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AZERBAIJAN

The state of non-bank lending

INTRODUCTION

Azerbaijan — a bank-centric market between the Caucasus, Turkey and Central Asia.

Structurally, this is not a market for an independent fintech explosion, but a market of banking platforms. The main anchor is PASHA Financial Holding / Bir Ecosystem: Birbank, m10, MilliON, Umico, BakiKart, Trendyol AZ, and Bir Bonus are concentrated around Kapital Bank and the PASHA Group.

Within this banking-dominated landscape, non-bank credit institutions (NBCIs) occupy a relatively small but increasingly attractive niche. Despite accounting for only around 2.1% of financial-system assets, the segment demonstrates strong profitability, with ROE close to 20%. Growth is primarily consumer-led, supported by demand for accessible credit products and faster, more flexible lending solutions outside the traditional banking channel.

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AZERBAIJAN AT A GLANCE

Volume Limits Dictate Strategy

The demographic profile points to a mature, stable consumer base, but the overall market capacity inherently limits top-of-funnel customer acquisition.

To survive, unit economics must rely on customer retention and high lifetime value (LTV) rather than sheer volume of new leads.

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10.4M Population	**$78.4B** Nominal GDP, 2026	**5.6%** Annual inflation, May 2026
34.1 Median age	**$7,467** GDP per capita, 2026	**45 - 50%** Informal employment
59.1% Urban population	**2.2%** GDP growth, 2026	**1.7 manat** USD RATE

Source: Worldmeters, IMF - GDP, IMF - GDP per capita, IMF - AZ, Trading Economics - Inflation, Trading Economics - Unemployment, Baku Research Institute

STATE OF DIGITAL AND FINTECH

Digitized but Monopolized

Consumer behavior is highly digitized, enabling a fully remote, low-cost servicing cycle.

The critical barrier is that user attention is already monopolized by incumbent banking super-apps, making independent customer acquisition highly competitive and expensive.

89%
Internet penetration

56.3%
Bank account ownership

67
Fintechs

67.6%
Cashless transactions

13 banks live
Open banking

m10: ~3.5M
Birbank: ~3M+
Mobile banking registered users

Source: DataReportal Digital 2025 AZ, World Bank Global Findex 2025, PashaPay / Birbank, CBAR - Digital payments, CBAR - Open banking

FINTECH INFRASTRUCTURE TO BUILD ON

Ready Foundation, Closed Ecosystems

The core technological infrastructure is fully operational, eliminating the need to build verification or payment rails from scratch.

Yet, this foundation remains structurally closed and heavily dependent on a single dominant financial holding, limiting flexibility for independent providers.

REGTECH / KYC

ASAN + SIMA

State eKYC and digital identity; the state resolved the identity layer ahead of the market.

PAYMENT RAILS

m10, MilliÖN, Mpay, epay.az

Dominated by PASHA Financial Holding / Bir Ecosystem

NATIONAL PROCESSING

AzeriCard + MilliKart

Two independent licensed processors

INSTANT PAYMENTS

IPS

Retail 24/7 rail with AZN 40,000 limit; AZIPS = RTGS for large interbank payments.

Source: DataReportal Digital 2025 AZ, World Bank Global Findex 2025, PashaPay / Birbank, CBAR

FINTECH MARKET MAP: CREDIT & BNPL

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A Bank-Centric Arena

While the active presence of non-bank lenders proves the historical viability of the credit model, this is not a fragmented fintech ecosystem.

It operates primarily as an extension of traditional banking platforms, forcing independent lenders into narrow, non-prime niches.

BANK BNPL

Taksit cards

BNPL is fully bank-centric

NON-BANK CREDIT INSTITUTIONS

NBCO + credit unions

54 NBCOs and 35 credit unions

DIGITAL-FIRST BANKS

Birbank / Leobank / Yelobank

Birbank, Leobank from Unibank with over 1 million users, and Yelo Bank form the mobile-first user layer.

Source: Finteqstan

NBCOs: SIZE, PROFITABILITY & RISK

NBCIs include:

- 54 non-bank credit organizations (NBCO);
- 35 credit unions.

Credit unions are shrinking and loss-making with just ~1% of NBCI assets. All the growth and profit sit with the NBCOs — the segment to watch.

₼1.2B
Total assets

2.1%
Market share

₼1.0B
Gross loans

54
Active institutions

₼111.5M
Net profit

19.8%
ROE

9.0%
ROA

16.9%
Net interest margin

10.4%
NPL

11.7%
Loan-loss reserve ratio

₼107.0M
Provision expense (P&L)

45.4%
Equity-to-assets

Source:
CBAR - NBCO data
CBAR - NBCO balance sheet and P&L
CBAR - Financial stability report 2025

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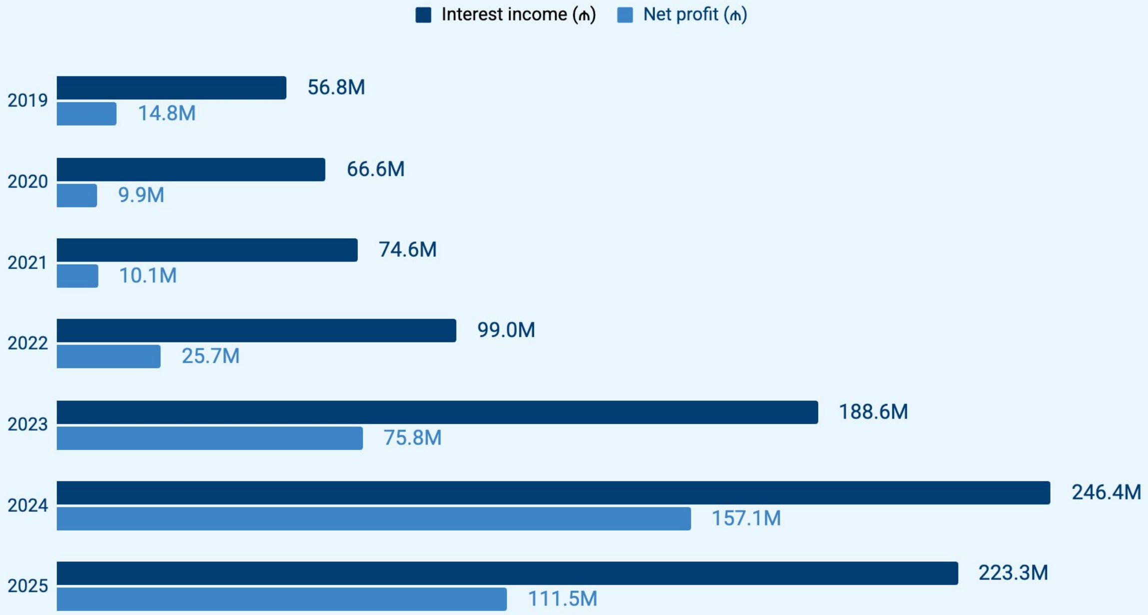
NBCO REVENUE AND NET PROFIT TRAJECTORY

Loan portfolio breaks down as follows:

- 70% of consumer loans
- 25% of business loans
- 5% of mortgage loans

Consumer focus keeps yields high — reflected in the income and profit trend →



Source:
CBAR - NBCO balance sheet and P&L
CBAR - Financial stability report 2025

REGULATORY ENVIRONMENT FOR DAILY (SHORT-TERM) LOANS

REGULATOR: CBAR, which is central bank and regulator of the financial system

LICENCE: NBCO, non-bank credit organization license

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MAXIMUM DAILY INTEREST RATE CAP

0.3%

no cap until 15 Nov 2024

DELINQUENCY FEES CAP

2× daily rate maximum

applies to delinquency fees and penalties, does not apply when delinquent interest is charged

TOTAL REPAYMENT CAP

100% maximum

of the principal amount

DELINQUENCY ACCRUAL

30 days maximum

interest on principal cannot accrue longer

MAXIMUM MATURITY

45 days

no maximum maturity until 15 Nov 2024

MAXIMUM SINGLE LOAN AMOUNT

AZN 500 per borrower

issued in the national currency

Sources:

- THE LAW OF THE REPUBLIC OF AZERBAIJAN on non-bank credit institutions
- CBAR - Regulation on credit risk management in non-bank credit institutions

TOP 10 PLAYERS BY 2025 NET PROFIT: FINANCIALS

Profit is concentrated, not spread.

Classic Pareto: the top ~20% of companies capture ~80% of net profit. The market has a clear, narrow leadership tier — and a long, low-earning tail.

COMPANY		REVENUE (₼)		NET PROFIT (₼)			
Brand	Launch	2025	YoY	2025	YoY	Share	Margin
Nova Credit	2023	31.9M	▲ new	23.0M	▲ turn+	22.3%	72%
SF Azerbaijan (Manato/Pulum)	2021	99.5M	▲ 6%	15.8M	▼ 58%	15.3%	16%
Azpul	2020	18.6M	▼ 76%	11.8M	▼ 82%	11.4%	63%
Embafinans (OnePoint)	2012	29.0M	▲ 40%	8.1M	▲ 13%	7.9%	28%
Para BOKT	2017	1.8M	▼ 67%	6.2M	▲ turn+	6.0%	349%
International (IBOKT)	2013	24.1M	▲ 35%	5.5M	▲ 15%	5.4%	23%
Monetri	2013	7.2M	▲ 36%	5.4M	▲ 35%	5.3%	76%
MJ Financial Services	2019	9.8M	▲ 6%	3.5M	▼ 19%	3.4%	35%
M Bulak	2005	16.6M	▲ 53%	3.4M	▼ 40%	3.3%	20%
FNC BOKT	2021	5.2M	▲ 100%	3.3M	▲ 66%	3.2%	63%
TOP 10		243.7M		86.0M		77.9%	35%
Rest of sector (40 cos.)		122.3M		24.4M		22.1%	20%
SECTOR TOTAL (50 cos.)		366.0M		110.4M		100.0%	30%

Source: company audited financial statements (2024–2025), compiled. All values in manats (AZN)

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TOP 10 PLAYERS BY 2025 NET PROFIT: PRODUCT COMPARISON

A Spectrum of Models, One International Operator

The leaders are not running the same product. The pool splits across payday, instalment, gold-secured lending and BNPL — different risk and margin profiles competing in one market.

Only one international group is present: SunFinance (Riga), behind Manato and Pulum across ~9 markets on three continents. A validation signal — and a question of why no one else has followed.

Brand name	Website	App	Product type	Min loan (AZN)	Max loan (AZN)	Min period, days	Max period, days	Max annual interest rate
Nova Credit	novacredit.az	No	Installment / Factoring	n/a	n/a	n/a	n/a	14
Manato (Sunfinance)	manato.az	iOS and Android	Short term	100	500	30	45	359
Pulum (Sunfinance)	pulum.az	No	Short term (revolving line)	300	3,000	n/a	n/a	359
Azpul (Azpulmat)	azpul.az	iOS and Android	Short term	20	500	15	45	480
OnePoint (Embafinans)	onepoint.az	No	Installment	100	3,000	120	180	155.51
Parabokt	parabokt.az	No	Secured by gold	n/a	n/a	90	1,080	16.8
IBOKT (International)	ibokt.az	iOS and Android	Secured by gold	n/a	n/a	90	1,080	16.8
Monetri	monetri.az	iOS and Android	Secured by gold / Installment	n/a	n/a	90	1,440	60
MJ Finance	mjfinance.az	No	BNPL / POS installment	150	7,000	90	540	0
M Bulak	mbulak.az	iOS and Android	Installment	300	10,000	90	1,080	43.5
FNC	fnc.az	No	Secured / Installment (real-estate)	n/a	n/a	n/a	n/a	n/a

Legend: **Short term (payday)** | **Installment** | **Secured by gold (lombard)** | **BNPL / POS installment** | **Factoring** | **Secured / real-estate**

Source: company audited financial statements (2024–2025), compiled. All values in manats (AZN), Azpul agreement, Embafinans agreement

HOW THE RATE CAP IS BYPASSED

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The service fee carries the margin.

Both rates are disclosed in the same loan agreement. The 0.3%/day cap binds the nominal rate — but the flat service fee sits outside it.

Shifting margin into the service fee keeps unit economics intact after the CBAR tightening — the borrower's full cost runs ~3× the headline rate.

ANATOMY OF A 200 ₼ LOAN

Loan amount	200 ₼
+ Interest rate fee	18 ₼
+ Service fee	41 ₼
Total (30days)	**259 ₼**

ON LATE PAYMENT

0.6%/day penalty — 2× the base daily rate
+ flat 10–15 ₼ late-fee steps

109.5%
NOMINAL ANNUAL RATE
excludes service fee

×3.3

359%
FULL EFFECTIVE RATE (FIFD)
includes service fee

Source: SF Azerbaijan / Manato loan agreement, 2025. Both the nominal annual rate (109.5%) and the full effective rate (FIFD, 359%) are stated in the contract.

REGULATORY TIGHTENING 2024

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RATE CAP INTRODUCED

0.3% daily interest cap

For short-term loans up to AZN 500

LOAN-LOSS PROVISIONING RULES INTRODUCED

- **5% reserve at issuance**
- **100% reserve after 1 overdue day**

Daily loans became more costly for NBCOs to hold on balance sheet.

MINIMUM CAPITAL INCREASED

AZN 300k → AZN 1m

NBCIs now need 3.3× higher charter capital

Source:
- CBAR - Regulation on prudent management of non-bank credit institutions;
- CBAR - Regulation on credit risk management in non-bank credit institutions

BANK-TO-NBCO conversions

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2024

Naxçıvanbank → E-Kredit NBCO

Part of consumer loan portfolio sold to Kapital Bank; remaining assets and credit claims transferred to E-Kredit. E-Kredit's NBCO licence was later voluntarily cancelled in 2026.

2026

Bank BTB → T-Credit NBCI

Deposits, assets and loan claims transferred to IBA/ABB; Bank BTB converted into T-Credit NBCI under CBAR supervision.

Source:

- CBAR – Revocation of Naxçıvanbank OJSC's banking licence and issuance of licence to its legal successor E-Kredit NBCI;
- CBAR – Revocation of E-Kredit NBCI licence
- CBAR – Preliminary consent for reorganization of Bank BTB OJSC into NBCI and transfer of clients to IBA;
- AzerNews – Bank BTB renamed as T-Credit NBCI

KEY TAKEAWAYS

Market Scale Requires a Strong Retention Focus

Azerbaijan's smaller 10.4M population limits acquisition scale and data volume for scoring, so short-term lending success will depend on strong retention and high repeat-borrower LTV.

Heavy Profit Concentration (The Pareto Rule)

Azerbaijan's non-bank lending sector is highly concentrated, with the top 10 players generating nearly 80% of net profit while around 40 smaller firms remain low-earning and struggle to gain meaningful share.

A Highly Profitable Consumer Niche

NBCIs represent only 2.1% of financial system assets but deliver nearly 20% ROE, driven largely by consumer lending, which accounts for 70% of the sector's loan portfolio.

Stricter Unit Economics for Daily Loans

Recent CBAR rules have made payday lending far more capital-intensive, with a 0.3% daily rate cap, higher AZN 1m minimum capital, and strict overdue provisioning putting heavy pressure on short-term loan margins.

Annex. Profit and loss statement — non-bank credit institutions* (mln. manats)

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Profit and loss components	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025
1. Interest income	56.8M	66.6M	74.6M	99.0M	188.6M	246.4M	223.3M
a) interest income on loans	56.5M	66.3M	74.2M	98.3M	188.5M	243.2M	222.6M
2. Interest expense	11.9M	11.4M	11.4M	21.5M	28.2M	37.0M	46.6M
a) interest expense on loans	11.9M	11.4M	11.4M	21.5M	28.2M	37.0M	46.6M
3. Net interest income (or loss)	44.9M	55.2M	63.2M	77.5M	160.4M	209.4M	176.7M
4. Non-interest incomes	11.4M	11.6M	13.0M	20.0M	25.1M	191.9M	251.6M
5. Non-interest expenses	40.2M	42.4M	49.1M	60.0M	86.3M	139.1M	195.5M
6. Operating profit	16.1M	24.4M	27.1M	37.5M	99.3M	262.2M	232.8M
7. Provision expenses	-0.4M	10.8M	12.6M	5.9M	6.5M	64.3M	107.0M
8. Profit or loss before taxes and unexpected expenses	16.5M	13.6M	14.5M	31.6M	92.7M	198.0M	125.8M
9. Profit or loss from unexpected activities and changes in accounting during the period	1.0M	0.1M	-0.4M	0.0M	0.4M	0.6M	1.7M
10. Net profit or loss before taxes	17.5M	13.7M	14.1M	31.6M	93.1M	198.6M	127.5M
11. Taxes	2.7M	3.8M	4.0M	5.9M	17.4M	41.6M	16.0M
12. Net profit or loss	**14.8M**	**9.9M**	**10.1M**	**25.7M**	**75.8M**	**157.1M**	**111.5M**

** excluding "Aqrarkredit" CJSC*

ABOUT MD FINANCE

We are a fast-growing technology company providing financial services across global markets, combining proven business models with AI-powered solutions. Since 2015, we have been serving thousands of people, empowering them through fast and simple financial products.

MISSION

We create easy-to-use financial products to address real-life needs as they come up — fast and without any hassle.

VISION

We envision a world where people move freely toward their goals, supported by financial solutions that are always ready, always simple, and always there when needed.

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