



Market Entry Report:

West Africa Banking Sector Overview

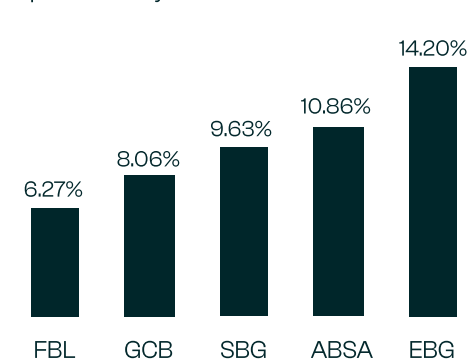
Banking Industry Overview and Key Performance Metrics

West Africa’s banking sector is diverse, with Ghana and Nigeria hosting relatively mature banking industries, while francophone markets like Côte d’Ivoire and Senegal are served by both regional and international banks.

Market Structure

In Ghana, 23 banks operate post-consolidation, with the largest bank (Ecobank Ghana) holding about 13.6% of industry deposits. Nigeria’s banking sector is more concentrated – the top five banks control over 80% of banking assets – reflecting the dominance of large players like Access Bank, Zenith Bank, GTCo, FirstBank, and UBA. In WAEMU (eight-country monetary union including Côte d’Ivoire and Senegal), there were 131 banks as of 2022, but many are small; new capital rules are spurring consolidation. Major banking groups (e.g. Ecobank, Société Générale, BNP Paribas through BICICI, and local groups like NSIA) account for a large share of deposits and loans in francophone West Africa.

Top 5 Banks By Market Share In Ghana: 2023



Asset Growth and Credit Expansion

Banking assets have been growing but with variations by country. Ghana’s total banking assets grew nearly 30% in 2023 (to GHS 274.9 billion) driven by strong deposit growth. Nigeria has seen rapid nominal loan growth (~50% in 2023) largely due to naira depreciation inflating loan books, though real credit growth is modest. In WAEMU, bank credit to the private sector grew by 10.3% in 2023 (after 14.2% in 2022), outpacing GDP and indicating deepening financial intermediation. Despite growth, overall credit-to-GDP in West Africa remains relatively low (e.g. Nigeria’s private credit is only ~12% of GDP, among the lowest of peers).

Profitability and Efficiency

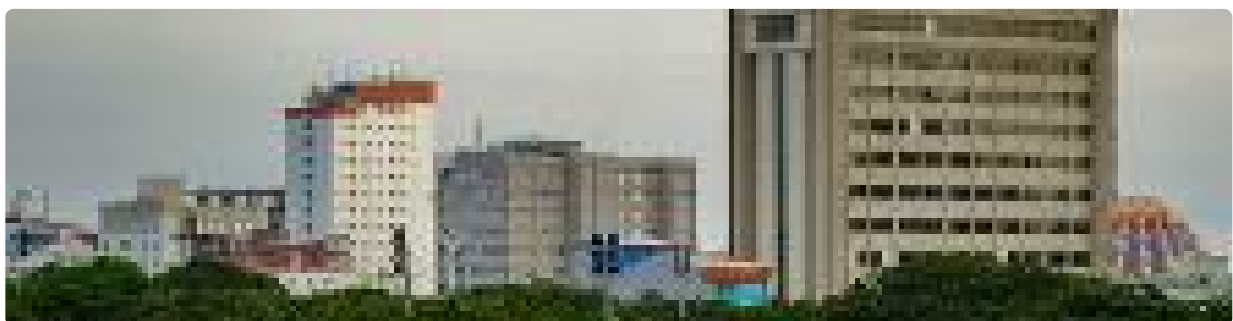
Bank profitability rebounded strongly in 2023 across much of the region. In Ghana, after a sharp loss in 2022 due to a domestic debt default,

banks posted strong profitability in 2023 thanks to high yields on government securities. Return on equity (ROE) in Ghana turned positive again in 2023 and is expected to strengthen as economic conditions stabilize. Nigerian banks have sustained high profitability; ROE averages around 20-25% and is forecast to remain in that range through 2025.

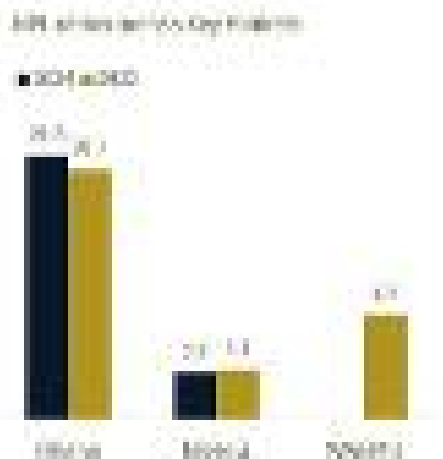
This is underpinned by wide net interest margins in a high-interest environment and non-interest income from fees. In francophone West Africa, profitability is positive but slightly lower relative to Anglophone peers – WAEMU banks' return on assets (ROA) is about 1.2–1.5%, and sector ROE is in the low teens, partly reflecting higher operating costs and smaller scale. Cost-to-income ratios generally range from ~50% to 70% in the region. For example, Ghanaian banks' cost efficiency improved in 2023 as non-interest expenses to income fell significantly (helped by cost-cutting and income recovery). Nigerian tier-1 banks tend to be more efficient (some with cost/income ~55%) while smaller banks and WAEMU banks operate at higher ratios.

Asset Quality (NPL Trends)

A key concern remains credit quality, with divergent trends observed across the markets. Ghana's banking sector experienced a notable increase in its NPL ratio, rising from 20.7% in 2023 to 21.8% in 2024. This upward trend underscores the persistent challenges faced by borrowers and the slow pace of post-COVID economic recovery in Ghana. This elevated NPL level continues to be a point of vulnerability for Ghanaian banks, necessitating ongoing efforts in loan recovery and the potential implementation of an asset management scheme. In contrast, Nigeria has maintained a relatively low NPL ratio, decreasing slightly from 4.2% in 2023 to 3.9% in 2024. This performance, which remains below the CBN's 5% threshold, is likely supported by measures such as loan write-offs, recoveries, and regulatory forbearance.



However, as noted previously, some concerns linger regarding the true asset quality, particularly concerning restructured loans from pandemic-era forbearance. The WAEMU region exhibits a higher NPL ratio compared to Nigeria, standing at 8.7% in 2023. As of now, there are no official estimates for the Non-Performing Loan (NPL) ratio in the WAEMU region for 2024. High NPLs have dented the banking system's soundness in Ghana and parts of WAEMU, requiring higher provisioning. Nevertheless, **Non-performing loan ratios in 2023 show Ghana's asset quality challenges versus Nigeria and WAEMU averages**



capital buffers have so far absorbed losses. Ghana's capital adequacy ratio (CAR) fell to 13.9% in Dec 2023 (from 15.7% a year prior) due to debt restructuring losses but remained above the 11.5% regulatory minimum.

Nigerian banks on average report CAR well above the 15% minimum for toptier banks, though naira devaluation has inflated risk-weighted assets (pressuring CAR for some mid-tier banks near the limit). WAEMU banks' average CAR is about 13% – one of the lowest regional averages in SSA – but above the minimum of 11.5%; a few weak banks (including some state-owned institutions) have CAR below threshold and may need recapitalization.

Overall, liquidity in the banking system has been adequate: Ghanaian banks are largely deposit-funded and maintained strong local currency liquidity coverage due to high-yield T-bills in 2023; Nigerian banks also primarily fund via customer deposits (industry loan-to-deposit ~52%) and hold healthy liquidity ratios ~45%; WAEMU banks have stocked up liquidity as well, partly due to tighter regional monetary conditions and banks investing more in central bank bills.

Systemic and Emerging Risks

While West African banks are profitable, they face several systemic risks. Sovereign exposure is a significant concern – banks hold large amounts of government debt, which in Ghana led to severe losses when Ghana defaulted on domestic bonds.

In Nigeria, heavy public sector borrowing could crowd out private lending and any further currency instability could impair banks' foreign currency loans. In WAEMU, the "sovereign bank nexus" is rising, with government securities making up a growing share of bank assets.

Currency risk

is an emerging issue in Nigeria and Ghana (with volatile floating currencies) – banks must manage foreign exchange positions carefully to avoid losses.

Credit concentration

Credit concentration is another vulnerability: WAEMU banks often have a few large borrowers accounting for a big chunk of capital (the top 3 exposures often exceed total regulatory capital for some banks), raising the stakes of any single default.

Macroeconomic shocks

(high inflation, interest rate spikes) can erode asset quality and capital, as seen recently. Nonetheless, the banking sector in each country has shown resilience, aided by regulatory interventions and the expectation of improving economic conditions in 2024–2025.



Regulatory & Policy Landscape

Central Banking Authorities

The regulatory environment spans multiple jurisdictions. In Ghana, the Bank of Ghana (BoG) is the central bank and primary regulator, responsible for bank licensing, supervision, and monetary policy. BoG has been proactive in reform – it undertook a major financial sector cleanup (2017–2020) to address insolvent institutions and strengthen the system.

In Nigeria, the Central Bank of Nigeria (CBN) regulates and supervises banks and oversees specialized institutions (like microfinance banks and payment service banks).

CBN has broad powers over monetary and financial stability policy and has issued guidelines on everything from capital requirements to fintech and open banking. Francophone West African countries (including Côte d'Ivoire and Senegal) share a common central bank, the BCEAO (Central Bank of West African States), which sets monetary policy for the WAEMU and works with a regional Banking Commission for supervision.

Thus, bank regulations in Côte d'Ivoire and Senegal are largely harmonized at the WAEMU level under the BCEAO's purview.

Recent Reforms and Capital Requirements

Regulators have tightened rules in recent years to ensure stability.

Minimum capital requirements were raised in several countries. Ghana in 2018 hiked the minimum stated capital for banks to GHS 400 million (about USD 70 million then), leading to mergers and exits of weaker banks. Nigeria's requirement for commercial banks is NGN 25 billion (roughly USD 60 million), and there have been discussions about increasing this further or requiring additional capital buffers by 2026. In WAEMU, the BCEAO doubled the minimum capital from CFA 10 billion to CFA 20 billion (about USD 33 million) effective by end-2026. This is prompting banks, especially smaller ones, to recapitalize or consider consolidation to meet the new threshold.

Alongside capital, regulators have phased in Basel II/III prudential standards. WAEMU completed its Basel II/III transition in 2023 (except certain liquidity rules). Ghana and Nigeria also implement Basel standards (Nigeria requires a Capital Adequacy Ratio of 15% for top-tier banks, 10% for others; Ghana's current minimum CAR is 13% including buffers). Furthermore, leverage limits and single obligor limits have been enforced – e.g., WAEMU introduced a 25% single borrower limit to curb concentration risks.

Licensing Regimes – Traditional vs. Fintech

Regulators differentiate between full banking licenses and other financial service licenses.

A universal banking license in these markets allows deposit-taking, lending, and a wide range of financial services, but comes with heavy capital and compliance requirements.

Ghana and Nigeria also offer special licenses for fintechs and nonbank financial institutions. In Ghana, fintechs can be licensed as payment service providers (PSPs) or electronic money issuers (EMIs) with lower capital requirements (e.g. GHS 20 million for mobile money issuers).

Digital-only bank licenses per se do not exist yet in Ghana – any entity calling itself a “digital bank” must either acquire a full banking license or operate under a fintech license for limited services. Nigeria, by contrast, created the Payment Service Bank (PSB) category in 2018 to allow telcos and fintechs to offer basic banking (deposits and payments) without full commercial bank status. PSBs in Nigeria (such as MTN's MoMo PSB and Airtel's Smart Cash) have lower capital requirements (NGN 5 billion) and are restricted from lending, focusing instead on payments and mobile deposits.

This tiered approach allows new entrants to offer digital financial services under a lighter regime, while full traditional banking remains tightly regulated. In WAEMU, the BCEAO's 2023 banking law updates likewise expanded the scope of licenses to include payment institutions and electronic money institutions alongside traditional banks. For example, Orange Money and Wave operate under e-money institution licenses, whereas Orange Bank Africa (launched 2020 in Côte d'Ivoire) obtained a full banking license in partnership with NSIA Group.

Ghana's Financial Sector Cleanup (2017–2020)

Ghana underwent a sweeping banking and specialty deposit-taking institutions clean-up which has shaped the current landscape. BoG revoked the licenses of nine insolvent banks and dozens of microfinances and savings & loans companies that failed to meet new capital requirements or were grievously mismanaged.

This led to the consolidation of some banks (e.g. five failed banks were folded into the state-owned Consolidated Bank Ghana in 2018) and payout of insured deposits from a resolution trust. The cleanup improved the sector's health by weeding out weak players, raising minimum capital, and strengthening corporate governance.

However, it also had short-term effects: credit growth slowed amid the uncertainty, and the government issued bonds to cover depositor claims, slightly increasing public debt. Post-cleanup, confidence in the remaining banks improved, and by 2021 Ghana's banking sector was better capitalized and more robust. Entrants now face a more stable industry, but also higher regulatory expectations on capital adequacy, risk management, and corporate governance because of these reforms.

Sovereign Default Implications (Ghana 2022)

Ghana's 2022 sovereign debt crisis (and subsequent default on external debt

and Domestic Debt Exchange Programme (DDEP)) had major implications for banks. Banks in Ghana traditionally held a significant portion of their assets in government bonds. The DDEP in early 2023 forced banks to swap roughly GHS 83 billion of government bonds for new ones with lower coupons and longer maturities, causing immediate valuation losses. As a result, virtually all Ghanaian banks reported net losses in 2022 and a sharp drop in capital (the industry CAR fell below prudential targets).

The Bank of Ghana responded with regulatory forbearance, allowing banks to temporarily breach capital and liquidity ratios and pause dividend payments. It also set up a GHS 15 billion bond fund (financial stability fund) to provide liquidity support. By 2023, thanks to hefty profits from high interest rates, banks began to rebuild capital.

However, the legacy effect is that Ghanaian banks are now more cautious with government debt and face constraints on lending until capital buffers are fully restored (most are given until 2025 to recapitalize). Funding and asset mix have shifted – banks rely more on customer deposits and T-bills for liquidity, and loan growth has been subdued as balance sheets heal. The episode underscores sovereign risk: a market entrant must consider exposure to government debt and the risk of policy shocks on bank assets.

In Nigeria and WAEMU, while no defaults have occurred, high public debt in some cases means this risk is not negligible (e.g., a debt restructuring in a WAEMU country like Mali or Niger could similarly impact banks holding those bonds).

Supervisory Outlook

Going forward, regulatory authorities are emphasizing risk management and stability. The Bank of Ghana has tightened loan classification and provisioning rules to tackle NPLs (aiming to bring NPL ratios below 10% by 2025). The BoG also introduced the Ghana Deposit Protection Scheme to insure deposits up to GHS 6,250, bolstering confidence. The CBN in Nigeria has been actively issuing guidelines for emerging areas – e.g., Operational Guidelines for Open Banking (2023) to enable data-sharing in banking, and regulations on cybersecurity, consumer protection, and fintech collaboration.

CBN also occasionally uses moral suasion or administrative measures (for example, directing banks to increase lending to certain sectors via its Loan-to-Deposit Ratio policy, or managing FX sales to banks) – this hands-on approach means entrants should be prepared for close engagement with the regulator.

The BCEAO, through its 2023 banking law reforms, is aligning with international norms (Basel III, resolution frameworks) and has set up a regional deposit guarantee fund for WAEMU.

Notably, the BCEAO in 2023–2024 maintained a conservative monetary stance to fight inflation, which influenced banking conditions (raising the policy rate to 3.5% and keeping it there). In summary, West African regulators are strengthening oversight, raising standards for capitalization and governance, and gradually allowing innovative financial services under careful guidelines. Any new entrant like Alfa Bank Russia will need to navigate these regulatory frameworks, ensuring full compliance with licensing requirements and prudential norms in each target country.

Fintech, Mobile Money & Digital Transformation

Mobile Money Ecosystem

In Ghana and francophone West Africa, mobile network operators (MNOs) dominate mobile payments. Ghana's mobile money user base is huge – there were 73 million registered accounts by 2023 (including multiple accounts per individual) and about 21 million active users, in a population of ~33 million.

West Africa has witnessed a digital finance revolution, led by mobile money and fintech innovation, which is reshaping the banking landscape.

The ecosystem is led by MTN Mobile Money (MoMo)

89%

Mobile Money revenues in Ghana

73%

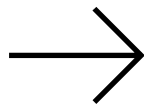
Of active customers in Ghana



with a total value of

6.8B

Transactions in 2023



\$120B

≈GHS 1.92 trillion

The ecosystem is led by MTN Mobile Money (MoMo), which commands about 89% of mobile money revenues in Ghana and an estimated 73% of active customers. Other players include Vodafone Cash and AirtelTigo Money, and recently a bank-led wallet (GhanaPay), but none approach MTN's scale. Mobile money in Ghana handles enormous transaction volumes – 6.8 billion transactions in 2023 with total value GHS 1.92 trillion (≈\$120 billion), a 79% increase in value from 2022. This far exceeds traditional bank payment volumes and underscores the public's preference for mobile wallets for day-to-day transactions.

In Côte d'Ivoire and Senegal, a similar story unfolded: Orange Money was historically the leading platform across WAEMU, offering transfer, bill-pay, and savings via mobile wallet. In Senegal, however, upstart Wave (a US-founded fintech) disrupted the market – in just five years, Wave's ultra-low fees and easy app-based service dethroned Orange Money, forcing Orange to cut its fees by nearly 80% to compete. By 2023, Wave had nearly 7 million regular users in Senegal and a presence in Côte d'Ivoire, Mali, and other WAEMU countries. This illustrates how fintech innovation can rapidly transform the competitive landscape, even in a telco-dominated space.

Digital Transformation by Traditional Banks

Incumbent banks have responded by digitizing their services. All major banks in Ghana and Nigeria now offer mobile banking apps and USSD short codes for basic feature-phone transactions. For example, Nigeria's GTBank's *737# and UBA's *919# USSD services allow customers to transfer funds and pay bills without needing a smartphone. In Ghana, almost every bank has a mobile app or uses Ghana's interoperable mobile money system to allow bank-to-wallet transfers. Banks are also exposing APIs for fintech integration – the BoG and CBN have encouraged open banking principles, and some banks (like Stanbic Ghana and Access Bank Nigeria) have developer portals where third parties can connect to banking services (account info, payments) securely.

The push towards a cashlite economy has driven investments in digital channels: ATM networks, POS devices, and especially agency banking.

In Nigeria, banks and fintechs have recruited tens of thousands of agents (local merchants with point-of-sale devices or mobile phones) to offer cash-in/cash-out and account opening services in rural or underserved areas. This extends banks' reach digitally without building new branches. Ghana's banks launched GhanaPay in 2022, a shared mobile wallet that any bank customer can use – a collaborative strategy to compete with telcos by leveraging the banks' trust and interoperability. Adoption of GhanaPay has been slow, but it signifies the strategic importance of digital channels to banks.

Bank-Fintech Partnerships

Rather than compete head-on, many banks are partnering with fintech startups. These partnerships take various forms: payments and remittances fintechs often rely on bank infrastructure (for example, Flutterwave and Paystack in Nigeria process card payments through acquiring banks). Some banks have rolled out co-branded solutions with fintechs – in Ghana, a few banks partner with fintechs to offer digital loan products (the bank provides capital, the fintech handles the tech and credit scoring).

In Nigeria, we see banks integrating with fintech lending platforms to fund MSME loans, or with agritech platforms to reach farmers. Examples: Ecobank has been very active in partnering via its Pan-African API sandbox, enabling fintechs to initiate payments and account lookups across 33 countries (this opens up Ecobank's rails to innovators). In Nigeria, Stanbic IBTC partnered with fintech startup Chipper Cash to facilitate lowcost cross-border transfers. Access Bank collaborated with PayPal to ease payments for its customers. And several banks have acquired stakes in fintechs – for instance, Nigeria's GTCO acquired a fintech (Habari) to boost its digital banking offerings.

These partnerships offer win-win opportunities: fintechs get scale and regulatory cover, while banks get access to new customer segments and tech capabilities. Nonetheless, there are constraints such as legacy IT systems at banks (making integration slow), cultural differences (banks are cautious about risk while fintechs are agile), and regulatory ambiguity in some areas (e.g. data sharing, which is being addressed by new open banking frameworks).

Innovation Trends – Blockchain, AI, Digital ID

West African financial institutions are exploring cutting-edge innovations on a smaller scale. Blockchain technology is being piloted for crossborder payments and trade finance.

Regulatory Treatment

Mobile Money vs. Bank Deposits:

Mobile money is regulated differently from traditional banking deposits, which has implications for competition. Generally, mobile money balances are not considered bank deposits – they are e-money liabilities of the provider – and thus telecom operators or fintech providers are not subject to full banking regulations.

However, central banks impose safeguards: In Ghana, all mobile money float (the total customer balances) must be 100% backed by equivalent cash in trust accounts at commercial banks.

The BoG directs that interest earned on these float accounts is partially passed to mobile money users (promoting inclusion by letting even mobile wallet users earn some interest). Mobile money providers are required to meet capital and liquidity requirements specific to e-money issuers and must ring-fence customer funds. But importantly, mobile money accounts in Ghana are not covered by the deposit insurance scheme that protects bank deposits. This creates a different risk profile – though to date, no major mobile money failure has occurred, and the funds in trust provide a buffer.

In Nigeria, PSBs like MTN's MoMo are allowed to take deposits up to a certain limit per customer and must hold 75% of deposits in government securities

(and the rest as cash or with commercial banks) as per CBN regulations. PSBs cannot lend or take credit risk with customer funds. This essentially makes mobile money in Nigeria a narrow banking service, reducing risk to depositors.

The PSB deposits are likely eligible for coverage under the Nigeria Deposit Insurance Corporation (NDIC) up to the standard insured limit (currently ₦500,000) since PSBs are licensed by CBN, but they operate with tighter constraints than full banks. In WAEMU, the BCEAO mandates that e-money issuers keep float funds in a special escrow at banks or the central bank, and while these are not explicitly insured, the strong oversight by BCEAO has so far maintained trust in mobile money.

A key difference in regulatory treatment is reserve requirements – traditional banks in Ghana and Nigeria must keep a portion of deposits as reserves with the central bank (e.g. CBN's CRR is high at 32.5% in 2023, BoG's CRR is 12%), whereas mobile money floats are not typically subject to reserve requirements (since they are already fully backed and mostly kept in banks).

This gives mobile money a cost advantage in serving small-balance customers (no need to lock up reserves). However, banks argue this creates an uneven playing field and have lobbied for more level regulations or collaborations (hence products like GhanaPay or bank-led mobile wallets).

In summary, the West African fintech and mobile money scene is vibrant and growing. Mobile money has dramatically expanded financial access – for instance, over 33% of adults in sub-Saharan Africa have a mobile money account as of 2021, compared to just 10% globally, with Ghana and Côte d'Ivoire among the world's leaders in mobile money usage. This has forced traditional banks to innovate or partner to stay relevant.

A new entrant bank should consider strategies to integrate with or leverage the mobile money infrastructure (for example, offering instant wallet-to-bank transfers, or providing value-added services on top of mobile wallets). The regulatory environment is gradually adjusting to this new reality, aiming to foster innovation while managing risks, which leads to opportunities for digital-forward institutions.

Digital/Neo Banks: Opportunities and Strategic Positioning

The concept of digital-only banks (neobanks) is gaining traction in West Africa, though it is still an emerging phenomenon relative to more developed markets.



Regulatory Environment for Digital Banks: None of the target countries yet have a dedicated “digital bank license” category equivalent to those in some Western countries; instead, aspiring neobanks take one of two paths: either obtain a traditional banking license and operate without physical branches, or use alternative licenses (like fintech, microfinance, or PSB) to operate quasi-banking services digitally.

In Ghana, to date, no standalone digital bank has launched under a full banking license – the capital requirement of GHS 400 million is a high barrier for fintech startups. As a result, digital finance innovators often use other licenses (for instance, Fido Money in Ghana provides micro-loans under a Tier 3 microfinance license, and Zeepay operates under an EMI license to provide mobile wallets).

The BoG has shown openness to digital financial services through its fintech sandbox and by issuing PSP/EMI licenses, but market entry as a full digital bank would require partnering with or acquiring an existing bank in Ghana’s context. In Nigeria, several neobanks have emerged by leveraging microfinance bank (MFB) licenses – e.g., Kuda Bank and FairMoney operate with national microfinance bank licenses, which have lower capital requirements (~\$5 billion) than a commercial bank and more limited scope (they mainly serve individuals and SMEs with digital savings and loans).

The CBN has been relatively accommodating, it permits these fintech-MFBs to integrate with the payments system (each customer gets a virtual account number) and recently issued an Operational Guidelines for Open Banking (2023) to further level the playing field for fintech entrants. For digital lenders, CBN also introduced a licensing regime for digital loan apps to curb predatory practices.

In WAEMU, market openness is improving – the new banking law explicitly covers “payment institutions and electronic money institutions” and allows non-banks to offer certain financial services. Fully digital banks in WAEMU are nascent; Orange Bank Africa is a notable example, having launched in Côte d’Ivoire with a strategy to be mobile-first, leveraging Orange’s telecom data to extend loans and savings to its users. Regulators in WAEMU have so far favoured entities with strong backing (like Orange with NSIA Bank) for bank licenses, so an independent neobank would likely need significant capitalization or partnership. Overall, Ghana’s and Nigeria’s regulatory frameworks are more flexible in allowing digital-only operations (via fintech licenses or microfinance routes), whereas WAEMU’s framework is evolving but still requires navigating a regional central bank and meeting uniform criteria across member states.

Competition and Market Openness

Ghana’s market is relatively open to new digital entrants in theory, but competition from entrenched players is high. If Alfa Bank enters Ghana with a digital focus, it will face competition from both traditional banks (all of which now have digital channels) and fintech products. Ghanaian consumers already have access to savings/investment apps (e.g., Databank’s mobile services) and lending apps, though not at Nigeria’s scale

Nigeria’s market is the most competitive for neobanks: aside from Kuda and FairMoney, others like Carbon, Vbank, and ALAT (by Wema Bank) are vying for the youth and mass-market segment. Moreover, non-bank platforms like PiggyVest and Cowrywise have attracted millions of users by offering digital savings and investment accounts (though these are not banks, they compete for customer funds by being simple and mobilebased). The presence of these platforms in Nigeria means a new entrant must bring a strong unique value proposition – for instance, better lending terms, superior app experience, or integration with international banking services.

In WAEMU countries, digital finance is currently dominated by mobile money providers rather than independent neobanks. This means competition is less from other neobanks and more from telcos. For example, in Côte d’Ivoire, Orange Bank Africa is one of the few digital bank initiatives and it has reportedly reached 500,000 customers by leveraging Orange’s mobile money base. In Senegal, Wave’s success as a low-cost mobile wallet shows that customers are willing to switch for convenience and price – a digital bank could potentially ride on such trends if it offers fee-free accounts or higher interest.

Market openness in francophone Africa can be challenging for a foreign entrant due to language and the tight-knit nature of the banking sector

(often dominated by French or regional banks), but fintech disruptions (like Wave) demonstrate that innovative models are welcomed by users if allowed by regulators.

Neobanks vs. Savings/Investment Platforms

It's useful to distinguish full stack neobanks (which aim to replicate a bank's checking/savings account digitally with payments and possibly lending) from niche fintech platforms. In Nigeria, many fintech apps started as savings and investment platforms – e.g., PiggyVest pools customer deposits into secure investments and allows flexible withdrawals, effectively offering an alternative to bank savings accounts. These platforms are not licensed as banks; they partner with banks to hold funds in custody and often operate under a cooperative license or a payments license. They typically offer higher interest rates than banks (because they invest in T-bills or other instruments) and appeal to young, tech-savvy Nigerians. A similar trend is budding in Ghana (with a few startups offering investments via mobile). Such platforms have lower regulatory overhead, allowing them to be nimble, but they cannot directly intermediate credit. Neobanks, on the other hand, usually aim to provide a broader suite: a mobile app for account opening, funds transfer, bill pay, possibly a debit card, and increasingly, credit products.

For example, Kuda in Nigeria started with free checking accounts and a debit card delivered to customers, then added budgeting tools and now offers short-term overdrafts.

The competitive advantage of neobanks lies in user experience (quick onboarding, modern app) and often lower fees (Kuda famously has “no maintenance fees” accounts, whereas traditional banks often charged monthly fees).

However, the savings/investment fintechs compete by offering returns and goalbased savings features that pure neobanks might not match initially. Over time, the lines are blurring: neobanks partner to offer investments, while investment apps have added payment features. For Alfa Bank's strategy, understanding that landscape is key – in Nigeria, for instance, to attract the mass market, offering a combination of a no-fee digital account + competitive savings yield + easy loans might be necessary to stand out among both neobanks and fintech savers.

Customer Acquisition Strategies

Digital banks target mainly the young, urban, and tech-savvy demographic, but also have a mandate to reach the unbanked and SMEs. Successful strategies include:

1 Seamless onboarding

Eg., ability to sign up via a smartphone in 5 minutes with minimal documentation. Both Ghana and Nigeria now enable biometric verification against national ID databases, which can facilitate instant account creation.

2 Freemium pricing and promotions

Neobanks often waive fees that traditional banks charge. Kuda grew rapidly by advertising zero ATM withdrawal fees (up to a limit) and no-account fees, appealing to cost-conscious youth. Many fintechs use referral programs ("Refer a friend and earn ₦500/GHS5"), social media campaigns, and influencer marketing to grow user numbers quickly.

3 Agent networks and offline reach

Recognizing that not all target customers have smartphones or trust apps initially, some digital banks deploy agent networks for cash deposit/withdrawal and sign-up assistance. In Nigeria, digital banks piggyback on the existing network of banking agents; in Ghana, a new entrant might partner with mobile money agents or postal outlets to serve as on-the-ground support for its digital customers.

4 Localized and intuitive user experience

Providing apps in local languages (especially French in Francophone markets) and incorporating familiar design (e.g., chat-like interfaces for financial transactions) can help adoption. Additionally, tailoring products to customer needs – such as a youth account for students, or an SME quick loan product – can differentiate a neobank. For SMEs, digital banks might offer simple merchant payments, accounting tools, or integration with e-commerce platforms, which traditional banks often lack.



Revenue Models and Scalability

Digital banks globally often face the challenge of turning scale into profits, and West Africa is no different. The typical revenue streams include net interest income (if the bank lends or invests deposits), transaction fees (interchange on card payments, small fees on certain transfers), and commission on services (e.g., selling insurance, airtime, or receiving a fee from referral products). In Ghana and Nigeria, interest rates are high, which on one hand means that any deposits not lent can earn good returns in safe assets (T-bills yielding 15-30% in Ghana, ~14-15% in Nigeria).

This is a boon for neobanks' interest income if they gather deposits. On the other hand, high lending rates make it challenging to lend affordably to the mass market; many neobanks partner with lenders or limit themselves to short-term advances. Initially, West African neobanks have focused on transaction-driven models – for instance, earning interchange when customers use their debit cards.

Interchange in Nigeria is about 0.5-1% of transaction value, which can add up if users heavily transact. In Ghana, mobile money interoperability fees or card fees could similarly contribute. Some neobanks also charge premium features or allow users to tip the app voluntarily (Kuda tried a voluntary fee model). Scalability will depend on acquiring large numbers of customers at low cost and maximizing per-customer revenue via cross-selling.

As of 2023, the largest neobank in Nigeria (Kuda) reported over 5 million users, but it is unclear if it's profitable;

they have raised significant venture capital to fund growth. The path to profitability likely lies in expanding into lending (where interest margins are highest) and keeping customer acquisition costs low by viral marketing rather than expensive advertising.

Credit Scoring and Lending Innovation

Extending credit in thin-file environments is both a need and a challenge. Traditional banks have hesitated to lend to individuals without formal salaries or collateral, contributing to low private credit/GDP. Digital players are tackling this with alternative data and scoring algorithms. They analyse mobile phone metadata (e.g., top-up patterns, social networks), mobile money transactions, utility bill payments, e-commerce orders, and even psychometric data to assess creditworthiness. For example, Carbon and FairMoney in Nigeria use AI models on smartphone data to underwrite instant microloans of a few hundred dollars, disbursed and repaid via the app.

In Ghana, fintech lenders like Fido and Paylater similarly use machine learning on user behaviour and repayment history to approve short-term loans (often starting small and increasing limits as trust builds).



A neo-bank can leverage its own platform data: monitoring how frequently a customer deposits or what bills they pay can provide insight into their cash flows.

Credit scoring innovation also extends to partnerships with credit bureaus – both Ghana and Nigeria have private credit bureaus that now incorporate non-bank data. For instance, Nigeria's Credit Bureau can include a customer's mobile loan history so that over time a more complete profile is built.

By combining these data sources, digital banks can lend to the “invisible” borrowers where traditional banks have no information. This is crucial for tapping the huge market of micro-entrepreneurs and informal workers. However, prudent risk management is vital – many digital lenders start with very short tenors (7-30 days) and high effective interest to compensate for risk, which can lead to high default rates if scoring is off. The key is refining the algorithms and balancing growth with portfolio quality.

Regulators are watchful, the CBN has moved to regulate digital lending due to consumer protection concerns, and in Ghana the BoG monitors these loans under its fintech oversight. Nonetheless, better credit scoring is a gamechanger in pushing financial inclusion.

Financial Inclusion and Central Bank Goals

Digital and neo-banks are aligned with central banks' push for greater financial inclusion. Ghana's National Financial Inclusion strategy aims to increase adult access to formal financial services to 85% by 2023 (from ~58% in 2017). Thanks largely to mobile money, Ghana was reportedly over 68% in account ownership by 2021, but gaps remain among rural residents and women. A neo-bank that offers low-cost accounts could help bridge this gap, especially if paired with agency banking to reach remote areas. The BoG and government also encourage lending to SMEs and agriculture – a digital bank with innovative credit scoring could contribute by lending to farmers via mobile (some fintechs already do input-credit for farmers).

In Nigeria, the CBN has explicitly endorsed innovation through initiatives like its Financial Inclusion Target of 95% by 2024, and by being the first in Africa to implement open banking. The existence of PSBs is itself to drive inclusion by leveraging telcos' reach.

A digital bank entrant can work within these frameworks, for example by integrating with the CBN's shared agent networks and participating in government schemes (like Nigeria's Anchor Borrowers Programme for agriculture or Ghana's capitation grant programs) to on-lend funds to priority sectors.

Central banks see digital finance as a partner in development, but they also require that it aligns with stability (hence requirements for data protection, cybersecurity, and fair lending). Alfa Bank Russia's expansion would need to demonstrate how its digital model will expand access – committing to onboarding a certain number of previously unbanked customers or offering financial literacy via its app. This will not only win regulator support but also tap into a vast underserved market, as roughly 40–50% of adults in the region still lack any formal account (particularly in rural Nigeria and WAEMU). By targeting these groups with appropriate products, digital banks can meet both commercial and social objectives.



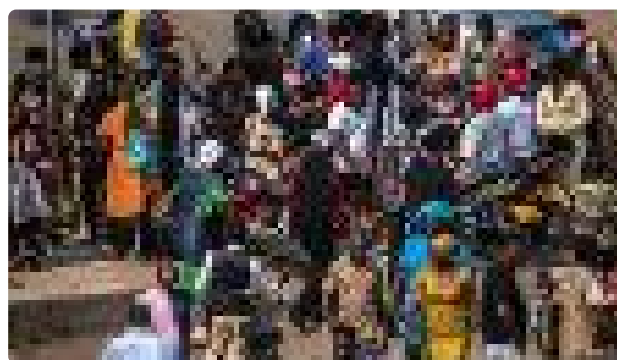
Macroeconomic Context & External Influences

The West African macroeconomic environment provides a critical backdrop for banking operations, significantly influencing interest rates, loan demand, and overall risk profiles. The economic growth across the West African region exhibits heterogeneity, reflecting varied responses to global economic shifts and idiosyncratic country-specific challenges

Ghana's economic recovery is underway following a period of fiscal consolidation. Real GDP growth for 2024 was estimated at 3.2%, representing a moderate improvement from the 2.9% recorded in 2023. This aligns with projections from institutions such as the World Bank. Ongoing fiscal adjustments and inflation management remain crucial for sustained economic expansion. Projections for 2025 suggest a further acceleration in growth, contingent on the successful implementation of stabilization policies.

Nigeria's economic growth in 2024 was estimated at **3.3%**, slightly higher than the **2.9%** achieved in 2023, as reported by the National Bureau of Statistics.

While non-oil sectors demonstrate resilience, the performance of the oil sector and persistent inflationary pressures continue to shape overall economic expansion.



Forecasts for 2025 indicate a similar growth trajectory, subject to developments in the global oil market and domestic policy implementation.

In contrast, Côte d'Ivoire and Senegal maintained robust economic expansion in 2024. Côte d'Ivoire's growth was strong at an estimated 6.4% in 2024, driven by sustained public and private investment

and a resilient agricultural sector, particularly cocoa, according to data from the Ministry of Economy and Finance.

Senegal's economy also performed strongly, with an estimated growth of **5.1%** in 2024, building upon the **4.3%** growth in 2023, as indicated by the Agence Nationale de la Statistique et de la Démographie (ANSD).

The commencement of oil and gas production is anticipated to further bolster Senegal's growth prospects. Current projections for 2025 point towards continued strong performance in both economies.

Medium-term projections, as of early 2025, suggest a divergence in growth trajectories across West Africa. Ghana is anticipated to experience a more pronounced growth recovery, potentially reaching 4-5% annually in the medium term, contingent on the sustained implementation of macroeconomic stabilization measures and renewed investor confidence (as indicated by IMF forecasts). Nigeria is expected to maintain a moderate growth pace of around 3-4% per annum, supported by ongoing diversification efforts within its non-oil sectors. Francophone West African economies, particularly Côte d'Ivoire and Senegal, are projected to sustain strong growth rates, potentially exceeding 6% annually, fuelled by commodity-related projects and continued investment in infrastructure.

These varying growth dynamics have direct implications for the banking sector. Economies experiencing robust growth, such as Côte d'Ivoire and Senegal, are likely to witness increased demand for credit, the emergence of new financial products and services, and overall expansion of the financial sector. Conversely, countries undergoing slower growth or recovery phases may experience more subdued credit demand and a heightened These varying growth dynamics have direct implications for the banking sector.

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Inflation and Monetary Policy

Inflation has been a significant challenge, especially in Ghana and Nigeria. Ghana underwent a bout of very high inflation – peaking at over 50% year-on-year in late 2022. Inflation averaged 40.3% in 2023 in Ghana, eroding purchasing power. The BoG aggressively raised its policy interest rate to 29.5% by end-2023 to curb inflation. Encouragingly, inflation has started to fall – as of April 2025 it was around 21% year-on-year – but it remains well above the BoG's 8±2% target.

High inflation means banks face higher operating costs and uncertainty in real values, but it also inflates nominal incomes and can boost interest margins (as loan rates adjust upward). Nigeria saw inflation surge after mid-2023 due to the removal of fuel subsidies and currency adjustments. Inflation rose from 18.8% in 2022 to ~24.5% in 2023 (annual average), even hitting over 25% mid-2023, the highest in two decades. In response, the CBN hiked the Monetary Policy Rate multiple times – it was 18.5% by mid-2023. (By early 2024, the new leadership at CBN further raised the MPR into the mid-20s% to tackle price pressures as per some reports.)

The high inflation and high-interest rate environment in Nigeria puts pressure on borrowers (loan rates soared above 30% for many corporate loans) but banks benefited from wider net interest spreads. In the WAEMU, inflation has been more contained, partly thanks to the CFA franc's peg to the euro. After a spike to ~7% in 2022, inflation fell back to 5.9% in Senegal and 4.4% in Côte d'Ivoire in 2023. The BCEAO incrementally raised its policy rate from 2% to 3.5% between 2022 and 2023 to fight imported inflation but is now expected to hold or even cut rates as inflation returns toward the 1- 3% target range. For a new entrant bank, these inflation and rate dynamics are crucial for strategy: in Ghana and Nigeria, one should prepare for volatile interest rates and the impact on bond portfolios and loan repricing.

In WAEMU, the stability of inflation and rates (policy rate likely staying around 3.5%, with lending rates ~5-9%, depending on country and risk profile) offers a more predictable environment, though with lower yields.

Interest Rates and Yield Curve

High policy rates in Ghana and Nigeria have led to high yields on government securities. In Ghana, 91-day Treasury bill yields hovered around 35-36% in late 2023, reflecting both tight policy and government's domestic financing needs. This inverted yield curve (short-term rates very high) provided banks an opportunity to earn substantial interest income by investing excess liquidity in T-bills – indeed, Fitch noted Ghanaian banks' 2023 profits were largely driven by exceptionally high Tbill yields. However, lending rates to the private sector also spiked (average lending rates exceeded 30%), damping credit demand.

In Nigeria, the yield curve shifted up after the mid-2023 financial adjustments; T-bill rates climbed into the mid-teens and bond yields around 14-15%. Nigerian banks likewise increased their holdings of risk-free assets to take advantage of these yields, a classic crowding-out effect where government borrowing at high rates crowds bank lending to private sector. This is a double-edged sword: while it boosts bank income in the short run, it can stifle loan growth and longer-term customer relationship building.

WAEMU's yield curve has been more moderate – for instance, Senegal's 5-year government bonds yield around 6-7%, as the monetary union benefits from investors' confidence in the currency peg and relatively lower inflation. Lower yields mean banks in WAEMU cannot rely solely on investment income; they are more incentivized to lend to businesses to earn returns.

Overall, as inflation is tamed, one can expect interest rates in Ghana and Nigeria to gradually come down in the next 2-3 years. This normalization will steepen yield curves and encourage credit expansion. Macro stabilization is thus on the horizon, but the adjustment period has been painful.

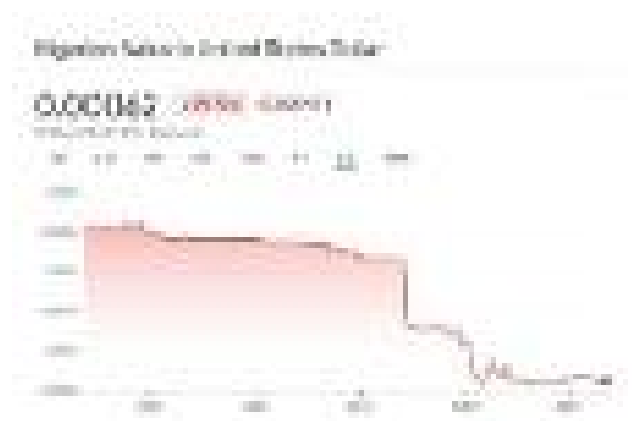
Exchange Rate Volatility and FX Availability

Currency risk is a critical external influence for any foreign entrant. Ghana's cedi and Nigeria's naira are free-floating (with some managed intervention), whereas the CFA franc for Côte d'Ivoire/Senegal is pegged to the euro (₣655.96 = €1) with convertibility guaranteed by the French Treasury. Ghana's cedi saw sharp depreciation in 2022 (over 50% drop against USD) as its crisis unfolded, but since entering an IMF program in mid-2023, the cedi has stabilized somewhat. Still, forex liquidity is limited – Ghana effectively shut down new external debt issuance, and BoG reserves are modest (~3 months import cover).

This means banks and businesses in Ghana face FX rationing; repatriating profits or importing capital can be subject to delays. The government continues to impose some FX controls (such as surrender requirements for export proceeds) to manage reserves. Nigeria's naira has been notoriously volatile. In June 2023, the new government moved to liberalize the FX market, merging the multiple exchange rates.

The naira immediately fell from about ₦450/\$ to ₦700-800/\$, and by Dec 2023 it traded around ₦850/\$ (46% lower than pre-reform).

This depreciation has two implications: foreign investors and businesses experienced a sudden loss in USD terms, and banks saw foreign currency loan books balloon in naira terms (raising credit risk if those borrowers earn naira).

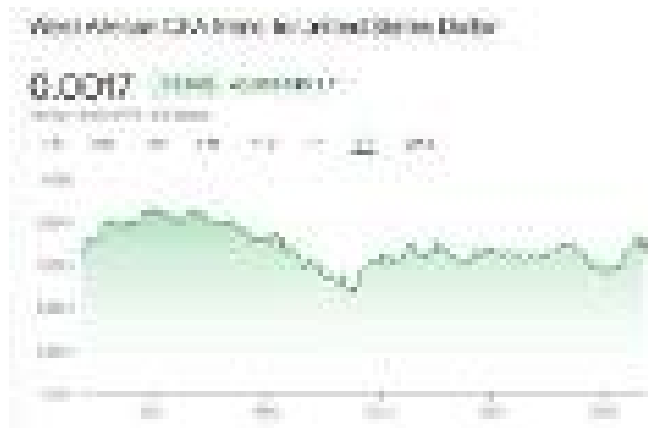


Moreover, FX liquidity remains a challenge – there is still a backlog of demand for hard currency in Nigeria, and companies struggle to get timely access to dollars to repatriate dividends. As a result, some capital controls, while eased, persist in practice through slow CBN sales.



By early 2024, Nigeria's situation improved slightly with external reserves rising, but currency risk remains high; the naira could swing further if oil earnings disappoint or if confidence falters.

For WAEMU countries, the CFA franc's stability is a major mitigating factor – neither Côte d'Ivoire nor Senegal has convertibility issues; an investor can relatively easily convert CFA to euros. However, there is one caveat: in extraordinary situations such as regional sanctions (e.g., the 2022 Mali sanctions by ECOWAS/BCEAO), transfers from a particular country can be temporarily restricted. Barring such extreme cases, currency risk in WAEMU is minimal, simplifying cross-border business for banks.



From an expansion standpoint, Alfa Bank would need to incorporate currency hedging and careful treasury management for operations in Ghana and Nigeria. Repatriation of profits might be delayed or subject to unfavourable rates – e.g., some multinationals in Nigeria resorted to sourcing dollars at the parallel market (which traded even weaker than official) to send dividends. It may be wise to reinvest local profits locally until conditions normalize and maintain a balanced currency position to avoid losses.

Fiscal Stability and Sovereign Risk

Government finances influence banking via public borrowing and overall economic stability. Ghana's fiscal position deteriorated sharply by 2022 (deficit over 10% of GDP) leading to its debt default. Under the IMF program, Ghana is undertaking fiscal consolidation – cutting expenditures and increasing revenue – to bring the deficit down and make debt sustainable. This austerity, while necessary, can dampen short-term growth but will improve long-term stability.

Crucially, Ghana's public debt restructuring is reducing interest costs and rollover pressures, which should eventually free up credit for the private sector and reduce the crowding-out of banks. Nigeria's fiscal situation has chronic issues: low revenue (just ~8% of GDP in government revenue) and high spending needs create persistent deficits (~5% of GDP).

The new administration made a bold move by removing the fuel subsidy in 2023, which drastically cut a major expenditure line and could save billions of dollars annually. It also plans to improve tax collection. These moves, plus the unification of the FX rate, are viewed positively by the IMF (even though Nigeria is not in an IMF program). However, in the near term, subsidy removal spiked inflation and created public pressure to increase wages, etc., which complicates fiscal management.

Nigeria's public debt is around 37% of GDP (2023), which is moderate, but debt servicing costs are extremely high (over 90% of federal revenue at one point, due to low revenue base). This means the government will continue to rely on domestic borrowing from banks and the central bank (through ways and means advances) unless revenue reforms succeed. For banks, high sovereign yields remain an attractive but potentially trapping investment – any sign of Nigerian government distress (though unlikely given oil potential and low debt/GDP) would reverberate in the banking system.

Côte d'Ivoire and Senegal have relatively better fiscal records, though the pandemic and security spending widened deficits above the WAEMU convergence criterion of 3% of GDP. Both are on paths to bring deficits back to ~3% by 2024. Côte d'Ivoire's debt is around 50% of GDP, and Senegal's about 75% of GDP.

These levels are considered sustainable given strong growth, but they do bear watching. Importantly, both countries have IMF programs (Senegal under a Policy Coordination Instrument, Côte d'Ivoire under an Extended Credit Facility) which guide prudent fiscal policy. Sovereign risk in WAEMU is mitigated by access to regional bond markets and international support (France/IMF), but individual countries (like a Mali or Burkina Faso in political turmoil) could pose risk – though less relevant to Ghana/Nigeria focus.



IMF Programs and Policy Reforms

Ghana is in a \$3 billion IMF Extended Credit Facility (2023–2026) which has already resulted in significant policy reforms: a return to a flexible exchange rate, fiscal consolidation, and the DDEP to restructure debt. The IMF program restored some investor confidence – Ghana's credit rating outlook improved slightly and the currency stabilized. Continued compliance will mean a more stable macro environment (lower inflation, sustainable debt) by 2025, which is positive for any new banking investment (as it reduces systemic risk). Nigeria has resisted an IMF program, but notably, the new government's actions align with many IMF recommendations (subsidy removal, FX liberalization, improving tax take).

If reforms falter, Nigeria could consider an IMF program as a backstop, but at this point it's pursuing a homegrown path. The risk in Nigeria is policy reversals or slow implementation – however, early signs (like the Finance Act to raise taxes on some goods, and appointing technocrats to key economic roles) are promising.

Monetary policy responses have been aggressive in both Ghana and Nigeria given inflation – we can expect BoG and CBN to maintain tight stances until clear disinflation is achieved. WAEMU's BCEAO is more moderate but keeps an eye on the European Central Bank given the peg. Another external factor is commodity prices: Ghana and Nigeria are oil exporters (Nigeria significantly so, Ghana marginally),

and Côte d'Ivoire is a leading cocoa exporter. The fortunes of these commodities affect FX inflows and fiscal revenues. Currently, oil prices in 2024 are relatively high around \$80-90/bbl, benefiting Nigeria's coffers (though actual production issues persist). Cocoa prices hit decade highs, benefiting Côte d'Ivoire's trade balance. These provide a tailwind to macro stability if managed well.

In summary, the macro context is one of cautious optimism: Ghana is rebounding under IMF guidance, Nigeria is implementing bold but painful reforms to set a better foundation, and WAEMU countries continue steady growth with monetary stability.

A new entrant should time its entry to coincide with this upswing – for example, as Ghana's economy stabilizes and banks regain full health by 2025, competition might intensify but opportunities (cheap assets, renewed credit demand) will also emerge. Likewise, Nigeria's reforms could unleash growth in sectors like gas, agriculture, and fintech, which a nimble bank can capitalize on, while being mindful of risks like inflation and currency swings. Understanding these macro factors will be critical for strategic planning (e.g., how to price loans, how much capital to hold in foreign vs local currency, and scenario planning for stress events).

Key Challenges & Risks for Market Entrants

Entering West African banking, especially as a foreign institution, comes with a set of significant challenges and risks that must be carefully managed:

High Non-Performing Loans & Weak Borrower Discipline

As noted, markets like Ghana suffer from elevated NPL ratios (over 20% in 2023), and even in other countries, segments such as SMEs and agriculture loans often have high default rates. A culture of prompt loan repayment is still developing; historically, some borrowers assumed loans might be written off or leniently restructured (especially when political actors intervene). An entrant will need robust credit risk assessment and recovery processes. They might consider starting with lower-risk segments (payroll loans, top-tier corporates) and gradually moving to retail/SME once strong credit analytics are in place.

Also, credit bureau coverage, while improving, is not comprehensive – meaning information asymmetry can lead to lending to already-indebted or delinquent borrowers unknowingly. For example, until recently many digital lenders in Nigeria ended up lending to the same set of borrowers who hopped between apps, accumulating debt. Mitigating this requires coordination with credit bureaus and perhaps using novel data for creditworthiness.



The NPL overhang in Ghana is being addressed by a proposed asset management company to acquire bad loans; if successful, that could clean banks' books and improve borrower discipline through enforcement. Nonetheless, a new bank must price in higher credit risk premiums and be prepared for stricter provisioning in line with IFRS 9 expected credit loss models, given the risk environment.

Currency and FX Repatriation Risks

Operating in multiple currencies (cedi, naira, CFA franc) entails forex risk. The volatility of Ghana's cedi and Nigeria's naira can lead to translation losses and capital erosion if not hedged – for instance, a devaluation will inflate local currency risk-weighted assets and could weaken capital ratios.

Additionally, profit repatriation can be a serious issue: in Nigeria, past backlogs have seen foreign companies wait months or years to get dollars from the central bank to send dividends home. A foreign bank's dividends could similarly be trapped or converted at a loss if parallel market divergence returns. Regulatory rules might also force holding a portion of capital in local currency or restrict FX outflows in crises. The CFA franc zone doesn't pose repatriation issues in currency terms (easy convertibility to euro), but transferring profits out might require local Board approvals and ensuring the bank meets local capital adequacy before upstreaming cash.

Mitigation strategies include maintaining some profits in-country as re-investment, using any available forward or swap markets to hedge (Nigeria's market had non-deliverable forwards that some firms use to hedge naira, though cost can be high), and diversifying operations currency-wise (a presence in CFA zone could provide a stable currency revenue stream to balance more volatile Ghana/Nigeria streams). Also, careful asset-liability matching in each currency is needed: avoid unhedged dollar lending funded by local currency, for example, to reduce direct currency mismatch risk.

Regulatory Uncertainty and Potential Delays

While the regulatory environment is generally improving, policy unpredictability can be a risk,

especially in Nigeria. CBN has a track record of sudden circulars – e.g., banning crypto transactions by banks overnight in 2021, or altering FX rules with little notice. Changes in administration can also shift regulatory priorities: a new central bank governor might change stance on bank fees, minimum loans to certain sectors, or recapitalization timelines. In Ghana, the unexpected nature of the 2022 DDEP (banks knew debt was unsustainable but the scale of the haircut was a shock) shows that policy responses to crises can be abrupt.

Francophone regulation is a bit more measured (due to the consensus-based regional approach), but even there an entrant might face bureaucratic delays in licensing or approvals, given the multilayered process (national finance ministry and regional central bank approvals).

Obtaining a banking license as a foreign institution can be protracted: authorities will vet not just financial soundness but also strategic rationale, local shareholding (some countries encourage some local ownership), etc. Ongoing compliance will also be scrutinized – e.g., meeting local lending targets (Nigeria has a 65% Loan-to-Deposit Ratio rule for banks, non-compliance of which can result in penalties). Regulatory uncertainty can also come from the political side: banking decisions in West Africa are sometimes influenced by political considerations (for instance, election cycles might bring pressure to extend more credit or go easy on certain defaulters)

A clear example is how government directives in Nigeria during 2020 told banks to provide forbearance to COVID-affected borrowers, altering normal credit management. For a new entrant, maintaining close dialogue with regulators and perhaps participating in bank association forums can help anticipate changes. Being conservative in the first few years (holding extra capital/liquidity as a buffer) can insure against sudden regulatory shifts.

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Competition from Entrenched Mobile Money Operators and State Banks

A major risk to any entrant's market share, especially one with a digital focus, is the deeply entrenched position of telecom-led mobile money in everyday transactions. In Ghana, MTN Momo's dominance means it effectively "owns" the low-value retail payments space. Customers might ask, "Why use a bank app or account when I can do it all on MoMo?" – including receiving salaries (in some cases), paying utilities, and P2P transfers. The result is banks could be

bypassed for a large volume of transactions and liquidity circulating in the economy, limiting an entrant's ability to gather deposits. To compete, a bank might need to interoperate seamlessly (offer instant linkage of its accounts to MoMo, which is doable via APIs) and perhaps differentiate by offering interest on deposits (mobile money usually offers little or no interest to users).

Additionally, state-owned banks can pose competition, particularly in pricing and political backing. In Ghana, GCB (formerly Ghana Commercial Bank) is partly state-owned and has a mandate to serve the entire market; it has the largest branch network and can at times undertake quasi-social lending (e.g., more agriloans) with government support. In Nigeria, there are no fully state-owned commercial banks currently (following past privatisations), but development finance institutions (like Bank of Industry, Bank of Agriculture) which are state-run do directly lend to sectors at subsidized rates, potentially drawing away some credit demand or setting low-rate benchmarks that private banks are pressured to match for priority sectors.

In WAEMU countries, governments often have a favoured bank for state enterprises or public worker accounts (for example, Côte d'Ivoire's Treasury has its own banking window "CCC" and Senegal has a postal bank). These incumbents, though not always efficient, have captive business that a newcomer might struggle to win without significant incentives.

Cybersecurity and Trust Issues in Digital Channels:

As banking goes digital, cyber threats have risen correspondingly. West African banks have seen increasing phishing attacks, mobile money fraud schemes, and even instances of core banking system breaches. A new digital bank could be targeted by hackers attempting to exploit vulnerabilities in mobile apps or APIs.

In Nigeria, fraud reports increased during periods of high online usage – e.g., during COVID-19 and the 2023 cash shortage, many people fell victim to fake SMS or USSD prompts stealing their PINs.

Building trust is essential: customers may be hesitant to deposit money in an entirely digital bank with no physical presence, fearing they could lose access or that the bank might disappear (a concern not unfounded given some smaller microfinance failures in the past). Thus, the entrant must invest heavily in cybersecurity infrastructure, hire experienced IT security professionals, and comply with cybersecurity frameworks issued by regulators (CBN and BoG both have IT risk management guidelines). They should also run public awareness campaigns on safe banking practices to enhance trust. Another element is system reliability – any extended downtime or glitch

(for example, if customers cannot access their funds due to an app error) will erode confidence quickly and could cause reputational damage in the age of social media. Ensuring robust IT architecture with redundancy and prompt issue resolution is a must. Moreover, obtaining certifications (like ISO 27001 for information security) or highlighting strong backing (if Alfa Bank is well-capitalized and can showcase that) might reassure users.

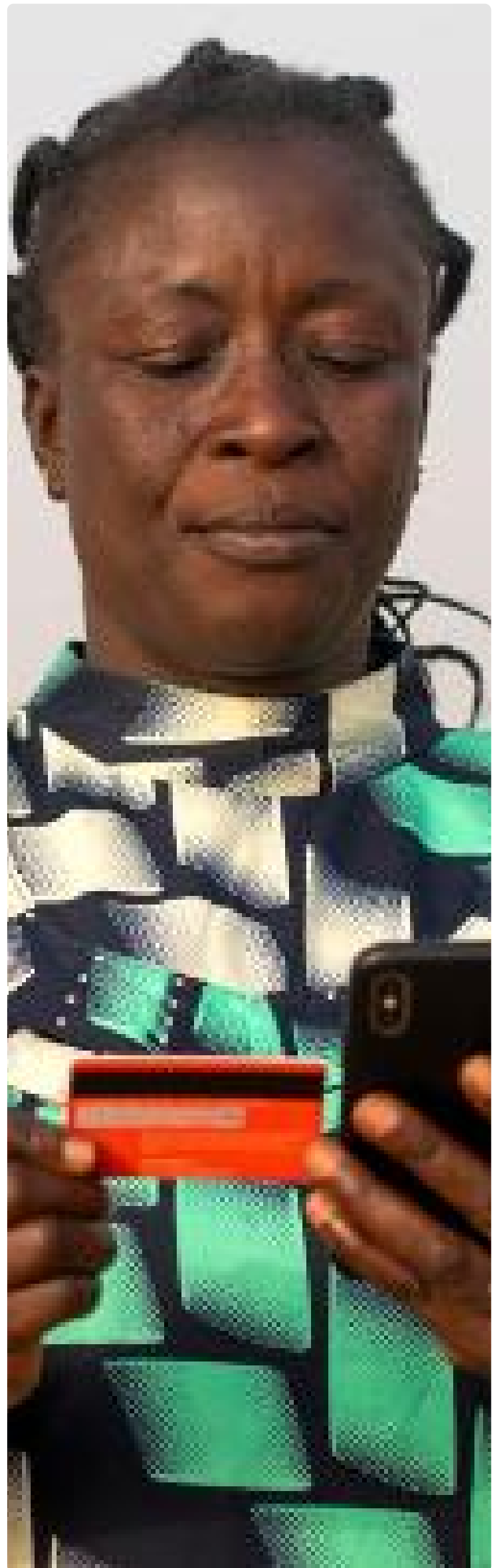


Other Challenges

Political and Social Risks – while Ghana and Senegal are politically stable, Nigeria faces security issues in certain regions (insurgency in the Northeast, piracy in the Niger Delta, etc.) which can affect branch operations, cash movement, or general economic activity in those areas.

A digital bank may be less exposed to physical security issues but still might see regional variability in adoption due to these factors. Legal and contract enforcement – court systems can be slow in West Africa, making it difficult to swiftly enforce loan contracts or recover collateral. This is part of the weak borrower discipline problem: defaulters might drag banks through a lengthy legal process.

Alternative dispute resolution and strong inhouse legal teams can help. Corruption and compliance risk – operating in these markets, banks must be vigilant about anti-money laundering (AML) and anti-corruption compliance. Nigeria is currently on the FATF “grey list” for deficiencies in money laundering controls, which means enhanced due diligence for international transactions. A foreign entrant must institute rigorous AML/KYC programs to avoid becoming a channel for illicit flows and must navigate any potential corruption in procuring licenses or contracts (adhering to international anti-bribery standards is essential, even if it means slower processes).



Conclusion

In conclusion, while West Africa's banking sector offers significant growth potential, the challenges are non-trivial. Alfa Bank Russia would need a resilient strategy:

Invest In Local Risk Expertise

Partner With Local Institutions
To Mitigate Cultural/Regulatory
Unknowns

Employ Conservative
Financial Buffers

Differentiate Itself Through
Technology And Superior Service



By acknowledging and planning for these risks – high NPLs, FX volatility, regulatory shifts, strong incumbents, and cybersecurity – the bank can create contingencies (for example, stress test its portfolio for currency devaluation or set a risk appetite that limits exposure to any single sovereign).

With careful execution, the opportunities (a largely unbanked population, growing economies, and underserved SMEs) can far outweigh the risks in the medium to long term.

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