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Israel Discount Bank Ltd. Outlook Revised To Stable From Negative Mirroring Action On Sovereign; 'BBB+' Rating Affirmed

November 11, 2025

Overview

- On Nov. 7, 2025, we revised our outlook on Israel to stable from negative due to the expected easing of immediate security risks.
- In our view, this indicates the reduced risk of the Israeli government being less able to provide timely and sufficient extraordinary government support to Israel Discount Bank (IDB) if needed.
- We have therefore revised our outlook on IDB to stable from negative and affirmed our long- and short-term issuer credit ratings on the bank.

Rating Action

MILAN (S&P Global Ratings) Nov. 11, 2025--S&P Global Ratings today revised its outlook on Israel Discount Bank Ltd. (IDB) and its core subsidiary Israel Discount Bank of New York to stable from negative.

At the same time, we affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings on IDB and our 'BBB+' long-term issuer credit rating on Israel Discount Bank of New York.

Rationale

The rating action follows the revision of the outlook on the sovereign rating on Israel to stable from negative. The sovereign rating action reflects our view that military de-escalation following the ceasefire between Israel and Hamas has softened Israel's immediate security risk. The stable sovereign outlook reflects our assumption that the scale of direct military confrontation will remain contained, even if sporadic clashes between Hamas and Israel persist and the boarder regional security environment remains fragile (see "Israel Outlook Revised To Stable From Negative; 'A/A-1' Ratings Affirmed," published on Nov. 7, 2025).

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We also think that IDB is likely to continue receiving government support, if needed. This is because of the combination of its high systemic importance and the level of its stand-alone creditworthiness. Unlike many other domestic peers, our ratings on IDB continue to benefit from one notch of extraordinary government support.

IDB's diversified business model will continue to support earnings resilience. The business portfolio combines retail and commercial banking, and small operations in the U.S. We expect this diversification will continue to support overall performance, but amid strong competition and a higher likelihood of loosening monetary policy, we anticipate moderately declining recurring earnings while the group continues its efforts to improve efficiency.

IDB's capitalization will moderately improve over the next two years, in our view. We expect the risk-adjusted capital (RAC) ratio before concentration adjustments will reach about 8.5%-9.0% in 2027, from 8.4% at end-2024. Profitability will sustain capital despite strong lending growth and higher dividend distributions than in previous years.

Asset quality appears resilient but remains a key risk. We expect cost-of-risk to be at about 25-30 basis points on average, slightly above peers, given banks' already-large stock of collective provisions and some signals of economic recovery. However, IDB's high exposure to small and midsize enterprises and particularly the real estate and construction sector, mean its performance is sensitive to economic recovery.

We continue to incorporate a positive adjustment notch under our comparable rating analysis in our ratings on the bank. Despite facing somewhat higher risks compared to peers, we expect IDB will continue to demonstrate solid performance comparable with peers with a 'bbb' stand-alone credit profile.

Outlook

The stable outlook balances persisting risks from the geopolitical and economic environment with the bank's resilient performance. It reflects our view that IDB will preserve its capitalization, maintaining a RAC ratio comfortably above 7% with asset quality metrics remaining broadly in check. It also reflects the stable outlook on the rating of the Israeli government.

Downside scenario

We could lower the ratings on IDB if we downgraded Israel, because we would consider the government as less likely to provide IDB with extraordinary support. We could also lower our rating on IDB if its performance weakens vis-à-vis similarly rated peers. This could materialize if profitability and asset quality metrics weaken compared with peers or if IDB posts material losses in its lending book or we anticipate rising pressure on the real estate and construction sector.

Upside scenario

We are unlikely to upgrade IDB as this action would hinge on a significant and lasting reduction in regional geopolitical and security risks and our expectation of a material improvement of the operating environment and an upgrade of Israel.

Rating Component Scores

Rating Component Scores	To	From
Issuer Credit Rating	BBB+/Stable/A-2	BBB+/Negative/A-2
SACP	bbb	bbb
Anchor	bbb	bbb
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Adequate (0)	Adequate (0)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	1	1
Support	1	1
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	1	1
Additional factors	0	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.		

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- 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: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Israel Outlook Revised To Stable From Negative; 'A/A-1' Ratings Affirmed, Oct 7, 2025

Ratings List

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Ratings Affirmed; Outlook Action		
	To	**From**
Israel Discount Bank Ltd.		
Issuer Credit Rating	BBB+/Stable/A-2	BBB+/Negative/A-2
Foreign Currency	BBB+/Stable/A-2	BBB+/Negative/A-2
Israel Discount Bank of New York		
Issuer Credit Rating	BBB+/Stable/--	BBB+/Negative/--
Foreign Currency	BBB+/Stable/--	BBB+/Negative/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.