Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

THIRD QUARTER 2012

GUARDIAN CAPITAL

50 YEARS Our history. Your future.

TO OUR SHAREHOLDERS:

We present the Company's operating results for the three months and nine months ended September 30, 2012.

For the periods ended September 30 *($ in thousands, except per share amounts)*	**Three Months** **2012**	2011 (amended)	**Nine Months** **2012**	2011 (amended)
Net revenue	**$ 20,858**	$ 18,871	**$ 61,231**	$ 53,869
Operating earnings	**4,647**	4,344	**14,347**	11,809
Net gains (losses)	**2,045**	(2,013)	**1,481**	(1,707)
Net earnings before net gains (losses) on securities held for sale	**6,045**	**2,136**	**13,262**	**9,570**
Adjusted cash flow from operations	**5,091**	5,227	**15,737**	13,892
Per Share				
Net earnings before net gains (losses) on securities held for sale available to shareholders				
Basic	**$ 0.19**	$ 0.08	**$ 0.42**	$ 0.31
Diluted	**0.18**	0.08	**0.41**	0.31
Adjusted cash flow from operations				
Basic	**$ 0.16**	$ 0.16	**$ 0.50**	$ 0.43
Diluted	**0.16**	0.16	**0.49**	0.43

The Company's operating results for the third quarter of 2012 reflect the early adoption by the Company of International Financial Reporting Standards ("IFRS") 10, 11 and 12, and the amendment of its policies regarding controlled entities which are held for sale, as described in note 2(b) to the accompanying interim financial statements. In accordance with IFRS and securities law requirements, the Company's balance sheet as at January 1, 2011 has been amended to reflect the adoption of these standards and policies, which balance sheet is contained in the accompanying interim financial statements.

Net gains (losses) on securities held for sale [(1)]	**$ 2,849**	$ (8,410)	**$ 3,475**	$ (7,729)
Net earnings (loss) available to shareholders	**8,750**	**(5,876)**	**16,641**	**2,258**
Per Share				
Net earnings (loss) available to shareholders				
Basic	**$ 0.28**	$ (0.18)	**$ 0.53**	$ 0.07
Diluted	**0.27**	(0.18)	**0.52**	0.07

(1) The "Net gains (losses) on securities held for sale" disclosed above represents, for the periods indicated, the net changes in the fair value of certain mutual funds, which changes have been recorded in accordance with the new accounting standards and policies which the Company has adopted in the current quarter, on a retrospective basis.

All per share figures disclosed below are stated on a diluted basis.

Assets under management were $18.0 billion as at September 30, 2012, compared to $15.9 billion as at December 31, 2011 and $15.2 billion as at September 30, 2011. Assets under administration were $9.2 billion as at September 30, 2012, compared to $8.7 billion as at December 31, 2011, and $8.4 billion as at September 30, 2011.

Net earnings before net gains (losses) on securities held for sale available to shareholders for the quarter were $6.0 million or $0.18 per share, compared to $2.1 million or $0.07 per share in the third quarter of 2011. Net earnings before net gains (losses) on securities held for sale available to shareholders for the nine months in 2012 were $13.3 million, or $0.41 per share, compared with $9.6 million, or $0.30 per share in the year 2011. Management believes that the "Net earnings before net gains (losses) on securities held for sale" stated above is the most directly comparable measure of the historical presentation of the Company's operating results.

Adjusted cash flow from operations for the quarter was $5.1 million or $0.16 per share, compared to $5.2 million or $0.16 per share in the third quarter of 2011.

The fair value of the Company's securities as at September 30, 2012 was $377 million, or $11.82 per share, compared with $364 million, or $11.17 per share at December 31, 2011, and $385 million, or $11.82 per share at September 30, 2011.

On behalf of the Board, November 12, 2012

[signed "George Mavroudis"]

George Mavroudis
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	September 30 2012	December 31 2011 (note 2b)	January 1 2011 (note 2b)
ASSETS			
Current assets			
Cash	$ 18,539	$ 5,514	$ 4,492
Interest-bearing deposits with banks	1,742	8,033	12,356
Accounts receivable and other	18,855	19,141	15,448
Loans receivable	--	6,410	6,462
Receivables from clients and broker	37,327	32,044	27,676
Prepaid expenses	844	1,128	1,133
	77,307	72,270	67,567
Securities (note 3)			
Securities holdings	329,450	318,342	334,243
Securities held for sale	47,599	45,840	49,361
	377,049	364,182	383,604
Other assets			
Deferred tax assets	3,605	3,480	3,105
Intangible assets	15,063	15,297	5,521
Equipment	1,922	2,068	1,869
Goodwill	11,111	11,111	5,249
Investment in associate (note 2b)	333	333	335
Other	732	767	--
	32,766	33,056	16,079
Total Assets	$ 487,122	$ 469,508	$ 467,250
LIABILITIES			
Current liabilities			
Bank loans and borrowings (note 4)	$ 51,713	$ 45,467	$ 46,500
Client deposits	1,742	7,432	11,984
Accounts payable and other	19,097	24,390	15,487
Income taxes payable	699	773	127
Payable to clients	37,327	32,044	27,676
Due on securities sold short	--	--	664
	110,578	110,106	102,438
Other liabilities			
Deferred tax liabilities	35,588	32,394	31,920
Total Liabilities	146,166	142,500	134,358
EQUITY			
Shareholders' equity			
Capital stock (note 5)	22,319	22,717	22,934
Treasury stock (note 6)	(17,750)	(16,063)	(11,443)
Contributed surplus	8,381	7,491	6,549
Retained earnings	227,696	221,053	216,157
Accumulated other comprehensive income	95,716	87,420	97,659
	336,362	322,618	331,856
Non-controlling interests	4,594	4,390	1,036
Total Equity	340,956	327,008	332,892
Total Liabilities and Equity	$ 487,122	$ 469,508	$ 467,250

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the periods ended September 30 *($ in thousands, except per share amounts)*	Three Months **2012**	 2011 (note 2b)	Nine Months **2012**	 2011 (note 2b)
Revenue				
Gross commission revenue	**$ 17,371**	$ 16,219	**$ 53,030**	$48,457
Commissions paid to advisors	**(12,880)**	(12,040)	**(39,536)**	(38,685)
	4,491	4,179	**13,494**	9,772
Management fee income, net (note 7)	**10,554**	9,181	**29,850**	27,876
Administrative services income	**1,695**	1,281	**5,496**	3,844
Dividend and interest income (note 8)	**4,118**	4,230	**12,391**	12,377
Net revenue	**20,858**	18,871	**61,231**	53,869
Expenses				
Employee compensation and benefits	**10,424**	9,378	**30,265**	26,586
Amortization	**857**	830	**2,580**	2,091
Interest	**365**	355	**1,020**	1,122
Other expenses	**4,565**	3,964	**13,019**	12,261
	16,211	14,527	**46,884**	42,060
Operating earnings	**4,647**	4,344	**14,347**	11,809
Net gains (losses) (note 9)	**2,045**	(2,013)	**1,481**	(1,707)
Earnings before income taxes and net gains (losses) on securities held for sale	**6,692**	2,331	**15,828**	10,102
Income tax expense (note 10)	**647**	195	**2,566**	532
Net earnings before net gains (losses) on securities held for sale	**6,045**	2,136	**13,262**	9,570
Net gains (losses) on securities held for sale (note 9)	**2,849**	(8,410)	**3,475**	(7,729)
Net earnings (loss)	**$ 8,894**	$ (6,274)	**$ 16,737**	$ 1,841
Net earnings before net gains (losses) on securities held for sale, available to:				
Shareholders	**$ 5,901**	$ 2,534	**$ 13,166**	$ 9,987
Non-controlling interests	**144**	(398)	**96**	(417)
Net earnings before net gains (losses) on securities held for sale	**$ 6,045**	$ 2,136	**$ 13,262**	$ 9,570
Net earnings before net gains (losses) on securities held for sale, available to shareholders per Class A and Common share (note 12):				
Basic	**$ 0.19**	$ 0.08	**$ 0.42**	$ 0.31
Diluted	**0.18**	0.08	**0.41**	0.31
Net earnings (loss) available to:				
Shareholders	**$ 8,750**	$ (5,876)	**$ 16,641**	$ 2,258
Non-controlling interests	**144**	(398)	**96**	(417)
Net earnings	**$ 8,894**	$ (6,274)	**$ 16,737**	$ 1,841
Net earnings (loss) available to shareholders per Class A and Common share (note 12):				
Basic	**$ 0.28**	$ (0.18)	**$ 0.53**	$ 0.07
Diluted	**0.27**	(0.18)	**0.52**	0.07

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended September 30 *($ in thousands)*	Three Months **2012**	 2011 (note 2b)	Nine Months **2012**	 2011 (note 2b)
Net earnings (loss)	**$ 8,894**	$ (6,274)	**$ 16,737**	$ 1,841
Other comprehensive income				
Available for sale securities:				
Net change in fair value	**11,068**	(17,934)	**13,715**	(936)
Income tax provision (recovery) (note 10)	**1,314**	(1,846)	**2,233**	430
	9,754	(16,088)	**11,482**	(1,366)
Transfer to net earnings of unrealized losses (gains) upon disposal	**(724)**	855	**(565)**	1,380
	9,030	(15,233)	**10,917**	14
Changes in foreign currency translation adjustment on foreign subsidiary	**(2,667)**	5,520	**(2,621)**	3,070
Other comprehensive income (loss)	**6,363**	(9,713)	**8,296**	3,084
Comprehensive income (loss)	**$ 15,257**	$ (15,987)	**$ 25,033**	$ 4,925
Comprehensive income (loss) available to:				
Shareholders	**$ 15,113**	$ (15,589)	**$ 24,937**	$ 5,342
Non-controlling interests	**144**	(398)	**96**	(417)
Comprehensive income (loss)	**$ 15,257**	$ (15,987)	**$ 25,033**	$ 4,925

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30 *($ in thousands)*	Three Months **2012**	 2011 (note 2b)	Nine Months **2012**	 2011 (note 2b)
Total equity, beginning of period	**$ 328,140**	$ 348,809	**$ 327,008**	$ 332,892
Shareholders' equity, beginning of period	**323,690**	344,374	**322,618**	331,856
Capital stock (note 5)				
Balance, beginning of period	**22,527**	22,934	**22,717**	22,934
Acquired and cancelled	**(208)**	--	**(398)**	--
Capital stock, end of period	**22,319**	22,934	**22,319**	22,934
Treasury stock (note 6)				
Balance, beginning of period	**(17,750)**	(15,063)	**(16,063)**	(11,443)
Acquired	**--**	--	**(1,687)**	(3,620)
Treasury stock, end of period	**(17,750)**	(15,063)	**(17,750)**	(15,063)
Contributed surplus				
Balance, beginning of period	**8,109**	6,958	**7,491**	6,549
Stock-based compensation expense	**272**	241	**890**	650
Contributed surplus, end of period	**8,381**	7,199	**8,381**	7,199
Retained earnings				
Balance, beginning of period	**221,451**	219,089	**221,053**	216,157
Net earnings available to shareholders	**8,750**	(5,876)	**16,641**	2,258
Dividends paid	**--**	--	**(5,392)**	(5,202)
Excess of purchase price over issue price of Company's capital stock acquired (note 5)	**(2,505)**	--	**(4,606)**	--
Excess of fair value over carrying value of interest in subsidiary transferred to non-controlling interests	**--**	2,692	**--**	2,692
Retained earnings, end of period	**227,696**	215,905	**227,696**	215,905
Accumulated other comprehensive income				
Balance, beginning of period	**89,353**	110,456	**87,420**	97,659
Unrealized gains on available for sale securities, net of income taxes				
Balance, beginning of period	**93,044**	117,057	**91,157**	101,810
Net change during period	**9,030**	(15,233)	**10,917**	14
Balance, end of period	**102,074**	101,824	**102,074**	101,824
Foreign currency translation adjustment on a self-sustaining foreign subsidiary				
Balance, beginning of period	**(3,691)**	(6,601)	**(3,737)**	(4,151)
Net change during period	**(2,667)**	5,520	**(2,621)**	3,070
Balance, end of period	**(6,358)**	(1,081)	**(6,358)**	(1,081)
Accumulated other comprehensive income, end of period	**95,716**	100,743	**95,716**	100,743
Shareholders' equity, end of period	**336,362**	331,718	**336,362**	331,718
Non-controlling interests				
Balance, beginning of period	**4,450**	4,435	**4,390**	1,036
Net earnings (loss) available to non-controlling interests	**144**	(398)	**96**	(417)
Net subscriptions to mutual fund subsidiaries	**--**	4,190	**108**	7,608
Increase due to an acquisition of a subsidiary	**--**	3,435	**--**	3,435
Non-controlling interests, end of period	**4,594**	11,662	**4,594**	11,662
Total equity, end of period	**$ 340,956**	$ 343,380	**$ 340,956**	$ 343,380

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
	2012	2011	**2012**	2011
($ in thousands)		(note 2b)		(note 2b)
Operating activities				
Net earnings (loss)	**$ 8,894**	$ (6,274)	**$ 16,737**	$ 1,841
Adjustments for:				
Income taxes (paid)	**(516)**	(161)	**(1,736)**	(636)
Income tax expense	**647**	195	**2,566**	532
Net (gains) losses	**(4,894)**	10,423	**(4,956)**	9,436
Amortization of intangible assets	**705**	675	**2,097**	1,736
Amortization of equipment	**152**	155	**483**	355
Administrative services income	**--**	(19)	**--**	(19)
Stock-based compensation	**272**	241	**890**	650
	5,260	5,235	**16,081**	13,895
Net change in non-cash working capital items (note 11)	**4,698**	5,935	**6,337**	1,115
Net cash from operating activities	**9,958**	11,170	**22,418**	15,010
Investing activities				
Acquisition of securities	**(27,667)**	(54,292)	**(46,736)**	(104,205)
Proceeds from sale of securities	**29,897**	49,324	**49,558**	96,015
Acquisition of securities held for sale	**--**	(4,121)	**(1,540)**	(4,749)
Proceeds from sale of securities held for sale	**1,700**	3,258	**1,700**	3,258
Acquisition of intangible assets	**(957)**	(395)	**(2,526)**	(1,437)
Proceeds from disposition of intangible assets	**663**	--	**663**	--
Acquisition of equipment	**(105)**	(97)	**(354)**	(263)
Acquisition of subsidiary	**(2,095)**	(4,271)	**(4,230)**	(4,271)
Net cash from (used in) investing activities	**1,436**	(10,594)	**(3,465)**	(15,652)
Financing activities				
Dividends	**--**	--	**(5,392)**	(5,202)
Acquisition of capital stock	**(2,713)**	--	**(5,004)**	--
Acquisition of treasury stock	**--**	--	**(1,687)**	(3,620)
Proceeds (repayment) of bankers' acceptances	**(2,000)**	--	**2,500**	--
Proceeds (repayment) of bank loan	**--**	(33)	**--**	3,487
Net subscriptions from non-controlling interests in mutual fund subsidiaries	**--**	4,190	**108**	7,608
Net cash from (used in) financing activities	**(4,713)**	4,157	**(9,475)**	2,273
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	**(271)**	201	**(199)**	121
Net change in cash, net of bank indebtedness	**6,410**	4,934	**9,279**	1,752
Cash, net of bank indebtedness, beginning of period	**5,879**	(3,746)	**3,010**	(564)
Cash, net of bank indebtedness, end of period	**$ 12,289**	$ 1,188	**$ 12,289**	$ 1,188
Represented by:				
Cash			**$ 18,539**	$ 4,790
Bank indebtedness			**(6,250)**	(3,602)
			$ 12,289	$ 1,188

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

These unaudited interim consolidated financial statements include the accounts of Guardian Capital Group Limited and its subsidiaries and other controlled entities (the "Company"), including special purpose entities which the Company is considered to control, and the Company's proportionate share of the assets, liabilities, revenue and expenses of a joint venture. The Company is incorporated under the laws of the Province of Ontario, and its principal business office is located at Suite 3100, 199 Bay Street, Toronto, Ontario. The Company provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio. The Company's common and class A shares are listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

(a) Accounting Policies

These unaudited consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2011, except as disclosed under "Changes in Accounting Policies", below. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed in these financial statements.

These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011, which are included in the Company's 2011 annual report.

These financial statements are presented in Canadian dollars, which is the Company's functional currency. In these notes, all dollar amounts and numbers of shares are stated in thousands. Per share amounts and option exercise prices are stated in dollars and cents.

(b) Changes in Accounting Policies

In June, 2012, the International Accounting Standards Board issued IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements* and IFRS12, *Disclosure of Interest in Other Entities,* all of which are required to come into effect for the Company's fiscal year beginning on January 1, 2013, applied retrospectively, but with early adoption allowed. IFRS 10 replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements, as is common in special purpose entities. The Company has opted to "early adopt" this standard in the current quarter.

In conjunction with the adoption of IFRS 10, the Company has also amended its policy on consolidations, to incorporate the provisions of IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*. Under the amended policy, the Company does not consolidate entities which it controls, or is deemed to control, provided they meet certain criteria set out in the policy, allowing them to be classified as "held for sale", in which case they are classified and accounted for in accordance with that policy. The most significant of these criteria are the following: i) the carrying value of the entity is expected to be recovered through a sale transaction, rather than through continuing use: ii) the sale is highly probable and the asset is available for immediate sale in its present condition; iii) management is committed to the sale; and iv) the sale is expected to be completed within one year of the date of classification, except for certain conditions beyond management's control.

In applying the new consolidation policy retrospectively, the Company determined that it controls certain mutual funds, which it manages and in which it invests. However, the Company has a committed plan in place to reduce its ownership level sufficiently to not be deemed to have control of the mutual funds. Accordingly, the Company has retrospectively reclassified the investment in these mutual funds from "available for sale" securities to "held for sale" securities. The accumulated changes in the fair value of these investments, which had previously been recognized in Accumulated Other Comprehensive Income, have therefore been transferred to Retained Earnings. The effects of these changes have been reflected, as appropriate, in these financial statements, and the resulting balance sheet as at January 1, 2011 has been provided.

The following table summarizes the effects of adoption of IFRS 10 and the new policies on the Company's consolidated financial statements:

As at *($ in thousands)*	**September 30 2012**	December 31 2011	January 1 2011
Increase (decrease) to previously reported amounts and effect in current period:			
Retained earnings	**$ 27,516**	$ 24,324	$ 30,778
Accumulated other comprehensive income	**(27,516)**	(24,324)	(30,778)
Shareholders' equity	**Nil**	Nil	Nil

For the periods ended September 30 *($ in thousands, except per share amounts)*	**Three Months 2012**	 2011	**Nine Months 2012**	 2011
Increase (decrease) to previously reported amounts and effect in current period:				
Net gains (losses)	**$ (281)**	$ (923)	**$ (281)**	$ (923)
Net earnings before net gains (losses) on securities held for sale	**(281)**	(923)	**(281)**	(923)
Net gains (losses) on securities held for sale	**2,849**	(8,410)	**3,475**	(7,729)
Net earnings (loss)	**2,568**	(8,410)	**3,194**	(8,652)
Net earnings (loss) available to shareholders	**2,568**	(9,333)	**3,194**	(8,652)
Other comprehensive income (loss)	**(2,568)**	9,333	**(3,194)**	8,652
Comprehensive income (loss)	**Nil**	Nil	**Nil**	Nil
Comprehensive income (loss) available to shareholders	**Nil**	Nil	**Nil**	Nil
Net earnings available to shareholders per Class A and Common share:				
Basic	**$ 0.10**	$ (0.29)	**$ 0.11**	$ (0.27)
Diluted	**0.10**	(0.28)	**0.10**	(0.26)

Upon early adoption of IFRS 10, the Company is also required to early adopt IFRS 11 and IFRS 12. IFRS 12 provides certain additional annual disclosure requirements related to the Company's interests in other entities, which do not have any effect on these interim financial statements. IFRS 11 eliminates proportionate consolidation as one of the alternatives for accounting for joint ventures. As a result, the Company changed its accounting for its investment in a joint venture from proportionate consolidation to the equity method, on a retrospective basis. The following table summarizes the effects of IFRS 11 on the Company's consolidated financial statements:

As at *($ in thousands)*	**September 30 2012**	December 31 2011	January 1 2011
Increase (decrease) to previously reported amounts and effect in current period:			
Investment in associate	**$ 333**	$ 333	$ 335
Assets, excluding investment in associate	**(424)**	(948)	(1,085)
Total liabilities	**(91)**	(615)	(752)
Shareholders' equity	**Nil**	Nil	Nil

For the periods ended September 30 *($ in thousands, except per share amounts)*	**Three Months 2012**	 2011	**Nine Months 2012**	 2011
Increase (decrease) to previously reported amounts and effect in current period:				
Net revenue	**$ (31)**	$ (78)	**$ 89**	$ (203)
Expenses	**(31)**	(78)	**89**	(203)
Net earnings (loss)	**Nil**	Nil	**Nil**	Nil

3. SECURITIES

An analysis of the Company's securities is as follows:

As at September 30, 2012 and December 31, 2011	2012	2011 (note 2b)
Securities holdings		
Available for sale securities		
Short-term securities	$ 2,182	$ 3,167
Bonds	1,001	--
Mutual funds	9,508	13,354
Bank of Montreal common shares	288,184	276,925
Other equity securities	23,535	16,980
	324,410	310,426
Held for trading securities		
Equity securities	5,080	5,550
Total securities holding at fair value	329,450	315,976
Securities at amortized cost (note 9(b))	--	2,366
Total securities holdings	329,450	318,342
Securities held for sale (a)(note 9(c))	47,599	45,840
Total securities	$ 377,049	$ 364,182

(a) Securities held for sale are the Company's interest in mutual funds which the Company controls but it does not consolidate, as it intends to dispose of control through either sale or dilution. These securities are carried at fair value.

4. BANK LOANS AND BORROWINGS

As at September 30, 2012 and December 31, 2011	2012	2011
Bank indebtedness	$ 6,250	$ 2,504
Bank loan	14,963	14,963
Bankers' acceptances payable	30,500	28,000
Total	$ 51,713	$ 45,467

During the quarter, the Company renegotiated certain of its borrowing arrangements with its major lender, as follows:

i) The amount available under the bank loan facility was increased from $15,000 to $20,000, which may be borrowed under direct loans or bankers' acceptances;

ii) The amount available under the separate bankers' acceptance facility was increased from $40,000 to $50,000;

iii) The rates to be charged on all bankers' acceptances were reduced by 0.50% per annum; and

iv) In addition to the deposit of treasury stock (note 6), other securities with a total value of $75,000 have been deposited as collateral against these revised facilities.

5. CAPITAL STOCK

(a) Authorized

i) Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, conditions and other provisions of which are to be determined by the Board of Directors.

ii) Unlimited Class A non-voting shares without par value, convertible into common shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows: if any person other than an insider of the Company acquires ownership, control or direction over in excess of 50% of the common shares, or makes an offer to all common shareholders to buy common shares, the Class A shares may be converted into common shares, unless holders of over 50% of the outstanding common shares do not accept the offer, or an equivalent offer is made to the holders of Class A shares.

iii) Unlimited common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(b) Issued and Outstanding

For the three months ended September 30	2012		2011	
	Shares	**Amount**	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	**28,620**	**$ 21,327**	29,013	$ 21,668
Converted from Common shares	**--**	**--**	147	36
Acquired and cancelled	**(276)**	**(208)**	--	--
Outstanding, end of period	**28,344**	**21,119**	29,160	21,734
ii) Common shares				
Outstanding, beginning of period	**4,971**	**1,200**	5,118	1,236
Converted to Class A shares	**--**	**--**	(147)	(36)
Outstanding, end of period	**4,971**	**1,200**	4,971	1,200
Total outstanding, end of period	**33,315**	**$ 22,319**	34,131	$ 22,934

For the nine months ended September 30	2012		2011	
	Shares	**Amount**	Shares	Amount
iii) Class A shares				
Outstanding, beginning of period	**28,872**	**$ 21,517**	28,815	$ 21,650
Converted from Common shares	**--**	**--**	345	84
Acquired and cancelled	**(528)**	**(398)**	--	--
Outstanding, end of period	**28,344**	**21,119**	29,160	21,734
iv) Common shares				
Outstanding, beginning of period	**4,971**	**1,200**	5,316	1,284
Converted to Class A shares	**--**	**--**	(345)	(84)
Outstanding, end of period	**4,971**	**1,200**	4,971	1,200
Total outstanding, end of period	**33,315**	**$ 22,319**	34,131	$ 22,934

(c) Dividends

During the three months ended September 30, 2012, no dividends were declared or paid (2011 – nil). During the nine months ended September 30, 2012, dividends of $0.17 per share (2011 - $0.16) were declared and paid on the Common and Class A shares outstanding.

(d) Issuer Bid

Under its Normal Course Issuer Bid, during the three months ended September 30, 2012, the Company acquired and cancelled 276 (2011 – nil) of its class A shares for $2,713 (2011 – nil), of which $2,505 (2011 – nil), the excess of the purchase price over the average issue price, was charged directly to retained earnings. During the nine months ended September 30, 2012, the Company acquired and cancelled 528 (2011 – nil) of its class A shares for $5,004 (2011 – nil), of which $4,606 (2011 – nil), the excess of the purchase price over average issue price, was charged directly to retained earnings.

(e) Stock Option Plan

The Company maintains a Stock Option Plan for designated officers, directors and employees. Each stock option entitles the holder to purchase one Class A share, subject to certain predetermined vesting arrangements and other conditions. A summary of the changes in the Company's outstanding stock options is as follows:

For the three months ended September 30	2012 Number of shares	2012 Weighted average exercise price	2011 Number of shares	2011 Weighted average exercise price
Outstanding, beginning and end of period	--	$ --	36	$ 10.50

For the nine months ended September 30	2012 Number of shares	2012 Weighted average exercise price	2011 Number of shares	2011 Weighted average exercise price
Outstanding, beginning of period	36	$ 10.50	36	$ 10.50
Expired	(36)	10.50	--	--
Outstanding, end of period	--	--	36	$ 10.50

6. TREASURY STOCK

The Company purchases and holds shares in its capital stock through an Employee Profit Sharing Plan Trust (the "EPSP Trust"), which are accounted for as treasury stock. These shares are deposited as collateral against a bank loan, which has been used to finance purchases of the shares (note 4).

(a) Summary of changes

A summary of the changes in the Company's treasury stock is as follows:

For the three months ended September 30	2012 Shares	2012 Amount	2011 Shares	2011 Amount
Balance, beginning and end of period	2,126	$ 17,750	1,852	$ 15,063

For the nine months ended September 30	2012 Shares	2012 Amount	2011 Shares	2011 Amount
Balance, beginning of period	1,954	$ 16,063	1,479	$ 11,443
Shares acquired	172	1,687	373	3,620
Balance, end of period	2,126	$ 17,750	1,852	$ 15,063

(b) EPSP Trust – Stock-based entitlements

The stock-based entitlements provided by the Company to certain senior employees through the EPSP Trust are in the form of either an option-like entitlement or an equity-based entitlement, as described below.

i) Option-like entitlements

The option-like entitlements allow the employees to purchase shares from the EPSP Trust at prices equal to the amount of the loan per share pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the option-like entitlements is as follows:

For the three months ended September 30	2012 Number of shares	2012 Weighted average exercise price	2011 Number of shares	2011 Weighted average exercise price
Option-like entitlements, beginning of period	1,552	$ 8.86	1,301	$ 8.68
Entitlements provided	--	--	--	--
Option-like entitlements, end of period	1,552	$ 8.86	1,301	$ 8.68

For the nine months ended September 30	2012 Number of shares	2012 Weighted average exercise price	2011 Number of shares	2011 Weighted average exercise price
Option-like entitlements, beginning of period	**1,402**	**$ 8.76**	954	$ 8.32
Entitlements provided	**150**	**9.78**	347	9.69
Option-like entitlements, end of period	**1,552**	**$ 8.86**	1,301	$ 8.68

Option-like entitlements provided had a fair value of $ nil (2011 - $ nil) for the three months ended September 30, 2012, and $420 (2011 - $1,384) for the nine months ended September 30, 2012. Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised. The following are the key assumptions used in the valuation of the entitlements granted during the nine months ended September 30, 2012:

For the nine months ended September 30	2012
Average purchase price per share	**$ 9.78**
Vesting period in years	**5.00**
Average expected term to exercise in years	**10.00**
Risk-free interest rate	**2.45%**
Expected price volatility	**23.17%**
Expected dividends per share, per annum	**$ 0.17**

ii) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions. When such purchases by employees occur, the Company pays to the EPSP Trust the amount of the bank loan attributable to the shares purchased. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the number of shares under equity-based entitlements is as follows:

For the periods ended September 30	Three Months		Nine Months	
	Number of shares			
	2012	2011	2012	2011
Equity-based entitlements, beginning of the period	**574**	551	**552**	525
Entitlements provided	**--**	--	**22**	26
Equity based entitlements, end of period	**574**	551	**574**	551

Equity-based entitlements are valued at the fair market value of the shares purchased by the EPSP Trust on the date of the provision of the entitlement. This value is recorded by the Company as compensation cost over the vesting period, and is credited to contributed surplus. On exercise of an entitlement, treasury stock and contributed surplus are reduced for the value of the entitlement exercised.

Equity-based entitlements provided had a fair value of $ nil (2011 - $266) for the three months ended September 30, 2012, and $220 (2011 - $266) for the nine months ended September 30, 2012.

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $527 for the three months ended September 30, 2012 (2011 - $682) and $1,492 for the nine months ended September 30, 2012 (2011 - $1,496).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended September 30	Three Months 2012	Three Months 2011	Nine Months 2012	Nine Months 2011
Dividend income	**$ 3,753**	$ 3,865	**$11,203**	$11,427
Interest income	**365**	365	**1,188**	950
Total dividend and interest income	**$ 4,118**	$ 4,230	**$12,391**	$12,377

9. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the periods ended September 30	Three Months 2012	Three Months 2011 (note 2b)	Nine Months 2012	Nine Months 2011 (note 2b)
Held for trading securities (a)	**$ 189**	$ (1,395)	**$ (197)**	$(1,646)
Available for sale securities	**763**	(618)	**585**	(61)
Securities at amortized cost (b)	**963**	--	**963**	--
Net (losses) gains on securities	**1,915**	(2,013)	**1,351**	(1,707)
Disposition of intangible assets	**130**	--	**130**	--
Net gains (losses)	**$ 2,045**	$ (2,013)	**$ 1,481**	$(1,707)
Net gains (losses) on securities held for sale (c)	**$ 2,849**	$ (8,410)	**$ 3,475**	$(7,729)

(a) Net losses on held for trading securities include net losses on securities both owned and sold short by consolidated mutual funds.

(b) The issuer of the promissory notes recorded at amortized cost exercised its option and repaid the full face value of the notes on August 31, 2012, which resulted in the recognition of a gain.

(c) Net gains (losses) on securities held for sale are the net changes in the fair value of the Company's investments in mutual funds which the Company controls but it does not consolidate, as it intends to dispose of control through either sale or dilution.

10. INCOME TAX EXPENSE

During the nine months ended September 30, 2012, increases to income tax rates applicable to future periods were substantively enacted. As a result, there are included in income tax expense on the consolidated statement of operations for the period an amount of approximately $1,150, and on the consolidated statement of comprehensive income for the period an amount of approximately $680, to record net adjustments to deferred tax assets and liabilities.

11. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the period ended September 30	Three Months 2012	Three Months 2011 (note 2b)	Nine Months 2012	Nine Months 2011 (note 2b)
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	**$ 703**	$ 967	**$ 6,149**	$ 8,877
Accounts receivable and other	**(1,427)**	5,510	**248**	244
Loans receivable	**1,770**	(288)	**6,350**	228
Receivables from clients and broker	**(11,145)**	(3,414)	**(5,284)**	(2,498)
Prepaid expenses	**311**	141	**283**	349
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	**(747)**	(1,066)	**(5,632)**	(8,710)
Accounts payable and other	**4,088**	671	**(1,061)**	127
Payable to clients	**11,145**	3,414	**5,284**	2,498
Net change in non-cash working capital items	**$ 4,698**	$ 5,935	**$ 6,337**	$ 1,115

12. AVERAGE NUMBER OF SHARES OUTSTANDING

The following are the weighted average number of Class A and Common shares outstanding (in thousands):

For the periods ended September 30	Three Months		Nine Months	
	2012	2011	**2012**	2011
Basic	**31,453**	32,280	**31,648**	32,398
Effect of outstanding entitlements from stock based compensation plans	**701**	1	**697**	--
Diluted	**32,154**	32,281	**32,345**	32,398

13. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients; b) the financial advisory segment, which relates to the earning of sales commissions and administrative services revenue from assets under administration; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures. The Company's business segments do not have any material intra-segment revenues. The following table discloses certain information about these segments:

For the three months ended September 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Consolidated	
	2012	2011 (note 2b)	**2012**	2011 (note 2b)	**2012**	2011 (note 2b)	**2012**	2011 (note 2b)
Gross commission revenue	$ --	$ --	$17,371	$16,219	$ --	$ --	$17,371	$16,219
Commissions paid to advisors	--	--	12,880	(12,040)	--	--	12,880	(12,040)
	--	--	4,491	4,179	--	--	4,491	4,179
Management fee income, net	10,554	9,181	--	--	--	--	10,554	9,181
Administrative services income	440	286	1,255	993	--	2	1,695	1,281
Dividend and interest income	15	143	120	123	3,983	3,964	4,118	4,230
Net revenue	11,009	9,610	5,866	5,295	3,983	3,966	20,858	18,871
Expenses								
Employee compensation and benefits	5,711	4,708	3,011	2,822	1,702	1,848	10,424	9,378
Amortization	99	100	723	716	35	14	857	830
Interest	70	49	19	30	276	276	365	355
Other expenses	2,773	2,396	2,566	2,460	(774)	(892)	4,565	3,964
	8,653	7,253	6,319	6,028	1,239	1,246	16,211	14,527
Operating earnings	2,356	2,357	(453)	(733)	2,744	2,720	4,647	4,344
Net gains (losses)	--	--	130	--	1,915	(2,013)	2,045	(2,013)
Earnings before taxes and net gains (losses) on securities held for sale	2,356	2,357	(323)	(733)	4,659	707	6,692	2,331
Income tax expense (recovery)	531	565	(112)	(97)	228	(273)	647	195
Net earnings before net gains (losses) on securities held for sale	1,825	1,792	(211)	(636)	4,431	980	6,045	2,136
Net gains (losses) on securities held for sale	--	--	--	--	2,849	(8,410)	2,849	(8,410)
Net earnings (loss)	$ 1,825	$ 1,792	$ (211)	$ (636)	$ 7,280	$(7,430)	$ 8,894	$(6,274)
Net earnings (loss) available to:								
Shareholders	$ 1,825	$ 1,792	$ (321)	$ (680)	$ 7,246	$(6,988)	$ 8,750	$(5,876)
Non-controlling interests	--	--	110	44	34	(442)	144	(398)
	$ 1,825	$ 1,792	$ (211)	$ (636)	$ 7,280	$(7,430)	$ 8,894	$(6,274)
Capital expenditures								
Intangible assets	$ --	$ 104	$ 799	$ 291	$ 158	$ --	$ 957	$ 395
Equipment	--	25	39	35	66	37	105	97

For the nine months ended September 30	Investment Management 2012	Investment Management 2011 (note 2b)	Financial Advisory 2012	Financial Advisory 2011 (note 2b)	Corporate Activities and Investments 2012	Corporate Activities and Investments 2011 (note 2b)	Consolidated 2012	Consolidated 2011 (note 2b)
Gross commission revenue	$ --	$ --	$ 53,030	$ 48,457	$ --	$ --	$ 53,030	$ 48,457
Commissions paid to advisors	--	--	39,536	(38,685)	--	--	(39,536)	(38,685)
	--	--	13,494	9,772	--	--	13,494	9,772
Management fee income, net	29,850	27,876	--	--	--	--	29,850	27,876
Administrative services income	1,631	851	3,864	2,986	1	7	5,496	3,844
Dividend and interest income	113	397	371	356	11,907	11,624	12,391	12,377
Net revenue	31,594	29,124	17,729	13,114	11,908	11,631	61,231	53,869
Expenses								
Employee compensation and benefits	16,077	13,960	8,961	6,923	5,227	5,703	30,265	26,586
Amortization	266	199	2,212	1,849	102	43	2,580	2,091
Interest	210	141	55	51	755	930	1,020	1,122
Other expenses	8,233	7,522	7,339	7,061	(2,553)	(2,322)	13,019	12,261
	24,786	21,822	18,567	15,884	3,531	4,354	46,884	42,060
Operating earnings	6,808	7,302	(838)	(2,770)	8,377	7,277	14,347	11,809
Net gains (losses)	--	--	130	--	1,351	(1,707)	1,481	(1,707)
Earnings before taxes and gains (losses) on securities held for sale	6,808	7,302	708	(2,770)	9,728	(5,570)	15,828	10,102
Income tax expense (recovery)	1,488	1,769	(230)	(559)	1,308	(678)	2,566	532
Net earnings before net gains (losses) on securities held for sale	5,320	5,533	(478)	(2,211)	8,420	6,248	13,262	9,570
Net gains (losses) on securities held for sale	--	--	--	--	3,475	(7,729)	3,475	(7,729)
Net earnings (loss)	$ 5,320	$ 5,533	$ (478)	$ (2,211)	$ 11,895	$ (1,481)	$ 16,737	$ 1,841
Net earnings (loss) available to:								
Shareholders	$ 5,320	$ 5,533	$ (697)	$ (2,255)	$ 12,018	$ (1,020)	$ 16,641	$ 2,258
Non-controlling interests	--	--	219	44	(123)	(461)	96	(417)
	$ 5,320	$ 5,533	$ (478)	$ (2,211)	$ 11,895	$ (1,481)	$ 16,737	$ 1,841
Capital expenditures:								
Intangible assets	$ 52	$ 321	$ 2,275	$ 1,116	$ 199	$ --	$ 2,526	$ 1,437
Equipment	14	46	137	80	203	137	96	263
As at September 30, 2012 and December 31, 2011								
Segment assets and liabilities:								
Assets	$ 29,240	$ 30,975	$ 81,061	$ 76,319	$ 376,821	$362,214	$ 487,122	$ 469,508
Liabilities	19,882	28,394	47,659	39,579	78,625	74,527	146,166	142,500

The following table discloses certain information about the Company's activities, segmented geographically:

For the 3 months ended September 30	Canada 2012	Canada 2011 (note 2b)	Rest of the World 2012	Rest of the World 2011 (note 2b)	Consolidated 2012	Consolidated 2011 (note 2b)
Net revenue	$ 19,508	$ 17,648	$ 1,350	$ 1,223	$ 20,858	$ 18,871
For the 6 months ended September 30						
Net revenue	$ 57,103	$ 50,275	$ 4,128	$ 3,594	$ 61,231	$ 53,869
As at September 30, 2012 and December 31, 2011						
Segment non-current assets:						
Intangible assets	$ 15,055	$ 15,269	$ 8	$ 28	$ 15,063	$ 15,297
Equipment	1,456	1,567	466	501	1,922	2,068
Goodwill	11,111	11,111	--	--	11,111	11,111

14. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis, on pages 23 and 24 of the Company's Third Quarter 2012 Interim Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

(i) Currency Risk
The Company's main direct exposure to currency risk is on its net investments in its foreign subsidiaries, amounting to $80,396 US ($79,047 Canadian) at fair value as at September 30, 2012 ($72,598 US; $73,832 Canadian – December 31, 2011). Changes in the value of these investments caused by changes in the US dollar exchange rate are reflected in the Consolidated Statement of Comprehensive Income in the period in which the change occurs. A strengthening of the Canadian dollar against the US dollar by 10%, with all other factors remaining unchanged, would result in a loss of $7,905 Canadian ($7,383 Canadian – December 31, 2011) being recorded in other comprehensive income in the Consolidated Statement of Comprehensive Income. A weakening of the Canadian dollar against the US dollar would have an equal but opposite effect.

(ii) Interest Rate Risk
The Company is exposed to interest rate risk in its international banking operations, through the assets interest-bearing deposits with banks of $1,742 ($8,033 – December 31, 2011) and loans receivable of $ nil ($6,410 – December 31, 2011), and the client deposits liability of $1,742 ($7,432 – December 31, 2011). This risk is managed through the matching of interest rates and maturities on these balances.

(iii) Price Risk
The Company is exposed to price risk with its securities holdings, securities held for sale, and the amounts due on securities sold short. Unrealized changes in the values of its securities holdings are recorded as unrealized gains or losses in the Consolidated Statements of Comprehensive Income (for available for sale securities) and as gains or losses in the Consolidated Statements of Operations (for held for trading securities, securities held for sale and securities sold short). This risk is managed through the use of professional in-house portfolio management expertise, each of which takes a disciplined approach to investment management. The long and short securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the realized or unrealized gain or loss which would be recorded as a result of a 10% change in the market prices in each region:

As at September 30, 2012 and December 31, 2011	**2012**		2011	
	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments	**Unrealized gain or loss from 10% market change in region**	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments	Unrealized gain or loss from 10% market change in region
Canada	**$ 26,458**	**± $ 2,646**	$ 29,337	± $ 2,934
United States	**9,212**	**± 921**	9,263	± 926
Rest of the World	**52,194**	**± 5,219**	46,293	± 4,629
Total	**$ 87,864**	**± $ 8,786**	$ 84,893	± $ 8,489

(b) Concentration Risk

The Company is exposed to concentration risk associated with the $288,184 ($276,925 – December 31, 2011) investment in common shares of the Bank of Montreal, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $28,818 ($27,693 – December 31, 2011) being recorded in the Consolidated Statement of Comprehensive Income.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at September 30, 2012 and December 31, 2011	2012	2011 (note 2b)
Cash	$ 18,539	$ 5,514
Interest-bearing deposits with banks	1,742	8,033
Accounts receivable and other	18,855	19,141
Loans receivable	--	6,410
Receivable from clients and broker	37,327	32,044
Securities at amortized cost – promissory notes	--	2,366
Loan guarantees	482	482
Total, before collateral and credit enhancements	$ 76,945	$ 73,990

The Company considers its credit risk to be low. The interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients and loans receivable is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary, and by the offshore bank subsidiary, respectively. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The operations and results of the issuer of the promissory notes are closely monitored, and the interest rate on the notes reflects the issuer's credit quality. Offsetting the credit exposure on the loan guarantees are marketable securities pledged by the borrowers, the market values of which the Company actively monitors on a continuous basis.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages this financial risk by matching maturities of financial assets and liabilities, maintaining a portfolio of securities holdings, and by arranging for significant borrowing facilities with major Canadian banks.

15. FINANCIAL STATEMENT REVIEW

These interim financial statements have not been reviewed by the Company's auditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows pertains to the financial position of Guardian Capital Group Limited and its subsidiaries and consolidated entities ("Guardian") for the Nine months ended September 30, 2012 and the comparative period in the year 2011, as well as to certain prior annual and quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2011 Annual Report. This discussion and analysis has been prepared as of November 12, 2012.

Additional information relating to Guardian Capital Group Limited and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

As disclosed in note 2 b) to Guardian's 2012 Third Quarter Interim Financial Statements, Guardian "early adopted" International Financial Reporting Standards ("IFRS") 10, 11 and 12 during the third quarter of 2012, on a retrospective basis. The adoption of IFRS 10 requires Guardian to consolidate certain mutual funds which it is deemed to control. However, Guardian has not consolidated these mutual funds, as they meet the criteria to be classified as assets held for sale. As a result, Guardian has recorded these mutual funds as Securities held for sale on its Consolidated Balance Sheets and has recorded the changes in the fair value of those mutual funds in its net earnings (loss) for the current and comparative periods. As a result of the adoption of IFRS 11, Guardian has changed its accounting for its investment in a joint venture, from proportionate consolidation to the equity method, for the current and comparative periods. The effects of those changes in accounting policies on Guardian's Statements of Operations and Balance Sheets are disclosed in note 2 b) to Guardian's 2012 Third Quarter Interim Financial Statements. Where appropriate, such effects are also described in this discussion and analysis, and all comparative figures have been amended accordingly.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Guardian may, from time to time, make "forward-looking statements" in annual and quarterly reports, and in other documents prepared for shareholders or filed with securities regulators. These statements, characterized by such words as "goal", "outlook", "intends", "expects", "plan", "prospects", "are confident", "believe" and "anticipate", are intended to reflect Guardian's objectives, plans, expectations, estimates, beliefs and intentions.

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be place on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company. Guardian serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: investment management; financial advisory; and corporate activities and investments. As at September 30, 2012, Guardian had $18.0 billion in assets under management and $9.2 billion of financial advisory assets under administration. Guardian's assets include a diversified portfolio of securities which, together with its investment in Bank of Montreal common shares, had a fair value of approximately $377 million at the end of the quarter.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. One of the measures that Guardian uses is not in accordance with International Financial Reporting Standards ("IFRS"). Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be strictly comparable to similar measures presented by other companies. However, Guardian's management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this measure in analyzing Guardian's results.

Guardian's management measures the performance of Guardian's business by using "Adjusted cash flow from operations", which is disclosed in the chart under "Consolidated Financial Results", below. This non-IFRS measure is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities, and many companies similar to Guardian use this measure in a similar manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. The following is a reconciliation of the non-IFRS measure to the IFRS measure:

For the period ended September 30	Three Months		Nine Months	
($ in thousands)	**2012**	2011 (amended)	**2012**	2011 (amended)
Net cash from operating activities, as reported	**$ 9,958**	$11,170	**$22,418**	$15,010
Net change in non-cash working capital items	**(4,698)**	(5,935)	**(6,337)**	(1,115)
Cash flow from operations before change in working capital items	**5,260**	5,235	**16,081**	13,895
Less: Available to non-controlling interests	**169**	8	**344**	3
Adjusted cash flow from operations	**$ 5,091**	$ 5,227	**$15,737**	$13,892

CONSOLIDATED FINANCIAL RESULTS

The comparative financial results of Guardian on a consolidated basis are summarized in the following table.

For the periods ended September 30	Three Months		Nine Months	
($ in thousands, except per share amounts)	**2012**	2011 (amended)	**2012**	2011 (amended)
Net revenue	**$ 20,858**	$ 18,871	**$ 61,231**	$ 53,869
Expenses	**16,211**	14,527	**46,884**	42,060
Operating earnings	**4,647**	4,344	**14,347**	11,809
Net gains (losses)	**2,045**	(2,013)	**1,481**	(1,707)
Earnings before income taxes and net gains (losses) on securities held for sale	**6,692**	2,331	**15,828**	10,102
Income tax expense	**647**	195	**2,566**	532
Net earnings before net gains (losses) on securities held for sale	**6,045**	2,136	**13,262**	9,570
Net gains (losses) on securities held for sale	**2,849**	(8,410)	**3,475**	(7,729)
Net earnings (loss)	**$ 8,894**	$ (6,274)	**$ 16,737**	$ 1,841
Net earnings (loss) available to shareholders	**$ 8,750**	$ (5,876)	**$ 16,641**	$ 2,258
Adjusted cash flow from operations	**$ 5,091**	$ 5,227	**$ 15,737**	$ 13,892
Diluted per share amounts				
Net earnings before net gains (losses) on securities held for sale, available to shareholders	**$ 0.18**	$ 0.08	**$ 0.41**	$ 0.31
Net earnings (loss) available to shareholders	**$ 0.27**	$ (0.18)	**$ 0.52**	$ 0.07
Adjusted cash flow from operations	**$ 0.16**	$ 0.16	**$ 0.49**	$ 0.43

As at	2012		2011	
($ in millions, except per share amounts)	**Sept. 30**	**June 30**	December 31	Sept. 30
Assets under management	**$ 17,983**	**$ 16,934**	$ 15,928	$ 15,162
Assets under administration	**$ 9,165**	**$ 8,890**	$ 8,654	$ 8,386
Value of corporate holdings of securities	**$ 377**	**$ 368**	$ 364	$ 385
Value of corporate holdings of securities per share, diluted	**$ 11.82**	**$ 11.43**	$ 11.17	$ 11.82

REVENUES AND EXPENSES

Investment Management Revenues

The largest source of revenue at Guardian is management fees received from clients, which vary as a result of changes in the values of assets managed, and variations in the rates of management fees charged. The following is a summary of the assets under management and supervision:

As at *($ in millions)*	**2012**		2011	
	September 30	**June 30**	December 31	September 30
Institutional	**$16,525**	**$15,418**	$14,489	$13,735
Private wealth	**1,365**	**1,408**	1,331	1,316
International	**93**	**108**	108	111
Total	**$17,983**	**$16,934**	$15,928	$15,162

Total assets under management ("AUM") at Guardian at September 30 of $18.0 billion are $1.0 billion or 6.2% higher than as at June 30. AUM has increased by $2.0 billion or 12.9% and $2.8 billion or 18.6%, compared to December 31, 2011 and September 30, 2011 respectively. The increase in AUM has resulted substantially from net new monies received from new and existing institutional clients, reflective of Guardian's marketing efforts, and the positive financial markets in the third quarter.

The management fees for the third quarter of 2012 were $10.6 million, net of referral fee payments, 8.3% and 15.0% higher than the second quarter of 2012 and the third quarter of 2011, respectively. The increase in management fees is largely due to the increase in average AUM.

Institutional management fees earned in the third quarter increased to $8.3 million from $7.0 million a year earlier, a 19% increase. Private wealth management fees earned in the quarter amounted to $1.7 million, an increase of 6% from $1.6 million a year earlier. Management fees earned from international clients of $0.6 million in the third quarter of 2012 was substantially unchanged from the same period one year earlier.

Financial Advisory Revenues

Net sales commission revenue earned from the financial advisory business is generated from the sale of mutual funds, securities and insurance, and from continuing fees related to assets under administration. This net revenue was approximately $4.5 million in the third quarter of 2012, compared with $4.2 million for the same period one year earlier. This increase is largely due to increased life insurance commission revenues.

Administrative Services Income

Administrative services income is composed substantially of registered plan and other fees earned in the financial advisory area, and trust and corporate administration fees earned in the international area. This income amounted to $1.7 million for the third quarter, a 38% increase from the $1.2 million in 2011, and $5.5 million for the nine months to September 30, 41% ahead of the same period in 2011. The increases resulted from planned rate increases in the financial advisory area and fees from additional client activities in the international area. These fees are not directly impacted by fluctuations in the financial markets.

Dividend and Interest Income

The following is a summary of Guardian's dividend and interest income:

For the periods ended September 30	**Three Months**		**Nine Months**	
($ in thousands)	**2012**	2011	**2012**	2011
Dividend income	**$ 3,753**	$ 3,865	**$11,203**	$11,427
Interest income	**365**	365	**1,188**	950
Total dividend and interest income	**$ 4,118**	$ 4,230	**$12,391**	$12,377

Dividend income is composed largely of the quarterly dividends received on the Bank of Montreal investment, while less significant amounts are received from the corporate investment portfolio and consolidated mutual funds. The Bank of Montreal has announced a 3% increase in its dividend rate, effective with the November quarterly payment. Interest income has been earned on fixed-income securities held direct and through consolidated mutual funds, client balances in the securities dealer subsidiary, the loans receivable in the banking subsidiary, and the investment in the promissory note receivable. During the quarter, the loans receivable and the promissory note were completely repaid, which will reduce interest income in subsequent periods.

Net Gains (Losses)

For the periods ended September 30 *($ in thousands)*	**Three Months** **2012**	2011 (amended)	**Nine Months** **2012**	2011 (amended)
Gains (losses) in consolidated mutual funds	**$ 189**	$ (1,395)	**$ (197)**	$ (1,646)
Gains on securities held direct	**763**	(618)	**585**	(61)
Gains on repayment of promissory notes	**963**	--	**963**	--
	1,915	(2,013)	**1,351**	(1,707)
Gains on intangible assets	**130**	--	**130**	--
Net gains (losses)	**$ 2,045**	$ (2,013)	**$ 1,481**	$ (1,707)
Net gains (losses) on securities held for sale	**$ 2,849**	$ (8,410)	**$ 3,475**	$ (7,729)

Gains and losses in consolidated mutual funds reflect changes in the fair value of the securities in which the mutual funds invest, as a result of market movements during the periods. The timing of sales transactions in the directly-held portfolio produced gains in 2012, but losses in 2011. The issuer of the promissory notes exercised its option and repaid the full face value of the notes on August 31, 2012, resulting in a significant one-time gain. The gains from intangible assets resulted from the receipt of payments by the life insurance MGA subsidiary on the transfer of business to another MGA. The net gains or losses on securities held for sale reflect changes in the fair value of controlled mutual funds, as a result of market movements during the periods.

Expenses

Guardian's operating expenses were $16.2 million in the third quarter of 2012, compared with $14.5 million in 2011, an increase of approximately $1.7 million or 11.0%, compared with the $2.0 million or 10.2% increase in net revenue in the period. The increase in expenses is largely due to increased staffing and variable and other incentive compensation in the current quarter compared to the same period in 2011. Interest expense in the period is largely unchanged.

NET EARNINGS AVAILABLE TO SHAREHOLDERS AND ADJUSTED CASH FLOW FROM OPERATIONS

For the period ended September 30 *($ in thousands)*	**Three Months** **2012**	2011 (amended)	**Nine Months** **2012**	2011 (amended)
Net earnings before net gains (losses) on securities held for sale, available to shareholders	**$ 5,901**	$ 2,534	**$ 13,166**	$ 9,987
Net earnings before net gains (losses) on securities held for sales, per share	**$ 0.18**	$ 0.08	**$ 0.41**	$ 0.31
Net earnings (loss) available to shareholders	**$ 8,750**	$ (5,876)	**$ 16,641**	$ 2,258
Earnings (loss) per share, diluted	**$ 0.27**	$ (0.18)	**$ 0.52**	$ 0.07
Adjusted cash flow from operations	**$ 5,091**	$ 5,227	**$ 15,737**	$ 13,892
Adjusted cash flow from operations per share, diluted	**$ 0.16**	$ 0.16	**$ 0.49**	$ 0.43

"Net earnings before net gains (losses) on securities held for sale" for the third quarter of 2012 were $5.9 million, approximately 133% higher than the $2.5 million earned in the third quarter of 2011. This significant increase was substantially caused by the improvements in net revenue described earlier, and the net gains of $2.0 million recorded in 2012, compared to net losses of $(2.0) million in 2011.

As a result of the changes in accounting policies adopted in the quarter, described under "Changes in Accounting Policies" above, Guardian has recorded significant amounts of "Net gains (losses) on securities held for sale" in the current quarter and in comparative quarters. These amounts represent the changes in the fair value of the investments in certain mutual funds, which Guardian has classified as "held for sale", and such amounts are included in Guardian's net earnings or loss available to shareholders. As a result, net earnings available to shareholders for the third quarter of 2012 were $8.8 million, compared to a net loss of $5.9 million in 2011, caused by the negative financial markets in 2011, compared to the positive markets in 2012. Guardian's management believes that the "Net earnings before net gains (losses) on securities held for sale" is a more directly comparable measure of the historical presentation of Guardian's operating results than "Net earnings (loss)", which includes the effect of the changes in the fair values of the mutual funds classified as held for sale.

Adjusted cash flow from operations for the quarter amounted to $5.1 million, compared to $5.2 million for 2011. The current differences between earnings per share and cash flow per share arise primarily due to the impact of amortization expenses, deferred income tax expense and stock-based compensation, as well as the exclusion of all net gains or losses from the calculation of adjusted cash flow from operations.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's statement of financial position has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operations. The strong cash flow enables Guardian to meet all of its financial commitments, to finance the expansion of its businesses and to purchase the capital assets necessary for the development of those businesses. Guardian's total bank borrowings at September 30, 2012 amounted to $51.7 million, compared with $48.6 million at September 30, 2011. The total credit available, at attractive terms, under the three arrangements was increased during the current quarter to $81.0 million from $66 million. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's securities as at September 30, 2012 had a fair value of $377 million, or $11.82 per share, diluted, compared with $364 million, or $11.17 per share, diluted, as at December 31, 2011, and $385 million, or $11.82 per share, diluted, at September 30, 2011. The following is a summary of Guardian's securities holdings:

SECURITIES

As at *($ in thousands, except per share amounts)*	**2012 September 30**	2011 December 31 (amended)	2011 September 30 (amended)
Securities Holdings			
Securities at fair value:			
Short-term securities	**$ 2,182**	$ 3,167	$ 5,433
Bonds	**1,001**	--	--
Mutual funds	**9,508**	13,354	5,664
Bank of Montreal common shares	**288,184**	276,925	289,970
Other equity securities	**28,615**	22,530	36,258
Total securities at fair value	**329,490**	315,976	337,325
Promissory notes at amortized cost	**--**	2,366	2,044
Total securities holdings	**329,490**	318,342	339,369
Securities held for sale	**47,559**	45,840	45,707
Total securities	**$ 377,049**	$ 364,182	$ 385,076
Total securities per share, diluted	**$ 11.82**	$ 11.17	$ 11.82

Guardian's holdings of securities are managed independently of our clients' assets, except for those of our assets that are invested in Guardian's mutual funds.

CONTRACTUAL OBLIGATIONS

Guardian has contractual commitments for the payment of certain obligations over a period of time. A summary of those commitments, including a summary of the periods during which they are payable, is shown in the following table.

		Payments due by period			
As at September 30, 2012 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 51,713	$ 51,713	$ --	$ --	$ --
Client deposits	1,742	1,742	--	--	--
Accounts payable and other	19,097	19,097	--	--	--
Payable to clients	37,327	37,327	--	--	--
Operating lease obligations	16,519	1,701	2,772	2,682	9,364
Total contractual obligations	$ 126,398	$ 111,580	$ 2,772	$ 2,682	$ 9,364

Guardian's contractual commitments are supported by its strong financial position, including its securities holdings, referred to above under the heading "Liquidity and Capital Resources". The Payable to Clients, in Guardian's securities dealer subsidiary, is offset by the Receivable from Clients and Broker, while the Client Deposits, in the offshore banking subsidiary, are supported by the Interest-Bearing Deposits with Banks and Loans Receivable.

SUMMARY OF QUARTERLY RESULTS

The following chart summarizes Guardian's financial results for the past eight quarters.

For the quarters ended *($ in thousands)*	**Sep 30, 2012**	Jun 30, 2012 (amended)	Mar 31, 2012 (amended)	Dec 31, 2011 (amended)	Sep 30, 2011 (amended)	Jun 30, 2011 (amended)	Mar 31, 2011 (amended)	Dec 31, 2010 (amended)
Net revenue	**$ 20,858**	$ 20,251	$ 20,122	$ 19,824	$ 18,871	$ 17,431	$ 17,567	$ 17,328
Operating earnings	**4,649**	4,860	4,840	5,325	4,344	3,317	4,149	4,032
Net gains (losses)	**2,045**	(548)	(16)	1,576	(2,013)	(478)	784	2,465
Net earnings before net gains (losses) on securities held for sale	**6,045**	2,838	4,379	17,188	2,136	2,801	4,633	6,191
Net gains (losses) on securities held for sale	**2,849**	(2,961)	3,587	2,236	(8,410)	(576)	1,257	3,895
Net earnings (loss) available to shareholders	**8,750**	(114)	8,005	7,745	(5,876)	2,280	5,854	10,163
Shareholders' equity	**336,362**	323,690	340,096	322,618	331,718	344,374	351,998	331,856
(in $)								
Per average Class A and Common Share								
Net earnings before net gains (losses) on securities held for sale:								
- Basic	**$ 0.19**	$ 0.09	$ 0.14	$ 0.17	$ 0.08	$ 0.09	$ 0.14	$ 0.19
- Diluted	**0.18**	0.09	0.14	0.17	0.08	0.09	0.14	0.19
Net earnings (loss):								
- Basic	**$ 0.28**	$ (0.00)	$ 0.25	$ 0.24	$ (0.18)	$ 0.07	$ 0.18	$ 0.30
- Diluted	**0.27**	(0.00)	0.25	0.24	(0.18)	0.07	0.18	0.29
Shareholders' equity:								
- Basic	**$ 10.78**	$ 10.29	$ 10.72	$ 10.12	$ 10.40	$ 10.67	$ 10.85	$ 10.16
- Diluted	**$ 10.54**	$ 10.06	$ 10.48	$ 9.90	$ 10.18	$ 10.45	$ 10.63	$ 10.01

Management fees earned in the investment management segment are generally not subject to seasonal fluctuations. There is a degree of seasonality in the financial advisory segment, with some concentration of commission revenue in the first quarter of each year, relating to the traditional "RSP season". However, most of the increase in net revenue in the second half of 2011 and in 2012 came from the additional net revenue earned by the IDC WIN subsidiary, after the acquisition of IDC Financial on July 1, 2011. With the exception of the effect of this additional net revenue, quarterly operating earnings have been relatively stable over the periods shown above.

The net earnings available to shareholders for the quarter ended June 30, 2012 were reduced because of the increase in deferred income taxes resulting from increased Ontario income taxes substantively enacted in June, 2012. This increase in taxes amounted to $1.15 million ($0.04 per share, diluted). The quarterly fluctuations in shareholders' equity shown above have been largely caused by changes in the value of Guardian's investment in the Bank of Montreal common shares, less this provision for future income taxes.

Since gains and losses are recorded on disposal of available for sale securities or other assets when realized, and on changes in the value of held for trading securities, and such amounts can vary from quarter to quarter, the amounts included in "Net Gains (losses)" each quarter can fluctuate, as shown in the quarterly results shown above. The significant net gains recorded in the third quarter of 2012 and the fourth quarters of 2010 and 2011 were largely responsible for the increases in "Net earnings before net gains (losses) on securities held for sale" in those quarters. The net gains recorded in the third quarter of 2012 include a one-time gain of $1.0 million on the repayment to Guardian of the full face value of the investment in promissory notes.

The "Net gains (losses) on securities held for sale" reflect changes in the fair value of investments in mutual funds which are categorized as held for sale, and are directly related to movements in the financial markets.

CRITICAL ACCOUNTING ESTIMATES

Guardian periodically assesses its assets for any impairment in their value. If it is determined that there has been a material impairment in the value of an asset which is other than temporary, the difference between current fair value and the original cost less any previous writedowns is included in Guardian's operating results. Included in this assessment are intangible assets, goodwill and certain securities.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 14 to the Consolidated Financial Statements, contained in Guardian's third quarter 2012 Interim Report, for additional information on financial risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since management fees are generally based on market values and fluctuations in the value of securities held for sale are recorded in our net earnings or loss. Additionally, market fluctuations have a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing our net commission revenues. We manage the risk of market fluctuations by having a diversified client base with different investment needs and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's holdings of securities are managed independently of clients' assets, except for those of our assets that are invested in Guardian's mutual funds.

Portfolio Value and Concentration Risks

Guardian's securities holdings and securities held for sale are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, each of which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. With the exception of the investment of $288 million in the Bank of Montreal common shares, which is a significant portion of Guardian's securities holdings, the holdings are diversified, from both an asset class and a geographical perspective. Guardian has accepted the concentration risk associated with its holding of Bank of Montreal shares, as the bank is a diversified company, with a history of steady dividend payments.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. The Company periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it the Company takes appropriate action to reduce its exposure to certain counterparties.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $66 million through three credit facilities. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations and the borrowing facilities provides sufficient cash resources to manage its liquidity risk.

Regulatory Change Risk

Changes to government regulations, including those related to income taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, net earnings and other comprehensive income in recent years. The recent enactment of new tax rates applicable to future periods by the province of Ontario has resulted in the Company recording in the current quarter additional income tax expense and reduced net earnings and other comprehensive income.

Performance and Competition Risks

Product performance presents another risk. It is a relative, as well as an absolute measure, because the risk is that we will not perform as well as the market, our peers, or in line with our clients' expectations. We manage this risk by having a disciplined approach to investment management, and by ensuring that our compliance capabilities are strong. We are fully aware of clients' expectations and we communicate appropriately with our clients to develop, report on and comply with client mandates on a continuous basis.

Another risk is competition. Our ability to compete is enhanced by the high quality of our management team, the substantial depth in personnel and resources and a strong balance sheet, which provides us with the flexibility to make the changes necessary to be competitive. In addition, we manage competition risk by tailoring our product offerings to market conditions and client needs.

As a result of these risks related to its clients, Guardian has the risk of a reduction in its revenues due to the possible loss of clients. This risk is managed by having strong marketing efforts, to replace lost revenue with new client revenues.

OUTLOOK

Markets adopted a more positive tone in the third quarter, on the back of better U.S. housing and employment data, more clarity out of Europe regarding austerity plans, and growth slowing rather than stalling in developing markets. Central banks continue to maintain a policy of low interest rates in an attempt to spur lending and growth, though some inflation was seen moving into the food supply chain. The Bank of Canada continued its 1% interest rate policy, leaving this key rate unchanged for three full years, although the bank also maintained its policy of tightening as soon as conditions allow. Rising appetite for equity risk resulted in the main Canadian Equity index, the S&P/TSX Composite, to finish the quarter up a healthy 7.02%, contributing to a significant lift in assets under management for Guardian for the quarter.

We continue to believe that equities will oscillate with no clear directional trend, caught as they are in a tug-of-war between European fears, perceived weakness in China and concern about a slowing U.S. recovery on the one hand, and inexpensive markets (in both historical terms and relative to interest rates) and favourable monetary ease (on a global basis) on the other hand.

Guardian's assets under management increased during the quarter by more than a billion dollars, ending the quarter at approximately $18 billion, due in part to the strong equity markets and continued relative performance across several of our equity and fixed income strategies. The quarter also provided very significant net new client inflows from both institutional and retail intermediary distribution channels. The pipeline of new business opportunities in the fourth quarter remain promising, as we look to continue the success of attracting new assets across various mandates managed by Guardian.

Guardian's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to show operating earnings improvement over the prior year, with strong commission growth due to new life insurance sales from its Managing General Agency, and better revenue and expense management in its Mutual Fund and Securities dealerships. We expect continued success in improved operating earnings from our financial advisory business, with the delivery of strong life insurance net sales, and the recruitment of additional independent advisors across our Worldsource wealth management platform.

The financial strength of Guardian's balance sheet supports the patient, long-term strategic business objective of both the investment management and financial advisory businesses becoming meaningful contributors to operating profit for Guardian.

Guardian Capital Group Limited

Commerce Court West
Suite 3100, P.O. Box 201
Toronto, Ontario
Canada M5L 1E8

Tel: 416-364-8341
www.guardiancapital.com