

## 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')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 65,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. Further, over the period June 2004 to July 2013, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 175,087,000. The options 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 240,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

239,119,950 options have been granted under the Scheme till the previous year ended 31 March, 2016.

On 26<sup>th</sup> April, 2016, the Bank granted 7,153,000 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees (including the MD & CEO and employees of certain subsidiaries of the Bank) at a grant price of ₹469.90 per option.

**Stock option activity under the Scheme for the year ended 31 March, 2017 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, 2016	<b>35,527,310</b>	<b>217.33 to 535.00</b>	<b>327.56</b>	<b>3.33</b>
Granted during the year	7,153,000	469.90	469.90	-
Forfeited during the year	(690,050)	217.33 to 535.00	455.72	-
Expired during the year	(74,853)	217.33 to 289.51	257.56	-
Exercised during the year	(12,204,283)	217.33 to 535.00	268.81	-
Outstanding as on 31 March, 2017	<b>29,711,124</b>	<b>217.33 to 535.00</b>	<b>383.16</b>	<b>3.98</b>
Exercisable as on 31 <sup>st</sup> March, 2017	15,934,524	217.33 to 535.00	319.45	2.41

The weighted average share price in respect of options exercised during the year ended 31 March, 2017 was ₹507.67.

**Stock option activity under the Scheme for the year ended 31 March, 2016 is set out below:**

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding as on 1 April, 2015	<b>41,829,791</b>	<b>100.65 to 306.54</b>	<b>269.17</b>	<b>3.13</b>
Granted during the year	7,144,500	486.25 to 535.00	532.95	-
Forfeited during the year	(970,750)	100.65 to 535.00	350.00	-
Expired during the year	(166,604)	100.65 to 289.51	218.92	-
Exercised during the year	(12,309,627)	100.65 to 306.54	248.05	-
Outstanding as on 31 March, 2016	<b>35,527,310</b>	<b>217.33 to 535.00</b>	<b>327.56</b>	<b>3.33</b>
Exercisable as on 31 March, 2016	19,856,810	217.33 to 306.54	268.07	1.74

The weighted average share price in respect of options exercised during the year ended 31 March, 2016 was ₹495.51.

**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, 2017	31 March, 2016
<b>Net Profit (as reported) (₹ in crores)</b>	<b>3,679.28</b>	8,223.66
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)	<b>(101.47)</b>	(103.06)
<b>Net Profit (Proforma) (₹ in crores)</b>	<b>3,577.81</b>	8,120.60
<b>Earnings per share: Basic (in ₹)</b>		
As reported	<b>15.40</b>	34.59
Proforma	<b>14.97</b>	34.16
<b>Earnings per share: Diluted (in ₹)</b>		
As reported	<b>15.34</b>	34.40
Proforma	<b>14.92</b>	33.98

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:

	<b>31 March, 2017</b>	31 March, 2016
Dividend yield	<b>1.29%</b>	1.40%
Expected life	<b>2.57-4.57 years</b>	2.57-4.57 years
Risk free interest rate	<b>7.15% to 7.39%</b>	7.61% to 7.78%
Volatility	<b>32.92% to 35.75%</b>	34.85% to 36.51%

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, 2017 is ₹153.66 (previous year ₹178.22).

### **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 2016-17 is ₹15.34 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 –

<b>Sr. No.</b>	<b>Particulars</b>	<b>Disclosure</b>
1	Date of shareholder's approval	24.02.2001, 18.06.2004, 02.06.2006, 06.06.2008, 08.06.2010 and 19.07.2013
2	Total number of options approved under ESOS	240,087,000
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 <sup>th</sup> 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.  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

Sr. No.	Particulars	Disclosure
		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"> <li>▪ Increase in the employee compensation cost computed at fair value over the cost computed using intrinsic cost method</li> <li>▪ Net Profit, if the employee compensation cost had been computed at fair value</li> <li>▪ Basic EPS, if the employee compensation cost had been computed at fair value</li> <li>▪ Diluted EPS, if the employee compensation cost had been computed at fair value</li> </ul>	₹ 101.47 crores  ₹3,577.81 crores  ₹14.97 per share  ₹14.92 per share
10	Weighted average exercise price of the options whose: <ul style="list-style-type: none"> <li>▪ exercise price equals market price</li> <li>▪ exercise price exceeds market price</li> <li>▪ exercise price is less than market price</li> </ul>	Weighted average exercise price of the stock options granted during the year is ₹469.90  Nil  Nil
11	Weighted average fair value of the options whose: <ul style="list-style-type: none"> <li>▪ exercise price equals market price</li> <li>▪ exercise price exceeds market price</li> <li>▪ exercise price is less than market price</li> </ul>	Weighted average fair value of the stock options granted during the year is ₹153.66  Nil  Nil

ii) Option movement during 2016-17:

Particulars	Separately for each ESOS
Number of options outstanding at the beginning of the year	<b>35,527,310</b>
Number of options granted during the year	7,153,000
Number of options forfeited during the year	(690,050)
Number of options expired during the year	(74,853)
Number of options exercised during the year	(12,204,283)
Number of options outstanding at the end of the year	<b>29,711,124</b>
Number of options vested during the year	8,431,000
Number of shares arising as a result of exercise of options	12,204,283
Money realized by exercise of options during the year (₹ crores)	328.07
Number of options exercisable at the end of the year	15,934,524
Loan repaid by the Trust during the year from exercise price	N.A.

iii) Employees details who were granted the options during financial year 2016-17:

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	Shikha Sharma	Managing Director & CEO	900,000	469.90
		V. Srinivasan	Deputy Managing Director	500,000	469.90
		Rajesh Kumar Dahiya	Executive Director	200,000	469.90
		Rajiv Anand	Executive Director	230,000	469.90
		Jairam Sridharam	Group Executive & Chief Financial Officer	140,000	469.90
		Sidharth Rath	Group Executive	125,000	469.90
2	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	Shikha Sharma	Managing Director & CEO	900,000	469.90
		V. Srinivasan	Deputy Managing Director	500,000	469.90

Sr. No	Particulars	Name of employee	Designation of employee	No. of options granted during the year	Exercise Price
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	None	None	-	-

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:

	<b>31 March, 2017</b>	31 March, 2016
Dividend yield	<b>1.29%</b>	1.40%
Expected life	<b>2.57-4.57 years</b>	2.57-4.57 years
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Volatility	<b>32.92% to 35.75%</b>	34.85% to 36.51%

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