

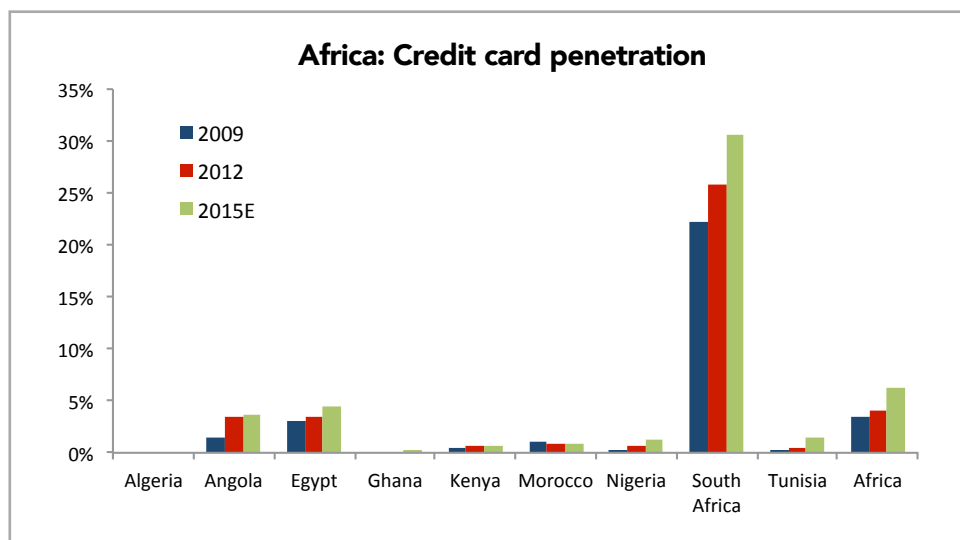
Africa in particular and in Kenya to a lesser extent. Similarly, many of Angola's large population of expatriate Chinese workers carry Chinese-issued UnionPay cards which boost acquiring volumes in the country.

Overall, the merchant acquiring business is a challenge in most African markets: banks have found merchant acquisition a low-margin business. To address this, there is a concerted effort to promote new technologies – such as mobile banking and the internet, electronic signatures and biometric identification – which have been successfully deployed in other countries, including some in Eastern and Southern Africa.

### Credit cards

Credit card usage in Africa trails other continents significantly, mostly because of the extremely rural nature of most residences. A small percentage of upper-income households enjoy the convenience of card-based payments, while most consumers still pay with cash. Factors such as low levels of formal employment and inadequate credit data inhibit the mass-market issuance of credit cards throughout most of the region.

Credit card penetration remains extremely low across most of the continent with the one exception being South Africa, where there were 31 credit cards per 100 adults in 2015. Egypt and Angola have penetration levels of five and four percent respectively while, in all the other markets considered here, penetration is one percent or lower.



Growth in the number of credit cards in issue in the region has been solid but unspectacular given the low starting point. There were an estimated 17 million cards in issue at the end of 2015, up from ten million in 2009. South Africa alone accounts for 68 percent of these cards, meaning that the regional trend is heavily influenced by that market. In Nigeria, Africa's largest economy, there are fewer than two million credit cards in circulation, although growth in card numbers has averaged over 30 percent per annum since 2009.

**Sample  
Country**

**Sample Country: Card Holdings per 100 Adults**

Average number of cards per 100 adults	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F	2018F
<b>Credit cards</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Debit cards</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Prepaid/e-money cards</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Source:

**Sample Country: Credit Cards Metrics**

Billed volume on credit cards (\$ millions)	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F	2018F
POS	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
ATM	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
Total	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
<b>Transactions on credit cards (000s)</b>										
POS	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
ATM	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
Total	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
<b>Average transaction value on credit cards (\$)</b>										
POS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
ATM	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total average transaction value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Average # transactions/month	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Notes:

Source:

## Egypt

# Merchant Acquiring and Processing Overview

## Egypt

### Acquiring

- The price war that started between CIB and AAIB in 2009 further intensified during 2012. This resulted in increased pressure on the average merchant service charge (MSC), which fell from 1.4 percent in 2009 to 1.2 percent in 2012. However, the market stabilised in early 2013 as acquirers realised that this strategy was unsustainable due to factors such as increasing interchange, the rising cost of card fraud and declining acquiring volume because of lower tourist numbers. At the end of 2014, the average MSC stood at 1.4 percent.
- As merchant acquiring players have developed their card issuing business, they have had to adjust to lower profit margins due to price competition. In some cases they have used their credit card issuing to subsidise losses on acquiring, often offering MSCs below the rate of interchange as a result of strong competition.
- Card acceptance infrastructure in Egypt is at an embryonic stage of development. While there has been a temporary decline in merchant terminal growth as a result of the revolution, there is considerable potential for strong growth. At the end of 2014, there were around 50,808 POS terminals installed in the country, and this is estimated to reach 56,467 terminals by the end of 2015.
- Most merchant terminal penetration is focused on the travel and entertainment segment

and concentrated in key cities such as Cairo and Alexandria. Although there is a need to break out of this segment, the market is only slowly expanding to other merchant sectors.

### CIB

- CIB entered the merchant acquiring business in late 2007. However, by aggressively pricing its MSC and leveraging its fast-expanding credit card base, its market share has increased rapidly.
- CIB has become the largest acquirer in Egypt with its market share estimated to reach 32 percent in terms of credit card acquired billed volume in 2015. Around 32 percent of merchant accounts are estimated to be managed by CIB in 2015.
- CIB leveraged its relationship with hypermarkets, which has allowed the bank to generate sizeable volume of merchant acquiring business in a relatively short period of time. However, in order to maintain its partnerships with these volume-based businesses, the acquirer had to agree to the competitive MSCs demanded by such clients.
- As indicated by its pricing policy, CIB operates its merchant acquiring business as a support function for its issuing business.

### Arab African International Bank (AAIB)

- AAIB is the second-largest acquirer in the country with a market share estimated to reach 26 percent in terms of credit card acquired billed volume in 2015. The number of

Sample  
Country

**Sample Country: Merchant Acquirer Credit Card Market Share 2015E**

Merchant Acquirer	Number of merchant accounts	Number of POS transactions (million)	- of which credit card (million)	Market share	Billed volume of transactions (\$ millions)	- of which credit card (\$ million)	Market share
Acquirer 1	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Acquirer 2	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Acquirer 3	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Acquirer 4	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Others <sup>(1)</sup>	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
<b>Total</b>	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx

Notes:

Source:

**Sample Country: Credit Card Merchant Service Charges**

Merchant Service Charges: domestic transactions	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F	2018F
<b>Max</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Min</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Average</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Source:

**Sample Country: Debit Card Merchant Service Charges**

Merchant Service Charges: domestic transactions	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
<b>Max</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Min</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Weighted Average</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Source: