

Statement

APRM: “Fitch's Downgrade of Afreximbank's Rating is Based on Flawed Loan Classification”

06 Jun 2025 – In line with Decision [Assembly/AU/Dec.631(XXVII)] of the African Union Assembly of Heads of State and Government and Article 6(g) of the African Peer Review Mechanism (APRM) Statute (2020), which together mandate the APRM to provide support to African countries in the field of credit ratings. The APRM routinely undertakes independent analyses of rating actions and commentaries issued by international credit rating agencies on African sovereigns and multilateral financial institutions.

On 4 June 2025, Fitch Ratings downgraded African Export-Import Bank (Afreximbank), lowering its long-term foreign currency issuer default rating from ‘BBB’ to ‘BBB-’ with a negative outlook. Fitch justified its decision by citing a perceived increase in credit risk and weak risk management policies, based on its estimate that the bank’s non-performing loans (NPLs) stood at 7.1%. This estimate stems from Fitch’s classification of exposures to the sovereign Governments of Ghana (2.4%), South Sudan (2.1%) and Zambia (0.2%) as NPLs. Notably, this 7.1% figure is significantly higher than the 2.44% ratio reported by Afreximbank in its own disclosures.

The APRM notes with concern Fitch Ratings’ misclassification of Afreximbank’s sovereign exposures to the Governments of Ghana, South Sudan and Zambia as NPLs. This classification raises critical legal, institutional and analytical issues which the APRM strongly contests. The assumption that Ghana, South Sudan and Zambia would default on their loans to Afreximbank is inconsistent with the 1993 Treaty establishing the Bank to which Ghana and Zambia are both founding members, shareholders and signatories. The Multilateral Treaty signed in 1993 is legally binding on all member countries, imposing specific legal obligations related to the Bank’s protection, immunities and financial operations.

By virtue of this Treaty, loans extended by Afreximbank to its member countries are governed by a framework of intergovernmental cooperation and mutual commitment, rather than typical commercial risk principles. It is, therefore, legally incongruent to classify a loan to member countries as non-performing, especially when the borrower states are shareholders in the lender institution, no formal default has occurred and none of the sovereigns have repudiated the obligation.

Fitch’s unilateral treatment of these sovereign exposures – as comparable to market-based commercial loans – despite their backing by treaty obligations and shareholder equity stakes, is flawed. Doing so reflects a misunderstanding of the governance architecture of African financial institutions and the nature of intra-African development



finance. Fitch has misinterpreted the invitation extended by Ghana, South Sudan and Zambia to Afreximbank to discuss the loan repayments as signalling an intention to default and/or to lift the Preferred Creditor Status.

The APRM calls upon Fitch Ratings to re-examine its criteria and assumptions in this case and to engage in technical consultations with Afreximbank and other relevant African stakeholders. Objective, transparent and context-intelligent credit assessments are critical to ensuring fair treatment of African institutions in the global financial system. The APRM reaffirms its commitment to promoting accuracy in the credit ratings.

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