To

-All Arrangers-

Invitation of offer for arranging / subscribing Tax Free Secured Redeemable Non-Convertible Bonds of Face Value of ₹ 10,00,000/- each in the nature of Debentures having tax benefits under section 10 (15) (iv) (h) of the Income Tax Act, 1961, as amended (“Bonds”) for an amount aggregating ₹ 100 crore with an option to retain over subscription of upto ₹ 800 crore by National Housing Bank (“NHB” or the “Issuer” or the “Bank”) by way of private placement (800 crores through book building route and rest 100 crores earmarked for Sovereign Wealth Funds, Pension and Gratuity Funds to be issued at par).

1. National Housing Bank has been established under the National Housing Bank Act, 1987 (Central Act No. 53 of 1987) to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions and for matters connected therewith or incidental thereto. NHB is wholly owned by the Reserve Bank of India. NHB has been notified as a Public Financial Institution (PFI) under section 4A of the Companies Act, 1956. NHB performs three main activities viz., regulation and supervision of housing finance companies, promotion and development of housing finance market and providing financial assistance to housing finance institutions, banks etc.

2. The Central Board of Direct Taxes (“CBDT”), Department of Revenue, Ministry of Finance, Government of India, has in exercise of the powers conferred by item (h) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, 1961 (43 of 1961) issued notification no. 61/2013.F.No. 178/37/2013-(ITA.I) dated August 08, 2013 wherein NHB has been authorized to raise tax free bonds aggregating upto ₹ 3,000 crore in the financial year 2013-14.

3. As per extant provision, while adopting the private placement route to issue the Bonds, NHB shall adopt the book building route wherein it shall specify the ceiling coupon rate as per terms of the Notification and bids shall be invited and allotment be made at the price bid. The Bonds shall be paid for and shall be issued only at a premium (neither at par nor discount to the issue price) but with a fixed coupon so that the Bonds can be traded under a single International Securities Identification Number (ISIN). The yield shall be worked out based on the price quoted and then allotment shall be done for best price (lowest yield).

4. In pursuance of the above, the Bank proposes to issue Tax Free Secured Redeemable Non-Convertible Bonds of face value of ₹ 10,00,000/- each in the nature of Debentures having tax benefits under section 10 (15) (iv) (h) of the Income Tax Act, 1961, (“Bonds”) for a tenure of 10/15/20 years, aggregating ₹ 100 crore with an option to retain over subscription of upto ₹ 800 crore by way of private placement.
5. Out of the total proposed mobilization of ₹ 900 crores; ₹ 800 crores will be issued through book building route and rest ₹ 100 crores are earmarked for allocation to Sovereign Wealth Funds, Pension and Gratuity Funds and will be issued at par. In the event of any non/under response from Sovereign Wealth Funds, Pension and Gratuity Funds the unsubscribed amount out of ₹ 100 crores shall be allocated to the investors participating in the aforesaid book building process.

6. In the event of oversubscription from Sovereign Wealth Funds, Pension and Gratuity Funds and under subscription by other categories as defined in para 8 of this letter, the undersubscribed amount shall be allocated to Sovereign Wealth Funds, Pension and Gratuity Funds on pro-rata basis.

7. In the event of overall oversubscription (both under book building process and for offer to Sovereign Wealth Funds, Pension and Gratuity Funds) bonds shall be allocated as follows-

   b. On pro-rata basis to Sovereign Wealth Funds, Pension and Gratuity Funds.

8. Bids under book building process can be mobilized from the following segments of eligible investors –

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Segments of Eligible Investors</th>
</tr>
</thead>
</table>
| I.      | Qualified Institutional Buyers (“QIBs”)  
QIBs shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 |
| II.     | Corporates (including statutory Corporation), trusts, partnership firms, limited liability partnerships, Cooperative Banks, regional Rural Banks and other legal entities subject to compliance with their respective applicable legislations. |
| III.    | High Net Worth Individuals  
Individual Investors applying for more than ₹ 10 lakh in the Issue. |

9. The rate of Brokerage payable on the face value amount of Bonds mobilized and retained by NHB shall be as under-

   a. For tenure of 10 years - @ 0.22 % (inclusive of service tax)
   b. For tenure of 15 years - @ 0.21 % (inclusive of service tax)
   c. For tenure of 20 years - @ 0.20 % (inclusive of service tax)

10. The issue schedule shall be as under:

<table>
<thead>
<tr>
<th>Date and Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book Opening Date &amp; Time</td>
</tr>
<tr>
<td>Book Closing Date &amp; Time</td>
</tr>
<tr>
<td>Intimation of allocation to investors</td>
</tr>
<tr>
<td>Issue Opening Date*</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Issue Closing Date*</td>
</tr>
<tr>
<td>Pay-in-Dates*</td>
</tr>
<tr>
<td>Deemed Date of Allotment*</td>
</tr>
</tbody>
</table>

*The Issuer reserves its sole and absolute right to modify (pre-pone/postpone) the above issue schedule without giving any reasons or prior notice. In such a case, investors shall be intimated about the revised time schedule by the Issuer. The Issuer also reserves the right to keep multiple Deemed Date(s) of Allotment at its sole and absolute discretion without any notice. In case if the Book Closing Date/Pay in Dates is/are changed (pre-poned/postponed), the Deemed Date of Allotment may also be changed (pre-poned/postponed) by the Issuer at its sole and absolute discretion.

In case if your firm is interested, you may bid / mobilize bids (as per format enclosed in the Disclosure Document) from the above segments or eligible investors as per rate of brokerage prescribed above.

In case if the aggregate face value amount of bids mobilized by an individual arranger and retained by NHB is ₹ 50 crore or more, the Bank shall issue a letter of acknowledgement to such arranger(s) and shall include its /their name(s) in the final Disclosure Documents as “Arrangers to the Issue”.

The bid(s) mobilized should reach the undersigned on or before 3 p.m. of August 29, 2013 at the following address:

K. Chakravarthy  
Dy. General Manager  
Resource Mobilisation and Management Department  
National Housing Bank  
Core 5A, 3rd Floor, India Habitat Centre,  
Lodhi Road, New Delhi – 110003  
Tel: +91-11-24617832 Fax: +91-11-24649037  
mail id: taxfreebonds@nhb.org.in

No bid will be accepted after 3 p.m. of August 29, 2013.

NHB reserves the right not to accept and reject any or all the bids received from the bidder(s) without assigning any reason thereof.

The Draft Disclosure Document for the Bond Issue containing details of the Issue is being provided to you separately.

Yours faithfully,

-Sd-
(K. Chakravarthy)  
Deputy General Manager