

Christodoulos Patsalides: Opening remarks -13th Banking, Payments and Fintech Forum and EXPO

Opening remarks by Mr Christodoulos Patsalides, Governor of the Central Bank of Cyprus, at the 13th Banking, Payments and Fintech Forum and EXPO, Nicosia, 19 January 2026.

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It is a great pleasure to join you at the 13th Banking, Payments and Fintech Forum and EXPO. I would like to thank the organisers for inviting me to deliver the opening remarks at this prestigious event.

Dear friends, we meet at a time of shifting geopolitical dynamics that cloud the horizon. Uncertainty seems to be our new normal. At the same time finance is not simply evolving, it is undergoing change at speeds of disruption.

Against this backdrop, the operating environment in the euro area has become increasingly complex, shaped by heightened geopolitical tensions, ongoing conflicts, trade fragmentation, increased financial stability risk and challenges stemming from the rapid evolution of new technologies.

The European Central Bank's Financial Stability Review of November 2025 underscores that financial stability risks remain elevated, although broadly contained. The Review highlights vulnerabilities stemming from geopolitical shocks, the challenging fiscal outlook in a number of advanced economies, the interconnectedness between the non-bank financial sector and the banking system, and the potential for abrupt repricing in financial markets. Market valuations around AI are high and concentrated, amplifying risks when narratives shift.

Despite these challenges, the European economy has demonstrated resilience. Real GDP growth in the euro area hovers slightly above 1% and is expected to rise modestly in the coming years. Inflation continues its gradual convergence toward the ECB's medium-term target of 2%, while unemployment remains close to historic lows at just over 6%, reflecting labour market strength and supporting household incomes.

Similarly, euro area banks have shown resilience to recent shocks amid strong profitability and ample capital and liquidity buffers.

The European banking sector is undergoing profound transformation. Structural trends—societal, demographic, geopolitical, climate-related, geoeconomic, and technological—are reshaping traditional banking and redefining the competitive landscape.

Technology, however, is the primary driver of change. Digital banks are gaining market share, while innovation is revolutionising payments through the utilization of new technologies.

Within this evolving payments ecosystem, the introduction of the digital euro represents an important strategic response. Europe's digital currency aims to preserve public

access to central bank money in digital form, support Europe's monetary sovereignty, enhance resilience in retail payments and foster innovation while maintaining high standards of privacy and security. Importantly, the digital euro is designed to complement, not replace, cash and private payment solutions.

In this context, it is essential for the financial industry to remain well informed, to engage proactively, and to navigate effectively the changes ushered in by new technologies.

Turning to Cyprus, the domestic economy continues to perform robustly. Growth remains significantly above the euro area average at around 3.5%, supported by services, tourism, and professional activities. Public debt is on a downward trajectory, while labour market conditions remain favourable and close to full employment.

The Cypriot banking sector stands as a pillar of resilience and an enabler of growth. The Common Equity Tier 1 (CET1) ratio is roughly ten percentage points above the euro area average, and liquidity ranks among the strongest in Europe.

In line with European trends, our financial services landscape has changed markedly over the past decade. Alongside traditional institutions, Cyprus now hosts a growing community of digital payment players, such as Electronic Money Institutions and Payment Institutions, although most of this business is conducted outside Cyprus. Through EU passporting, digital banks are also making their presence felt. New entrants and the leveraging of new technologies spur competition, driving incumbents to accelerate digital transformation, improve efficiency, enhance customer experience, and deliver more competitive pricing.

Navigating an increasingly complex environment requires robust risk management and sound governance by all market players, both incumbents and new entrants.

The disruptive force of Artificial Intelligence (AI) warrants special consideration. AI is rapidly permeating the financial sector and the broader economy, cutting across functions, institutions, and market segments. Recent surveys indicate that more than 70% of financial institutions globally are already using, piloting, or exploring AI-based applications-from customer interaction and credit assessment to fraud detection, trading, and risk management.

While these technologies offer significant efficiency gains and analytical power, their impact is profound: they challenge existing business models, introduce new operational and model risks, and increase dependencies on data and third-party providers.

Innovation must be embraced, but always anchored in sound risk management, strong governance, and a clear commitment to financial stability.

I urge all stakeholders to proceed with vision and agility, given the speed and scale of ongoing change.

In a world defined by rapid technological transformation and heightened global risk, maintaining trust in money and in financial institutions is paramount. The Central Bank of Cyprus, as a member of the Eurosystem, remains fully committed to this objective-

working with European partners to support a resilient, innovative, and inclusive financial system.

I wish you an insightful and productive Forum.

Thank you for your attention.