



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea ENRIA

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 15 December 2020

Re: Your letter (QZ-064)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

Thank you for your letter regarding the interest payments on a contingent convertible security issued by Piraeus Bank S.A. (hereinafter “the CoCo”), which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 10 November 2020.

In your letter you ask us three questions regarding the interest payments on the CoCo. I understand this refers to the instrument issued by Piraeus Bank S.A. on 2 December 2015 in the context of a precautionary recapitalisation, fully subscribed and held by the Hellenic Financial Stability Fund. Due to its characteristics this instrument would not qualify for inclusion in the bank’s Common Equity Tier 1 (CET1) capital according to the criteria agreed at international level, but European legislation has enabled for CET1 recognition also for instruments used in the context of public support measures and the ECB authorised such classification¹.

First, you ask whether Piraeus Bank S.A. is obliged to pay interest on the CoCo on the basis of Article 141 of the Capital Requirements Directive (CRD IV)². Please note that this provision establishes certain restrictions on distributions in connection with CET1 capital but does not require institutions to pay the distributions. These restrictions on CET1 distributions, stemming from Article 141 CRD IV, apply to institutions in which a

¹ In particular, the instruments were included in the CET1 capital under Article 31 of Regulation (EU) No 575/2013 as permitted by the [ECB’s decision dated 23 November 2015](#).

² Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

distribution would decrease the CET1 capital to a level where the combined buffer requirement³ is no longer met.

Second, you ask whether the ECB recommendation on dividend distributions during the coronavirus (COVID-19) pandemic⁴ restricts the payment of interest on CoCos, since such recommendation only refers to the payment of dividends. On a general note, I would like to clarify that the term “dividend” as used in the recommendation refers to any type of cash payout, *in connection with* CET1 capital, which has the effect of reducing the quantity or quality of own funds. Interest payments in connection with any CET1 instrument would therefore be in principle covered by the ECB recommendation. While the ECB recommendation is not a binding legal instrument, the ECB follows up on its recommendations when engaging in its supervisory dialogue with banks.

Finally, you ask why Piraeus Bank S.A. has submitted a request to ECB Banking Supervision regarding the possibility of paying the CoCo coupons, given that Piraeus Bank S.A. has publicly stated that the cash payment of interest is fully manageable. I am aware of the disclosure made by the bank on this matter⁵, but I cannot comment on individual credit institutions and their actions as I am subject to professional secrecy requirements as outlined in CRD IV. This implies that I cannot comment on the specific nature and extent of the interactions between banks and supervisors.

Yours sincerely,

[signed]

Andrea Enria

³ As defined in Article 128 CRD IV, the combined buffer requirement equals the total CET1 capital required to meet the requirement for the capital conservation buffer extended by an institution-specific countercyclical capital buffer, a globally systemically important institutions (G-SII) buffer, an other systemically important institutions (O-SII) buffer and a systemic risk buffer, as applicable.

⁴ Recommendation of the European Central Bank of 27 July 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/19 (ECB/2020/35)(2020/C 251/01) (OJ C 251, 31.7.2020, p. 1).

⁵ See press releases issued by Piraeus Bank in relation to the CoCo coupon payment on [30 October 2020](#), on [16 November 2020](#) and on [23 November 2020](#).