

Axis Bank Limited

Disclosure pursuant to Reg. 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/Units Scheme

Over the period till March 2024, pursuant to the approval of the shareholders, the Bank has framed Employee Stock Option Schemes (ESOS) for options aggregating 315,087,000 that vest in a graded manner over 3 to 4 years, subject to vesting conditions. The options can be exercised within five years from the date of the vesting. Further, pursuant to the approval of the shareholders in January 2023, the Bank also framed an Employee Stock Units (ESUs) Scheme aggregating to 50,000,000 units, under which eligible employees are granted an option to purchase shares that vest in a graded manner over 3 years, subject to vesting conditions. The units can be exercised within five years from the date of the vesting. Within the respective overall ceilings of options/units, the Bank is authorised to issue options/units to eligible employees and Whole Time Directors (including those of subsidiary companies and Associate entity).

311,606,433 options have been granted under the ESOS till the previous year ended 31 March, 2023. Pursuant to the approval of the Nomination and Remuneration Committee on 24 March, 2023 the Bank granted 12,699,280 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 ₹848.80 per option and 2,704,077 ESUs at grant price of ₹2 per ESU. Further, during FY 2023-24, the Bank granted stock options (each option representing entitlement to one equity share of the Bank), the details of which are as under:

| Date of grant | No. of options granted | Grant price (₹ per option) |
|---------------|------------------------|----------------------------|
| 30 May, 2023 | 6,598 | 929.80 |

Stock option activity under the Scheme for the year ended 31 March, 2024 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 | 51,107,688 | 433.10 to 804.80 | 653.48 | 4.37 |
| Granted during the year | 12,705,878 | 848.80 to 929.80 | 848.84 | - |
| Forfeited during the year | (1,829,116) | 469.90 to 848.80 | 756.94 | - |
| Expired during the year | (82,360) | 469.90 to 535.00 | 505.43 | - |
| Exercised during the year | (9,702,642) | 433.10 to 848.80 | 574.29 | - |
| Outstanding at the end of the year | 52,199,448 | 469.90 to 929.80 | 712.34 | 4.27 |
| Exercisable at the end of the year | 37,480,122 | 469.90 to 929.80 | 678.79 | 3.46 |

The weighted average share price in respect of options exercised during the year was ₹1,003.21.

Stock units activity under the Scheme for the year ended 31 March, 2024 is set out below:

| | Units outstanding | Exercise price (₹) | Weighted average exercise price (₹) | Weighted average remaining contractual life (Years) |
|---|-------------------|--------------------|-------------------------------------|---|
| Outstanding at the beginning of the year | - | - | - | - |
| Granted during the year | 2,704,077 | 2.00 | 2.00 | - |
| Forfeited during the year | (154,116) | 2.00 | 2.00 | - |
| Expired during the year | - | - | - | - |
| Exercised during the year | (15,721) | 2.00 | 2.00 | - |
| Outstanding at the end of the year | 2,534,240 | 2.00 | 2.00 | 6.09 |
| Exercisable at the end of the year | 749,823 | 2.00 | 2.00 | 4.98 |

The weighted average share price in respect of units exercised during the year was ₹1,044.23.

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 | 51,107,688 | 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

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 compensation cost of ₹400.70 crores for options/units granted to employees of the Bank and recovered ₹53.86 crores from subsidiaries in respect of options/units 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:

| | | |
|---|---|----------------------------|
| Net Profit (as reported) (₹ in crores) | 31 March, 2024 24,861.43 | 31 March, 2023 9,579.68 |
| Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores) | - | (16.01) |
| Net Profit (Proforma) (₹ in crores) | 24,861.43 | 9,563.67 |
| Earnings per share: Basic (in ₹) | | |
| As reported | 80.67 | 31.17 |
| Proforma | 80.67 | 31.12 |
| Earnings per share: Diluted (in ₹) | | |
| As reported | 80.10 | 31.02 |
| Proforma | 80.10 | 31.01 |

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 subsidiaries which are valued under the intrinsic value method.

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

| | 31 March, 2024 | | 31 March, 2023 | |
|-------------------------|------------------|------------------|------------------|------|
| | ESOP | ESU | ESOP | ESU |
| Dividend yield | 0.26% | 0.26% | 0.26%-0.43% | N.A. |
| Expected life | 2.95-5.95 years | 1-3 years | 2.95-4.95 years | N.A. |
| Risk free interest rate | 6.79% to 7.17% | 6.94% to 7.12% | 5.46% to 7.13% | N.A. |
| Volatility | 29.90% to 38.27% | 25.28% to 31.99% | 30.95% to 33.02% | N.A. |

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, 2024 is ₹297.95 (previous year ₹240.34).

The weighted average fair value of units granted during the year ended 31 March, 2024 is ₹842.45 (previous year: Not Applicable).

Diluted EPS

Diluted Earnings Per Share pursuant to issue of shares on exercise of options/units calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share' for FY 2023-24 is ₹ 80.10 per share.

Scheme Specific Disclosures

i) General Disclosures:

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

| Sr. No. | Particulars | Disclosure |
|---------|--|--|
| a. | Date of shareholder's approval | ESOS: 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. ESU : 16 January 2023 |
| b. | Total number of options approved under ESOS/ESU | 315,087,000 stock options representing 315,087,000 equity shares of ₹2/- each 50,000,000 stock units representing 50,000,000 equity shares of ₹2/- each |
| c. | Vesting requirements | The ESOP/ESU have a graded vesting schedule and vest over a period of 3 to 4 years. 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. The exercise price for stock units shall be as determined by the Nomination & Remuneration Committee (NRC) of the Board and specified at the time of grant which shall not be less than the face value of the equity shares of the Bank (subject to any fair and reasonable adjustments thereto that may be made by the NRC on account of corporate actions of the Bank in order to comply with the SEBI (SBEB & SE) Regulations). |
| e. | Maximum term of options/units granted | Eight/Nine years from the date of grant (Three/four 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/Units | No |

ii) Method used for accounting of ESOS/ESUs (Intrinsic or fair value): Fair Value method for options/units granted after 31 March 2021 and Intrinsic Value method 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 | NIL |

| Sr. No. | Particulars | Disclosure |
|---------|--|-------------------|
| b. | Net Profit, if the employee compensation cost had been computed at fair value | ₹24,861.43 crores |
| c. | Basic EPS, if the employee compensation cost had been computed at fair value | ₹80.67 |
| d. | Diluted EPS, if the employee compensation cost had been computed at fair value | ₹80.10 |

iv) ESOP/ESU movement during 2023-24:

| Particulars | ESOP | ESU |
|--|-------------|-----------|
| Number of options/units outstanding at the beginning of the year | 51,107,688 | - |
| Number of options/units granted during the year | 12,705,878 | 2,704,077 |
| Number of options/units forfeited during the year | (1,829,116) | (154,116) |
| Number of options/units expired during the year | (82,360) | - |
| Number of options/units exercised during the year | (9,702,642) | (15,721) |
| Number of options/units outstanding at the end of the year | 52,199,448 | 2,534,240 |
| Number of options/units vested during the year | 12,062,945 | 749,736 |
| Number of shares arising as a result of exercise of options/units | 9,702,642 | 15,721 |
| Money realized by exercise of options/units during the year (₹ crores) | 557.21 | 0.00* |
| Number of options/units exercisable at the end of the year | 37,480,122 | 749,823 |
| Loan repaid by the Trust during the year from exercise price | N.A. | N.A. |

* amount less than Rs. 50,000/-

v) Weighted-average exercise prices and weighted-average fair values of options/units 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/units 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"> ESOP (Exercise price equals market price): ₹848.84 Nil ESU (Exercise price is less than market price): ₹2.00 |
| b. | Weighted average fair value of the options/units 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"> ESOP (Exercise price equals market price): ₹297.95 Nil ESU (Exercise price is less than market price): ₹842.45 |

vi) Employee wise details of options granted during fiscal 2024:

| Sr. No | Particulars | Name of employee | Designation of employee | No. of options/units granted during the year | Exercise Price |
|----------------|--|---------------------|---|--|----------------|
| 1 | Details of grants to senior managerial personnel | Amitabh Chaudhry | Managing Director & CEO | 3,13,300 | 848.80 |
| | | Rajiv Anand | Deputy Managing Director | 2,11,562 | 848.80 |
| | | Puneet Sharma | Chief Financial Officer | 1,70,000 | 848.80 |
| | | Ravi Narayanan | Group Executive (Ceased to be Group Executive of the Bank with effect from the close of business hours on 22 nd March 2024) | 1,70,000 | 848.80 |
| | | Ganesh Sankaran | Group Executive | 1,70,000 | 848.80 |
| | | Subrat Mohanty | Executive Director | 2,00,000 | 848.80 |
| | | Neeraj Gambhir | Group Executive | 1,70,000 | 848.80 |
| | | Munish Sharda | Executive Director | 1,80,000 | 848.80 |
| | | Sumit Bali | Group Executive | 1,00,000 | 848.80 |
| | | Prashant Joshi | Group Executive | 1,10,000 | 848.80 |
| | | Arjun Chowdhry | Group Executive | 1,30,000 | 848.80 |
| | | Rajkamal Vempati | President | 1,00,000 | 848.80 |
| | | Bimal Bhattacharyya | President | 65,000 | 848.80 |
| | | Amit Talgeri | President | 80,000 | 848.80 |
| | | Vineet Agrawal | President | 80,000 | 848.80 |
| Sandeep Poddar | Company Secretary | 10,000 | 848.80 | | |
| | | | | 3,520 | 2.00 |
| 2 | Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year | Nil | | | |
| 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 | | | |

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, 2024 | | 31 March, 2023 | |
|-------------------------|-------------------------|-------------------------|-----------------------|------------|
| | ESOP | ESU | ESOP | ESU |
| Dividend yield | 0.26% | 0.26% | 0.26%-0.43% | N.A. |
| Expected life | 2.95-5.95 years | 1-3 years | 2.95-4.95 years | N.A. |
| Risk free interest rate | 6.79% to 7.17% | 6.94% to 7.12% | 5.46% to 7.13% | N.A. |
| Volatility | 29.90% to 38.27% | 25.28% to 31.99% | 30.95% to 33.02% | N.A. |

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.