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05 March 2020

The Board of Directors
Union Bank of India
6th Floor, Union Bank Bhavan,
239, Vidhan Bhavan Marg,
Nariman Point,
Mumbai – 400021.

Sub: Fairness opinion on the fair equity share exchange ratio for proposed amalgamation of Andhra Bank into Union Bank of India

Dear Sir/Madam,

We refer to the offer of engagement letter dated 26 December 2019 and service level agreement dated 31 December 2019 (“hereinafter together referred to as the “Engagement Agreement”) with Ernst & Young Merchant Banking Services LLP (hereinafter referred to as “we” or “EY” or “us”), wherein Union Bank of India (hereinafter referred to as “you” or “Client” or “Union Bank”) has requested us to provide a fairness opinion on the fair equity share exchange ratio recommended by Deloitte Haskins & Sells, Chartered Accountants (“Independent Valuer”) for the proposed amalgamation of Andhra Bank into Union Bank (hereinafter collectively referred as “Banks”).

SCOPE AND PURPOSE OF THIS REPORT

We understand that the Board of Directors of the Banks are proposing to amalgamate Andhra Bank into Union Bank (“Proposed Transaction”) under scheme of amalgamation proposed by the Central Government in consultation with the Reserve Bank of India (“RBI”) under The Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980¹. As a consideration for this Proposed Transaction, equity shareholders of Andhra Bank would be issued equity shares of Union Bank in lieu of their respective shareholding.

In this regard, Client has appointed EY to provide fairness opinion on the fair equity share exchange ratio recommended by an Independent Valuer for the Proposed Transaction.

The scope of our Services is to issue a fairness opinion on the fair equity share exchange ratio as recommended by the Independent Valuer for the Proposed Transaction

This report (“Report”) is our deliverable in respect of the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

This Report has been issued only for the purpose of facilitating the Proposed Transaction and should not be used for any other purpose.





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SOURCES OF INFORMATION

In connection with this exercise, we have received the following information from the management of Union Bank ("Management") / obtained from public domain:

- Draft and Final report from the Independent Valuer titled "Recommendation of the fair equity share exchange ratio for proposed amalgamation of Andhra Bank into Union Bank of India" dated 04 March 2020;
- Adjusted Net worth of the Banks as at 30 September 2019, provided by the Banks, taking into consideration the financial and tax due diligence adjustments as agreed between the Banks;
- Annual reports for the year ended 31 March 2019 and earlier periods for the Banks;
- Unaudited reviewed results for the half-year ended 30 September 2019 for the Banks;
- Unaudited reviewed results for the quarter and nine month ended 31 December 2019 for the Banks;
- Annual reports up to 31 March 2019 and summarized financial information up to 30 September 2019 / 31 December 2019 as applicable of the subsidiaries / joint ventures / associates / other equity investments of the respective Banks;
- Background information provided through emails or during discussions.

We have also obtained further explanations and information considered reasonably necessary for our exercise, from the Management.

PROCEDURES ADOPTED

We have obtained Independent Valuer's report and workings and held conversations with the Independent Valuer about the methodologies and assumptions underlying the valuation analysis. In connection with this exercise, we have adopted the following procedures for providing fairness opinion:

- Requested and received financial and qualitative information;
- Obtained data available in public domain;
- Interacted and held discussions (physical/over call) with the Management to:
 - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance of the Banks;
- Undertook Industry Analysis:
 - To research publicly available market data including economic factors and industry trends that may impact the valuation;
 - To analyze key trends and valuation multiples of comparable Banks using public domain / Proprietary databases subscribed by us;
- Selected internationally accepted valuation methodology/(ies) as considered appropriate by us.





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STATEMENT OF LIMITING CONDITIONS

Provision of fairness opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The fairness opinion contained herein is not intended to represent fairness opinion at any time other than report date. We have no obligation to update this Report.

This Report, its contents and the results herein are specific to (i) the purpose of fairness opinion agreed as per the terms of our engagement; (ii) the report date and (iii) are based on the audited financial statements of the Banks as at 31 March 2019 and unaudited reviewed financial results for the six months ended 30 September 2019 (factoring the financial and tax due diligence adjustments as agreed between the Banks) and quarter / nine month ended 31 December 2019. We have been informed that the business activities of the Banks have been carried out in the normal and ordinary course between 31 December 2019 and the report date and that no unusual changes have occurred in their respective operations and financial position between 31 December 2019 and the report date.

A fairness opinion of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The fairness opinion rendered in this Report only represent our opinion based upon information furnished by the Banks and gathered from public domain (and analysis thereon) and the said opinion shall be considered to be in the nature of non-binding advice. Our fairness opinion should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

Providing fairness opinion is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, our opinion will have to be tempered by the exercise of judicious discretion and judgment taking into accounts all the relevant factors. There is, therefore, no indisputable single equity share exchange ratio. While we have provided our fairness opinion on the fair equity share exchange ratio based recommended by the Independent Valuer on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the fair equity share exchange ratio of the equity shares of Andhra Bank and Union Bank. The final responsibility for the determination of the fair equity share exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Banks who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

In the course of the engagement, we were provided with both written and verbal information, including market, financial and operating data as detailed in the section - Sources of Information. We have not independently audited or otherwise verified the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Client, we have been given to understand by the Management that they have not omitted any relevant and material factors about the Banks and





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that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the information given by/on behalf of the Banks. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our fairness opinion.

Fairness opinion and result are specific to the purpose and are based on the latest available balance sheet as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

The Report assumes that the Banks comply fully with relevant laws and regulations applicable in all its areas of operations, and that the Banks will be managed in a competent and responsible manner. Further, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited/unaudited balance sheet of the Banks. Our fairness opinion assumes that the assets and liabilities of the Banks, reflected in their respective latest balance sheets remain intact as of the report date.

The Report does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The fee for the engagement is not contingent upon the results reported.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Banks. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Banks, their directors, employees or agents.

This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

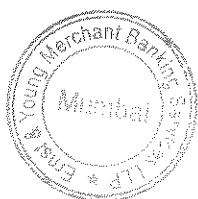
This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed scheme of amalgamation, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of the Banks will trade following announcement of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Transaction.

BACKGROUND

Union Bank

Union Bank was established on 11 November 1919 with its registered office at Mumbai. The bank was nationalized on 19 July 1969 and is now a Public Sector Bank constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970. The bank has national presence through over 4200+ branches and 6600+ ATMs across the country as well as 4 foreign branches in Hong Kong, Sydney and Dubai, in addition to representative office in Abu Dhabi. It has three wholly owned subsidiaries namely Union Asset Management Company Private Limited, Union Bank of India (UK) Limited and Union Trustee Company Private Limited, a joint venture, Star





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Union Dai-ichi Life Insurance Company Limited and an associate, Kashi Gomti Samyut Gramin Bank. The equity shares of Union Bank are listed on National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE"). Union Bank reported total consolidated operating income of INR 393,553.8 million and loss of INR 29,223.5 million for the year 31 March 2019.

The Shareholding Pattern as on 31 December 2019 of Union Bank is as follows:

Particulars	No of Shares	% Shareholding
Promoter & Group	2,96,92,79,777	86.75%
Public	45,35,39,075	13.25%
Grand Total	3,42,28,18,852	100.0%

Source: BSE Filings

Andhra Bank

Andhra Bank was established on 20 November 1923 with its registered office at Hyderabad. The bank was nationalized on 15 April 1980 and is now a Public Sector Bank constituted under Banking Companies (Acquisition and Transfer of undertaking) Act 1980. The bank is operating through 2800+ branches and 3700+ ATMs across India. The bank has one wholly owned subsidiary, Andhra Bank Financial Services Limited, three joint ventures namely India First Life Insurance Co, ASREC (India) Limited and India International Bank (Malaysia) BHD and one associate company, Chaitanya Godavari Grameena Bank. The equity shares of Andhra Bank are listed on NSE and BSE. Andhra Bank reported total consolidated operating income of INR 2,22,909.7 million and loss of INR 27,420.0 million for the year 31 March 2019.

The Shareholding Pattern as on 31 December 2019 of Andhra Bank is as follows:

Particulars	No of Shares	% Shareholding
Promoter & Group	2,62,06,34,630	87.81%
Public	36,38,53,210	12.19%
Grand Total	2,98,44,87,840	100.0%

Source: BSE Filings

As per the filing with BSE dated 04 March 2020, 11,10,49,416 equity shares at an issue price of INR 18.01 were issued and allotted to the Government of India against a capital infusion of INR 2,000.0 million in Andhra Bank.

APPROACH - BASIS OF DETERMINATION OF THE FAIR EQUITY SHARE EXCHANGE RATIO FOR THE PROPOSED TRANSACTION

The Independent Valuer has recommended the following fair equity share exchange ratio for the Proposed Transaction:

325 (Three hundred and twenty - five) equity shares of INR 10/- each fully paid up of Union Bank for every 1,000 (One thousand) equity shares of Andhra Bank of INR 10/- each fully paid up.





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OUR COMMENT ON THE INDEPENDENT VALUER'S REPORT

Based on our independent calculation and on consideration of all the relevant factors and circumstances, we believe that the fair equity share exchange ratio as recommended by the Independent Valuer, as stated in our opinion is fair to the equity shareholders of Union Bank.

It should be noted that we have examined only the fairness of the fair equity share exchange ratio for the Proposed Transaction and have not examined any other matter including economic rationale of the transfer per se or accounting and tax matters involved in the Proposed Transaction.

Respectfully submitted,

Ernst & Young Merchant Banking Services LLP

Parag Mehta
Partner

