

Axis Bank Limited

Disclosure pursuant to Regulation 14 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

Disclosure under Guidance Note on Accounting for Employee Share Based Payments

Employee Stock Options Scheme ('the Scheme')

Pursuant to the approval of the shareholders in February 2001, the Bank approved an Employee Stock Option Scheme under which eligible employees are granted an option to purchase shares subject to vesting conditions. Over the period till March 2023, pursuant to the approval of the shareholders, the Bank approved ESOP schemes for options aggregating 315,087,000 that vest in a graded manner over 3 years. The options can be exercised within five years from the date of the vesting as the case may be. Within the overall ceiling of 315,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is authorized to issue options to eligible employees and Whole Time Directors (including those of subsidiary companies).

294,895,841 options have been granted under the Schemes till the previous year ended 31 March, 2022. Pursuant to the approval of the Nomination and Remuneration Committee on 22 March 2022 the Bank granted 1,66,25,592 stock options (each option representing entitlement to one equity share of the Bank) to eligible employees/directors of the Bank/subsidiary companies at a grant price of ₹725.90. Further, during FY 2022-23, the Bank granted stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees, the details of which are as under:

Date of grant	No. of options granted	Grant price (₹ per option)
15 July, 2022	85,000	668.25

Stock option activity under the Scheme for the year ended 31 March, 2023 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	44,279,611	306.54 to 804.80	609.26	4.29
Granted during the year	16,710,592	668.25 to 725.90	725.61	-
Forfeited during the year	(2,676,194)	469.90 to 757.10	693.10	-
Expired during the year	(102,145)	306.54 to 535.00	465.48	-
Exercised during the year	(7,104,176)	306.54 to 757.10	535.32	-
Outstanding at the end of the year	<u>51,107,688</u>	433.10 to 804.80	653.48	4.37
Exercisable at the end of the year	35,119,021	469.90 to 804.80	620.49	3.46

The weighted average share price in respect of options exercised during the year was ₹838.11.

Stock option activity under the Scheme for the year ended 31 March, 2022 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	3,81,09,654	306.54 to 757.10	544.21	4.22

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Granted during the year	1,38,98,988	697.10 to 804.80	727.80	-
Forfeited during the year	(16,71,547)	469.90 to 757.10	645.30	-
Expired during the year	(58,300)	306.54 to 535.00	484.45	-
Exercised during the year	(59,99,184)	306.54 to 757.10	461.82	-
Outstanding at the end of the year	4,42,79,611	306.54 to 804.80	609.26	4.29
Exercisable at the end of the year	3,04,58,322	306.54 to 757.10	589.02	3.36

The weighted average share price in respect of options exercised during the year was ₹740.25

Fair Value Methodology

In line with RBI clarification on Guidelines on Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function Staff on 30 August, 2021, the Bank has changed its accounting policy from the intrinsic value method to the fair value method for all share-linked instruments granted after 31 March, 2021 and consequently recognized the fair value of options computed using the Black-Scholes model, without reducing estimated forfeitures, as compensation expense over the vesting period. During the year, the Bank has recognised ESOP compensation cost of ₹252.65 crore for options granted to employees of the Bank and recovered ₹32.87 crore from subsidiaries in respect of options granted to their employees and deputed staff.

The impact on reported net profit and EPS in respect of options granted prior to 31 March 2021 considering the fair value based method as prescribed in the Guidance Note on 'Accounting for Employee Share-based Payments' issued by the Institute of Chartered Accountants of India is given below:

	31 March, 2023	31 March, 2022
Net Profit (as reported) (₹ in crores)	9,579.68	13,025.48
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores)	(16.01)	(61.90)
Net Profit (Proforma) (₹ in crores)	9,563.67	12,963.58
Earnings per share: Basic (in ₹)		
As reported	31.17	42.48
Proforma	31.12	42.27
Earnings per share: Diluted (in ₹)		
As reported	31.02	42.35
Proforma	31.01	42.17

No cost has been incurred by the Bank in respect of ESOPs granted prior to 31 March, 2021 to the employees of the Bank and employees of subsidiaries which are valued under the intrinsic value method

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2023	31 March, 2022
Dividend yield	0.26%-0.43%	0.43%-0.64%
Expected life	2.95-4.95 years	2.28-4.28 years
Risk free interest rate	5.46% to 7.13%	4.71% to 5.67%
Volatility	30.95% to 33.02%	30.91% to 33.93%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2023 is ₹240.34 (previous year ₹209.47).

Pursuant to the approval of the Shareholders in January 2023, the Bank approved the 'Axis Bank Employees Stock Unit Scheme, 2022' under which the Bank is authorized to grant Units not exceeding 5,00,00,000 (Five crore) in number in aggregate, to or for benefit of 'Eligible Employees' in accordance with applicable SEBI Regulations, with each such Unit(s) exercisable into equity share(s) of the Bank subject to vesting conditions. The Units vest in a graded manner over 3 years and can be exercised within five years from the date of the vesting at an exercise price as determined in accordance with applicable laws at the time of grant and on such terms and conditions as contained in the Scheme.

On 24 March, 2023, the Nomination and Remuneration Committee of the Board of Directors of the Bank has approved the grant of upto 1,31,00,000 stock options and grant of upto 32,00,000 stock units to eligible employees, there have been no allotments of options/units under this grant. Accordingly, these options/units have not been considered in the above disclosure.

Diluted EPS

Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share' for FY 2022-23 is ₹31.02 per share.

Scheme Specific Disclosures

i) General Disclosures:

Description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS –

Sr. No.	Particulars	Disclosure
a.	Date of shareholder's approval	24 February, 2001; 18 June, 2004; 2 June 2006; 6 June 2008; 8 June 2010; 19 July 2013; 17 January 2019 and 30 July 2021.

Sr. No.	Particulars	Disclosure
b.	Total number of options approved under ESOS	315,087,000 stock options representing 315,087,000 equity shares of ₹2/- each
c.	Vesting requirements	The options have a graded vesting schedule and vest over a period of 3 years (30%, 30% and 40%). The vesting is subject to vesting conditions.
d.	Exercise price or pricing formula	For options granted on and after 10 June 2005, the grant price considered is the latest available closing price of the equity shares prevailing on the Stock Exchange which recorded higher trading volume, on the day prior to the date of approval of grant by the NRC/Board of Directors of the Bank, as the case may be.
e.	Maximum term of options granted	Eight years from the date of grant (Three years of vesting and Five years of exercise period from the date of respective vesting)
f.	Source of shares (primary, secondary or combination)	Primary
g.	Variation in terms of options	No

ii) Method used for accounting of ESOS (Intrinsic or fair value): Fair Value for options granted after 31 March 2021 and intrinsic for earlier grants.

iii) Where the company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on profits and on EPS of the Bank is as below:

Sr. No.	Particulars	Disclosure
a.	Increase in the employee compensation cost computed at fair value over the cost computed using intrinsic cost method	16.01 crores
b.	Net Profit, if the employee compensation cost had been computed at fair value	9563.67 crores
c.	Basic EPS, if the employee compensation cost had been computed at fair value	31.12
d.	Diluted EPS, if the employee compensation cost had been computed at fair value	31.01

iv) Option movement during 2022-23:

Particulars	ESOS 2000-01
Number of options outstanding at the beginning of the year	44,279,611
Number of options granted during the year	16,710,592
Number of options forfeited during the year	(2,676,194)
Number of options expired during the year	(102,145)
Number of options exercised during the year	(7,104,176)
Number of options outstanding at the end of the year	51,107,688
Number of options vested during the year	1,22,12,809
Number of shares arising as a result of exercise of options	7,104,176

Particulars	ESOS 2000-01
Money realized by exercise of options during the year (₹ crores)	380.30
Number of options exercisable at the end of the year	35,119,021
Loan repaid by the Trust during the year from exercise price	N.A.

v) Weighted-average exercise prices and weighted-average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock:

Sr. No.	Particulars	Disclosure
a.	Weighted average exercise price of the options whose: <ul style="list-style-type: none"> ▪ exercise price equals market price ▪ exercise price exceeds market price ▪ exercise price is less than market price 	Weighted average exercise price of the options whose: <ul style="list-style-type: none"> Exercise price equals market price: ₹ 725.61 Nil Nil
b.	Weighted average fair value of the options whose: <ul style="list-style-type: none"> ▪ exercise price equals market price ▪ exercise price exceeds market price ▪ exercise price is less than market price 	Weighted average fair value of the options whose: <ul style="list-style-type: none"> Exercise price equals market price: ₹240.34 Nil Nil

vi) Employee wise details of options granted during fiscal 2023:

Sr. No	Particulars	Name of employee	Designation of employee	No. of options granted during the year	Exercise Price
1	Details of grants to senior managerial personnel	Amitabh Chaudhry	Managing Director & CEO	3,69,014	725.90
		Rajiv Anand	Deputy Managing Director	2,48,783	725.90
		Puneet Sharma	Chief Financial Officer	2,00,000	725.90
		Ravi Narayanan	Group Executive	2,00,000	725.90
		Ganesh Sankaran	Group Executive	1,68,200	725.90
		Subrat Mohanty	Group Executive	2,06,500	725.90

Sr. No	Particulars	Name of employee	Designation of employee	No. of options granted during the year	Exercise Price
		Neeraj Gambhir	Group Executive	1,65,200	725.90
		Munish Sharda	Group Executive	89,281	725.90
		Sumit Bali	Group Executive	1,85,000	725.90
		Prashant Joshi	Group Executive	85,000	725.90
		Deepak Maheshwari* (Upto 30-04-2022)	Group Executive	56,200	725.90
		Rajkamal Vempati	President	1,05,000	725.90
		Bimal Bhattacharyya	President	65,000	725.90
		Amit Talgeri	President	78,000	725.90
		Vineet Agrawal	President	52,000	725.90
2	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	No option granted more than 5% or more of the option granted during the year			
3	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	Nil			

* Ceased to be Group Executive of the Bank with effect from the close of business hours on 30 April, 2022

vii) A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2023	31 March, 2022
Dividend yield	0.26%-0.43%	0.43%-0.64%
Expected life	2.95-4.95 years	2.28-4.28 years
Risk free interest rate	5.46% to 7.13%	4.71% to 5.67%
Volatility	30.95% to 33.02%	30.91% to 33.93%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.