

2016 Annual Report

GUARDIAN CAPITAL
GROUP LIMITED



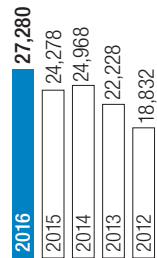
GUARDIAN
CAPITAL

Our history. Your future.

Financial Highlights

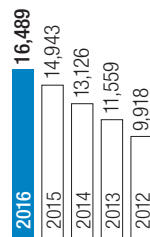
“I am pleased to report... that Guardian once again delivered increased earnings in 2016...”

James Anas, Chairman of the Board



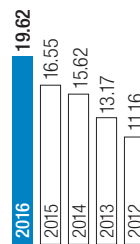
Assets Under Management
As at December 31
(\$ in millions)

Assets Under Management increased by 12% in 2016, as a result of a combination of the overall positive market performance and net inflow of client assets.



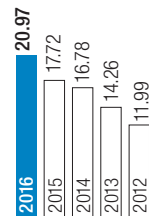
Assets Under Administration
As at December 31
(\$ in millions)

Assets Under Administration increased 10% in 2016, as a result of the recruitment of new advisors, additional net assets contributed by clients, and positive market performance.



Shareholders' Equity
(per share, diluted)
As at December 31 (in \$)

The Company's Shareholders' Equity per share increased 19% in 2016, reflecting the growth in the Company's net assets, including the significant increase in the value of its Securities, the profitable operations, net of amounts returned to shareholders during the year.

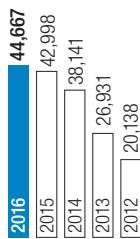


Securities
(per share, diluted)
As at December 31 (in \$)

The Securities per share increased 18% in 2016, reflecting the significant increase in the value of the Company's investments.

“The financial results for 2016 reflect a multi-year effort, in line with our focused strategy, to build a diversified and sustainable financial services company...”

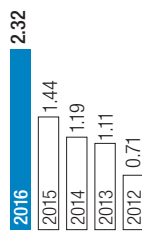
George Mavroudis, President and Chief Executive Officer



Operating Earnings

For the years ended December 31 (\$ in thousands)

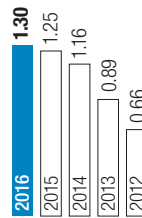
Operating Earnings increased 4% in 2016, reflecting the significant growth in net revenue, offset by increased expenses from strategic investments to build improved earnings in the future.



Net Earnings Available to Shareholders

(per share, diluted) For the years ended December 31 (in \$)

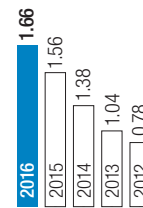
Net Earnings Available to Shareholders, per share increased 61% in 2016, reflecting the improved Operating Earnings, and the significant increase in Net Gains on the sale of securities.



Adjusted Cash Flow from Operations¹

(per share, diluted) For the years ended December 31 (in \$)

Adjusted Cash flow from Operations, per share increased 4% in 2016, reflecting the growth in Operating Earnings and the effects of share repurchases.



EBITDA¹

(per share, diluted) For the years ended December 31 (in \$)

EBITDA, per share increased 6% in 2016, reflecting the growth in Operating Earnings and the effects of share repurchases.

(1) Adjusted cash flow from operations and EBITDA are not standardized measures under IFRS. Description of these non-IFRS measures, as well as reconciliations to IFRS measures are provided in Use of Non-IFRS Measures section in the Management's Discussion and Analysis.

From the Chairman of the Board

Dear Fellow Shareholders,

I am pleased to report, on behalf of your Board of Directors, that Guardian once again delivered increased earnings in 2016 and continued to deliver increased dividends and returns to our shareholders. Our confidence is sustained that Guardian has the correct strategy to drive continued success, and the right team in place to build a strong and innovative company, underpinned by Guardian's values and culture.

Your board is pleased with the tremendous progress the management team has made in 2016, in delivering on the pillars of our strategy. This momentum has contributed to consistent earnings growth, and positions your company for sustained growth in shareholder value over the long term.

Following on the continued growth in earnings in 2016, your Board has declared a quarterly dividend of \$0.10 per share, an increase of 18%, payable on April 18, 2017, to the shareholders of record on April 11, 2017.

I would like to acknowledge our President and Chief Executive Officer, George Mavroudis, and his leadership team for the strong performance in all of our businesses. I also wish to congratulate Guardian's associates, across all of our businesses, who daily contribute to our successes. We congratulate all of them for their passion, tireless efforts and commitment.

Throughout the year, the members of your Board of Directors continued to provide their wise counsel, insight and sound business judgement in support of our management team, and for that I thank each of them. During fiscal 2016, we welcomed Petros Christodoulou to your Board. Mr. Christodoulou brings almost 30 years of experience in international finance and banking activities.

I also want to thank our shareholders for their ongoing support and our clients and customers for the opportunity to serve them every day. We look forward to reviewing our progress with you at the Annual Meeting.

Respectfully,

A handwritten signature in blue ink, appearing to read 'James Anas', with a stylized flourish at the end.

James Anas,
Chairman of the Board

February 22, 2017

From the President and Chief Executive Officer

Dear Shareholders,

The financial results for fiscal year 2016 reflect a multi-year effort, in line with our focused strategy, to build a diversified and sustainable financial services company. Across our investment portfolio management teams, a common principle, core to our philosophy, is a desire to identify companies that exhibit “Quality” attributes for our clients. These Quality attributes are a combination of both quantitative financial metrics and qualitative assessments of their business model and its management. Quality companies exhibit persistency, leading to sustained growth for long periods and superior results to the benefit of shareholders. Similarly our balance between the long term delivery of excellence in the core business while also investing for future growth is what has allowed Guardian to deliver sustainable and growing financial results and value. Guardian is constantly aspiring to improve the Quality of all its key metrics. In 2016, Guardian delivered historic new highs for such key financial metrics as assets under management, assets under administration, shareholders’ equity, operating earnings and adjusted cash flow from operations. This annual report highlights key financial results for our various business segments while offering commentary in areas where we are making significant investments to drive a desired growth and sustainability of operating earnings and free cash flow for the long term.

Guardian invests with the widely accepted investment principle that over the long term financial markets will exhibit growth. However in the short term we are not immune to the volatility that macro sentiment or events may bestow upon us. At the end of 2015 and in the first few weeks of 2016, a combination of declining commodities, expectations for further tightening by the US Federal Reserve and fears of economic slowdown in China and other emerging markets had market participants running for the exits in fear of an oncoming collapse. As is often the case, the markets rebounded quite strongly after these fears were assuaged, with several major markets approaching or exceeding previous highs by the end of the year. Canadian equity markets were particularly strong after a relatively weak eighteen month period. Equity market returns were a major stimulant to Guardian’s year over year growth in assets under management and assets under administration. Strong equity market returns also contributed to a substantial increase in Guardian’s corporate investment portfolio in 2016 which ended the year at a record fair value of \$620 million.

Stability at Guardian continues to be a major driver of our overall success. In 2016, we continued to service a stable client base, while retaining and adding to our exceptionally talented teams which are now positioned to deliver even greater successes in the years ahead. Several of our client relationships have evolved into long term trusted advisor relationships, which offers us the privileged opportunity to expand our services with these clients and, more importantly, gives the client the confidence and trust to work with us through full economic cycles.

Growth in operating earnings in 2016 was the result of continued improvements in both our investment management and financial advisory business segments. Investment income from our corporate securities portfolio was relatively flat, as we continue to recalibrate our investment portfolio from a significant tax-efficient dividend-paying holding in common shares of Bank of Montreal (BMO) into a globally diversified growth equity portfolio. In 2016, during various stages of price appreciation in BMO, we sold a little over 11% of our holding, 531,120 shares, and reinvested the proceeds largely across our two global equity team strategies to provide meaningful track records and scale to the investment vehicles they manage. Global equity markets were significantly behind in performance relative to Canadian equities in 2016, generating low single digit returns. However, we feel that over the long term, having a proportion of our corporate investment portfolio with exposure to quality large-cap global companies is a more prudent management of risk, by diversifying both the concentration risk and currency exposure of the portfolio. This diversification is even more compelling as we use our corporate investment portfolio to strategically invest in new asset management capabilities, from which we expect to grow meaningful assets under management generating fees from new clients.

Improvements in profitability from our investment management operations were largely attributed to the relative growth in our Private Wealth Management division, which was successful in adding new client assets under management. The top line growth in the Private Wealth business unit occurred at a time when we were making additional investments in human capital, including the successful recruitment of an experienced executive as Managing Director and head of our division in the first half of 2016. Year over year profitability from our core institutional investment management operations was largely flat, despite strong growth in assets under management from a rising Canadian equity market. Growth in operating earnings was dampened by the increase in expenditures related to our strategic priority of investment in human capital that are expected to facilitate successes beyond our core Canadian capabilities. The increased expenditures were largely related to the hiring of a US-based sales team and expanding our UK-based fundamental investment team. Our

continued →

US-based sales team is a new initiative which is focused on adding new client assets under management within the retail intermediary segment of the market, particularly independent and national brokers and their respective managed money platforms. With a growing suite of global systematic and fundamental investment strategies we believe the decision to invest in additional sales resources is strategically important to leverage these best in class investment capabilities. GuardCap, our UK-based investment team, is focused on delivering concentrated, fundamental emerging market and global equity solutions. Over the course of time, we expect this initiative to deliver strong growth in earnings, much like the success we are witnessing through the organic building of a Systematic Global Equity team, which has grown its assets under management to \$3.3 billion in global equities and is a positive contributor to operating earnings. The Systematic Global Equity team and GuardCap complement each other and provide an expanded competitive suite of global equity solutions and a growing geographic reach of new clients. We believe both teams offer the opportunity to be major growth drivers in operating earnings for the investment management segment for years to come, and will meet our stated objective of diversifying from our concentrated exposure to Canadian equities.

Worldsource, our financial advisory business segment, which serves independent financial advisors across Canada, had another successful year of growth in operating earnings. The growth in this business segment was primarily attributable to our Managing General Agency (MGA), which supports independent life insurance agents' production in life insurance and related sales. The financial advisory business segment contributed \$11 million in operating earnings, representing roughly a quarter of Guardian's total operating earnings. The improvement in earnings from our MGA business was slightly offset by increased costs in our investment dealerships over the prior year as we added staff to serve the growing demands of managing these regulated entities and to begin the strategic plan of undertaking a major technological re-development of our core platforms over the next few years. Our independent advisor distribution platforms are much sought after in an environment of a decreasing number of independent providers and, as such, we believe that our scale presents a competitive advantage in future growth in the recruitment and retention of advisors. Similarly, we continue to identify acquisition opportunities with smaller regional MGAs as we have had solid success in consolidating a number of smaller firms in the past few years, and believe we can selectively add to our platform through targeted tuck-in acquisitions.

Guardian is well positioned to fund strategic opportunities to diversify our capabilities, while continuing to invest in maintaining and strengthening our existing core competencies. As a management team, we are constantly on the lookout for high quality individuals, teams and ideas that can help us achieve our goals of meeting our clients' objectives, providing best in class solutions, and ultimately our desire to be viewed as a highly respected independent investment and wealth management firm. We will continue to search for and hire bright, talented, dedicated people in all of our lines of business, who are given the opportunity to learn new skills with us and vitally, create new ideas, and new ways to bring success to our firm, our people and our clients. Over the last few years, we have explored the possibility of complementing our traditional organic growth approach by taking advantage of our strong financial position and good reputation to acquire businesses in the financial services industry. We are cautious and disciplined in our search to acquire businesses and will continue to seek potential partners who can deliver on one or more of our three key strategic objectives: 1) providing an opportunity to develop a sustainable, profitable business; 2) diversifying from our concentrated exposure to Canadian equities; and 3) contribute to building our global footprint. We have reviewed several interesting opportunities in recent years, and while we have not completed any significant deals outside our MGA business, we remain optimistic that there is the potential to find financial businesses to be acquired that can help accelerate the achievement of our goals. Whether or not we acquire a business, Guardian will continue to invest in organic growth opportunities, particularly ones that solidifies and improves our existing capabilities, or meet our strategic objectives discussed above.

Quality companies often generate strong free cash flows and as we grow this financial metric, Guardian is committed to returning an ever increasing amount of cash to its shareholders. In 2016 Guardian paid out more than \$9.7 million in dividends, increasing our quarterly dividend from \$0.075 a share to \$0.085 cents a share, an increase of 13%. Furthermore, Guardian returned nearly \$24 million to shareholders by repurchasing and cancelling almost 1.2 million shares in 2016. Through a combination of dividends and share repurchases, Guardian returned to its shareholders more than 55% of the free cash flow it generated and provides sufficient capacity to maintain and grow these distributions.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. Clients, Shareholders, Employees, Partners and other Stakeholders of Guardian should be assured that from top to bottom, our organization embraces the responsibilities we are entrusted with very seriously, and is continuously striving to make improvements to all aspects of how we do business. As long as we continue to live up to our expectations all of our stakeholders should expect to benefit from our success.

Warmest regards,



George Mavroudis,
President and Chief Executive Officer

February 22, 2017

Review of Operations

INSTITUTIONAL INVESTMENT MANAGEMENT

Guardian's Institutional investment management services are provided by Guardian Capital LP ("GCLP"), GuardCap Asset Management Limited ("GuardCap") and Guardian Capital Real Estate Inc. ("GCREI"), with GCLP being, by far, the largest. GCLP serves pension plan sponsors, broker dealer third-party platforms, closed-end funds, exchange traded funds and mutual funds, endowment funds, and foundations. GCLP's capabilities span a range of asset classes, geographic regions, and specialty mandates. One of the largest independent investment management firms in Canada, GCLP is the successor to our investment management business, which was founded in 1962.

Guardian's institutional assets under management ("AUM") were \$24.4 billion at the end of 2016, up 10.9% from \$22.0 billion at the end of 2015. A major tailwind in asset growth in 2016 was the overall return of the S&P/TSX Composite benchmark at 21.1%. Over half of our AUM is invested in Canadian equity mandates and benefited from these returns. Nevertheless, the headwinds we witnessed in 2015 from retail investors reducing their Canadian equity allocations, in reaction to significant drops in the prices of key commodities and broad concerns about deterioration of the economic landscape in Canada, continued in 2016, especially in the fourth quarter, in spite of a strong market recovery. In addition, we started to see some institutional investors rebalancing their portfolios and reducing their allocation to Canadian equities in the fourth quarter of 2016. Through it all we retained all our clients, but this held back growth in Canadian equity strategies to an AUM of \$13.3 billion at the end of 2016, compared to \$11.7 billion at the end of 2015. Our AUM in foreign equity strategies were \$3.3 billion at the end of the year accounting for approximately 15% of our total AUM and representing our fastest area of growth over the last few years. Fixed income strategies also benefited from investors reducing their Canadian equity allocations, both at the retail level and at the institutional level, where defined benefit plans continue to de-risk. The fixed income AUM at the end of 2016 was \$7.8 billion, compared to \$6.9 billion at the end of 2015, an increase of over 13%. As always, continued stability in the investment team and organization, and strong client service and business development efforts, supported the business effectively in 2016.

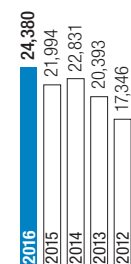
Canadian Equity

After being one of the weakest equity markets in the world in 2015, Canadian equities rebounded aggressively in 2016 and returned 21.1%. The recovery was due largely to significant improvements in the prices of commodities (especially oil) and strong performance in financials, which benefited the most in the post-Trump equity rally. Our strategies generally perform well in down markets due to their conservative bias, and often tend to lag in strong up markets. 2016 was no exception, as the majority of our Canadian equity strategies lagged their respective benchmarks. Despite that, they all ended the year in either first or second quartile in industry surveys, as most of our competitors were also challenged in trying to beat the market. Strategies with a bias toward income generation (a hallmark of Guardian's competencies) experienced strongest returns, due to their emphasis on financial and energy stocks. Dividend yields in these strategies continue to significantly exceed bond yields, and we expect that they will likely continue to do so for a few more years. The Canadian Focused strategy launched in 2015 continued to experience strong relative returns in 2016, finishing in first quartile, and remains our strongest performer since its inception. This approach aligns with the concentrated strategies managed by GuardCap, our London, UK-based investment management firm, to meet the increased demand for such products from large institutional investors worldwide. Finally, two of our longest-serving portfolio managers ended their tenures at Guardian in 2016, after more than 25 years in each case. In both instances, succession had been put in place several years ago and clients transitioned in a seamless fashion. Guardian has one of the most-experienced Canadian Equity investment teams in the industry, with nine investment professionals who have an average of 23 years of experience overseeing a total of approximately \$13.3 billion in AUM.

Global Equity

Guardian has two non-domestic equity strategy teams. The Toronto-based team follows mainly a systematic approach, while our London-based team follows a fundamental approach, and offers highly concentrated strategies. We believe these strategies complement each other and provide a broader set of choices to investors.

The Systematic Global Equity team experienced solid performance in 2016 in their growth strategies, but faced weaker results in the family of dividend-biased strategies which accounts for the majority of that team's AUM, because 2016 was another challenging year for dividend payers. The Fed now appears to have embarked on a tightening cycle, which will pose additional challenges in stock performance for dividend payers in 2017. Nevertheless, we expect that our relative performance will improve, as we continue to build our portfolios emphasizing firms that grow both their earnings and



Institutional Assets Under Management as at Dec. 31 (\$ mil)

dividends rather than those which pay high dividends, but with limited potential for earnings growth. We anticipate that those stocks will be more challenged in 2017, in a rising rate environment. The longer-term performance history of the Global Dividend Equity strategy has been instrumental in placing us on several key retail intermediary platforms in Canada and the U.S. over the past few years. This acquired shelf space, along with an anticipated continued demand by retail investors for strategies with a bias toward income generation and lower volatility, is expected to provide us with strong asset inflow momentum in 2017.

GuardCap, our UK subsidiary acquired in 2014, which manages Fundamental Emerging Markets and Fundamental Global Equities strategies, experienced strong relative performance in 2016, continuing a long history of success for these professionals, dating back beyond their short tenure at Guardian. We believe that our highly experienced investment team with a long history of solid performance will be increasingly successful with institutional investors. In 2016, we gained a number of international clients for the Fundamental Global Equities strategy and hope to continue building on this momentum in 2017. Investor interest in concentrated strategies, especially by large institutional investors, appears to be growing. We are hopeful that we will continue to experience growth, and that 2017 will bring a number of new appointments. We have been adding professionals every year to build the team in London, and will continue doing so in 2017 to complement the current team of nine investment professionals.

Fixed Income

Our fixed income mandates cover a broad range of profiles (addressing various combinations of parameters such as duration, types of issuers, currencies and risk profiles), and a large number of portfolios are highly customized to meet specific client needs. 2016 was generally rewarding for our mandates with a higher allocation to corporate credits and/or shorter durations, while generally less so for those with heavier government allocations and/or longer durations. Our consistent conservative style of management continues to appeal to investors seeking safety in their bond allocations, as evidenced by the growth experienced in our Liability Duration Investing (“LDI”) strategies. Our approach to LDI is to construct portfolios tied to the liability structures of our clients, while seeking to add modest value above the rate of growth in underlying liabilities.

The ongoing investor appetite for higher-yielding securities supported continued growth in our high-yield bond strategies. However, we expect bond yields to rise eventually (and 2016 may very well turn out to have witnessed the bottom), and therefore the prospects of adding significant absolute returns from core bond investments will be limited. This will be a challenging environment for many strategies that have performed well over the last 20 to 30 years. As a result, we have initiated new strategies over the past several years, including a short-duration bond strategy focusing on high-quality corporate issues, and a variation on this strategy incorporating an allocation to high-yield bonds. We also launched a more benchmark-free fixed income product, with a focus on producing a reliable and sustained income stream, while attempting to preserve capital in a changing rate environment by allowing the portfolio manager to roam between high-yield, investment-grade and government bonds, having the ability to both lever and short any of these credits. This strategy has so far generated aggregate returns well in excess of its target payout through some difficult bond markets. We intend to be well-prepared to meet investor needs in a changing fixed income landscape.

Balanced

Balanced or multi-asset class strategies have historically been a relatively small component of our AUM, but have witnessed increased momentum over the past few years. Investors have started recognizing Guardian’s ability to customize balanced funds, by selecting strategies from its wide range of Canadian and foreign equity solutions, combined with a solid fixed income offering. In 2015, we refined our tactical asset allocation capabilities and combined them with our full suite of mutual funds, resulting in a comprehensive retail offering. Performance since inception of these strategies has been very strong. These are distributed as standalone portfolios as well as under an insurance umbrella, in the form of sub-advised segregated funds. The retail industry has witnessed a strong trend toward multi-asset solutions in recent years and we believe our offering is very competitive in that space.

Real Estate

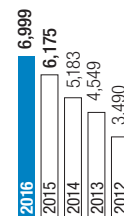
In recent years, Guardian has created a new line of business, direct investment in real estate properties. GCREI, our real estate subsidiary, currently manages one fund, the Guardian Capital Real Estate Fund LP, which is primarily intended to focus on yield-generating real estate assets for institutional and private investors. To date, the fund has raised just under \$140 million of capital commitments from investors, including \$40 million in 2016, and has deployed approximately \$100 million to purchase approximately \$170 million of real estate assets. The intent of the fund is to provide gross yields between 6% and 8% by investing in well-located, functional assets below their replacement cost with rents at or below market. While GCREI currently does not meaningfully contribute to Guardian’s results, it is an important asset class for our clients, and we plan to continue to expand our capabilities and grow our assets under management in the real estate space.

Investment Client Distribution

The composition of our client base remains broadly diversified, with approximately 50% of assets from institutional, corporate and pension accounts, and 50% from retail intermediary clients. Retail intermediary includes sub-advisory relationships with mutual funds, exchange traded funds and closed-end funds, and our leading position in the separately-managed wrap account programs with the top broker-dealers in the country. The separately-managed wrap account assets continued to deliver growth in net new assets in 2016, as we finished the year with \$7 billion in AUM in this channel. This is commendable, when faced with a continued shift away from Canadian equity exposure by the retail client segment. In 2016, Guardian also expanded into the US market. A team of seasoned marketing professionals was recruited, with the goal of earning the respect of advisors from national US broker-dealers, that they will trust us with providing them with investment solutions for their clients.

Many of our existing broker-dealer partners, in particular the big six Canadian banks, consider us as a preferred provider of core investment solutions on their managed account platforms. Our independence as a wholesaler of diversified investment solutions that deliver consistent returns, our strong investment team continuity, and our excellence in servicing the advisors in these large broker-dealer distribution channels, positions us as a strong partner for their fast-growing managed fee-based programs.

Over the past few years, we have received fewer requests for proposals from institutional investors or their advisors, partly attributable to a general trend experienced by the overall market and partly because searches that were in demand were in areas that we currently do not serve, such as investments in private equity and infrastructure. Although we have retained substantially all our institutional clients, we witnessed some net outflow of assets in 2016, as those invested in Canadian equities rebalanced their portfolios and reduced their holdings of Canadian equities, after strong returns. We expect, this may continue into early 2017 and partially dampen our growth in AUM. We remain committed to serving the institutional pension market and their consultants, as this channel requires a constant connection with the key decision-makers, so that when certain needs arise, we are a familiar alternative to meet them. Our broad strength in relative performance for our domestic equities is an area where we continue to be respected as a top manager, for consideration by the consultant community. Global equity searches continue to be an area where we can see overall market demand and growth. The recent strong performances of our concentrated fundamental equity strategies offered by GuardCap positions us well to take advantage of this trend.

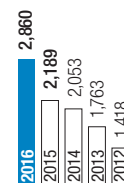


Wrap Assets Under Management as at Dec. 31 (\$ mil)

PRIVATE WEALTH MANAGEMENT

Guardian Capital Advisors LP (“GCA”) provides investment management services to private wealth clients, foundations and endowments primarily in Canada, with cross border United States and international business. As the trusted advisor to our private clients, we tailor tax-efficient, fully-discretionary segregated or investment fund portfolios consistent with their long term investment objectives. Our investment service combines the depth of proprietary research from Guardian’s institutional investment management teams with the experience of dedicated private wealth client portfolio managers. Our collaborative work with our clients’ financial, legal, accounting, insurance and other advisors, ensures a holistic and integrated approach to wealth management. Through offices in Vancouver, Calgary and Toronto, clients and their advisors have local direct access to experienced investment professionals, supported by the intellectual resources of the firm, to construct custom-designed solutions for each client. A strong administrative and support team ensures that client requirements are met in a timely manner.

Equity markets were strongest in Canada, and positive globally, impacting the growth in AUM. AUM grew to \$2.9 billion at the end of 2016, compared to \$2.2 billion at the end of 2015. The most significant factor in this growth was the addition of net new assets. We believe that a focus on risk management, as well as enhanced returns over the long term, will continue to provide our clients with long-term growth, tax-efficient cash flows and protection against short-term volatility. GCA continues to attract new clients, both directly and through referrals from financial advisors. The majority of our client base is domestic, and AUM are evenly split between Eastern and Western Canada. Our business development efforts will continue to focus on promoting awareness in the legal, accounting, family office and financial advisory communities.



Private Wealth Assets Under Management as at Dec. 31 (\$ mil)

INTERNATIONAL PRIVATE BANKING

As an extension of our Private Wealth Management business, our International Private Banking subsidiaries service the wealth management needs of our international clients.

Alexandria Bancorp Limited (“ABL”) is a private bank based in the Cayman Islands, which was established in 1990. ABL is licensed and regulated by the Cayman Islands Monetary Authority to provide investment management, fiduciary and banking services to international clients. ABL offers investment management capabilities through, both its own Alexandria Fund and its managed segregated account platform.

Alexandria Trust Corporation (“ATC”) is a licensed and regulated domestic trust company based in Barbados, which provides fiduciary and corporate administration services to international clients.

In 2016, this division delivered a particularly strong performance from its banking business, driven primarily by volatility in the currency markets and a high deposit base, while revenue from its fiduciary business increased over 20% compared to the prior year. Our capital adequacy is well above regulatory minimums, which continues to provide significant comfort to our existing and potential clients, and we are continuing to see a notable increase in requests for proposals for banking and fiduciary services.

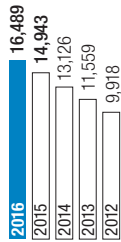
FINANCIAL ADVISORY

Worldsource Wealth Management Inc. (“Worldsource”) is an integrated financial advisory platform, with independent financial advisors offering mutual funds, securities and life insurance products to Canadians from coast to coast. Total assets under administration (“AUA”) in Worldsource were \$16.5 billion at December 31, 2016, compared to \$14.9 billion at the end of 2015. This segment had another successful year, delivering net commission revenue of \$39.2 million and operating earnings of \$11.0 million in 2016, compared to \$34.5 million and \$10.1 million, respectively, in 2015. Worldsource operates two businesses within the Financial Advisory segment. Insurance advisory services are provided through IDC Worldsource Insurance Network Inc. (“IDC WIN”) and the financial planning and advisory services are provided to retail clients through Worldsource Financial Management Inc., the mutual fund dealer, and Worldsource Securities Inc., the securities dealer (together the “Dealers”). Worldsource promotes an open architecture, and thus provides advisors with the independence to choose the best available solutions for their clients. The advisors are further supported with quality reporting and administration, and a professional approach to sales compliance and product suitability.

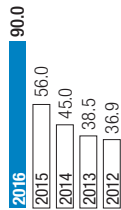
IDC WIN is a national insurance Managing General Agency (“MGA”), which is 79.7% owned by Worldsource and provides sales, marketing and administrative support to licensed insurance advisors. IDC WIN is a leader in the MGA market in Canada, and has a significant competitive advantage for meaningful growth and profitability, as the industry continues to consolidate. IDC WIN had a very successful year, with strong growth in many key metrics in 2016, as the annual premiums on insurance policies sold (“Annual Premiums Sold”) were \$90 million, compared to \$56 million in 2015, a 61% increase. Segregated fund and accumulation annuity AUA was \$4.5 billion as at December 31, 2016, up from \$4.0 billion as at the end of 2015, an 11% increase. Led by the growth in these metrics, successful recruitment of top-producing advisors and the full year’s contribution from the business of First Prairie Financial (“First Prairie”) acquired in 2015, IDC WIN grew its net commission revenue to \$25.2 million, from \$22.1 million in 2015, a 15% increase. Included in the 2016 net commission revenue are annual service commissions of \$9.8 million, which grew by \$1.5 million from 2015. Each dollar of Annual Premiums Sold generates sales commission at the time of the sale and adds continuing annual service commission revenue beginning 12 months after the sale, for the duration of the policies. Based on the growth in Annual Premiums Sold in 2016, we expect 2017 to be a strong year for annual service commission revenue.

The Dealers completed another successful year in 2016, ending the year with \$12.0 billion in AUA, a 10% increase from \$10.9 billion in 2015. The increases in AUA and net commission revenue were attributable to the growth in AUA through organic sales and a successful recruiting program. The Dealers spent much of 2016 focusing on operational and technological improvements, by investing in the business in the form of additional resources and increased operational and technology expenditures. These increased expenditures are expected to have a dampening effect on operating earnings in the near term, but are necessary to better position the business for future growth.

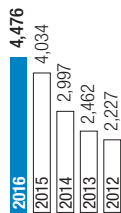
The Dealers continued to work closely with Guardian’s Investment Management division in 2016 to create investment solutions tailored for their advisors and branches. We continued to see some success in the advisors choosing to invest their client assets in Guardian solutions. At the end of 2016, the AUA in Guardian solutions were \$564 million, compared to \$453 million in 2015, with Guardian’s Private Wealth business being the main beneficiary of these assets.



Total Assets Under Administration as at Dec. 31 (\$ mil)



Annual Premiums on Insurance Policies Sold for the years ended Dec. 31 (\$ mil)



Insurance Assets Under Administration as at Dec. 31 (\$ mil)

Management's Discussion and Analysis

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited ("Guardian") pertains to the year ended December 31, 2016, with comparatives for the year ended December 31, 2015. Readers are encouraged to refer to the discussions and analyses contained in the 2015 Annual Report and the First, Second and Third Quarter 2016 Reports. This discussion and analysis has been prepared as of February 22, 2017.

Additional information relating to 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 these forward-looking statements will not be achieved. Undue reliance should not be placed on these statements, as a number of factors could cause actual results to differ from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private wealth investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer, and a securities dealer (together, the "Dealers"); and corporate activities and investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom ("UK"), the United States ("US") and the Caribbean. During the second quarter of 2016, Guardian formed a subsidiary, Guardian Capital LLC ("Guardian LLC"), in the US to operate as a marketing agent for the investment management business. As at December 31, 2016, Guardian had \$27.3 billion of assets under management ("AUM") and \$16.5 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which, together with its investment in Bank of Montreal ("BMO") shares, had a fair value of approximately \$620 million at the end of the year.

2016 HIGHLIGHTS

Guardian spent much of 2016 investing in the business, to build the necessary infrastructure for future growth. In line with its strategic plan, Guardian continued its efforts to grow its non-domestic AUM, to invest in operational and technological improvements and to more actively manage its securities portfolio.

In efforts to grow its non-domestic AUM, Guardian completed its initial buildout of the Fundamental Global and Emerging Markets Equities investment management teams in the UK, to complement its more mature Systematic Global Equities team in Canada, and increased its marketing and sales efforts of these strategies in key targeted markets, including the US where a new team of marketing professionals were hired. Guardian also reallocated capital to increase its seeding of investment vehicles managed by these teams, to provide them with better scale to attract third party investors. This reallocation occurred as part of the active management of Guardian's securities portfolio, with the sale in 2016 of 531,120 BMO shares, for proceeds of \$43.3 million, resulting in a reduction in the concentration of the portfolio in Canadian equities, including the BMO shares. As at December 31, 2016, the investment in BMO shares represented 62% of the portfolio, and all Canadian equities represented 68%, reduced from 66% and 72%, respectively, in 2015.

Guardian also made investments in additional expenditures and resources, on technology and other operational improvements, to prepare it for its next phase of growth. These investments, together with those in support of the non-domestic strategies referred to above, will continue to have a dampening effect on our earnings in the near term, but are expected to lead to improved earnings in the future.

Despite investing in its business in 2016, as stated above, Guardian delivered another historic high in its operating earnings. The 2016 operating earnings were \$44.7 million, a 4% increase from \$43.0 million in 2015. Included in the operating earnings were \$4.8 million in operating losses to support the buildout of the UK and the real estate investment management capabilities and the enhancement of the marketing and distribution capabilities in key markets. In 2015, the operating losses related to the buildout of the UK and the real estate team amounted to \$3.5 million.

In addition to operating earnings, Guardian reached new highs in net revenue, value of Securities, Shareholders' Equity, Adjusted Cash Flow from Operations, EBITDA, AUM and AUA.

With the improved earnings and cash flow, Guardian returned to shareholders \$33.6 million in the form of repurchases of shares and dividend payments during the year, another historic high. In 2015, \$23.0 million was returned to shareholders.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. Two of the measures that Guardian uses, EBITDA and adjusted cash flow from operations, are not defined within 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 these measures in analyzing Guardian's results.

EBITDA

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and any net gains or losses, less amounts attributable to non-controlling interests. Guardian believes this is an important measure, as it allows management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measure is "Net earnings", which is disclosed in Guardian's Consolidated Statements of Operations.

The following is a reconciliation of the IFRS measure to this non-IFRS measure:

For the years ended December 31 (\$ in thousands)	2016	2015
Net earnings, as reported	\$ 70,575	\$ 44,977
Add (deduct):		
Income tax expense	12,709	9,061
Net gains	(38,617)	(11,040)
Stock-based compensation	1,731	1,506
Interest expense	837	868
Amortization	4,185	4,063
Non-controlling interests	(1,871)	(1,609)
EBITDA	\$ 49,549	\$ 47,826

Adjusted Cash Flow From Operations

Adjusted cash flow from operations is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities available to shareholders, without the distortions caused by fluctuations in its working capital. Many companies similar to Guardian use a similar measure in this 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 IFRS measure to this non-IFRS measure:

For the years ended December 31 (\$ in thousands)	2016	2015
Net cash from operating activities, as reported	\$ 42,515	\$ 33,777
Add (deduct):		
Net change in non-cash working capital items	(2,454)	5,679
Non-controlling interests	(1,402)	(1,109)
Adjusted cash flow from operations	\$ 38,659	\$ 38,347

CONSOLIDATED FINANCIAL RESULTS

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

For the years ended December 31 (\$ in thousands, except per share amounts)	2016	2015	% change
Net revenue	\$ 142,686	\$ 132,911	7%
Expenses	98,019	89,913	9%
Operating earnings	44,667	42,998	4%
Net gains	38,617	11,040	250%
Earnings before income taxes	83,284	54,038	54%
Income tax expense	12,709	9,061	40%
Net earnings	\$ 70,575	\$ 44,977	57%
Available to shareholders			
Net earnings	\$ 69,475	\$ 44,105	58%
EBITDA	49,549	47,826	4%
Adjusted cash flow from operations	38,659	38,347	1%
Available to shareholders, per share, diluted			
Net earnings	\$ 2.32	\$ 1.44	61%
EBITDA	1.66	1.56	6%
Adjusted cash flow from operations	1.30	1.25	4%

As at December 31 (\$ in millions, except per share amounts)	2016	2015	% change
Assets under management	\$ 27,280	\$ 24,278	12%
Assets under administration	16,489	14,943	10%
Shareholders' equity	580	504	15%
Securities	620	540	15%
Per share, diluted			
Shareholders' equity	\$ 19.62	\$ 16.55	19%
Securities	20.97	17.72	18%

For the years ended December 31 (\$ in millions)	2016	2015	% change
Annual premiums on insurance policies sold	\$ 90	\$ 56	61%

Guardian's operating earnings in 2016 were \$44.7 million, a historic high, compared to \$43.0 million in 2015, a 4% increase. The growth in operating earnings was achieved while continuing to invest in the business, as indicated under "2016 Highlights", above. These investments will continue to have a dampening effect on operating earnings in the near term, but are expected to lead to improved operating earnings in the future.

The operating earnings from the Investment Management segment were \$20.2 million in 2016, a 9% increase from \$18.4 million in 2015. The biggest contributors to this increase were the Private Wealth and International Private Banking businesses, benefiting from a very large net inflow of Private Wealth client assets and an increased level of banking transaction fee income in 2016. We continued to absorb the operating losses in the UK and real estate operations and added new costs associated with building a distribution team in the US. The operating losses associated with these operations in 2016 were \$4.8 million, compared to \$3.5 million associated with the UK and the real estate investment management business.

In the Financial Advisory segment, the operating earnings increased to \$11.0 million compared to \$10.1 million in 2015, an 8% increase. The growth was largely driven by the successes in the MGA business, while the Dealers focused on operational improvements of their business.

The operating earnings in the Corporate Activities and Investments segment decreased to \$13.5 million in 2016, from \$14.5 million in 2015. The decrease in operating earnings in this segment resulted largely from the strategic decision to reallocate a portion of the investment in BMO shares into proprietary investment funds, which generally provide lower operating earnings compared to the dividends paid on the BMO shares.

The net gains in 2016 were \$38.6 million, an increase of \$27.6 million from 2015. The largest contributor to the increase was the increased gains recognized on the disposal of 531,120 BMO shares in 2016, compared to 204,000 shares in 2015.

Higher income tax expense in 2016 was the result of higher operating earnings and higher net gains realized during the year, compared to 2015.

Net earnings available to shareholders for 2016 were \$69.5 million, compared to \$44.1 million in 2015, a 58% increase. The increase was the result of improved operating earnings and the significant increase in net gains in 2016.

EBITDA for 2016 was \$49.5 million, compared to \$47.8 million in 2015, a 4% increase. Adjusted cash flow from operations for the year amounted to \$38.7 million, compared to \$38.3 million in 2015, a 1% increase. The increases in both of these measures were caused by the improvements in operating results, as described above.

The per share amounts in net earnings, EBITDA, and adjusted cash flow from operations, increased as a result of the continued improvements in operations, and the benefits of the repurchase of 1.2 million shares in 2016.

REVENUES AND EXPENSES

Investment Management Revenues

The largest source of revenue at Guardian are management fees received from clients, which vary as a result of changes in the amounts of client assets managed, and variations in the rates of management fees charged.

The following is a summary of the assets under management:

Years ended December 31 (\$ in millions)	2016	2015
Assets under management, beginning of year	\$ 24,278	\$ 24,968
Net additions (reductions) from clients during year	282	(775)
Market appreciation	2,720	85
Assets under management, end of year	\$ 27,280	\$ 24,278
Composed of:		
Institutional	\$ 24,380	\$ 21,994
Private wealth and international private banking	2,900	2,284
Total	\$ 27,280	\$ 24,278
Institutional AUM is composed of:		
Canadian equities	\$ 13,294	\$ 11,715
Global equities	3,306	3,389
Fixed Income	7,780	6,890
Total institutional AUM	\$ 24,380	\$ 21,994

Guardian's total AUM were \$27.3 billion at December 31, 2016, compared to \$24.3 billion at the end of the prior year, a 12% increase. The strong positive performance in the Canadian equity market provided a tailwind to Guardian's AUM, composed largely of Canadian equities. This positive effect was partially offset by the retail investor segment, which continued to reduce allocations to Canadian equities, and by the rebalancing of portfolios out of Canadian equities by institutional investors, after strong returns. Although the allocations were reduced, we retained substantially all our institutional clients, witnessed a strong net inflow of assets into the Private Wealth business and experienced some moderate successes in gathering third-party assets in the Undertakings for Collective Investments in Transferable Securities ("UCITS"), managed by our UK subsidiary.

Management fees, net of referral fees paid, for the year 2016 were \$68.2 million, 5% higher than the \$65.3 million for 2015. Institutional management fees increased 3% to \$52.4 million in 2016 from \$51.5 million in 2015, as a result of higher average AUM in 2016. Private Wealth and International Private Banking management fees, net of referral fees paid, increased 10% during the year to \$15.8 million from \$13.8 million in 2015, reflecting the large increase in AUM in this business.

Financial Advisory Commission Revenues

Net commission revenue earned from the Financial Advisory business is generated from the sale of life insurance products, mutual funds and other securities, as well as from continuing fees related to AUA and in force life insurance policies, net of commissions paid to advisors.

Total AUA at Guardian at the end of 2016 amounted to \$16.5 billion, 10% higher than the \$14.9 billion at the end of 2015. The increase in AUA was due to successful recruitment efforts, net new sales, and the market performance during the year.

The Annual Premiums on Life Insurance Policies Sold ("Annual Premiums Sold") in 2016 by the MGA subsidiary were \$90.4 million, compared to \$56.0 million in 2015, a 61% increase. The Annual Premiums Sold generate sales commissions in the year they are sold, and add continuing annual service commission revenue in subsequent years. This continuing stream of service fee revenue was \$9.8 million in 2016 and \$8.3 million in 2015.

Net commission revenue from the Financial Advisory business amounted to \$38.4 million in 2016, 13% higher than the \$33.9 million in 2015. The MGA net commission revenue increased to \$25.2 million from \$21.5 million in 2015. The increase was due largely to the increase in Annual Premiums Sold, as described above, and the increase in continuing annual service commission revenue, resulting from prior years' Annual Premiums Sold. Included in the increase is \$1.0 million in additional revenue earned from the First Prairie business acquired on June 1, 2015. The Dealers net commission revenue increased to \$13.2 million from \$12.4 million in 2015. The increase was largely the result of higher average AUA in the Dealers business in 2016.

Administrative Services Income

Administrative services income in 2016 was comprised of \$7.7 million of registered plan and other fees earned in the Financial Advisory area, \$3.5 million in fund administration revenue earned from Guardian's proprietary mutual funds and other fees earned in the domestic investment management area and \$3.4 million of trust, corporate administration and other fees earned mainly in the International Private Banking area, for a total of \$14.6 million, compared with \$12.7 million in 2015. The increase is largely as a result of the significant increase in banking transaction fees earned in the International Private Banking business.

Dividend and Interest Income

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

For the years ended December 31 (\$ in thousands)	2016	2015
Dividend on Bank of Montreal shares	\$ 14,442	\$ 15,175
Other dividends	5,383	4,667
Dividend income	19,825	19,842
Interest income	1,706	1,257
Total dividend and interest income	\$ 21,531	\$ 21,099

Dividend and interest income increased by 2% in the year, largely due to the increased interest income earned in the International Private Banking business and to a lesser extent from fixed income investments held by the Corporate Activities and Investments segment. The total dividend income was substantially unchanged from the prior year. The reallocation of a portion of the securities portfolio from BMO shares to proprietary investments resulted in a reduction of dividend income from BMO shares, offset by an increase in other dividend income. As Guardian continues to strategically reallocate its securities portfolio to support the growth of its operating businesses, this source of income is expected to fluctuate.

Expenses

Guardian's operating expenses, excluding commissions, referral fees, amortization and interest, were \$93.1 million in 2016, compared with \$85.0 million in 2015, an increase of 10%. The increase in expenses is largely related to expenditures to support the strategic investments in the business. The increase in employee compensation and benefits expenses are due to the hiring of additional investment professionals in the UK, the new distribution and marketing capabilities in the US, the new head of the Private Wealth business and additional resources to support continued operational and technology improvements. The increase in other expenses is largely the result of increased marketing expenses, increased technology expenditures and other operational expenses to support the growth of the business. Included in the increased expenses for 2016 were \$0.4 million of additional expenses due to the full year inclusion of First Prairie's expenses.

NET GAINS

For the years ended December 31 (\$ in thousands)	2016	2015
Net gains in consolidated investment funds	\$ 13,080	\$ 2,823
Net gains on securities directly held	25,161	8,709
Net gains on securities	38,241	11,532
Net foreign exchange (losses)	(644)	(1,223)
Net gains on disposal of intangible assets	1,020	731
Impairment of intangible assets	—	(695)
Gain on other liability	—	695
Net gains	\$ 38,617	\$ 11,040

Net gains in 2016 increased compared to 2015, largely due to the increased gains recognized on the sale of 531,120 shares of BMO for proceeds of \$43.3 million in 2016, compared to 204,020 shares sold for proceeds of \$15.4 million in

2015. Guardian used the proceeds of disposition of BMO shares to invest in proprietary funds, which are consolidated into Guardian's results. The increased investment in these funds resulted in increased amount of net gains, which are recorded within these funds, being consolidated into Guardian's results.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract associates, provide clients with a high comfort level, maintain the appropriate levels of working capital in each of its areas of operation, make the necessary capital expenditures to develop and support its businesses and make appropriate use of borrowings, including financing the expansion of its businesses. The hallmark of Guardian's balance sheet is the significant securities portfolio as presented below.

As at December 31 (\$ in thousands, except per share amounts)	2016	2015
Securities at fair value:		
Short-term securities	\$ 12,567	\$ 2,058
Bonds	1,147	1,102
Fixed income mutual funds	9,449	8,139
Equity investment funds	27,599	47,949
Bank of Montreal common shares	386,240	353,790
Other equity securities	159,457	104,598
Real estate funds	23,759	22,284
Total securities	\$ 620,218	\$ 539,920
Total securities per share, diluted	\$ 20.97	\$ 17.72

Guardian's securities as at December 31, 2016 had a fair value of \$620 million, or \$20.97 per share, diluted, compared with \$540 million, or \$17.72 per share, diluted, as at December 31, 2015, as shown above. In addition, Guardian's shareholders' equity as at December 31, 2016 amounted to \$580 million, or \$19.62 per share, diluted, compared to \$504 million, or \$16.55 per share, diluted, as at December 31, 2015.

Guardian has available, under various borrowing arrangements, total credit of \$103 million. At December 31, 2016, the total bank borrowing amounted to \$62.7 million, compared with \$54.8 million at December 31, 2015.

Guardian generated adjusted cash flow from operations of \$38.7 million in 2016, an increase of \$0.4 million from \$38.3 million in 2015. At current levels of cash flow and anticipated dividend payout rates, Guardian generates sufficient cash flow to meet its obligations, make capital expenditures and repurchase its shares under Normal Course Issuer Bid.

In 2016, using its strong balance sheet, its borrowing capacity and its strong cash flow, Guardian returned \$33.6 million to the shareholders in the form of dividends and share repurchases, increased its investments into two key investment funds by approximately \$53.0 million and invested approximately \$3.4 million in recruitment of top producing advisors in the Financial Advisory businesses.

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:

As at December 31, 2016 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 62,664	\$ 62,664	\$ –	\$ –	\$ –
Third party investor liabilities	99,452	99,452	–	–	–
Client deposits	77,364	77,364	–	–	–
Accounts payable and other liabilities	44,828	44,129	699	–	–
Payable to clients	60,672	60,672	–	–	–
Investment commitment – real estate fund	11,834	11,834	–	–	–
Operating lease obligations	15,658	2,069	3,484	3,709	6,396
Total contractual obligations	\$ 372,472	\$ 358,184	\$ 4,183	\$ 3,709	\$ 6,396

Guardian's contractual obligations are supported by its strong financial position, including its securities, referred to above under "Liquidity and Capital Resources". Client deposits, in the offshore banking subsidiary, are supported by interest-bearing deposits with banks. The third party investor liabilities are offset by securities backing third party investor liabilities. The Payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the Receivable from clients and broker. Guardian has committed to invest \$35.0 million into a real estate limited

partnership which is managed by a subsidiary, of which \$23.2 million has been invested as at December 31, 2016. The balance is expected to be invested as appropriate real estate product becomes available to the limited partnership, at which time Guardian's management will decide on the appropriate strategy for funding this commitment.

SELECTED ANNUAL INFORMATION

Years ended December 31 (\$ in thousands, except per share amounts)	2016	2015	2014
Net revenue	\$ 142,686	\$ 132,911	\$ 119,275
Net earnings available to shareholders	69,475	44,105	37,017
Per share			
Net earnings available to shareholders			
Basic	\$ 2.44	\$ 1.50	\$ 1.23
Diluted	2.32	1.44	1.19
Dividends paid	0.33	0.29	0.24
As at December 31			
Total assets	\$ 982,262	\$ 810,249	\$ 736,757

The increases in total assets over the past two years substantially reflect the changes in the value of the corporate holdings of securities, increases in interest-bearing deposits and receivables from clients and brokers.

SUMMARY OF QUARTERLY RESULTS

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

Quarters ended (\$ in thousands)	2016				2015			
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Net revenue	\$ 38,240	\$ 35,185	\$ 34,191	\$ 35,070	\$ 34,353	\$ 33,188	\$ 33,066	\$ 32,304
Operating earnings	12,371	10,646	10,300	11,350	10,256	10,876	11,390	10,476
Net gains (losses)	10,754	10,057	1,028	16,778	9,658	(2,407)	602	3,187
Net earnings	19,859	17,475	9,169	24,072	17,362	6,278	9,786	11,551
Net earnings available to shareholders	19,417	17,353	8,887	23,818	17,138	6,053	9,604	11,310
Shareholders' equity	580,177	545,339	513,939	497,656	504,255	470,533	473,944	477,901

Per Class A and Common share:

Net earnings available to shareholders									
Basic	\$ 0.69	\$ 0.61	\$ 0.31	\$ 0.83	\$ 0.59	\$ 0.21	\$ 0.33	\$ 0.38	
Diluted	0.65	0.58	0.30	0.79	0.56	0.20	0.31	0.37	
Shareholders' equity									
Basic	\$ 20.75	\$ 19.11	\$ 18.08	\$ 17.51	\$ 17.37	\$ 15.96	\$ 16.08	\$ 16.15	
Diluted	19.62	18.07	17.10	16.63	16.55	15.23	15.32	15.42	
Dividends paid	\$ 0.085	\$ 0.085	\$ 0.085	\$ 0.075	\$ 0.075	\$ 0.075	\$ 0.075	\$ 0.065	

Management fees earned in the Investment Management segment and trailer commissions earned on mutual funds and segregated funds in the Financial Advisory segment are highly correlated to the change in AUM and AUA. Guardian may also earn performance management fees on certain accounts, which are determined on an annual and a quarterly basis, and these may be significant. The seasonality which in the past existed in the Financial Advisory segment, with some concentration of commissions in the traditional "RSP season" in the first quarter of each year, has now largely dissipated. This change is due to the continuing move toward "trailer" commissions and away from "front-load" sales commissions, and the increasing significance of commissions from the life insurance MGA, which are less influenced by the "RSP season" and the financial market movements. Some seasonality in the commission revenues now occurs in the MGA business, where the last quarter of the year sees an increase in revenues from "volume bonuses" earned from the life insurance companies. These volume bonuses are increasing each year and are becoming more significant as the business continues to grow. We are also now starting to see a trend developing in the dividend income, with the second quarter and the fourth quarter of each year seeing increases in revenue, due largely to dividends from foreign equities which pay semi-annual dividends during those periods.

The steady increase in net revenue during the periods shown above have generally resulted from two influences. Firstly, reflecting the growth in average AUM, management fees in the investment management business have increased steadily throughout 2016 and 2015. Secondly, there has been significant growth in commissions earned in the financial advisory business as a result of the continued business growth, organically, through recruitment of advisors, and through acquisitions.

Since gains and losses are recorded on disposal of available for sale securities or other assets, on changes in the value of held for trading and held for sale securities, and on changes in the value of foreign currency balances held, and such amounts can vary from quarter to quarter, the amounts included in “Net gains” each quarter have fluctuated, as shown in the quarterly results above.

The quarterly fluctuations in shareholders’ equity shown above have been caused largely by the changes in the value of Guardian’s securities holdings, less the provision for deferred income taxes thereon.

RISK FACTORS

Guardian applies many of the same risk management principles to its business as a whole, as it does to the management of risks on behalf of its clients. One of the 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 the notes to the Consolidated Financial Statements, contained in Guardian’s 2016 Annual 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. Additionally, market fluctuations can impact 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 securities are managed independently of clients’ assets, except for those of our assets that are invested in Guardian’s investment funds.

Portfolio Value and Concentration Risk

Guardian’s securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, 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 \$386 (2015 – \$354) million in the Bank of Montreal shares, which represents 62% (December 31, 2015 – 66%) of Guardian’s securities, they are diversified, from both an asset class and a geographical perspective. At the end of 2016, the securities were made up of 68% (2015 – 72%) Canadian equities, consisting mainly of the Bank of Montreal shares, 28% (2015 – 26%) non-Canadian equities and 4% (2015 – 2%) fixed income securities.

Foreign Currency Risk

Guardian’s investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings, but are recorded as changes in the “foreign currency translation adjustment” in Guardian’s Statements of Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders’ Equity section of the Consolidated Balance Sheets. In addition, the operating results of these subsidiaries can fluctuate with the change in the foreign currency exchange rates against the Canadian dollars. These foreign currency exposures are not actively managed, due to the long-term nature of these investments, but is closely monitored by management. From time to time, the foreign subsidiaries hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, Guardian recognizes equal and offsetting gains or losses in “Other comprehensive income”. This is not considered to be a currency risk as there is no economic risk to Guardian.

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. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian’s investment in fixed-income mutual funds is managed by the monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the funds’ investments, manage the funds’ credit risk. From time to time, advisors in the Financial Advisory segment may owe to the Dealers or the MGA, advances received or amounts resulting from reversal of commissions. The credit risk associated with these

amounts are mitigated by management's review of the advisors' ability to repay the advances or the potential commission reversals, particularly in the MGA business, before amounts are paid to the advisors.

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. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from operations by establishing sufficient borrowing facilities with major Canadian banks, which currently total \$103 million through three credit facilities, and the support of its significant security portfolio. 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, borrowing facilities and the holding of securities provides sufficient resources to manage its liquidity risk.

Regulatory Risk and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of certain of Guardian's subsidiaries, they may, from time to time, be subject to changes in regulations, claims or complaints from investment clients and sanctions from governing bodies. These risks are mitigated by maintaining relevant in-house competence in laws and regulations, compliance and product review oversight, adequate insurance coverage and, where appropriate, utilizing assistance from external advisors.

Performance Risk

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. With respect to clients' expectations, we also ensure that we are fully aware of all of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

Financial Advisory Risk

Because of the number of advisors who publicly represent each of the Worldsource operating entities, there are risks associated in their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of the Worldsource organization, significant management oversight and insurance coverage carried by both Worldsource and the advisors.

Competition Risk

Guardian operates in a highly competitive environment, with competition based on a variety of factors including investment performance, the type and quality of products offered, business reputation and financial strength. Loss of client assets to competition will result in losses of revenue and earnings to Guardian. Guardian attempts to mitigate this risk by developing and maintaining a competitive product line and competitive relative performance of its products, through the recruitment and retention of high quality investment professionals and a high quality management team. Our ability to compete is also enhanced by our large capital base, which provides Guardian with the financial strength to invest in the development or acquisition of businesses. It also provides existing and future clients with comfort which allows Guardian to better compete in winning and retaining these clients.

Information Technology and Cybersecurity Risk

Guardian uses information technology and the internet to streamline business operations and to improve client and advisor experience. However, with the use of information technology, including the use of mobile devices, and the use of internet, such as emails and other online capabilities, Guardian is exposed to information security and other technology disruptions risks that could potentially have an adverse impact on its business. Guardian actively monitors this risk and continues to develop controls to protect against such threats that are becoming more sophisticated and pervasive.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's 2016 Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities classified as level 3 within the fair value hierarchy.

The impairment assessment of goodwill includes a comparison of the carrying value and the recoverable amount of each business unit to verify that the recoverable amount of the business unit is greater than its carrying value. In 2016 and 2015, the recoverable amounts were estimated using the fair value less cost to sell method for each of the business units. Guardian used valuation approaches to determine fair value based on a multiple of AUM, AUA, annual service fee revenues and first year's commissions. These multiples are developed by management based on recent transactions and research reports by independent research analysts. These valuation approaches are most sensitive to the levels of AUM, AUA and annual service fees.

A financial instrument is classified as level 3 when the fair value of the instrument is determined using valuation techniques based on inputs which are not observable in the market. The fair values of securities classified as level 3 in note 3(b) to Guardian's 2016 Consolidated Financial Statements were based on a valuation approach using a multiple of AUM and further corroborated by a multiple of EBITDA observed in market transactions. The multiple was developed based on prior tender offers and recent research reports by independent research analysts for similar types of business. This valuation approach is most sensitive to the level of AUM and the EBITDA generated by these entities.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, and amendments to existing standards, have been issued by the International Accounting Standards Board ("IASB"), which are effective for Guardian's consolidated financial statements in future periods. Readers are encouraged to refer to note 2 to the Consolidated Financial Statements contained in Guardian's 2016 Annual Report, for Guardian's initial assessment of the potential impact of these new standards. Guardian continues to evaluate the impact these new standards will have on its consolidated financial statements. The following is a description of these new standards and amendments.

Financial Instruments

On July 24, 2014, IASB issued its fourth and final version of IFRS 9 Financial Instruments ("IFRS 9"), which is to replace IAS 39 Financial Instruments: Recognition and Measurement with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Revenue

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers that reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

Leases

On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which is to replace IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROL

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in Guardian's internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, Guardian's internal control over financial reporting.

Management of Guardian has evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting (as defined under National Instrument 52-109) as of December 31, 2016, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of those disclosure controls and procedures and internal controls over financial reporting were effective.

OUTLOOK

2016 was an eventful year that began in tumultuous fashion, with stock markets posting one of their worst starts to a year, due to fears about lack of growth in China. As the year progressed, global growth improved, resulting in improved equity market returns. In November, there was a positive response to Donald Trump's Presidential election victory, and some markets closed the year at all-time highs, such as the S&P 500, which posted a return of 12.0%, and the S&P/TSX, with a return of 21.1% in 2016. Globally, most markets in the developed world and the emerging markets

underperformed Canada and the U.S. Relative to the S&P 500, Japan and two of the three largest European markets, France and Germany, underperformed. Somewhat surprisingly, the U.K. (+19.2%) posted a solid gain, despite the potential for economic disruption related to Brexit.

In prior years, our bullish expectations were based on our belief that stocks were inexpensive relative to interest rates, and would benefit from P/E multiple expansion, as the memory of the financial crisis faded into the background and investors recognized that the U.S. economy was healing. From this point forward, the dynamics behind our bullishness are changing. Our bullishness for 2017 rests on two factors: first, the U.S. economy is accelerating sufficiently, even before a Trump tax cut or infrastructure spending. As such, we expect earnings to accelerate after a sluggish few years. This will benefit Canadian companies selling into, operating in, or benefiting from U.S. dollar-denominated commodity prices, even if the Canadian economy remains tepid as we anticipate. Second, we believe that low- and medium-priced stocks can still benefit from a P/E multiple expansion, either as headwinds to growth in earnings recede or as earnings growth accelerates. Globally, despite some long-term structural challenges arising from overcapacity and deteriorating demographics, we expect China and Asia, as a whole, will continue to grow, albeit at a rate slower than that to which we have become accustomed. With respect to Europe, the Brexit vote, and potential uncertainty from elections in the Netherlands, Italy and France, likely create headwinds for growth and inflation in the EU. The region has recently experienced a slight improvement in growth and an uptick in inflation. Sustained monetary stimulus by the ECB should lend support to keep the recovery going forward.

Guardian is highly levered to equity markets, in particular Canadian equities, across its main business segments as well as its corporate investment portfolio. Guardian's AUM increased to \$27.3 billion at the end of 2016, which is approximately \$3.0 billion more than at the end of the prior year. The increase in AUM was due largely to the positive market performance of the Canadian equity market. This is in stark contrast to 2015, when Canadian markets, affected by oil and commodity price declines, were among the few negative performers in the developed world. In 2017, it is likely that retail intermediary flows from the broker dealer wrap programs, and our retail mutual fund and exchange traded fund partners, will continue to provide us with net inflow of assets from their clients. However, we have seen in the past, and are seeing some signs now, that institutional, and to a lesser extent, retail clients have a tendency to reduce their exposure to Canadian equities, especially after a period of strong outperformance in Canadian markets.

For the last few years, Guardian has been building highly-skilled portfolio management teams in the UK, who use a fundamental approach to investing in global and emerging market equities. The AUM of these teams is still relatively small, but we believe we have proven our competence in managing these strategies, and that the products we offer are in demand. During 2017, we expect to see increasing sales in our fundamental offering, particularly in the Global product. We also expect to see some sales momentum from third party investment programs, as well as some institutional traction initiated by our US-based sales team. These US sales will initially benefit mainly our Global Dividend strategy, which is managed by our systematic team in Toronto. While we do expect increasing AUM from these channels, we still expect to generate operating losses from these initiatives for the next few years.

Guardian's management will continue to use its strong balance sheet to assist in our growth plans, by seeding new strategies to gain a track record of performance and test our theories on optimizing our investment management processes. We have found that substantial investments in newly-offered products can help us to gain clients in the early stages of our product development. Two recent examples of this are in our Real Estate and our Global Fundamental Equity strategies, where substantial commitments of our own capital accelerated attracting third party investors. Investing in our own products also serves the purpose of slowly and methodically diversifying from our core holding of shares in the Bank of Montreal, as well as reducing our large exposure to Canadian equities in general.

Another benefit of our balance sheet is to enable us to consider mergers and acquisition activity. While the lion's share of our recent acquisitions have been focused on growing our life insurance MGA business, we continue to explore and evaluate opportunities in a range of investments related financial service businesses.

Guardian's Financial Advisory business, through its subsidiary Worldsource Wealth Management ("WWM"), has continued on its growth path in 2016. Our patient building of these businesses has resulted in improved operating earnings from continued strong commission growth from new life insurance sales in the MGA business, and multi-year efforts to improve revenue growth and expense management in the Dealers business. 2016 marked the introduction of CRM II, which is a mandate by regulators to improve reporting of performance and disclosure of the fees and expenses involved in investing in mutual funds. Many people in the industry are worried that these disclosures will lead to disruptions in the advisors' businesses and downward pressures on their compensation as investors may become disenchanted with their advisors. While it is too early to be certain of the impact, Guardian expects that any adverse effects will also result in new opportunities. Guardian is already a reasonably low cost provider of mutual fund solutions to our advisors, and it is possible our strategies stand to benefit from the new disclosures. In the MGA industry, there are rumblings of new advisor supervision duties being imposed on the MGAs by regulators. If such requirements are imposed, we believe our MGA will have competitive advantages from having scale, and an existing comprehensive and sophisticated compliance regime within WWM.

While we do expect revenue and earnings in the Financial Advisory segment to continue to increase in 2017, we also acknowledge that some investment in technology and people will be necessary over the medium term, and we have plans to bring this about.

Over the past several years, Guardian has had a great deal of success in growing and improving the profitability of its businesses in Canada. Going forward, while we feel that there are still opportunities to succeed in the Canadian market, it is becoming a mature market for us. In order to accelerate our growth in the long term, Guardian plans to continue to invest in our global portfolio management capabilities and, equally important, to continue to invest in expanding our distribution capabilities, in order to seek new clients in Canada, and worldwide. We believe that investing in distribution and continuing to diversify our offering will give guardian an additional opportunity to grow over the longer term.

Ten Year Review

Notes (e)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
(\$ in millions)											
Assets under management	\$ 27,280	\$ 24,278	\$ 24,968	\$ 22,228	\$ 18,832	\$ 15,928	\$ 16,266	\$ 13,986	\$ 11,764	\$ 16,885	
Assets under administration	16,489	14,943	13,126	11,559	9,918	8,654	7,783	7,074	6,005	6,303	
(\$ in thousands)											
Net revenue	\$142,686	\$132,911	\$119,275	\$101,278	\$ 86,360	\$ 73,693	\$ 64,928	\$ 61,147	\$ 66,918	\$ 69,607	
Expenses(a)	98,019	89,913	81,134	74,347	66,222	56,560	51,389	52,419	58,665	51,617	
Operating earnings	44,667	42,998	38,141	26,931	20,138	17,133	13,539	8,728	8,253	17,990	
Net gains (losses)	38,617	11,040	6,700	11,637	1,337	(131)	2,982	1,217	(4,484)	4,215	
Net gains (losses) on securities held for sale	—	—	386	(58)	4,559	(5,493)	6,443	—	—	—	
Net earnings available to shareholders	69,475	44,105	37,017	34,432	22,556 ^(d)	10,003	23,015	14,274 ^(b)	7,299 ^(c)	26,492 ^(b)	
Shareholders' equity	580,177	504,255	488,835	414,985	353,756	322,618	331,856	317,784	204,051	334,696	
Securities	620,218	539,920	525,352	449,179	379,956	364,182	383,604	362,512	241,549	380,433	
(In dollars)											
Per common and Class A share:											
Net earnings available to Shareholders											
Basic	\$ 2.44	\$ 1.50	\$ 1.23	\$ 1.13	\$ 0.72 ^(d)	\$ 0.31	\$ 0.70	\$ 0.41 ^(b)	\$ 0.19 ^(c)	\$ 0.69 ^(b)	
Diluted	2.32	1.44	1.19	1.11	0.71 ^(d)	0.31	0.69	0.41 ^(b)	0.19 ^(c)	0.68 ^(b)	
Shareholders' equity											
Basic	20.75	17.37	16.33	13.68	11.44	10.12	10.16	9.37	5.69	8.79	
Diluted	19.62	16.55	15.62	13.17	11.16	9.90	10.01	9.19	5.65	8.67	
Dividends paid	0.330	0.290	0.240	0.300	0.170	0.160	0.150	0.150	0.150	0.135	
Share prices:											
Common	high	25.98	24.61	21.45	18.00	11.65	12.75	9.75	9.97	11.10	15.50
	low	16.20	16.55	15.30	11.50	9.41	9.49	7.90	4.65	4.26	10.65
Class A	high	25.10	19.25	18.85	16.82	10.55	11.63	9.00	8.25	11.02	13.50
	low	15.58	15.50	15.10	10.40	9.00	8.70	7.35	3.00	3.02	10.33
(In thousands)											
Year end common and Class A shares outstanding											
Basic	27,963	29,029	29,940	30,333	30,917	31,890	32,652	33,932	35,874	38,095	
Diluted	29,576	30,472	31,300	31,510	31,696	32,604	33,162	34,563	36,104	38,605	

NOTES

- (a) Excluding commissions paid, referral fees and income taxes.
- (b) Net earnings available to shareholders reflect a reduction in future income taxes, resulting from the reduced income tax rates enacted during the year, as follows: 2009 - \$2.0 million, \$0.06 per share diluted; 2007 - \$6.6 million, \$0.16 per share diluted; 2006 - \$3.3 million, \$0.08 per share diluted.
- (c) Net earnings available to shareholders in 2008 reflect a \$1.3 million (\$0.03 per share) reduction in future income taxes, resulting from the reversal of future income taxes relating to Guardian's foreign subsidiaries, as well as the recording of restructuring costs of \$2.3 million (\$0.06 per share).
- (d) Net earnings available to shareholders in 2012 reflect a \$1.1 million (\$0.03 per share) increase in future income taxes, resulting from increased income tax rates enacted during the year.
- (e) Results in 2010 and subsequent years are in accordance with IFRS; 2009 and previous years are as reported under previous Canadian GAAP.

Management's Statement on Financial Reporting

The following financial statements, which consolidate the financial results of Guardian Capital Group Limited, its subsidiaries and other controlled entities, and the Company's interest in a joint venture, and all other information in this annual report, are the responsibility of management.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on pages 31 to 35. Management maintains a system of internal controls over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced. Management also administers a program of ethical business conduct compliance.

KPMG LLP, the Company's independent auditors, have audited the accompanying financial statements. Their report follows. The Audit Committee of the Board of Directors, composed of independent directors, meets regularly with management and KPMG LLP to review their activities and to discuss the external audit process, internal controls, accounting policies and financial reporting matters. KPMG LLP has unrestricted access to the Company, the Audit Committee and the Board of Directors.

The Audit Committee has reviewed the financial statements and Management's Discussion and Analysis and recommended their approval to the Board of Directors. Based on this recommendation, the financial statements and Management's Discussion and Analysis have been approved by the Board of Directors.



George Mavroudis,
President and Chief Executive Officer



Donald Yi,
Chief Financial Officer

February 22, 2017

Independent Auditors' Report

TO THE SHAREHOLDERS OF GUARDIAN CAPITAL GROUP LIMITED

We have audited the accompanying consolidated financial statements of Guardian Capital Group Limited, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, the consolidated statements of operations, comprehensive income, equity and cash flow for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guardian Capital Group Limited as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flow for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

February 22, 2017

Consolidated Balance Sheets

As at December 31 (\$ in thousands)	2016	2015
Assets		
Current assets		
Cash	\$ 37,974	\$ 22,276
Interest-bearing deposits with banks	77,268	112,636
Accounts receivable and other	36,370	31,005
Receivables from clients and broker	60,672	49,125
Securities backing third party investor liabilities (note 3)	99,452	5,651
	311,736	220,693
Securities (note 4)	620,218	539,920
Other assets		
Deferred tax assets (note 11c)	1,618	1,854
Intangible assets (note 5)	29,386	28,376
Equipment (note 6)	3,957	4,059
Goodwill (note 7)	15,014	15,014
Investment in associate	333	333
	50,308	49,636
Total assets	\$ 982,262	\$ 810,249
Liabilities		
Current liabilities		
Bank loans and borrowings (note 8)	\$ 62,664	\$ 54,755
Third party investor liabilities (note 3)	99,452	5,651
Client deposits	77,364	112,687
Accounts payable and other	37,829	30,251
Income taxes payable	6,300	868
Payable to clients	60,672	49,125
	344,281	253,337
Other liabilities	699	666
Deferred tax liabilities (note 11c)	51,812	47,720
Total liabilities	396,792	301,723
Equity		
Shareholders' equity		
Capital stock (notes 12a and 12b)	20,268	20,929
Treasury stock (note 13a)	(22,342)	(21,563)
Contributed surplus	13,972	12,280
Retained earnings	327,669	291,317
Accumulated other comprehensive income	240,610	201,292
	580,177	504,255
Non-controlling interests	5,293	4,271
Total equity	585,470	508,526
Total liabilities and equity	\$ 982,262	\$ 810,249

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Barry J. Myers,
Director



George Mavroudis,
Director

Consolidated Statements of Operations

For the years ended December 31 (\$ in thousands, except per share amounts)	2016	2015
Revenue		
Gross commission revenue	\$ 123,584	\$ 115,015
Commissions paid to advisors	(85,163)	(81,153)
	38,421	33,862
Management fee income, net (note 14)	68,181	65,273
Administrative services income	14,553	12,677
Dividend and interest income (note 15)	21,531	21,099
Net revenue	142,686	132,911
Expenses		
Employee compensation and benefits (note 16)	61,093	56,291
Amortization	4,185	4,063
Interest	837	868
Other expenses	31,904	28,691
	98,019	89,913
Operating earnings	44,667	42,998
Net gains (note 17)	38,617	11,040
Earnings before income taxes	83,284	54,038
Income tax expense (notes 11a and 11b)	12,709	9,061
Net earnings	\$ 70,575	\$ 44,977
Net earnings available to:		
Shareholders	\$ 69,475	\$ 44,105
Non-controlling interests	1,100	872
Net earnings	\$ 70,575	\$ 44,977
Net earnings available to shareholders per Class A and Common share (note 18):		
Basic	\$ 2.44	\$ 1.50
Diluted	2.32	1.44

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$ in thousands)	2016		2015	
Net earnings	\$	70,575	\$	44,977
Other comprehensive income (loss)				
Available for sale securities, net of taxes:				
Net change in fair value		81,249		(22,391)
Income tax provision (recovery)		10,241		(2,866)
		71,008		(19,525)
Transfer to net earnings of unrealized gains upon disposal		(25,341)		(8,063)
Reversal of income taxes		3,177		386
		(22,164)		(7,677)
Net change in available for sale securities, net of taxes		48,844		(27,202)
Net change in foreign currency translation adjustment on foreign subsidiaries		(9,526)		21,796
Other comprehensive income (loss)		39,318		(5,406)
Comprehensive income	\$	109,893	\$	39,571
Comprehensive income available to:				
Shareholders	\$	108,793	\$	38,699
Non-controlling interests		1,100		872
Comprehensive income	\$	109,893	\$	39,571

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 (\$ in thousands)	2016	2015
Total equity, beginning of year	\$ 508,526	\$ 492,234
Shareholders' equity, beginning of year	504,255	488,835
Capital stock		
Balance, beginning of year	20,929	21,434
Acquired and cancelled (note 12c)	(661)	(505)
Capital stock, end of year	20,268	20,929
Treasury stock		
Balance, beginning of year	(21,563)	(19,890)
Acquired (note 13a)	(2,200)	(1,740)
Disposed of (note 13a)	1,421	67
Treasury stock, end of year	(22,342)	(21,563)
Contributed surplus		
Balance, beginning of year	12,280	10,841
Stock-based compensation expense	1,731	1,506
Equity-based entitlements redeemed	(39)	(67)
Contributed surplus, end of year	13,972	12,280
Retained earnings		
Balance, beginning of year	291,317	269,752
Net earnings available to shareholders	69,475	44,105
Dividends declared and paid (note 12d)	(9,736)	(8,648)
Capital stock acquired and cancelled (note 12c)	(23,204)	(13,892)
Acquisition of non-controlling interests (note 25)	(183)	—
Retained earnings, end of year	327,669	291,317
Accumulated other comprehensive income		
Balance, beginning of year	201,292	206,698
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of year	169,746	196,948
Net change during year	48,844	(27,202)
Balance, end of year	218,590	169,746
Foreign currency translation adjustment on foreign subsidiaries		
Balance, beginning of year	31,546	9,750
Net change during year	(9,526)	21,796
Balance, end of year	22,020	31,546
Accumulated other comprehensive income, end of year	240,610	201,292
Shareholders' equity, end of year	580,177	504,255
Non-controlling interests		
Balance, beginning of year	4,271	3,399
Net earnings available to non-controlling interests	1,100	872
Acquisition of non-controlling interests (note 25)	(78)	—
Non-controlling interests, end of year	5,293	4,271
Total equity, end of year	\$ 585,470	\$ 508,526

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 (\$ in thousands)	2016	2015
Operating activities		
Net earnings	\$ 70,575	\$ 44,977
Adjustments for:		
Income taxes paid	(10,624)	(9,855)
Income tax expense	12,709	9,061
Net gains	(38,617)	(11,040)
Amortization of intangible assets	3,428	3,336
Amortization of equipment	757	727
Stock-based compensation	1,731	1,506
Other non-cash expenses	102	744
	40,061	39,456
Net change in non-cash working capital items (note 20)	2,454	(5,679)
Net cash from operating activities	42,515	33,777
Investing activities		
Net disposition (acquisition) of securities	4,661	(15,273)
Net acquisition of securities backing third party investor liabilities	(88,821)	(4,077)
Acquisition of intangible assets	(5,422)	(3,126)
Proceeds from disposition of intangible assets	1,973	1,502
Acquisition of equipment	(723)	(901)
Business acquisitions (note 24)	–	(3,548)
Net cash used in investing activities	(88,332)	(25,423)
Financing activities		
Dividends	(9,736)	(8,648)
Acquisition of capital stock	(23,865)	(14,397)
Acquisition of treasury stock	(2,200)	(1,740)
Disposition of treasury stock	1,421	67
Net proceeds from bank loans and borrowings	9,511	3,303
Acquisition of non-controlling interest (note 25)	(261)	–
Net funds from third party investors in consolidated mutual funds	88,821	4,077
Net cash (used in) from financing activities	63,691	(17,338)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	(574)	1,890
Net change in net cash	17,300	(7,094)
Net cash, beginning of year	20,674	27,768
Net cash, end of year	\$ 37,974	\$ 20,674
Net cash represented by:		
Cash	\$ 37,974	\$ 22,276
Net bank indebtedness	–	(1,602)
	\$ 37,974	\$ 20,674

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Guardian Capital Group Limited (“Guardian”) is a publicly traded company with its common and class A shares listed on the Toronto Stock Exchange. Guardian 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. Guardian, through its subsidiaries, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements include the accounts of Guardian, its subsidiaries, and its interest in joint ventures (together, the “Company”) and have been prepared under International Financial Reporting Standards (“IFRS”). These consolidated financial statements have been prepared on a going concern basis and the historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of Guardian on February 22, 2017

(b) Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is Guardian’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.

Certain reclassifications have been made to the 2015 comparative financial information in order to conform to the current period’s presentation.

(c) Estimates and judgments

The preparation of these consolidated financial statements necessitates the use of judgments, estimates and assumptions, which affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Management believes that the significant areas where judgment is necessarily applied are those which relate to the:

- (i) Determination of when control of another entity exists;
- (ii) Valuation of certain securities that do not have quoted market prices;
- (iii) Assessment of goodwill, intangible assets and available for sale securities for impairments;
- (iv) Assessment of provisions; and
- (v) Measurement of share-based payments.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The Company considers several factors in determining whether it has power over another entity which it will be able to use to obtain benefits.

- a. When voting rights are relevant in determining power over an entity, the Company considers its: existing voting rights; potential voting rights that are currently exercisable and have no substantive barriers to exercise; agreements with other vote holders; rights from other contractual arrangements; economic interests; or a combination of the foregoing. Offsetting these factors, the Company considers matters which prevent it from the exercise of power.
- b. When voting rights are not relevant in determining power over an entity, the Company considers: evidence of its practical ability to direct the activities of the entity for the Company’s benefit; indications of a special relationship between it and the entity; and whether it has a significant exposure to variability of returns. In evaluating these three factors, the Company gives greater weight to evidence of its ability to direct the activities of the entity.

(ii) Transactions eliminated on consolidation

All inter-company transactions, balances, income and expenses between the consolidated entities are eliminated on consolidation.

(iii) Non-controlling interests

Non-controlling interests in the equity of subsidiaries are shown as a component of the equity section of the consolidated balance sheet, to the extent that they represent a residual interest in the Company’s assets.

(iv) Consolidated funds

When the Company consolidates an investment fund in which it invests, it records its proportionate share of the securities held by the fund as Securities and the proportionate share of the securities attributable to third party investors as Securities backing third party investor liabilities. The ownership interest in the fund attributable to third party investors is classified as a liability and recorded as Third party investor liabilities.

(e) Joint ventures

Joint ventures are those entities over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method. The investments are carried in the balance sheets at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the joint venture.

(f) Foreign currency translation

Amounts denominated in foreign currencies included in these consolidated financial statements are translated into Canadian dollars as follows:

- (i) Foreign currency denominated monetary items are translated at the reporting date exchange rates. Revenues and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses, if any, resulting from the foregoing, are included in net gains in the statements of operations.
- (ii) The accounts of certain subsidiaries of the Company are maintained in foreign currencies. Assets and liabilities have been translated into Canadian dollars at exchange rates prevailing at the reporting date and revenues and expenses at average monthly rates. Adjustments resulting from the exchange gains and losses on the translation of balance sheets of the Company's foreign operations are recorded as a foreign currency translation adjustment in the statements of comprehensive income, and the cumulative balance is included in accumulated other comprehensive income in the shareholders' equity section of the consolidated balance sheets.

(g) Financial instruments

The Company's financial assets may be classified as held for trading, available for sale or loans and receivables. Financial liabilities are classified as either held for trading or other financial liabilities.

- (i) **Measurement of financial instruments**

All of the Company's financial instruments are initially measured at fair value. Subsequent to initial recognition, financial instruments classified as held for trading or available for sale are measured:

 - a. at fair value using quoted bid prices in an active market;
 - b. where there is no active market, but the fair value can be reliably measured, the fair value is determined using valuation techniques; or
 - c. all other financial instruments, which include loans & receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method.
- (ii) **Changes in fair value**

During each reporting period, changes in the fair value of financial assets classified as available for sale are reflected in other comprehensive income, and changes in fair value of financial assets classified as held for trading are reflected in net earnings.
- (iii) **Classification of the Company's financial instruments**

The Company's financial instruments are classified as follows:

 - a. Loans & receivables are comprised of interest-bearing deposits with banks, accounts receivable and other, loans receivable, receivables from clients and broker and securities at amortized cost.
 - b. Available for sale is comprised of securities, that are not classified in another category.
 - c. Held for trading is comprised of cash, the Company's proportionate share of the securities held by consolidated investment funds, due on securities sold short, derivative contracts and third party investor liabilities.
 - d. Other financial liabilities is comprised of bank loans and borrowings, client deposits, accounts payable and other, and payable to clients
- (iv) **Fair value hierarchy**

Financial assets and liabilities measured at fair value are categorized using a fair value hierarchy which reflects the significance of the inputs used in making the fair value measurements. The fair value hierarchy is as follows

 - a. Level 1 – Quoted market prices: financial instruments with quoted prices for identical instruments in active markets.
 - b. Level 2 – Valuation technique using observable inputs: financial instruments with quoted prices of similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
 - c. Level 3 – Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.
- (v) **Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(h) Impairment of securities and other financial assets

For securities and other financial assets other than those classified as held for trading, an assessment is made each period by management as to whether there is any objective evidence of impairment. Factors considered in determining whether an objective evidence of impairment exists include the length of time and the extent of unrealized loss, the financial condition and near-term prospects of the issuer and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If it is determined that the security is impaired, the carrying value of the security is written down to its fair value, and any cumulative loss amount recognized in other comprehensive income is reclassified to net income.

For securities and other financial assets carried at amortized cost, if, in subsequent periods, the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the loss is reversed in the statement of operations. The reversal is limited to what the amortized amount of the security or financial asset would have been if no impairment loss had been recognized in a prior period.

(i) Intangible assets

Intangible assets represent new business costs (costs pertaining mainly to new advisors and branches joining the Company's mutual fund dealer and securities dealer subsidiaries), computer software and the Company's rights to future revenues (substantially in the Company's life insurance

managing general agency subsidiary). Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized on a straight-line basis over their estimated useful lives, as outlined below:

- (i) New business costs – They are amortized over a number of years, ranging from three to fifteen years;
 - (ii) Computer software – The initial cost of the main computer processing system used by the mutual fund dealer subsidiary is amortized over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and
 - (iii) Rights to future revenues – They are amortized over fifteen years.
- Amortization methods and useful lives of the intangible assets are reviewed annually and adjusted, if appropriate. Intangible assets are derecognized upon disposal or when they are fully amortized and no longer in use.

(j) Equipment

Equipment is carried at cost less accumulated amortization and accumulated impairment losses, and is amortized over its expected useful life, as outlined below:

- (i) Computer hardware – The majority of computer hardware is amortized on a straight-line basis over three to five years;
 - (ii) Furniture and equipment – The majority of furniture and equipment is amortized on a diminishing balance basis at a rate of 20% per annum, and works of art included within furniture and equipment are not amortized; and
 - (iii) Leasehold improvements – Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases.
- Amortization rates and the useful life of equipment is reviewed annually and adjusted, if appropriate. Equipment is derecognized upon disposal or when it no longer has any residual value.

(k) Goodwill

Goodwill represents the excess of the cost of acquisition of an acquired business over the fair value of the net identifiable tangible and intangible assets of the acquired business at the date of acquisition. Goodwill is not amortized, but is carried at cost less accumulated impairment losses. Goodwill is allocated to the appropriate cash-generating units for the purpose of impairment testing.

(l) Impairment of non-financial assets

The Company annually reviews its indefinite-life, non-financial assets, which includes goodwill, for impairment. If the net carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered impaired and the excess amount is charged to Statement of Operations as an impairment loss.

The Company annually reviews its finite-life, non-financial assets, including intangible assets and equipment, whether there are any indications an asset may be impaired. If such indication exists, its carrying amount is compared to the estimated recoverable amount and any excess of the carrying amount over recoverable amount is charged to net gains as an impairment loss.

Recoverable amount is considered to be the higher of the estimated fair value of asset, less the estimated cost to sell and the net present value of future cash flow expected from the use of the asset.

(m) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheets, and the net amount is recorded in the statements of operations. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

(n) Treasury stock

The Company accounts for its shares purchased and held by its subsidiary, the Guardian Capital Group Employee Profit Sharing Plan Trust (the “EPSP Trust”), as treasury stock.

(o) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The various types of revenues and the associated accounting policies adopted by the Company are as follows:

- (i) Gross commission revenue earned and commissions paid to advisors are recorded on a trade date basis.
- (ii) Management fees – The Company provides investment management and investment advisory services to clients, in consideration for management fees, which are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The fees are earned over the time during which the assets are managed or advised on by the Company. Certain clients also pay performance fees, if the performance of such clients’ assets under management exceeds that of certain performance benchmarks by an agreed level over a stated time period. Such fees are recorded when the services have been provided, the amount of the fees can be reliably measured, and it is probable that the fees will be received. Management fees are presented net of referral fees paid to third party agents.
- (iii) Administrative services income – The Company earns income from certain clients and advisors, associated with the maintenance of accounts with the Company, and the provision of general corporate, trust or other services. Such income is recognized, on an accrual basis, as the services continue to be performed on an ongoing basis, based on agreements with the clients or advisors. When the Company holds assets or liabilities on a fiduciary basis in providing these services, those assets and liabilities and the income and expenses associated with them are excluded from these consolidated financial statements.

(iv) Dividend and interest income is recorded as follows:

- a. Dividends are recognized when the Company's right to receive payment is established.
- b. Interest is recorded as earned over the period of time during which the interest-paying investment is held, on an effective interest rate method.

(p) Employee compensation and benefits

Wages, salaries, profit sharing, bonuses, payroll taxes and levies and paid annual leaves are accrued in the year in which the associated services are rendered by employees and when a reliable estimate of the obligation can be made.

(q) Stock-based compensation

Stock-based compensation is accounted for under the fair value method, under which the compensation cost is measured at the fair value of the equity instruments issued ("Stock-based entitlement") and is expensed over the vesting period of the Stock-based entitlement.

Fair value of a Stock-based entitlement is determined on the issuance date and is the product of the fair value of the equity instrument and the number of those instruments that are ultimately expected to vest.

Where a Stock-based entitlement has been modified, the incremental change in fair value of the Stock-based entitlement is expensed over the remaining vesting period.

(r) Interest expense

Interest expense comprises interest payable on borrowings recognized using the effective interest rate method.

(s) Pensions

The Company operates a defined contribution pension plan, payments to the plan are charged as expenses as they are incurred. The Company has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(t) Net gains or losses

Net gains or losses include any gains or losses related to changes in the fair value of held for trading securities, or on disposal of available for sale securities or other assets recognized on a trade date basis, and adjustments to record any impairment in value.

(u) Income tax

Income tax on net earnings for the year comprises current tax and deferred tax. Income tax is recognized in the statements of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is also recognized in other comprehensive income or directly in equity.

Current tax is the tax expected to be payable on the taxable net earnings for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right of offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheets and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the tax rates expected to apply in the periods in which assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities, relate to income taxes levied by the same taxation authority and a legal right to set off exists.

(v) Earnings per share

The calculation of basic earnings per share is based on the weighted average of Class A and common shares outstanding during the year and on earnings available to the holders of the Class A and common shares. Diluted earnings per share are calculated by adjusting for the effect of outstanding dilutive instruments, such as stock options or stock-based entitlements, using the treasury stock method.

(w) Related parties

For the purposes of these financial statements, a party is considered related to the Company if such party or the Company has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Company and such party are subject to common significant influence. Related parties may be individuals or other entities. All material transactions with related parties are recorded at fair value.

(x) Future changes in accounting policies

A number of new standards, and amendments to existing standards, have been issued by the International Accounting Standards Board ("IASB"), which are effective for the Company's consolidated financial statements in certain future periods. The following is a description of these new standards and amendments:

(i) Financial instruments

On July 24, 2014, the IASB issued its fourth and final version of IFRS 9 Financial Instruments ("IFRS 9"), which is to replace IAS 39 Financial Instruments: Recognition and Measurement, with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Based on the Company's initial assessment, the implementation of IFRS 9 could result in reclassification of the Company's significant holdings in securities. The potential changes to the classification of these securities could have the effect of more net gains and losses being recorded in Net Earnings rather than in Other Comprehensive Income. The Company continues to evaluate the impact IFRS 9 will have on its consolidated financial statements.

(ii) Revenue

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers (“IFRS 15”), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers that reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Based on the Company’s initial assessment of IFRS 15, it is anticipated there will be no significant impact to the manner in which the Company recognizes revenues. However, there may be some changes to how certain expenses associated with securing those revenues are recognized. IFRS 15 requires the capitalization and amortization of certain incremental costs associated with the securing of new revenue streams. The Company continues to evaluate the impact IFRS 15 will have on its consolidated financial statements

(iii) Leases

On January 13, 2016, the IASB issued IFRS 16 Leases (“IFRS 16”), which is to replace IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company continues to evaluate the impact IFRS 16 will have on its consolidated financial statements.

3. SECURITIES BACKING THIRD PARTY INVESTOR LIABILITIES and THIRD PARTY INVESTOR LIABILITIES

Securities backing third party investor liabilities represent third party investors’ proportionate interest in the assets of the consolidated investment funds. They are classified as held for trading and are categorized as level 1, based upon the fair value hierarchy.

Third party investor liabilities represents third party investors’ proportionate ownership interest in the consolidated funds. The liabilities are payable on redemption of the units of the funds by the third party investors and will be settled with the proceeds from disposition of securities backing third party investor liabilities. The value of the liabilities is equal to and varies with the value of the securities backing third party investor liabilities. The liabilities are classified as held for trading and are categorized as level 1, based upon the fair value hierarchy.

4. SECURITIES

(a) Classification of securities

An analysis of the Company’s securities by available for sale and held for trading classifications and by the type of security is as follows:

As at December 31	2016	2015
Available for sale securities:		
Short-term securities (i)	\$ 12,567	\$ 2,058
Bonds	1,147	1,102
Fixed income funds	9,449	8,139
Equity investment funds	27,599	47,949
Bank of Montreal common shares (ii)	386,240	353,790
Other equity securities	15,647	20,949
Real estate fund (iii)	23,759	22,284
	476,408	456,271
Held for trading securities (iv):		
Equity securities	143,810	83,649
Securities	\$ 620,218	\$ 539,920

- (i) Short-term securities shown above include non-controlled investment funds that hold short-term securities, as well as directly held short-term securities.
- (ii) During the year, the Company sold a total of 531 (2015 – 204) of the Bank of Montreal common shares. The gains on these sales are disclosed in note 17.
- (iii) As at December 31, 2016, the Company had a commitment to invest \$35,000 (2015 - \$25,000) in a real estate limited partnership managed by a subsidiary of the Company. As at December 31, 2016, the Company had invested \$23,166 (2015 - \$21,488) in this fund.
- (iv) Held for trading securities consist of the Company’s proportionate share of the securities held by investment funds which the Company controls and consolidates.

(b) Fair value hierarchy

The Company’s securities have been categorized based upon a fair value hierarchy as follows:

As at December 31	2016	2015
Level 1	\$ 548,424	\$ 449,953
Level 2(i)	59,427	77,049
Level 3(ii)	12,367	12,918
Securities	\$ 620,218	\$ 539,920

- (i) Level 2 securities include investments in certain funds, and are valued using the net asset value of each fund.
- (ii) Level 3 securities are substantially comprised of an investment in one entity which is valued based on a multiple of 4% (2015 – 4%) of the assets managed by it. All level 3 securities are classified as available for sale.
- (iii) During 2016 and 2015, there have been no transfers between Levels.

(c) Changes in Level 3

An analysis of the changes in securities categorized as Level 3 is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	\$ 12,918	\$ 5,973
Increase (decrease) in estimated fair value, recognized in other comprehensive income	(551)	6,945
Balance, end of year	\$ 12,367	\$ 12,918

5. INTANGIBLE ASSETS

A summary of the composition of and changes in the Company's intangible assets is as follows:

For the years ended December 31	2016				2015			
	New business costs	Computer software	Rights to future revenue	Total	New business costs	Computer software	Rights to future revenue	Total
Cost:								
Balance, beginning of year	\$ 12,800	\$ 3,911	\$ 33,114	\$ 49,825	\$ 12,047	\$ 3,702	\$ 25,537	\$ 41,286
Purchases	342	374	4,706	5,422	564	196	2,366	3,126
Arising on acquisition	—	—	—	—	—	—	6,113	6,113
Disposals	(116)	(53)	(1,176)	(1,345)	—	—	(902)	(902)
Foreign exchange translation adjustments	(37)	(2)	—	(39)	189	13	—	202
Balance, end of year	12,989	4,230	36,644	53,863	12,800	3,911	33,114	49,825
Accumulated amortization:								
Balance, beginning of year	10,055	3,227	8,167	21,449	8,340	2,806	6,349	17,495
Amortization expense	850	423	2,155	3,428	978	409	1,949	3,336
Disposals	(95)	(53)	(244)	(392)	—	—	(131)	(131)
Impairment	—	—	—	—	695	—	—	695
Foreign exchange translation adjustments	(6)	(2)	—	(8)	42	12	—	54
Balance, end of year	10,804	3,595	10,078	24,477	10,055	3,227	8,167	21,449
Carrying value, end of year	\$ 2,185	\$ 635	\$ 26,566	\$ 29,386	\$ 2,745	\$ 684	\$ 24,947	\$ 28,376

6. EQUIPMENT

A summary of the composition of and changes in the Company's equipment is as follows:

For the years ended December 31	2016			2015		
	Office equipment	Leasehold improvements	Total	Office equipment	Leasehold improvements	Total
Cost:						
Balance, beginning of year	\$ 8,059	\$ 3,328	\$ 11,387	\$ 6,864	\$ 3,282	\$ 10,146
Purchases	366	357	723	871	30	901
Arising on acquisition	—	—	—	28	—	28
Disposals	(20)	—	(20)	—	—	—
Foreign exchange translation adjustments	(101)	(3)	(104)	296	16	312
Balance, end of year	8,304	3,682	11,986	8,059	3,328	11,387
Accumulated amortization:						
Balance, beginning of year	5,530	1,798	7,328	4,916	1,574	6,490
Amortization expense	539	218	757	520	207	727
Reclassification	—	—	—	28	—	28
Disposals	(20)	—	(20)	—	—	—
Foreign exchange translation adjustments	(33)	(3)	(36)	66	17	83
Balance, end of year	6,016	2,013	8,029	5,530	1,798	7,328
Carrying value, end of year	\$ 2,288	\$ 1,669	\$ 3,957	\$ 2,529	\$ 1,530	\$ 4,059

7. GOODWILL

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

For the years ended December 31	2016	2015
Balance, beginning of year	\$ 15,014	\$ 12,299
Arising on acquisition (note 24)	–	2,715
Balance, end of year	\$ 15,014	\$ 15,014

Goodwill acquired in business acquisitions is allocated to the cash generating units (“CGUs”) that are expected to benefit from the business acquisitions. The carrying amount of goodwill has been allocated to the relevant CGUs as follows:

As at December 31	2016	2015
Financial advisory:		
Mutual fund distributor	\$ 4,227	\$ 4,227
Life insurance managing general agency	9,599	9,599
Investment management:		
Fundamental global and emerging markets	1,188	1,188
Total goodwill	\$ 15,014	\$ 15,014

Goodwill is not amortized, but is subject to annual impairment testing, as described below.

Impairment tests were performed upon the goodwill associated with each CGU in both 2016 and 2015, based upon each CGU's estimated fair value, less costs to sell. Management used a multi-factor model to determine fair value, with the principal assumptions being values assigned as multiples of key business analytics pertaining to each CGU. Management considers that the key business analytics are client assets under management in the investment management CGU, client assets under administration in both financial advisory CGUs and annual service fees and first year commissions in the life insurance managing general agency. It is management's opinion that estimating fair value based on these analytics is in accordance with established industry practice, and that the multiples used are consistent with market transactions. Based on the results of this testing, there were no indications that the goodwill was impaired in 2016 or 2015.

The most sensitive assumptions used in the above testing were:

As at December 31	2016	2015
Mutual fund distributor:		
Multiple of assets under administration	1.00%	1.00%
Life insurance managing general agency:		
Multiple of annual net service revenue	6	6
Fundamental global and emerging markets:		
Multiple of assets under management	1.75%	1.75%

The following table shows for each CGU the amount by which the estimated fair value less the costs to sell referred to above exceeds its carrying value:

As at December 31	2016	2015
Mutual fund distributor	\$ 89,256	\$ 79,857
Life insurance managing general agency	42,424	31,502
Fundamental global and emerging markets	–	–

The fair value estimated above would be considered to be Level 3 under the fair value hierarchy as defined in accounting policy note 2 (g)(iv).

Management believes that a possible reasonable change in key assumptions would not cause the carrying value in either financial advisory CGU to exceed its fair value less the costs to sell. A reduction of the multiple used to value the investment management CGU to 1.65% from 1.75% would reduce the estimated fair value less costs to sell of this CGU by \$52 (2015 – \$85).

8. BANK LOANS AND BORROWINGS

Bank loans and borrowings are comprised of the following:

As at December 31	2016	2015
Net bank indebtedness (a)	\$ –	\$ 1,602
Bankers' acceptances payable (b)	62,400	53,100
Bank loan (b)	264	53
Bank loans and borrowings	\$ 62,664	\$ 54,755

(a) Net bank indebtedness

Net bank indebtedness consists of net overdraft borrowing under a line of credit from a major Canadian chartered bank, which is available to a maximum of \$11,000 (2015 – \$11,000), due on demand, secured by a general security agreement and securities valued at \$77,248 (2015 – \$62,464), and bearing interest at the bank prime rate plus 0.25%. Under this line of credit, the Company may offset certain overdraft positions against certain cash balances to establish a net position. As at December 31, 2016, the Company had no overdraft position. As at December 31, 2015 net bank indebtedness was comprised of overdraft positions of \$43,256 and cash balances of \$41,654.

On February 3, 2017, this facility was amended to increase the borrowing limit to \$45,000 and eliminate the offsetting of overdraft positions against cash balances, except for the calculation of interest.

(b) Bankers' acceptances payable and bank loan

Under written loan agreements, the Company has \$90,000 (2015 – \$90,000) in borrowing facilities from a major Canadian chartered bank. Borrowings under these facilities may be in the form of either demand loans bearing a rate of bank prime or bankers' acceptances for periods ranging from 30 to 270 days, at rates negotiated in the bankers' acceptance market, plus 0.50%. These facilities are secured by the deposit of treasury stock valued at \$54,917 at December 31, 2016 (2015 – \$41,521), and other securities valued at \$111,044 at December 31, 2016 (2015 – \$89,792).

The Company has, through its life insurance managing general agency subsidiary, a \$2,000 (2015 - \$2,000) loan facility with a Canadian chartered bank, bearing interest at bank prime (2015 – bank prime), secured by a general security agreement on the subsidiary's assets. No amounts were drawn on the facility during 2016 or 2015.

9. PROVISIONS

From time to time, the Company is named as a party to claims, proceedings and investigations, including legal, regulatory and taxes, in the ordinary course of its business. While it is often not possible to estimate the outcome of the various proceedings at any time, the Company makes provisions, where possible, for the estimated outcome of such proceedings. Should any loss resulting from the resolution of any claims differ from these estimates, the difference will be accounted for as a charge to income in that year. As at December 31, 2016 and 2015, there were no material provisions recorded.

10. OPERATING LEASES

The Company has non-cancellable operating leases for premises and equipment with initial terms in excess of one year and which expire on various dates after year end. Future minimum payments required under these non-cancellable operating leases are as follows:

As at December 31	2016	2015
Payable within one year	\$ 2,069	\$ 2,077
Payable after one year and within five years	7,193	7,684
Payable after five years	6,396	8,615
Total lease obligations	\$ 15,658	\$ 18,376

During the year ended December 31, 2016, the Company recognized \$2,539 (2015 – \$2,443) of base rental costs in respect of these non-cancellable leases.

11. INCOME TAXES

(a) Income tax expenses

The components of the income tax expense are as follows:

For the years ended December 31	2016	2015
Current tax expense		
Tax on profits for the current year	\$ 15,256	\$ 8,769
Adjustments in respect of prior periods	189	(24)
	15,445	8,745
Deferred tax expense		
Origination and reversal of temporary differences	(1,637)	311
Adjustments in respect of prior periods	–	5
Benefits from previously unrecognized tax losses or temporary differences	(1,099)	–
	(2,736)	316
Income tax expense	\$ 12,709	\$ 9,061

(b) Reconciliation of income tax expense to statutory rates

The income tax expense in the consolidated statements of operations is less than the tax computed using combined Federal and Provincial statutory income tax rates of 26.5% (2015 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2016	2015
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ 22,070	\$ 14,320
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,937)	(3,881)
Rate differential on earnings of foreign subsidiaries	(2,060)	(531)
Adjustments to deferred tax assets and liabilities for changes in temporary differences	866	(210)
Non-taxable portion of capital gains	(3,518)	(1,494)
Non-deductible expenses	313	318
Benefits from previously unrecognized tax loss or temporary difference	(1,099)	–
Tax losses not recognized as deferred tax assets	–	565
Other	74	(26)
Income tax expense	\$ 12,709	\$ 9,061

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2015 – 15.0%) and the Provincial income tax rate of 11.5% (2015 – 11.5%).

(c) Deferred tax assets and liabilities

A summary of the composition of and changes in the Company's deferred tax assets and liabilities is as follows:

For the year ended December 31, 2016							
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets:							
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 1,041	\$ 372	\$ 441	\$ 1,854
Recognized in net earnings	–	–	–	(214)	28	(50)	(236)
Balance, end of year	\$ –	\$ –	\$ –	\$ 827	\$ 400	\$ 391	\$ 1,618
Deferred tax liabilities:							
Balance, beginning of year	\$ 46,624	\$ (69)	\$ (46)	\$ (13)	\$ 3,318	\$ (2,094)	\$ 47,720
Recognized in net earnings	(2,525)	1,704	38	(1,099)	(162)	(928)	(2,972)
Recognized in other comprehensive income	6,855	209	–	–	–	–	7,064
Balance, end of year	\$ 50,954	\$ 1,844	\$ (8)	\$ (1,112)	\$ 3,156	\$ (3,022)	\$ 51,812
For the year ended December 31, 2015							
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets:							
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 2,155	\$ 368	\$ 537	\$ 3,060
Recognized in net earnings	–	–	–	(1,114)	4	(96)	(1,206)
Balance, end of year	\$ –	\$ –	\$ –	\$ 1,041	\$ 372	\$ 441	\$ 1,854
Deferred tax liabilities:							
Balance, beginning of year	\$ 49,693	\$ 15	\$ (47)	\$ (13)	\$ 2,108	\$ (1,513)	\$ 50,243
Recognized in net earnings	–	100	1	–	(410)	(581)	(890)
Recognized in other comprehensive income	(3,069)	(184)	–	–	–	–	(3,253)
Arising on acquisition (note 24)	–	–	–	–	1,620	–	1,620
Balance, end of year	\$ 46,624	\$ (69)	\$ (46)	\$ (13)	\$ 3,318	\$ (2,094)	\$ 47,720

The Company has tax losses available of \$1,011 (2015 – \$4,092) whose benefit has not been recognized in these financial statements, as the Company does not expect these losses, which have arisen in a foreign subsidiary, to be utilized in the foreseeable future. These tax losses, which will be available to offset future taxable income, may be carried forward indefinitely.

(d) Other temporary differences

The aggregate amount of temporary differences between costs for accounting purposes and costs for income tax purposes arising from the earnings accumulated in certain subsidiaries is \$168,305 (2015 – \$134,482), which amount may be subject to income tax if such subsidiaries are disposed of or the earnings are otherwise distributed. Deferred tax has not been provided on these temporary differences, as the Company does not intend to dispose of such subsidiaries or distribute such earnings.

12. 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 years ended December 31	2016		2015	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of year	26,979	\$ 19,878	27,368	\$ 20,279
Acquired and cancelled	(766)	(562)	(599)	(452)
Converted from common	473	114	210	51
Outstanding, end of year	26,686	19,430	26,979	19,878
Common shares				
Outstanding, beginning of year	4,349	1,051	4,777	1,155
Acquired and cancelled	(407)	(99)	(218)	(53)
Converted to Class A	(473)	(114)	(210)	(51)
Outstanding, end of year	3,469	838	4,349	1,051
Total outstanding, end of year	30,155	\$ 20,268	31,328	\$ 20,929

(c) Issuer bid

A summary of the Company's activity under its Normal Course Issuer Bid is as follows:

For the years ended December 31	2016	2015
Purchased and cancelled		
Class A	766	599
Common	407	218
Consideration paid	\$ 23,865	\$ 14,397
Less average issue price, charged to share capital	661	505
Excess consideration charged to retained earnings	\$ 23,204	\$ 13,892

(d) Dividends on common and Class A shares

For the years ended December 31	2016	2015
Dividends declared and paid, per share	\$ 0.33	\$ 0.29

The Company also declared dividends of \$0.085 and \$0.10 per share payable on January 18, 2017 and April 18, 2017, respectively, on the common and Class A shares outstanding.

13. TREASURY STOCK

The Company provides Stock-based entitlements to certain senior employees of the Company through the EPSP Trust. The EPSP Trust purchases shares of the Company that are related to these Stock-based entitlements, which are in the form of either equity-based entitlements or option-like entitlements. The purchases are financed by a bank loan facility that is with a major chartered bank, which is secured by the shares held by the EPSP Trust and a guarantee issued by the Company.

(a) Changes in treasury stock

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

For the years ended December 31	2016		2015	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,299	\$ 21,563	2,204	\$ 19,890
Acquired	130	2,200	101	1,740
Disposed	(237)	(1,421)	(6)	(67)
Balance, end of year	2,192	\$ 22,342	2,299	\$ 21,563

During the year, the Company disposed of 206 (2015 – 6) of its class A shares and 31 (2015 – nil) of its common shares for amounts equal to their costs.

As at December 31, 2016, the treasury stock was composed of 32 common shares (2015 – 63) and 2,160 class A shares (2015 – 2,236 shares).

(b) Equity-based entitlements

Equity-based entitlements allow the employees to acquire shares of the Company from the EPSP Trust at zero cost, 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 number of shares under equity-based entitlements is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	803	708
Entitlements provided	130	101
Entitlements exercised	(5)	(6)
Balance, end of year	928	803

Equity-based entitlements provided during the year ended December 31, 2016 had a fair value of \$2,200 (2015 – \$1,740).

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.

(c) Option-like entitlements

The option-like entitlements allow the employees to purchase shares of the Company from the EPSP Trust at prices equal to the amount of the borrowings 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 years ended December 31	2016		2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning of year	1,496	\$ 8.95	1,496	\$ 8.95
Entitlements exercised	(232)	5.97	–	–
Balance, end of year	1,264	\$ 9.49	1,496	\$ 8.95

No option-like entitlements were provided during 2016 or 2015.

As at December 31, 2016, there were option-like entitlements outstanding for 2 common shares (2015 – 33) and 1,262 class A shares (2015 – 1,463).

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 table summarizes information about option-like entitlements outstanding:

	Number of shares	Weighted average exercise price	Vested number of shares	Weighted average exercise price
As at December 31, 2016				
\$5.01 – \$7.50	124	\$ 6.51	124	\$ 6.51
\$7.51 – \$10.00	876	9.35	846	9.34
\$10.01 – \$12.50	264	11.36	264	11.36
	1,264	\$ 9.49	1,234	\$ 9.49
As at December 31, 2015				
\$5.01 – \$7.50	355	\$ 6.15	355	\$ 6.15
\$7.51 – \$10.00	877	9.35	729	9.28
\$10.01 – \$12.50	264	11.36	264	11.36
	1,496	\$ 8.95	1,348	\$ 8.86

14. MANAGEMENT FEE INCOME, NET

Management fee income, net is comprised of the following:

For the years ended December 31	2016	2015
Management fee income, gross	\$ 72,177	\$ 68,698
Less: fees paid to referring agents	(3,996)	(3,264)
Management fee income, net	\$ 68,181	\$ 65,434

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the years ended December 31	2016	2015
Dividends on Bank of Montreal shares	\$ 14,442	\$ 15,175
Other dividends	5,383	4,667
Dividend income	19,825	19,842
Interest income	1,706	1,257
Dividend and interest income	\$ 21,531	\$ 21,099

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are composed of the following:

For the years ended December 31	2016	2015
Salaries and other compensation, payroll taxes and benefits	\$ 58,531	\$ 54,037
Contributions to defined contribution pension plans	831	748
Stock-based compensation	1,731	1,506
Employee compensation and benefits	\$ 61,093	\$ 56,291

17. NET GAINS

Net gains are composed of the following:

For the years ended December 31	2016	2015
Held for trading securities, net (i)	\$ 13,080	\$ 2,823
Available for sale securities (ii)	25,161	8,709
Net gains on securities	38,241	11,532
Foreign exchange (losses) (iii)	(644)	(1,223)
Gains on disposition of intangible assets	1,020	731
Impairment of intangible assets (iv)	–	(695)
Gain on other liability (iv)	–	695
Net gains	\$ 38,617	\$ 11,040

- (i) Net gains on held for trading securities include net gains on Company's proportionate share of the securities held by consolidated investment funds, the securities backing third party investor liabilities and the appreciation or depreciation in third party investor liabilities.
- (ii) Included in net gains on available for sale securities are gains on the sale of Bank of Montreal commons shares. Information pertaining to these sales is as follows:

For the years ended December 31	2016	2015
Shares sold	531	204
Proceeds of sales	\$ 43,279	\$ 15,412
Gains	23,995	8,047
Income tax expense	3,179	453

- (iii) Net losses on foreign exchange in the current year relate mainly to exchange losses on Canadian dollars held by the international private banking subsidiary which uses US dollars as its functional currency. On translation of this subsidiary's results to Canadian dollars for the purpose of consolidating into the Company's results, an equal and offsetting gain is recorded in other comprehensive income.
- (iv) In 2015, the Company evaluated for impairment the intangible assets acquired as part of the 2014 acquisition of GuardCap Asset Management Limited ("GuardCap"). The Company determined the intangible assets were impaired and, as a result, they were written down by \$695 and a loss was recorded in net gains. In addition, the Company revised its best estimate of the present value of the deferred payment related to the GuardCap acquisition and wrote down the liability by the same offsetting amount.

18. NET EARNINGS PER SHARE

The calculations of net earnings per share are based on the following number of shares and net earnings.

For the years ended December 31	2016	2015
Weighted average number of class A and common shares outstanding		
Basic	28,476	29,456
Effect of outstanding entitlements and options from stock based compensation plans	1,548	1,409
Diluted	30,024	30,865
Net earnings available to shareholders of class A and common shares		
Basic	\$ 69,475	\$ 44,105
Effect of outstanding entitlements and options from stock based compensation plans	232	386
Diluted	\$ 69,707	\$ 44,491

The effects of 775 (2015 – 877) entitlements from the Company's stock-based compensation arrangements were excluded from the calculation of the diluted number of shares as those entitlements were anti-dilutive.

19. 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 involves the earning of commissions from the sale of life insurance products, mutual funds and other securities, and the continuing service commissions related to these products; 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.

(a) Business segments

The following table discloses certain information about these segments:

For the years ended December 31	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue										
Gross commission revenue	\$ –	\$ –	\$ 124,317	\$ 115,676	\$ –	\$ –	\$ (733)	\$ (661)	\$ 123,584	\$ 115,015
Commissions paid to advisors	–	–	(85,163)	(81,153)	–	–	–	–	(85,163)	(81,153)
	–	–	39,154	34,523	–	–	(733)	(661)	38,421	33,862
Management fee income, net	68,125	64,773	–	–	–	–	56	500	68,181	65,273
Administrative services income	6,870	5,320	7,683	7,357	–	–	–	–	14,553	12,677
Dividend and interest income	380	118	678	679	20,482	20,301	(9)	1	21,531	21,099
Net revenue	75,375	70,211	47,515	42,559	20,482	20,301	(686)	(160)	142,686	132,911
Expenses										
Employee compensation and benefits	35,127	32,555	17,328	15,567	8,638	8,169	–	–	61,093	56,291
Amortization	344	360	3,376	3,168	465	535	–	–	4,185	4,063
Interest	215	213	190	177	592	638	(160)	(160)	837	868
Other expenses	19,500	18,727	15,666	13,544	(2,736)	(3,580)	(526)	–	31,904	28,691
	55,186	51,855	36,560	32,456	6,959	5,762	(686)	(160)	98,019	89,913
Operating earnings	20,189	18,356	10,955	10,103	13,523	14,539	–	–	44,667	42,998
Net gains (losses)	(1,036)	(791)	1,014	744	38,639	11,087	–	–	38,617	11,040
Net earnings before income taxes	19,153	17,565	11,969	10,847	52,162	25,626	–	–	83,284	54,038
Income tax expense	5,288	5,041	3,410	3,118	4,011	902	–	–	12,709	9,061
Net earnings	\$ 13,865	\$ 12,524	\$ 8,559	\$ 7,729	\$ 48,151	\$ 24,724	\$ –	\$ –	\$ 70,575	\$ 44,977
Net earnings available to:										
Shareholders	\$ 13,865	\$ 12,524	\$ 7,459	\$ 6,857	\$ 48,151	\$ 24,724	\$ –	\$ –	\$ 69,475	\$ 44,105
Non-controlling interests	–	–	1,100	872	–	–	–	–	1,100	872
	\$ 13,865	\$ 12,524	\$ 8,559	\$ 7,729	\$ 48,151	\$ 24,724	\$ –	\$ –	\$ 70,575	\$ 44,977
Capital expenditure on segment assets										
Intangible assets	\$ 25	\$ 56	\$ 5,235	\$ 9,157	\$ 162	\$ 26	\$ –	\$ –	\$ 5,422	\$ 9,239
Equipment	349	169	9	115	365	617	–	–	723	901
Segment assets and liabilities:										
Assets	\$ 109,371	\$ 167,614	\$ 132,095	\$ 115,906	\$ 795,683	\$ 619,835	\$ (54,887)	\$ (93,106)	\$ 982,262	\$ 810,249
Liabilities	94,991	127,609	127,826	119,935	228,862	147,285	(54,887)	(93,106)	396,792	301,723

(b) Geographic segments

The Company also operates in various geographic regions. The following table discloses certain information about the Company's activities by geography:

For the years end December 31	Canada		Rest of the world		Inter-segment transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Net revenue	\$ 130,925	\$ 125,827	\$ 12,574	\$ 7,582	\$ (813)	\$ (498)	\$ 142,686	\$ 132,911

As at December 31	Canada		Rest of the world		Inter-segment transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Segment non-current assets								
Intangible assets	\$ 28,268	\$ 27,186	\$ 1,118	\$ 1,190	\$ –	\$ –	\$ 29,386	\$ 28,376
Equipment	3,184	3,174	773	885	–	–	3,957	4,059
Goodwill	13,826	13,826	1,188	1,188	–	–	15,014	15,014

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

Net change in non-cash working capital items is comprised of the following:

For the years ended December 31	2016	2015
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ 38,082	\$ (37,737)
Accounts receivable and other	(5,459)	425
Receivables from clients and broker	(11,547)	(2,965)
Increase (decrease) in non-cash working capital liabilities		
Client deposits	(38,046)	37,768
Accounts payable and other	7,877	(6,135)
Payable to clients	11,547	2,965
Net change in non-cash working capital items	\$ 2,454	\$ (5,679)

21. 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 of the Company's 2016 Annual Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Concentration Risk

The Company is exposed to concentration risk associated with the \$386,240 (2015 – \$353,790) 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 \$38,624 (2015 – \$35,379) being recorded in other comprehensive income.

(b) 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: price risk, currency risk, and interest rate risk.

(i) Price Risk

The Company is exposed to price risk with its securities. Unrealized changes in the values of its securities are recognized in net earnings, for held for trading securities, and in other comprehensive income, for available for sale securities. This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The 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 gain or loss which would be recognized in net earnings and other comprehensive income as a result of a 10% change in the market prices.

	Fair value of held for trading securities	Unrealized gain or loss recognized in net earnings from 10% market change in region	Fair value of available for sale securities, excluding Bank of Montreal shares, short-term securities and bonds	Unrealized gain or loss recognized in other comprehensive income from 10% market change in region
As at December 31, 2016				
Canada	\$ 2,752	±\$ 275	\$ 34,898	±\$ 3,490
United States	–	–	12,007	1,201
Rest of the World	141,058	14,106	20,100	2,010
	\$ 143,810	±\$ 14,381	\$ 67,005	±\$ 6,701
As at December 31, 2015				
Canada	\$ 2,263	±\$ 226	\$ 41,037	±\$ 4,104
United States	–	–	19,057	1,906
Rest of the World	81,386	8,139	39,228	3,923
	\$ 83,649	±\$ 8,365	\$ 99,322	±\$ 9,933

The price risk associated with Securities backing third party investor liabilities are equal and off-setting by the appreciation or depreciation in Third party liabilities. As a result, they have not been included in the above risk analysis.

(ii) **Currency Risk**

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to \$158,503 (2015 – \$132,560). Changes in the value of these investments caused by changes in the US dollar and UK pounds exchange rates are reflected in other comprehensive income in the period in which the change occurs. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is monitored by management. From time to time, a foreign subsidiary holds unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiary. Upon translation of their results on consolidation, the Company recognizes equal and offsetting gains or losses in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

(iii) **Interest Rate Risk**

The Company is exposed to interest rate risk through its bank loans and borrowings of \$62,664 as at December 31, 2016 (2015 – \$54,755). The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. If interest rates had been 1% higher throughout the year, with all other variables held constant, the Company's interest expense would have been increased by approximately \$565 (2015 – \$569). The Company holds, \$9,449 investment in fixed-income funds managed by its subsidiaries as at December 31, 2016 (2015 – \$8,139). The interest rate risk associated with these securities is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the assets interest-bearing deposits with banks of \$77,268 as at December 31, 2016 (2015 – \$112,636), and the client deposits liability of \$77,364 as at December 31, 2016 (2015 – \$112,687). This risk is managed through the matching of interest rates and maturities on these balances.

(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 December 31	2016	2015
Cash	\$ 37,974	\$ 22,276
Interest-bearing deposits with banks	77,268	112,636
Accounts receivable and other	34,236	28,961
Receivable from clients and broker	60,672	49,125
Short-term securities	12,567	2,058
Bonds	1,147	1,102
Fixed income funds	9,449	8,139
	\$ 233,313	\$ 224,297

The cash and 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 is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in a fixed-income funds is managed by the periodic monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manage the fund's credit risk. The short-term securities and bonds are short-duration, investment-quality securities. From time to time, advisors in the financial advisory segment may owe advances received or amounts resulting from reversal of commissions. The credit risk associated with these amounts are mitigated by management's review of the advisors' ability to repay the advances or the potential commission reversals, particularly in the MGA subsidiary, before amounts are paid to the advisors.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, which are substantially all due within one year. The Company manages this financial risk by maintaining a portfolio of securities, and by arranging for significant borrowing facilities with major Canadian banks, at attractive rates.

22. CAPITAL MANAGEMENT

The Company considers the following to be its capital: shareholders' equity and bank loans and borrowings. The Company's objectives in managing its capital are to:

- (a) maintain a strong capital base to provide investor, creditor, regulator and client confidence; and
- (b) provide returns to shareholders by the payment of dividends, the repurchase of the Company's shares, and the enhancement of long-term value.

The allocation of capital to, and the return from, the Company's businesses are monitored by senior management. Certain of the Company's operating subsidiaries are subject to various types of capital requirements imposed by the regulatory authorities to which they report. During the year, and at year end, the subsidiaries complied with those requirements. As at December 31, 2016, the Company's regulated businesses had total regulatory capital amounting to \$157,259 (2015 – \$179,659). These amounts are, in all cases, in excess of the regulatory requirements, and are adjusted by the Company as necessary from time to time. The Company's borrowing facility, through which bankers' acceptances are issued, is subject to certain terms and conditions. During the year, and at year end, the Company complied with those terms and conditions.

23. RELATED PARTIES

(a) Parent company

Minic Investments Limited (“Minic”) is a corporation of which A. Michael Christodoulou, a director and officer of the Company, is currently President. Minic is owned by The Christodoulou 2004 Family Trust, a discretionary trust of which the children of the late John Christodoulou are possible beneficiaries. As at December 31, 2016, Minic beneficially owned 49.4% (2015 – 49.1%) of the Company’s outstanding common shares. In 2016 and 2015, there were no transactions between Minic and the Company.

(b) Key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. The Company has determined that its key management personnel include the Board of Directors of the Company and certain senior executives of the Company. The following summarizes transactions with key management personnel:

For the years ended December 31	2016	2015
Short-term employment benefits	\$ 4,349	\$ 3,769
Post-employment benefits	18	18
Stock-based compensation	761	642
	\$ 5,128	\$ 4,429

The Company provides investment management services to key management personnel at reduced fee rates, which are available to all employees of the Company. The following is a summary of the fees paid for these services:

For the years ended December 31	2016	2015
Investment management services	\$ 36	\$ 11

(c) Subsidiaries

The Company’s significant subsidiaries are as follows:

As at December 31		2016	2015
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Capital Enterprises Limited	Canada	100%	100%
GuardCap Asset Management Limited	United Kingdom	100%	100%
Guardian Capital Real Estate Inc.	Canada	100%	100%
Guardian Capital LLC	United States	100%	NA
Worldsource Wealth Management Inc.	Canada	100%	100%
Worldsource Financial Management Inc.	Canada	100%	100%
Worldsource Securities Inc.	Canada	100%	100%
IDC Worldsource Insurance Network Inc. (i)	Canada	80%	79%
Guardian Capital Holdings International Ltd.	Cayman Islands	100%	100%
Alexandria Bancorp Limited	Cayman Islands	100%	100%
Alexandria Global Investment Management Ltd.	Cayman Islands	100%	100%
Alexandria Trust Corporation	Barbados	100%	100%
Guardian Capital Group Limited Employee Profit Sharing Plan (ii)	Canada	0%	0%
Guardian Growth & Income Fund	Canada	77%	79%
AMG Guardian Capital Global Dividend Fund (iii)	United States	96%	73%
Guardian Emerging Markets Equity Fund	Canada	57%	98%
Guardcap UCITS Funds PLC, Global Equity Fund	Ireland	51%	95%
Guardcap UCITS Funds PLC, Emerging Markets Fund	Ireland	100%	NA
Guardian Canadian Focused Equity Fund	Canada	37%	100%

- (i) The principal place of business for IDC Worldsource Insurance Network Inc. (“IDC WIN”), the Company’s insurance managing general agency (“MGA”) subsidiary, is located at Suite 700, 625 Cochrane Drive, Markham, Ontario. The non-controlling life interests have a 20% (2015 – 21%) voting ownership interest in IDC WIN.

The accumulated non-controlling interest in the Company's accounts related to IDC WIN is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	\$ 4,271	\$ 3,399
Net earnings available to non-controlling interests	1,100	872
Acquisition of non-controlling interests (note 24)	(78)	–
Balance, end of year	\$ 5,293	\$ 4,271

The following is summarized financial information about IDC WIN before consolidation adjustments:

As at December 31	2016	2015
Cash	\$ 804	\$ 672
Other current assets	3,577	2,760
Intangible assets	16,671	13,756
Other non-current assets	738	943
	\$ 21,790	\$ 18,131

Current liabilities	\$ 6,688	\$ 9,658
Non-current liabilities	476	297
	\$ 7,164	\$ 9,955

For the years ended December 31	2016	2015
Revenue	\$ 25,832	\$ 20,490
Net earnings	6,452	4,278
Comprehensive income	6,452	4,278

(ii) The Company does not hold any ownership interest in the EPSP Trust. However, the EPSP Trust is consolidated because the Company has power over the activities of the EPSP Trust, which are conducted on behalf of the Company, and the Company remains exposed to the risks of the EPSP Trust, which are described in note 7, Bank Loans and Borrowings, and note 12, Treasury Stock.

(iii) Formerly known as Aston Guardian Capital Global Dividend Fund.

(d) Joint venture

The Company's joint venture is as follows:

As at December 31	2016	2015
	Country of organization	Voting ownership interest
Guardian Ethical Management Inc.	Canada	50%

Guardian Ethical Management Inc. ("GEM") is an investment fund manager specializing in socially responsible investing mandates, which complements the Company's existing investment management businesses. Management of GEM is shared equally with the other partner in the joint venture. The Company accounts for its investment in GEM using the equity method. The following is summarized financial information about GEM:

As at December 31	2016	2015
Cash	\$ 758	\$ 965
Other current assets	241	197
	\$ 999	\$ 1,162

Current liabilities	\$ 339	\$ 498
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For the years ended December 31	2016	2015
Net revenue	\$ 498	\$ 935
Net earnings	–	–
Comprehensive income	–	–

On January 1, 2017, the Company acquired the remaining 50% of the voting interest of GEM from its joint venture party.

(e) Interest in unconsolidated structured entities

The Company sponsors and manages a number of investment funds for the purpose of efficiently investing monies on behalf of the Company's clients, who are the primary investors in these funds. These investment funds, which are separate legal entities, are financed by investments made by clients and, to a limited extent, the Company. The Company is paid for the investment management services it provides to the funds either directly by the funds or by the investors. The following tables summarize the size of the unconsolidated investment funds managed by the Company, and the Company's interests in and transactions with those investment funds:

As at December 31	2016	2015
Net assets of unconsolidated investment funds	\$ 2,656,569	\$ 2,394,252
Company's interests in unconsolidated investment funds	59,860	77,454
For the years ended December 31	2016	2015
Net revenues earned directly from unconsolidated investment funds	\$ 8,807	\$ 8,426

The Company's maximum exposure to loss from its interest in these investment funds is limited to the amount of its investment.

24. ACQUISITIONS

(a) First Prairie Financial Inc.

On June 1, 2015, IDC WIN acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta. The key employees of First Prairie entered into employment agreements with IDC WIN as part of the transaction. The acquisition further strengthens IDC WIN's operations and its presence in the Prairie region.

The accounting for the acquisition is as follows:

Fair value of consideration:		
Cash on closing		\$ 3,625
Payments to be made over a period of 12 months		3,625
Total fair value of consideration		7,250
Fair value of identifiable net assets acquired:		
Intangibles		6,113
Deferred tax liabilities		(1,620)
Net non-cash working capital		(76)
Other assets		41
Cash		77
Total fair value of identifiable net assets acquired		4,535
Goodwill		\$ 2,715
Net cash paid on closing is as follows:		
Cash paid to vendors		\$ 3,625
Less cash acquired		(77)
Total fair value of consideration		\$ 3,548

Goodwill, which is not deductible for income tax purposes, represents expectations that the Company will be able to maximize the value of the contracts with major insurance carriers and that synergies will be realized to maximize the profitability of the combined business.

In 2015, the acquired business has contributed net revenue of \$1,739 and net earnings of \$612 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that First Prairie would have earned net revenue of \$2,981 and net earnings of \$1,049 and, as a result, the Company's reported net revenue and net earnings would have been approximately \$134,153 and \$45,414, respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same on January 1, 2015. Management has also assumed amortization of the intangible assets of \$405 and a provision for income taxes of \$378.

25. ACQUISITION OF NON-CONTROLLING INTERESTS

During 2016, the Company purchased for cash consideration of \$261 a portion of the non-controlling interest in IDC WIN, thereby increasing the Company's ownership interest to 79.7% from 79.3%. The transaction was recorded in the equity accounts as follows:

Consideration paid	\$	261
Carrying value of non-controlling interests		78
Excess consideration charged to retained earnings	\$	183

Directors

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Petros Christodoulou •
Harold W. Hillier •
George Mavroudis
Edward T. McDermott •
Barry J. Myers •
Hans-Georg Rudloff •

Committees:

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* Chairman

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*Senior Vice-President
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Matthew D. Turner
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Chief Financial Officer

Ernest B. Dunphy
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Controller*

Leslie Lee
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Kevin R. Hall
Managing Director

Peter A. Hargrove
Managing Director

Srikanth G. Iyer
Managing Director

Stephen D. Kearns
Managing Director

D. Edward Macklin
Managing Director

Michele J. Robitaille
Managing Director

Michael P. Weir
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*Vice-President,
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Vice-President

Christie F. Rose
Vice-President

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Michael Boyd
Investment Manager

Bojana Bidovec Kumar
Investment Manager

Clive Lloyd
Investment Manager

Joris Nathanson
Investment Manager

Orlaith O'Connor
Investment Manager

Edward R. Wallace
Investment Manager

Giles Warren
Investment Manager

Michael Hughes
Senior Vice-President

Arieta Koshutova
Chief Operating Officer

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Managing Director

John T. Hunt
Managing Director

Linda Kenny
Chief Financial Officer

Paige Wadden
Head of Compliance

Katharine Baran
*Vice-President, Head of
Operations and Technology*

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Managing Director

Frank Bartello
*Senior Vice-President of
Acquisitions and Asset
Management*

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*Vice-President of
Acquisitions and Asset
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Andrew Barnicke
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Kevin Hall
George Mavroudis

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Director

ALEXANDRIA BANCORP LIMITED

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General Manager

Derrick Harper
Chief Financial Officer

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Auditors

KPMG LLP

Principal Bankers

Canadian Imperial Bank of Commerce
Bank of Montreal

Toronto Stock Exchange Listing

Shares	Symbol
Common	GCG
Class A	GCG.A

Annual Meeting

May 12, 2017
11:00 a.m.
King Gallery
The Suites at One King West
1 King Street West
Toronto, Ontario

Custodian and Fund Administrator

RBC Investor Services Trust

Registrar and Transfer Agent

Computershare Investor Services Inc.
Telephone: 1-800-564-6253
Website: www.investorcentre.com/service



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