ISRAEL DISCOUNT BANK LTD.

Registration no.: 520007030

FAO: Israel Securities Authority www.isa.gov.il

FAO: The Tel Aviv Stock Exchange Ltd. www.tase.co.il

T125 (Public)

Magna transmission date: November 3, 2022
Reference No.: 2022-01-132508

Immediate Report Regarding Rating of Debentures/Rating of Corporation or Withdrawal of Rating

On November 2, 2022, *Other* Standard & Poor's published:

⦿ *An updated* rating report/notice

○ A withdrawal of rating notice

1. Rating report or notice
☑ Rating of Corporation: *Other* Standard & Poor's Rating BBB+ _______ ________ *positive*
Comments/Nature of the Notice: *Other* The full rating report is attached

Rating history during the three years prior to the rating/notice date:

Date	Subject of Rating	Rating	Comments/Nature of the Notice
20/01/2022	*Israel Discount Bank Ltd.*	*Other* *S&P - Rating BBB+* ________ ________ *positive*	*Outlook/Forecast upgrade* ________
23/02/2021	*Israel Discount Bank Ltd.*	*Other* *S&P - Rating BBB+* ________ ________ *stable*	*Rating affirmation* ________
07/05/2020	*Israel Discount Bank Ltd.*	*Other* *S&P - Rating BBB+* ________ ________ *stable*	*Outlook/forecast downgrade* ________

☐ Rating of debentures of the Corporation

Name and Class of Security	Stock Exchange Security Registration Number	Rating Company	Current Rating	Comments/Nature of the Notice
_______	_______	_______ _______	_______ ________ ________ _______ _______	_______________ _______________

Rating history during the three years prior to the rating/notice date:

Name and Class of Security	Stock Exchange Security Registration Number	Date	Class of Security Being Rated	Rating	Comments/Nature of the Notice
_______	_______	_______	_______	_______ ________ ________ _______ _______	_______________ _______________

S&P Global's rating report is attached

2. On ________________, ________________________ announced that the rating for …_________ had been withdrawn.

Details of signatories authorized to sign in the name of the Corporation:

	Name of Signatory	Position
1	*Assaf Pasternak*	*Other* *Executive Vice President, Head of Financial Markets Division*
2	*Barak Nardi*	*Other* *Executive Vice President, Head of Planning, Strategy, Finance and HoldingsDivision*

Reference numbers of previous documents relating to this topic (their mention does not constitute their inclusion by way of reference):

The securities of the Corporation are listed for trade on the Tel Aviv Stock Exchange Date of updating structure of form: 02/11/2022
Abbreviated name: Discount
Address: 23 Yehuda Halevi St., Tel Aviv 6513601, Israel Tel: 972-3-5145582; 972-3-5145544; Fax: 972-3-5171674
Email: michal.sd@dbank.co.il

Prior names of the reporting entity:

Name of person making electronic report: Sokolov-Danoch, Michal Position: Corporate Secretary Name of Employing Company:
Address: 23 Yehuda Halevi St., Tel Aviv 6513601, Israel Tel: 972-3-5145582; Fax: 972-3-5171674 Email: michal.sd@dbank.co.il

Israel Discount Bank's Immediate Reports are published in Hebrew on the website of the Israel Securities Authority and the Tel Aviv Stock Exchange.
The English translation is prepared for convenience purposes only.
In the case of any discrepancy between the English and Hebrew versions, the Hebrew will prevail.

S&P Global
Ratings

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Israel Discount Bank Ltd.

Ratings Score Snapshot

Issuer Credit Rating
BBB+/Positive/A-2

SACP: bbb → **Support: +1** → **Additional factors: 0**

SACP: bbb		
Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +1	
ALAC support	0
GRE support	0
Group support	0
Sovereign support	+1

Issuer credit rating
BBB+/Positive/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths	Key risks
Good home-market position as one of the four largest local banking groups.	High exposure to the real estate and construction sectors.
Well-diversified revenue base by product and segment.	Despite a material improvement, operational efficiency still lags the peer average.
A large and granular customer deposit base.	A business model that results in slightly higher credit losses than domestic peers.

Israel Discount Bank Ltd.'s (IDB's) diversified business model will continue to support earnings resilience. The business portfolio combines retail and commercial banking, cards and payments, and operations in the U.S. through its subsidiary Israel Discount Bank of New York (IBD NY). This diversification will continue to support overall performance.

Strong lending and higher interest rates should help IDB to further strengthen its capital. S&P Global Ratings expects IDB's earnings in 2022-2023 to be supported by Israel's resilient economy and rising interest rates. In this environment, management's targets for 2025 of a return on equity above 12.5% and an efficiency ratio below 55% seem manageable. The positive outlook reflects our expectation that stronger earnings will likely bolster IDB's capital position with the bank's risk-adjusted capital (RAC) ratio improving to about 10% by end-2023.

IDB's asset quality as well as its funding and liquidity profile will remain sound. The bank's loan portfolio is skewed toward construction and real estate, as is the case for its domestic peers, which we see as highly sensitive to domestic economic development. Despite inflationary pressures, rising interest rates, and high lending growth, we anticipate cost of risks will remain moderate and normalize at around 40 basis points (bps) to 45bps by 2023. We expect the bank will also maintain robust funding and liquidity metrics.

Outlook

The positive outlook on IDB and its core banking subsidiaries, including IDB NY, reflects the possibility of an upgrade over the next two years if the bank continues enhancing its capitalization and preserves its improved profitability and earnings generation amid high business growth and strong market competition.

Upside scenario

An upgrade will hinge on continued positive momentum in terms of operational efficiency, cost of risk, and profitability. Specifically, an upgrade would be possible if we conclude that IDB can sustainably increase its pre-diversification RAC ratio to above 10%, supported by better earnings quality.

Downside scenario

We could revise the outlook to stable if the current positive trend in the bank's capitalization stops or reverses, such that the RAC ratio remains visibly below 10% or the quality of its earnings and capital deteriorates, leading to a weaker earnings buffer and capital sustainability. This could stem from any of the pace of loan growth, dividend payouts to the detriment of internal capital generation, or cost of risk, exceeding our projections.

Key Metrics

Israel Discount Bank Ltd.--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31--				
(%)	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue	2.8	5.2	14.2-17.4	7.3-8.9	4.7-5.8
Growth in customer loans	5.1	11.7	9.9-12.1	4.5-5.5	4.5-5.5
Net interest income/average earning assets (NIM)	2.5	2.6	2.7-2.9	2.8-3.1	2.9-3.2
Cost-to-income ratio	67.3	65.6	56.4-59.3	53.2-55.9	51.5-54.2
Return on average common equity	5.2	13.6	12.1-13.4	12.2-13.5	12.1-13.4
Return on assets	0.4	0.9	0.8-0.9	0.8-1.0	0.8-1.0
New loan loss provisions/average customer loans	0.9	(0.3)	0.2-0.3	0.4-0.4	0.4-0.4
Gross nonperforming assets/customer loans	1.3	1.0	1.2-1.3	1.1-1.2	1.1-1.2
Net charge-offs/average customer loans	0.2	0.0	0.2-0.2	0.2-0.2	0.2-0.2
Risk-adjusted capital ratio	9.2	9.4	9.3-9.8	9.6-10.1	10.1-10.6

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' For Banks Operating In Israel

We use our Banking Industry Country Risk Assessment economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for banks operating only in Israel is 'bbb+'.

Israeli banks benefit from a high-income and resilient economy despite some concentration in their lending books. High income levels, contained private sector debt, and solid domestic economic performance support banks' asset quality metrics. Following strong performance in 2021, we expect the Israeli economy to remain broadly resilient, posting average GDP growth of 4.2% in real terms over the next three years. After strong lending expansion, particularly in real-estate-related sectors, and real estate price increases fueled by the economic rebound and very accommodative monetary policy, we now expect more contained dynamics. This is because rising interest rates, higher inflation, and regulatory measures will dent the sector for the rest of 2022 and in 2023. Current indicators suggest that the level of risk in this segment is manageable, but we are mindful that banks' large exposure to the real estate sector poses some risks. This is notably the case for commercial real estate, where we see a risk of oversupply, particularly in a tail scenario of a significant slowdown in the information technology (IT) sector. We expect credit losses will gradually normalize to pre-pandemic levels of about 25 bps by 2024.

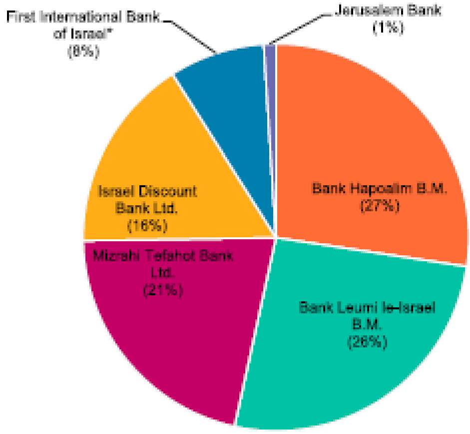
Low funding risk and an active regulator support the industry. The Israeli banking sector's funding profile, which benefits from a large core customer deposit base and net external creditor status, remains a strength. Banking regulations are broadly in line with international standards, and prudent regulatory oversight has led banks to reduce their most risky exposures over the past decade, which mitigates the risks stemming from structural high exposure to the real estate sector. Israeli banks engage in simple and traditional banking, and their profitability benefits from strong business momentum, rising interest rates, a high amount of consumer price index (CPI)-linked assets, and continuous cost-cutting initiatives. Banking competition in some basic products and segments, coupled with increasing pressure from nonbank financial institutions, will squeeze margins and fees. Many banks are adapting their business models. However, smaller banks and nonbank lenders could be more vulnerable to the changing competitive landscape unless they adapt quickly.

Business Position: Solid Domestic Market Position, With Continuity In Digital Banking Initiatives

In our view, IDB's solid market position in Israel supports revenue stability. As of March 31, 2022, IDB's loan market share was about 16% of local banks' loans; the bank's deposits constitute a similar percentage of the local market share. These figures IDB the fourth largest bank in Israel (see chart 1).

Chart 1

Israel Discount Bank Is The Fourth-Largest Bank In Israel
Loan market share as of June 2022

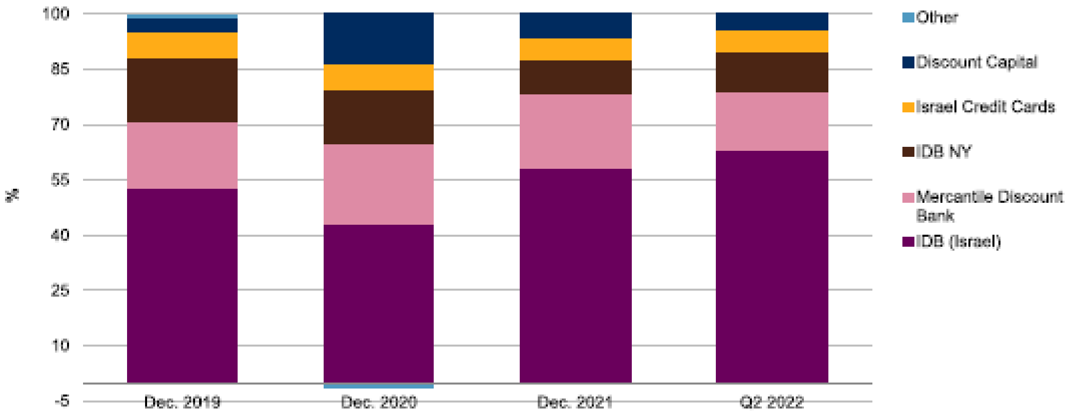


*Data as of June 2022. Source: S&P Global Ratings.

Although IDB operates mainly in Israel, it's diverse product offering mitigates geographic concentration. IDB generates about 89% of its revenue in Israel, leading to some geographic concentration, in our view. However, we acknowledge that its business model provides sound diversification to its income and balances the risks from geographic concentration (see chart 2).

Chart 2

Israel Discount Bank--Key Banking Subsidiaries' Contribution To Group Profits



Q--Quarter. Source: IDB financial statements.

IDB continues to benefit from a majority stake in its profitable credit card subsidiary, Israel Credit Cards (ICC). This gives IDB a competitive advantage over the two largest Israeli players, which had to dispose their credit card subsidiaries on the direction of the regulatory authorities. We expect ICC's contribution to the group's profits will remain close to 6% over the medium term, barring an enforced sale by the regulator, the likelihood of which we view as uncertain at the moment.

On the success of strategic plan for 2016-2021, IDB's management has set ambitious profitability targets for 2025. The bank has significantly improved its fundamentals with return to equity improving to 13.6% as of year-end 2021 from about 6.5% at end-2016, mainly driven by improved efficiency as cost-to-income ratio dropped to 65% at end-2021 from 72% at end-2016. Targets for 2025 are a continuation of the bank's efforts to achieve return of equity of over 12.5% and an efficiency ratio of below 55%. The latter will be a challenge, in our view, considering current inflationary pressure on wages and IDB's group structure, including the holding of credit card operations (CAL [ICC]), that historically led to higher efficiency ratios than domestic peers' that will constrain IDB's effort to reduce operating costs. Still, the bank's cost-to-income ratio reached 57% as of end-June 2022. Additionally, in 2022 the group and the unions agreed on new wage terms that should give the bank flexibility to gradually bridge the efficiency gap with its peers. IDB's profitability and cost efficiency over the first half of 2022 were consistent with those goals.

Digitalization is also at the heart of IDB's business model. The bank intends to forge new business ventures with fintech and nonbank players. In January 2021, IDB announced that it partnered with Shufersal, the leading consumer retail player in Israel in the newly spun-out PayBox to launch a digital wallet to offer banking services to customers of all Israeli banks. IDB holds 50.1% of this new entity and Shufersal holds 49.9%. As of year-end 2021, the bank claimed 1 million active users on PayBox.

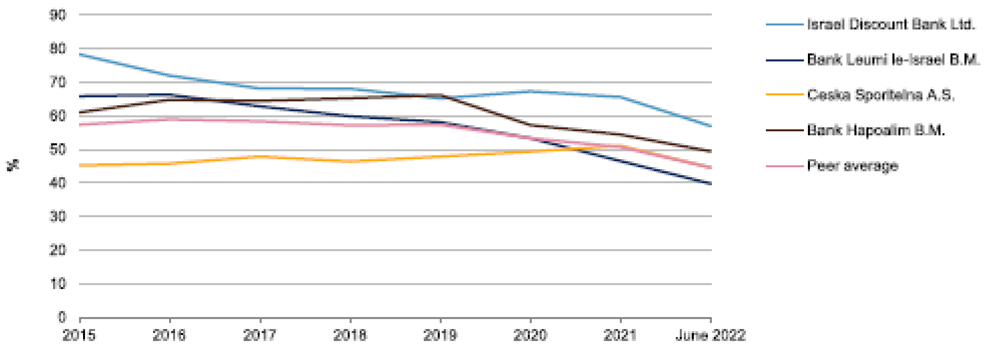
Capital And Earnings: Strong Core Earnings Should Benefit Capital Buildup Going Forward

IDB's capitalization, measured by regulatory ratios and S&P Global Ratings' RAC ratio, remains adequate. We expect the RAC ratio before concentration adjustments will come close to 10% by end-2023 from 9.4% at end-2021. The improvement will stem from stronger earnings.

IDB's new profitability targets will support its capitalization. The group's new business plan and financial targets will benefit capital build-up, in our view. Although positive interest rates will continue to support net interest income, we think that underlying improvements will depend on the bank's ability to maintain a strict control over expenses and minimize credit provisions. IDB's operational efficiency continues to be a limiting factor for the bank's creditworthiness. We base our opinion on IDB's operating efficiency still falling short of that of domestic and international peers. That said, the bank has advanced efforts to bring its efficiency ratio closer to that of peers (see chart 3). During 2021, the bank reduced its headcount by 8% and closed four branches.

Chart 3

Israel Discount Bank's Efficiency Is Improving Efficiency But Still Lags Peers'
Noninterest expenses/operating revenues



Source: S&P Global Ratings.

Overall, we expect net profits to keep growing over the next couple of years. Specifically, we expect:

- A steady improvement in our net interest margin from about 2.55% in 2021 to about 3.00% in 2024, because of interest rate hikes in Israel (+190bps so far in 2022 alone). The bank disclosed that a 100bps increased in interest rate improves the operating revenue by NIS1.127 million. We also see some upside from inflationary pressure given earnings sensibility to the consumer price inflation (CPI) index, but to a lower extent than peers amid lower share of CPI linked loans (8.7% of total loans as of Dec. 31, 2021).

- Loan growth to slow after a very strong first half of 2022. Our base case incorporates loan growth of about 11% in 2022, then 5% in 2023-2024.
- About 2% annual growth in operating noninterest expense on the back of continuous cost-cuttings, although these efforts will be partly offset by digitalization program and inflationary pressure.
- Credit losses to reach 40 bps-45 bps annually through 2024, and to stand around 25bps in 2022 as IDB benefits from the release of some of the remaining pandemic-related excess provisions.
- Net income to improve to around NIS3 billion in 2023, in line with management's target of over NIS3.5 billion by 2025.
- Dividends to gradually reach the targeted distribution rate of 30% of earnings.

We expect limited impact from the implementation of the Current Expected Credit Losses (CECL) model. Since January 2022, Israeli banks have applied a new approach regarding provisions for current credit losses. The current impact is limited, about NIS139 million, and the Bank of Israel (BOI) allowed the effect on capital adequacy ratios to be spread over three years.

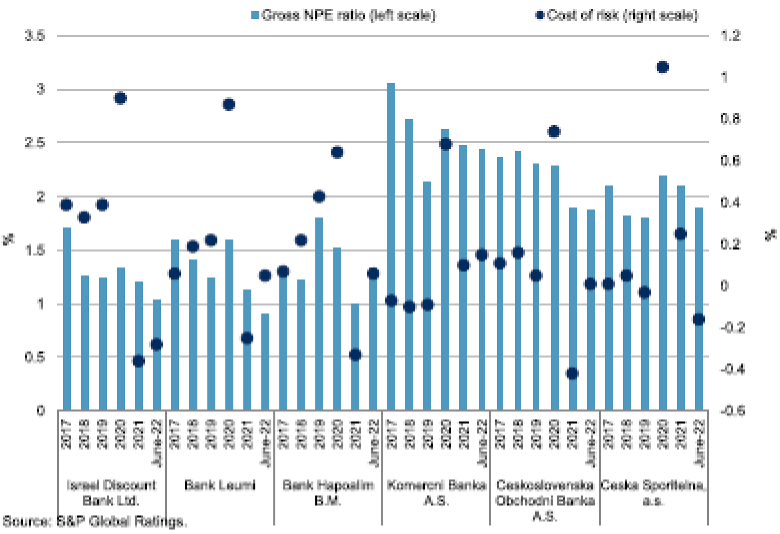
Risk Position: Concentrated Loan Book And Exposure To Real Estate

IDB's business model results in higher sensitivity to downturns than international peers are exposed to. Similar to domestic peers, in our opinion, IDB has high sensitivity to tail risks such as high real estate and construction exposures as well as single-name concentrations in the loan book, which is higher than international peers'. Although IDB's combined exposure to construction and real estate (18%) is slightly lower than that of Bank Leumi (25%) or Bank Hapoalim (20%), the bank also holds credit card operations, which has intrinsically higher cost of risk.

We see a possibility that cost of risks could stumble as it normalizes post pandemic. Similar to other peers, IDB took a prudent approach building substantial credit provisions at the pandemic's onset and benefited from releasing provisions in 2021. After five consecutive quarters of credit loss releases, the bank's cost of risk reached 23bps during the second quarter of 2022. The bank's increased provisioning level in the second quarter of 2022 also stems from revised economic assumptions and further provisioning might be required in the event of a more pronounced global trade downturn due to the deteriorating economic situation in Europe and the U.S. We expect the bank will gradually increase provisioning charges to pre-pandemic levels of 40-45 bps by end-2023. We also expect IDB's nonperforming assets to stabilize at 1.1%-1.3%, which compares favorably with those of global peers and adequately relative to local peers (see chart 4).

Chart 4

Israel Discount Bank's Asset Quality Metrics Are In Line With Peers

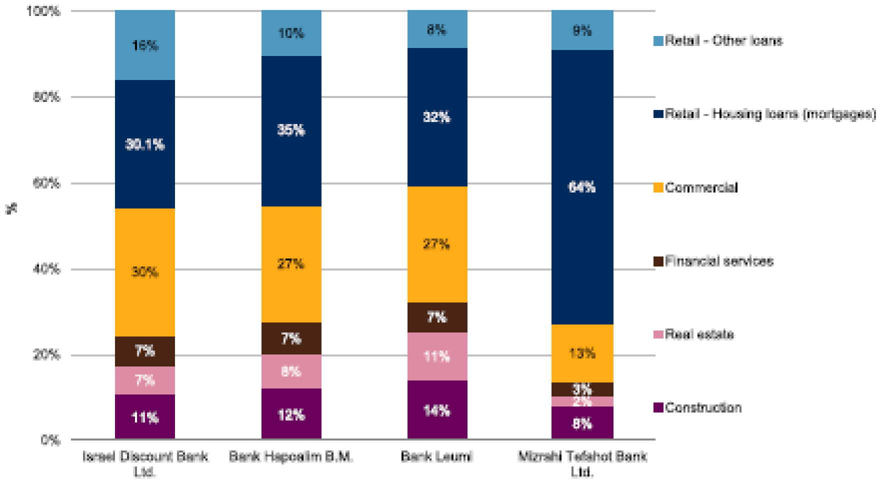


Source: S&P Global Ratings.

We see potential risks stemming from IDB's exposure to commercial real estate and construction sector. These exposures--about 20.5% of IDB's total credit risk at end-June 2022--could weigh on the bank's credit profile in the event of a material price correction or if the economy or labor market is hit harder than anticipated by intensifying inflationary pressure.

Chart 5

Real Estate Exposure Is A Relevant Percentage Of Israel Discount Bank's Lending Book • June 2022



Source: S&P Global Ratings.

Positively, growing mortgage book should benefit the bank's risk profile. Low-risk mortgage loans represented 25.8% of IDB's loan book as of June 30, 2022, and it continues to grow. IDB's mortgage portfolio expanded 28.9% year-on-year as of end-June 2022. This points to both the dynamic of the Israeli mortgage market and the bank's strategy to catch up with domestic peers in this segment. We anticipate the risk associated with mortgage exposures will remain contained going forward. This is because IDB also follows a prudent risk management with low loan-to-value (LTV) ratios and the low payment-to-income ratios of its borrowers. IDB has about 1.6% of its mortgage loans with over 75% of LTV level.

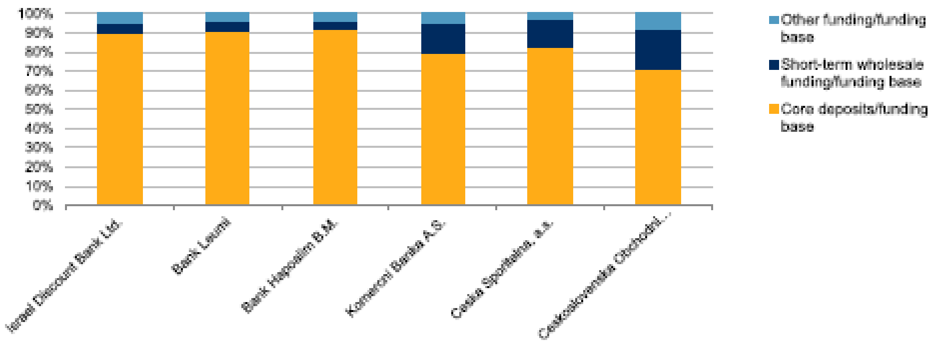
Operational risks are material for all Israeli banks. They mainly relate to geopolitical tensions in the region and potential damage from terrorist attacks, wars, or other adverse events. We reflect these risks in our anchor for Israeli banks. At the same time, we consider that the bank has adequate protection from cyber risks.

Funding And Liquidity: Well-Diversified Funding Base Supports Metrics

Our assessment considers IDB's lack of reliance on wholesale funding and deep domestic funding base. As with domestic peers, most of IDB's funding base stems from stable and granular customer deposits and moderate deposit-pricing competition (see chart 7).

Chart 6

Israel Discount Bank's Funding Is Supported By Large Deposits Base - June 2022

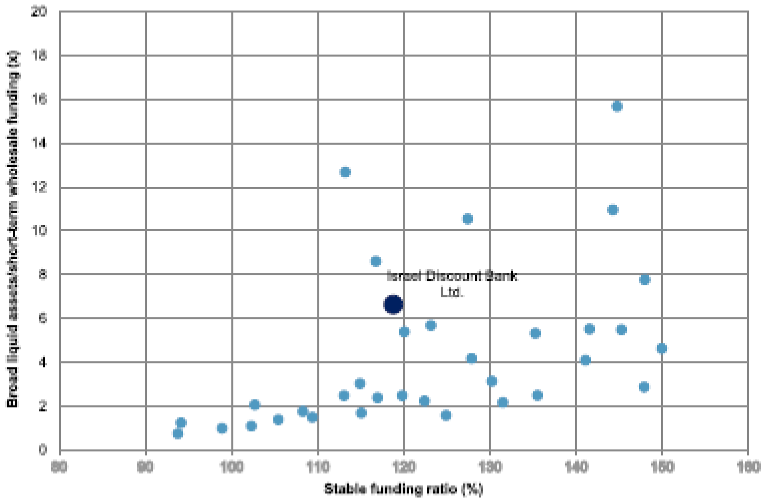


Source: S&P Global Ratings.

In our view, IDB benefits from sound liquidity. Liquid assets are sizable, with cash, central bank, and other bank placements, and investment securities constituting on average one-third of the short-term customer deposits. IDB's ratio of broad liquid assets to short-term wholesale funding was 5.2x on June 30, 2022, versus 6.6x on Dec. 31, 2021. We do not expect a significant deviation in the overall liquidity profile of the bank over the next two years. IDB's high amount of highly rated securities that are eligible for repo transactions with the BoI and the U.S. Federal Reserve System further supports our liquidity assessment.

Chart 7

Israel Discount Bank's Funding And Liquidity Metrics Are Sound And Aligned With Peers'



Peers include European banks from similar BICRA Group countries and with similar ratings. Source: S&P Global Ratings.

Support: One Notch Of Uplift For Government Support

The long-term rating on IDB is one notch higher than its SACP, reflecting the bank's high systemic importance in Israel, which we classify as supportive to the banking sector. Consequently, we consider the likelihood of extraordinary government support to IDB, if needed, to be moderately high. We would reconsider our assessment of government support if regulatory authorities introduced an updated bank resolution framework.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

We think environmental, social, and governance credit factors have no material influence on our credit rating analysis of IDB.

We regard the management team as professional and experienced. Also, IDB exhibits a robust system of checks and balances in decision-making with independent directors that contribute to the bank's strategy.

Environment and social factors do not affect credit quality differently from industry peers. We expect the bank's investment in digitalization will gradually have positive environmental implication. Regarding social risk, we note IDB will continue staff reduction as part of its strategy. We believe early retirements will be handled carefully.

Key Statistics

Table 1

Israel Discount Bank Ltd.--Key Figures

	--Year ended Dec. 31--				
(Mil. ILS)	2022*	2021	2020	2019	2018
Adjusted assets	364,258.0	333,726.0	292,603.0	258,690.0	238,143.0
Customer loans (gross)	238,117.0	218,860.0	195,952.0	186,506.0	170,414.0
Adjusted common equity	25,198.0	20,438.2	17,530.4	17,674.4	16,745.4
Operating revenues	6,002.0	10,447.0	9,926.0	9,660.0	9,020.0
Noninterest expenses	3,423.0	6,858.0	6,681.0	6,299.0	6,148.0
Core earnings	1,690.0	2,788.3	988.2	1,745.9	1,545.0

*Data as of June 30. ILS--Israeli new shekel.

Table 2

Israel Discount Bank Ltd.--Business Position

	--Year ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Loan market share in country of domicile	16.3	N/A	17.0	17.2	16.4
Deposit market share in country of domicile	14.9	N/A	15.2	15.9	15.5
Total revenues from business line (currency in millions)	6,002.0	10,511.0	9,955.0	9,680.0	9,026.0
Commercial banking/total revenues from business line	35.0	36.1	36.8	38.9	48.0
Retail banking/total revenues from business line	36.7	36.2	36.4	38.4	40.4
Commercial and retail banking/total revenues from business line	71.7	72.3	73.1	77.3	88.4
Other revenues/total revenues from business line	28.3	27.7	26.9	22.7	11.6
Return on average common equity	14.8	13.6	5.2	9.5	9.2

*Data as of June 30. N/A--Not applicable.

Table 3

Israel Discount Bank Ltd.--Capital And Earnings

	--Year ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Tier 1 capital ratio	10.2	10.2	10.4	10.6	10.7
S&P Global Ratings' RAC ratio before diversification	N/A	9.4	9.2	9.8	8.8

Table 3

Israel Discount Bank Ltd.--Capital And Earnings (cont.)

	--Year ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
S&P Global Ratings' RAC ratio after diversification	N/A	8.4	8.3	8.7	7.7
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	64.5	62.5	59.4	61.0	61.3
Fee income/operating revenues	27.9	29.9	28.5	30.8	31.6
Market-sensitive income/operating revenues	0.3	7.2	11.5	7.5	6.4
Cost-to-income ratio	57.0	65.6	67.3	65.2	68.2
Preprovision operating income/average assets	1.5	1.1	1.2	1.3	1.2
Core earnings/average managed assets	1.0	0.9	0.4	0.7	0.7

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Israel Discount Bank Ltd.--Risk-Adjusted Capital Framework Data

(Mil. ILS)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	106,103.7	3,073.2	2.9	1,526.1	1.4
Of which regional governments and local authorities	11,751.8	2,539.2	21.6	423.1	3.6
Institutions and CCPs	11,097.2	1,987.0	17.9	2,879.6	25.9
Corporate	138,159.4	123,416.5	89.3	117,327.5	84.9
Retail	86,598.0	53,169.7	61.4	39,455.1	45.6
Of which mortgage	54,990.1	29,363.0	53.4	15,749.2	28.6
Securitization§	1,158.1	231.6	20.0	231.6	20.0
Other assets†	8,146.2	10,323.3	126.7	13,797.6	169.4
Total credit risk	351,262.8	192,201.2	54.7	175,217.6	49.9
Credit valuation adjustment					
Total credit valuation adjustment	--	1,656.0	--	0.0	--
Market risk					
Equity in the banking book	1,956.1	2,245.0	114.8	16,762.5	856.9
Trading book market risk	--	3,738.0	--	5,607.0	--
Total market risk	--	5,983.0	--	22,369.5	--
Operational risk					
Total operational risk	--	15,383.0	--	19,588.1	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	215,223.2	--	217,175.2	100.0
Total diversification/ concentration adjustments	--	--	--	25,286.7	11.6
RWA after diversification	--	215,223.2	--	242,461.9	111.6

Table 4

Israel Discount Bank Ltd.--Risk-Adjusted Capital Framework Data (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	22,017.0	10.2	20,438.2	9.4
Capital ratio after adjustments‡	22,017.0	10.2	20,438.2	8.4

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCP--Central counterparty clearing house. ILS--Israeli new shekel. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

Israel Discount Bank Ltd.--Risk Position

	--Year ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Growth in customer loans	17.6	11.7	5.1	9.4	11.8
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	11.6	10.7	11.7	13.1
Total managed assets/adjusted common equity (x)	14.5	16.4	16.8	14.7	14.3
New loan loss provisions/average customer loans	0.1	(0.3)	0.9	0.4	0.3
Net charge-offs/average customer loans	0.1	0.0	0.2	0.2	0.3
Gross nonperforming assets/customer loans + other real estate owned	1.3	1.0	1.3	1.2	1.3
Loan loss reserves/gross nonperforming assets	96.5	140.8	143.5	110.1	105.9

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted asset.

Table 6

Israel Discount Bank Ltd.--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Core deposits/funding base	90.3	90.2	90.3	91.0	92.0
Customer loans (net)/customer deposits	82.9	82.6	84.9	91.2	88.9
Long-term funding ratio	95.0	95.9	95.0	96.7	96.0
Stable funding ratio	117.6	118.8	114.8	109.4	109.5
Short-term wholesale funding/funding base	5.4	4.4	5.3	3.6	4.3
Regulatory net stable funding ratio	124.7	126.7	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	5.2	6.6	5.1	5.9	5.0
Broad liquid assets/total assets	23.8	25.0	23.3	18.2	18.3
Broad liquid assets/customer deposits	30.5	32.1	30.3	23.5	23.1
Net broad liquid assets/short-term customer deposits	30.8	34.1	30.5	24.4	23.1
Regulatory liquidity coverage ratio (LCR) (x)	121.3	123.1	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	55.0	44.6	55.2	40.3	53.3

*Data as of June 30. N/A--Not applicable.

Israel Discount Bank Ltd.--Rating Component Scores	
Issuer Credit Rating	**BBB+/Positive/A-2**
SACP	bbb
Anchor	bbb+
Economic risk	3
Industry risk	4
Business position	Adequate
Capital and earnings	Adequate
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	0
GRE support	0
Group support	0
Sovereign support	+1
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Ratings Affirmed On Three Israeli Banks On Solid Domestic Economic Performance, July 20, 2022
- Israel Ratings Affirmed At 'AA-/A-1+'; Outlook Stable, May 13, 2022
- Israel Discount Bank, IDB NY Outlooks Revised To Positive On Resilient Risk Profile, Capital Buffers; Ratings

Affirmed, Jan. 20, 2022

- Banking Industry Country Risk Assessment: Israel, Sept. 10, 2021

Ratings Detail (As Of November 2, 2022)*	
Israel Discount Bank Ltd.	
Issuer Credit Rating	BBB+/Positive/A-2
Issuer Credit Ratings History	
20-Jan-2022	BBB+/Positive/A-2
06-May-2020	BBB+/Stable/A-2
10-Jul-2019	BBB+/Positive/A-2
Sovereign Rating	
Israel	AA-/Stable/A-1+
Related Entities	
Israel Discount Bank of New York	
Issuer Credit Rating	BBB+/Positive/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.