

TERM SHEET

1	Security Name	Union Bank of India: Tier II Bonds
2	Issuer	Union Bank of India (the "Issuer"/ the "Bank")
3	Issue Size	Aggregate issue size not exceeding Rs. 1,000 Crore, with a base issue size of up to Rs. 500 Crore and a Green Shoe option to retain oversubscription up to Rs. 500 Crore.
4	Objects of the Issue / Details of the utilization of the proceeds	Augmenting Tier II Capital and overall capital of the Bank for strengthening its capital adequacy and for enhancing its long-term resources Proceeds of the Bonds raised will be utilized for the business of the Bank.
5	Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	Proposed to be listed on the Wholesale Debt Market (WDM) Segment of National Stock Exchange Limited (NSE).
6	Type of Instrument	Unsecured, Redeemable, Non-Convertible, Taxable, Basel III Compliant Tier II Bonds for inclusion in Tier II Capital in the nature of Debentures.
7	Nature and status of Bonds	The Bonds are neither secured nor covered by a guarantee of the Issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim of the holders of the Bonds (the "Bondholders") vis-à-vis other creditors of the Issuer. Bondholders will not be entitled to receive notice of or attend or vote at any meeting of shareholders of the Issuer or participate in the management of the Issuer.
8	Seniority of Instrument/Claim	The claims in respect of the Bonds, (i) senior to the claims of investors in instruments eligible for inclusion in Tier I capital; (ii) subordinate to the claims of all depositors and general creditors of the bank; and (iii) is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors. The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation. The claims of the bondholders shall be subject to the provisions mentioned in the "Point of Nonviability" (PONV) in the draft term sheet.
9	Tenor	120 months from the Deemed Date of Allotment
10	Redemption Date	After 10 years from the date of allotment
11	Redemption Amount	Rs. 10 lakhs per bond
12	Redemption Premium / Discount	NA



13	Convertibility	Non-Convertible.
14	Face Value/ Issue Price	Rs. 10,00,000/- (Rupees Ten Lacs) per Bond.
15	Discount at which security is issued and effective yield as a result of such discount	Not Applicable
16	Credit Rating	Basel III Compliant Tier II Bonds have been rated 'CRISIL AA+/Negative' by Crisil Ltd, and rated [ICRA] AA+(hyb)(Negative) by ICRA Ltd
17	Mode of Issue	Private Placement through EBP platform
	Settlement Cycle for EBP	T+1 (issuance)
18	Security	Unsecured
19	Coupon Rate	7.42
20	Step up / Step down Coupon Rate	Not Applicable
21	Coupon Reset	Not Applicable
22	Coupon Type	Fixed
23	Coupon (interest) Payment Frequency	Annual
24	Coupon Payment Dates	Annually every year, subject to "PONV" mentioned below.
25	Interest on application money	<p>Interest at the Coupon Rate (subject to deduction of Income-tax under the provisions of the Income-tax Act 1961, or any statutory modification or re-enactment as applicable) will be paid to all the applicants on the application money for the Bonds. Such interest shall be paid from the date of realization of cheque (s)/demand draft (s) and in case of RTGS/other means of electronic transfer interest shall be paid from the date of receipt of funds to one day prior to the Deemed Date of Allotment.</p> <p>The Interest on application money will be computed as per Actual/Actual Day count convention. Such interest would be paid on all the valid applications including the refunds. For the application amount that has been refunded, the Interest on application money will be paid along with the refund orders and for the application amount against which Bonds have been allotted, the Interest on application money will be paid within ten working days from the Deemed Date of Allotment. Where an applicant is allotted lesser number of Bonds than applied for, the excess amount paid on application will be refunded to the applicant along with the interest on refunded money. Income Tax at Source (TDS) will be deducted at the applicable rate on Interest on application money.</p>
26	Record Date	Reference date for payment of coupon (interest) which shall be the date falling 15 days prior to the relevant Coupon Payment Date, Issuer Call Date, Tax Call Date or Regulatory Call Date (each as defined later) on which interest is due and payable. In the event the Record Date for Coupon Payment date falls on a day which is not a business day, the next business day will be considered as the Record Date.
27	Computation of Interest	Actual/ Actual(as per SEBI Circular no CIR/IMD/DF/18/2013 dated October 29, 2013)
28	Put Option	No Put Option available.



29	Call Option	<p>The Issuer may at its sole discretion with prior approval of RBI, and having notified the Trustee not less than 21 calendar days prior to the date of exercise of such Issuer Call (which notice shall specify the date fixed for exercise of the Issuer Call (the "Issuer Call Date"), may exercise a call on the outstanding Bonds.</p> <p>The Issuer Call, which is discretionary, may or may not be exercised on the fifth anniversary from the Deemed Date of Allotment or on any allotment anniversary Date thereafter.</p> <p>a. To exercise a call option , bank must receive prior approval of RBI (Department of Banking Regulation);</p> <p>b. the Bank will not do anything which creates an expectation that the call will be exercised.</p> <p>c. Banks will not exercise a call unless</p> <p>(i) It replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank (Replacement issue can be concurrent with but not after the Bond is called) ; or</p> <p>(ii) The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised (Minimum refers to the Common Equity ratio of 8% of RWAs (Including capital conservation buffer of 2.5% of RWAs) and Total Capital ratio of 11.5% of RWAs including any additional capital requirements identified under pillar 2).</p> <p>d. Any other preconditions specified in the BASEL III guidelines at such time have been satisfied</p> <p>The use of tax event and regulatory event calls may be permitted. However, exercise of the calls on account of these events is subject to the requirements set out in points (b) to (d) of criterion 1.6 of the RBI Circular. RBI will permit the bank to exercise the call only if the RBI is convinced that the bank was not in a position to anticipate these events at the time of issuance of PNCPS. To illustrate, if there is a change in tax treatment which makes the capital instrument with tax deductible coupons into an instrument with non-tax deductible coupons, then the bank would have the option (not obligation) to repurchase the instrument. In such a situation, a bank may be allowed to replace the capital instrument with another capital instrument that perhaps does have tax deductible coupons. Similarly, if there is a downgrade of the instrument in regulatory classification (e.g. if it is decided by the RBI to exclude an instrument from regulatory capital) the bank has the option to call the instrument and replace it with an instrument with a better regulatory classification, or a lower coupon with the same regulatory classification with prior approval of RBI. However, banks may not create an expectation / signal an early redemption / maturity of the regulatory capital instrument.</p>
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30	Call Option Price	Rs. 10,00,000/- (Rupees Ten Lacs) per Bond.
31	Call Notification Time	Ten (10) calendar days prior to the date of exercise of Call.
32	Depository	National Securities Depository Limited (the "NSDL") and Central Depository Services (India) Limited (the "CDSL")
33	Cross Default	Not Applicable
34	Default Interest Rate	Not Applicable
35	Issuance	Only in dematerialized form
36	Trading	Only in dematerialized form
37	Issue Schedule	
a.	Issue Opening Date	16/09/2020
b.	Issue Closing Date	16/09/2020
c.	Pay-In-Date	16/09/2020
38	Deemed Date of Allotment	16/09/2020
39	Minimum Application and in multiples of Debt securities thereafter	Ten (10) Bond and in multiples of one Bond thereafter.
40	Settlement	Payment of interest shall be made by way of credit through direct credit/ NECS/ RTGS/ NEFT mechanism./ cheque/draft etc
41	(a) Loss Absorbency	The bonds shall be subjected to loss absorbency features applicable for non-equity capital instruments vide RBI Master Circular on Basel-III Capital Regulations vide circular No. RBI/2015 -16/ 58 DBR.No.BP.BC.1 /21.06.201/2015-16 dated July 01, 2015 as amended read with Clarification issued by RBI vide circular RBI/2015-16/285 DBR.No.BP.BC.71//21.06.201/2015-16 dated January 14, 2016 . Accordingly, the Bonds may at the option of RBI be written off on the occurrence of the trigger event called the 'Point of Non Viability' (PONV). PONV trigger event shall be as defined in the aforesaid RBI Circular and shall be determined by the RBI.
	(b) Loss Absorption at Point of Non-Viability (PONV)	<p>1. If a PONV Trigger Event (as described below) occurs, the Issuer shall:</p> <p>(i) notify the Trustee;</p> <p>(ii) cancel any coupon which is accrued and unpaid on the Bonds as on the write-down date; and</p> <p>(iii) Without the need for the consent of Bondholders or the Trustee, write-off of the outstanding principal of the Bonds by such amount as may be prescribed by RBI ("PONV Write off Amount") and as is otherwise required by the RBI at the relevant time.</p> <p>A write-off may occur on more than one occasion.</p> <p>Once the principal of the Bonds have been written off pursuant to PONV Trigger Event, the PONV Write-off Amount will not be restored in any circumstances, including where the PONV Trigger Event has ceased to continue.</p> <p>2. Write off for PONV means full and permanent write off.</p>



3. These instruments, at the option of the Reserve Bank of India will be written off upon the occurrence of the trigger event, called the 'Point of Non-Viability (PONV) Trigger' stipulated below:

(i) The PONV Trigger event is the earlier of:

a. a decision that full permanent write-off, without which the Bank would become non-viable, is necessary, as determined by the Reserve Bank of India; and

b. the decision to make a public sector injection of capital, or equivalent support, without which the Bank would become non-viable, as determined by the relevant authority.

The Write-off of any Common Equity Tier I capital will not be required before the write-off of these instruments.

(ii) Such a decision would invariably imply that the write-off consequent upon the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.

(iv) No compensation will be paid to these Instrument holders in case of full and permanent write-off.

4. For the purpose of the above, a non-viable bank will be:

A bank which, owing to its financial and other difficulties, may no longer remain a going concern on its own in the opinion of the Reserve Bank unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures would include write-off in combination with or without other measures as considered appropriate by the Reserve Bank.

5. Bank facing financial difficulties and approaching PONV will be deemed to achieve viability if within a reasonable time in the opinion of Reserve Bank, it will be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including augmentation of equity capital through write-off /public sector injection of funds are likely to:

a. Restore depositors'/investors' confidence;



b. Improve rating /creditworthiness of the bank and thereby improve its borrowing capacity and liquidity and reduce cost of funds; and

c. Augment the resource base to fund balance sheet growth in the case of fresh injection of funds.

6. The amount of non-equity capital to be written-off will be determined by RBI.

7. When Bank breaches the PONV trigger and the equity is replenished through write-off, such replenished amount of equity will be excluded from the total equity of the bank for the purpose of determining the proportion of earnings to be paid out as dividend in terms of rules laid down for maintaining capital conservation buffer. However, once the bank has attained total Common Equity ratio of 8% without counting the replenished equity capital, that point onwards, the bank may include the replenished equity capital for all purposes.

8. Criteria to Determine the PONV

When the bank is adjudged by Reserve Bank of India to be approaching the PONV trigger event, or has already reached the PONV, but in the views of RBI:

- a) there is a possibility that a timely intervention in form of capital support, with or without other supporting interventions, is likely to rescue the bank; and
- b) if left unattended, the weaknesses would inflict financial losses on the bank and, thus, cause decline in its common equity level.

9. The purpose of write-off of these Instruments will be to shore up the capital level of the Bank.

RBI would follow a two-stage approach to determine the non-viability of Bank as under:

The Stage 1 assessment would consist of purely objective and quantifiable criteria to indicate that there is a prima facie case of a bank approaching non-viability and, therefore, a closer examination of the bank's financial situation is warranted.

The Stage 2 assessment would consist of supplementary subjective criteria which, in conjunction with the Stage 1 information, would help in determining whether the bank is about to become non-viable. These criteria would be evaluated together and not in isolation.

10. Once the PONV is confirmed, the next step would be to decide whether rescue of the bank would be through write-off alone or write-off in conjunction with a public sector injection of funds.



11. The trigger at PONV will be evaluated both at consolidated and solo level and breach at either level will trigger write-off.

12. As the capital adequacy is applicable both at solo and consolidated levels, the minority interests in respect of capital instruments issued by subsidiaries of banks including overseas subsidiaries can be included in the consolidated capital of the banking group only if these instruments have pre-specified triggers (in case of AT1 capital instruments) / loss absorbency at the PONV (for all non-common equity capital instruments). In addition, where a bank wishes the instrument issued by its subsidiary to be included in the consolidated group's capital in addition to its solo capital, the terms and conditions of that instrument must specify an additional trigger event.

This additional trigger event is the earlier of:

(1) a decision that a write-off, without which the Bank or the subsidiary would become non-viable, is necessary, as determined by the Reserve Bank of India; and

(2) the decision to make a public sector injection of capital, or equivalent support, without which the Bank or the subsidiary would become non-viable, as determined by the Reserve Bank of India. Such a decision would invariably imply that the write-off consequent upon the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.

13. In such cases, the subsidiary would obtain its regulator's approval/no-objection for allowing the capital instrument to be written-off at the additional trigger point referred to in paragraph above.

14. If Bank goes into liquidation before these Bonds have been written-off, these instruments will absorb losses in accordance with the order of seniority indicated in clause 8 of this term sheet and as per usual legal provisions governing priority of charges.

15. If Bank goes into liquidation after these Bonds instruments have been written-off, the holders of these instruments will have no claim on the proceeds of liquidation.

(a) Amalgamation of a banking company: (Section 44 A of BR Act, 1949)

16. If Bank is amalgamated with any other bank before these Bonds have been written-off, these instruments will become part of the corresponding categories of regulatory capital of the new bank emerging after the merger.

17. If Bank is amalgamated with any other bank after these instruments have



		<p>been written-off permanently, these cannot be written-up by the amalgamated entity.</p> <p>(b) Scheme of reconstitution or amalgamation of a banking company: (Section 45 of BR Act, 1949)</p> <p>18. If the relevant authorities decide to reconstitute Bank or amalgamate Bank with any other Bank under the Section 45 of BR Act, 1949, such a Bank will be deemed as non-viable or approaching non-viability and both the pre-specified trigger and the trigger at the point of non-viability write off of these instruments will be activated. Accordingly, these instruments will be fully written-off permanently before amalgamation / reconstitution in accordance with these rules.</p>
42	Decision to Write off	<p>The decision of write-off shall be exercised across all investors of this Instrument;</p> <p>The Order of write-off of the present Tier II Bonds vis-a-vis other capital instruments which the Bank has already issued or may issue in future, will be in accordance with the order of "Seniority of the Bonds" as mentioned earlier in point number "8" and per usual legal provisions governing priority of charges.</p>
43	Treatment in Bankruptcy / Liquidation	The investor will have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation.
44	Transaction Documents	<p>The Issuer shall execute the documents including but not limited to the following in connection with the issue:</p> <p>(i) Letter appointing Trustees to the Bond Holders.</p> <p>(ii) Bond trustee agreement</p> <p>(iii) Bond trustee deed</p> <p>(iv) Rating agreement with Rating agency;</p> <p>(v) Tripartite agreement between the Issuer, Registrar and NSDL for issue of Bonds in dematerialized form;</p> <p>(vi) Tripartite agreement between the Issuer, Registrar and CDSL for issue of Bonds in dematerialized form;</p> <p>(vii) Appointing Registrar and agreement entered into between the Issuer and the Registrar.</p> <p>(viii) Listing Agreement with NSE;</p> <p>(ix) Disclosure Document</p>
45	Conditions precedent to subscription of Bonds	<p>The subscription from investors shall be accepted for allocation and allotment by the Issuer subject to the following:</p> <p>(i) Rating letter(s)/ letters of revalidation of ratings from the aforesaid rating agencies not being more than one month old from the issue opening date;</p> <p>(ii) Letter from the Trustees conveying their consent to act as Trustees for the Bondholder(s);</p> <p>(iii) Letter to NSE for seeking its In-principle approval for listing and trading of Bonds</p>
46	Conditions subsequent to subscription of Bonds	The Issuer shall ensure that the following documents are executed/ activities are completed as per time frame mentioned elsewhere in this Term Sheet



		<p>(i) Credit of demat account(s) of the allottee(s) by number of Bonds allotted within 2 working days from the Deemed Date of Allotment</p> <p>(ii) Making listing application to NSE within 15 days from the Deemed Date of Allotment of Bonds and seeking listing permission within 20 days from the Deemed Date of Allotment of Bonds in pursuance of SEBI Debt Regulations;</p> <p>(In the event of a delay in listing of the Bonds beyond 20 days of the Deemed Date of Allotment, the Issuer will pay to the investor penal interest of 1% per annum over the Coupon Rate commencing on the expiry of 30 days from the Deemed Date of Allotment until the listing of the Bonds.)</p> <p>(iii) Neither the Bank nor any related party over which the Bank exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the Bonds, nor would the Bank directly or indirectly fund the purchase of the Bonds. The Bank shall also not grant advances against the security of the Bonds issued by it.</p> <p>Besides, the Issuer shall perform all activities, whether mandatory or otherwise, as mentioned elsewhere in this Term Sheet.</p>
47	Business Day Convention	<p>Should any of the dates, other than the Coupon Payment Date including the Deemed Date of Allotment, Issuer Call Date, Tax Call Date or Regulatory Call Date as defined herein, fall on day which is not a business day, the immediately preceding business day shall be considered as the effective date.</p> <p>If any Coupon Payment Date falls on a day that is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in Mumbai), the payment shall be made by the Issuer on the immediately next succeeding Business Day along with interest for such additional period.</p> <p>Further, interest for such additional period so paid shall be deducted out of the interest payable on the next Coupon Payment Date.</p>
48	Event of Default	<p>Default on the part of the Bank to forthwith satisfy all or any part of payments in relation to the Bonds when it becomes due (i.e. making payment of any instalment of interest or repayment of principal amount of the Bonds on the respective due dates) except in case of "PONV" mentioned above or due to any regulatory requirements prescribed under Applicable RBI Regulations or by Government of India or by any Statutory Authority, shall constitute an Event of Default for the purpose of the Issue.</p>
49	OTHER GENERAL TERMS	
a.	(i) Eligible Investors	<p>a. Mutual Funds;</p> <p>b. Public Financial Institutions as defined under the Companies Act.</p> <p>c. Scheduled Commercial Banks;</p> <p>d. Insurance Companies;</p> <p>e. Provident Funds, Gratuity Funds, Superannuation Funds and Pension Funds including EPFO.</p> <p>f. Co-operative Banks;</p> <p>g. Regional Rural Banks authorized to invest in bonds/ debentures;</p> <p>h. Companies and Bodies Corporate authorized to invest in bonds/ debentures;</p>



		<p>i. Trusts authorized to invest in bonds/ debentures; and</p> <p>j. Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures, etc</p> <p>k. Limited Liability Partnership</p> <p>l. National Investment Fund set up by resolution no F.No 2/3/2005-DDII dated Nov 23, 2005 of the Government of India published in Gazette of India.</p> <p>m. Insurance funds set up and managed by Army, Navy or Airforce of the Union of India.</p> <p>The potential investors are required to independently verify their eligibility to subscribe to the bonds on the basis of norms / guidelines / parameters laid by their respective regulatory body including but not limited to RBI, SEBI, IRDA, Government of India, Ministry of Finance, Ministry of Labour etc. and be guided by applicable RBI guidelines.</p>
b.	Governing Law and Jurisdiction	The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of competent courts of Mumbai, Maharashtra.
c.	Applicable RBI Guidelines	The present issue of Bonds is being made in pursuance of Master Circular on Basel III capital regulations issued by RBI vide circular RBI/2015-16/58 DBOD.No.BP.BC.1/ 21.06.201/ 2015-16 dated July 1, 2015 , covering criteria for inclusion of debt capital instruments as Tier II capital (Annex 5) and minimum requirements to ensure loss absorbency of additional Tier I instruments at pre-specified trigger and of all non-equity regulatory capital instruments at the PONV (Annex 16) and Master Circular on Basel III capital regulations Clarification issued by RBI vide circular RBI/2015-16/285 DBR.No.BP.BC.71/21.06.201/2015-16 dated JANUARY 14, 2016 and as amended from time to time.
d.	Prohibition on Purchase/ Funding of Bonds	Neither the Issuer nor a related party over which the Issuer exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the Bonds, nor shall the Issuer directly or indirectly fund the purchase of the Bonds. The Issuer shall also not grant advances against the security of the Bonds issued by it.
e.	Reporting of Non-payment of Coupons	All instances of non-payment of coupon shall be notified by the Bank to the Chief General Managers-in-Charge of Department of Banking Operations and Development and Department of Banking Supervision of the Reserve Bank of India, Mumbai.
f.	Trustees	IDBI Trusteeship Services Limited
9.	Role and Responsibility of Trustee	<p>The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the Trust Reposed in the Trustees by the Holder(s) of the Bonds and shall further conduct itself and comply with the provisions of all applicable laws including SEBI (Debenture Trustees) Regulations, 1993 provided that, the provisions of Sec. 20 of the Indian Trusts Act, 1882 shall not be applicable to the Trustees. The Trustees shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debenture Trustees), Regulations, 1993, the Bond/Debenture Trusteeship Agreement, Disclosure Document and all other related transaction documents with due care, diligence and loyalty.</p> <p>The Trustees shall be vested with the requisite powers for protecting the interest of Holder(s) of the Bonds. The Trustees shall ensure disclosure of all</p>



		material events on an ongoing basis
h.	Registrar	DatamaticsBusiness Solutions Ltd.
i	Regulatory guidelines	The terms of the proposed issue are intended to be consistent with guidelines of RBI. Hence, in case of any doubt/discrepancy, the applicable RBI guidelines will prevail.



(V Venkateswara Rao)

General Manager- Strategy



