise of stock options	6,750 Common Shares	\$35.51
August 17, 2016	Exercise of stock options	10,000 Common Shares	\$35.64
August 17, 2016	Exercise of stock options	3,000 Common Shares	\$37.37
August 17, 2016	Exercise of stock options	3,000 Common Shares	\$19.23
August 22, 2016	Exercise of stock options	7,500 Common Shares	\$35.64
August 22, 2016	Exercise of stock options	2,500 Common Shares	\$19.23
August 26, 2016	Exercise of stock options	8,100 Common Shares	\$26.03
August 29, 2016	Exercise of stock options	8,000 Common Shares	\$35.64
August 30, 2016	Exercise of stock options	14,000 Common Shares	\$35.64
August 31, 2016	Exercise of stock options	1,250 Common Shares	\$38.48
August 31, 2016	Exercise of stock options	2,000 Common Shares	\$35.64
September 1, 2016	Exercise of stock options	500 Common Shares	\$26.03
September 1, 2016	Exercise of stock options	500 Common Shares	\$35.51
September 1, 2016	Exercise of stock options	1,000 Common Shares	\$43.38
September 1, 2016	Exercise of stock options	500 Common Shares	\$39.96
September 1, 2016	Exercise of stock options	48,800 Common Shares	\$35.64
September 2, 2016	Exercise of stock options	1,200 Common Shares	\$35.64
September 6, 2016	Exercise of stock options	4,000 Common Shares	\$35.51
September 8, 2016	Exercise of stock options	2,000 Common Shares	\$35.51
September 12, 2016	Exercise of stock options	10,300 Common Shares	\$35.64
September 12, 2016	Exercise of stock options	7,000 Common Shares	\$37.37
September 20, 2016	Exercise of stock options	8,000 Common Shares	\$35.64
September 21, 2016	Exercise of stock options	16,800 Common Shares	\$35.64
September 22, 2016	Exercise of stock options	15,200 Common Shares	\$35.64
September 26, 2016	Exercise of stock options	500 Common Shares	\$39.96
September 26, 2016	Exercise of stock options	10,000 Common Shares	\$35.64
September 27, 2016	Exercise of stock options	10,200 Common Shares	\$35.64
September 27, 2016	Exercise of stock options	18,000 Common Shares	\$37.37
October 4, 2016	Exercise of stock options	6,300 Common Shares	\$37.37
October 13, 2016	Exercise of stock options	5,000 Common Shares	\$35.64
October 21, 2016	Exercise of stock options	500 Common Shares	\$43.38
October 21, 2016	Exercise of stock options	2,500 Common Shares	\$35.51

October 26, 2016	Exercise of stock options	2,000 Common Shares	\$35.51
October 31, 2016	Exercise of stock options	2,000 Common Shares	\$37.37
November 10, 2016	Exercise of stock options	7,000 Common Shares	\$19.23
November 10, 2016	Exercise of stock options	7,000 Common Shares	\$32.08
November 10, 2016	Exercise of stock options	7,000 Common Shares	\$38.48
November 10, 2016	Exercise of stock options	7,000 Common Shares	\$26.03
November 10, 2016	Exercise of stock options	5,250 Common Shares	\$35.51
November 10, 2016	Exercise of stock options	3,500 Common Shares	\$43.38
November 10, 2016	Exercise of stock options	1,750 Common Shares	\$39.96
November 14, 2016	Exercise of stock options	500 Common Shares	\$43.38
November 15, 2016	Exercise of stock options	2,000 Common Shares	\$37.37
November 16, 2016	Exercise of stock options	2,000 Common Shares	\$37.37
November 16, 2016	Exercise of stock options	3,000 Common Shares	\$19.23
November 16, 2016	Exercise of stock options	2,000 Common Shares	\$38.48
November 16, 2016	Exercise of stock options	2,000 Common Shares	\$26.03
November 17, 2016	Exercise of stock options	1,500 Common Shares	\$32.08
November 17, 2016	Exercise of stock options	2,500 Common Shares	\$43.38
November 17, 2016	Exercise of stock options	1,000 Common Shares	\$37.37
November 22, 2016	Exercise of stock options	3,500 Common Shares	\$26.03
November 22, 2016	Exercise of stock options	3,500 Common Shares	\$35.51
November 22, 2016	Exercise of stock options	2,000 Common Shares	\$38.48
November 28, 2016	Exercise of stock options	1,000 Common Shares	\$37.37

TRADING PRICE AND VOLUME OF INDUSTRIAL ALLIANCE'S SECURITIES

The following chart sets out the trading price and volume of the Company's securities on the TSX during the 12 months preceding the date of this Prospectus Supplement:

	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016
Common Shares						
High Price (\$)	46.05	43.83	42.29	39.47	42.28	43.10
Low Price (\$)	42.92	38.30	35.00	36.38	38.47	39.77
Volume	4,760,349	2,947,563	4,914,901	5,372,597	3,991,617	4,613,257
Class A Preferred Shares Series B						
High Price (\$)	22.12	21.52	21.74	21.73	22.21	22.32
Low Price (\$)	19.84	19.97	20.52	20.50	21.16	21.63
Volume	77,267	33,851	33,575	33,127	43,310	54,143
Class A Preferred Shares Series G						
High Price (\$)	22.61	22.23	19.01	19.52	21.28	20.99
Low Price (\$)	18.60	16.30	16.12	16.51	18.93	19.76
Volume	270,193	253,481	211,827	186,780	129,033	81,757

	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016 ⁽¹⁾
Common Shares							
High Price (\$)	43.30	43.32	47.07	48.38	52.14	57.86	58.05
Low Price (\$)	38.52	39.79	39.26	45.32	46.84	49.85	53.83
Volume	3,929,659	2,446,574	4,716,901	3,915,049	3,520,838	5,582,831	1,062,529
Class A Preferred Shares Series B							
High Price (\$)	22.45	23.35	24.00	23.44	23.65	23.44	22.10
Low Price (\$)	21.80	22.13	22.82	22.90	23.11	22.00	21.77
Volume	37,265	58,819	79,536	44,084	53,341	59,915	5,760
Class A Preferred Shares Series G							
High Price (\$)	20.78	19.93	21.46	20.22	20.53	21.53	20.40
Low Price (\$)	17.29	17.86	19.60	19.55	19.76	19.88	19.90
Volume	179,951	518,082	176,767	142,968	357,341	358,145	41,816

(1) The December 2016 data includes trading prices and volume up to and including December 6, 2016.

LEGAL MATTERS

Certain legal matters in connection with the issue and sale of the Offered Shares will be passed upon by Norton Rose Fulbright Canada LLP on behalf of Industrial Alliance and by McCarthy Tétrault LLP on behalf of the Underwriters. As of the date of this Prospectus Supplement, the partners, associates and counsel of Norton Rose Fulbright Canada LLP, as a group, and McCarthy Tétrault LLP, as a group, respectively, beneficially own, directly or indirectly, less than 1% of the outstanding securities of Industrial Alliance.

INDEPENDENT AUDITOR, TRANSFER AGENT AND REGISTRAR

Deloitte LLP, Québec, Québec, is the external independent auditor who prepared the independent auditor's report to the shareholders and policyholders of the Company on the consolidated financial statements of Industrial Alliance, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated income statements, consolidated comprehensive income statements, consolidated equity statements and consolidated cash flows statements for the years then ended, and a summary of significant accounting policies and other explanatory information, incorporated by reference in this Prospectus

Supplement and the accompanying Prospectus. Deloitte LLP is independent within the meaning of the Code of Ethics of the *Ordre des Comptables Professionnels Agréés du Québec*.

Computershare Investor Services Inc. at its office in Montréal (Québec) is the transfer agent and registrar for the Common Shares.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE UNDERWRITERS

Dated: December 7, 2016

To the best of our knowledge, information and belief, the short form base shelf prospectus dated April 16, 2015, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

TD SECURITIES INC.

SCOTIA CAPITAL INC.

By: *(Signed)* JONATHAN BROER

By: *(Signed)* DAVID GARG

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

By: *(Signed)* PAUL ST-MICHEL

By: *(Signed)* JOHN BYLAARD

BMO NESBITT BURNS INC.

INDUSTRIAL ALLIANCE SECURITIES INC.

NATIONAL BANK FINANCIAL INC.

By: *(Signed)* ANNIE LAPOINTE

By: *(Signed)* FRED WESTRA

By: *(Signed)* MAUDE LEBLOND