

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 ('ESOS')

Pursuant to the approval of the shareholders of the Bank at the Extraordinary General Meeting held in February 2001, the Bank had approved ESOS. Under the said ESOS, the Bank was authorized to grant upto 65,000,000 stock options to eligible employees/ directors of the Bank. The eligible employees/ directors are granted an option to purchase equity shares of the Bank, subject to vesting conditions as set out in the ESOS. Further, pursuant to the approval of the shareholders of the Bank at Annual General Meetings held during the period June 2004 up to July 2013, the Bank approved several ESOS for grant of 175,087,000 stock options. The said stock options vest in a graded manner over a period of 3 years. The said stock options can be exercised within a period of three/five years from the date of respective vesting. Within the overall ceiling of 240,087,000 stock options approved for grant by the shareholders of the Bank, as aforesaid, the Bank is also authorised to issue the said stock options to eligible employees and directors of its subsidiary companies.

231,975,450 options have been granted under the said ESOS, as on 31st March 2015.

On 29th April 2015, the Bank granted 6,844,500 stock options (each stock option representing entitlement to one equity share of ₹2/- each of the Bank) to its eligible employees/directors of the Bank/ subsidiary companies at a price of ₹535.00 per stock option.

On 10th September 2015, the Bank granted 300,000 stock options (each stock option representing entitlement to one equity share of ₹2/- each of the Bank) to one of its Whole Time Directors at a price of ₹486.25 per stock option.

The details of stock options granted, exercised, forfeited and expired during the financial year ended 31st 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 st April 2015	41,829,791	100.65 to 306.54	269.17	3.13
Granted during the year	7,144,500	486.25 & 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 st March 2016	35,527,310	217.33 to 535.00	327.56	3.33
Exercisable as on 31 st 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 31st March 2016 was ₹495.51.

The details of stock options granted, exercised, forfeited and expired during the financial year ended 31st March 2015, is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding as on 1 st April 2014	54,227,780	100.65 to 289.51	244.45	2.44
Granted during the year	9,922,500	306.54	306.54	-
Forfeited during the year	(293,290)	100.65 to 306.54	253.57	-
Expired during the year	(727,765)	100.65 to 242.96	209.14	-
Exercised during the year	(21,299,434)	100.65 to 289.51	225.90	-
Outstanding as on 31 st March 2015	41,829,791	100.65 to 306.54	269.17	3.13
Exercisable as on 31 st March 2015	21,204,291	100.65 to 289.51	256.34	1.57

The weighted average share price in respect of options exercised during the year ended 31st March 2015 was ₹444.13.

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:

	31st March 2016	31st March 2015
Net Profit (as reported) (₹ in crore)	8,223.66	7,357.82
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)	(103.06)	(90.26)
Net Profit (Proforma) (₹ in crore)	8,120.60	7,267.56
Earnings per share: Basic (in ₹)		
As reported	34.59	31.18
Proforma	34.16	30.80
Earnings per share: Diluted (in ₹)		
As reported	34.40	30.85
Proforma	33.98	30.49

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:

	31st March 2016	31st March 2015
Dividend yield	1.40%	1.32%
Expected life	2.57-4.57 years	2.57-4.57 years
Risk free interest rate	7.61% to 7.78%	8.62% to 8.78%
Volatility	34.85% to 6.51%	35.77% to 38.01%

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 share prices on the National Stock Exchange Limited, 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 31st March 2016 is ₹178.22 (previous year ₹109.72).

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 2015-16 is ₹34.40 per equity 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 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. 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 daily high – low price of the shares of the Bank traded during the 52 weeks preceding the date of grant on the stock exchange which had the maximum trading volume of the Bank's share during that period. For options granted on and after 10 June 2005, the grant price considered is the latest available closing market price as on the day preceding the date of the grant on the stock exchange which had the maximum trading volume of the Bank's share on that date.
5	Maximum term of options granted	6/8 years from the date of grant (3 years of vesting and 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 	₹103.06 crore ₹8,120.60 crore ₹34.16 per share

Sr. No.	Particulars	Disclosure
	<ul style="list-style-type: none"> ▪ Diluted EPS, if the employee compensation cost had been computed at fair value 	₹33.98 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 ₹532.95 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 ▪ exercise price is less than market price 	Weighted average fair value of the stock options granted during the year is ₹178.36 Nil Nil

ii) Option movement during the financial year 2015-16:

Particulars	
Number of options outstanding as on 1 st April 2015	41,829,791
Number of options granted during the year	7,144,500
Number of options forfeited during the year	970,750
Number of options expired during the year	166,604
Number of options exercised during the year	12,309,627
Number of options outstanding as on 31 st March 2016	35,527,310
Number of options vested during the year	11,049,730
Number of shares arising as a result of exercise of options	179,012,776
Money realized by exercise of options during the year (₹ crores)	305.34
Number of options exercisable at the end of the year	19,856,810
Loan repaid by the Trust during the year from exercise price	NA

iii) Employees details who were granted the options during the year:

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	₹535.00
		V. Srinivasan	Deputy Managing Director	500,000	₹535.00

Sr. No	Particulars	Name of employee	Designation of employee	No. of options granted during the year	Exercise Price
		Sanjeev Kumar Gupta@	Executive Director (Corporate Centre) & CFO	300,000 300,000	₹535.00 ₹486.25
		Rajesh Kumar Dahiya	Group Executive & Head HR	125,000	₹535.00
		Rajiv Anand	Group Executive (Retail Banking)	200,000	₹535.00
		P. Mukherjee*	Group Executive (CRG & IB)	150,000	₹535.00
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	₹535.00
		V. Srinivasan	Deputy Managing Director	500,000	₹535.00
		Sanjeev Kumar Gupta@	Executive Director (Corporate Centre) & CFO	300,000 300,000	₹535.00 ₹486.25
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	-	-

@ Retired with effect from the close of business hours of 18th March 2016

* Resigned with effect from the close of business hours of 21st January 2016

iv) Accounting method and 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 st March 2016	31 st March 2015
Dividend yield	1.40%	1.32%
Expected life	2.57-4.57 years	2.57-4.57 years
Risk free interest rate	7.61% to 7.78%	8.62% to 8.78%
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Exchange Limited, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.