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CREDIT OPINION
15 March 2024

Update

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RATINGS

The Co-operative Bank Holdings Limited

Domicile	Manchester, United Kingdom
Long Term Rating	Not Available
Type	Not Available
Outlook	Positive

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.

Contacts

Farooq Khan +44.20.7772.1638
VP-Senior Analyst - Financial Institutions
farooq.khan@moodys.com

Niyati Shah +44 207.772.5698
Sr Ratings Associate
niyati.shah@moodys.com

Laurie Mayers +44.20.7772.5582
Associate Managing Director
laurie.mayers@moodys.com

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

The Co-operative Bank Holdings Limited

Update following upgrade of Bank's long-term deposit ratings to Baa3

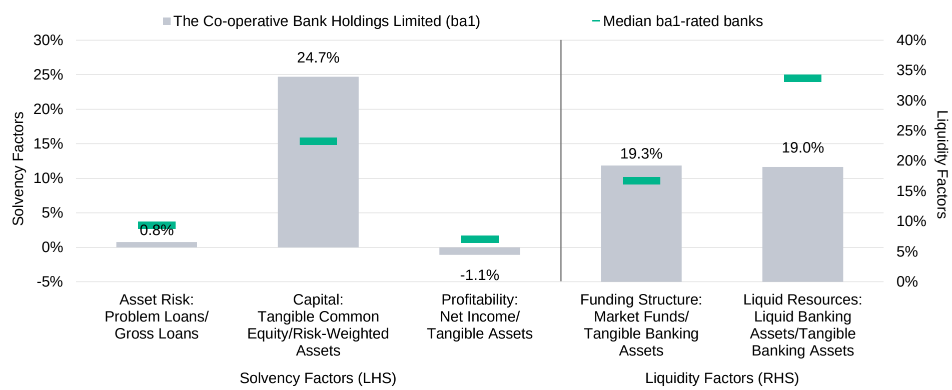
Summary

The Baa3 long-term deposit ratings of The Co-operative Bank plc (The Co-operative Bank), the operating company of The Co-operative Bank Holdings Limited (The Co-operative Bank Holdings), reflect the bank's standalone creditworthiness, expressed in its ba1 standalone Baseline Credit Assessment (BCA); the low loss given failure of the bank's deposits, which results in a one-notch uplift; and our assessment of a low probability of support from the Government of the United Kingdom (Aa3 stable), which does not lead to any uplift. The Ba2 senior unsecured debt rating of The Co-operative Bank Holdings reflects a moderate loss given failure, and our assumption of a low probability of government support, which do not provide any uplift.

On 11 March, Moody`s upgraded the long-term deposit ratings of The Co-operative Bank to Baa3, short term deposits to Prime-3 as well as its BCA to ba1. The upgrades reflect the bank's improved profitability supported by the higher interest rate environment and further progress towards a sustainable capital generative business model. It also reflected the bank's progress in simplifying and upgrading its technology infrastructure which culminated in the transitioning of the majority of its mortgage operations onto one technology platform in February 2024, following the transfer of most of its savings products in 2023.

Exhibit 1

Rating Scorecard - Key financial ratios



We assign a BCA to The Co-operative Bank based on the consolidated financials of The Co-operative Bank Holdings. The chart shows the financial ratios of The Co-operative Bank Holdings.
Source: Moody's Ratings

Credit strengths

» Low stock of problem loans

» Stable retail funding, backed by adequate liquidity

» Improved profitability which will sustain capitalisation

Credit challenges

» Weak but improving efficiency driven by IT systems transformation

» Largely monoline business model

» Reliance on market funding via improved market access

Outlook

The outlook on The Co-operative Bank Holdings' long-term issuer and senior unsecured debt ratings and The Co-operative Bank's long-term deposit ratings is positive. The outlooks reflect Moody's expectations that the bank's financial performance and risk profile supported by a completion of its IT transformation initiatives over the next 12-18 months could be commensurate with a higher rating level.

Factors that could lead to an upgrade

The Co-operative Bank's BCA could be upgraded following a combination of further improvement in profitability, implying durable and sustainable internal capital generation, and a larger than expected reduction in its cost base driven by the completion of its IT platform transition. An upgrade of the BCA would lead to an upgrade of the long-term deposit ratings of The Co-operative Bank and the senior unsecured debt rating for The Co-operative Bank Finance.

The Co-operative Bank Holding's senior unsecured debt rating and The Co-operative Bank's long-term deposit ratings could also be upgraded following a material increase in the stock of bail-in-able liabilities issued by The Co-operative Bank Holdings or by The Co-operative Bank.

Factors that could lead to a downgrade

Given the ratings upgrade and positive outlook there is limited downward pressure on the bank's ratings.

Key indicators

Exhibit 2

The Co-operative Bank Holdings Limited (Consolidated Financials) [1]

	12-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (GBP Billion)	25.8	27.6	29.3	25.6	23.4	2.4[4]
Total Assets (USD Billion)	32.9	33.2	39.6	35.0	31.0	1.4[4]
Tangible Common Equity (GBP Billion)	1.2	1.2	1.7	1.4	1.5	(6.1)[4]
Tangible Common Equity (USD Billion)	1.5	1.4	2.2	1.9	2.0	(7.0)[4]
Problem Loans / Gross Loans (%)	0.8	0.7	0.7	0.9	1.4	0.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	24.7	23.9	38.1	29.5	31.7	29.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	12.7	12.4	8.7	11.2	16.6	12.3[5]
Net Interest Margin (%)	1.8	1.6	1.2	1.1	1.4	1.4[5]
PPI / Average RWA (%)	2.0	2.7	0.2	-1.4	-1.8	0.3[6]
Net Income / Tangible Assets (%)	0.5	-4.2	0.4	0.6	0.3	-0.5[5]

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Cost / Income Ratio (%)	81.2	75.5	97.2	122.0	122.9	99.8[5]
Market Funds / Tangible Banking Assets (%)	19.3	22.9	20.2	11.4	8.7	16.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	19.0	23.5	24.0	21.5	17.7	21.1[5]
Gross Loans / Due to Customers (%)	105.4	103.8	98.9	91.3	93.7	98.6[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [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 Ratings and company filings

Profile

The Co-operative Bank plc (The Co-operative Bank) is a UK-based commercial bank that provides banking and related financial products and services to retail and corporate customers only in the UK. Most of its assets are residential mortgages, but the bank also provides loans to small and medium-sized companies, credit cards and consumer loans. Most of The Co-operative Bank's funding comes from its retail clients via current accounts and savings accounts. As of December 2023, The Co-operative Bank had total consolidated assets of £26 billion.

The Co-operative Bank was established in 1872 as the Loan and Deposit Department of the Co-operative Wholesale Society. In August 2009, the bank merged with Britannia Building Society, the second-largest building society in the UK at the time.

In 2013 and 2017, The Co-operative Bank underwent two liability management exercises, which led to a substantially higher Common Equity Tier 1 capital ratio and the creation of a new holding company, The Co-operative Bank Holdings Limited (The Co-operative Bank Holdings). The bank is privately held, with the largest shareholders of the holding company now being private equity firms and hedge funds. The main shareholder before the first liability management exercise in 2013, The Co-operative Group, no longer has a stake in The Co-operative Bank or in The Co-operative Bank Holdings.

The Co-operative Bank issues debt compliant with its minimum requirement for own funds and eligible liabilities (MREL). this was previously done out of an intermediate holding company, The Co-operative Bank Finance p.l.c. (The Co-operative Bank Finance), which sits between The Co-operative Bank Holdings and The Co-operative Bank, but on 6 November 2023 the issuer of the debts already issued were substituted to The Co-operative Bank Holdings. To date, the group has issued a £200 million Tier 2 bond in April 2019, £200 million senior unsecured bond in November 2020, a £250 million senior unsecured bond in April 2022, a £200 million green senior unsecured bond in May 2023 and a £200 million fixed rate Tier 2 callable note issued in November 2023.

Detailed credit considerations

We assign a ba1 BCA to The Co-operative Bank based on the consolidated financials of The Co-operative Bank Holdings. The financial data in the following sections is sourced from The Co-operative Bank Holdings' consolidated financial statements, unless otherwise stated.

Low stock of problem loans

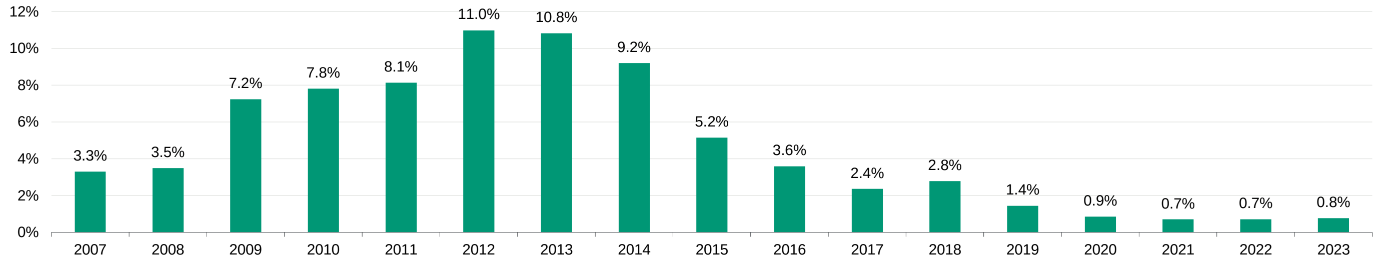
We assign an Asset Risk score of a2 to reflect the bank`s strong asset quality derived form its secured prime mortgage book, potential downside risk of an increase in problem loans and the operational risks related to executing a strategy that aims to improve its operational efficiency and reduce its heavy cost burden with a goal of achieving through the rate cycle sustainable profitability

The Co-operative Bank is largely a residential mortgage lender. As of December 2023, 94% of the bank's loan book was composed of secured retail mortgages, with the remainder split between unsecured consumer lending (1%), small and medium-sized enterprise (SME) lending (5%, of which around 46% benefits from full government guarantees). The average Loan-to-Value on its secured mortgage lending is also low at 55.7% as of December 2023.

The Co-operative Bank's stock of problem loans is low, representing 0.5% of gross loans as of December 2023 and reported 0.4% as of June 2023. The problem loan ratio significantly decreased since its 11% peak in 2012 (see Exhibit 4), mainly reflecting the disposal of a portfolio of weak mortgages labeled Optimum between 2015 and 2020

Most of the legacy corporate lending (around 96.1%) comprises loans that carry low risk; however, they do not generate sufficient returns (for example, lending to housing associations).

Exhibit 3
Problem loans have significantly reduced
Problem loans as a percentage of gross loans



Data until 2017 (included) is from The Co-operative Bank plc; data from 2018 (included) onwards is from The Co-operative Bank Holdings Limited.
Source: Moody's Ratings

Improving capital adequacy yet low leverage

The Co-operative Bank's Capital score is baa1 to reflect our view that the bank`s capital is now more resilient to stress, as well as the bank's improving organic capital generation and weak leverage.

The Co-operative Bank has high risk-weighted capital ratios. As of December 2023, the bank's Common Equity Tier 1 (CET1) capital ratio was 20.4%, while its total capital ratio was 25.3%. [1]. We also calculate a very high tangible common equity/risk-weighted assets (RWA) of 23.9% as of December 2022. [2].

Capital has improved significantly in recent years, following a recapitalization plan in 2017 and the disposal of a large portion of legacy assets, which is positive. As of December 2023, The Co-operative Bank reported 20.4% CET1 ratio versus a total capital requirement of 13.1% of RWA, based on a minimum of 9.8% of CET1 and a maximum of 3.3% Tier 2 capital. As of December 2023, the Group had Pillar 1 requirements of 8.0% (2022: 8.0%) of RWAs and an Individual Capital Requirement (ICR) equivalent to 5.05% of total RWAs (2022: 5.05%). The bank has a proposed dividend distribution of £12 million which will lead to a negligible 30 basis points decline in CET1 ratios.

The Co-operative Bank reported that as of October 2022, it is compliant with the undisclosed Prudential Regulation Authority buffer, which sits above the minimum regulatory requirements (Pillar 1 + Pillar 2A + CRD IV Buffers) and whose purpose is to provide additional loss absorbency in a stress scenario, for the first time since 2013. The Co-operative Bank's capacity to generate profit has subsequently continued to improved following recent rate rises which enables the bank to continue to recover capitalization under stress.

The Co-operative Bank reported a weak 4.1% leverage ratio as of December 2023, calculated using the guidelines from the Bank of England. This has risen in recent quarters however.

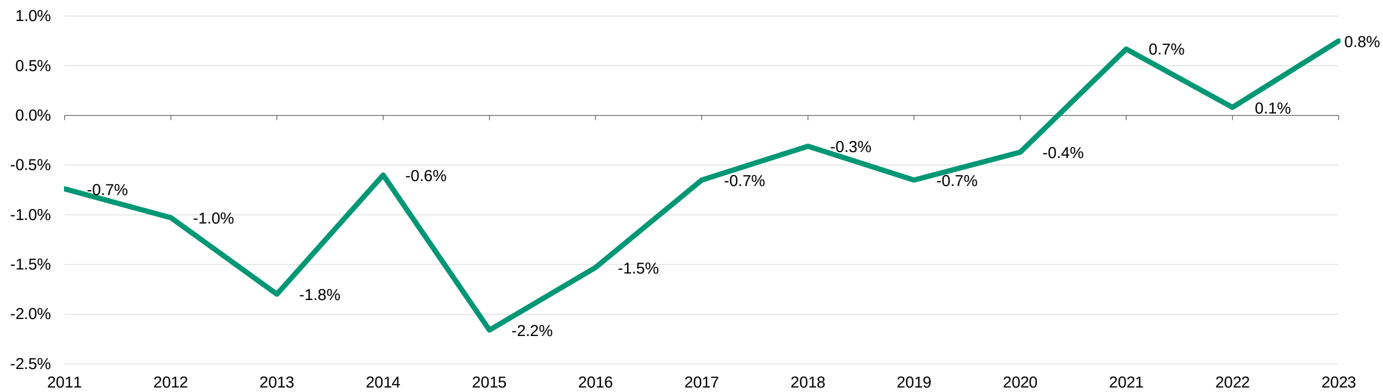
Improved profitability with weak but improving efficiency

We assign a Profitability score of ba2 to The Co-operative Bank to reflect our view that the bank's profitability has structurally improved and will continue to be better than its historically very weak levels over the next 12-18 months. [3].

Exhibit 4

The Co-operative Bank has started to report profit in the last quarters

Net Income /Tangible assets as reported by The Co-operative Bank



Data until 2017 (included) is from The Co-operative Bank plc; data from 2018 (included) onwards is from The Co-operative Bank Holdings Limited.
Source: Moody's Ratings

In December 2023, the bank posted £129.7 million net income with net income to tangible assets of 0.50% vs £22.1 million in December 2022. However, on a pre-tax basis annualised profits for December 2023 was lower (£71.4 million) than in December 2022 (£132.6 million) due to one off charges relating to its IT transformation and customer redress due to potential historical interest overcharging. The bank posted a 4% rise in net interest income in 2023 and we expect its NIM to continue to benefit from its deposit funding profile, which includes a large share of interest free current accounts. On a post-tax basis, we note that the bank was able to make use of an income tax credit of £58.3 million in 2023 versus a charge of £110.5 million in 2022, which supported a more than 100% growth in its net income.

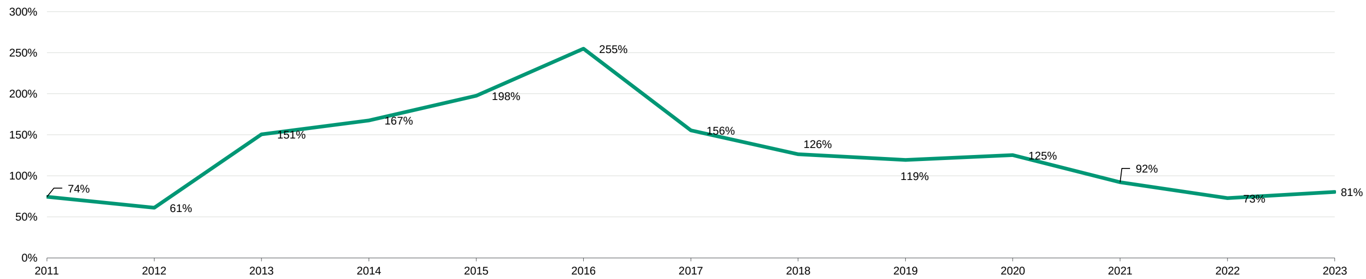
The bank`s cost base also remains challenged due to a large legacy cost base which is taking time to reach a sustainable level relative to income. In this regard, the bank is currently in the process of rationalizing its IT platform and moving its three legacy mortgage and savings systems onto one multi product platform. Once completed in 2024, Moody's expects this to lead to significant cost savings and improvements to the bank`s efficiency.

We expect the Co-operative Bank's profitability will continue to be structurally sound. Given the structure of its balance sheet, BoE rate rises have led to a pickup in its net interest income as it repriced new lending at higher rates and passed back an estimated c.60% of rate increases to its depositors. The bank's pre-provision income will be helped by the rate rises while we expect a continued reduction in restructuring costs and expected loss charges.

We note that the benefits of its IT transformation will only gradually support a lower cost base over time. As a result, the bank will need to grow its net interest income amid declining margins in the UK residential mortgage business (more than 90% of The Co-operative Bank's loan book) and likely stronger competition for deposits. These factors are considered in our view of the bank`s earnings quality.

Additionally, the bank`s cost of funding is elevated because of the issuance of senior and subordinated bonds by The Co-operative Bank Holdings (9.5% coupon for the Tier 2 notes issued in 2019 and 9% coupon for the senior notes issued in 2020). The £250 million issuance to meet the bank's MREL requirement was issued at a 6% annual rate, below the cost of any prospective AT1 issuance. The £200 million MREL senior green bond has a coupon of 9.5%.

Exhibit 5
Cost to income ratio is improving but is still high



Data until 2017 (included) is from The Co-operative Bank plc; data from 2018 (included) onwards is from The Co-operative Bank Holdings Limited.
Source: Moody's Ratings

Market access is limited by high funding costs

We assign a Funding Structure score of ba1 to The Co-operative Bank to reflect the extent of the bank`s market funding reliance, as well as incorporating recent issuances.

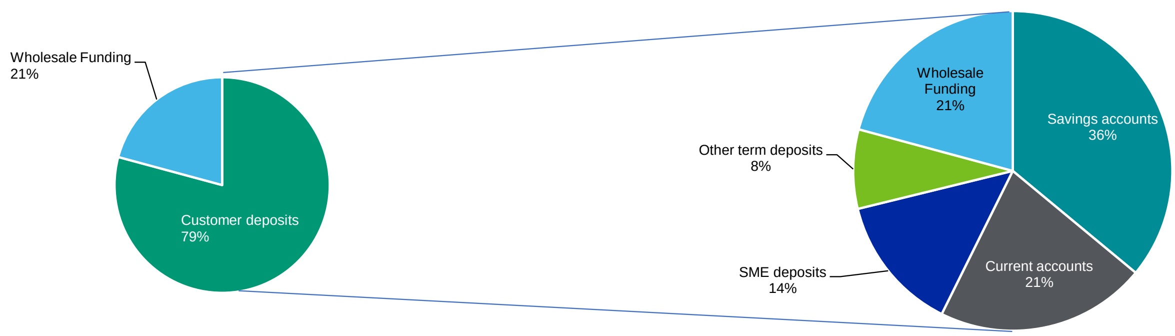
The reliance of The Co-operative Bank on wholesale funding however is moderate and wholesale funding represented 17% of tangible banking assets as of December 2023. The Co-operative Bank is mostly funded through deposits (£19 billion in December 2023, £19.5 billion in June 2023 and £20 billion as of December 2022) Most of these deposits are customer demand savings accounts (£8.6 billion) and current accounts (£5.1 billion), which have been historically sticky during the liability management exercises in 2013 and 2017. The remaining deposits are from SMEs (£3.3 billion) and term savings accounts (£1.9 billion).

The remainder of The Co-operative Bank's funding as of December 2023 was mainly composed of £4 billion drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). The wholesale funding position has seen a reduction (£4,997 million in 2023 vs £6,097.8 million in 2022) following the part repayment of the BoE TFSME funding partially offset by further MREL debt issuance in 2023. Gilt repos make up £51.4m of total repo funding. As of December 2022, The Co-operative Bank also had around £0.18 billion residential mortgage-based securities (RMBS), and £0.053 billion repos.

The Co-operative Bank Holdings currently has several high coupon bonds outstanding. These are a £200 million five-year (callable after four years) senior bond in November 2020, also at a high 9% interest rate, a £250 million worth of fixed-rate reset callable notes due in 2027, carrying an annual interest rate of 6% and a green bond of £200 million with a 9.5% coupon. In 2023, it was able to refinance a maturing £200 million Tier 2 instrument at the same rate at which it was originally issued

The Co-operative Bank indicated that, to meet the requirement, they would issue Additional Tier 1 securities (amount unspecified) by the end of 2022, however it issued senior unsecured MREL instead; we expect that the bank will likely need to continue to offer an interest rate significantly above other UK retail banks, albeit potentially with a lower gap than the previous unsecured issuance when issuing capital/ MREL instruments.

Exhibit 6
Funding is predominantly deposit based



Wholesale funding includes TFSME, securitisations, repos, and the Tier 2 instrument issued by The Co-operative Bank Finance. Sums do not fully match due to rounding.
Source: Moody's Ratings

The Co-operative Bank has adequate liquidity against its market funding with the stock of liquid assets of 195% of the bank's tangible banking assets as of December 2023, slightly below the level of its market funding. The assigned baa3 score reflects our expectation that liquid assets/tangible banking assets will decline as the bank grows its loan book and that a portion of assets that we classify as liquid are encumbered.

In December 2023, the balances with the Bank of England, gilts, and liquid government and bank bonds were £4.06 billion. In addition, The Co-operative Bank had £0.16 billion of other liquid assets and £1.8 billion of contingent liquidity. In December 2023, the bank's stock of liquid banking assets was reduced to £6.3 billion while having £5.5 billion, cash and balances at central banks £2.08 billion investment securities are encumbered.

The Co-operative Bank reported a 211.4% (12 months rolling average) liquidity coverage ratio as of December 2023, with a target ratio of 130%-150%

Largely monoline business

The Co-operative Bank's Financial Profile score is baa2.

We apply a negative qualitative adjustment to reflect the lack of business diversification. Although The Co-operative Bank provides a series of products to its retail clients, more than 90% of the bank's loan book is composed of residential mortgages. The remainder of the bank's loan book is composed of loans to SMEs and a small unsecured loan book.

ESG considerations

The Co-operative Bank Finance p.l.c.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 7
ESG credit impact score

ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Ratings

The Co-operative Bank's ESG Credit Impact Score is moderately negative (**CIS-3**), reflecting the negative rating impact of the bank's governance risks, which reflect challenges from concentrated ownership and its loss making track record. Environmental and social factors have a limited impact on the rating.

Exhibit 8
ESG issuer profile scores

Source: Moody's Ratings

Environmental

The Co-operative Bank faces low environmental risks. The banks has limited exposure to carbon transition because its loan book is predominantly comprised of retail mortgages.

Social

The Co-operative Bank faces high industrywide social risks from customer relations: regulatory risk, litigation exposure and high compliance standards, as well as cyber risk and the financial and reputational implications of data breaches. The group also faces industrywide moderate social risks related to potential competition from technological firms and other disruptors.

Governance

The Co-operative Bank's governance risks are moderately high. The shareholder structure of The Co-operative Bank, with voting rights concentrated amongst a few hedge funds and buy side firms, could lead to imprudent risk practices and limited independence of the Board, despite the majority of board members being officially independent and approved by the regulator. However, to date we do not have concerns regarding the true independence of The Co-operative Bank's board or the de-risking strategy they have pursued, particularly in light of their full regulatory capital buffer compliance. In addition, the bank's current risk framework and capital and liquidity management are consistent with The Co-operative Bank's simple business model and in line with industry best practice.

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

Loss Given Failure (LGF) analysis

The Co-operative Bank and its ultimate holding company (The Co-operative Bank Holdings Limited) are subject to the UK's implementation of the European Union Bank Recovery and Resolution Directive, which we consider an operational resolution regime.

Our advanced LGF analysis assumes a residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits. These assumptions are in line with our standard assumptions. Particularly for The Co-operative Bank and other retail-funded banks in the UK, we assume the proportion of deposits considered junior at 10%, relative to our standard assumption of 26%, because of the bank's largely retail-oriented depositor base.

Our forward-looking LGF analysis indicates that The Co-operative Bank's deposits are likely to face a low loss given failure, driven by the residual equity that we expect in a resolution scenario, the recent issuance from the holding company, the volume of deposits themselves, and our expectation that it will grow its assets only moderately. As a result, deposits receive a one-notch uplift relative to the bank's BCA.

For the holding company's senior unsecured debt, our LGF analysis shows a moderate loss given failure, resulting in a one notch negative differential from the The Co-operative Bank's BCA. We expect the volume of senior unsecured and subordinated debt issued by the holding company to remain broadly stable as the bank's moderately grows its assets.

In accordance with the substitution, the current existing debt issued by the intermediate holding company, The Co-operative Bank Finance p.l.c., will be novated to the new issuer (The Co-operative Bank Holdings Limited). This will not affect the notching applied under the Advanced LGF framework analysis and the ratings will be the same as they are at this moment in time. Under our methodology, the substitution of the ultimate holding company as issuer in place of the intermediate holding company does not affect the loss given failure for bondholders of The Co-operative Bank Holdings Limited .

We expect The Co-operative Bank to issue additional MREL-eligible debt, which could reduce loss given failure for the bank's depositors and for the Co-operative Bank Finance’s bondholders. Nevertheless, the issuance plan is still uncertain because the regulation for medium-sized banks in the UK may change. Therefore, we do not incorporate future issuances in the advanced LGF analysis.

Government support considerations

There is a low likelihood of government support for The Co-operative Bank's wholesale deposits and for the debt issued by The Co-operative Bank Finance in the event of its failure, resulting in no uplift.

This probability reflects the bank's low market share in the UK market and its non-systemic nature compared with the country's largest banks, as well as the loss-absorbing nature of the debt issued by holding companies.

Counterparty Risk (CR) Assessment

The Co-operative Bank's CR Assessments are Baa1(cr)/Prime-2(cr)

The long-term CR Assessment is three notches above the bank's BCA of ba2. The uplift results from the buffer against default provided to the operating obligations by the residual equity that we expect in resolution, by the debt issued by The Co-operative Bank Finance, by our expectation of additional debt issued by The Co-operative Bank Finance, by deposits and by our expectation that The Cooperative Bank’s assets will grow only moderately in the next two years. The long-term CR Assessment does not include any further uplift from our expectation of a low probability of government support. The main difference from our Advanced LGF approach that is used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than the expected loss. Therefore, we focus purely on subordination and do not take the volume of the instrument class into consideration.

Counterparty Risk Ratings (CRRs)

The Co-operative Bank's CRRs are Baa2/Prime-3

The long-term CRRs are two notches above the bank's BCA of ba2. The uplift derives from the buffer against default provided to the operating obligations by the residual equity that we expect in resolution, by the debt issued by The Co-operative Bank Finance, by our expectation of additional debt issued by The Co-operative Bank Finance, by deposits and by our expectation that The Co-operative Bank’s assets will grow moderately in the next two years. The long-term CRRs do not include any further uplift from our expectation of a low probability of government support.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from what 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 9

The Co-operative Bank Holdings Limited

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	0.8%	aa2	↔	a2	Expected trend	Operational risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	24.7%	aa1	↔	baa1	Nominal leverage	Stress capital resilience
Profitability						
Net Income / Tangible Assets	-1.1%	caa3	↔	ba2	Earnings quality	Expected trend
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	19.3%	a3	↔	ba1	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	19.0%	baa2	↔	baa3	Asset encumbrance	
Combined Liquidity Score		baa1		ba1		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aa3		
BCA Scorecard-indicated Outcome - Range				baa2 - ba1		
Assigned BCA				ba1		
Affiliate Support notching				0		
Adjusted BCA				ba1		

Balance Sheet	**in-scope (GBP Million)**	**% in-scope**	**at-failure (GBP Million)**	**% at-failure**
Other liabilities	4,775	18.6%	6,121	23.8%
Deposits	19,234	74.9%	17,887	69.7%
Preferred deposits	17,310	67.4%	16,445	64.1%
Junior deposits	1,923	7.5%	1,443	5.6%
Senior unsecured holding company debt	650	2.5%	650	2.5%
Dated subordinated holding company debt	237	0.9%	237	0.9%
Equity	770	3.0%	770	3.0%
Total Tangible Banking Assets	25,665	100.0%	25,665	100.0%

Debt Class	**De Jure waterfall**		**De Facto waterfall**		**Notching**		**LGF Notching Guidance vs. Adjusted BCA**	**Assigned LGF notching**	**Additional Notching**	**Preliminary Rating Assessment**
	Instrument volume + subordination	**Sub-ordination**	**Instrument volume + subordination**	**Sub-ordination**	**De Jure**	**De Facto**				
Counterparty Risk Rating	12.1%	12.1%	12.1%	12.1%	3	3	3	3	-1	baa2
Counterparty Risk Assessment	12.1%	12.1%	12.1%	12.1%	3	3	3	3	0	baa1 (cr)
Deposits	12.1%	6.5%	12.1%	6.5%	1	1	1	1	0	baa3

Senior unsecured holding company debt	6.5%	3.9%	6.5%	3.9%	-1	-1	-1	-1	0	ba2
Dated subordinated holding company debt	3.9%	3.0%	3.9%	3.0%	-1	-1	-1	-1	0	ba2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	-1	baa2	0	Baa2	Baa2
Counterparty Risk Assessment	3	0	baa1 (cr)	0	Baa1(cr)	
Deposits	1	0		0	Baa3	Baa3
Senior unsecured holding company debt	-1	0		0	Ba2	Ba2
Dated subordinated holding company debt	-1	0		0		

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

Ratings

Exhibit 10

Category	Moody's Rating
THE CO-OPERATIVE BANK HOLDINGS LIMITED	
Outlook	Positive
Issuer Rating	Ba2
Senior Unsecured -Dom Curr	Ba2
Subordinate -Dom Curr	Ba2
ST Issuer Rating	NP
THE CO-OPERATIVE BANK PLC	
Outlook	Positive
Counterparty Risk Rating	Baa2/P-3
Bank Deposits	Baa3/P-3
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)

Source: Moody's Ratings

Endnotes

1 The Co-operative Bank uses the Internal Ratings-Based (IRB) approach to calculate credit risk for its capital requirements.

2 Our tangible common equity ratio is significantly higher than the bank's reported CET1 ratio. This is mainly because our tangible common equity includes the £22.3 million reserves recognised following the separation of The Co-operative Bank's pension scheme from that of The Co-operative Group. If we exclude the reserves, our tangible common equity ratio as of June 2022 would be around 23.44%; this compares with a CET1 ratio of 18.9% as of the same date.

3 The historic net income / tangible assets ratios shown in the key indicators table and in the scorecard, which drive the Profitability Macro Adjusted score, include our standard adjustment for defined benefit pension schemes. Under our standard approach, we adjust banks' profit to take into account gains and losses from the actual returns on plan assets, which in recent years have been sizeable. We do not include in profit any other remeasurements or actuarial gain/loss components, like the impact of changes in the pension liability discount rate. Given the high level of fixed income securities among pension assets, the rapid growth of interest rates in 2022 led to a material decline in the value of the pension assets, which drove a large negative adjustment that hindered the bank's adjusted profitability. These changes did not however materially affect the bank's pension deficit or surplus, as they have been largely offset by a lower value of the pension scheme's obligations in 2022 to reflect the increase in the discount rates (i.e. higher interest rates). In recent years, the value of pension assets have also been affected by equity markets, as pension assets also include a material level of shares

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