The Role of Gold in Global Markets
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World Gold Supply – Shifting Trends

Gold Supply in 2009
• Mine production accounted for 62% of total supply.
• Rising gold prices have seen supply from scrap increase.
• The official sector provided only 1% of total supply.

Mine Production
• Slowly declining over past 10 years.
• China is the largest mine producer, followed by Australia, South Africa, and the US.
Above Ground Gold Stocks Are Worth $6.3tn

Gold Stocks
• Total above ground stocks stood at 163,550 tonnes as of the end of 2008.
• This equates to $6.3tn (with gold priced at $1,100/oz).
• As of 2005, the major gold producers reported in-ground reserves at 22,000 tonnes*. This equates to 14% of above ground stocks.
• New finds have helped to keep reserves stable over the last number of years.

*WGC & Metal Economics Group

Source: WGC & Scotia Capital, as of 2008
World Gold Demand – Shifting Trends

Gold Demand in 2009

- Jewelry demand fell significantly and accounted for 1,687 tonnes or 41% of total gold demand.
- Safe haven demand turned into momentum buying and supported a doubling in investment demand. Global investment accounted for 1,820 tonnes or 44% of total 2009 demand.
- De-hedging, led by Barrick Gold, accounted for 242 tonnes or 6% of total 2009 demand.
Jewelry Demand in 2009

- Jewelry demand fell to a 21-year low and dropped 23% year-over-year.
- East Asia (including China) was the largest jewelry buyer, followed by the South Asian Subcontinent (mainly India).
- The large drop in jewelry demand is partly attributable to the 24% increase in gold prices as well as the global economic slowdown.
Retail & Institutional Investor Demand for Gold

The Importance of the ETF Market

- There are 14 ETFs globally that are tied to gold prices.
- The largest gold ETF, GLD, held 1,115 tonnes (or $39.5bn) of gold as of March 3rd 2010.
- GLD alone is the 6th largest holder of physical metal.
- Investors who use the futures market (bottom chart) versus the ETF market (top chart) react differently to changes in the gold price.

<table>
<thead>
<tr>
<th>Major Reported Holders of GLD ETF</th>
<th>Amount Held ($mil)</th>
<th>Outstanding GLD shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paulson &amp; Co</td>
<td>3,496,500</td>
<td>8.6%</td>
</tr>
<tr>
<td>BoA</td>
<td>715,617</td>
<td>1.8%</td>
</tr>
<tr>
<td>Blackrock</td>
<td>708,180</td>
<td>1.7%</td>
</tr>
<tr>
<td>Soros Fund</td>
<td>685,758</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: 13F filings as of December 2009
Speculative Positioning in Gold

Speculators in the Gold Market

- Speculators played an important part in the late 2009 gold rally.
- Over the last three years, there have been only subtle changes in the short gold position.
- As gold prices have come off their highs, traders have decreased their long exposure.
Gold Reserves in Dollars and Tonnes Tell Two Different Stories

Gold Reserves

- Gold reserves account for 18% of above ground stocks.

- Measured in US dollars, reserves have trended higher over the last 10 yrs.

- Measured in tonnes, they were trending lower, until a sudden increase in Q209.

- Since 1999, Western European central banks have been major sellers. The CBGA (1) signatories sold 3,520 tonnes (+/‐$25bn) of gold between Q100 and Q309.

- India, China and Russia have recently been adding to gold reserves.
Gold as a Percentage of Total Reserves is Dropping

Gold Reserves as a Percentage of Total Reserves

As total reserves have grown, the percentage held in gold has dropped.

As of Q309, 9.8% of total reserves were held in gold; in Q100 gold accounted for 12.2%.
Geographic Breakdown of Gold Reserves

- The CBGA signatories are the largest holders of gold reserves (12,113 tonnes), however the US is the largest single holder (with 8,133 tonnes).

- Since 2000, Europe has been the largest seller of gold reserves; while Asia and Russia have been the largest buyers.

Source: WGC & Scotia Capital
Global Gold and FX Reserves – Major Holders

Largest Holders of Gold and FX Reserves

- Gold Reserves
- FX Reserves

Numbers reflect percentage of total reserves held in gold.

Why Central Banks Hold Gold
- Economic security
- Unexpected needs
- Notion of confidence
- Risk diversification

Top Ten Holders of Gold Reserves

Note: The Eurosystem holds 10,785 tonnes or 34% of total reserves

Source: WGC & Scotia Capital
Emerging Markets and Gold Reserves

Emerging Market Gold Reserves

• Dropped from 2000 to 2006 due to selling from Brazil, the Philippines and Chile.

• Increased over the last three years mainly due to Russia.

• India bought 200 tonnes from the IMF in Q409, which is not reflected above, but substantially increases the amount held in the emerging markets.

• China (only included in the right hand graph) increased gold reserves materially in 2009.
Gold Priced in EUR and USD

The Price of Gold

- Gold priced in US dollars has increased for 10 consecutive years.
- Gold priced in euros has risen for five consecutive years and reached a new high of €833 in March 2010.
Gold, In Relation To Other Commodities, Is Not At Extremes

Gold Ratios

• Gold ratios (including gold/silver, gold/oil and gold/copper) are trading only marginally above their 15-year averages, although there have been sharp spikes in valuation.

• This implies that it is commodities generally that have rallied and that gold in relation to other commodities remains at reasonable levels.
Gold Volatility

- Gold is a more volatile “currency” than the major liquid currencies. This can result in sharp spikes in price.
The Outlook for Gold – Bubble versus Sustained Rise

Gold drivers are now more mixed than they were in 2009.

General Drivers

• Safe haven demand
• Inflation fears
• The US dollar
• Portfolio diversification into commodities is an ongoing trend

Supply Drivers

• Official sector – sales expected to remain well below their ceiling
• Mine production – uncertain

Demand Drivers

• Jewelry – trend is negative
• De-hedging – essentially complete
• Investment – ongoing demand for diversification into commodities

Forecast

• As of February 2010, Scotia Economics forecasts gold to average $1,050 in 2010 and $1000 in 2011.