Confidential & Proprietary

Linzi FinCo

LIAISON GROUP



BLENDED FINANCE

A CASE OF THE LINZI SUKUK

AUHF Conference

October 2025

Call To Action

INFRASTRUCTURE AS AN ENABLER

1. Roads, rails, bridges and ports
2. **Housing, settlement and sanitation**
3. Digital highways
4. Healthcare

Solving For Institutional Housing Via Blended Finance

Key for Government of Kenya economic transformation has been Housing

- Cuts across private/retail and institutional

Under institutional, GoK has earmarked provision of housing for its disciplined forces

- Target of more that 30,000 units over the next 5 years

GoK role is to provide long term cash flow, in exchange for short term capital injection from private sector

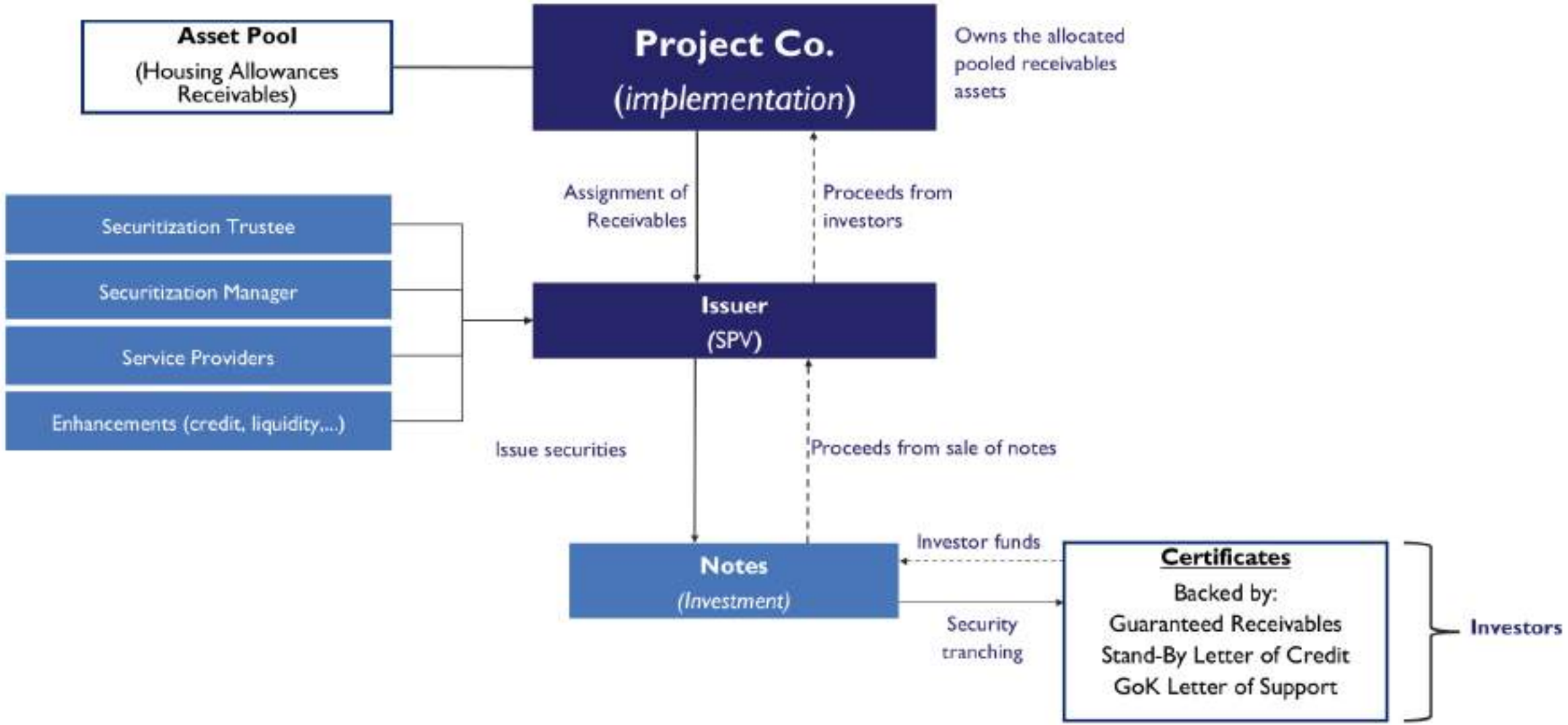
- As a pilot, GoK structured the delivery of 3,069 housing units under the Ministry of Defence

The project implantation is via the Public Private Partnership framework

- Enabling construction contract is an Engineering, Procuring, Construction and Finance (EPCF) finance, design, construct and commission the housing units under Build-and-Transfer (BT) basis

The government will provide additional security and guarantee instruments towards the successful funding of the housing units

The Implementation Structure



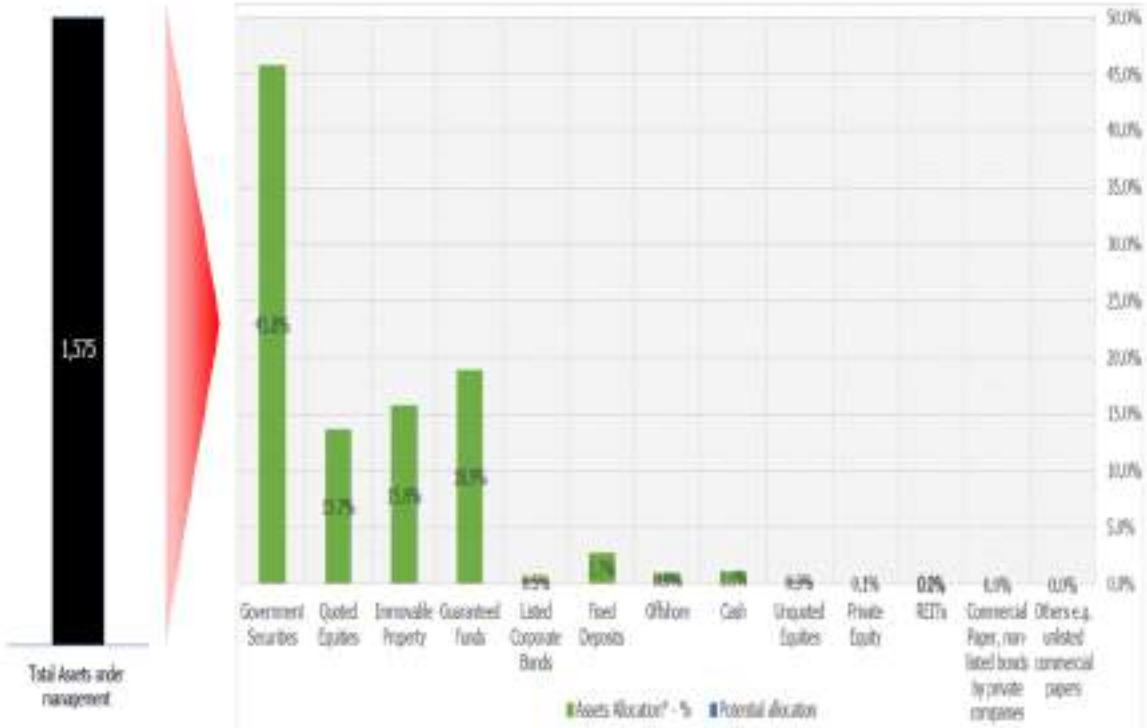
Investment Structure

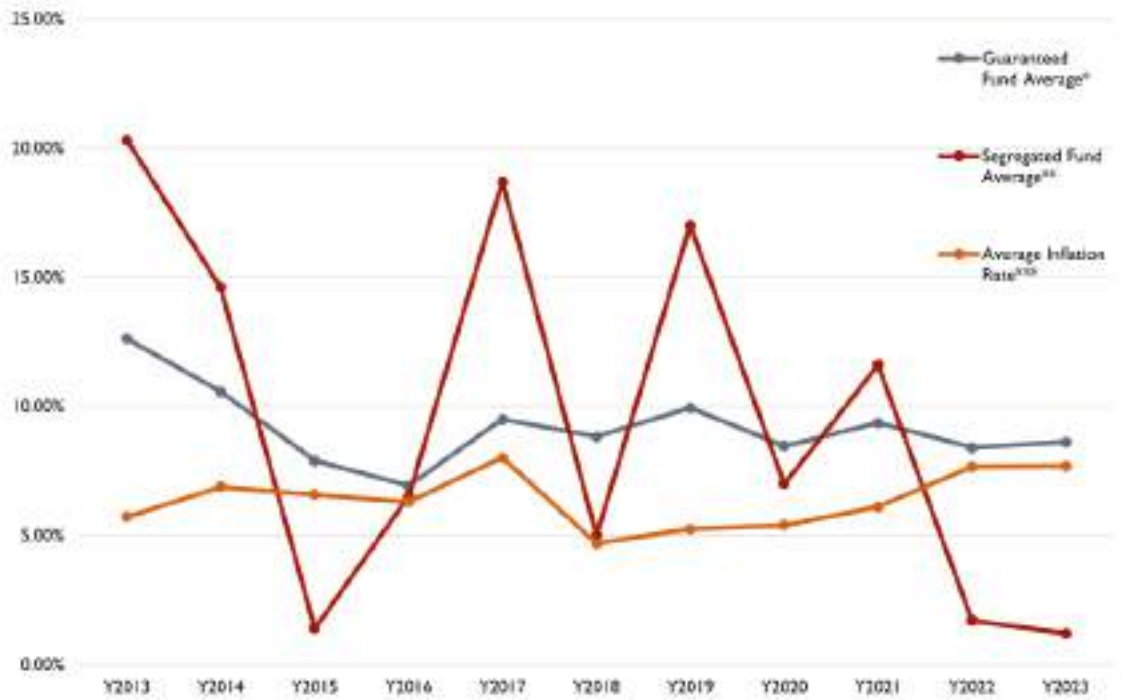
Issuer	Linzi FinCo Trust (Trust)
Capital Repayment Date	15 years After Issue
Deal Amount	KSh. 3,000,000,000
Description	Islamic Secured Residential Lease Based Security ("Linzi Sukuk") Based On Forward Lease Structure
Rating	A+
Dividend Pay-out	Quarterly, with principal amortized over the tenure
Dividend Moratorium	Two (2) years (Eight quarters), accrued
Target Returns	Internal rate of return of 11.13% per annum
Purpose	Fund the construction of 3,069 KDF Institutional Affordable Housing units
Deal Enhancement	a) Kenya government comfort / support letter; b) Escrow account; c) Stand By Letter of Credit; d) An assignment by way of security, both present and future arising in respect of the Assigned Receivables
No Other Business	The Issuer shall not conduct any other business other than the issue of the securities for the purpose of the Contractor amounts

Alternative Funding Provides A Diversification Tool

For more than a decade, pension industry has over placed its AUM on GoK papers. This has had an impact on returns, especially post-covid when rates skyrocketed. We have experienced a reversal, with capital flowing in to other assets as alternative investment and equities

Evolution of Pension Funds Allocation and Returns





Thank You

Address
3rd Floor, Liaison House, State House Avenue

Contacts:
+254 703 071 111/100/350

Email
info@liaisongroup.net

Website
www.liaisongroup.net; www.linzifinco.com

Caritas MICROFINANCE BANK
Twaimarisha Jamii

41st ANNUAL CONFERENCE & AGM
AFRICAN UNION FOR HOUSING FINANCE

BLENDED FINANCE FOR AFFORDABLE HOUSING

OVERCOMING THE BENCHMARKED COST OF CAPITAL

BY DAVID MUKARU
C.E.O-CARITAS MICROFINANCE BANK

Caritas MICROFINANCE BANK
Twaimarisha Jamii

WHO WE ARE



2021 - Date

- Archbishop Phillip Anyollo
- Impact growth to all Catholic Dioceses in Kenya



2007- 2021

- Cardinal Emeritus John Njue
- 2015 – Formation of a Microfinance Bank



1997-2007

- Archbishop Ndingi Mwana a Nzeki
- Birth of the Microfinance Bank Idea



1971 – 1997

- Cardinal Maurice Otunga:
- **1983** – 1st Self Help Group in Kiriko Parish, the 22 Women.



- Caritas (Social) Bank
- Caritas MFB Foundation
- Caritas Investment Bank

Caritas MICROFINANCE BANK
Twaimarisha Jamii

OUR PHILOSOPHY

OUR VISION

The household financial services provider that adds value to all.

OUR MISSION

We provide ethically driven financial solutions to achieve distinctive customer experience in a convenient and innovative way while growing our stakeholders value.

OUR CORE VALUES

- **C** – *Customer Centric*
- **A** – *Accountability &Professionalism*
- **R** – *Reliability*
- **I** – *Integrity*
- **T** – *Teamwork*
- **A** – *Accessible & Responsive*
- **S** – *Stewardship*

Caritas MICROFINANCE BANK
Twaimarisha Jamii

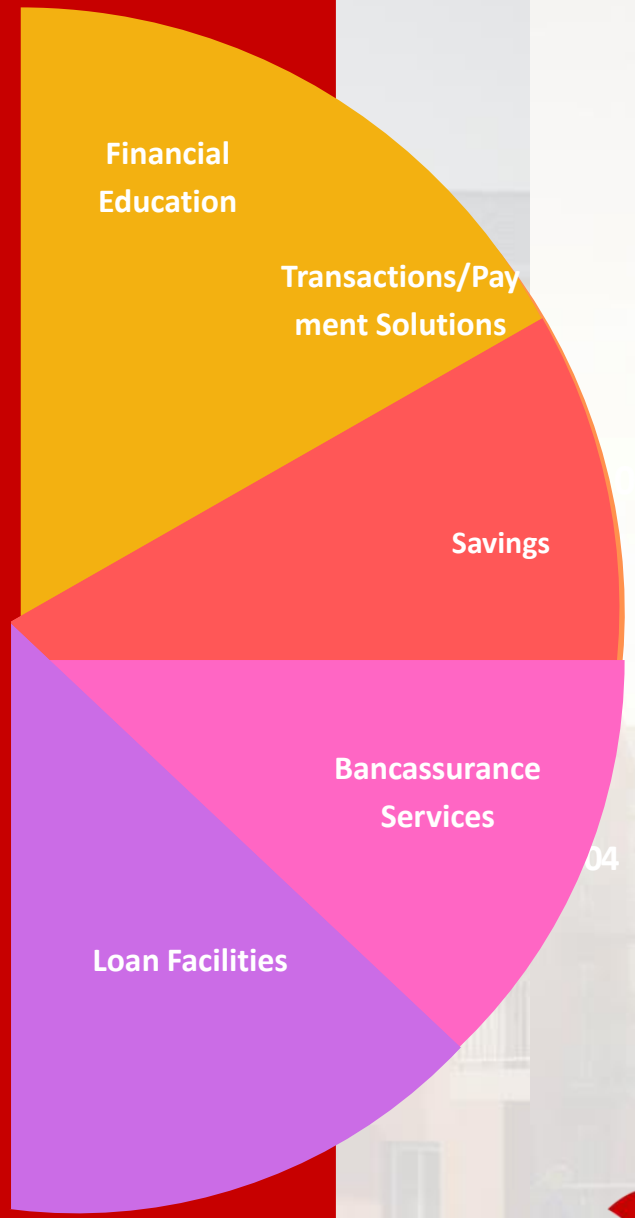
OUR PURPOSE

In-line with the Caritas vision of LOVE, We exist to improve the Spiritual and Socio-economic status of our people through access to upscaled financial service

Our Purpose-Empowering Households

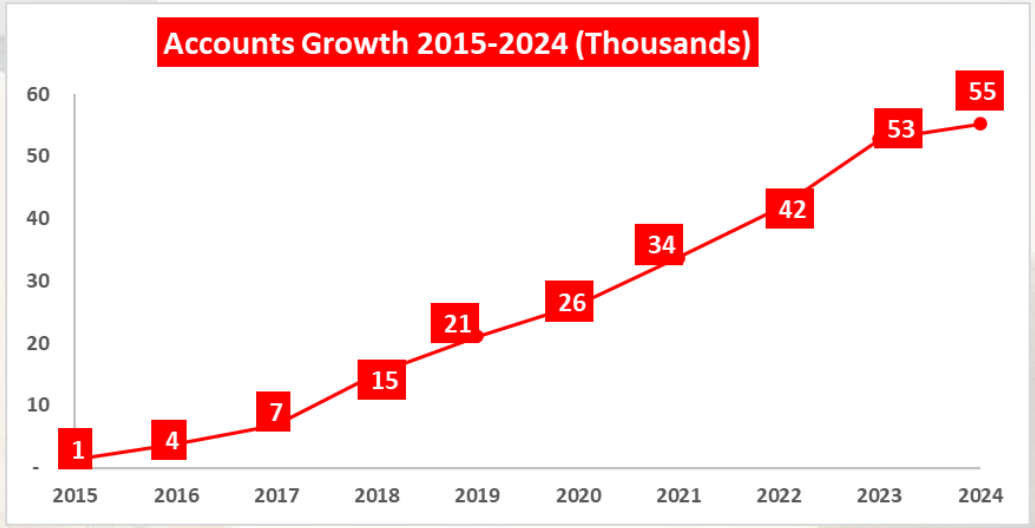
-Twaimarisha Jamii-

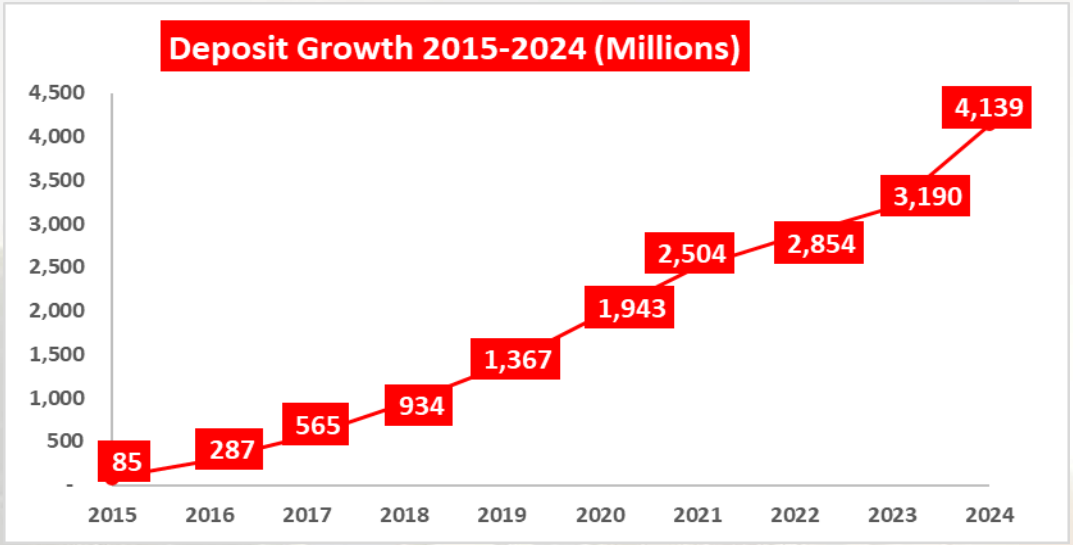
WHO ARE WE?

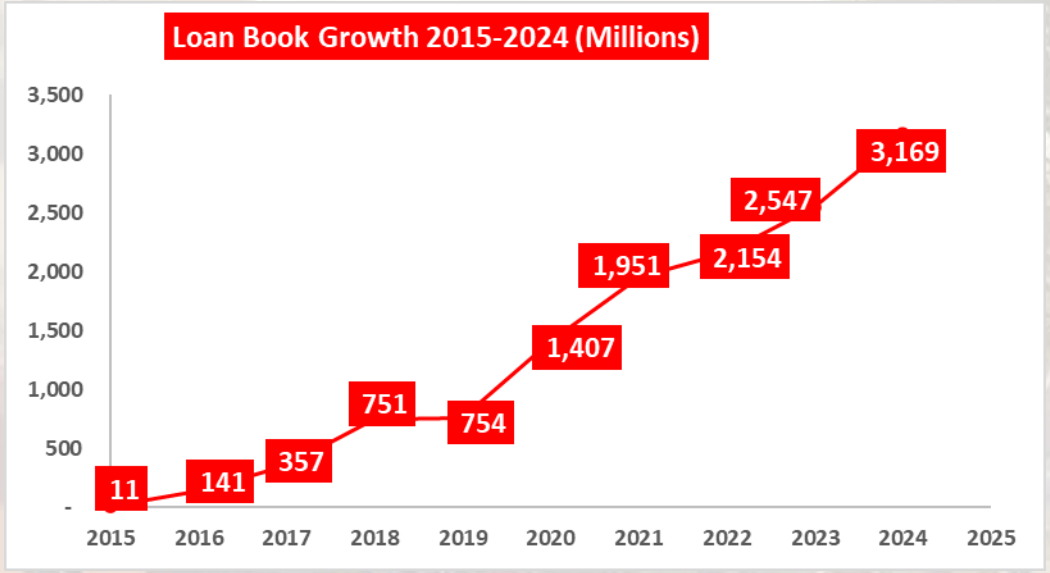


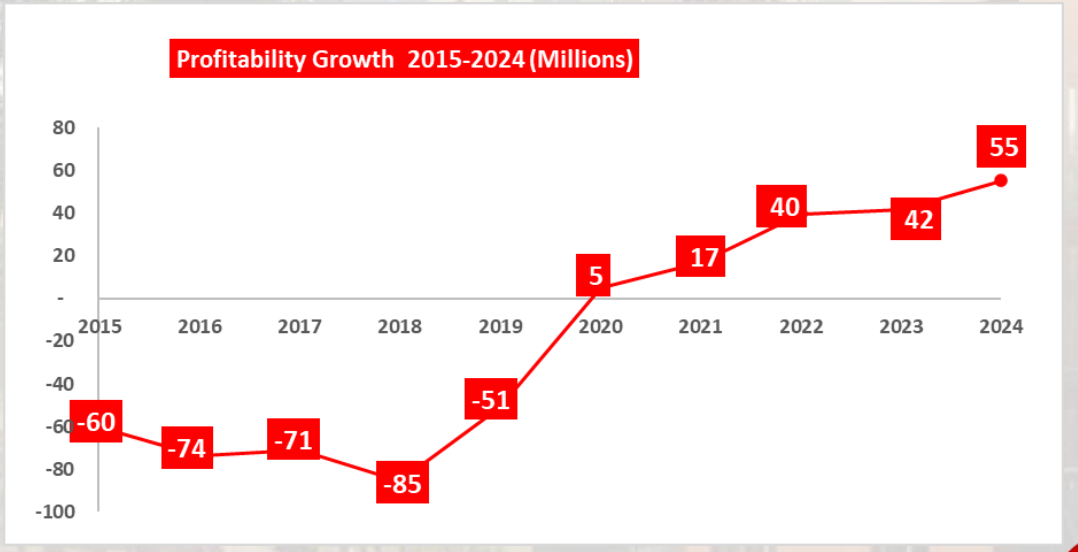
Caritas MICROFINANCE BANK
Twaimarisha Jamii

FINANCIAL PERFORMANCE AT A GLANCE









Caritas MICROFINANCE BANK

Twaimarisha Jamii

AFFORDABLE HOUSING_OVERVIEW

State of Housing in Kenya Today

- Home ownership in Kenya is considered as one of the basic needs everyone strives to achieve.
- The Kenyan housing sector currently has a housing deficit of more than 2 million units, as the journey to home ownership faces numerous challenges including high land and construction costs.
- This has led to most urban and peri-urban dwellers opting for rental units as a stop gap to their eventual home ownership.
- It is this demand that CMFB seeks to meet through the Rent Milele product.

Home improvements needs (roofing, piped water, electricity, sanitation)

HOME-OWNER'S IN RURAL AREAS	HOME-OWNER'S IN URBAN AREAS
85.5%	22.8%

Source: 2023/24: KNBS Kenya Housing Survey

Peri urban dwellers_ eventual home-owners

Urbanization challenges: Low affordability, Informality, Poor waste management, water and sanitation

HOUSEHOLDS PAYING RENT RURAL AREAS	HOUSEHOLDS PAYING RENT URBAN AREAS
8.9%	72.3%

Source: 2023/24: KNBS Kenya Housing Survey

Caritas MICROFINANCE BANK

Twaimarisha Jamii

CARITAS MFB-HOUSING PRODUCT

CMFB Rent Milele Product Features

- Targeted at real estate investors within the MSME landscape.
- Loan facility amounts range between Kes. 500,000 to Kes. 20Million with incremental/tranche construction encouraged.
- Flexible collateral requirements for facilities below Kes. 1Mn and conventional securities for higher amounts.
- Loan tenures of up to 60 months.
- Interest rate 24% - 30% reducing balance, risk based
- Monthly repayment capped to up to 60% of regular rental income.
- Financing needs range from green-field projects, completion of grounded projects, sewerage projects and renovations.

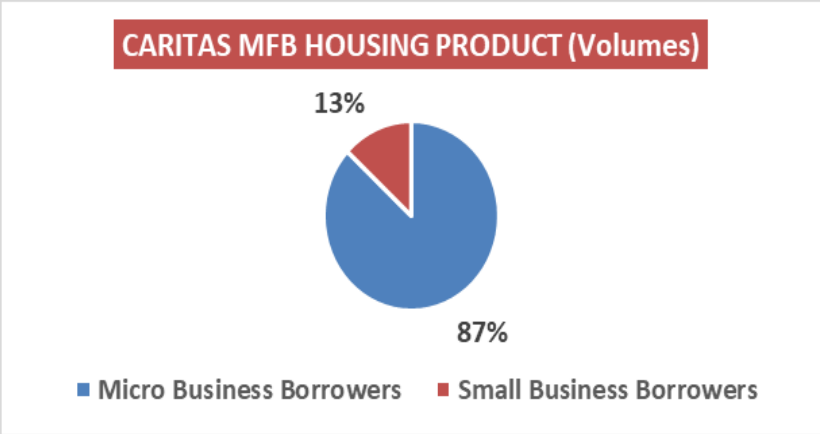
Caritas MFB is creating a **positive socioeconomic impact** by directly funding the engine of community housing.

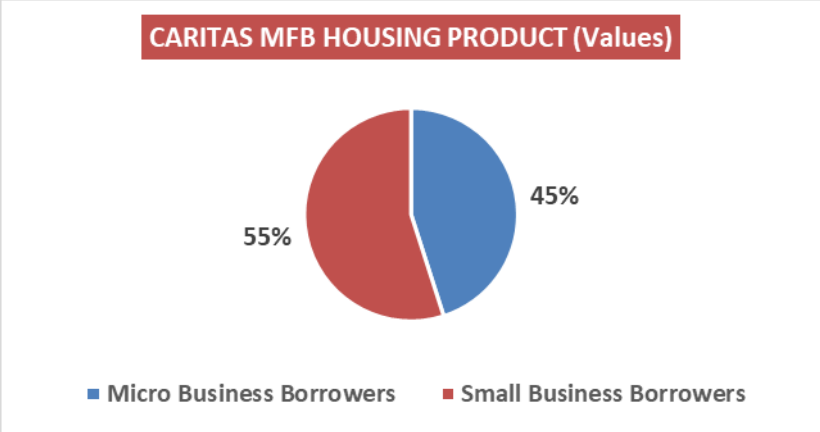
Twaimarisha Jamii

Caritas MICROFINANCE BANK

Twaimarisha Jamii

Caritas MFB: Rental Housing Credit Impact





- **Caritas MFB is committed to empowering Small and Micro entrepreneurs in the rental sector. Launched 2021**
- Current portfolio **KShs 110m, healthy PAR, over 500 borrowers financed**
- **Financial Inclusion (87% micro entrepreneurs)**: Serving the Core Market; the bank ensures that we directly boost the income and security of micro-entrepreneurs with smaller rental revenues.
- **Average Investment**: The typical loan size is Kes 700,000, enabling vital renovations and expansions for most clients.
- **Tiered Empowerment**: with income as low as 50,000 per month
  - **Micro Businesses**: Supported by smaller loans for maintenance and minor upgrades.
  - **Small Businesses**: Receive the higher loan values required for significant property acquisition or major developments.

Caritas MICROFINANCE BANK

Twaimarisha Jamii

Growing deposit base funding lending

Category	2024	2023	2022	2021	2020
Savings Deposits	1,417,926,405	1,128,864,513	1,015,505,109	358,879,507	291,945,666
Term Deposits	2,105,779,134	1,526,899,943	1,331,800,942	1,327,990,079	1,009,878,584
Total - Deposits	**3,523,705,539**	**2,655,764,456**	**2,347,306,051**	**1,686,869,586**	**1,301,824,250**
Average Deposits		**2,501,535,254**	**2,017,087,819**	**1,494,346,918**	**-**
Interest – Savings Deposits	-	9,793,812	6,912,614	6,352,543	2,935,831
Interest – Fixed Deposits	201,700,391	126,171,954	114,427,013	90,054,560	62,265,258
Total - Interest	**201,700,391**	**135,965,766**	**121,339,627**	**96,407,103**	**65,201,089**
Average Interest Rate (%)	**5.72%**	**5.44%**	**6.02%**	**6.45%**	**-**
Weighted Average T-Bill (%)					
91-day Treasury Bill	9.95%	15.23%	12.18%	8.17%	6.95%
182-day Treasury Bill	10.02%	15.74%	12.36%	8.96%	7.57%
364-day Treasury bill	11.53%	16.03%	12.75%	9.87%	8.53%

Caritas MICROFINANCE BANK

Twaimarisha Jamii

FACTORS LIMITING THE SCALE AND FINANCIAL VIABILITY OF THE HOUSING FINANCE

Demand Side Barriers

- Lack of collateral
- Poor credit history
- Information asymmetry
- High cost of credit
- Lack of adequate documentation e.g. formal titles
- Low income
- High cost of materials
- High cost of land/rent
- Low financial literacy and awareness e.g., of BOQ requirements

Supply side Barriers

- Need for long term funding
- High operational costs
- Regulatory and policy barriers
- Information asymmetry

Caritas MICROFINANCE BANK

Twaimarisha Jamii

Case Study 1: Incremental Small-Scale Landlord

Before Financing

Empty plot opposite the red mabati house.



After Financing

Completed single storied rental property



Customer Profile

- Loan amount: Kes. 500,000
- Tenure: 24months
- Monthly payments: Kes. 28,474
- Projected rental income: Kes. 100,000
- Permanent structures: Five (5) units at 12,000 each
- Semi- permanent: Six (6) units at 6,500 each
- The client has constructed in tranches with the first funding being Kes. 250,000 and second the current Kes. 500,000

Caritas MICROFINANCE BANK

Twaimarisha Jamii

Case Study 2

Before Financing

Upgrading of mabati rental units



After Financing

Permanent stone structures





Customer Profile

- Loan amount: Kes. 1,300,000
- Tenure: 48Months
- Monthly Payments: Kes. 42,382
- Projected rental Income: Kes.75,000
- Rental Cost per unit: Kes. 5,000 – Kes. 10,000
- Type: 1 bedroom permanent units
- No: 15 units

Caritas MICROFINANCE BANK

Twaimarisha Jamii

Case Study 3

Before Financing

Upgrading of ground level rental property to multistoried



Tranche financing done





Customer Profile

- ❑Loan amount: Kes. 15,000,000
- ❑Tenure: 60Months
- ❑Monthly Payments: Kes. 414,284
- ❑Projected rental Income from new units: Kes.225,000
- ❑No: 15 units

Note: This landlord has other properties with a monthly income of Kes.832,000

Tranche financing done with initial amount being Kes. 10Mn.

Caritas MICROFINANCE BANK

Twaimarisha Jamii

CARITAS MFB_HOUSING FINANCING FUTURE OUTLOOK

Caritas MFB has the potential to expand the **scale of housing finance for the low- and middle-income** household through **incremental housing and micro housing loan models.**

Capital mobilization- Acquiring long term funding

- To sustain longer loan tenures
- Competitive loan pricing

Strategic partnerships towards:

- Technical assistance in product development
- Credit guarantees as a de-risking measure for housing portfolios
- Bridging the knowledge gaps especially by borrowers

Climate based financing options (Value chain approach)

- Solar Installation
- Advanced rainwater harvesting and water gutter replacements
- Water recycling
- Sustainable sewer systems
- Sustainable Roofing, tiling, Wall plastering, windows and doors

Caritas MICROFINANCE BANK

Twaimarisha Jamii

CARBON CREDIT FUNDING VISION FOR HOUSING

Carbon credit funding can lower the cost of capital especially for microfinance banks who strongly advocate for micro-housing loans.

1. **Bridging the 'Risk-Return' Gap with Carbon Finance in Micro Housing Loans**
   a. High operational costs and perceived credit risk of borrowers make MFBs impose high lending rates and short tenors for housing products making the unaffordable
   b. Carbon financing can be used as de-risking model through incorporating in carbon revenue directly into financial products by:
      a. **Interest rate subsidies**: A portion of carbon revenue is channeled to directly subsidize the interest rate
      b. **Portfolio specific loan loss reserve**: A portion is set aside as a ring-fenced loan loss reserve specific to the green/incremental housing portfolio

TWAIMARISHA JAMII
— AFFORDABLE HOMES —

Caritas MICROFINANCE BANK

Twaimarisha Jamii

CARBON CREDIT FUNDING VISION FOR HOUSING

2. Ensuring End-User Benefit Through Product Design

Often, the benefits of climate finance get captured by large-scale project developers, but never reach the low-income, incremental housing borrower.

a. Incremental disbursement Tranches for De-risking: product design must reflect this reality

i. **Flexible phased loans**: the micro housing loan in small, milestone-based tranches (Foundation, Walls/Windows, Roofing, Internal Finishes). This aligns the loan with the borrower's cash flow and reduces the risk of fund diversion.

ii. **Green Milestone Integration**: The final tranche is explicitly tied to the installation of the green technology e.g., **the solar system, water harvesting, or improved cookstove**.

b. Transparent product pricing with green premium reduction

i. **Carbon subsidy** : A housing loan might be priced at 16%, but the green-certified loan drops to 14% if the borrower commits to and installs the financed energy-efficient assets. **This discounted rate is essentially a direct translation of the carbon subsidy**.

Caritas MICROFINANCE BANK

Twaimarisha Jamii

CARBON CREDIT FUNDING VISION FOR HOUSING

3. **Scaling the Micro-Housing Model via Aggregation**

   - Involves leveraging on Microfinance banks as carbon aggregator due to their ability to reach low-and middle- income borrowers.
   - Through strategic partnership and adequate funding, microfinance banks with their capacity can achieve the required scale of reaching a larger population in the country.

Caritas MICROFINANCE BANK

Twaimarisha Jamii



THANK YOU

Actual cost of interest – short term vs long term loans

Scenario 1		**Scenario 2**	
Principal	KES 5,000,000	Principal	KES 1,000,000
Tenor (months)	120	Tenor (months)	24
Interest pa	12%	Interest pa	24%
Interest structure	Reducing balance	Interest structure	Flat rate
Monthly interest repyt	varies over life	Monthly interest	KES 20,000
Monthly principal repyt	varies over life	Monthly principal repayment	KES 41,667
Monthly instalment	**KES 71,735**	**Total monthly payment**	**KES 61,667**
Total repaid over loan life	KES 8,608,257	Total paid over loan life	KES 1,480,000
Interest over loan life	KES 3,608,257	Interest over loan life	KES 480,000
Number of Loan cycles	1	Number of loan cycles	5
Total Interest over loan cycles	KES 3,608,257	Total Interest over loan cycles	KES 2,400,000
Interest / Principal	**72%**	**Interest / Principal**	**48%**

Open Access Resources – G+4

Unit Typologies	No of units	Gross Unit Area	Net lettable Area	Total Gross sqft	Total Net sqft	Circulation / roof / zero parking	Total Built up GBA
Self contained bedsitters	110	18.04	15.63	1,984.40	1719.3	865.00	2849

	Assumption 1	Assumption 2					
Development Cost			KES	%	per unit	per GBA sqm	per NLA sqm
Land Cost (1/4 acre, close to jobs)			21,000,000	18%	190,909	7,370	12,214
Infrastructure Cost	2,000	per GBA	5,698,800	5%	51,807	2,000	3,315
Construction Cost	26,000	per GBA	74,084,400	63%	673,495	26,000	43,090
Approval Fees	3%	OF CC	2,222,532	2%	20,205	780	1,293
Professional Fees	4%	OF CC	2,963,376	3%	26,940	1,040	1,724
Total Cost before Developer Profit			**105,969,108**	90%	963,356	37,190	61,635
Promoter Margin	11.48%		12,165,254	10%	110,593	4,269	7,076
Finance cost NOT PRICED AS YET			-				
Total Development Cost EXCLUDING FINANCE			**118,134,362**	**100%**	**1,073,949**	**41,459**	**68,711**

Yield based on rental income	All rents including service charge					
	Rent per unit	Gross Rent pa	Op Expenses	Net Rent pa	Gross Yield	Net Yield
Self contained	7,500	9,900,000	10%	8,910,000	8.38%	7.54%

Call to action

Raise blended construction financing to deliver 5 small pilots and learn delivery and offtake realities.

Need $5m

Note, yields on launch are 7.54% which are low, but will increase with rental inflation and delivery costs can also come down with repetition, tax incentives.

Supporting first stage feasibility

- **Architectural designs, structural designs, costing, feasibility**
- Shared facilities, self contained studios, mixed studios /1 BR / 2 BR

https://housingfinanceafrica.org/library/exploring-new-build-for-very-low-income-earners-ground-plus-4-block-typologies/



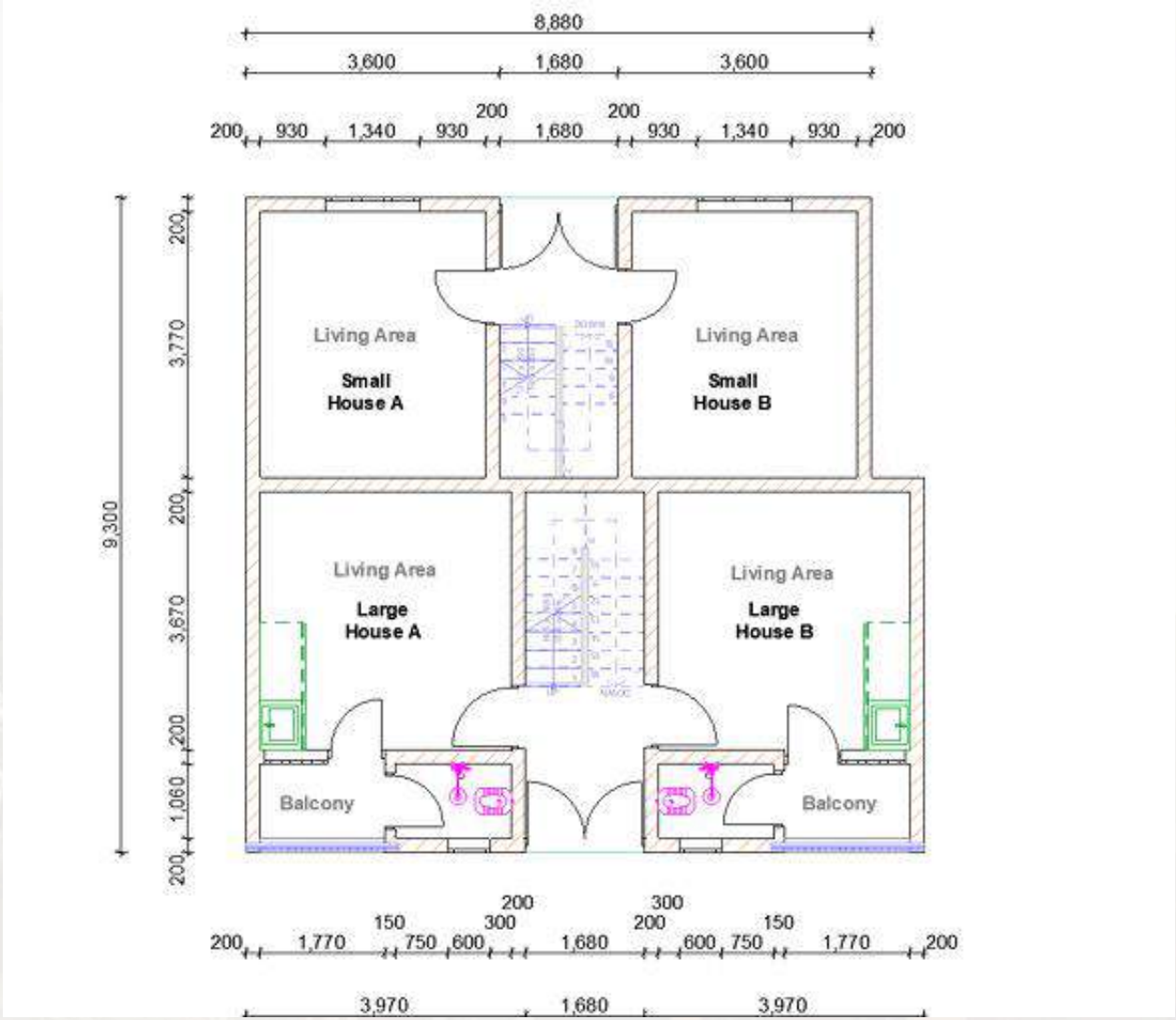
Ghetto: Ground + 2 storey

All outputs open access at

https://housingfinanceafrica.org/library/housing-chronicles-in-huruma-slum-upgrading-programme-lessons-in-cost-tracking-scaling-social-housing/

Webinar link

https://www.youtube.com/watch?v=QwlkR1xzKkQ



Ghetto Financing proposed

Housing cooperative has access to land
Impact investor builds home, loan on 10 years at 9.5%, 20% downpyt
Building 2+ storey leads to more affordability – upper floors rented out proceeds to impact investor

	Ground + 1 floor	Ground + 2 floors
	KSHS	KSHS
House cost: G+1	771,485	771,485
2nd floor	0	385,743
Total House Cost	**771,485**	**1,157,228**
Downpyt - 20%	154,297	231,446
Loan amount	**617,188**	**925,782**
Monthly repyt(9.5%, 10 yrs)	**7,986**	**11,979**
Rent from upper room(s)	5,500	11,000
Net rent after 10% operational costs	4,950	9,900
Balance HH has to pay to lender	**3,036**	**2,079**
saving in affordability as go G+2		**32%**