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INVESTORS SERVICE

CREDIT OPINION
26 July 2023

Update

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RATINGS

Israel Discount Bank Ltd.

Domicile	Tel Aviv, Israel
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A2
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Israel Discount Bank Ltd.

Update to credit analysis

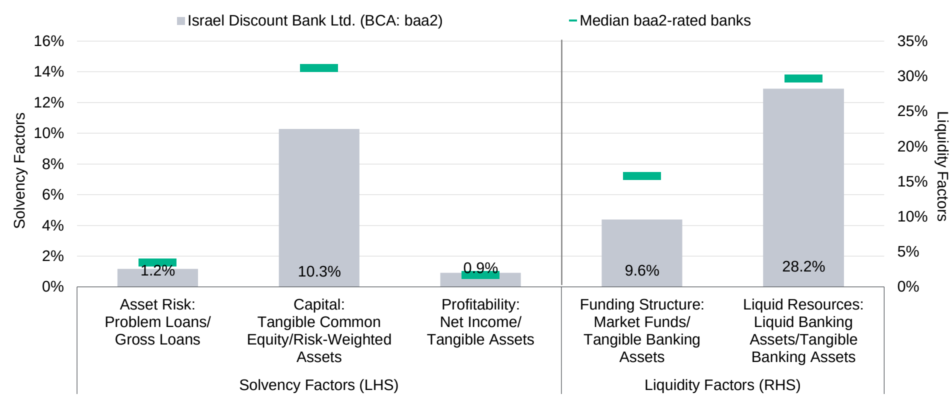
Summary

Israel Discount Bank Ltd. (IDB)'s A2 long-term deposit ratings reflect (1) the bank's baa2 Baseline Credit Assessment (BCA); and (2) three notches of rating uplift based on our assessment of a very high probability of support from the Government of Israel (A1 stable), in case of need.

IDB's baa2 BCA reflects (1) its favourable deposit-based funding structure along with comfortable liquidity; (2) strong asset quality, with low levels of problem loans; and (3) strengthened recurring profitability supported by efficiency gains and robust business growth potential.

At the same time, IDB's standalone BCA reflects (1) relatively modest capital buffers, with a tangible common equity (TCE)/risk-weighted assets (RWAs) ratio of 10.3% as of March 2023, below similarly-rated international peers mainly reflecting Bank of Israel's (BoI, the central bank) more conservative risk-weighting; (2) somewhat higher operating cost base compared to peers, despite substantial improvement in recent years; and (3) downside risks from a significant exposure concentration to the Israeli property market, and potential geopolitical events.

Exhibit 1
Rating Scorecard - Key financial ratios



These are our Banks Methodology scorecard ratios. Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.
Source: Moody's Investors Service

Credit strengths

» Stable deposit-based funding structure and comfortable liquidity

» Strong asset quality

» Strengthened profitability, supported by enhanced efficiency and widening margins

» Very high likelihood of government support, in case of need, underpins the deposit ratings

Credit challenges

» Exposure concentration in real estate and geopolitical tensions are downside risks

» Modest risk-weighted capitalisation, but moderate leverage

» Operating cost base remains higher relative to peers

Outlook

The stable outlook on IDB's long-term ratings reflects our expectation that the bank will sustain recent profitability improvements and will continue to moderate asset risk by growing into lower risk segments, and that its capital will remain broadly stable.

Factors that could lead to an upgrade

» IDB's ratings could be upgraded following a combination of both stronger sovereign creditworthiness and an improvement in the bank's standalone credit profile.

» The bank's standalone BCA could be upgraded following (1) materially strengthened capital; and (2) a sustained improvement in the bank's recurring profitability beyond what we currently expect, without an increase in the credit risk profile.

Factors that could lead to a downgrade

» IDB's ratings could be downgraded if operating conditions deteriorate, for example in case a significant real estate price correction, higher unemployment and an economic slowdown lead to a material weakening in asset quality.

» If the bank's capitalisation declines from current levels or if the bank does not sustain the ongoing improvements in its profitability and efficiency, or the reduction in asset risk, there could also be negative pressure on the ratings.

» The bank's ratings could also be downgraded if we consider that the government's willingness or capacity to provide support has materially declined. We gauge capacity to provide support based on the Israeli government's rating.

Key indicators

Exhibit 2

Israel Discount Bank Ltd. (Consolidated Financials) [1]

	03-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (ILS Million)	387,472.0	376,754.0	335,088.0	293,969.0	259,823.0	13.1[4]
Total Assets (USD Million)	107,611.7	106,774.6	107,913.6	91,556.3	75,223.8	11.6[4]
Tangible Common Equity (ILS Million)	27,261.0	26,051.0	21,068.0	18,189.3	18,127.0	13.4[4]
Tangible Common Equity (USD Million)	7,571.1	7,383.0	6,784.9	5,665.0	5,248.1	11.9[4]
Problem Loans / Gross Loans (%)	0.6	0.7	1.4	1.9	1.2	1.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	10.3	10.3	9.6	9.1	9.6	9.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.2	5.6	13.1	17.2	11.1	10.4[5]
Net Interest Margin (%)	2.9	2.5	2.1	2.1	2.4	2.4[5]
PPI / Average RWA (%)	3.6	2.5	1.9	1.9	2.0	2.4[6]
Net Income / Tangible Assets (%)	1.4	0.9	0.9	0.5	0.7	0.9[5]
Cost / Income Ratio (%)	45.1	54.7	62.8	61.7	63.0	57.4[5]
Market Funds / Tangible Banking Assets (%)	11.1	9.6	8.0	8.5	6.2	8.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	27.6	28.2	30.3	29.1	24.6	28.0[5]
Gross Loans / Due to Customers (%)	88.2	84.4	83.8	86.5	92.5	87.1[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

IDB is the fourth-largest banking group in Israel by assets with a 16% market share and total consolidated assets of NIS387 billion (around $108 billion) as of March 2023. IDB also had a 15% market share in deposits and 17% in loans as of the same date.

Domestically, IDB provides a full range of banking services out of its 172 branches in Israel as of the end of March 2023. IDB has the largest international operations among Israeli banks, mainly carried out through Israel Discount Bank of New York (IDB New York), its US subsidiary, which focuses on mid-sized companies and private banking. IDB New York operates branches in New York, Florida and California and has representative offices in Latin America and in Israel.

The bank's other key subsidiaries include Mercantile Discount Bank, a niche bank specialising in retail, small and medium-sized and municipal banking, and Israel Credit Cards (ICC), its 71.8% owned credit card company.

IDB is currently the only Israeli bank to consolidate a credit card company, after the two-largest Israeli banks were required to divest their own credit card units. A decision by the Minister of Finance was taken in January 2023 that effectively requires IDB to divest of its controlling stake in ICC.[1] ICC's contribution to IDB's consolidated net profit for 2022 amounted to around 5%.

IDB was incorporated in 1935. The bank's common stock trades on the Tel Aviv Stock Exchange (ticker: DSCT).

Detailed credit considerations

Strong asset quality, which will be supported by an increasing focus on residential mortgages; exposure concentration in real estate and geopolitical tensions are downside risks

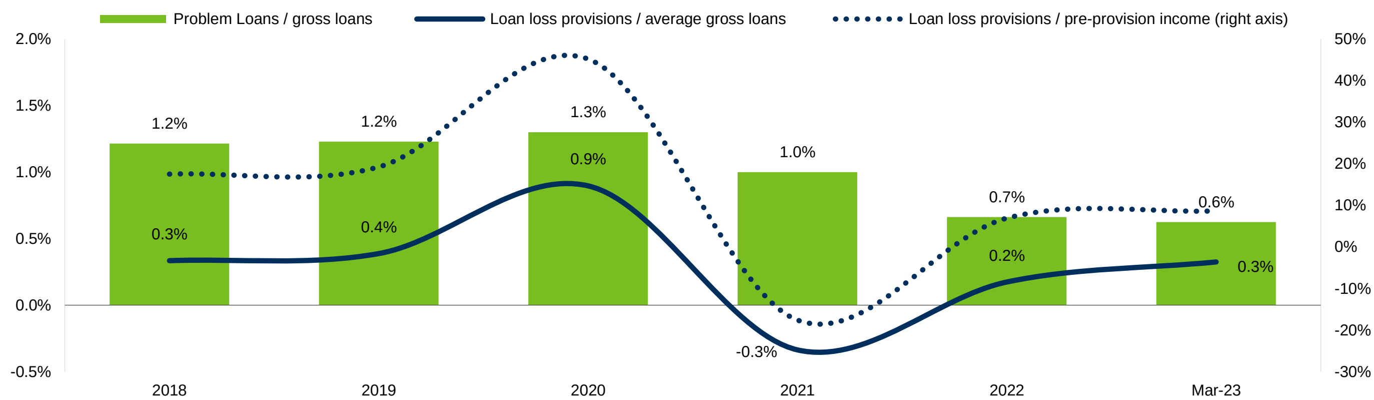
Our assigned baa3 Asset Risk score for IDB considers its currently strong asset quality and recent contained credit losses. Our assessment also takes into account the bank's higher than peer-average loan growth in recent years (loans grew by a compound annual rate of 10% over the period 2017-2022) and exceptionally high growth recently (loans grew by 15% year-over-year in March 2023) that drives some unseasoned risk and its previous through-the-cycle performance that had been relatively weaker than its peers. But it also considers ongoing reduction in asset risk in IDB's loan portfolio reflecting an increasing share of relatively lower-risk residential mortgages, which is currently lower than peers. Similarly to peers, IDB is exposed to downside risks from its significant exposure to Israel's real estate market through its portfolio along with high and rising property prices, and potential geopolitical tensions.

IDB's problem loans (defined as non-accruing loans and accruing loans that are more than 90 days overdue) to gross loans were a low 0.6% as of March 2023, having declined from 1.4% at the end of 2021 (see Exhibit 3), a reflection of strong lending growth and limited borrower defaults. We expect higher problem loan formation going forward because of reduced loan affordability as a result of higher interest rates, a more challenging macroeconomic environment and as the bank's newly originated loans begin to season. But, we expect the bank's asset quality to remain strong overall, supported by a tight labour market and real GDP growth of around 3% annually in 2023 and 2024.

Exhibit 3

IDB's asset quality is strong, with a low level of problem loans and contained credit losses in recent years

Evolution of problem loans and credit costs



For 2020 and 2021, problem loans were adjusted in this chart to remove a predominantly government-backed exposure that was more than 90 days overdue

Sources: Bank's financial statements; Moody's Investors Service

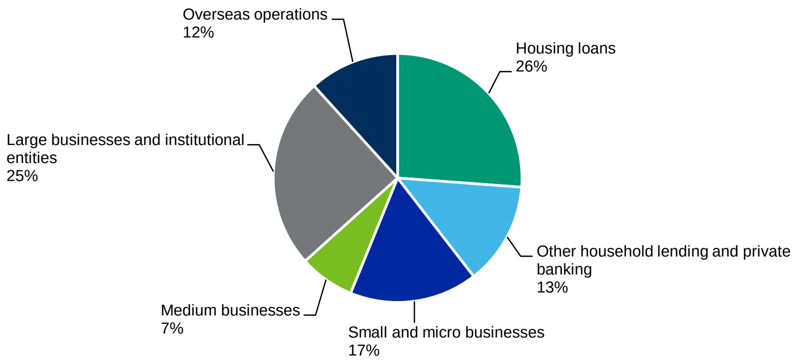
We also expect IDB's credit costs (loan loss provision expenses to average gross loans) to normalise closer although below their historic average of 0.47%[2], which includes an entire economic cycle but also a smaller historical proportion of lower-risk housing loans. Following provision charge-backs in 2021 equivalent to 0.3% of gross loans, credit costs increased to 0.2% in 2022 and 0.3% in the first three months of 2023, mainly driven by an increase in group provisions owing to a revision in macroeconomic expectations and strong loan growth. Once IDB no longer consolidates a credit card company, its credits costs will likely be lower and further aligned with the domestic peer average.

Asset risk in IDB's loan portfolio should reduce over time, reflecting an increasing share of relatively lower-risk residential mortgages. Housing loans, a key strategic focus for the bank, grew by a high 18% year-over-year and accounted for 26% of the bank's loan book as of March 2023 (see Exhibit 4), compared to 20% as of the end of 2018. Also, in recent years, the bank tightened its credit standards both in retail and business lending, eliminated exposures to holding companies, which had caused an increase in problem loans in the past, and reduced borrower concentrations with no exposure to a borrower group exceeding 15% of its capital as of March 2023.

Exhibit 4

IDB's loan book is fairly diversified by customer type

Loan book breakdown as of March 2023 (supervisory operating segments)



Housing loans include housing loans to small and micro businesses equivalent to 1.6% of total loans
Source: Bank's financial results

However, sector concentration is high. IDB's large and growing exposure to residential mortgages and the construction and real estate sector, which made up a further 16% of total lending as of March 2023, exposes the bank to the risk of a sharp property price correction and a reduced ability of borrowers to service their loans.

House price growth in Israel peaked at a high 20% year-over-year as of September 2022 with fewer real estate transactions and a marginal decrease in prices in recent months. But, any near-term price correction would be limited because of a steady growth in new households from a young and growing population. Additionally, for housing loans, risks are mitigated by (1) banks' full recourse to the borrowers and a strong repayment culture; (2) the low level of housing debt at around 30% of GDP; and (3) macroprudential measures[3], which enforce tight underwriting standards and high capital buffers against mortgages.

We see significantly higher risk in financing of the construction and real estate sector. Higher interest rates and inflation may strain the repayment capacity of some borrowers, particularly if there is also a drop in property prices. The BoI has taken steps to contain these risks.[4] It has also asked banks to allocate more capital towards riskier exposures by risk weighting new and outstanding loans for land acquisition with a loan-to-value exceeding 80% at 150%, up from 100%.[5]

The bank's construction and real estate lending exposure, although lower than most of its domestic peers, grew by a high 20% year-over-year as of March 2023 because of strong demand. We expect the pace of exposure growth to moderate going forward. Most of the bank's real estate exposure involved the funding of closed residential construction projects where risk is mitigated by close oversight[6]. Residential projects made up 36% of the total credit risk in the sector as of March 2023, while income generating properties for 24%. A significant part, around 22%, of the exposure to the sector was for the acquisition of land for construction where projects will take several years to complete and there is a risk that they may become uneconomical over time.

Similarly to other Israeli banks, IDB's asset quality would be vulnerable to the downside risk of geopolitical tensions, and particularly any large-scale event, that can significantly compromise business confidence and economic activity.

Modest risk-weighted capitalisation, but moderate leverage

IDB's risk-weighted capitalisation is modest compared to global peers, but we view it as adequate relative to its risk profile. IDB's loss-absorption buffers are supported by conservative regulatory risk-weights, especially on residential mortgages, which drive relatively moderate leverage that is in line with the peer median. IDB's capital ratios are also more stable compared to banks globally that use a model-based approach in calculating credit RWAs.

Looking ahead we expect the bank's capital buffers to remain broadly stable over the next 12-18 months, reflecting adequate internal capital generation from strengthened profitability, balancing growth targets and profit distribution to shareholders.

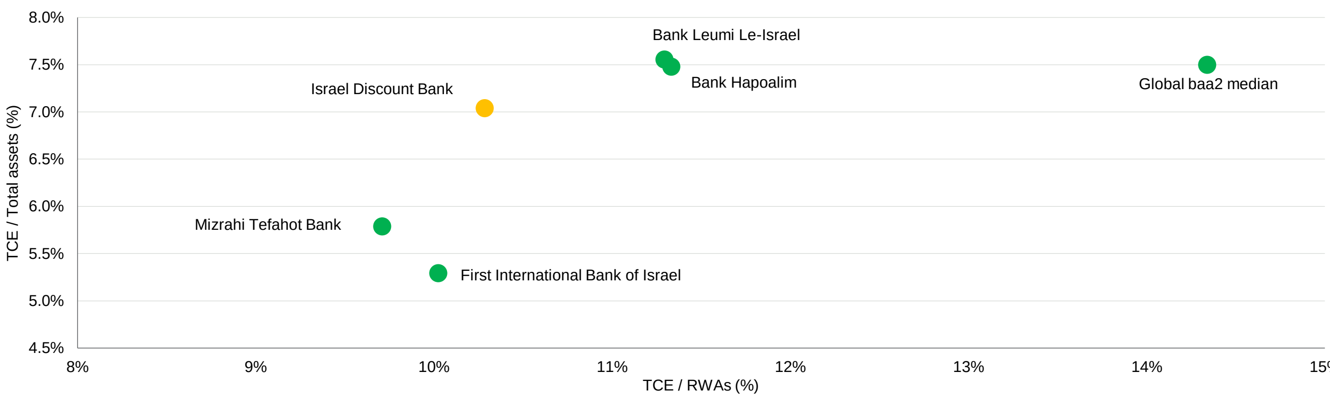
IDB's TCE/RWAs capital ratio was 10.3% as of March 2023, below the level of similarly-rated international peers (see Exhibit 5). However, the BoI maintains a conservative approach to risk-weighting that results in higher loss-absorption buffers than capital ratios show. Israeli banks use the standardised approach to risk-weighting. Mortgages are further risk-weighted according to loan-to-value, resulting in an average risk weight of over 50% in Israel. This effective mortgage loan risk weight is significantly higher than the risk weights applied by banks in other developed markets that use the internal ratings-based approach and even the 35% risk weight normally used in the standardised approach.

The bank's Basel III leverage ratio was 6.2% as of March 2023, above the 4.5% minimum regulatory requirement[7]. Its TCE-to-total assets ratio was 7.0% as of the same period.

Exhibit 5

IDB's risk-weighted capitalisation is lower than global peers driven by conservative risk weights

Risk-weighted capitalisation and leverage of Israeli banks and the global median



Data as of March 2023

Source: Moody's Investors Service

IDB reported a Common Equity Tier 1 (CET1) ratio of 10.22% as of March 2023, staying broadly stable from the reported 10.25% at the end of 2022 and 10.14% at the end of 2021. The reported CET1 ratio substantially exceeded the 9.19% minimum regulatory requirement and also the bank's own internal minimum threshold of 9.75%.[8]

The bank's capital metrics have remained steady over the past year despite unrealised losses in its available-for-sale bond portfolio that impact capital (net of the positive effect from a decrease in actuarial liabilities for employee benefits) and exceptionally strong loan growth.

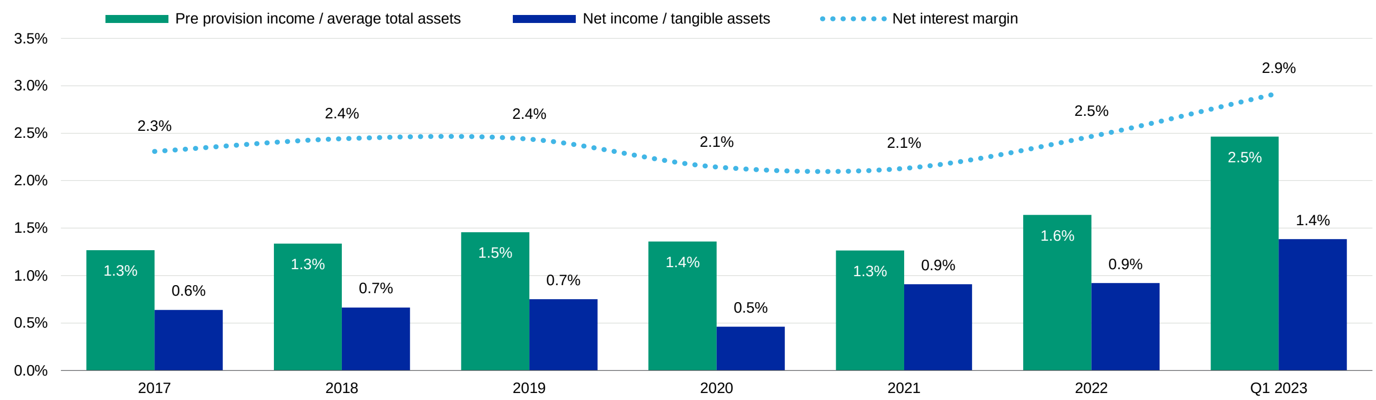
A capital raising of around NIS1.4 billion in the first quarter of 2022, along with strengthened profitability, and a sale of loans and RWA management allowed IDB to maintain steady capital levels, and therefore continue to benefit from strong loan growth and distribute profits. IDB distributed 30% of profits in the first quarter of 2023, compared to 20% up until and including the fourth quarter of 2022, in line with the bank's dividend policy whereby IDB may distribute up to 30% of net profits in each quarter.

Strengthened profitability supported by enhanced efficiency and wider margins; cost base remains higher than peers

IDB's ongoing profitability is moderate, having consistently strengthened in recent years, closing the gap with its domestic peers and strengthening internal capital generation and resiliency at times of stress. We expect IDB's profitability will continue to benefit from the bank's ongoing focus on controlling operating expenses, as well as business and income growth because of Israel's robust economic growth potential and the bank's focus on growing its credit portfolio faster than the banking system. Process improvements at IDB have reduced time to market and a number of digital initiatives can capture a broader share of the population than the bank's current clientele. However, we also expect cost of risk to stabilise at a higher level than in the last two years and limited further upside on pre-provision income from higher interest rates.

IDB reported higher than usual net income equivalent to 1.4% of tangible assets in the first three months of 2023 and 0.9% in 2022, up from an average of 0.7% between 2017 and 2019 (see Exhibit 6). The improvement in bottom-line profits was driven by strong revenue growth because of loan growth, a widening net interest margin and high CPI benefiting returns from the bank's net long CPI position (deriving mainly from CPI-linked mortgages). Credit costs increased against provision releases in 2021, but remained contained. Profits in 2022 and Q1 2023 also benefited from one-off profits from the sale of properties as part of the relocation of the bank's head offices and operations to a different central location.

Exhibit 6
IDB's profitability is moderate, having steadily improved in recent years



2022 and Q1 2023 profits benefited from exceptional items, such as the sale of properties
Source: Moody's Investors Service

The bank's net interest margin widened to 2.9% in the three months to March 2023, from 2.5% in 2022 and 2.1% from in 2021 because of rising policy rates in Israel and the US that have allowed the bank to unlock the value from its low-cost core deposit base. However, we expect limited further upside from higher interest rates because of a gradual shift from current accounts to costlier time deposits and banks starting to pay an interest on time deposits following ongoing pressure by the authorities.

Profitability strengthened in recent years supported by numerous cost efficiency initiatives.[9] Operating costs declined to 1.9% of assets in 2022 from over 2.5% before 2018. Although, IDB's cost base remains somewhat higher than its domestic peers whereby operating costs averaged 1.2% of assets for the other four large banks in 2022. We expect the bank to maintain its tight control of costs against operating expense inflation because of high CPI.

Revenue growth will also remain a key strategic pillar, driven by focus on mortgages and middle-market corporates. The bank also remains committed to expanding its digital offerings by deepening collaboration with third parties and fintechs, strengthening its ability to withstand competition. Israeli authorities continue to implement measures to promote competition, including facilitating the establishment of new banks and non-bank competitors, and to lower the cost of banking services for households and small businesses.

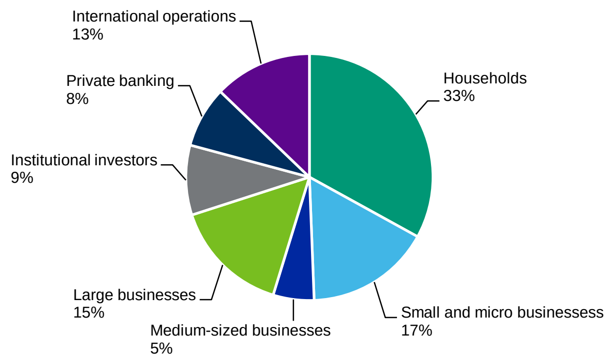
The divestment of ICC will modestly reduce IDB's scale and income diversification. However, the share of ICC profits in IDB's consolidated profits has progressively declined from around 10% in 2017 to around 5% in 2022. There will also be a transition period of three to four years for the divestment and IDB may benefit from the one-off of realising the value of its investment in ICC. Following the divestment of ICC, IDB's cost efficiency will improve and cost of risk will decline, and be further aligned with its domestic peers.

Stable deposit-based funding structure and comfortable liquidity

IDB's credit profile benefits from a stable funding structure that is driven by a domestic deposit base and with low reliance on potentially more confidence-sensitive market funding. Customer deposits accounted for 75% of total assets as of March 2023, comfortably funding the bank's loan portfolio with a net loans-to-deposits ratio of 87%. Furthermore, market funds accounted for a low 11% of tangible banking assets as of the same date[10]. We expect IDB to remain primarily deposit funded, benefitting from the strong savings culture in Israel.

Deposits are relatively granular, whereby 49% of the bank's deposit base in Israel was from households and small businesses as of March 2023 (see Exhibit 7). Our assessment also considers that foreign deposits, which could be more vulnerable to an institution-specific loss in depositor confidence, made up 13% of total deposits as of March 2023. Nevertheless, deposits from institutional and capital markets investors were 9% of total deposits, considerably lower than peers. We note that both domestic and foreign deposits had remained stable during past systemic shocks in Israel.

Exhibit 7
Granular retail deposits make up a large part of IDB's deposit base
Breakdown of deposits by segment as of March 2023



Source: Bank's financial statements

The bank also maintains comfortable liquidity buffers at 28% of tangible banking assets as of March 2023. Cash and interbank balances accounted for 15% of assets, with securities accounting for an additional 13%. The securities portfolio primarily comprises of A1-rated Israeli government securities at 63% of total, and to a lesser extent mortgage-backed and asset-backed securities of US government agencies (18% of total), while 4% of the securities portfolio were investments in shares. Our assessment also considers that part of the securities portfolio equivalent to around 5% of assets was pledged and therefore encumbered. IDB also reported a solid Liquidity Coverage Ratio at 137% and a Net Stable Funding Ratio of 125% as of March 2023, significantly above the 100% minimum requirement for each.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from the banks' reports and are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to Financial Statement Adjustments in the Analysis of Financial Institutions published on 9 August 2018. We do not use the Bank of Israel's exchange rates in converting figures from Israeli shekel into US dollars, so US dollar figures may differ from bank reported figures

ESG considerations

Israel Discount Bank Ltd.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 8
ESG Credit Impact Score

CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

IDB's ESG Credit Impact Score is neutral-to-low (**CIS-2**). This reflects the limited credit impact from environmental and social risk factors on the ratings to date, as well as, neutral-to-low governance risks.

Exhibit 9
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-4	G-2
Moderately Negative	Highly Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental

IDB faces moderate exposure to environmental risks, mainly because of its portfolio exposure to carbon transition risks as a diversified bank and one of Israel's five largest banks with a significant corporate exposure. In line with its peers, IDB faces growing business risks and stakeholder pressure to meet broader carbon transition goals. IDB is engaging in further developing its climate risk and relevant portfolio management capabilities and increasing its green financing.

Social

IDB faces high social risks from customer relations, similarly to banks globally, and there is a growing focus on consumer protection in Israel. High cyber and personal data risks are mitigated by a sound IT framework. A relatively young and growing population in Israel affords business opportunities for the bank. However, the authorities are taking steps to promote competition and to reduce the cost of financial services for households and small business, which will weigh on the bank's profitability. Strict labour laws and strong employee unions in Israel limit staffing flexibility and drive up costs. The bank has reduced employee posts through successive early retirement plans and implements stringent cost control, which has allowed it to mitigate these challenges.

Governance

IDB faces neutral-to-low governance risks, and its risk management, policies and procedures are in line with industry practices and commensurate with its universal banking model, while the bank provides timely and detailed external reporting. The bank's financial strategy is conservative, under the oversight of a proactive and hands-on regulator.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support considerations

IDB's A2 deposit ratings incorporate three notches of government support uplift from the bank's baa2 Adjusted BCA because of our expectation of a very high probability of extraordinary support from the Israeli authorities. This assessment is based on IDB's systemic importance as one of the country's five-largest banking groups and the Israeli government's long standing practice of injecting capital into systemically important banks in case of need.

Counterparty Risk (CR) Assessment

IDB's CR Assessment is A1(cr)/P-1(cr)

Prior to government support, the CR Assessment is positioned one notch above the bank's baa2 Adjusted BCA, reflecting our view that its probability of default is lower than that of deposits. Senior obligations represented by the CR Assessment will be more likely preserved to limit contagion, minimise losses and avoid disruption of critical functions. The CR Assessment also benefits from government support uplift, in line with our support assumptions on deposits.

Counterparty Risk Ratings (CRRs)

IDB's CRR is A1/P-1

For jurisdictions with a non-operational resolution regime, like Israel, the starting point for the CRR is one notch above the bank's Adjusted BCA. The CRRs also benefit from three notches of government support uplift.

Methodology and scorecard

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10

Israel Discount Bank Ltd.

Macro Factors							
Weighted Macro Profile	**Strong**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.2%	a1	↔	baa3	Sector concentration	Loan growth
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	10.3%	baa3	↓	ba1	Expected trend	
Profitability						
Net Income / Tangible Assets	0.9%	baa2	↓	baa3	Expected trend	
Combined Solvency Score		baa1		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	9.6%	a2	↔	a3	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	28.2%	baa1	↔	baa1	Asset encumbrance	Expected trend
Combined Liquidity Score		a3		a3		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				A1		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Counterparty Risk Rating	1	0	baa1	3	A1	A1
Counterparty Risk Assessment	1	0	baa1 (cr)	3	A1(cr)	
Deposits	0	0	baa2	3	A2	A2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 11

Category	**Moody's Rating**
ISRAEL DISCOUNT BANK LTD.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured	A2

Source: Moody's Investors Service

Endnotes

1 IDB will need to sell ICC within a period of three years from the effective date (date of publication of the Regulations in the Official Gazette), or until the end of four years in certain circumstances, to the extent that a public offer outline would be decided upon.

2 The cost of risk average is for the period in the run-up to the pandemic of 2006-2019. Credit costs had increased to 0.90% in 2020 from 0.39% in 2019.

3 The measures include loan-to-value limits of 75% for sole dwellings and 70% for the rest but for non-investment purposes, a monthly repayment cap at 50% of a borrower's monthly salary and a limit on the variable-rate part of the mortgage at two-thirds of the loan. Higher risk-weights for the calculation of regulatory capital metrics for mortgages with higher loan-to-value and repayment ratios also encourage tighter underwriting.

4 The regulator has instructed banks to scale up their monitoring of borrowers, improve and expand reporting on their exposure to the sector, and increase their collective provisions against performing exposures.

5 The regulation relates to land acquired for the purpose of development of construction. This excludes agricultural land with no planning horizon or without a request for planning consent; and acquisition of land that is designated for self-use in case of the borrower not being classified in the construction and real estate sector.

6 The closed financing structure mitigates risks because credit is managed in a separate account dedicated to the project that is separate from the rest of the borrower's banking activity and from which the developer cannot withdraw funds without the bank's consent. There is external oversight of construction progress by inspectors approved by the bank, who track the pace of progress on-site and monitor expenditure and income in accordance with the planned budget.

7 In November 2020, the authorities lowered the bank's leverage ratio requirement to 4.5%, from 5% previously. This relief has been extended until the end of 2023, and the leverage ratio requirement will return to 5% within two quarters after that date.

8 The bank's internal capital target is established by the Board of Directors on the basis of the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP).

9 The bank had taken numerous efficiency initiatives, such as reducing headcount by 18% between 2014 and 2021 through successive early retirement plans and a reduction in the number of branches and real estate space. The bank is also in the process of relocating its headquarters out of Tel Aviv and into a less expensive location.

10 Based on Moody's estimate for the bank's quarterly figures, given lack of breakdown between senior and subordinated debt. Subordinated debt is not included in Moody's definition of market funding.

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