

The Official Sector: Gold Rehabilitated?

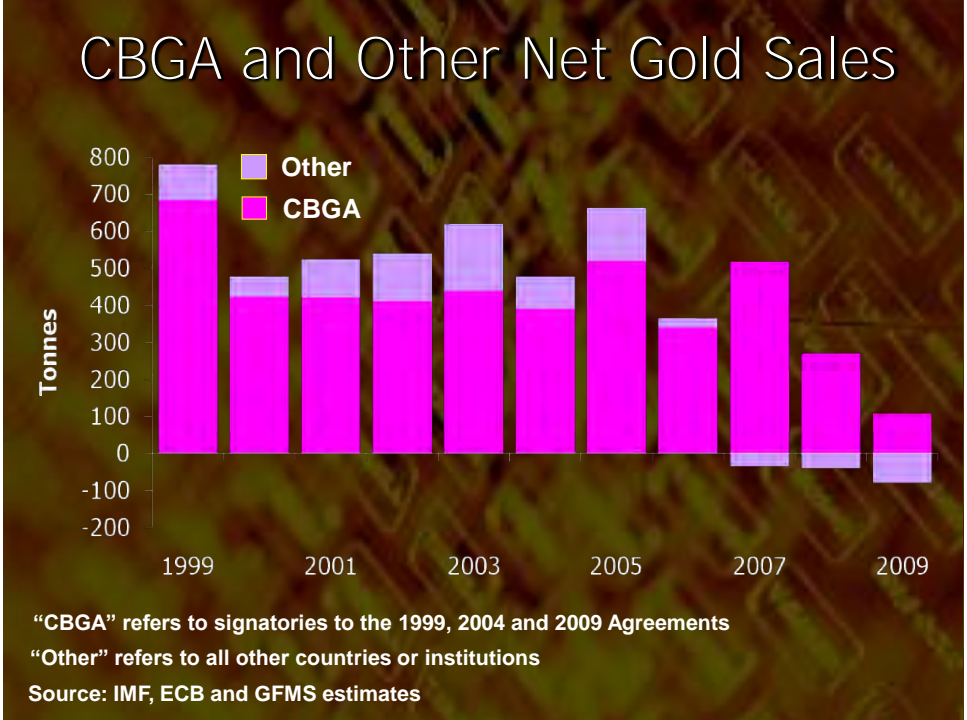
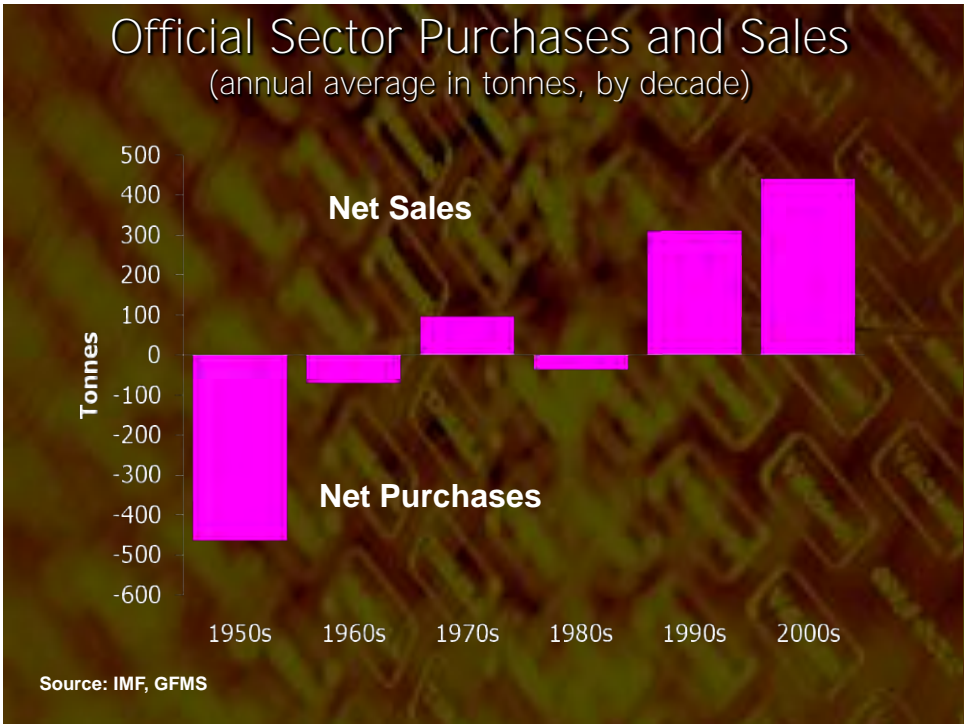
Philip Klapwijk
Chairman, GFMS Ltd.

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Berlin, 27th September 2010*

The Official Sector: Gold Rehabilitated?

Gold Sales and Purchases:

- Historical Review
- Recent Developments
- Future Prospects



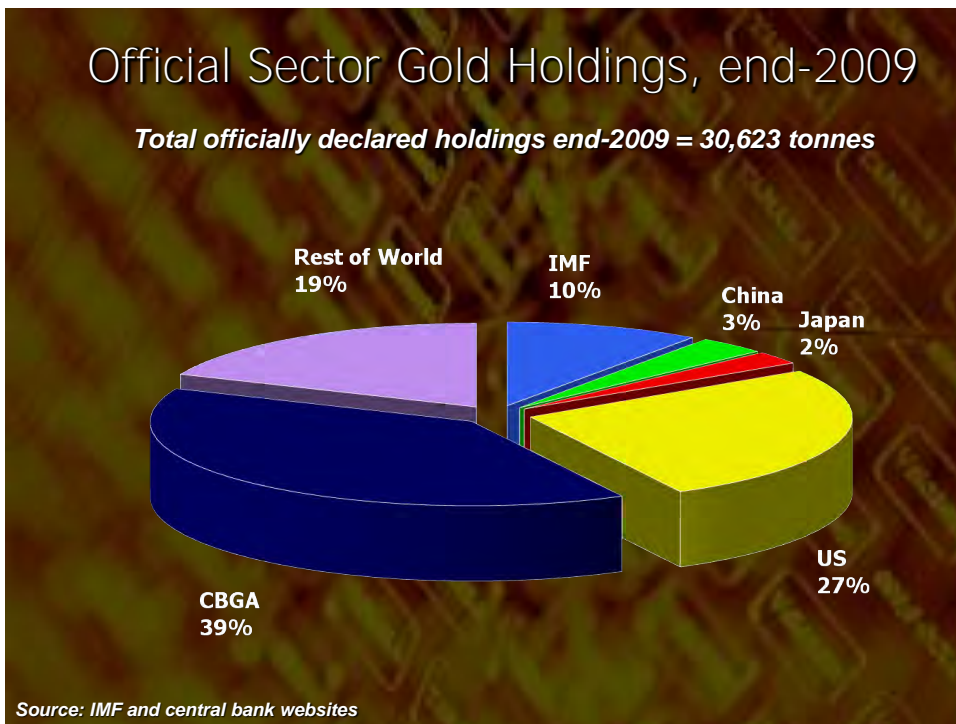
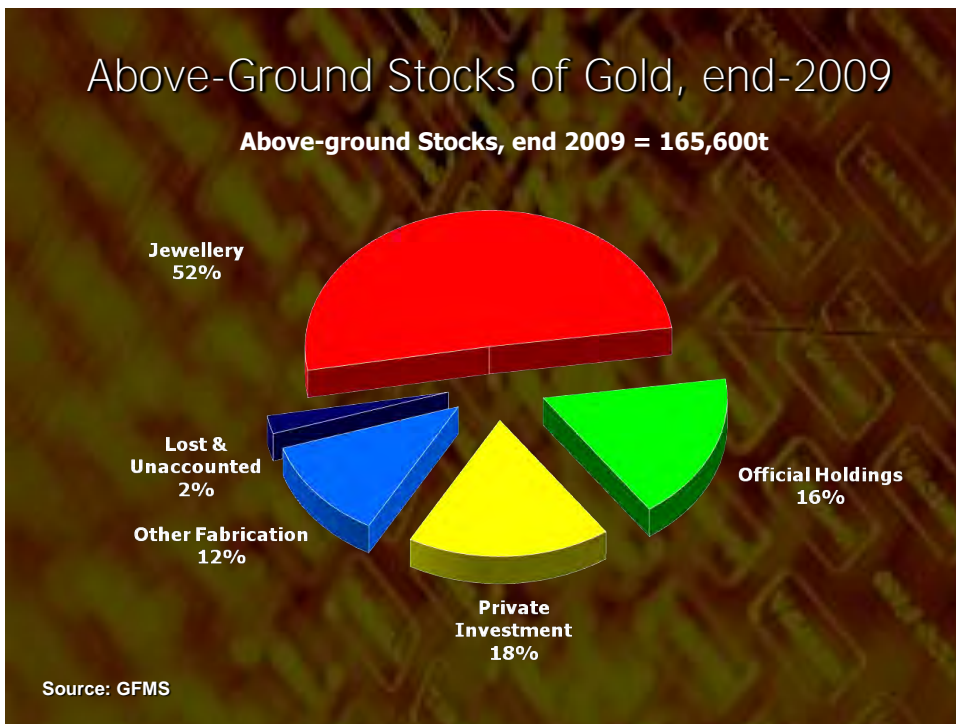
Historical Review

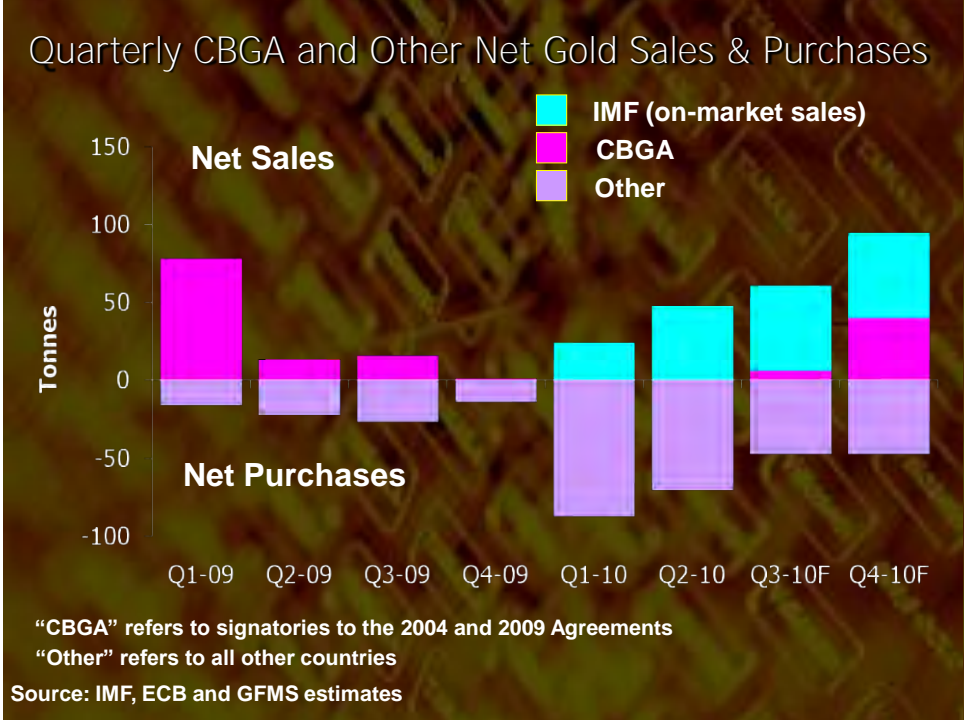
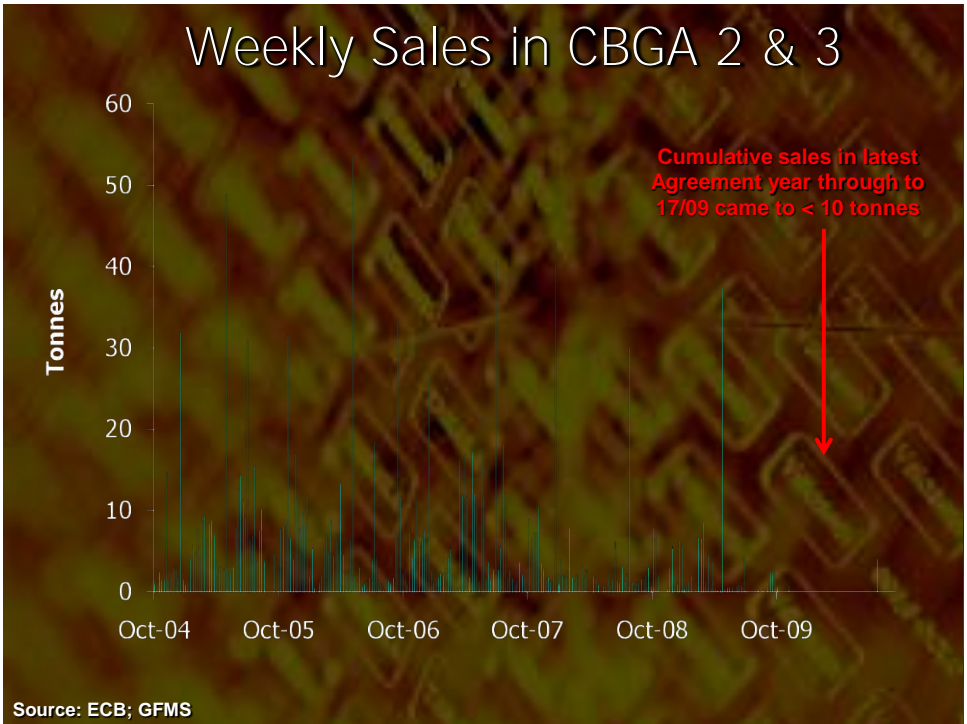
- 1950s net purchases, 1960s, 70s, 80s broadly "neutral", i.e. no strong buy or sell trend
- Gold fell into disfavour in the 1990s
 - Price trend negative
 - **Other assets' returns superior**
 - Generally benign economic & political environment
- Net official sector sales every year 1989-2009
 - 1989-2009 net sales totalled nearly 8,000 tonnes; decline of 1/5th in official gold reserves and 10% total gold supply
 - Central Bank Gold Agreements since September 1999

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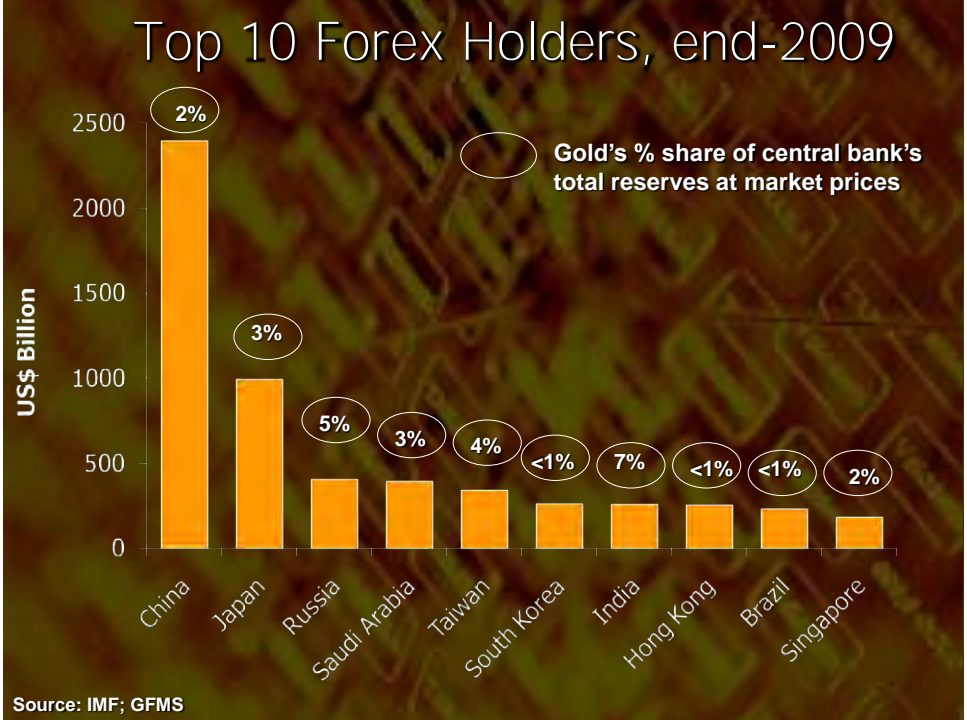
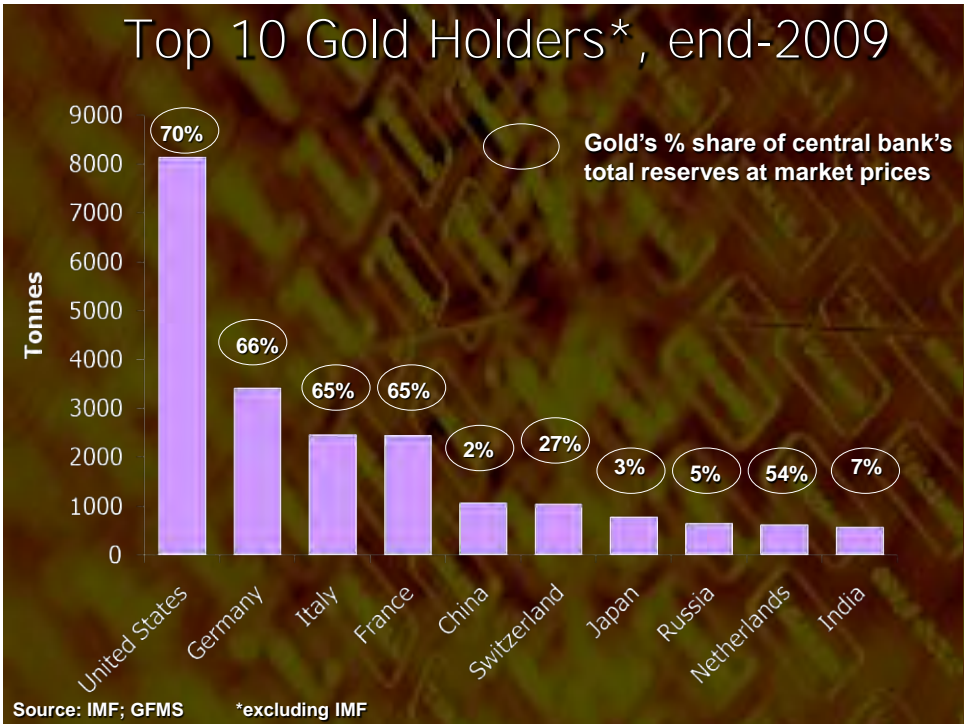
Recent Developments

- Collapse in CBGA sales
 - Sales programmes already completed
 - Financial and sovereign debt crises
 - Gold price trend & performance
 - Lack of confidence in alternatives to gold
- **IMF sales of 400t; majority purchased “off market”**
- Net purchases in aggregate by other countries
 - Diversification of foreign reserves
 - Catastrophe insurance
 - Domestic and international market purchases
 - ‘Non-monetary’ gold and Sovereign Wealth Funds

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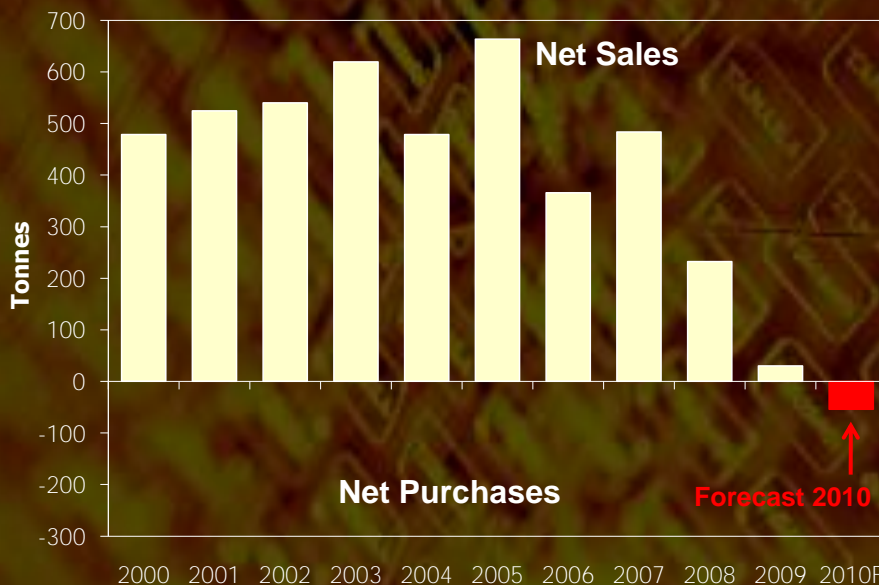
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Future Prospects

- During the next 10 years some members of the CBGA group will sell part of their gold reserves
 - They are 'overweight' in gold by any measure
 - Sovereign debt crisis will not last forever
 - Alternative investments may be attractive, e.g. Chinese government bonds
 - Gold price will eventually change direction
- US sales unlikely but cannot be entirely ruled out over next decade
- Potential for further IMF sales?
- Other countries will in aggregate be net buyers
 - Gold rehabilitated as a reserve asset
 - They are collectively 'underweight' gold
 - Off-market purchases may facilitate 'transfer' of bullion from West to East
- Overall, official sector sales & purchases activity will become less predictable but more 'neutral' in terms of its long run market impact

Net Official Sector Sales, 2000-2010F



Source: GFMS

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