

Press Release

VIS Reaffirms Entity Ratings of Taleem Finance Company Limited (TFCL)

Karachi, May 11, 2026: VIS Credit Rating Company Limited (VIS) reaffirms entity ratings of Taleem Finance Company Limited ('TFCL' or the 'MFI') at 'BBB/A2' (Triple B / A Two). Medium to long term rating of 'BBB' indicates adequate credit quality; protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy. Short term rating of 'A2' indicates good likelihood of timely repayment of short-term obligations with sound liquidity factors. Outlook on the assigned ratings is 'Stable'. Previous ratings were announced on September 11, 2024.

TFCL was incorporated under the Companies Act 2017 in Mar'19. TFCL is engaged in the provision of Investment Finance Services as a Non-Banking Finance Company (NBFC) under license from Securities and Exchange Commission of Pakistan (SECP) issued in Jun'19 and lastly renewed in Aug'25. The principal line of business of the MFI is lending money to low-income private Education Institutions in Pakistan. Additionally, TFCL offers financial support to other companies, firms, or individuals under terms and conditions deemed appropriate, with or without security, for provision of educational services and related technology to Education Institutions in Pakistan. The registered and regional offices of the MFI are both located in Lahore, Punjab. TFCL currently employs a total workforce of 107 individuals. This includes 8 personnel in management roles, 44 loan officers, and 15 staff members in other supporting functions.

TFCL has transitioned from an early-stage NBFC (MFI) into a growing specialized lender with expanding operational scale. The MFI has demonstrated growth in its branch network, loan officers, and active borrower base and well as corresponding increase in business volumes. TFCL benefits from a seasoned management team with strong expertise in microfinance, corporate finance, and advisory services, complemented by a well-defined governance structure. The continued development of in-house digital infrastructure, including the Taleem Tech platform and Taleem Connect App, also supports operational efficiency.

The MFI recorded strong growth in its loan portfolio, driven by expansion in both Educational Institutions and Education Value Chain segments, along with increasing share of Shariah-compliant financing. The gross loan portfolio grew notably during CY25, reflecting sustained disbursement momentum and portfolio diversification. While asset quality remains stable and reflective of strong underwriting standards, continued portfolio growth in higher-ticket and unsecured segments warrants monitoring. Ratings take comfort from the MFI's exposure to educational institutions with stable fee-based cash flows, alongside its conservative provisioning approach and strengthened coverage buffers, which together support a prudent risk profile against emerging credit risks.

TFCL has achieved a turnaround in profitability during CY25, supported by growing business volumes and improved spreads resulting from higher asset yields and a reduction in cost of funds. The MFI reported a return to profitability after previous losses, with operating self-sufficiency exceeding the break-even level, indicating improved operational scale and efficiency. However, profitability remains sensitive to cost pressures and credit risk trends, particularly as the portfolio continues to scale rapidly. With increasing leverage and as a secondary market borrower, the MFI is also vulnerable to funding cost volatility in a reversed interest rate trajectory. Management's ability to sustain margins while managing operating expenses and asset quality will remain key rating considerations.

Equity has increased over prior year, following the reduction in accumulated losses with return to profitability in CY25. On the other hand, leverage levels have continued to rise due to strong balance sheet expansion funded largely through debt. Liquidity also appears strained with current maturities and liquid assets falling around 50% of liabilities due within the year. Strengthening of the capital base through restored core capital and sustained profitability, as well as controlled portfolio quality, will remain important considerations for ratings, going forward.

For further information on this rating announcement, please contact at 021-35311861-64 or email at info@vis.com.pk

Applicable Rating Criteria:

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

VIS Issue/Issuer Rating Scale

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

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