Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER 2012

GUARDIAN CAPITAL

50 YEARS Our history. Your future.

TO OUR SHAREHOLDERS:

We present the Company's operating results for the three months ended March 31, 2012.

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2012**	2011
Net revenue	**$ 20,168**	$ 17,623
Operating earnings	**4,840**	4,149
Net (losses) gain on securities	**(16)**	784
Net earnings available to shareholders	**4,418**	4,598
Adjusted cash flow from operations	**5,484**	4,624
Per Share		
Net earnings, basic	**$ 0.14**	$ 0.14
Net earnings, diluted	**0.14**	0.14
Adjusted cash flow from operations, basic	**$ 0.17**	$ 0.14
Adjusted cash flow from operations, diluted	**0.17**	0.14

Assets under management were $16.9 billion as at March 31, 2012, compared to $15.9 billion as at December 31, 2011 and $16.4 billion as at March 31, 2011. Assets under administration were $9.1 billion as at March 31, 2012, compared to $8.7 billion as at December 31, 2011, and $8.1 billion as at March 31, 2011.

Net earnings available to shareholders for the quarter were $4.4 million or $0.14 per share, diluted, compared to $4.6 million or $0.14 per share, diluted, in the first quarter of 2011. This reduction in earnings resulted from the recording of net losses from securities in the current quarter, compared with $0.8 million of gains recorded in the first quarter of 2011.

Adjusted cash flow from operations for the quarter was $5.5 million or $0.17 per share, diluted, compared to $4.6 million or $0.14 per share, diluted, in the first quarter of 2011.

The fair value of the Company's holdings of securities as at March 31, 2012 was $386.8 million, or $11.92 per share, diluted, compared with $364.2 million, or $11.17 per share, diluted, at December 31, 2011, and $411.1 million, or $12.42 per share, diluted, at March 31, 2011.

As Guardian Capital Group Limited celebrates its 50th year in business in 2012, we look forward to a successful year, with the continued support of our clients and Associates.

On behalf of the Board, May 11, 2012

[signed "George Mavroudis"]

George Mavroudis
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	March 31 2012	December 31 2011
ASSETS		
Current assets		
Cash	$ 10,588	$ 6,360
Interest-bearing deposits with banks	3,272	8,033
Accounts receivable and other	17,464	19,234
Loans receivable	3,328	6,410
Receivables from clients and broker	32,974	32,044
Prepaid expenses	1,247	1,137
	68,873	73,218
Securities holdings (note 3)	386,783	364,182
Other assets		
Deferred tax assets	3,479	3,480
Intangible assets	14,895	15,297
Equipment	2,046	2,068
Goodwill	11,111	11,111
Other	748	767
	32,279	32,723
Total Assets	$ 487,935	$ 470,123
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 55,919	$ 45,467
Client deposits	3,896	7,432
Accounts payable and other	15,401	25,006
Income taxes payable	664	772
Payable to clients	32,974	32,044
	108,854	110,721
Other liabilities		
Deferred tax liabilities	34,526	32,394
Total Liabilities	143,380	143,115
EQUITY		
Shareholders' equity		
Capital stock (note 5)	22,717	22,717
Treasury stock (note 6)	(17,750)	(16,063)
Contributed surplus	7,816	7,491
Retained earnings	195,755	196,729
Accumulated other comprehensive income	131,558	111,744
	340,096	322,618
Non-controlling interests	4,459	4,390
Total Equity	344,555	327,008
Total Liabilities and Equity	$ 487,935	$ 470,123

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*	2012	2011
Revenue		
Gross commission revenue	$ 18,440	$ 16,593
Commissions paid to advisors	(13,838)	(13,677)
	4,602	2,916
Management fee income, net (note 7)	9,772	9,424
Administrative services income	1,616	1,255
Dividend and interest income (note 8)	4,178	4,028
Net revenue	20,168	17,623
Expenses		
Employee compensation and benefits	10,155	8,416
Amortization	855	626
Interest	309	369
Other expenses	4,009	4,063
	15,328	13,474
Operating earnings	4,840	4,149
Net (losses) gains on securities (note 9)	(16)	784
Earnings before income taxes	4,824	4,933
Income tax expense	445	300
Net earnings	$ 4,379	$ 4,633
Net earnings available to:		
Shareholders	$ 4,418	$ 4,598
Non-controlling interests	(39)	35
Net earnings	$ 4,379	$ 4,633
Net earnings available to shareholders per Class A and Common share (note 10):		
Basic	$ 0.14	$ 0.14
Diluted	0.14	0.14

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended March 31	2012	2011
Net earnings	$ 4,379	$ 4,633
Other comprehensive income		
Available for sale securities:		
Net change in fair value	22,938	27,366
Income tax on net change	2,149	3,385
	20,789	23,981
Transfer to net earnings of unrealized losses upon disposal	94	565
	20,883	24,546
Changes in foreign currency translation adjustment on foreign subsidiary	(1,069)	(2,078)
Other comprehensive income	19,814	22,468
Comprehensive income	$ 24,193	$ 27,101
Comprehensive income available to:		
Shareholders	$ 24,232	$ 27,066
Non-controlling interests	(39)	35
	$ 24,193	$ 27,101

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31	2012	2011
Total equity, beginning of period	**$ 327,008**	$ 332,892
Shareholders' equity, beginning of period	**322,618**	331,856
Capital stock		
Balance, beginning and end of period	**22,717**	22,934
Treasury stock		
Balance, beginning of period	**(16,063)**	(11,443)
Acquired	**(1,687)**	(1,877)
Treasury stock, end of period	**(17,750)**	(13,320)
Contributed surplus		
Balance, beginning of period	**7,491**	6,549
Stock-based compensation expense	**325**	155
Contributed surplus, end of period	**7,816**	6,704
Retained earnings		
Balance, beginning of period	**196,729**	185,379
Net earnings available to shareholders	**4,418**	4,598
Dividends paid	**(5,392)**	(5,202)
Retained earnings, end of period	**195,755**	184,775
Accumulated other comprehensive income		
Balance, beginning of period	**111,744**	128,437
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of period	**115,481**	132,589
Net change during period	**20,883**	24,546
Balance, end of period	**136,364**	157,135
Foreign currency translation adjustment on a self-sustaining foreign subsidiary		
Balance, beginning of period	**(3,737)**	(4,152)
Net change during period	**(1,069)**	(2,078)
Balance, end of period	**(4,806)**	(6,230)
Accumulated other comprehensive income, end of period	**131,558**	150,905
Shareholders' equity, end of period	**340,096**	351,998
Non-controlling interests		
Balance, beginning of period	**4,390**	1,036
Net earnings available to non-controlling interests	**(39)**	35
Net subscriptions to mutual fund subsidiaries	**108**	421
Non-controlling interests, end of period	**4,459**	1,492
Total equity, end of period	**$ 344,555**	$ 353,490

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31	**2012**	2011
Operating activities		
Net earnings	**$ 4,379**	$ 4,633
Adjustments for:		
Income taxes (paid)	**(569)**	(279)
Income tax expense	**445**	300
Net loss (gain) on securities	**16**	(784)
Amortization of intangible assets	**698**	525
Amortization of equipment	**157**	101
Stock-based compensation	**325**	155
	5,451	4,651
Net change in non-cash working capital items (note 12)	**(1,582)**	(3,188)
Net cash from operating activities	**3,869**	1,463
Investing activities		
Acquisition of securities	**(11,305)**	(22,421)
Proceeds from sale of securities	**10,813**	21,600
Acquisition of intangible assets	**(296)**	(441)
Acquisition of equipment	**(142)**	(34)
Acquisition of subsidiary	**(2,135)**	--
Net cash (used in) investing activities	**(3,065)**	(1,296)
Financing activities		
Dividends	**(5,392)**	(5,202)
Acquisition of treasury stock	**(1,687)**	(1,877)
Proceeds of bank loans and borrowings	**2,000**	1,877
Net subscriptions from non-controlling interests in mutual fund subsidiaries	**108**	421
Net cash from (used in) financing activities	**(4,971)**	(4,781)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	**(57)**	(64)
Net change in cash, net of bank indebtedness	**(4,224)**	(4,678)
Cash, net of bank indebtedness, beginning of period	**3,856**	137
Cash, net of bank indebtedness, end of period	**$ (368)**	$ (4,541)
Represented by:		
Cash	**$ 10,588**	$ 5,183
Bank indebtedness	**(10,956)**	(9,724)
	$ (368)	$ (4,541)

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

These unaudited consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2011. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards, 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.

3. SECURITIES HOLDINGS

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

As at March 31, 2012 and December 31, 2011	**2012**	2011
Available for sale securities		
Short-term securities	**$ 8,266**	$ 7,798
Mutual funds	**58,062**	54,563
Bank of Montreal	**293,653**	276,925
Other equity securities	**18,815**	16,980
	378,796	356,266
Held for trading securities		
Equity securities	**5,666**	5,550
Total securities at fair value	**384,462**	361,816
Securities at amortized cost	**2,321**	2,366
Total securities holdings	**$ 386,783**	$ 364,182

4. BANK LOANS AND BORROWINGS

As at March 31, 2012 and December 31, 2011	**2012**	2011
Bank indebtedness	**$ 10,956**	$ 2,504
Bank loan (note 6)	**14,963**	14,963
Bankers' acceptances payable	**30,000**	28,000
	$ 55,919	$ 45,467

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 March 31	**2012**		2011	
	Shares	**Amount**	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	**28,872**	**$ 21,517**	28,815	$ 21,650
Converted from Common shares	**--**	**--**	148	36
Outstanding, end of period	**28,872**	**21,517**	28,963	21,686
ii) Common shares				
Outstanding, beginning of period	**4,971**	**1,200**	5,316	1,284
Converted to Class A shares	**--**	**--**	(148)	(36)
Outstanding, end of period	**4,971**	**1,200**	5,168	1,248
Total outstanding, end of period	**33,843**	**$ 22,717**	34,131	$ 22,934

(c) 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 March 31	**2012**		2011	
	Number of shares	**Weighted average exercise price**	Number of shares	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

(d) Dividends

During the three months ended March 31, dividends of $0.17 per share (2011 - $0.16) were declared and paid on the common and Class A shares outstanding.

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

For the three months ended March 31	2012		2011	
	Shares	Amount	Shares	Amount
Balance, beginning of period	1,954	$ 16,063	1,479	$ 11,443
Shares acquired	172	1,687	201	1,877
Balance, end of period	2,126	$ 17,750	1,680	$ 13,320

(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 March 31	2012		2011	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Option-like entitlements, beginning of period	1,402	$ 8.76	954	$ 8.32
Entitlements provided	150	9.78	--	--
Option-like entitlements, end of period	1,552	$ 8.86	954	$ 8.32

Option-like entitlements provided during the three months had a fair value of $420 (2011 - $ Nil). 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 period:

For the three months ended March 31	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 three months ended March 31	2012	2011
	Number of shares	
Equity-based entitlements, beginning of the period	552	525
Entitlements provided	22	--
Equity based entitlements, end of period	574	525

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 during the three months had a fair value of $220 (2011 - $ Nil).

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $462 for the three months ended March 31, 2012 (2011 - $466).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31	**2012**	2011
Dividend income	**$ 3,725**	$ 3,755
Interest income	**453**	273
	$ 4,178	$ 4,028

9. NET (LOSSES) GAINS ON SECURITIES

Net (losses) gains on securities are composed of the following:

For the three months ended March 31	**2012**	2011
Held for trading securities (a)	**$ 76**	$ 204
Available for sale securities	**(92)**	580
Net (losses) gains on securities	**$ (16)**	$ 784

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

10. AVERAGE NUMBER OF SHARES OUTSTANDING

Weighted average number of Class A and Common shares outstanding (in thousands)

For the three months ended March 31	**2012**	2011
Basic	**31,831**	32,568
Effect of outstanding entitlements and options from stock based compensation plans	**--**	134
Diluted	**31,831**	32,702

11. 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 March 31	2012 Investment Management	2011 Investment Management	2012 Financial Advisory	2011 Financial Advisory	2012 Corporate Activities and Investments	2011 Corporate Activities and Investments	2012 Consolidated	2011 Consolidated
Gross commission revenue	$ --	$ --	$ 18,440	$ 16,593	$ --	$ --	$ 18,440	$ 16,593
Commissions paid to advisors	--	--	(13,838)	(13,677)	--	--	(13,838)	(13,677)
	--	--	4,602	2,916	--	--	4,602	2,916
Management fee income, net	9,772	9,424	--	--	--	--	9,772	9,424
Administrative services income	361	188	1,255	1,063	--	4	1,616	1,255
Dividend and interest income	89	120	128	118	3,961	3,790	4,178	4,028
Net revenue	10,222	9,732	5,985	4,097	3,961	3,794	20,168	17,623
Expenses								
Employee compensation and benefits	5,254	4,563	2,993	2,051	1,908	1,802	10,155	8,416
Amortization	75	50	746	562	34	14	855	626
Interest	69	46	18	11	222	312	309	369
Other expenses	2,494	2,804	2,407	2,111	(892)	(852)	4,009	4,063
	7,892	7,463	6,164	4,735	1,272	1,276	15,328	13,474
Operating earnings	2,330	2,269	(179)	(638)	2,689	2,518	4,840	4,149
Net gains on securities	--	--	--	--	(16)	784	(16)	784
Earnings before taxes	2,330	2,269	(179)	(638)	2,673	3,302	4,824	4,933
Income tax expense	498	557	(10)	(139)	(43)	(118)	445	300
Net earnings	$ 1,832	$ 1,712	$ (169)	$ (499)	$ 2,716	$ 3,420	$ 4,379	$ 4,633
Net earnings available to:								
Shareholders	$ 1,832	$ 1,712	$ (239)	$ (499)	$ 2,825	$ 3,385	$ 4,418	$ 4,598
Non-controlling interests	--	--	70	--	(109)	35	(39)	35
	$ 1,832	$ 1,712	$ (169)	$ (499)	$ 2,716	$ 3,420	$ 4,379	$ 4,633
Capital expenditures								
Intangible assets	$ 53	$ 163	$ 243	$ 278	$ --	$ --	$ 296	$ 441
Equipment	--	11	37	17	105	6	142	34
As at March 31, 2012 and December 31, 2011								
Segment assets and liabilities								
Assets	$ 25,712	$ 30,643	$ 74,889	$ 76,319	$387,334	$363,161	$ 487,935	$ 470,123
Liabilities	25,237	28,394	44,112	39,579	74,031	75,142	143,380	143,115

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

For the three months ended March 31	2012 Canada	2011 Canada	2012 Rest of the World	2011 Rest of the World	2012 Consolidated	2011 Consolidated
Net revenue	$ 18,768	$ 16,537	$ 1,400	$ 1,086	$ 20,168	$ 17,623
As at March 31, 2012 and December 31, 2011						
Segment non-current assets						
Intangible assets	$ 14,868	$ 15,269	$ 27	$ 28	$ 14,895	$ 15,297
Equipment	1,557	1,567	489	501	2,046	2,068
Goodwill	11,111	11,111	--	--	11,111	11,111

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the three months ended March 31	2012	2011
Decrease in interest-bearing deposits with banks	$ 4,714	$ 3,422
Decrease (increase) in accounts receivable and other	1,762	(488)
Decrease in loans receivable	3,023	360
(Increase) decrease in receivables from clients and broker	(930)	6,816
(Increase) decrease in prepaid expenses	(111)	80
(Decrease) in client deposits	(3,502)	(3,339)
(Decrease) in accounts payable and other	(7,468)	(3,223)
Increase (decrease) in payable to clients	930	(6,816)
Net Change	$ (1,582)	$ (3,188)

13. 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 16 and 17 of the Company's First 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 investments in its foreign subsidiaries, amounting to $78,999 US ($79,235 Canadian) at fair value as at March 31, 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 $7,924 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 $3,272 ($8,033 – December 31, 2011) and loans receivable of $3,328 ($6,410 – December 31, 2011), and the client deposits liability of $3,896 ($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, 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 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 March 31, 2012 and December 31, 2011	**2012** Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	**2012** Unrealized gain or loss from 10% market change in region	2011 Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	2011 Unrealized gain or loss from 10% market change in region
Canada	**$ 30,628**	**± $ 3,063**	$ 29,337	± $ 2,934
United States	**9,996**	**± 1,000**	9,263	± 926
Rest of the World	**50,183**	**± 5,018**	46,293	± 4,629
Total	**$ 90,807**	**± $ 9,081**	$ 84,893	± $ 8,489

(b) Concentration Risk

The Company is exposed to concentration risk associated with the $293,653 ($276,925 – December 31, 2011) investment in the Bank of Montreal shares, 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 $29,365 ($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 March 31, 2012 and December 31, 2011	2012	2011
Cash	$ 10,588	$ 6,360
Interest-bearing deposits with banks	3,272	8,033
Accounts receivable and other	17,464	19,234
Loans receivable	3,328	6,410
Receivable from clients and broker	32,974	32,044
Securities at amortized cost – promissory notes	2,321	2,366
Loan guarantees	482	482
Total, before collateral and credit enhancements	$ 70,429	$ 74,929

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 maintaining a portfolio of securities holdings, and by arranging for significant borrowing facilities with major Canadian banks.

14. 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 three months ended March 31, 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 May 11, 2012.

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

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 March 31, 2012, Guardian had $16.9 billion in assets under management and $9.1 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 shares, had a fair value of approximately $387 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 three months ended March 31 *($ in thousands)*	**2012**	2011
Net cash from operating activities, as reported	**$ 3,869**	$ 1,463
Net change in non-cash working capital items	**1,582**	3,188
Cash flow from operations before change in working capital items	**5,451**	4,651
Less: Available to non-controlling interests	**(33)**	27
Adjusted cash flow from operations	**$ 5,484**	$ 4,624

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31 *($ in thousands, except per share amounts)*	**Three Months** **2012**	2011
Net revenues	**$20,168**	$ 17,623
Expenses	**15,328**	13,474
Operating earnings	**4,840**	4,149
Net gains on securities	**(16)**	784
Earnings before income taxes	**4,824**	4,933
Income tax expense (recovery)	**445**	300
Net earnings	**$ 4,379**	$ 4,633
Net earnings available to shareholders	**$ 4,418**	$ 4,598
Adjusted cash flow from operations	**$ 5,484**	$ 4,624
Diluted per share amounts		
Net earnings available to shareholders	**$ 0.14**	$ 0.14
Adjusted cash flow from operations	**$ 0.17**	$ 0.14

As at *($ in millions, except per share amounts)*	**2012** **March 31**	2011 December 31	2011 March 31
Assets under management	**$ 16,950**	$ 15,928	$ 16,423
Assets under administration	**$ 9,090**	$ 8,654	$ 8,118
Value of corporate holdings of securities	**$ 387**	$ 364	$ 411
Value of corporate holdings of securities per share, diluted	**$ 11.92**	$ 11.17	$ 12.42

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, except per share amounts)*	**2012** **March 31**	2011 December 31	2011 March 31
Institutional	**$ 15,460**	$ 14,489	$ 15,062
Private wealth	**1,379**	1,331	1,234
International	**111**	108	127
Total	**$ 16,950**	$ 15,928	$ 16,423

Total assets under management ("AUM") at Guardian increased to $16.9 billion at the end of the first quarter of 2012, from $15.9 billion at December 31, 2011 and $16.4 billion at March 31, 2011. The increases have resulted from a combination of net new monies received from new and existing clients and positive performance by the financial markets.

The management fees for the first quarter of 2012 were $9.8 million, net of referral fee payments, an increase of approximately 18% from the $9.4 million a year earlier, as a result of the increased AUM at higher fee rates in the current period.

Institutional management fees earned in the quarter increased to $7.5 million from $7.4 million a year earlier, a 1% increase. Private wealth management fees earned in the quarter amounted to $1.7 million, an increase of 21% from $1.4 million a year earlier. Management fees earned from international clients were $0.6 million in the first quarter of 2012, unchanged from a year earlier.

Financial Advisory Revenues

Net sales commission revenue earned from the financial advisory business, which is generated from the sale of mutual funds, securities and insurance, as well as from continuing fees related to assets under administration, were approximately $4.6 million in the first quarter of 2012, 58% greater than the prior year. This increase is largely due to the inclusion of revenues from IDC Financial, which was acquired by Guardian on July 1, 2011.

Administrative Services Income

Administrative services income, composed substantially of registered plan and other fees earned in the financial advisory area, and also trust and corporate administration fees earned in the international area, amounted to $1.6 million for the first quarter, a 23% increase from the $1.3 million in 2011. The increase 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 three months ended March 31 *($ in thousands)*	**2012**	2011
Dividend income	**$ 3,725**	$ 3,755
Interest income	**453**	273
Total dividend and interest income	**$ 4,178**	$ 4,028

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. Interest income was higher as a result of interest earned on the promissory note receivable.

Net (Losses) Gains on Securities

For the three months ended March 31 *($ in thousands)*	**2012**	2011
Gains in consolidated mutual funds	**$ 76**	$ 204
Gains on securities directly held	**(92)**	580
Net gains (losses)	**$ (16)**	$ 784

Consolidated securities transactions have declined in 2012, resulting in reduced gains, as two mutual funds which were consolidated during parts of 2011 are no longer consolidated, as Guardian no longer holds a majority of their equity. The timing of sales transactions in the directly-held portfolio produced losses in 2012, whereas in 2011 they had produced significant gains.

Expenses

Guardian's operating expenses were $15.3 million in the first quarter of 2012, compared with $13.5 million in 2011, an increase of approximately of $1.8 million or 13%, compared with the $2.5 million or 14% increase in net revenue in the period. The increase expense is largely due to the inclusion of expenses from IDC Financial, which was acquired July 1, 2011. The lower interest expense in the period is due to lower average borrowing during the period.

NET EARNINGS AVAILABLE TO SHAREHOLDERS AND ADJUSTED CASH FLOW FROM OPERATIONS

For the three months ended March 31 *($ in thousands)*	**2012**	2011
Net earnings available to shareholders	**$ 4,418**	$ 4,598
Earnings per share, diluted	**$ 0.14**	$ 0.14
Adjusted cash flow from operations	**$ 5,484**	$ 4,624
Adjusted cash flow from operations per share, diluted	**$ 0.17**	$ 0.14

Net earnings available to shareholders for the first quarter of 2012 were $4.4 million, compared to $4.6 million a year earlier. Adjusted cash flow from operations for the quarter amounted to $5.4 million, compared to $4.6 million for 2011. The current differences between earnings per share and cash flow per share arise primarily due to the impact of amortization expenses and stock-based compensation, as well as the exclusion of gains or losses on sales of securities from the calculation of 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 March 31, 2012 amounted to $55.9 million, compared with $53.0 million at March 31, 2011. The total credit available, at attractive terms, under the three arrangements amounts to $66 million. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's holdings of securities as at March 31, 2012 had a fair value of $386.8 million, or $11.92 per share, diluted, compared with $364.2 million, or $11.17 per share, diluted, as at December 31, 2011, and $411.1 million, or $12.42 per share, diluted, at March 31, 2011. The following is a summary of Guardian's securities holdings:

CORPORATE HOLDINGS OF SECURITIES

As at	**2012**	2011	
($ in thousands, except per share amounts)	**March 31**	December 31	March 31
Securities at fair value:			
Short-term securities	**$ 8,266**	$ 7,798	$ 11,729
Mutual funds	**58,062**	54,563	49,870
Bank of Montreal shares	**293,653**	276,925	312,042
Other equity securities	**24,481**	22,530	35,437
Total securities at fair value	**384,462**	361,816	409,078
Promissory notes at amortized cost	**2,321**	2,366	2,044
Total securities holdings	**$ 386,783**	$ 364,182	$ 411,122
Total security holdings per share, diluted	**$ 11.92**	$ 11.17	$ 12.42

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 for which Guardian is an advisor.

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 March 31, 2012 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 55,919	$ 55,919	$ --	$ --	$ --
Client deposits	3,896	3,896	--	--	--
Accounts payable and other	15,401	15,401	--	--	--
Payable to clients	32,974	32,974	--	--	--
Operating lease obligations	16,994	1,630	2,718	2,631	10,105
Total contractual obligations	$125,184	$109,820	$ 2,718	$ 2,631	$ 10,105

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, and 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)*	**Mar 31, 2012**	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010
Net revenue	**$20,168**	$20,089	$18,949	$17,500	$17,623	$17,485	$16,051	$16,089
Operating earnings	**4,840**	5,324	4,344	3,316	4,149	4,032	3,303	3,175
Net gains (losses) on securities	**(16)**	1,613	(1,090)	(478)	784	2,876	854	(1,329)
Net earnings available to shareholders	**4,418**	5,547	3,457	2,855	4,598	6,679	4,050	2,121
Shareholders' equity	**340,096**	322,618	331,718	344,374	351,998	331,856	331,410	312,984
(in $)								
Per average per Class A and Common Share								
Net earnings								
- Basic	**$ 0.14**	$ 0.17	$ 0.11	$ 0.09	$ 0.14	$ 0.20	$ 0.12	$ 0.06
- Diluted	**0.14**	0.17	0.10	0.09	0.14	0.20	0.12	0.06
Shareholders' equity								
- Basic	**$ 10.72**	$ 10.12	$ 10.40	$ 10.67	$ 10.85	$ 10.16	$ 10.07	$ 9.54
- Diluted	**$ 10.48**	$ 9.90	$ 10.18	$ 10.45	$ 10.63	$ 10.01	$ 9.93	$ 9.39

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 the current quarter came from the additional revenue earned by the IDC WIN subsidiary, purchased 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 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.

Since gains and losses are recorded on disposal of available for sale securities 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 or losses from securities each quarter can fluctuate, as shown in the quarterly results shown above. The significant net gains recorded in the fourth quarters of 2010 and 2011 were largely responsible for the increases in net earnings available to shareholders in those quarters.

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 13 to the Consolidated Financial Statements, contained in Guardian's first quarter 2012 Interim Report, for additional information on 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. Additionally, market fluctuations have a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing our 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 pooled funds, or mutual funds for which Guardian is an advisor.

Portfolio Value and Concentration Risks

Guardian's corporate holdings of securities 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 $293.7 million in the Bank of Montreal 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 reductions in future income tax rates, which have had significant positive effect on Guardian's income tax expense, net earnings and other comprehensive income in recent years. The recent announcement that the province of Ontario will defer the previously enacted reductions in tax rates applicable to future periods will result in additional income tax expense and reduced net earnings and other comprehensive income in the period in which those changes become substantively enacted.

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

Global equity markets around the world roared ahead in the first quarter, while the star for the previous five years, Canada, took a back seat, though still up an otherwise very healthy 4.4%. As a consequence, interest rates, especially for longer terms, moved up, causing low or negative returns for the fixed income asset class. Positive news that likely contributed to the strong first quarter global equity returns included better than expected economic numbers in the US, particularly employment figures, as well as a clinching of the second round of financial support for Greece. Headwinds persist, however, with most of the first quarter gains in the equity market all but evaporated, as much of Europe is likely in recession, with austerity measures receiving push back as voters in Europe bring about changes in governments, and worries about a more dramatic than expected slowdown in China remain.

We expect volatility in the capital markets to continue with the uncertainty in the global economy weighing heavily on the global equity and fixed income markets. Investors, both institutional and retail individuals, struggle with their strategic asset allocations under a prolonged period of low interest rates. Investors are increasingly impatient with long term investment strategies that underperform in the short term, and hence we have seen a significant increase in investors seeking changes in their current lineup of investment management firms. Guardian's financial strength, independence, stability, and competitive range of equity and fixed income strategies, diversified by degrees of risk and geography, positions the company to compete for net new growth in assets under management in the competitive institutional investment management market.

Guardian's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to show improved operating earnings, with growth in assets under administration and strong sales of Life & Health insurance products. We expect continued growth in assets through the recruitment of independent advisors for our securities and mutual fund dealerships, along with the delivery of continued strong Life Insurance net sales through our life insurance managing general agency.

Both the investment management and financial advisory businesses have the financial strength of Guardian's balance sheet to support their patient, long term strategic business objectives of becoming meaningful contributors to operating profit for Guardian. The ability to support long-term strategic decisions continues to allow Guardian to seek and attract top performing talent across its businesses.

GUARDIAN CAPITAL

50 YEARS Our history. Your future.

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