

Macquarie Bank Limited
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Australia

TO:
Mr James Chanos
Kynikos Associates LP
20 West 55th Street
New York, NY 10019

CC:
CNBC Squawk Box
c/o Mr Todd Bonin, Producer
900 Sylvan Ave
Englewood Cliffs, NJ 07632



October 17, 2007

Dear Sir,

I refer to your interview on CNBC's *Squawk Box* program of October 16, 2007 which contained a number of false claims and material errors about Macquarie Bank to support your short position, the most glaring of which I'm obliged to correct again on behalf of our investors:

- Macquarie Bank does not rely on acquiring assets and on-selling them to its managed funds. Acquisitions are almost always made directly by the funds themselves. Over the 12 months to March 31, 2007, the percentage of Macquarie Bank's profit from the sale of assets to its managed funds was less than 1 percent (as detailed in the fact sheet linked below).
- The Indiana Toll Road (ITR) was not bought by Macquarie Bank and subsequently sold to a fund, as you claimed. A fund, Macquarie Infrastructure Group, acquired the lease directly with a third party partner, Cintra, as publicly announced at the time. Hence, your claims that the Bank acquired this asset at \$3.5bn and sold it to the fund for \$4bn were both false. You were also incorrect about the next highest bid for the ITR, which was in fact \$2.84bn (or \$3.25bn with conditions) as publicly announced by the Indiana government at the time, not the \$1.9bn you claimed.
- You claim inaccurately that Macquarie is "always the highest bidder" for such assets. Macquarie and the funds it manages exercise strict investment discipline, as seen in our funds not being the highest bidder in a number of high profile transactions over the past 12 months, including London City Airport; SH121 Texas Tollway; Chicago City Car Parks, OOIL and Associated British Ports.
- You claim that Macquarie Bank has hidden debt and that the leverage of our funds' managed assets is in fact much higher than the 58% figure we have disclosed. Both claims are completely incorrect. First, Macquarie Bank has no hidden debt. Second, the average leverage of IB Funds and Real Estate Funds assets are 58% and 48% respectively.

I also note you did not accept our invitation of some months ago to brief you or your colleagues on Macquarie's business model and structure.

Sincerely,

Greg Ward
Chief Financial Officer
Macquarie Bank Limited

Enc:

- Macquarie Bank's previous response to claims made by you and those quoting you, together with a detailed factsheet is available at:
https://www.macquarie.com.au/au/about_macquarie/media_centre/20070531a.htm