

Ref No: 02/SE/CS/JUN/2024-25

Date: June 14, 2024

To,

Listing Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	Listing & Compliance Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor Plot No.C/1, “G” Block Bandra- Kurla Complex Bandra(E), Mumbai- 400051
BSE Scrip Code: 544020	NSE Symbol: ESAFSFB

Dear Sir / Madam,

Sub: Outcome of the Board Meeting – Reduction of Concentration of Business Correspondents

Pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015 (“**Listing Regulations**”), we hereby inform you that the Board of Directors of ESAF Small Finance Bank Limited (“**the Bank**”) at its meeting held on June 14, 2024, has taken a strategic decision to reduce concentration on individual business correspondents. As a result, it was decided to discontinue certain specific part of the existing scope of business correspondent services being provided by M/s. ESAF Swasraya Multi State Agro Co-operative Society Limited (“**ESMACO**”), the largest business correspondent and one of the promoter group entities of the Bank. Such discontinuance will be executed on an arm’s length basis and is in the ordinary course of business of the Bank. ESMACO was managing 54.53% of the gross advances and specifically 74.20% of the gross advances by all Business Correspondents of the Bank as on March 31, 2024.

The shareholders of the Bank vide resolution passed in its 07th annual general meeting dated December 29, 2023, had approved the availing of business correspondent services from ESMACO whether by way of any extension or modification or existing contracts/ arrangement/ transactions or otherwise from time to time notwithstanding the fact that, on any day from the date of the 07th annual general meeting up to the date of the 08th annual general meeting may exceed the limits specified under the SEBI regulations provided that, such contracts/ arrangements/ transactions are carried out on arm’s length basis and in the ordinary course of business of the Bank.

Objective

This decision is part of the Bank’s strategy to mitigate concentration risk associated with reliance on a single business correspondent and to bring the business operations in-house. This move aligns with our risk management and operational efficiency objectives for further improving our control and visibility on these operations.

ESAF SMALL FINANCE BANK LIMITED


RBI License No.: MUM 124, CIN: U65990KL2016PLC045669


Registered & Corporate Office: ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur - Palakkad National Highway, Thrissur - 680 651, Kerala.

Ph. No: 0487 7123456, 123457, Email: customercare@esafbank.com www.esafbank.com

Key Details:

1. Business Distribution

 **Pre-Discontinuation:** ESMACO, as the Bank's business correspondent, handled approximately 54.53% of the Bank's gross advances and 74.20% of its gross advances by all Business Correspondents as on March 31, 2024. Further, the percentage of gross advances managed by all of Bank's business correspondents cumulatively was 73.49% as on March 31, 2024.

 **Post-Discontinuation:** Following the discontinuation of a specific part of the scope of business correspondent services that was provided by ESMACO, the Bank will directly manage such services. Further, such discontinuation will reduce the contribution of ESMACO to the management of the Bank's gross advances by 39.63% and such portion will be redistributed internally for direct management. Consequently, the business of the Bank managed by ESMACO will be reduced to 14.90% of the Bank's gross advances. Further, the Bank shall be managing 66.14% of the gross advances directly and the percentage of gross advances managed by all its business correspondents cumulatively will be reduced to 33.86%.

2. Absorption of Employees of ESMACO

The Board of Directors of the Bank has also accorded its approval for absorbing the employees of ESMACO, who were working as part of such scope of business correspondent arrangement that will be discontinued including certain selected supervisory, support and business operations staff, to ensure uninterrupted and continuous service to the customers, for a one-time consideration, based on the approval communicated by ESMACO. The employees absorbed from ESMACO will be granted continuity of services, and the Bank will continue to employ the transferred employees on terms and conditions no less favourable than the conditions applicable to them in ESMACO, to the extent possible. This absorption will be subject to obtaining consent from each of the employees separately by complying with all applicable laws.

3. Timeline

The discontinuation of the specific part of the scope of business correspondent services of ESMACO will be effective from end of business hours on June 30, 2024. The identified employees of ESMACO as mentioned above will be moved to the rolls of the Bank with effect from July 01, 2024. We have taken all necessary measures to ensure a smooth transition without any service disruption.

4. Financial Implications

The discontinuation of scope of services is not expected to have a material adverse financial impact on the bank.

We remain committed to maintaining high service standards and operational efficiency throughout this transition. We assure that the Bank is dedicated to transparency and upholding the highest standards of corporate governance.

The Board Meeting commenced at 11.00 AM and concluded at 02.15 PM. You are requested to take note of the above.

The above intimations are also being made available on the website of the Bank at www.esafbank.com.

Thanking you,

Yours Faithfully

For ESAF Small Finance Bank Limited

Ranjith Raj. P
Company Secretary and Compliance Officer