Macquarie Bank Limited
ABN 46 008 583 542

No.1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Telex 122246
Internet http://www.macquarie.com.au
DX 10287 SSE
SWIFT MACQAU2S

Money Market 8232 3600 Facsimile 8232 4227
Foreign Exchange 8232 3666 Facsimile 8232 3019
Metals and Mining 8232 3444 Facsimile 8232 3590
Futures 9231 1028 Telex 72263
Debt Markets 8232 3815 Facsimile 8232 4414

MACQUARIE
BANK

MACQUARIE BANK RESPONSE TO COMMENTS BY JAMES CHANOS

Sydney, 31 May 2007 - The recent commentary of Mr James Chanos, a hedge fund manager with a New York-based hedge fund, Kynikos, needs to be put into context, particularly in view of a Bloomberg report of May 25 which reported than Mr Chanos had publicly stated that he “had a short position on the bank”:

1. Mr Chanos is a short seller of equities. The process of short selling only generates profit if the price of a particular stock falls during the short sell period. Fund managers like Mr Chanos typically choose to sell securities that are borrowed, and then buy securities back later at a cheaper price, thus making a profit.

2. It is therefore in the interests of hedge fund short-sellers like Mr Chanos for a targeted stock to fall in value. Conversely, a rise in the targeted share price, could lead to a substantial loss.

3. Mr Chanos has recycled factually incorrect claims which have been made previously and which, at the time they were expressed, were fully refuted by Macquarie. The market well understands the structure and performance of Macquarie Bank and the funds.

4. Macquarie has prepared the following in response to Mr Chanos’ claims some of which were repeated [today] in a report on a US-based news website:

CLAIM: *Macquarie doesn’t care what it pays for its assets.*

FACT: This is inconsistent with the facts. Macquarie has declined to meet the market price for many assets. Macquarie and its funds declined to increase their offer price for a number of assets in the last 12 months. These include London City Airport, SH121 Texas Tollway, Chicago City Car Parks, OOIL (Vancouver and New York ports), and Associated British Ports.

Other notable public transactions in which Macquarie or its funds were unsuccessful by reason of price include the London Stock Exchange, Budapest Airport, the Cross City Tunnel and the Lane Cove Tunnel.

This investment discipline is evident in the returns of Macquarie’s Investment Banking Funds – 20.2% compound annual return since inception 13 years ago.

CLAIM: *The Bank has been selling the assets at inflated values to the funds it manages.*

FACT: This is incorrect. Almost all assets are acquired by the funds directly from the market. All dealings between the funds and Macquarie are pursuant to strict governance requirements and subject to the approval of the independent directors of the funds.

A few small infrastructure assets were sold by the Bank to the funds in the year to 31 March 2007 and profits on those sales contributed less than one per cent of Macquarie Bank's total operating income.

CLAIM: *Macquarie uses suspect valuation techniques*

FACT: All the Macquarie funds undertake detailed analysis and industry benchmarking in valuing assets. The assumptions on which the ongoing valuations are based are reviewed and accepted by the independent directors of the funds and verified by major accounting firms.

In addition, the major listed infrastructure funds are comprehensively covered by independent analysts who have consistently valued the assets above director valuations.

While Macquarie infrastructure funds are predominantly long term owners of their assets, between 1994 and 2007, eight assets worth more than $US8 billion in enterprise value have been sold to unrelated third parties. Sale proceeds have in all cases exceeded directors' valuations and delivered in excess of 2.2 x equity invested for the funds and a weighted average compound annual return of 28%.