

Varma & Varma
Chartered Accountants,
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Kochi -682019

Borkar & Muzumdar,
Chartered Accountants,
21/168, Anand Nagar Om Co-op Hsg.
Society, Anand Nagar Lane, Off Nehru
Road, Santacruz (East) Mumbai - 400 055

28th June 2021

To,
The Board of Directors
The Federal Bank Limited

Independent Auditors' certificate – proposed Preferential Issue of equity shares

1. This certificate is issued in accordance with the terms of our engagement letter dated 14th June 2021 and as per the requirement of sub-regulation 2 of Regulation 163 under Chapter V of the Securities and Exchange Board of India (the 'SEBI') (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the 'ICDR Regulations').
2. As required, we have examined compliance with the Regulation 159, 160, 163(1) and 164(4) of Chapter V of the ICDR Regulations for the proposed preferential issue of equity shares of The Federal Bank Limited (the 'Bank') approved by the Bank's Board of Directors (the 'Board') in its meeting held on June 16, 2021.
3. In terms of the ICDR Regulations, the Bank has issued a notice along with the explanatory statement dated June 16, 2021 (together referred to as the 'Notice') to the shareholders of the Bank pursuant to provisions of Section 108 of the Companies Act, 2013 (the 'Act') read with the Companies (Management and Administration) Rules, 2014 as amended and other applicable provisions of the Act, if any, seeking the consent of the shareholders to approve the proposed issue of 10,48,46,394 equity shares of the Bank of face value of Rs. 2 each, fully paid up, on a preferential basis, at a price of Rs 87.39 per equity share (the 'Preferential Issue') as per Item No. 13 to the Notice.
4. The accompanying statement set out in Annexure A hereto containing details of the Bank's compliance with the ICDR Regulations in connection with the Preferential Issue (the "Statement"), has been prepared by the Management of the Bank and initialed by us for identification purposes only.

Management's responsibility

5. The preparation of the accompanying Statement is the responsibility of the Management of the Bank. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
6. The Management of the Bank, is further responsible for ensuring that the Bank complies with all the requirements of the ICDR Regulations for the Preferential Issue, including -
 - a) Determination of the Relevant Date, being 30 days prior to the date on which meeting of the shareholders is proposed to be held to consider the Preferential

Issue.

- b) Determination of the minimum price for issue of equity shares.
 - c) Preparation of the aforesaid Notice, including its content in respect of Item No. 13.
 - d) Preparation and maintenance of all accounting and other relevant supporting records and documents including the design, implementation, and maintenance of internal controls relevant to the preparation and presentation of the Notice and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
7. Management is also responsible for providing all relevant information to the SEBI, and/or Bombay Stock Exchange Limited, and/or the National Stock Exchange of India Limited.

Auditor's responsibility

8. Pursuant to sub-regulation 2 of Regulation 163 under Chapter V of the ICDR Regulations, it is our responsibility to obtain a limited assurance and conclude as to whether the details of the proposed Preferential Issue as provided in the Statement are in accordance with the requirements of the ICDR Regulations as applicable to a preferential issue of equity by the Bank. We have accordingly not verified compliance with other requirements under ICDR Regulations, the Act or laws applicable to the Bank or performed an audit, the objective of which would be expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such an opinion.
9. For the purpose of this certificate, we have planned and performed the following procedures to determine whether anything has come to our attention that causes us to believe that the proposed Preferential Issue as set out in Item No. 13 of the Notice and detailed in the Statement, is not in accordance with the requirements of the ICDR Regulations:
- a) With respect to conditions specified in Regulation 159 & 160 of the ICDR Regulations, we have performed the following procedures to confirm the compliance with required conditions -
 - verified that the Bank has obtained requisite undertaking from the proposed allottees to ensure that they have not sold or transferred any equity shares of the Bank during the six months preceding the relevant date of 9 June 2021;
 - obtained confirmation from the Registrar and Transfer Agent (ie., Integrated Registry Management Services Private Limited) of the Bank to verify the 'pre-preferential holding' of equity shares of the Bank held by the proposed allottees, if any and such 'pre-preferential holding' is held in the dematerialized form;
 - examined the Notice issued and confirmed that the preferential issue of equity shares of the Bank shall be made fully paid up at the time of allotment;
 - examined the Notice issued and confirmed that the special resolution for proposed preferential issue of equity shares of the Bank is included in the same;
 - enquired with the management of the Bank and obtained representation to

confirm that the Bank has adhered to conditions for continuous listing of equity shares as specified in the listing agreement with the stock exchanges where the equity shares of the issuer is listed; and

- verified that the Bank has obtained Permanent Account Number ('PAN') of the proposed allottees except for those allottees which are exempted from specifying their Permanent Account Number (PAN) for transacting in the securities market.
- b) We have verified the statement of computation of Minimum Price for the proposed Preferential Issue calculated based on the pricing formula prescribed under Regulation 164(4) of the SEBI Regulations.
- c) We have read the Notice and verified that the following disclosures have been made in accordance with Regulation 163(1) of the SEBI Regulations in the Notice:
- the objects of the preferential issue;
 - the maximum number of equity shares to be issued;
 - the intent of the promoters, directors or key managerial personnel of the issuer to subscribe to the offer;
 - the shareholding pattern of the issuer before and after the preferential issue;
 - the time frame within which the preferential issue shall be completed;
 - the identity of the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and/or who ultimately control the proposed allottees and the percentage of post preferential issue capital that may be held by them and change in control in the issuer consequent to the preferential issue except in the case of listed company, mutual fund, scheduled commercial bank, Insurance company registered with the Insurance Regulatory and Development Authority of India where the regulation exempts disclosure of ultimate beneficial owner of such proposed allottees;
 - disclosures specified in Schedule VI, if the issuer or any of its promoters or directors is a willful defaulter.
10. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.
11. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the 'Guidance Note') issued by the Institute of Chartered Accountants of India (the 'ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
12. We have complied with the relevant applicable requirements of the Standard on Quality Control ('SQC') 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements".

Conclusion

13. Based on the procedures performed as mentioned above and information, explanations and representations provided by the Bank, nothing has come to our attention that causes us to believe that the details of the Preferential Issue provided in the Statement are not in accordance with the requirements of the ICDR Regulations, as applicable to the preferential issue of equity shares by the Bank.

Restriction of use

14. This certificate is addressed to and provided to the Bank solely for the purpose of further submission to the Annual General Meeting of shareholders considering the Preferential Issue, to comply with the requirement of aforementioned ICDR Regulations and should not be used by any other person or for any other purpose. Accordingly, our certificate should not be quoted or referred to in any other document or made available to any other person or persons without our prior written consent. Also, we neither accept nor assume any duty or liability for any other purpose or to any other party to whom our certificate is shown or into whose hands it may come without our prior written consent.

For Borkar and Muzumdar

Chartered Accountants
(FRN 101569W)

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Devang Vaghani
Partner
(Membership No. 109386)

Place: Mumbai
UDIN: 21109386AAAAFO2367
Date: 28.06.2021

For Varma and Varma

Chartered Accountants
(FRN 004532S)

Vijay
Narayan
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Vijay Narayan Govind
Partner
(Membership No. 203094)

Place : Kochi
UDIN: 21203094AAAABK9063
Date: 28.06.2021

Annexure A

Statement of compliance with the conditions prescribed under the provisions of Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "ICDR Regulations"), to the extent applicable to the Preferential Issue

1. Calculation of Minimum Issue Price per equity share as prescribed under the ICDR regulations.

Deemed date of passing of Special Resolution by the Members of The Federal Bank Limited (the "Bank"): July 9, 2021

Relevant Date as per Regulation 161(a) of the ICDR Regulations (i.e., the date 30 days prior to the deemed date of passing of the Special Resolution by the Members of the Bank) : June 9, 2021.

For Issuance of Equity Shares on Preferential basis to Qualified Institutional Buyers

Average of weekly high and low of the volume weighted average price of the Equity Shares of the Bank quoted on the National Stock Exchange of India Limited (which had the highest trading volume in respect of Equity Shares) during the last two weeks preceding the relevant date, i.e., June 9, 2021, in accordance with Regulation 164(4) of the ICDR Regulations is set out below:

					Rs
Week	From	To	High	Low	Average
Week 1	May 26 2021	June 1 2021	88.54	85.99	87.27
Week 2	June 2 2021	June 8 2021	88.31	86.69	87.50
				Average*	87.39

*Average of 2 weeks high and low of the volume weighted average price: 87.39

Applicable minimum price per equity share: Rs. 87.39

2. Bank's compliance with the other requirements under ICDR Regulations

The Bank confirms its compliance with the conditions and requirements (including any disclosure requirements) set out under ICDR Regulations.

In particular, for the purpose of complying with such requirements of the ICDR Regulations:

(a) With respect to conditions specified in Regulation 159 & 160 of the SEBI Regulations, the bank has undertaken the following procedures to confirm the compliance with required conditions:

- obtained requisite undertaking from the proposed allottees to ensure that they have not sold or transferred any equity shares of the Bank during the six months preceding the relevant date of June 9, 2021.
- obtained confirmation from the Registrar and Transfer Agent (ie., Integrated Registry Management Services Private Limited) to verify the 'pre-preferential holding' of equity shares of the Bank held by the proposed allottees, if any and such 'pre-preferential holding' is held in the dematerialized form. No such 'pre-preferential holding' of equity shares of the Bank were held by the proposed allottees.

- specifically mentioned in the notice issued by it to ensure that the Preferential Issue of Equity Shares shall be made fully paid-up at the time of allotment and the Equity Shares issued in the preferential allotment shall be held in dematerialised form,
 - confirmed in the notice issued by it that it has adhered to conditions for continuous listing of Equity Shares as specified in the listing agreement with the stock exchanges where the equity shares are listed.
 - verified Permanent Account Number of each of the proposed investors/allotees except those allottees which are exempted from specifying their Permanent Account Number (PAN) for transacting in the securities market.
- (b) With respect to conditions specified in Regulation 163 (1) of the ICDR regulations, the bank has specifically made the following disclosures in the notice:
- the objects of the preferential issue;
 - lock in of share allotted pursuant to preferential issue;
 - the maximum number of equity shares to be issued;
 - Intent of the directors or key managerial personnel of the bank to subscribe to the preferential issue;
 - the shareholding pattern of the bank before and after the preferential issue;
 - the time frame within which the preferential issue shall be completed;
 - the identity of the natural persons who are the ultimate beneficial owners of the equity shares proposed to be allotted and/or who ultimately control the proposed investors/allotees and the percentage of post preferential issue capital that may be held by them and change in control in the bank consequent to the preferential issue except in the case of listed company, mutual fund, schedule commercial bank, insurance company registered with the Insurance Regulatory and Development Authority of India where the regulation exempts disclosure of ultimate beneficial owner of such proposed investor/allotees;
 - Other required disclosures
- (c) The Bank also confirms that the equity shares are frequently traded shares as per regulation 164(5) of the ICDR Regulations.
- (d) In relation to the disclosure requirement of regulation 163(1)(i) of the ICDR Regulations, the Bank has confirmed in the Notice that, neither the Bank's name nor the name of any of its Directors is appearing in the list of wilful defaulters categorised by any bank or financial institution or consortium thereof in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India nor have they been identified as fugitive economic offenders as per the Fugitive Economic Offenders Act, 2018, as amended.

- (e) With respect to compliance with regulation 164(4) of the ICDR Regulations, the number of such proposed investors/allottees is not exceeding 5 (five) and the Bank has obtained confirmation from the legal counsel of the proposed investors/allottees to ensure that each of the proposed investors/allottees is a "qualified institutional buyer" in terms of regulation 2(ss) of the ICDR regulations, which was independently verified by the Bank with the NSDL FPI portal.

For The Federal Bank Limited
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Date: 2021.06.27
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Samir P Rajdev
VP & Company Secretary

Date: 27-06-2021



28/6/2021



28/6/2021