Moody's
INVESTORS SERVICE

CREDIT OPINION
31 July 2023

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	Not Available

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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EMEA	44-20-7772-5454

The Co-operative Bank Holdings Limited

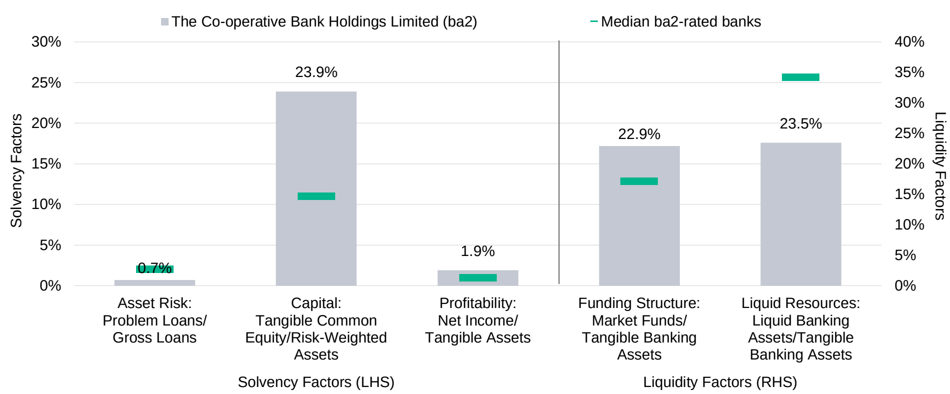
Update to credit analysis

Summary

The Ba1 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 ba2 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 Co-operative Bank's ba2 BCA reflects the bank's improving profitability, supported by rising interest rates and robust volumes, which is a sign of progress towards a sustainable capital generative business model. Nevertheless, the bank still suffers from weak efficiency.

The Ba3 senior unsecured debt rating of The Co-operative Bank Finance p.l.c. (The Co-operative Bank Finance) - the intermediate holding company of The Co-operative Bank - reflects a moderate loss given failure, and our assumption of a low probability of government support, which do not provide any uplift.

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 Investors Service

Credit strengths

» Low stock of problem loans

» Stable retail funding

» Ample liquidity

Credit challenges

» Weak efficiency

» Largely monoline business model

» Historically limited market access but improving

Outlook

The outlooks on The Co-operative Bank Finance's senior unsecured debt rating and The Co-operative Bank's long-term deposit ratings are positive. The outlooks reflect further potential improvements in The Co-operative Bank's core profitability, supporting organic capital generation, which would be more commensurate with a higher rating.

Factors that could lead to an upgrade

The Co-operative Bank's BCA could be upgraded following a further improvement in profitability, leading to durable and sustainable internal capital generation through earnings. 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 Finance'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 Finance or by The Co-operative Bank.

Factors that could lead to a downgrade

The Co-operative Bank's BCA could be downgraded following evidence that the bank will not return to a sustainable level of net profitability beyond 2022 or if asset risk began to show strong signs of weakness. A downgrade of The Co-operative Bank's BCA would lead to a downgrade of all long-term ratings of The Co-operative Bank and The Co-operative Bank Finance.

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.

Key indicators

Exhibit 2
The Co-operative Bank Holdings Limited (Consolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (GBP Billion)	27.6	29.3	25.6	23.4	23.1	4.5[4]
Total Assets (USD Billion)	33.2	39.6	35.0	31.0	29.4	3.1[4]
Tangible Common Equity (GBP Billion)	1.2	1.7	1.4	1.5	1.6	(8.5)[4]
Tangible Common Equity (USD Billion)	1.4	2.2	1.9	2.0	2.1	(9.8)[4]
Problem Loans / Gross Loans (%)	0.7	0.7	0.9	1.4	2.8	1.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	23.9	38.1	29.5	31.7	32.5	31.2[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	12.4	8.7	11.2	16.6	29.0	15.6[5]
Net Interest Margin (%)	1.6	1.2	1.1	1.4	1.5	1.4[5]
PPI / Average RWA (%)	2.7	0.2	-1.4	-1.8	-1.9	-0.5[6]
Net Income / Tangible Assets (%)	-4.2	0.4	0.6	0.3	0.0	-0.6[5]
Cost / Income Ratio (%)	75.5	97.2	122.0	122.9	126.5	108.8[5]
Market Funds / Tangible Banking Assets (%)	22.9	20.2	11.4	8.7	8.7	14.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	23.5	24.0	21.5	17.7	18.2	21.0[5]
Gross Loans / Due to Customers (%)	103.8	98.9	91.3	93.7	94.1	96.4[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 Investors Service 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 2022, The Co-operative Bank had total consolidated assets of £28.1 billion.

The Co-operative Bank was established in 1872 as the Loan and Deposit Department of the Co-operative Wholesale Society. In January 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) out of an intermediate holding, 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. To date, the intermediate holding company 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 and a £200 million green senior unsecured bond in May 2023.

Exhibit 3
The group's organisational structure

The Co-operative Bank Holdings Limited	Ultimate parent
100%	
The Co-operative Bank Finance p.l.c.	Intermediate parent for the issuance of debt and capital
100%	
The Co-operative Bank plc	Operating company with banking license

Source: Company reports

Detailed credit considerations

We assign a ba2 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

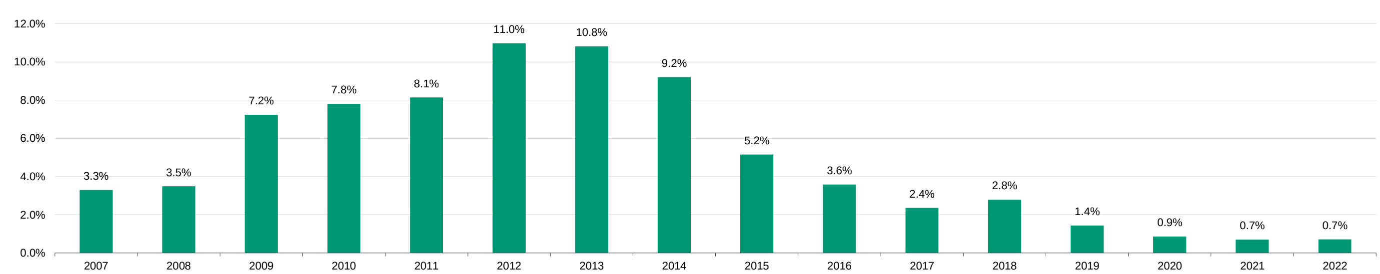
We assign an Asset Risk score of a3 to reflect the downside risk of a potential increase in problem loans in the next two years and the operational risks related to executing a strategy that aims to achieve sustainable profitability

The Co-operative Bank is largely a residential mortgage lender. As of June 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 40% benefits from full government guarantees). The average Loan to value on its secured mortgage lending is also low at 55.8% as of June 2023.

Most of the legacy corporate lending (around 95%) comprises loans that carry low risk; however, they do not generate sufficient returns (for example, lending to housing associations).

The Co-operative Bank's stock of problem loans is low, representing 0.7% of gross loans as of December 2022 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 labelled Optimum between 2015 and 2020.

Exhibit 4
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 Investors Service

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, the bank's historically weak but improving organic capital generation and weak leverage

The Co-operative Bank has high risk-weighted capital ratios. As of June 2023, the bank's Common Equity Tier 1 (CET1) capital ratio was 20.1%, while its total capital ratio was 24.0%[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 recapitalisation plan in 2017 and the disposal of a large portion of legacy assets, which is positive. As of June 2023, The Co-operative Bank reported 20.1% 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 June 2023, the Group had Pillar 1 requirements of 8.0% (2022: 8.0%) of RWAs and an Individual Capital Requirement (ICR) equivalent to 5.1% of total RWAs (2022: 5.05%)..

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) 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 improved following recent rate rises which enables the bank to recover capitalisation under stress..

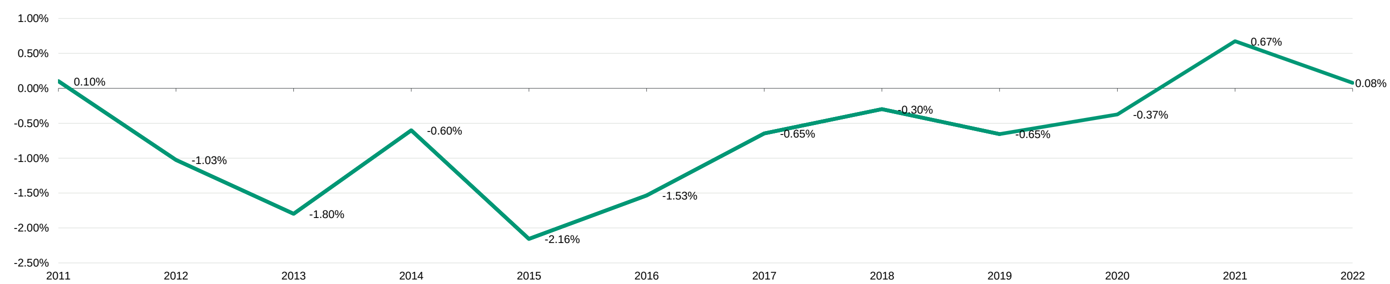
The Co-operative Bank reported a weak 4.1% leverage ratio as of June 2023, calculated using the guidelines from the Bank of England. This has risen in recent quarters however.

Recovering profitability hampered by weak efficiency

We assign a Profitability score of ba3 to The Co-operative Bank to reflect our expectation that the bank's profitability will continue to improve in 2023 from historically very weak levels[3].

Exhibit 5

The Co-operative Bank has started to report profit in the last quartersNet 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 Investors Service

In December 2022, the bank posted £22.1 million net income with net income to tangible assets of 0.08% (annualized). This followed a net profit of £130.0 million in 2021, which was in large part due to the use of tax loss carried forward and other deferred tax items, and a net loss of £95.7 million net loss in 2020. In the first half of 2023, reported net income was £103.2 million versus £28.4 million a year earlier, driven by tax credits. However, on a pre-tax basis profits in the first half of 2023 were in line with a year earlier.

The improved profit at the bank reflects a substantial increase in net interest income (41% to £458.3 million in 2022), which more than offsets higher operating expenses (8% to 323.9 million).

We expect the Co-operative Bank’s profitability will continue to improve. Given the structure of its balance sheet, BoE rate rises will lead to a pick up in its net interest income as it reprices new lending at higher rates and passes 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 in pandemic-related expected loss charges.

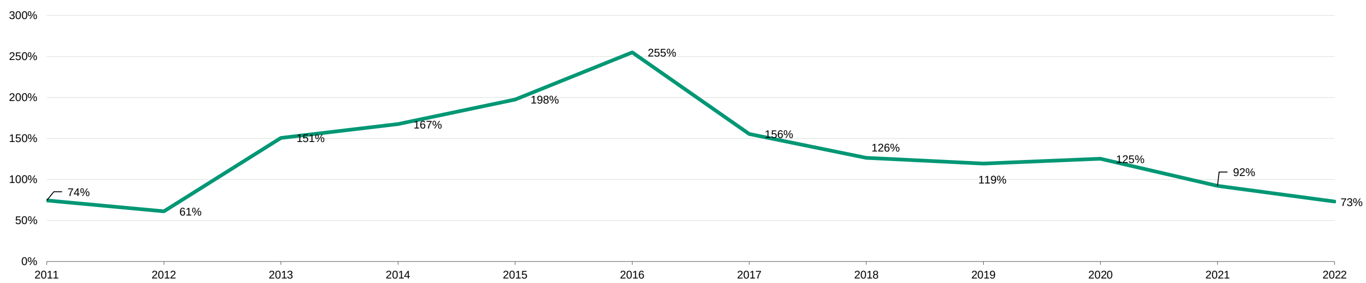
Achieving strong sustainable profitability will still be difficult. This is because of the dependence on rapid volume growth in a still-fragile economy; the need to grow the net interest income amid declining margins in the UK residential mortgage business (more than 90% of The Co-operative Bank's loan book); and a high cost base.

Additionally, the bank`s cost of funding is elevated because of the issuance of senior and subordinated bonds by The Co-operative Bank Finance (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 seniour green bond has a coupon of 9.5%.

he 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 rationalising its IT platform and moving its three legacy IT infrastructure onto one multi product platform. Once completed, Moody's expects this to lead to cost savings and improvements to the bank`s efficiency.

Exhibit 6

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 Investors Service

Market access is limited by high funding costs

We assign a Funding Structure score of ba1 to The Co-operative Bank to reflect the challenges the bank faces in accessing the unsecured debt market at average market prices as well as incorporating recent issuances.

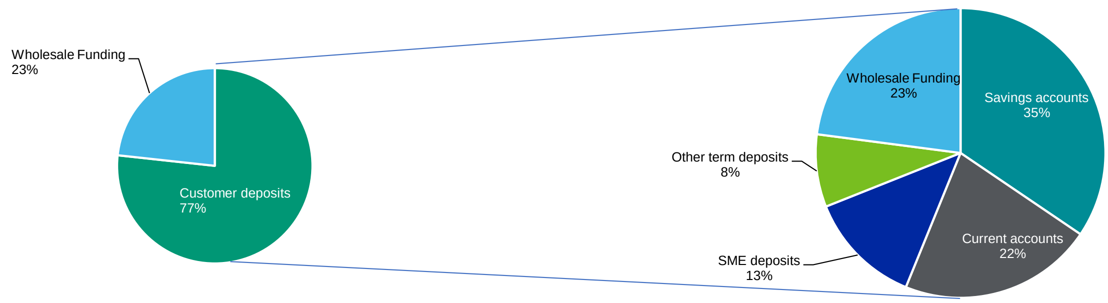
The reliance of The Co-operative Bank on wholesale funding however is relatively low; wholesale funding represented 23% of tangible banking assets as of December 2022. The Co-operative Bank is mostly funded through deposits (£19.5 billion in June 2023, £20 billion as of December 2022, compared with £21.1 billion as of December 2021). Most of these deposits are customer demand savings accounts (£9.1 billion) and current accounts (£5.8 billion), which have been historically sticky during the liability management exercises in 2013 and 2017. The remaining deposits are from SMEs (£3.4 billion) and term savings accounts (£1.6 billion).

The remainder of The Co-operative Bank's funding as of June 2023 was mainly composed of £4.9 billion drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). As of December 2022, The Co-operative Bank also had around £0.19 billion residential mortgage-based securities (RMBS), and £0.032 billion repos.

The Co-operative Bank Finance issued a £200 million 10-year Tier 2 bond at a high 9.5% interest rate in April 2019 and a £200 million five-year (callable after four years) senior bond in November 2020, also at a high 9% interest rate. In March 2022, The Co-operative Bank Finance p.l.c. issued £250 million worth of fixed-rate reset callable notes due in 2027, carrying an annual interest rate of 6% and in May 2023 issued a green bond of £200 million with a 9.5% coupon.

The Bank of England recently reviewed the MREL requirements for non-systemic banks, including The Co-operative Bank, which will need to comply with the final requirements by 1 January 2023. 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 7
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 Investors Service

The Co-operative Bank has sound liquidity against its limited market funding. The stock of liquid assets was high at 23.4% of the bank's tangible banking assets as of December 2022. The assigned baa1 score reflects our expectation that liquid assets/tangible banking assets will decline slightly as the credit demands increase and the bank stock of loans grows, and that a portion of assets that we classify as liquid are encumbered.

In December 2022, the balances with the Bank of England, gilts, and liquid government and bank bonds were £5.5 billion. In addition, The Co-operative Bank had £0.2 billion of other liquid assets and £1.6 billion of contingent liquidity. In December 2022, the bank's stock of liquid banking assets remained high; at the same time, £5,270 million cash and balances at central banks £942 million investment securities are encumbered.

The Co-operative Bank reported a 224% liquidity coverage ratio as of June 2023, with a target ratio of 130%-150%..

Largely monoline business

The Co-operative Bank's Financial Profile score is baa3.

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 8
ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

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 9
ESG Issuer Profile Scores

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

Source: Moody's Investors Service

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 is 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 no uplift from the bank's BCA. This is because we expect the volume of senior unsecured and subordinated debt issued by the holding company to remain broadly stable as the bank's grows its assets only moderately.

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 Baa2(cr)/Prime-3(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 Co-operative 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 Baa3/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 10

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	↔	a3	Expected trend	Operational risk
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)		23.9%	aa1	↔	baa1	Nominal leverage	
Profitability							
Net Income / Tangible Assets		-4.2%	caa3	↔	ba3	Earnings quality	Expected trend
Combined Solvency Score			a2		baa2		
Liquidity							
Funding Structure							

Market Funds / Tangible Banking Assets	22.9%	baa1	↔	ba1	Lack of market access	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	23.5%	baa1	↔	baa3	Asset encumbrance	Expected trend
Combined Liquidity Score		baa1		ba1		
Financial Profile				baa3		
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				baa3 - ba2		
Assigned BCA				ba2		
Affiliate Support notching				0		
Adjusted BCA				ba2		

Balance Sheet	**in-scope (GBP Million)**	**% in-scope**	**at-failure (GBP Million)**	**% at-failure**
Other liabilities	5,922	21.5%	7,329	26.6%
Deposits	20,107	73.1%	18,700	68.0%
Preferred deposits	18,097	65.8%	17,192	62.5%
Junior deposits	2,011	7.3%	1,508	5.5%
Senior unsecured holding company debt	450	1.6%	450	1.6%
Dated subordinated holding company debt	200	0.7%	200	0.7%
Equity	825	3.0%	825	3.0%
Total Tangible Banking Assets	27,504	100.0%	27,504	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	10.8%	10.8%	10.8%	10.8%	2	2	2	2	0	baa3
Counterparty Risk Assessment	10.8%	10.8%	10.8%	10.8%	3	3	3	3	0	baa2 (cr)
Deposits	10.8%	5.4%	10.8%	5.4%	1	1	1	1	0	ba1

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Counterparty Risk Rating	2	0	baa3	0	Baa3	Baa3
Counterparty Risk Assessment	3	0	baa2 (cr)	0	Baa2(cr)	
Deposits	1	0	ba1	0	Ba1	Ba1

[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
THE CO-OPERATIVE BANK PLC	
Outlook	Positive
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Ba1/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr)/P-3(cr)
THE CO-OPERATIVE BANK FINANCE P.L.C.	
Outlook	Positive
Issuer Rating	Ba3
Senior Unsecured -Dom Curr	Ba3

ST Issuer Rating	NP

Source: Moody's Investors Service

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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