



The Pakistan Credit Rating Agency Limited

Rating Report

Rural Community Development Programmes

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Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
12-Dec-2025	SIP3++	Positive	Maintain	-
13-Dec-2024	SIP3++	Positive	Maintain	-
13-Dec-2023	SIP3++	Stable	Maintain	-
13-Dec-2022	SIP3++	Stable	Initial	-

Rating Rationale

Factor	Comment
Ownership/Members	RCDP is a public unlisted company led by three experienced members who provide the required guarantees, their strong professional background and market standing enable them to support the Company through fundraising when needed.
Governance	RCDP seven member Board benefits from the inclusion of independent directors and well-established board committees, which strengthen its governance framework. Transparency is reinforced through an A category SBP auditor, supporting strong oversight and sustainability.
Management	RCDP has a well-structured organization led by an experienced management team with strong risk and compliance practices, supported by real-time reporting software for effective monitoring.
Social Impact	RCDP delivers multiple initiatives aimed at driving measurable social outcomes. Regular client satisfaction surveys are used to assess programme effectiveness and refine delivery mechanisms. With 98% women and 63% rural clients, the Company demonstrates a strong commitment to gender empowerment and deepened financial inclusion in underserved regions.
Business Sustainability	In 1QFY26, RCDP OLP rose ~47% YoY to PKR 13,093mln, representing a market share of ~2%. Sustainability is supported by branch expansion and digital investments enhancing outreach and efficiency.
Financial Sustainability	In 1QFY26, RCDP topline reached PKR 993mln, with equity of PKR 5,288mln and controlled operating expenses of PKR 650mln, supporting a healthy pre-tax margin of ~28.7% and strong capital adequacy of 38%.

Key Rating Drivers

RCDP maintains strong alignment with its developmental mandate by advancing financial inclusion and women's economic participation through targeted microfinance interventions within its operational regions. Its social programming continues to support sustainable community uplift while remaining effectively integrated with operational objectives. The organization's clear mission, efficient delivery model, and disciplined portfolio management contribute to franchise strength and overall risk stability. Going forward, formalizing a Board-level Social Performance Committee and regularly disseminating external impact reports or KPI dashboards would enhance transparency, deepen stakeholder trust, and further strengthen the governance framework from a rating perspective.

Disclosure

Name of Rated Entity	Rural Community Development Programmes
Type of Relationship	Solicited
Purpose of the Rating	Social Impact and Performance Rating
Applicable Criteria	Assessment Framework Social Impact and Performance Rating(Sep-25)
Related Research	Sector Study Microfinance(Oct-25)
Rating Analysts	Usama Ali usama.ali@pacra.com +92-42-35869504

Ownership/Members

Structure RCDP was established on November 3, 2015, as a non-profit organization under Section 42 of the Companies Ordinance, 1984. Its core objective is to provide cost-effective microfinance services to underserved individuals, thereby promoting their inclusion in economic activities and contributing to sustainable community development.

Acumen RCDP demonstrates sound business acumen through its strategic focus on serving underserved and rural populations with tailored microfinance solutions. The management team possesses deep expertise in microfinance operations, regulatory compliance, and social impact initiatives. The organization's decision to restructure as a Non-Banking Finance Company (NBFC) under SECP regulation reflects its forward-looking approach and adaptability to changing regulatory landscapes. RCDP's ability to sustain operations across a wide network of branches, combined with its integration of capacity-building programs for clients and staff, indicates a strong understanding of both financial sustainability and community development. Its balanced approach between financial prudence and social mission underscores effective leadership and sectoral insight.

Financial Strength While the sponsors possess adequate financial strength, the sustained growth of RCDP is closely tied to their continued ability to mobilize capital through donations and other forms of sponsor support. This capacity to attract external funding remains a critical driver of the organization's expansion and long-term sustainability.

Governance

Board Structure The Company's Board of Directors (BoD) comprises of seven members, which includes three independent, four non-executive directors and the CEO as an executive director. The Board is chaired by Mrs. Ayesha Gulzar, who is a non-executive director and has been part of the Board since 2016.

Board Profile RCDP benefits from the directors' extensive experience, which offers sharp insights. Representing diverse industries such as banking, healthcare, telecommunications, and non-profit organizations, the Board brings a broad range of expertise. Leading the Board is Chairperson Mrs. Ayesha Gulzar, a consultant with over 20 years of relevant experience, who has also worked internationally with Fortune 500 companies across the US and Europe.

Board Effectiveness To maintain a strong control environment and ensure full compliance with relevant reporting standards, the Company has established four dedicated board committees: (i) the Audit Committee, (ii) the Risk Management Committee, (iii) the Human Resource and Remuneration Committee. These committees play a vital role in strengthening corporate governance and supporting the board in fulfilling its key oversight responsibilities. Notably, the Audit Committee and the Human Resource and Remuneration Committee are chaired by independent directors. The formal establishment of a board-level Social Performance Committee would further enhance the board structure.

Transparency Ilyas Saeed & Company Chartered Accountants are the external auditors of the company. The firm is in the A Category of SBP's panel of auditors. Furthermore, the Company also has an internal audit department for a greater control framework.

Management

Organizational Structure The Company has established a well-structured organizational framework. Its key departments include: (i) Risk, (ii) Operations, (iii) Finance, (iv) Internal Audit, (v) IT, (vi) Communication and Research, (vii) HR, (viii) Administration, (ix) Accounts, (x) Business Affairs, and (xi) Compliance. All departmental managers and heads are appointed and report directly to the CEO, except for the Internal Audit department, which reports directly to the Audit Committee.

Management Team RCDP's management team comprises seasoned professionals with strong expertise across key operational and strategic functions. Led by CEO Muhammad Murtaza, who brings 30 years of experience and has been with the group since 1998, the team includes heads of HR, Finance, Accounts, Risk, Compliance, Internal Audit, IT, and Operations. Most members have been with the organization for over a decade and have held their current leadership roles since 2016, ensuring stability and institutional knowledge. The team's deep experience and long-standing association with RCDP contribute significantly to its operational effectiveness and strategic continuity.

Management Effectiveness The Company's management including the CEO has a practice of conducting monthly review meetings to assess RCDP's performance and take action on any items highlighted. Internal audit, compliance, and risk departments also present their reports during the meeting which are deliberated upon and issues that are highlighted are then addressed. The involvement of the management is clear to see in the operations; however, the absence of management committees and no minutes maintained for the monthly management meetings are issues that may be improved upon.

Risk Management Framework The Company has Risk Management and Compliance departments which perform regular 'surprise' visits to branches to assess multiple risk and compliance parameters. The risk department targets higher-risk branches with greater frequency than the branches which are low-risk. The product parameters are in place which governs the maximum limit of exposure for a client for each product, and also whether a product may be offered to a new client or not. The Company has a policy of the risk department verifying and approving 100% of cases before disbursements no matter the amount. Furthermore, there is a Risk Management Committee (RMC) at the Board level while a risk management manual is also present.

Technology Infrastructure RCDP has a software sourced from Generic Solutions which allows for real-time report generation. The software encompasses all relevant areas of the Company, and shows information such as NPLs, at-risk portfolio, number of clients, number of disbursements, outstanding OLPs and overdue clients, among other details.

Social Impact

Social Performance Management System RCDP has a publicly available mission statement with clearly defined and measurable targets, supported by an environmental and social management policy reflecting its commitment to social and environmental impact. Employees undergo sensitivity training to engage clients respectfully, and social indicators are quantified in a performance dashboard. Increasing the frequency of these presentations to the board and publishing the indicators through annual reports to external stakeholders could further enhance transparency and social impact performance. RCDP's initiatives, including the Apni Chhat Apna Ghar Program (interest-free nine-year housing loans with the Government of Punjab), the Triple Jump Partnership (\$5 million loan tied to a gender action plan for workforce diversity), and the Women on Wheels Program (PKR 20 million grant supporting 666 female EV drivers, funded by the University of Oxford and implemented with LUMS), integrate financial inclusion, gender empowerment, and environmental sustainability. The formation of a Social Performance Committee would further strengthen governance, serving as a positive factor from the social impact performance perspective.

Client Protection & Social Responsibility RCDP ensures that transparency is present in all dealings with the customers. Customers are informed about all their rights and obligations in writing as well as verbally at the time of onboarding, while any grievances may be addressed through the Company's grievance redressal system.

Outreach The Company has branches throughout Punjab with 36 operational areas and close to ~208 operational branches. The Company has ~98% female borrowers and ~63% rural borrowers at end-Sep'25, showing their commitment towards providing finances towards the under-banked population in the country.

Quality Of Services There is one primary product offering of the Company i.e. microfinance. This is then broken up into multiple products with different limits and targets different aspects with products ranging from agriculture finance to livestock finance and home improvement loans. Additionally, the Company strives to provide regular training for customers to educate them on the best practices of business and environment management.

Business Sustainability

Operating Environment In FY25, Pakistan's microfinance sector operated in a cautiously recovering environment amid easing inflation (~5.6%), positive GDP growth, lower interest rates, and gradual macro stabilization. MFBs, accounting for ~77% of the Gross Loan Portfolio, faced high credit risk, declining capital adequacy (~1.6%), and stressed liquidity, while spreads widened to ~25.2% amid persistent losses. In contrast, MFIs and RSPs (~23% of GLP) maintained strong asset quality (infection ratio ~1.1%) and profitability (PKR 5.7bln), supported by careful lending and effective borrower engagement. Digital wallets and agent networks bolstered deposits (~PKR 794bln) and financial access, though climate and flood-related risks remain a concern. Overall, the sector is gradually stabilizing, with MFIs showing resilience and MFBs focusing on capital strengthening, secured lending, and portfolio recovery.

Sustainability RCDP demonstrates strong business sustainability with an Outstanding Loan Portfolio (OLP) of PKR 13,093mln, growing ~47% YoY, and a market share of ~2% among microcredit institutions in Pakistan.

Strategy The Company plans to expand its branch network into underserved areas to enhance outreach and access to financial services. Concurrently, investments in technology, including digital loan processing and advanced data systems, are expected to improve operational efficiency and scalability.

Financial Sustainability

Asset Quality RCDP continues to maintain a strong asset quality profile, reflected in a PAR 30 ratio of 0.2% in 1QFY26, consistent with FY25 levels, indicating minimal portfolio at risk and effective credit risk management. The write-off ratio improved to 0.0% from 0.3% in FY25, demonstrating disciplined loan recovery practices and stringent monitoring of non-performing loans. These metrics underscore the organization's strong credit appraisal processes and its ability to sustain high-quality lending while expanding the portfolio.

Liquidity & Funding RCDP's primary source of funding continues to be the Pakistan Microfinance Investment Company (PMIC). In a positive development, the sanctioned limit has been enhanced from PKR 4 billion to PKR 5 billion, reflecting growing confidence in the company's operational and financial performance. As of 1QFY26, total funding reached approximately PKR 5,288 million, marking a substantial increase from PKR 4,047 million in the same period last year. This notable rise underscores the company's expanding financial capacity to support its growth and outreach objectives.

Capitalization RCDP maintains a strong capital position, with its Capital Adequacy Ratio (CAR) rising to 37.9% in 1QFY26 from 36% in FY25, well above regulatory requirements, providing a solid buffer to absorb potential losses and support growth. The gearing ratio (debt to equity) remains stable at 2.3, indicating controlled reliance on debt, reduced financial risk, and a sound ability to meet obligations during periods of stress.



Sep-25 FY26 3M Management	Jun-25 FY25 12M Audited	Jun-24 FY24 12M Audited	Jun-23 FY23 12M Audited
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BALANCE SHEET				
A	ASSETS			
	1 MICROCREDIT - NET LOAN PORTFOLIO	13,093	11,713	8,980
	2 INVESTMENTS	631	637	300
	3 CASH	2,197	2,390	689
	4 NON-CURRENT ASSETS	968	981	305
	5 OTHER ASSETS	723	696	453
	SUM OF ASSETS	17,612	16,417	10,727
B	LIABILITIES			
	1 DEPOSITS	-	-	-
	2 BORROWINGS	11,456	10,474	6,235
	3 OTHER LIABILITIES	867	940	596
	SUM OF LIABILITIES	12,324	11,414	6,832
C	EQUITY/FUNDS			
		5,288	5,003	3,896
D	INCOME STATEMENT			
D	INCOME			
	1 MARK UP EARNED	1,161	4,341	3,767
	2 MARK UP EXPENSED	(365)	(1,195)	(1,524)
	FINANCIAL RETURNS	796	3,147	2,242
	3 OTHER OPERATING INCOME	167	691	694
	4 NON-OPERATING INCOME	31	459	272
	TOTAL INCOME	993	4,296	3,208
E	EXPENSE			
	1 OPERATING EXPENSE	(650)	(3,044)	(2,269)
	2 PROVISIONS	(58)	(144)	(91)
	TOTAL EXPENSE	(708)	(3,189)	(2,360)
F	PROFIT/SURPLUS			
	1 PRE-TAX PROFIT/SURPLUS	285	1,107	849
	2 TAX	-	-	-
	PROFIT/SURPLUS	285	1,107	849
G	RATIOS			
G	SOCIO-ECONOMIC STATISTICS			
	1 Female Borrowers	98.3%	98.4%	98.3%
	2 Rural Borrowers	62.9%	63.9%	66.9%
	3 Client Retention Rate	100.0%	100.0%	76.6%
H	PERFORMANCE			
	1 Operational Self Sufficiency (OSS)	123.7%	114.8%	114.8%
	2 Cost per Borrower	9,208	11,320	10,700
	3 Portfolio Yield	42.8%	48.6%	52.1%
	4 Minimum Lending Rate	34.6%	42.0%	45.0%
	5 Return on Equity	22.2%	24.9%	24.5%
I	ASSET QUALITY			
	1 PAR 30 Ratio	0.2%	0.2%	0.1%
	2 Risk Coverage Ratio (PAR 30)	N/A	N/A	80.1
	3 Write Off Ratio	0.0%	0.3%	0.3%
J	LIQUIDITY & FUNDING			
	1 Liquid Assets as a Percentage of Deposits & Short-term Borrowings	96.2%	104.6%	N/A
	2 Demand Deposit Coverage Ratio	N/A	N/A	N/A
	3 Loan-to-Deposit Ratio	N/A	N/A	N/A
K	CAPITALIZATION			
	1 Capital Adequacy Ratio (CAR)	37.9%	36.1%	39.2%
	2 Debt to Equity	2.3	2.3	1.8

SOCIAL IMPACT AND PERFORMANCE RATING (SIP)

An independent opinion on the ability of an entity to create intended social impact and achieve sustainable performance.

Scale	Long-Term Rating
SIP1	Very Strong. Very strong ability to create intended social impact and very high likelihood of sustaining performance.
SIP2++ SIP2+ SIP2	Strong. Strong ability to create intended social impact and high likelihood of sustaining performance.
SIP3++ SIP3+ SIP3	Adequate. Adequate ability to create intended social impact and adequate likelihood of sustaining performance.
SIP4++ SIP4+ SIP4	Inadequate. Inadequate ability to create intended social impact and low likelihood of sustaining performance.
SIP5	Weak. Weak ability to create intended social impact and very low likelihood of sustaining performance.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	Harmonization A change in rating due to revision in applicable methodology or underlying scale.
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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

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- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA’s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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