

Axis Bank Limited

Employee Stock Option Schemes (ESOSs) Disclosure Pursuant to Regulation 14 of SEBI (Share Based Employee Benefits) Regulation, 2014

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 2019, pursuant to the approval of the shareholders, the Bank approved an ESOP scheme for options aggregating 265,087,000 that vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 265,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to eligible employees and Whole Time Directors of the subsidiary companies.

253,158,700 options have been granted under the Scheme till the previous year ended 31 March, 2018.

On 25 April, 2018, the Bank granted 5,825,000 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies at a grant price of ₹504.85 per option. Further, on 7 January, 2019, the Bank granted 630,000 stock options (each option representing entitlement to one equity share of the Bank) to its MD & CEO at a grant price of ₹619.60 per option.

Stock option activity under the Scheme for the year ended 31 March, 2019 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at on 1 April, 2018	29,554,909	217.33 to 535.00	432.45	4.22
Granted during the year	6,455,000	504.85 to 619.60	516.05	-
Forfeited during the year	(748,700)	306.54 to 535.00	500.67	-
Expired during the year	(22,400)	288.96	288.96	-
Exercised during the year	(5,105,935)	217.33 to 535.00	336.29	-
Outstanding as on 31 March, 2019	30,132,874	288.96 to 619.60	465.06	4.13
Exercisable as on 31 st March, 2019	17,138,224	288.96 to 535.00	436.22	2.87

The weighted average share price in respect of options exercised during the year ended 31 March, 2019 was ₹623.15.

Stock option activity under the Scheme for the year ended 31 March, 2018 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at on 1 April, 2017	29,711,124	217.33 to 535.00	383.16	3.98
Granted during the year	6,885,750	503.00	503.00	-
Forfeited during the year	(810,120)	306.54 to 535.00	470.15	-
Expired during the year	(57,910)	217.33 to 289.51	275.32	-
Exercised during the year	(6,173,935)	217.33 to 535.00	270.47	-
Outstanding as on 31 March, 2018	29,554,909	217.33 to 535.00	432.45	4.22
Exercisable as on 31 st March, 2018	16,062,159	217.33 to 535.00	378.40	2.85

The weighted average share price in respect of options exercised during the year ended 31 March, 2018 was ₹524.51.

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2019	31 March, 2018
Net Profit (as reported) (₹ in crores)	4,676.61	275.68
Add: Stock based employee compensation expense included in net income (₹ in crores)	-	-
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores)	(95.04)	(102.86)
Net Profit (Proforma) (₹ in crores)	4,581.57	172.82
Earnings per share: Basic (in ₹)		
As reported	18.20	1.13
Proforma	17.83	0.71
Earnings per share: Diluted (in ₹)		
As reported	18.09	1.12
Proforma	17.77	0.70

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, 2019	31 March, 2018
Dividend yield	0.76%	1.16%
Expected life	2.57-4.57 years	2.57-4.57 years
Risk free interest rate	7.07% to 7.63%	6.55% to 6.82%
Volatility	28.78% to 30.82%	31.80% to 33.56%

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, 2019 is ₹164.10 (previous year ₹155.53).

On 27 March, 2019, the Nomination and Remuneration Committee of the Board of Directors of the Bank has approved the grant of upto 10,500,000 stock options to eligible employees in FY 2019-20. As on March 31, 2019, there have no allotments of options under this grant. Accordingly, these options have not been considered in the above disclosure and for disclosure of proforma net profit and EPS under fair value method for FY 2018-19.

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 2018-19 is ₹18.09 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
1	Date of shareholder's approval	24.02.2001, 18.06.2004, 02.06.2006, 06.06.2008, 08.06.2010, 19.07.2013 and 17.01.2019
2	Total number of options approved under ESOS	265,087,000
3	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.
4	Exercise price or pricing formula	For options granted upto 29 th April 2004, Fixed Price i.e. the average of the daily high-low price of the Bank's equity shares traded during the 52 weeks preceding the date of approval of grant by the Board of Directors of the Bank/NRC, prevailing on the Stock Exchange which had the maximum trading volume of the Bank's equity share during the said period.

Sr. No.	Particulars	Disclosure
		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.
5	Maximum term of options granted	6/8 years from the date of grant (3 years of vesting and 3/5 years of exercise period from the date of respective vesting)
6	Source of shares (primary, secondary or combination)	Primary
7	Variation in terms of options	No
8	Method used for accounting of ESOS (Intrinsic or fair value)	Intrinsic Value Method
9	Fair Value Related Disclosure <ul style="list-style-type: none"> ▪ Increase in the employee compensation cost computed at fair value over the cost computed using intrinsic cost method ▪ Net Profit, if the employee compensation cost had been computed at fair value ▪ Basic EPS, if the employee compensation cost had been computed at fair value ▪ Diluted EPS, if the employee compensation cost had been computed at fair value 	₹ 95.04 crores ₹ 4,581.57 crores ₹ 17.83 per share ₹ 17.77 per share
10	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 stock options granted during the year is ₹516.05 Nil Nil
11	Weighted average fair value of the options whose: <ul style="list-style-type: none"> ▪ exercise price equals market price ▪ exercise price exceeds market price 	Weighted average fair value of the stock options granted during the year is ₹164.10 Nil

Sr. No.	Particulars	Disclosure
	▪ exercise price is less than market price	Nil

ii) Option movement during 2018-19:

Particulars	ESOS 2000-01
Number of options outstanding at the beginning of the year	29,554,909
Number of options granted during the year	6,455,000
Number of options forfeited during the year	(748,700)
Number of options expired during the year	(22,400)
Number of options exercised during the year	(5,105,935)
Number of options outstanding at the end of the year	30,132,874
Number of options vested during the year	1,076,065
Number of shares arising as a result of exercise of options	5,105,935
Money realized by exercise of options during the year (₹ crores)	171.71
Number of options exercisable at the end of the year	17,138,224
Loan repaid by the Trust during the year from exercise price	N.A.

iii) Employees details who were granted the options during financial year 2018-19:

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 (With effect from 01.01.2019)	630,000	619.60
		Shikha Sharma	Managing Director & CEO (Upto 31.12.2018)	NIL	N.A.
		V. Srinivasan	Deputy Managing Director (Upto 20.12.2018)	50,000	504.85
		Rajesh Kumar Dahiya	Executive Director	120,000	504.85
		Rajiv Anand	Executive Director	200,000	504.85
		Jairam Sridharan	Group Executive & Chief Financial Office	100,000	504.85
		Deepak Maheshwari	Group Executive	NIL	N.A.
		Ganesh Sankaran	Group Executive	NIL	N.A.

Sr. No	Particulars	Name of employee	Designation of employee	No. of options granted during the year	Exercise Price
		Sidharth Rath	Group Executive (Upto 30.09.2018)	NIL	N.A.
		Sundaresan Mahadevan	Group Executive (Upto 30.11.2018)	120,000	N.A.*
2	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	Amitabh Chaudhry	Managing Director & CEO (With effect from 01.01.2019)	630,000	619.60
3	Identified employees who were granted options, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank under the grant	Nil	Nil	-	-

*Options cancelled as on 31.03.2019 on account of separation.

iv) Accounting method and significant assumptions:

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, 2019	31 March, 2018
Dividend yield	0.76%	1.16%
Expected life	2.57-4.57 years	2.57-4.57 years
Risk free interest rate	7.07% to 7.63%	6.55% to 6.82%
Volatility	28.78% to 30.82%	31.80% to 33.56%

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.