

RURAL COMMUNITY DEVELOPMENT PROGRAMME

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	May 06 th , 2026		May 26 th , 2025	

Shareholding

Company limited by guarantee

Other Information

Incorporated in 2015

Board Chairman: Ms. Ayesha Gulzar

CEO: Mr. Muhammad Murtaza

External Auditors: Ilyas Saeed & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria: Non-Bank Financial Companies

<https://docs.vis.com.pk/Methodologies-2025/NBFC-Nov-2025.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The ratings of Rural Community Development Programme ('RCDP' or the 'Company') reflect its position in the microfinance sector, supported by an experienced management team, stable governance framework, and a growing operational footprint focused on financial inclusion. The Company has demonstrated sustained expansion in its lending portfolio, driven by branch network growth, increasing borrower outreach, and product diversification across enterprise, housing, and social financing segments. This growth has been accompanied by prudent credit underwriting and a structured lending methodology, resulting in asset quality indicators that remain sound, with only a marginal uptick in non-performing exposures amid portfolio scaling. Provisioning levels have been maintained at adequate levels, providing a buffer against emerging credit risks, while net performing loans continue to represent a minor risk in relation to core equity.

Profitability remains a key strength, supported by strong spreads and improving operating self-sufficiency, although rising operating costs linked to expansion and scale continue to exert pressure. The funding profile remains reliant on borrowings, which exposes the Company to refinancing risks; however, improving liquidity buffers via a growing short-term liquid asset and diversified reputable borrowing sources provide some comfort. Moreover, leverage is low and capitalization is considered strong, with consistent reserve accumulation through retained earnings, ensuring adequate loss absorption capacity and headroom for future growth.

The ratings remain sensitive to sustained asset quality performance, maintenance of capitalization buffers, and the Company's ability to manage funding risks while scaling operations.

Company Profile

Rural Community Development Programme ('RCDP' or the 'Company') is a non-profit organization limited by guarantee and without share capital, established on November 3, 2015 under Section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is licensed by the Securities and Exchange Commission of Pakistan (SECP) to operate as a Non-Banking Finance Company (NBFC) under the NBFC (Establishment and Regulation) Rules, 2003. Its license was renewed on October 3, 2022, allowing it to continue providing investment finance and microfinance-related services.

The Company has developed an extensive operational footprint across Punjab, with a network of 171 (2024: 131) conventional branches and 20 Prime Minister Interest Free Loan (PMIFL) branches, covering multiple districts. This wide branch presence enables the Company to effectively reach underserved and low-income communities.

The principal activity of the Company is to provide cost-effective microfinance services to financially needy individuals, with the objective of improving their economic participation and livelihood opportunities. Alongside financial support, the Company also focuses on capacity building through training programs for both clients and staff, which strengthens financial literacy, business skills, and operational effectiveness.

Management and Governance

CHAIRMAN/CEO PROFILE

Ms. Ayesha Gulzar serves as the Chairperson of RCDP. She brings over 20 years of leadership experience in strategic planning, economic development, public-private partnerships, agribusiness, enterprise development, youth engagement, and community development initiatives. Her profile reflects strong expertise in institutional governance, development finance, and inclusive growth strategy.

Mr. Muhammad Murtaza serves as the CEO / Executive Director of RCDP and is the founder-led driving force behind the Company's growth. He carries more than 30 years of experience in microfinance, rural development, financial inclusion, and branch-led scale expansion, with deep expertise in portfolio growth, lender relationships, product innovation, and operational controls. Under his leadership, RCDP has expanded into diversified products including housing, youth, women-focused, and Shariah financing solutions.

BOARD & SENIOR MANAGEMENT

Name	Designation
Ms. Ayesha Gulzar	Chairman/ Non-Executive Director
Mr. Muhammad Murtaza	CEO/Executive Director
Mr. Safdar Ali Malik	Non-Executive Director
Mr. Mubarak Ali Sarwar	
Mr. Naeem Shahid	
Mr. Muhammad Asim	Independent Director
Ms. Umme Kalsoom	
Ms. Arooj Javed	

The Board comprises eight directors, including the CEO/Executive Director. Its composition includes one Executive Director, four Non-Executive Directors (including the Chairperson), and three Independent Directors (including two females). Based on the latest board profile and governance documents shared, no material changes, resignations, or reconstitution were observed during FY25, indicating stability in the governance structure. The composition of the Board is in line with the requirements of the SECP for listed entities and the SBP for financial institutions.

The Board includes experienced professionals with diverse backgrounds. This provides a balanced mix of sector expertise, governance oversight, and institutional continuity, supporting RCDP's ongoing scale-up and product diversification initiatives.

To ensure effective governance and oversight, the Board has established three dedicated committees: the Board Audit Committee (BAC), the Board Risk Management Committee (BRMC), and the Board Human Resource & Remuneration Committee (BHRRC). Both the BAC and BHRRC are chaired by independent directors.

SHARIAH

RCDP has initiated development of Shariah-compliant financing through a Murabaha-based product, structured on sale-based principles. Under this structure, the customer procures the asset on behalf of the Company, followed by execution of the Murabaha transaction at cost plus an agreed profit margin. The product has been developed with technical support from Meezan Bank Limited and is supported by Shariah advisory oversight from Alhamd Shariah Advisory Services.

In parallel, RCDP has commenced a broader Islamic transition roadmap, with a conversion plan submitted to SECP covering lending, funding, operational processes, and stakeholder arrangements. Dedicated Islamic operations have been established in selected regions including Jhelum, Rawalpindi, and Attock, with further branch expansion planned.

AUDITOR'S OPINION

Ilyas Saeed & Co., Chartered Accountants, an SBP panel Category 'A' and QCR-rated audit firm, has issued an unmodified and unqualified opinion on RCDP's FY25 financial statements. Based on the signed audit report reviewed, no emphasis of matter paragraph was noted.

SECP REVIEW

The last onsite review by SECP was conducted in March 2026, and as per management, no major findings were reported. The overall outcome of the review was satisfactory, indicating compliance with applicable regulatory requirements and operational standards.

Business Risk

INDUSTRY UPDATE

Pakistan's non-banking microfinance institution (MFI) sector, comprising standalone MFIs remains a key pillar of financial inclusion, operating alongside microfinance banks within the broader microfinance ecosystem. The sector witnessed strong growth in CY25, with the gross loan portfolio expanding by ~119.5% to PKR 308.0bn, driven by heightened demand for microcredit. This expansion was accompanied by an increase in the active borrower base to 3.6mn, up from 3.1mn in CY24, reflecting deeper outreach.

The balance sheet also strengthened during the period, with total assets and liabilities growing by ~28.7% and ~30.2% to PKR 403.2bn and PKR 330.1bn, respectively. As a result, equity rose by ~44.9% to PKR 73.9bn, indicating improved capitalization. Funding remained largely reliant on borrowings, which collectively increased by ~30.0% to PKR 307.2bn. Despite rapid growth, the sector maintained adequate financial buffers, with the capital adequacy ratio (CAR) reported at 17.5%, while asset quality indicators remained manageable, with PAR >30 days recorded at 6.0%. Overall, the sector continues to demonstrate strong growth momentum, supported by increasing financial inclusion, albeit with a continued need to monitor asset quality and funding risks.

PRODUCTIVITY

Productivity Indicators	FY23	FY24	FY25
No. of Loan Officers	970	903	1,134
No. of Branches	162	162	177
No. of Active Borrowers	204,506	219,479	269,909
LOs / Branch	5	5	6
Active Borrowers / LO	210	243	238
Active Borrowers / Branch	1,262	1,354	1,524
Average Loan Size (PKR)	39,876	43,068	45,562

RCDP has demonstrated strong expansion in its operational outreach, with an increase in the number of loan officers and an expansion of its branch network. As a result, the active borrower base has also grown significantly, reflecting accelerated portfolio scaling. While the Active Borrowers per Loan Officer ratio moderated to 238 (FY24: 243). At the same time, borrowers per branch has increased. The increase in average loan size reflects not only a gradual shift toward relatively higher-ticket products such as housing, youth, secured, and enterprise-linked financing but also the impact of inflationary pressures, which have necessitated larger loan sizes to meet rising financing needs.

The product suite remains diversified across microenterprise, agriculture, housing, and social financing segments, including CED, BEL, EDF, SME, livestock financing, PMIFL (interest-free), ACAG housing finance, PMYBL (youth lending), and renewable energy products. This diversification supports risk dispersion while enabling deeper penetration into underserved borrower segments.

RCDP operates under a structured credit policy framework governing borrower eligibility, appraisal, disbursement, and recovery mechanisms. Lending decisions are primarily based on repayment capacity, cash flow assessment, and borrower character, with controls in place to limit over-indebtedness and concentration risk. The Company follows a graduation-based lending model, wherein customers are initially onboarded

through smaller-ticket products such as Credit Enterprise Development loans (CED) and subsequently transition to higher-ticket facilities, including Business Enhancement Loans (BEL), supporting portfolio growth while maintaining borrower discipline.

DIGITIZATION

During FY25, RCDP continued to strengthen its technology-enabled microfinance operating model, supported by the Innovation function, centralized MIS oversight, and system development reporting lines within the governance structure. The Company's Smart MIS remained the core operating platform, supporting end-to-end processes including client onboarding, loan application processing, document verification, appraisal workflows, approval routing, disbursement controls, and portfolio monitoring across its expanding branch network. The system enables real-time field-to-branch data flow, allowing credit officers to capture client information at source, while facilitating layered approval and control checks by branch managers, risk officers, and area managers.

On the disbursement and collections side, RCDP continued to operate a digitally controlled X-PIN based mechanism, whereby approved clients receive system-generated codes following final Smart MIS validation. This reduces manual cash-handling risk and strengthens maker-checker controls. Repayments remain integrated with branchless banking partner channels, enabling structured collection routing, improved transaction traceability, and timely reconciliation for finance and operations functions. Management has enhanced portfolio monitoring dashboards, product-level tracking, delinquency aging views, and branch performance MIS, which have become increasingly important in managing a scaled network. As portfolio and branch expansion continues, the current digital framework is expected to remain a key enabler for scalability, early delinquency identification, recovery discipline, and control standardization.

The underlying IT infrastructure is supported by integrated MIS and financial systems, ensuring real-time alignment between operational and financial data. The framework also includes system access controls, centralized monitoring, data backup protocols, and disaster recovery arrangements, along with integration with NADRA for customer identity verification and credit bureaus for assessing borrower credit history. While branch-based lending remains central to operations, management is gradually transitioning towards a hybrid model that combines physical outreach with digital enablement, aimed at improving operational efficiency, monitoring, and customer experience without eliminating the branch network.

ESG INITIATIVES

During FY25, RCDP demonstrated continued progress across ESG dimensions, with the most visible developments in the social and governance pillars, while environmental initiatives also began gaining traction through selective green product rollout. The social pillar remains the strongest, reflected through targeted products such as Prime Minister Interest Free Loan (PMIFL) (interest-free lending), Farmer Friend Organisation Support Program (FFOSP), Female Auto Rickshaw financing, Prime Minister's Youth Business and Agriculture Loan (PMYBL) youth lending, Apni Chhat Apna Ghar (ACAG) housing finance, livestock financing, and women-focused enterprise loans. These initiatives support financial inclusion, poverty alleviation, gender empowerment, and livelihood generation across underserved communities.

On the environmental front, the Company has initiated early-stage green financing through Solar Financing and renewable energy loan-linked product concepts, alongside its broader housing and rural resilience portfolio. While the environmental exposure remains limited at this stage, these initiatives indicate the beginning of a more structured climate-focused lending approach, with potential for gradual development of formal ESG reporting and impact measurement frameworks.

In parallel, RCDP has implemented a structured Environmental and Social Management (ESM) framework integrated across the loan lifecycle, including client awareness, negative list screening, and post-disbursement monitoring, with compliance verified through Risk and Compliance functions. RCDP also continued to invest in staff capacity building through structured training programs covering loan officer onboarding, branch operations, Smart MIS usage, appraisal discipline, collection controls, PMER monitoring, and product-level execution.

LOAN PORTFOLIO

MICROCREDIT PORTFOLIO & RISK SEGREGATIONS

Product Mix	Jun'23	%	Jun'24	%	Jun'25	%
Credit Enterprise Development loans (CED)	3,965	48.6%	4,385	46.4%	6,132	49.5%
Business Enhancement Loan (BEL)	2,631	32.3%	3,038	32.1%	3,226	26.0%
Enterprise Development Facility (EDF)	531	6.5%	548	5.8%	454	3.7%
Livestock financing (LSF)	487	6.0%	315	3.3%	339	2.7%
Small & Medium Enterprise Loan (SME)	37	0.5%	26	0.3%	17	0.1%

Gold Loan	-	0.0%	16	0.2%	273	2.2%
Female Auto Rickshaw	-	0.0%	9	0.1%	4	0.0%
Prime Minister Interest Free Loan (PMIFL)	503	6.2%	394	4.2%	379	3.1%
Farmer Friend Organisation Support Program (FFOSP)	-	0.0%	253	2.7%	250	2.0%
Prime Minister's Youth Business and Agriculture Loan (PMYBL)	-	0.0%	467	4.9%	754	6.1%
Apni Chhat Apna Ghar (ACAG)	-	0.0%	-	0.0%	498	4.0%
Solar Financing	-	0.0%	-	0.0%	-	0.0%
Education	-	0.0%	-	0.0%	70	0.6%
Gross Loan Portfolio	8,155	100%	9,452	100%	12,394	100%

By Jun'25, RCDP's gross loan portfolio (GLP) had expanded significantly to PKR 12.39bn (Jun'24: PKR 9.45bn), driven by continued branch expansion, a higher number of active borrowers, and a more diversified product offering. CED remained the largest product with its share increasing to 49.5% (Jun'24: 46.4%) of the GLP. In contrast, BEL's contribution declined to 26.0% (Jun'24: 32.1%).

At the same time, the portfolio mix shifted toward youth, housing, secured, and social-support products, each gaining a larger share of GLP. In particular, the increase in PMYBL to 6.1% (Jun'24: 4.2%), ACAG housing finance to 4.0%, and Gold Loans to 2.2% (Jun'24: 0.2%) suggests a deliberate move toward more diversified and relatively secure borrower segments.

SEGMENTATION- SECTOR WISE

Sector	Jun'23	%	Jun'24	%	Jun'25	%
Agriculture	62	0.8%	300	3.2%	194	1.6%
Education	-	0.0%	3	0.0%	58	0.5%
Handi Craft	1,363	16.7%	1,922	20.3%	3,105	25.1%
Housing	-	0.0%	-	0.0%	498	4.0%
Livestock	2,293	28.1%	2,396	25.4%	2,434	19.6%
Manufacturing	155	1.9%	204	2.2%	343	2.8%
Others	806	9.9%	827	8.7%	618	5.0%
Trading Business	3,476	42.6%	3,800	40.2%	5,144	41.5%
Gross Loan Portfolio	8,155	100.0%	9,452	100.0%	12,394	100.0%

The sector mix remained anchored in the trading business, accounting for 41.5% (Jun'24: 40.2%). In addition, a shift in segmentation was observed, with handicrafts increasing sharply to 25.1% (Jun'24: 20.3%), while livestock declined to 19.6% (Jun'24: 25.4%), reflecting a strategic rebalancing of the portfolio away from relatively riskier exposures toward comparatively lower-risk financing segments. Collectively, these three segments accounted for 86.2% of the GLP (FY24: 85.9%).

CONVENTIONAL VS SHARIAH						
Type	Jun'23	%	Jun'24	%	Jun'25	%
Conventional Loans	7,652	93.8%	8,591	90.9%	10,762	86.8%
Shariah Loans	503	6.2%	861	9.1%	1,631	13.2%
Gross Loan Portfolio	8,155	100.0%	9,452	100.0%	12,394	100.0%
SECURED VS UNSECURED						
Type	Jun'23	%	Jun'24	%	Jun'25	%
Secured Loans	-	0.0%	16	0.2%	771	6.2%

Unsecured Loans	8,155	100.0%	9,437	99.8%	11,623	93.8%
EMI VS BULLET						
Type	Jun'23	%	Jun'24	%	Jun'25	%
EMI	7,951	97.5%	9,238	97.7%	12,121	97.8%
Bullet	204	2.5%	214	2.3%	273	2.2%
GROUP VS INDIVIDUAL						
Type	Jun'23	%	Jun'24	%	Jun'25	%
Group	-	-	-	-	-	-
Individual	8,155	100.0%	9,452	100.0%	12,394	100.0%

During FY25, RCDP's financing portfolio remained predominantly conventional, while Shariah-compliant exposure grew significantly, reflecting the expansion of PMIFL, PMYBL, and ACAG. At the same time, the repayment structure has remained primarily EMI-based except for the gold portfolio. The secured portfolio has increased materially to 6.2% (FY24: 0.2%), primarily driven by gold-backed and housing exposures, while the portfolio remained entirely individual-based.

Size	% of GLP Jun'24	# Clients	% of GLP Jun'25	# Clients
Up to PKR 50,000	21.2%	75,880	21.9%	91,491
PKR 50,001 – PKR 100,000	56.4%	121,204	55.7%	154,328
PKR 100,001 – PKR 250,000	19.1%	21,708	16.1%	24,358
PKR 250,001 – PKR 500,000	3.2%	684	2.6%	984
PKR 500,001 and above	0.0%	3	3.7%	624
Total	9,452	219,479	12,394	271,785

During FY25, RCDP's average loan size marginally increased to PKR 45,562 (FY24: PKR 43,068), reflecting a sustained concentration of lending within smaller ticket segments PKR 25,000–100,000 which collectively comprised 77.6% of the portfolio (FY24: 77.6%). As per management, new clients are initially onboarded through the flagship CED product, designed to meet the needs of small-scale enterprises. With a demonstrated repayment history and evolving relationship with the Company, clients may subsequently access enhanced financing limits and additional product features. While the lending framework allows for graduation to higher ticket sizes over the client lifecycle, the current strategic focus remains on expanding outreach through smaller ticket loans to new borrowers—balancing portfolio growth with prudent credit risk management.

PROFITABILITY

Income Statement Extract	FY23	FY24	FY25	1HFY26
Return on Markup Bearing Assets	32.5%	40.8%	35.6%	28.3%
Cost of Funds	18.6%	24.9%	13.8%	10.9%
Spreads	13.9%	15.9%	21.8%	17.4%
Operating Self Sufficiency (OSS)	115.2%	121.9%	125.3%	115.8%
Profit after taxation	475	849	1,108	405.8%

RCDP reported markup income of PKR 4,341.0mn (FY24: PKR 3,766.5mn) in FY25, reflecting a strong increase in line with the material expansion in its gross loan portfolio and the broader earning asset base during the year. Despite the increase in absolute income, the return on markup-bearing assets moderated to 35.6% (FY24: 40.8%) due to a declining interest rate environment. At the same time, the cost of funds declined sharply to 13.8% (FY24: 24.9%), supported by repricing of borrowings. Resultantly, spread widened significantly to 21.8% (FY24: 15.9%). Non-markup income also improved to PKR 459.0mn (FY24: PKR 272.4mn), led by higher profit on bank deposits. However, the benefit

of improved spreads and stronger ancillary income was offset by an increase in non-markup / operating expenses to PKR 3,044.4mn (FY24: PKR 2,268.6mn), mainly reflecting branch expansion, higher programme costs, staff scale-up, and inflation-linked operating overheads. Nevertheless, the increase in recurring income outpaced the rise in operating costs, hence Operating Self Sufficiency (OSS) improved slightly to 125.3% (FY24: 121.9%), resulting in profit after tax improving to PKR 1,107.5mn (FY24: PKR 848.9mn) in FY25.

During 1HFY26, net markup income registered an increase of 10.1% over the corresponding period last year, primarily driven by a reduction in markup expense amid monetary easing during the review period. The return on markup-bearing assets decreased to 28.3% on an annualized basis, while the cost of funding declined to 10.9%, resulting in a spread of 17.4%. Non-markup income recorded a moderate increase, largely attributable to a further uptick in loan processing fees. However, total expenditures significantly increased mainly due to higher programme related costs resulting in OSS to decline relatively to 115.8%, while remaining healthy. Consequently, surplus after tax declined to PKR 405.8 mn (1HFY25: PKR 670.9 mn).

Over the medium term, revenue generation is anticipated to strengthen, primarily driven by the continued growth of the microfinance loan book, supported by enhanced access to external funding sources and an expanding branch footprint. As the portfolio grows in size, a sustained focus on asset quality will be essential to limit delinquency risks and uphold sound credit practices. At the same time, operating costs are expected to rise alongside the Company's increasing scale and outreach. Profitability metrics are likely to show gradual improvement, contingent upon successful portfolio expansion and effective cost controls, implying a tapering off in the acceleration of programme scale-up costs currently being witnessed. The Company also qualifies for tax-exempt status as a non-profit entity under the Income Tax Ordinance, 2001, providing a positive impact on the bottomline.

Financial Risk

ASSET QUALITY

(PKR Mn)	Jun'23	Jun'24	Jun'25	Dec'26
Gross Advances	8,156	9,453	12,298	15,993
Specific Provision	6	4	7	31
General Provision	402	468	577	694
Net Advances	7,747	8,980	11,713	15,267
NPLs	13	14	18	76
NPLs written off	219	26	33	1
Gross Infection	0.2%	0.1%	0.2%	0.5%
Net Infection	0.1%	0.1%	0.1%	0.3%
Incremental Infection	0.3%	0.3%	0.4%	0.4%
Specific Provisioning Coverage	45.9%	31.9%	39.6%	41.3%
General Provisioning Coverage	4.9%	5.0%	4.7%	4.4%
Net NPLs / Tier 1 Equity	0.2%	0.2%	0.2%	0.8%

The Bank's gross advances expanded during FY25, supported by higher disbursements of PKR 19.1bn (FY24: PKR 15.4bn), while recoveries also remained strong at PKR 16.2bn (FY24: PKR 14.0bn). Despite the growth in the loan book, non-performing loans increased only marginally, indicating that asset quality remains well-contained and non-performance is both controlled and negligible.

Accordingly, the gross and net infection ratios have remained consistently low both staying below 1% across the review period. While NPLs saw a slight uptick in 1HFY26, the Bank responded by significantly increasing specific provisioning, raising coverage to 41.3%, as a pre-emptive buffer against potential future delinquency. General provisioning against performing loans has remained broadly stable. Overall, asset quality metrics remain strong, with net NPLs continuing to represent a very small proportion of Tier-1 equity.

INVESTMENT MIX

RCDP's investment portfolio is primarily focused on Term Deposit Receipts (TDRs). As of Dec'24, the total principal invested stood at PKR 1,128 mn (Jun'25: PKR 528.5 mn). The portfolio carries minimal credit risk, as the majority of placements are held with banks demonstrating strong financial soundness and favorable credit ratings. Market risk exposure is limited, given the short-term tenor of the instruments.

LIQUIDITY & LEVERAGE PROFILE

(PKR Mn)	Jun'23	Jun'24	Jun'25	Dec'26
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Short term Investments	400	300	637	1,128
Cash and bank balances	424	689	2,390	2,884
Liquid Assets	824	989	3,027	4,012
Long term Borrowings	4,954	4,086	8,189	12,597
Short term Borrowings	848	2,149	2,285	2,285
Borrowings	5,802	6,235	10,474	14,882
Liquid Assets to Borrowings	14.2%	15.9%	28.9%	27.0%
Advances to Borrowings	140.6%	151.6%	117.4%	107.5%
Liquid Assets / TA	8.9%	9.2%	18.4%	19.0%
Current Asset to Current Liabilities	2.36x	2.04x	2.72x	3.22x

RCDP's funding profile remains reliant on borrowings, given its status as a microfinance company without access to deposits, thereby limiting exposure to deposit-related liquidity pressures. Funding is primarily sourced from local institutions, with Pakistan Microfinance Investment Company (PMIC) and National Bank of Pakistan (NBP) as major contributors, followed by Bank of Punjab (BOP). The Company continues to favor local borrowings due to lower cost, quicker mobilization, and greater operational flexibility, while selectively utilizing foreign lines from institutions such as Triple Jump and Enabling Capital to support growth and diversify funding. However, foreign funding entails longer processing timelines and introduces exchange rate risk; in this regard, management is exploring a currency swap arrangement with Habib Bank Limited (HBL) to mitigate FX exposure.

The Company's liquidity profile shows a notable improvement, supported by a strong buildup in short-term liquid assets alongside continued balance sheet expansion. Total liquid assets increased significantly to PKR 3.0bn (Jun'24: PKR 989mn) in Jun'25, and further to PKR 4.0bn by Dec'26, driven by a substantial rise in cash and bank balances as well as short-term investments. Liquidity coverage appears relatively adequate, with liabilities maturing within one year at PKR 5.4bn against liquid assets of PKR 3.4bn, translating into a coverage ratio of ~63%. While still indicating reliance on external funding, though this dependency is gradually easing as the current assets to current liabilities ratio improved to 3.22x (Jun'25: 2.27x) as of Dec'25.

CAPITALIZATION

Capitalization (PKR Mn)	Jun'23	Jun'24	Jun'25	Dec'25
Loan Revolving Fund - Restricted	1,343	1,852	2,517	2,760
Building Reserve - Restricted	560	772	1,049	1,150
General Fund - Unrestricted	1,138	1,223	1,334	1,374
Special Reserve	-	42	98	118
Equity Donations	-	6	7	7
Total Equity / Fund	3,040	3,896	5,003	5,409
CAR	35.6%	39.2%	36.1%	42.6%

Given RCDP's incorporation as a company limited by guarantee, the Company does not maintain share capital; instead, its capitalization is anchored in accumulated reserves and donor support. The reserve base has demonstrated consistent growth, with total equity/funds increasing, underpinned by steady accretion of retained earnings.

A significant portion of the surplus continues to be strategically allocated toward restricted reserves to support operational sustainability and reduce reliance on external funding. The Loan Revolving Fund remains the largest component, reinforcing internal capacity to finance the expanding microfinance portfolio. Similarly, the Building Reserve has grown, reflecting ongoing provisioning for infrastructure development. Unrestricted reserves, General Fund, have also increased gradually, while the introduction and buildup of the Special Reserve and Equity Donations, albeit modest, provide additional support to the overall equity base.

From a capital adequacy standpoint, RCDP maintains a strong position. The Capital Adequacy Ratio (CAR) stood at 42.6% as of Dec'25, indicating ample capital buffers. Despite some interim fluctuation, the overall trajectory remains positive, providing sufficient headroom to absorb potential shocks and support future portfolio growth.

Financial Summary				
Balance Sheet	Jun'23	Jun'24	Jun'25	Dec'26
Property and Equipment	313	305	981	974
Net Advances	7,747	8,980	11,713	15,267
Short term investments	400	300	637	1,128
Cash and bank balances	424	689	2,390	2,884
Other Asset	323	453	696	822
Total Assets	9,207	10,727	16,417	21,074
Sub-ordinated loan	0	0	0	0
Long term loans	4,954	4,086	8,189	12,597
Short term borrowings	848	2,149	2,285	2,285
Total Debt	5,802	6,235	10,474	14,882
Other Liabilities	365	796	940	783
Total Liabilities	6,167	7,031	11,414	15,665
Total Equity	3,040	3,896	5,003	5,409
Total equity (including subordinated loans)	3,040	3,896	5,003	5,409
Income Statement	FY23	FY24	FY25	1HFY26
Net Mark-up Income	1,735	2,464	3,422	1,809
Net Provisioning / (Reversal)	274	91	144	143
Non-Markup Income & Other Income	227	272	459	169
Total Expenses	1,624	2,269	3,044	1,715
Profit Before Tax	475	849	1,107	406
Profit after tax	475	849	1,107	406
Ratio Analysis	Jun'23	Jun'24	Jun'25	Dec'26
Gross Infection (%)	0.16%	0.14%	0.15%	0.48%
Incremental Infection (%)	0.30%	0.32%	0.37%	0.43%
Specific Provisioning Coverage (%)	45.88%	31.88%	39.64%	41.27%
General Provisioning Coverage (%)	4.93%	4.96%	4.70%	4.36%
Net Infection (%)	0.09%	0.10%	0.09%	0.28%
Net NPLs to Tier-1 Capital (%)	0.23%	0.24%	0.22%	0.83%
Capital Adequacy Ratio (%)	35.60%	39.15%	36.09%	42.59%
Markup on earning assets (%)	32.52%	40.83%	35.54%	28.35%
Cost of Funds (%)	18.58%	24.85%	13.78%	10.86%
Spreads (%)	13.93%	15.98%	21.76%	17.49%
OSS (%)	115.15%	121.86%	125.27%	115.83%
ROAA (%)	5.07%	8.52%	8.16%	4.33%
ROAE (%)	16.96%	24.48%	24.89%	15.59%
Liquid Assets to deposits & borrowings (%)	14.20%	15.86%	28.90%	26.96%

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Rural Community Development Programme				
Sector	Microfinance Institution				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	06-May-26	BBB+	A2	Stable	Upgrade
	26-Apr-25	BBB+	A3	Stable	Reaffirmed
	02-May-24	BBB+	A3	Stable	Upgrade
	26-Apr-23	BBB	A3	Stable	Reaffirmed
	29-Apr-22	BBB	A3	Stable	Maintained
	29-Apr-21	BBB	A3	Rating Watch - Developing	Maintained
	16-Jul-20	BBB	A3	Rating Watch - Negative	Maintained
08-Feb-19	BBB	A3	Stable	Initial	
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meeting Conducted	Name	Designation		Date	
	Mr. Usman Malik	Head of Finance		17 th April, 2026	
	Mr. Shamim Haider	Head of Risk Management			
	Mr. Ghulam Haider	Head of Business Affairs			