

Issue Terms

Issue Terms dated 14 November 2014

Alfa Bond Issuance plc (the "Issuer")

Issue of U.S.\$250,000,000 9.5 per cent. Loan Participation Notes due 2025
by Alfa Bond Issuance plc
for the purpose of financing a Subordinated Loan to Open Joint Stock Company "ALFA-BANK"
under a U.S.\$5,000,000,000 Programme for the Issuance of Loan Participation Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 11 November 2014 and incorporated by reference in relation to the Notes only into a series 2 prospectus dated 14 November 2014 which constitutes a base prospectus for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). These Issue Terms of the Notes modify and complete the Conditions in relation to the Notes described herein only. References in the Conditions to "Notes" shall be deemed to be references to the Notes described herein for the purposes of these Issue Terms of the Notes.

1	(i) Issuer:	Alfa Bond Issuance plc
	(ii) Borrower:	Open Joint Stock Company "ALFA-BANK"
2	(i) Series Number:	2
3	Specified Currency or Currencies:	U.S. Dollars
4	Aggregate Nominal Amount of Notes admitted to trading:	U.S.\$250,000,000
5	Issue Price:	100 per cent. of the Aggregate Nominal Amount
6	(i) Specified Denominations:	U.S.\$200,000 plus higher integral multiples of U.S.\$1,000 thereafter
	(ii) Calculation Amount:	U.S.\$1,000
7	(i) Issue Date:	18 November 2014
	(ii) Interest Commencement Date:	18 November 2014
8	Maturity Date:	18 February 2025
9	Notes Interest Basis:	9.5 per cent. Fixed Rate until the Reset Date (as defined in the Subordinated Loan Agreement) and at the relevant Rate of Interest (determined in accordance with Clause 5 of the Subordinated Loan Agreement) thereafter (further particulars specified in paragraph 15 below)
10	Redemption/Payment Basis:	Redemption at par subject to the application of any Write Down Measure pursuant to Condition 6.6 (<i>Write Down</i>)
11	(i) Status and Form of the Notes:	Senior, Registered

(ii)	Status of the Subordinated Loan:	Subordinated
(iii)	Date Board approval for issuance of the Notes obtained from the Issuer:	13 November 2014
12	Method of distribution:	Syndicated
13	Financial Centres (Condition 7):	Dublin, New York City, Moscow and London
14	Currency Exchange Option:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE UNDER THE NOTES

15	Fixed Rate Note Provisions:	Applicable
(i)	Rates of Interest:	9.5 per cent. per annum payable semi-annually in arrear until the Reset Date (as defined in the Subordinated Loan Agreement) and at the relevant Rate of Interest (determined in accordance with Clause 5 of the Loan Agreement) thereafter
(ii)	Interest Payment Date(s):	18 February and 18 August in each year commencing on 18 February 2015. There will be a short first Interest Period from and including the Interest Commencement Date to, but excluding 18 February 2015
(iii)	Fixed Coupon Amount(s):	U.S.\$47.50 per Calculation Amount until the Reset Date (as defined in the Subordinated Loan Agreement) other than for the first Interest Payment Date, and an amount per Calculation Amount determined in accordance with Clause 5 of the Loan Agreement thereafter subject to the application of any Write Down Measure pursuant to Condition 6.6 (<i>Write Down</i>)
(iv)	Broken Amount:	The amount of interest payable in respect of the short first Interest Period from and including the Issue Date to, but excluding, 18 February 2015 will be U.S.\$23.75 per Calculation Amount
(v)	Day Count Fraction:	30/360
(vi)	Determination Date:	The second Business Day immediately preceding the Reset Date
16	Floating Rate Note Provisions:	Not Applicable
17	Put Option	Not Applicable
18	Call Option	Applicable
(i)	Optional Redemption Date(s):	Reset Date
(ii)	Optional Redemption Amount(s) of each	U.S.\$1,000 per Calculation Amount plus

Note and method, if any, of calculation of such amount(s) accrued interest and additional amounts, if any, subject to the application of any Write Down Measure pursuant to Condition 6.6 (*Write Down*)

(iii) If redeemable in a part: Not Applicable

PROVISIONS RELATING TO REDEMPTION

19 Final Redemption Amount of each Note: U.S.\$1,000 per Calculation Amount subject to the application of any Write Down Measure pursuant to Condition 6.6 (*Write Down*)

20 Early Redemption Amount(s) of each Note payable if the Subordinated Loan should become repayable under the Subordinated Loan Agreement prior to the Maturity Date: U.S.\$1,000 per Calculation Amount plus accrued interest and additional amounts, if any, subject to the application of any Write Down Measure pursuant to Condition 6.6 (*Write Down*)

DISTRIBUTION

21 (i) If syndicated, names of Managers: Goldman Sachs International, J.P. Morgan Securities plc, Merrill Lynch International, UBS Limited and Open Joint Stock Company “ALFA-BANK”

(ii) Stabilising Manager(s) (if any): J.P. Morgan Securities plc

22 If non-syndicated, name of Dealer: Not Applicable

23 U.S. Selling Restrictions: Reg. S Compliance Category 2
Rule 144A 3(c)(7) Eligible

GENERAL

24 The aggregate principal amount of the Notes issued has been translated into U.S. dollars at the rate of •, producing a sum of (for the Notes not denominated in U.S. dollars): Not Applicable

RESPONSIBILITY

The Issuer and Alfa-Bank accept responsibility for the information contained in these Issue Terms.

SIGNED by a duly authorised attorney of
ALFA BOND ISSUANCE PLC

By:
Name:
Title:

For and on behalf of
OPEN JOINT STOCK COMPANY “ALFA-BANK”

By:
Name:
Title:

PART B – OTHER INFORMATION**1 LISTING**

- | | | |
|-------|---|--|
| (i) | Listing: | Ireland |
| (ii) | Admission to trading: | Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and trading on its regulated market with effect from 18 November 2014. |
| (iii) | Estimate of total expenses related to admission to trading: | U.S.\$3,000 |

2 RATINGS

Ratings:	It is expected that the Notes will be rated: Fitch Ratings CIS Limited: BB+
----------	--

Fitch Ratings CIS Limited is established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**") and is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The ESMA is obliged to maintain on its website, www.esma.europa.eu/page/List-registered-and-certified-CRAs, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. The ESMA website is not incorporated by reference into, nor does it form part of, this Series Prospectus. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under

the CRA Regulation. Therefore such a list is not conclusive evidence if the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

4 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER

Save as discussed in “*Subscription and Sale*” in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

5 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

The proceeds from the offering of the Notes will be used by the Issuer for the sole purpose of financing the Subordinated Loan. The proceeds of the Subordinated Loan, expected to be U.S.\$250,000,000 before taking into account commissions and expenses, will be included into tier 2 capital of Alfa Bank. Total commissions and expenses relating to the offering of the Notes are expected to be approximately U.S.\$1.53 million.

6 YIELD

Indication of yield:	9.5 per cent. per annum
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield

7 INFORMATION

ISIN Code (Regulation S Notes):	XS1135611652
Common Code (Regulation S Notes):	113561165
ISIN Code (144A Notes):	US01538RAE99
Common Code (144A Notes):	098266909
CUSIP Code:	01538R AE9

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking <i>societe anonyme</i> and DTC and the relevant identification number(s):	Not Applicable
--	----------------

Delivery:	Delivery against payment
-----------	--------------------------

Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
---	----------------

8 THE SUBORDINATED LOAN

Terms of the Subordinated Loan

(i) Subordinated Loan:	U.S.\$250,000,000
(ii) Date of Drawdown:	18 November 2014

- (iii) Repayment Date: 18 February 2025
- (iv) Governing Law: English law

Interest

The Subordinated Loan is a Fixed Rate Loan. Interest shall be calculated as set out below:

Fixed Rate Loan Provisions

- (i) Interest Commencement Date: 18 November 2014
- (ii) Rate of Interest: 9.5 per cent. per annum payable semi-annually in arrear until the Reset Date (as defined in the Subordinated Loan Agreement) and at the relevant Rate of Interest (determined in accordance with Clause 5 of the Loan Agreement) thereafter
- (iii) Interest Payment Date(s): 18 February and 18 August in each year commencing on 18 February 2015. There will be a short first Interest Period from and including the Interest Commencement Date to, but excluding 18 February 2015
- (iv) Fixed Amount(s): U.S.\$47.50 per Calculation Amount until the Reset Date (as defined in the Subordinated Loan Agreement) other than for the first Interest Payment Date, and an amount per Calculation Amount determined in accordance with Clause 5 of the Loan Agreement thereafter subject to the application of any Write Down Measure pursuant to Condition 6.6 (Write Down)
- (v) Broken Amount: The amount of interest payable in respect of the short first Interest Period from and including the Issue Date to, but excluding, 18 February 2015 will be U.S.\$23.75 per Calculation Amount
- (vi) Day Count Fraction: 30/360
- (vii) Determination Date(s): The second Business Day immediately preceding the Reset Date