

Issue Terms dated 22 December 2016

Alfa Bond Issuance plc (the "Issuer")

Issue of Series 5 U.S.\$300,000,000 8.00 per cent. Perpetual Loan Participation Notes (the "**Further Notes**") to be consolidated and form a single series with Series 4 U.S.\$400,000,000 8.00 per cent. Perpetual Loan Participation Notes (the "**Original Notes**")

by Alfa Bond Issuance plc

for the purpose of financing a Further 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 Further Notes only into a series 5 prospectus dated 22 December 2016 which constitutes a base prospectus for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). These Issue Terms of the Further 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 Further Notes described herein for the purposes of these Issue Terms of the Further Notes.

1	(i) Issuer:	Alfa Bond Issuance plc
	(ii) Borrower:	Joint Stock Company "ALFA-BANK"
2	Series Number:	5
		The Further Notes will initially be represented by a Temporary Global Note (as defined below) and on 3 February 2017 (the " Global Note Exchange Date ") the Further Notes will be consolidated and form a single series with the Original Notes, provided that the Borrower receives the Increased Amount Final Conclusion (as such term is defined in the Supplemental Subordinated Loan Agreement) on or before 2 February 2017
3	Specified Currency or Currencies:	U.S. Dollars ("U.S.\$")
4	Aggregate Nominal Amount of Further Notes admitted to trading:	U.S.\$300,000,000
5	Issue Price:	101 per cent.
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:	23 December 2016
	(ii) Interest Commencement Date:	23 December 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).
		For the avoidance of doubt, no interest will be payable on the Further Notes or the Further Subordinated Loan on 3 February 2017 in respect of a period prior to the Issue Date.
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 Further Notes:	Senior, Registered
	(ii) Status of the Further Subordinated Loan:	Subordinated
	(iii) Date of Board approval for issuance of the Further Notes obtained by the Issuer:	20 December 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 FURTHER 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. For the avoidance of doubt, no interest will be payable on the Further Notes or the Further Subordinated Loan on 3 February 2017 in respect of a period prior to the Issue Date.
	(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) 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 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:	The amount of interest payable in respect of the short first Interest Period from and

		including the Issue Date of the Further Notes to, but excluding, 3 February 2017 will be U.S.\$8.89 per Calculation Amount
(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 Further Note and method, if any, of calculation of such amount(s)	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 (<i>Write Down</i>)
(iii)	If redeemable in a part:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

19	Redemption Amount(s) of each Further Note payable if the Further 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 (<i>Write Down</i>)
-----------	---	---

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 Further Notes issued has been translated into U.S. dollars at the rate of •, producing a sum of (for the Further 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:
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 Further Notes to be admitted to the official list and trading on its regulated market with effect from 23 December 2016. |
| (iii) | Estimate of total expenses related to admission to trading: | €5,000 |

2 RATINGS

- | | |
|----------|---|
| Ratings: | The Further Notes are expected to be rated:
Fitch Ratings CIS Limited: B |
| | The Original Notes are rated:
Fitch Ratings CIS Limited: B |

The Further Notes will be consolidated and form a single series with the Original Notes from and including 3 February 2017 provided that the Borrower receives the Increased Amount Final Conclusion (as such term is defined in the Supplemental Subordinated Loan Agreement) on or before 2 February 2017.

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 Further 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 Further Notes will be used by the Issuer for the sole purpose of financing the Further Subordinated Loan. The proceeds of the Further Subordinated Loan, expected to be U.S.\$300,000,000 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 Further Notes are expected to be approximately U.S.\$885,205.

6 YIELD

Indication of yield:

7.762 per cent. per annum

The yield is calculated at the Issue Date of the Further Notes on the basis of the Issue Price. It is not an indication of future yield

7 INFORMATION

The Further Notes will initially be represented by a temporary Global Note (the "**Temporary Global Note**")

The Further Notes initially represented by the Temporary Global Note will become fungible with the Original Notes on the Global Note Exchange Date (provided that the Borrower receives the Increased Amount Final Conclusion (as such term is defined in the Supplemental Subordinated Loan Agreement) on or before 2 February 2017), whereupon interests in the Temporary Global Note will be exchanged, without any need for further clarification, for interests in a permanent Global Note representing the Original Notes (the "**Permanent Global Note**"), described below.

Temporary Global Note ISIN Code:	XS1541072408
Temporary Global Note Common Code:	154107240
Permanent Global Note ISIN Code:	XS1513741311
Permanent Global Note Common Code:	151374131
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
Delivery:	Delivery against payment
Names and addresses of additional Paying Agent(s) (if any):	Not Applicable

8 THE FURTHER SUBORDINATED LOAN

Terms of the Further Subordinated Loan

(i) Further Subordinated Loan:	U.S.\$300,000,000
(ii) Date of Drawdown:	23 December 2016
(iii) Repayment Date:	No established repayment date
(iv) Governing Law:	English law

Interest

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

Fixed Rate Loan Provisions

(i) Interest Commencement Date:	23 December 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), other than for the first short Interest Period, 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) 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 any cancellation of interest pursuant to Condition 5 (<i>Interest</i>) or the application of any Write

- Down Measure pursuant to Condition 6.6
(Write Down)
- (v) Broken Amount: In respect of the Further Subordinated Loan, the amount of interest payable in respect of the short first Interest Period from and including the Interest Commencement Date to, but excluding, 3 February 2017 will be U.S.\$0.34 per Calculation Amount
- (vi) Day Count Fraction: 30/360
- (vii) Determination Date(s): The second Business Day immediately preceding each Reset Date