

**The Capital Markets Act
Chapter 485A of the Laws of Kenya**

Regulation 4(3) of the Capital Markets (Take-overs and Mergers) Regulations, 2002

British-American Investments Company (Kenya) Limited

(Incorporated in Kenya on 26 July 1995 under the Companies Act (CAP.486)) Company Number C.5/2012

PROPOSED ACQUISITION BY BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED OF 57,270,000 ORDINARY SHARES OF HOUSING FINANCE COMPANY OF KENYA LIMITED OWNED BY EQUITY BANK LIMITED UNDER A PRIVATE TRANSACTION

1. Introduction

Pursuant to regulation 4(3) of the Capital Markets (Take-overs & Mergers) Regulations, 2002 (the "Take-overs Regulations"), British-American Investments Company (Kenya) Limited ("Britam") hereby announces that on 30th June 2014, it served on Housing Finance Company of Kenya Limited ("Housing Finance") a notice of intention to acquire fifty seven million, two hundred and seventy thousand (57,270,000) ordinary shares ("Sale Shares") in the issued share capital of Housing Finance from Equity Bank Limited ("Equity Bank") (the "Proposed Acquisition").

2. The offeror

Britam is a public company listed on the Nairobi Securities Exchange Limited ("NSE") whose registered office is Britam Centre Mara/Ragati Road Junction, Upper Hill, P. O. Box 30375 - 00100 Nairobi, Kenya. Britam's principal subsidiaries include British American Insurance Company Kenya Limited, British American Asset Managers Limited, Bramer Properties Limited, Britam Asset Managers (Uganda) Limited, Britam Insurance Company (Uganda) Limited, Britam Insurance Company Limited (South Sudan) and Britam Insurance Company (Rwanda) Limited. Britam is also in the process of concluding the acquisition of 99% of the issued share capital of Real Insurance Company Limited.

3. The offeree

Housing Finance (Company Number C21/97) is a public company listed on the NSE whose registered office is Rehani House, Kenyatta Avenue/Koinange Street, P. O. Box 30088 - 00100 Nairobi, Kenya. Housing Finance has an authorized share capital of Kenya Shillings two billion, five hundred million (KES 2,500,000,000) divided into five hundred million (500,000,000) ordinary shares of Kenya Shillings five (KES 5) each.

As at 23rd June 2014, the issued share capital of Housing Finance was Kenya Shillings one billion, one hundred and fifty seven million (KES 1,157,000,000) divided into two hundred and thirty one million, four hundred thousand (231,400,000) ordinary shares of Kenya Shillings five (KES 5) each.

Some of the Housing Finance's employees' options under the ESOP matured in the current year. As at 23rd June 2014, employees with a total entitlement of 535,000 shares were yet to exercise their options. Therefore the share capital of the Company could increase by an additional 535,000 shares by 30th April 2015.

4. The vendor

Equity Bank (Company Number C.4/2005) is a public company listed on the NSE whose registered office is Equity Centre, Hospital Road, Upper Hill, P. O. Box 75104-00200, Nairobi, Kenya. Equity Bank is presently the legal and beneficial owner of the Sale Shares that are the subject of the Proposed Acquisition. The Sale Shares amount to 24.75% of the issued share capital of Housing Finance.

Upon the transfer of the Sale Shares to Britam, Equity Bank will cease to be a shareholder of Housing Finance.

5. Current Shareholding by Britam in Housing Finance

Britam has no direct shareholding in Housing Finance at present. Britam's current indirect shareholding in Housing Finance is set out below

Name of Party	Number of Shares	Percentage Ownership
British-American Insurance Company (Kenya) Limited (a wholly owned subsidiary of Britam) – see analysis below	49,348,545	21.32%
Through Britam's shareholding in Equity Bank Limited	5,779,363	2.50%
Total	55,127,908	23.82%

British American Insurance Company (Kenya) Limited owns its shares in Housing Finance as follows:

Name of Shareholder in Housing Finance	Number of Shares	Percentage
British American Insurance Company Kenya Limited	20,716,045	8.95%
Equity Nominees A/C 00104	28,602,000	12.36%
Equity Nominees A/C 0099	30,500	0.01%
Total	49,348,545	21.32%

Britam also holds three hundred and seventy three million, six hundred and sixty three thousand, two hundred and thirty 373,663,230 ordinary shares in the issued share capital of Equity Bank (amounting to 10.09% of Equity Bank's issued share capital). This stake translates into a further indirect shareholding of five million seven hundred and seventy nine thousand three hundred and sixty three (5,779,363) Shares of Housing Finance.

The following director(s) of Britam own shares in Housing Finance as set out below:

Name of Britam Director	Number of Shares held in Housing Finance
Benson Wairegi	30,000
Jimnah Mbaru	450,000

Below are details of directorships in Equity Bank and Housing Finance held by certain Britam Directors:

Name of Britam Director	Other relevant company in which Britam Director is a Director
Benson Wairegi	Housing Finance, Equity Bank
James Mwangi	Equity Bank
Peter K Munga	Housing Finance, Equity Bank

6. Proposed Acquisition

Britam proposes to acquire the Sale Shares from Equity Bank and upon the completion of the Proposed Acquisition, Britam will legally and beneficially directly and indirectly own a total of one hundred and six million, six hundred and eighteen thousand, five hundred and forty five (106,618,545) of the issued ordinary shares in Housing Finance amounting to 46.08% of the issued share capital.

7. Share Sale Agreement

Britam and Equity Bank have entered into a share sale agreement dated 30th June 2014 ("Share Sale Agreement") on which terms Equity Bank has accepted Britam's offer to purchase the Sale Shares and has agreed to sell the Sale Shares. Completion of the Proposed Acquisition will be subject to all the conditions set out in paragraph 12 having been met or (where capable of being waived) waived as legally permissible and the Share Sale Agreement being completed in accordance with its terms.

The salient conditions of the Share Sale Agreement are outlined in paragraph 12 below.

8. Completion

The completion date for the sale and purchase of the Sale Shares shall be the third business day after satisfaction of the last to be met of the conditions precedent as set out in paragraph 12 of this notice, or such later date as the parties may agree in writing ("Completion Date").

9. Consideration

The consideration for the Sale Shares shall be payable wholly in cash and in immediately available funds, without set off, counterclaim or deduction soon after the Completion Date.

To ensure that the consideration is determined transparently and that it reflects the market value of the Sale shares, the consideration will be determined at Completion on the basis of the VWAP of the shares of Housing Finance for the ninety (90) calendar days preceding the date of the share sale agreement plus a 10% (ten per cent) premium; together with a mechanism for a floor and a ceiling to take into account movements in the share price between the announcement of the proposed offer and Completion Date.

In this paragraph 9, VWAP means, in relation to the shares of Housing Finance, the volume weighted average price, which is a measure of the average price of the shares traded in any given period determined by calculating the ratio of the value of shares traded to total volume traded in the shares in such period.

10. Application for exemption from making a take-over offer

Pursuant to Regulation 5 of the Take-over Regulations, Britam shall submit an application for exemption from compliance with Regulation 4 of the Take-over Regulations on the grounds that such exemption shall facilitate the transfer of shares from one existing anchor shareholder of Housing Finance (Equity Bank) to another existing anchor shareholder (Britam) who has the financial and managerial capacity to support Housing Finance in delivering its long-term strategic objective of becoming a one-stop shop offering integrated solutions across the entire property value chain thereby serving the wider interests of the shareholders of Housing Finance and the public at large by ensuring that Housing Finance remains an independent listed entity.

11. Persons acting in concert, current holdings and agreements with holders of voting shares

Other than as envisaged in the Share Sale Agreement, there are no persons acting in concert with Britam and Britam does not have an option to acquire any additional shares in Housing Finance. Britam and Equity Bank have entered into the Share Sale Agreement.

12. Conditions

Completion of the Proposed Acquisition will be subject to fulfillment (or waiver at the discretion of either party where appropriate) of the conditions listed below:

- the approval or exemption where required, in terms reasonably satisfactory in substance and form to Britam, of the following:
 - the CMA approving the transfer of the Sale Shares as a private transfer pursuant to section 31(1A) of the Capital Markets Act and Regulation 57 of the Capital Markets (Licensing Requirements) (General) Regulations, 2002;
 - the Cabinet Secretary of the National Treasury of Kenya exempting Britam from the provisions of section 13 of the Banking Act pursuant to section 54 of the Banking Act;
 - the Central Bank of Kenya ("CBK") approving the transfer of the Sale Shares to Britam pursuant to section 13 (4) of the Banking Act;
 - the CBK certifying Britam and if required any shareholder of Britam, to be a 'fit and proper' person pursuant to section 9A(2) of the Banking Act;
 - Britam and Equity having received approval, from the Competition Authority of Kenya in accordance with the requirements of Part IV of the Competition Act (Act Number 12 of 2010, Laws of Kenya);
 - to the extent required by law for the implementation of the sale of the Sale Shares, any other approval of any relevant regulatory authority;
- no statute, regulation, decision, court ruling or order which would legally prohibit, restrict or materially delay the sale and purchase of the Sale Shares having been promulgated, enacted, come into force or taken by any third party, court or authority;
- there being no material adverse change (that is any reduction in the Housing Finance's consolidated shareholders' equity (excluding reserves for proposed dividends) reported in its monthly or quarterly unaudited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") to below KES 5,628,437,000 save that a reduction in reported shareholders' equity attributable to prior period adjustments necessitated by newly enacted IFRS shall be disregarded); and
- the warranties being provided under the Share Sale Agreement remaining true and accurate and not misleading in any material respect on the Completion Date.

Dated 1 July 2014

By order of the Board

For and on behalf of British-American Investments Company (Kenya) Limited

Mrs Nancy K. Kiruki
Company Secretary