

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 2022, 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 three years. The options can be exercised within five years from the date of the vesting. Within the overall ceiling of 315,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is authorised to issue options to eligible employees and Whole Time Directors (including those of the subsidiary companies).

280,996,853 options have been granted under the Schemes till the previous year ended 31 March, 2021. Pursuant to the approval of the Nomination and Remuneration Committee on 22 March, 2021 the Bank granted 13,465,988 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 726.25 per option. Further, during FY 2021-22, 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 (Rs. per option)
21 October, 2021	2,85,000	804.80
9 December, 2021	28,000	697.10

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

	Options outstanding	Range of exercise prices (Rs.)	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (Years)
Outstanding as on 1 April, 2021	3,81,09,654	306.54 to 757.10	544.21	4.22
Granted during the year	1,37,78,988	697.10 to 804.80	727.82	-
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 as on 31 March, 2022	4,41,59,611	306.54 to 804.80	608.94	4.29
Exercisable as on 31 March, 2022	3,04,22,322	306.54 to 757.10	589.02	3.36

The weighted average share price in respect of options exercised during the year ended 31 March, 2022 was Rs. 740.25.

Stock option activity under the Scheme for the year ended 31 March, 2021 is set out below:

	Options outstanding	Range of exercise prices (Rs.)	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (Years)
Outstanding as on 1 April, 2020	3,26,65,885	306.54 to 757.10	557.01	4.15
Granted during the year	1,18,83,003	433.10 to 507.20	488.28	-
Forfeited during the year	(23,72,200)	306.54 to 757.10	624.49	-
Expired during the year	(34,876)	306.54	306.54	-
Exercised during the year	(40,32,158)	306.54 to 757.10	437.93	-
Outstanding as on 31 March, 2021	3,81,09,654	306.54 to 757.10	544.21	4.22
Exercisable as on 31 March, 2021	2,50,62,306	306.54 to 757.10	537.63	3.19

The weighted average share price in respect of options exercised during the year ended 31 March, 2021 was Rs. 653.77.

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 Rs. 129.79 crore for options granted to employees of the Bank and recovered Rs. 18.81 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, 2022	31 March, 2021
Net Profit (as reported) (Rs. in crores)	13,025.48	6,588.50
Less: Stock based employee compensation expense determined under fair value based method (proforma) (Rs. in crores)	(61.90)	(145.53)
Net Profit (Proforma) (Rs. in crores)	12,963.58	6,442.97
Earnings per share: Basic (in Rs.)		
As reported	42.48	22.15
Proforma	42.27	21.66
Earnings per share: Diluted (in Rs.)		
As reported	42.35	22.09
Proforma	42.17	21.61

No cost has been incurred by the Bank in respect of ESOPs granted prior to 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, 2022	31 March, 2021
Dividend yield	0.43%-0.64%	0.29%-0.64%
Expected life	2.28-4.28 years	2.28-4.28 years
Risk free interest rate	4.71% to 5.67%	4.28% to 6.20%
Volatility	30.91% to 33.93%	28.87% to 31.88%

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, 2022 is Rs. 209.47 (previous year Rs. 143.45).

On 22 March, 2022, the Nomination and Remuneration Committee of the Board of Directors of the Bank has approved the grant of upto 1,75,00,000 stock options to eligible employees. As on 31 March, 2022, there have been no allotments of options under this grant. Accordingly, these options 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 2021-22 is Rs. 42.35 per share.

Scheme Specific Disclosures

i) 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.
b.	Total number of options approved under ESOS	315,087,000 stock options representing 315,087,000 equity shares of Rs. 2/- each.
c.	Vesting requirements	The options have a graded vesting schedule and vest over a period of three years (30%, 30% and 40%) from the date of grant. 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

Sr. No.	Particulars	Disclosure
		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	61.90 crores
b.	Net Profit, if the employee compensation cost had been computed at fair value	12,963.58 crores
c.	Basic EPS, if the employee compensation cost had been computed at fair value	42.27
d.	Diluted EPS, if the employee compensation cost had been computed at fair value	42.17

iv) Option movement during 2021-22:

Particulars	ESOS 2000-01
Number of options outstanding at the beginning of the year	3,81,09,654
Number of options granted during the year	1,37,78,988
Number of options forfeited during the year	(16,71,547)
Number of options expired during the year	(58,300)
Number of options exercised during the year	(59,99,184)
Number of options outstanding at the end of the year	4,41,59,611
Number of options vested during the year	67,40,947
Number of shares arising as a result of exercise of options	59,99,184
Money realized by exercise of options during the year (Rs. crores)	277.05
Number of options exercisable at the end of the year	3,04,22,322
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: Rs. 727.82 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: Rs. 209.47 Nil Nil

vi) Employee wise details of options granted during fiscal 2022:

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	4,12,938	726.25
		Rajiv Anand	Deputy Managing Director	2,73,571	726.25
		Rajesh Dahiya*	Executive Director (upto 31.12.2021)	2,41,516	726.25
		Puneet Sharma	Chief Financial Officer	2,35,000	726.25
		Sandeep Poddar	Company Secreatry	28,000	697.10
		Ravi Narayanan	Group Executive	1,90,000	726.25
		Ganesh Sankaran	Group Executive	1,55,000	726.25
		Deepak Maheshwari	Group Executive	1,25,000	726.25

Sr. No	Particulars	Name of employee	Designation of employee	No. of options granted during the year	Exercise Price
		Subrat Mohanty	Group Executive	95,000	726.25
		Neeraj Gambhir	Group Executive	1,70,000	726.25
		Munish Sharda	Group Executive	2,85,000	804.80
		Sumit Bali	Group Executive	1,65,000	726.25
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 Executive Director (Corporate Centre) and KMP of the Bank with effect from the close of business hours on 31 December, 2021

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, 2022	31 March, 2021
Dividend yield	0.43%-0.64%	0.29%-0.64%
Expected life	2.28-4.28 years	2.28-4.28 years
Risk free interest rate	4.71% to 5.67%	4.28% to 6.20%
Volatility	30.91% to 33.93%	28.87% to 31.88%

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.