

Issue Terms

Issue Terms dated 1 November 2016

Alfa Bond Issuance plc (the "Issuer")

Issue of Series 4 U.S.\$400,000,000 8.00 per cent. Perpetual Loan Participation Notes
by Alfa Bond Issuance plc
for the purpose of financing a Subordinated Loan to 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 12 October 2016 and incorporated by reference in relation to the Notes only into a series 4 prospectus dated 1 November 2016 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:	Joint Stock Company "ALFA-BANK"
2	Series Number:	4
3	Specified Currency or Currencies:	U.S. Dollars ("U.S.\$")
4	Aggregate Nominal Amount of Notes admitted to trading:	U.S.\$400,000,000
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:	3 November 2016
	(ii) Interest Commencement Date:	3 November 2016
8	Maturity Date:	No established maturity date
9	Notes Interest Basis:	8.00 per cent. Fixed Rate until the First 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 of Board approval for issuance of the Notes obtained by the Issuer:	28 October 2016
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:	8.00 per cent. per annum payable quarterly in arrear until the First 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):	3 February, 3 May, 3 August and 3 November in each year commencing on 3 February 2017.
	(iii)	Fixed Coupon Amount(s):	U.S.\$20 per Calculation Amount until the First Reset Date (as defined in the Subordinated Loan Agreement), and an amount per Calculation Amount determined in accordance with Clause 5 of the Loan Agreement thereafter subject to any cancellation of interest pursuant to Condition 5 (<i>Interest</i>) or the application of any Write Down Measure pursuant to Condition 6.6 (<i>Write Down</i>)
	(iv)	Broken Amount:	Not Applicable
	(v)	Day Count Fraction:	30/360
	(vi)	Determination Date:	The second Business Day immediately preceding each Reset Date
16		Floating Rate Note Provisions:	Not Applicable
17		Put Option	Not Applicable
18		Call Option	Applicable
	(i)	Optional Redemption Date(s):	First Reset Date or any Interest Payment Date after the First Reset Date (as defined in the Subordinated Loan Agreement)
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation	U.S.\$1,000 per Calculation Amount plus accrued interest and additional amounts, if

of such amount(s)

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 Redemption Amount(s) of each Note payable if the Subordinated Loan should become repayable under the Subordinated Loan Agreement: 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

20 (i) If syndicated, names of Managers: UBS Limited and Joint Stock Company "ALFA-BANK"

(ii) Stabilising Manager(s) (if any): UBS Limited

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

22 U.S. Selling Restrictions: Reg. S Compliance Category 2

GENERAL

23 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
JOINT STOCK COMPANY "ALFA-BANK"

By:

Alexei Tchoukhlov

Deputy Chairman of the Executive Board, Chief Financial Officer, Member of the Executive Board

PART B – OTHER INFORMATION**1 LISTING**

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|-------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (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 3 November 2016. |
| (iii) | Estimate of total expenses related to admission to trading: | €5,000 |

2 RATINGS

Ratings: It is expected that the Notes will be rated:
Fitch Ratings CIS Limited: B

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, these Issue Terms. 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 of 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.\$400,000,000 before taking into account commissions and expenses, will be included into Additional Tier 1 Capital of Alfa Bank. Total commissions and expenses relating to the offering of the Notes are expected to be approximately U.S.\$978,007.17 million.

6 YIELD

Indication of yield:	8.00 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:	XS1513741311
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Common Code:	151374131
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Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking <i>societe anonyme</i> and the relevant identification number(s):	Not Applicable
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Delivery:	Delivery against payment
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Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
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8 THE SUBORDINATED LOAN

Terms of the Subordinated Loan

(i) Subordinated Loan:	U.S.\$400,000,000
(ii) Date of Drawdown:	3 November 2016
(iii) Repayment Date:	No established repayment date
(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

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|-------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) | Interest Commencement Date: | 3 November 2016 |
| (ii) | Rate of Interest: | 8.00 per cent. per annum payable quarterly in arrear until the First 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): | 3 February, 3 May, 3 August and 3 November in each year commencing on 3 February 2017. |
| (iv) | Fixed Amount(s): | U.S.\$20 per Calculation Amount until the First Reset Date (as defined in the Subordinated Loan Agreement), and an amount per Calculation Amount determined in accordance with Clause 5 of the Loan Agreement thereafter subject to any cancellation of interest pursuant to Condition 5 (<i>Interest</i>) or the application of any Write Down Measure pursuant to Condition 6.6 (<i>Write Down</i>) |
| (v) | Broken Amount: | Not Applicable |
| (vi) | Day Count Fraction: | 30/360 |
| (vii) | Determination Date(s): | The second Business Day immediately preceding each Reset Date |