

# COMPETITION IN THE SWEDISH BANKING SECTOR

Finance Sweden  
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# Preface

In 2019, Finance Sweden asked Copenhagen Economics to analyse the level of competition in the Swedish banking sector in a study entitled “Competition in the Swedish banking sector”. The purpose of the study was to assess whether the level of competition in the Swedish banking sector is sufficient to ensure good quality for consumers in terms of products and services, as well as low prices.

In response to ongoing public debate and discussion on the Swedish banking sector's state, this study has been updated and expanded several times since 2019, and this new 2026 report provides a further update. Swedish authorities, namely the Swedish Financial Supervisory Authority and the Swedish Competition Authority have similarly analysed the banking sector amidst the higher interest rate environment following Russia's invasion of Ukraine.<sup>1</sup>

For most of the figures, we use newly published data, while some figures rely on the latest available data from the previous reports where no new statistics exist. This 2026 update includes a few new figures.<sup>2</sup>

## Scope and methodology of analysis

Throughout the report, “Swedish banks” refer to institutions providing financial services to Swedish banking customers. These include both retail and corporate lending, both regular credit (loans that are not secured) and mortgage lending.

Four banks constitute the majority of the Swedish banking market. These banks all have activities outside Sweden. When assessing the credit market, e.g., market shares and credit growth, only domestic activities are included in the figures. However, due to data restrictions for other types of activities (e.g., asset management), foreign activities are included.

Where possible, we compare the performance of the Swedish banking sector with that of other European countries with similar banking market structures, effective legal systems, and stable political environments. Specifically, this includes the other three Nordic countries (Finland, Denmark, and Norway), the EU's two largest economies (France and Germany), and the Netherlands and Belgium.<sup>2</sup>

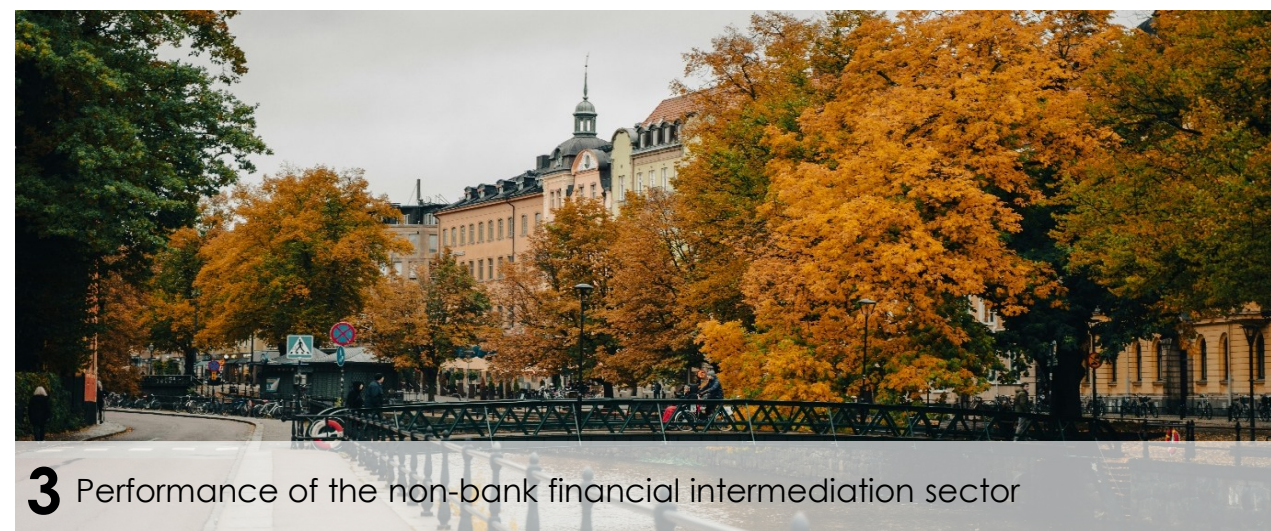
When comparing banking sectors in different countries, we only include banks with more than 1 billion SEK in net loans, and a loan-to-asset ratio larger than 20 per cent. This ensures that banking activities are their primary line of business.

Bank-specific data is primarily based on the Refinitiv LSEG Workspace (previously Eikon) and Statistics Sweden (SCB). In addition, we use aggregated country numbers from the European Central Bank (ECB) and the European Banking Authority (EBA).

1) See Swedish Financial Supervisory Authority (2023) and Swedish Competition Authority (2023).

2) In this update, we have streamlined the years covered to 2015-2025 and 2020-2025. In some cases, we use a slightly different period, for example if the newest data is from 2024 or 2026Q1. 2) Where recent data is available and comparable across countries.

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# Executive summary

## **Market shares shift over time in Sweden, and the Swedish banking market has high consumer mobility**

Small banks are gaining market share from the larger banks in Sweden. From 2015 to 2025, smaller banks had a large share of net credit growth, and their market share increased over the same period. This suggests a dynamic banking market with sound competition. Similarly, in the Swedish mortgage market, banks' market shares shift from year to year.

Market concentration in the Swedish banking sector is below the average of comparable countries. If a sector is concentrated, few market participants risk having market power, which does not seem to be the case in Sweden.

An indicator of competition is that customers respond if a bank's prices are uncompetitive relative to their quality, i.e., that banking customers change banks if the prices they are paying are higher than the prices charged by competing banks.

We find that Sweden has high consumer mobility. Among the countries compared, Sweden had the highest share of customers who changed providers of financial products in the period 2017-2022. This implies that the Swedish banking market has low barriers to switching banks, which increases the competitive pressure on banks. More recent surveys suggest that Swedish banking consumers have a relatively strong understanding of how financial markets function.

## **Swedish banks are cost-efficient, suggesting they are working to reduce costs due to competitive pressure**

Swedish banks have lower operational costs than several other comparable European countries.

Further, we find that Swedish banks pass on their low costs to customers. Banking customers in Sweden are thus offered low-priced financial services. Historically, Swedish mortgage rates and interest rates on other loans have been among the lowest in Europe. Despite a rate hike in 2022, when the Swedish central

bank increased interest rates earlier than the ECB, Swedish interest rates are again among the lowest in the benchmark countries in 2025-2026. Low costs are also reflected in low investment fund costs (UCITS) in Sweden.

## **Profitability for banks varies over the business cycle**

Banks' returns are cyclical. Return on equity in the Swedish banking market was relatively high during 2023 and 2024 but declined in 2025. In recent years, Swedish banks have had higher returns on equity than banks in other European countries. However, profits have increased across Europe due to rising interest rates on lending, sticky deposit rates, and, so far, no increase in losses.

Overall, we find that Swedish banks pass on a higher share of the interest rate increase into their deposit rates than countries in the euro area, i.e., there is less price stickiness in Sweden.

## **Sweden has an efficient lending system with low losses**

In the period from 2015 to 2025, annual loss rates for Swedish banks were close to zero, the lowest among benchmark countries. Low losses indicate an effective and secure system in which banks adjust their assessments of, for example, property values through the business cycle. At the same time, Sweden has an efficient judicial system, and foreclosure auctions can be carried out quickly and easily, securing low losses for banks even in the event of defaults.

The efficient lending system is also expressed in a low yield spread between Swedish mortgage loans and treasury bonds, which has been 1.6 percentage points on average in the period 2015-2025. This shows a high liquidity in covered bonds that is comparable to the liquidity of Swedish government bonds – due to high investor confidence. However, the yield spread in Sweden is above yield spread in Denmark.<sup>1</sup>

## **Differences in banks' profitability across countries are likely driven by macroeconomic differences**

Between 2020 and 2025, Swedish banks realised a return on equity of around 13 per cent, which is the highest among the countries in our comparison. However, international comparisons of profitability are heavily affected by differences in business cycle conditions across Europe. Here, Sweden is at the top, while banks in, for example, Germany, France, and the Netherlands have seen higher impairment levels in the period, lowering returns for equity holders.

We also find that the price-to-book ratio of Swedish banks is at average, when compared to banks in other countries.

## **Overall, we find no clear evidence of a lack of competition in the Swedish banking sector**

Prices and profits for the Swedish banking sector were higher between 2023 and 2024 than in recent years, but this should be seen in the context of a changing macroeconomic environment with rising interest rates.

Based on the analysed metrics of competition, we find no clear evidence of a lack of competition in the Swedish banking sector. Instead, it suggests that the Swedish banking sector is relatively efficient compared to other countries.

## **The non-bank financial sector has expanded in size**

From 2015 to 2026, non-bank loan assets from non-monetary financial institutions (non-MFI) increased by 110 per cent in Sweden. The share of non-MFI loan assets in total loan assets increased from 6.5 per cent in 2015 to 8.6 per cent in 2026. A similar trend is seen in other European countries, but among the comparison countries, only Finland recorded higher growth in non-MFI loan assets over the period.<sup>2</sup>

1) The difference in yield spread might also reflect varying mortgage conditions between the countries.

2) Non-MFI are not bound by the same rules as banks, such as capital and liquidity requirements, which can be one potential reason for this development.

3) Our findings on well-functioning competition in the Swedish banking sector are in line with those of earlier reports on the topic commissioned by Finansinspektionen (2023) and Konkurrentverket (2023).

# Introduction

## Financial services have special characteristics

Financial services differ from other products in three areas:

*First*, financial services are relatively complex, as reflected in three key aspects:

- i. They are delivered over time, implying that the customer needs to assess the trade-off between current and future needs. This could, for instance, be mortgage lending with a 30-year term.
- ii. Financial services contain several pricing parameters, which the customer must assess, i.e., having a salary account might be for free, but other services related to the account are then charged.
- iii. Banks' ability to provide loans depends on the specific consumer, e.g., their credit risk, implying all customers cannot necessarily obtain the same conditions on the loan, for instance, an individual assessment is made for mortgage lending.

*Second*, financial services are relationship- and trust-based. The relationship between bank advisers and customers is often closer than in other sectors, as the financial service is delivered over time. This implies that the quality of advice needs to be higher than in other sectors and pricing more precise.

*Finally*, financial services are sold in highly regulated markets, with compliance requirements and prudential regulation to secure the economy against bank defaults. Because of the complex nature of the products and services, there are also consumer protection aspects in the regulation.

## Competition dynamics in the financial market differ from other markets

The characteristics of financial services imply that we should be careful when comparing competition in the banking market directly to other sectors of the economy.

For instance, mobility is typically lower in the banking sector compared to other sectors, and consumers will often use the same bank for different financial services.<sup>1</sup> Also, under economies of scale, banks can improve their cost-efficiency by expanding their service volume and by providing various financial services at once.

In our analysis, we compare the Swedish banking market to banking markets in similar countries, with similar characteristics and thus similar competition dynamics.

We do so by looking at indicators normally used to assess competition in a market. Concretely, we consider the market share of the different financial institutions in the Swedish market and how market shares change over time. We look at market concentration, which gives an indication of the degree of market power that banks have, as well as cost-effectiveness and prices charged by banks across selected European countries.

These indicators contribute to our assessment of the competition in the Swedish banking market.

1) However, Swedish banking customers have higher mobility than in comparable countries, see page 10.



# 1 COMPETITION IN THE SWEDISH BANKING SECTOR

# Small banks are gaining market share in Sweden, suggesting a dynamic banking market

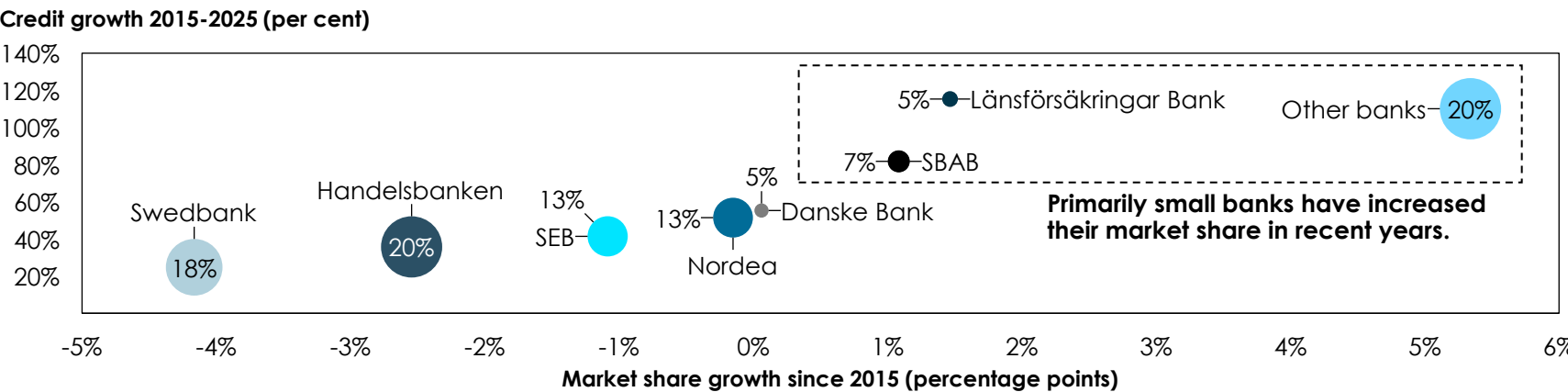
Changes in market shares, and the ability of new and smaller banks to enter and stay in the banking market, challenge banks to lower their costs and offer good customer service to avoid loss of market share.

The four biggest banks on the Swedish credit market in 2025 were Handelsbanken, Swedbank, SEB, and Nordea. In total, they accounted for 64 per cent of the Swedish credit market, see the upper figure.

Since 2015, the four largest banks have all lost market share, with Swedbank experiencing the largest decline of more than four percentage points. Over the same period, smaller banks have collectively increased their market share by expanding lending at a faster pace, see the lower figure.

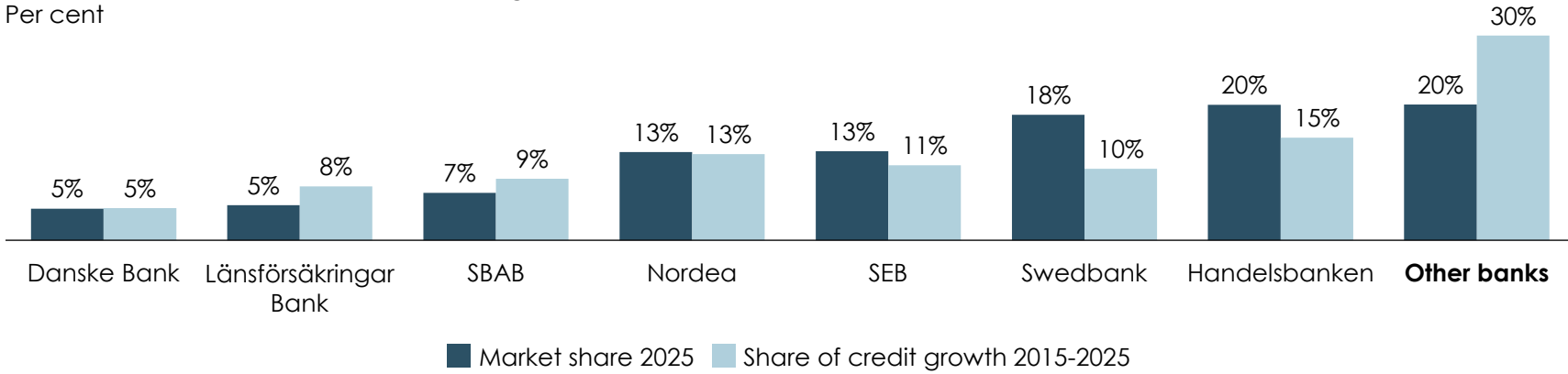
The fact that smaller banks can expand and gain market share from the larger banks, suggests sound competition in the Swedish banking market. This indicates that, despite generally lower customer mobility in financial services than in many other sectors, consumers do switch providers.

Total credit market shares in Sweden (including mortgages, corporate loans, etc.), 2025



Note: The figure is based on data from SCB. It thereby differs from the Refinitiv LSEG Workspace database used in the rest of the report, which is based on income statements. Size of circles indicates the share of the credit market in 2025.  
Source: Statistics Sweden (2026a): "Lending to households and non-financial corporations".

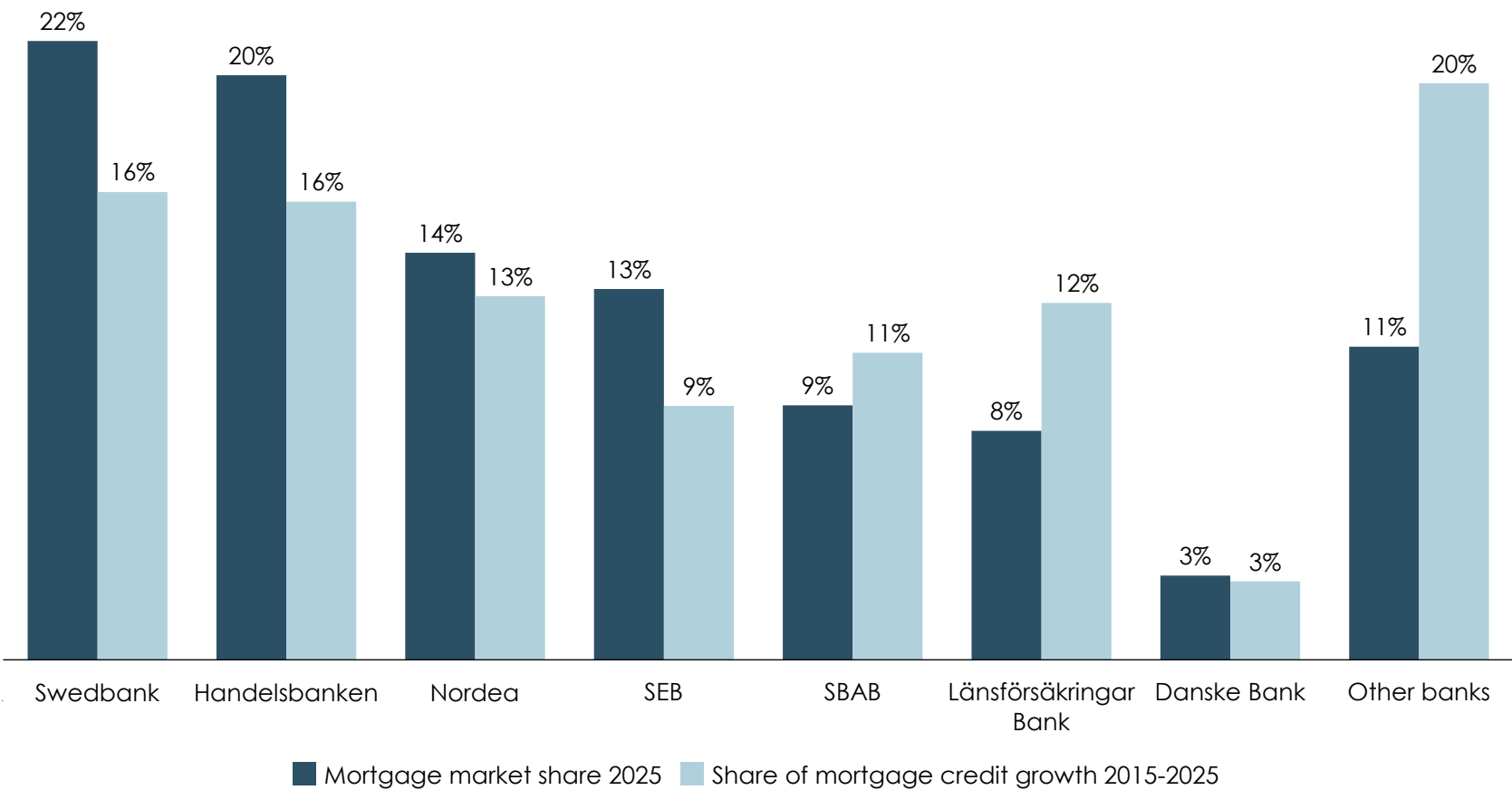
Total credit market share, 2025, and credit growth in Sweden, 2015-2025



Source: Statistics Sweden (2026a): "Lending to households and non-financial corporations".

# The Swedish mortgage market is dynamic, as market shares shift over time

Mortgage market shares in Sweden, 2025, and share of credit growth in the mortgage market in Sweden, 2015-2025  
Per cent



There are several big actors in the mortgage market in Sweden. The four largest banks (Swedbank, Handelsbanken, Nordea, and SEB) are also the biggest providers of mortgages, see the figure.

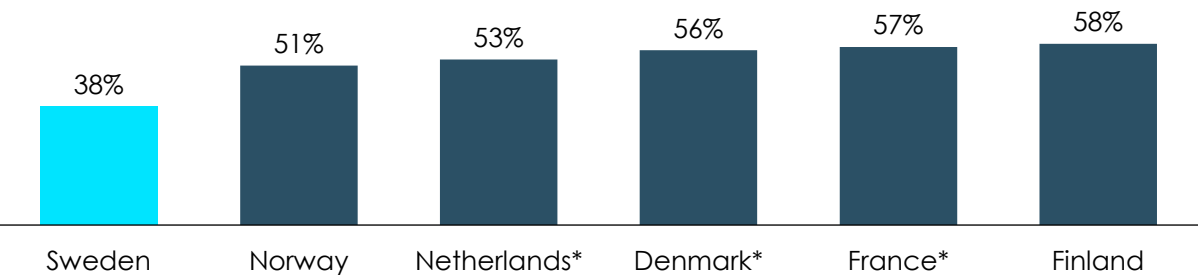
However, smaller banks are increasingly gaining market share. Since 2015, *other banks* (i.e., not part of the seven biggest banks in Sweden) constituted 20 per cent of the total new mortgage lending, higher than their 11 per cent market share.

Two of the largest banks, Handelsbanken and Swedbank, have also had a large share of the growth since 2015, each with a 16 per cent share of the total credit growth among Swedish banks, but lower than their respective market shares.

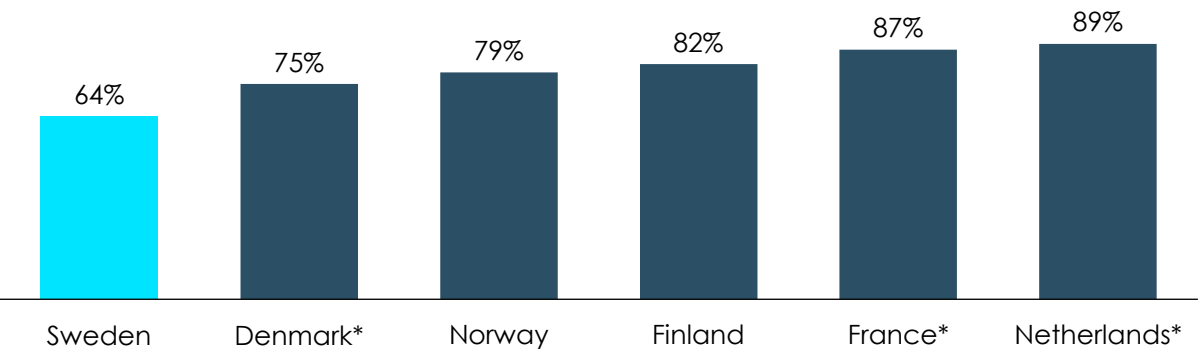
Source: Statistics Sweden (2026a): "Lending to households and non-financial corporations".

# Swedish banking market concentration is lower than average among comparable countries

Market shares for the two largest banks per country, 2025  
Per cent



Market shares for the four largest banks per country, 2025  
Per cent



Note: Countries marked with an asterisk (\*) do not have more recent data and have been included from our previous report and depict data for 2024. We have added them for a more complete comparison. Market shares are calculated based on gross loans to domestic non-financial corporations and households. Unlike our previous report, we use data from national statistics offices because a suitable and up-to-date proxy for domestic loan shares is no longer available. Due to data limitations, Denmark, the Netherlands, and France are excluded, while Finland has been added compared with the previous report.

Source: Statistics Sweden (2026a), "Lending to households and non-financial corporations"; Norge's Bank (2026); Banking Statistics; Bank of Finland (2026), Market shares for credit institutions in Finland.

If a sector is highly concentrated, market participants tend to have strong market power. However, in banking, low concentration could also be a sign of low competition, see the box below.

We find that the concentration of the Swedish banking sector is lower than comparable countries in 2025, when examining the market share of the two and four largest banks in Sweden, see the figures. In our previous reports, we had more countries in the comparison, and we found Sweden to be around average. There does not seem to be insufficient competition in the Swedish banking sector based on the level of market concentration.

### The market concentration in banking is not greater than in other regulated industries

It is difficult to compare market concentration across industries, particularly for regulated industries, which may limit opportunities, or make it more costly, for new entrants to enter the market. In Sweden, the three largest electricity retailers accounted for 47 per cent of customers in 2024<sup>1</sup>, and the four largest telecommunications operators accounted for 96 per cent of mobile subscriptions<sup>2</sup> and the largest airline company accounted for nearly 60 per cent of domestic air traffic.<sup>3</sup> These examples suggest that the level of concentration observed in Swedish banking is not exceptionally high or low compared to other regulated industries.

### Concentration index – an ambiguous measure in banking

Concentration indices are standard measures of competition. High concentration in a market is normally a sign of weak competition. For example, if one bank had a monopoly, it could set the price high, without losing too many customers, as there would still be a need for banking services. In contrast, if there are more banks, customers can more easily switch to other banks, meaning that each bank has less market power.

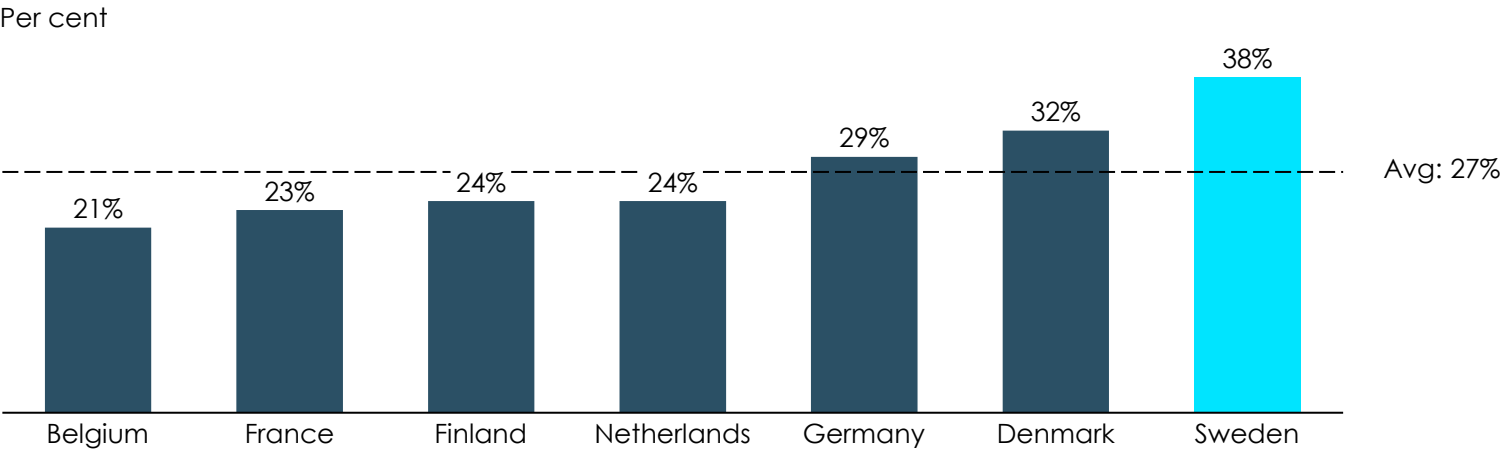
However, because of economies of scale and being a highly regulated industry, a banking market with many small banks and low concentration could be a sign of insufficient competitive pressure; in a more competitive market, small banks would be pushed out of the market by larger banks better able to exploit economies of scale.<sup>4</sup> The ECB calls concentration indices in banking an "ambiguous measure" of competition.<sup>5</sup>

The "optimal" concentration in the banking sector would be to have enough banks so that each individual bank does not have too much market power, while each bank is large enough to realise economies of scale.

1) Energimarknadsinspektionen. (2025). Sveriges el- och naturgasmarknad 2024, p. 51 / 2) Post- och telestyrelsen. (2025). Svensk telekommunikation 2024, p. 13 / 3) Trafikanalys. (2025). Svensk luftfarts konkurrenssituation 2025, p. 5  
4) Claessens and Laeven (2004) found that bank concentration and competition were positively correlated. / 5) ECB (2007) p. 7

# Sweden has high consumer mobility in banking and mortgage lending

Share of customers who changed provider of one or several financial products, 2017-2022



Source: European Commission (2022).

Low customer mobility could be a sign of insufficient competition; each bank will have more market power, meaning that they can increase prices with a lower risk of losing customers.

In terms of competition, low customer mobility is only a problem if banks exploit their market power by charging prices way above costs. Thus, the most important things are:

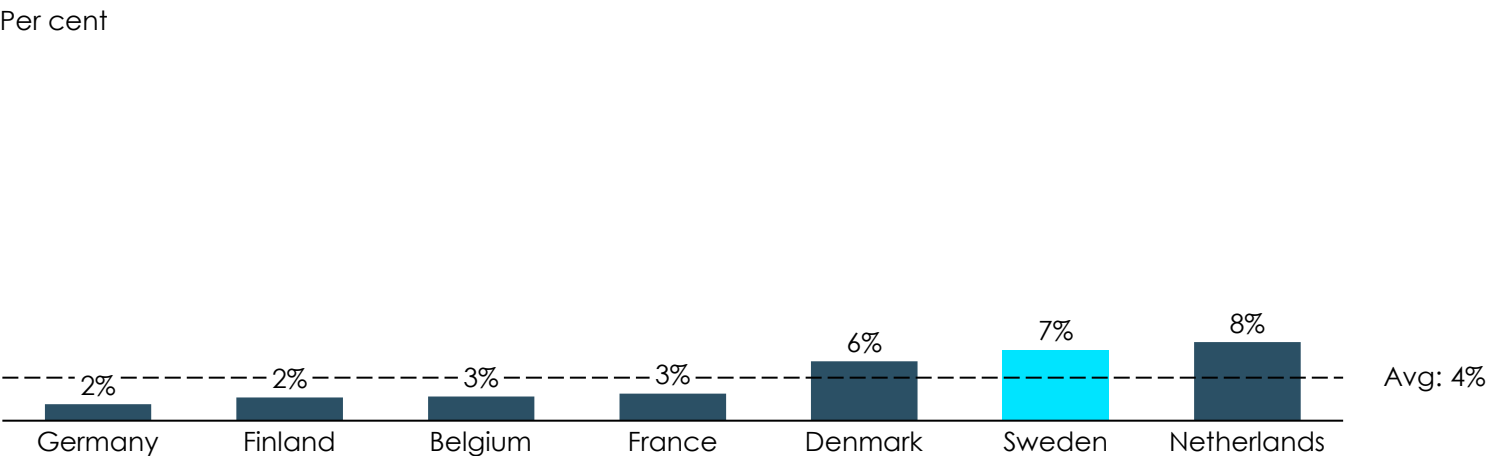
- Customers respond if the banking services of one or several banks are uncompetitive, e.g., banking customers change banks if the prices they are paying are higher than the prices charged by competing banks.
- There are no strong barriers for customers to switch banks.

Sweden has high customer mobility in financial services compared with other EU countries; see the most recent results from the European Commission's Eurobarometer on financial services.<sup>1</sup> It is also common for Swedes to be customers of several banks.<sup>2</sup>

Sweden ranks highest in the share of customers who changed providers of their financial products (across all product types) between 2017 and 2022, see the upper figure. For mortgages, customers change providers less frequently. Sweden ranks second among the countries in our comparison in the share of customers who changed their mortgage provider, see the lower figure.

Swedish banking consumers have a relatively good understanding of the banking market. Based on an EU-wide survey,<sup>3</sup> Swedish respondents rank high in financial literacy evaluated by scoring financial knowledge and behaviour<sup>4</sup> and responding correctly to financial knowledge questions.<sup>5</sup>

Share of customers who changed mortgage loan provider, 2017-2022



Source: European Commission (2022).

1) European Commission (2022). / 2) See SKI (2018). / 3) European Commission (2023). / 4) Second-highest 'high-score' share in the EU / 5) Sixth-highest share in the EU answering correctly in four or five out of five questions.

# Swedish banks are cost-efficient, suggesting they are working to reduce costs due to competitive pressure

Efficiency within a market can serve as an indicator of healthy competition, signalling limited space for ineffective companies due to competitive pressure. In such an environment, companies with higher costs must either reduce expenses to retain customers or exit the market.

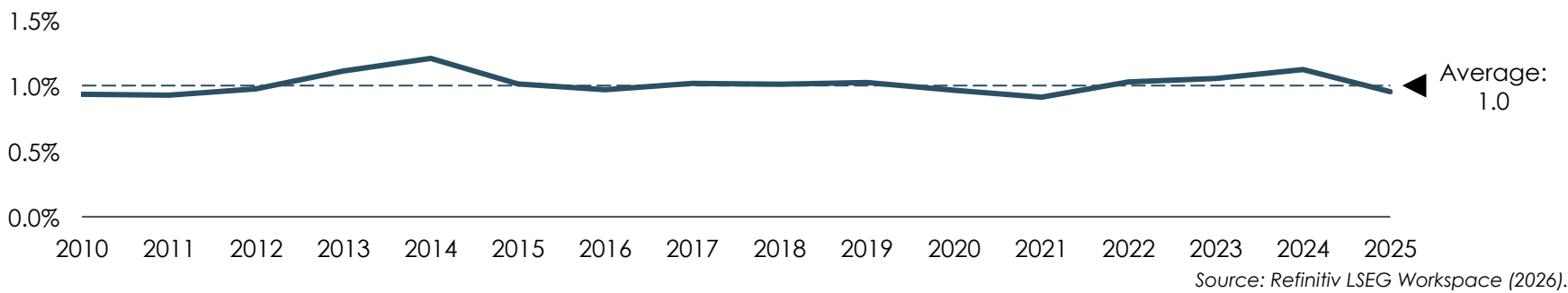
Swedish banks have low and stable operational costs of around 1 per cent of their asset value in the period from 2015 to 2025, see the upper figure, suggesting that Swedish banks have already reached a lower threshold for costs. While additional regulations and compliance requirements have been introduced in the period,<sup>1</sup> Swedish banks have maintained their low-cost structure. At the same time, Sweden has lower operational costs (as a per cent of total assets) compared to several of the benchmark countries, see the lower left figure.

One reason for the low costs in the Swedish banking sector could be the high usage of digital banking services by Swedish customers; see the lower-right figure. This allows Swedish banks to maintain a high service level while keeping costs low.

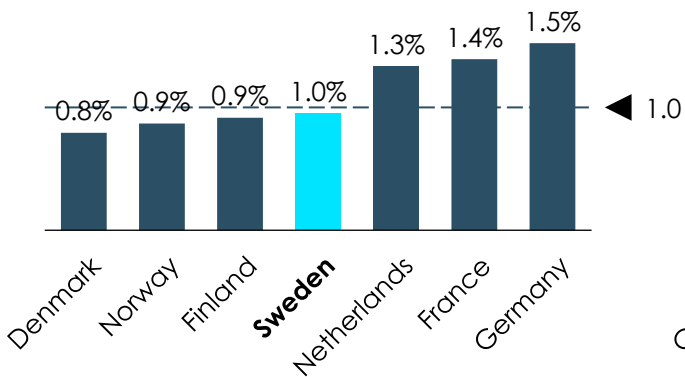
Swedish banking consumers are generally comfortable using digital financial services. Based on an EU-wide survey,<sup>2</sup> 58 per cent of Swedish respondents respond that they are very comfortable using digital financial services and another 32 per cent answer somewhat comfortable.<sup>3</sup>

82 per cent of the population in Sweden used the internet for banking in 2025.<sup>4</sup> While this is lower compared to the usage of internet for banking in Denmark, the Netherlands, and Finland (ranging from 96 to 98 per cent), it is above the EU-wide average (70 per cent).

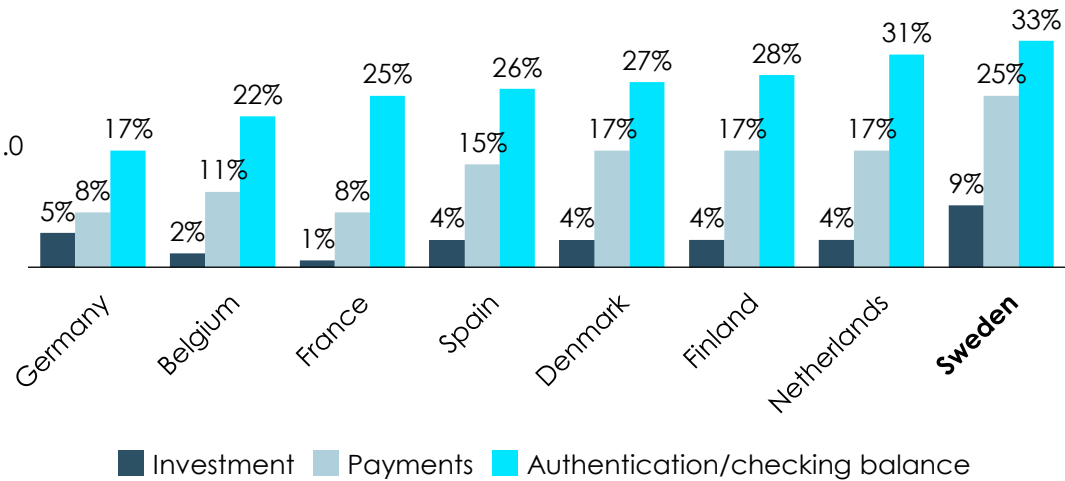
**Operational costs in Swedish banks, 2015-2025**  
Per cent of total assets



**Operational costs, 2025**  
Per cent of total assets



**Share of respondents using digital banking services at least once a day, 2022**  
Per cent



Source: Refinitiv LSEG Workspace (2026). Contrary to our previous report, we omitted Belgium from this figure, as the source only included one bank from Belgium.

Source: European Commission (2022).

1) Capital requirements increased in the aftermath of the financial crisis. In addition, anti-money laundering compliance and ESG requirements have tightened during the period.  
2) European Commission (2023). / 3) Summing the respondents answering "very comfortable" and "somewhat comfortable", Sweden ranks fifth in the EU. Considering only "very comfortable" answers, Sweden ranks second after Finland. / 4) Eurostat (2026).

# Swedish mortgage rates are among the lowest in Europe

Sweden is known for its historically low mortgage rates compared to other European countries.<sup>1</sup>

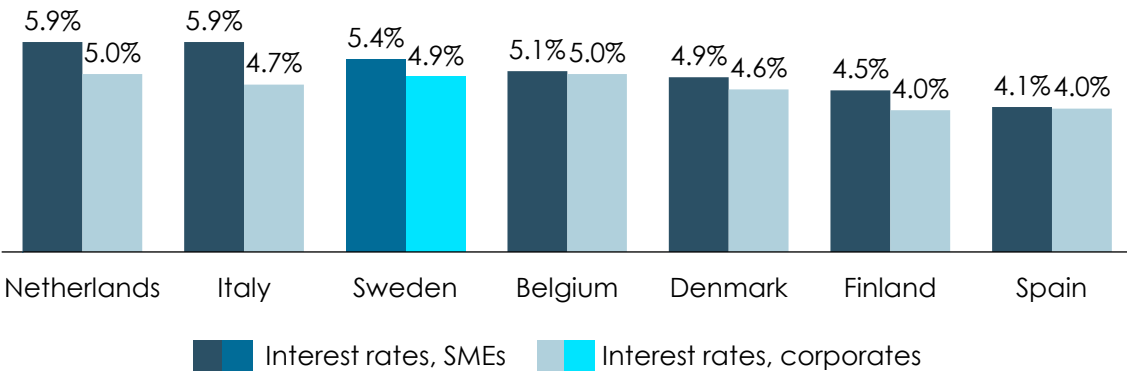
In 2025 and the first quarter of 2026, Sweden had the lowest mortgage rates among the countries examined, partly due to the lower central bank interest rate relative to the ECB, see the figures to the right.

Low prices indicate healthy competition in a market, as companies compete on different aspects such as quality and pricing. When there is strong competition, businesses strive to attract and keep customers by offering the lowest possible prices.

For SMEs and corporates, Sweden had lower interest rates than the Netherlands and Italy, but higher interest than several of the other benchmark countries in 2024, see figure below.

## Average interest rates for SMEs and corporates, 2024

Per cent

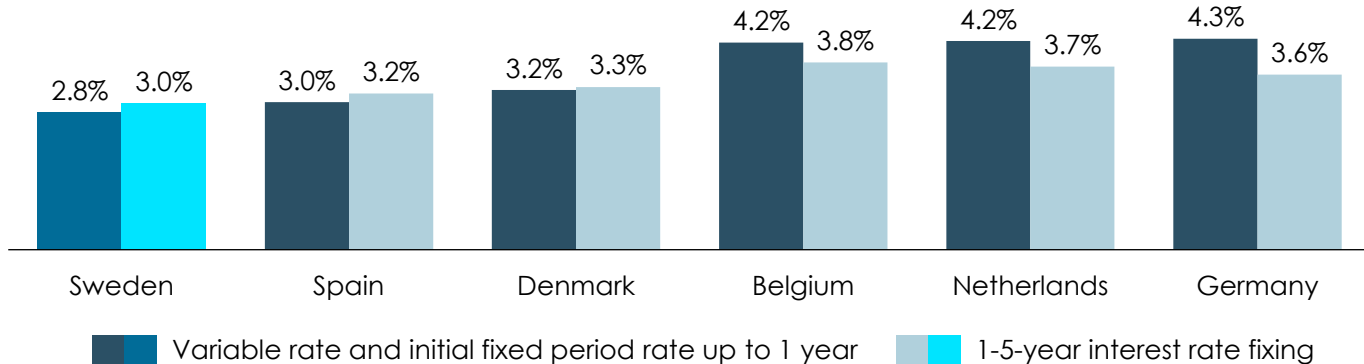


Note: The most recent data are for 2024. We have omitted France from the figure, as there seems to be an inaccuracy in the source table (page 111), which introduces uncertainty into retrieving the correct numbers.  
Source: OECD (2026a).

1) See the Copenhagen Economics (2019), Copenhagen Economics (2023), Copenhagen Economics (2025), and EMF quarterly reports. For several years in a row, Sweden has had the lowest interest rate in Europe, with the exception of Denmark. / 2) See Copenhagen Economics (2023). / 3) The EMF collects data based on common definitions to ensure comparability between countries. However, the comparison has some limitations, as some differences are difficult to fully correct for. For example, for Denmark, the figure covers only owner-occupation and loans from mortgage banks.

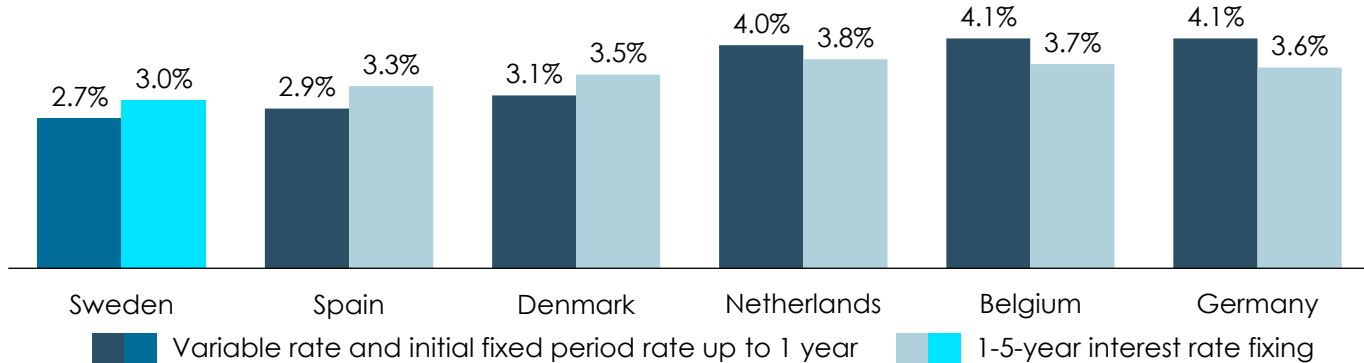
## Mortgage rate across selected European countries<sup>3</sup>, 2025

Per cent



## Mortgage rate across selected European countries<sup>3</sup>, 2026 Q1

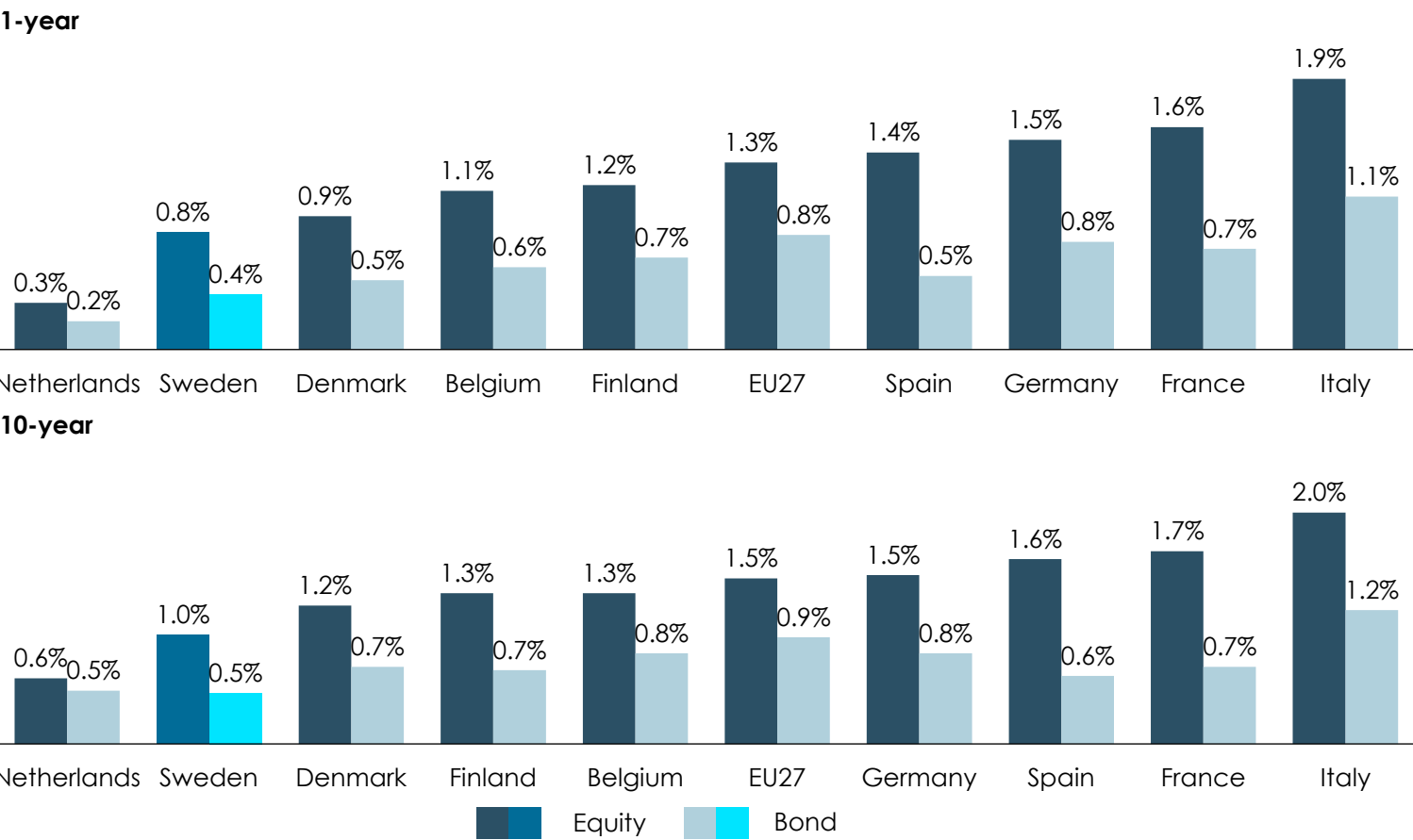
Per cent



Note: No data for Finland or Ireland for 2025 or 2026. The majority of Swedish homeowners have variable-rate loans or loans with a short interest-rate fixation.  
Source: European Mortgage Federation (2026).

# Sweden has low investment fund costs compared to other EU countries

Average indicative fund costs for UCITS<sup>1</sup> across selected EU countries, 2015-2024  
Per cent of asset value



Sweden stands out for having some of the lowest UCITS<sup>1</sup> fund costs among the selected EU countries, based on indicative<sup>2</sup> UCITS fees estimated by ESMA. Over the 2015–2024 period, average equity fund fees in Sweden were 0.8 per cent for the one-year horizon and 1.0 per cent for the 10-year horizon, both well below the EU27 average (1.4 and 1.5 per cent, respectively), see the figures.

Bond fund fees were even lower, at 0.4 per cent (1-year) and 0.5 per cent (10-year), making Sweden one of the most (indicative) cost-efficient UCITS markets alongside the Netherlands and Denmark.

There are several plausible reasons for low fees in Sweden. As we have documented for other parts of the financial markets in Sweden, fund costs may face competitive pressure from efficient cost management and a highly digitalised market, which lower the costs of delivering services to customers in Sweden.

**UCITS**  
UCITS funds are mutual funds that comply with European Commission regulations, allowing managers to market them freely across EU member states and beyond. The regulations govern the structure, authorisation, operation, and distribution of investment funds, primarily mutual funds and ETFs, ensuring a high degree of investor protection and promote cross-border fund distribution within the EU.

Fund providers register and regulate these funds in their home countries while adhering to EU-wide standards, making them widely recognized as safe and well-regulated investment vehicles. UCITS funds account for approximately 75 per cent of collective investments by small investors in Europe, and many global investors can access them through brokers. Asset managers often highlight "UCITS-compliant" status as a key marketing advantage.

Note: Undertaking for collective investment in transferable securities (UCITS) is a regulatory framework for mutual funds in the European Union (EU). Figure shows the total expense ratio (TER) of the UCITS funds as a per cent of the total assets under management for 1-year and 10-year holdings. Data is at entity-specific share class level and covers a 10-year period between January 2015 and December 2024. Source: ESMA (2026).

1) Undertakings for Collective Investment in Transferable Securities.  
2) It should be noted that ESMA specifies that comparability across jurisdictions is limited, as not all rebates, subscription fees, and redemption fees are necessarily covered.

A nighttime photograph of a cityscape featuring a river in the foreground. A large, multi-story building with a prominent clock tower is visible in the background. A boat is docked on the left side of the river, and its lights are reflected in the water. The overall scene is illuminated by city lights, creating a warm and vibrant atmosphere.

2

## EFFICIENCY AND PROFITABILITY OF THE BANKING SECTOR OVER BUSINESS CYCLES

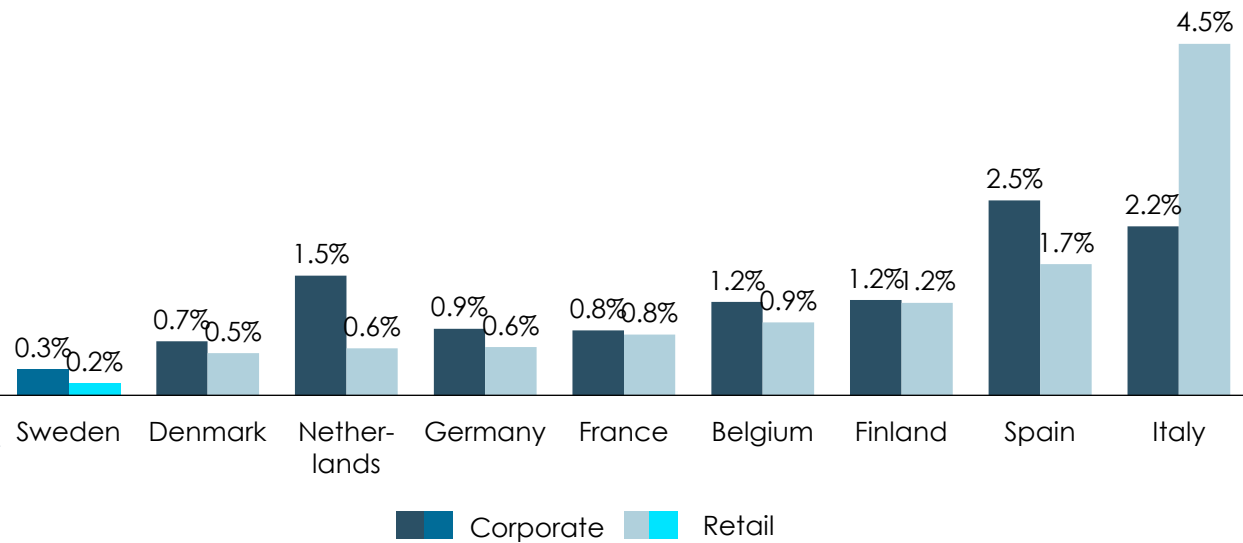
# Sweden has an efficient lending system with low losses

The findings from Chapter 1 show that Swedish banks are cost-effective. Signs of an efficient banking system are also found in low default- and loss rates.

Credit institutions in Sweden<sup>1</sup> experience low default rates on loans for both corporate and retail customers: respectively 0.3 per cent and 0.2 per cent on average per year from 2015 to 2025. While default rates have increased slightly in recent years, Sweden still has the lowest level among the benchmark countries, see the figure below to the left.

Credit institutions in Sweden also experience low losses on both corporate and retail loans. In the period from 2015-2025, average yearly loss rates for Swedish banks were close to zero – the lowest among benchmark countries, see the figure below to the right.

**Average rate of default for corporates and retail, 2015-2025**  
Per cent

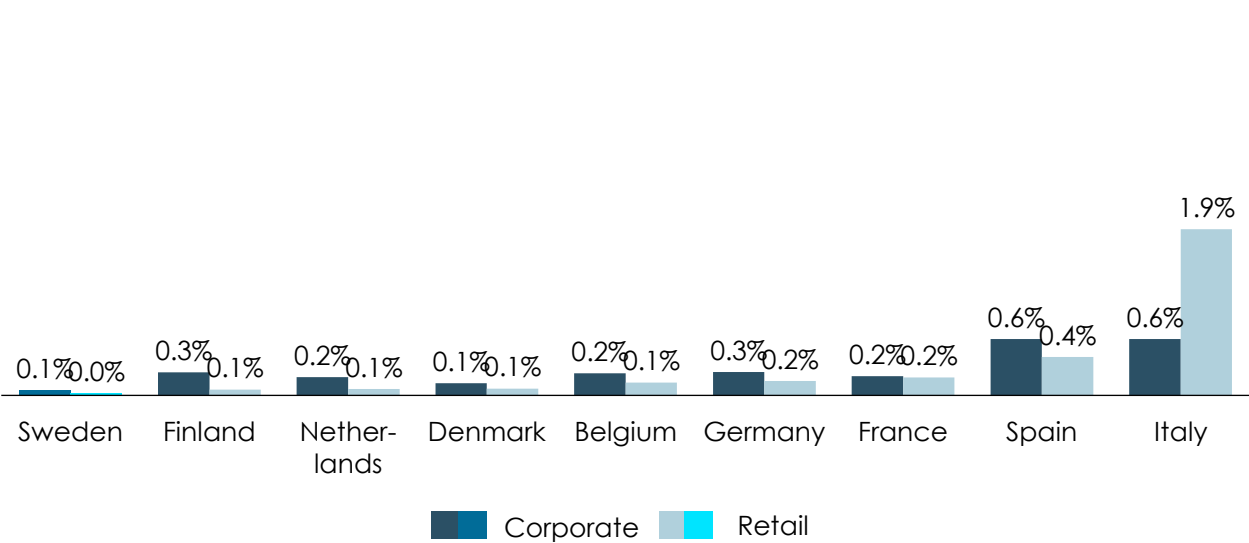


Note: The values shown are average default rates for the period. The data are from the Transparency Exercise and cover Kommuninvest, Länsförsäkringar Bank AB, SBAB Bank, SEB, Svenska Handelsbanken, and Swedbank in Sweden. Source: EBA Risk Dashboards (2026).

Housing prices have generally increased in Sweden, contributing to the low losses, as the mortgage security did not lose value. However, in recent years, real estate prices have stagnated.<sup>2</sup>

The low losses are an indication of an effective and secure system that conducts correct assessments of the value of e.g., properties behind mortgages through a business cycle. At the same time, it is a function of Sweden having an efficient judicial system, and that foreclosure auctions can be carried out quickly and easily, which helps securing low losses for banks even in the case of defaults.

**Average losses for corporates and retail, 2015-2025**  
Per cent



Note: Values shown are the product of the weighted average default rate and the weighted average loss rate for the period. Loss rates for Finland are missing for the following quarters: 2019 Q3, 2021 Q3, and 2022 Q1. Source: EBA Risk Dashboards (2026).

1) Banks analysed are Kommuninvest Group, Länsförsäkringar Bank, SBAB, SEB, Svenska Handelsbanken, and Swedbank. / 2) See Statistics Sweden (2026c).

# Swedish banks operate with relatively low margins

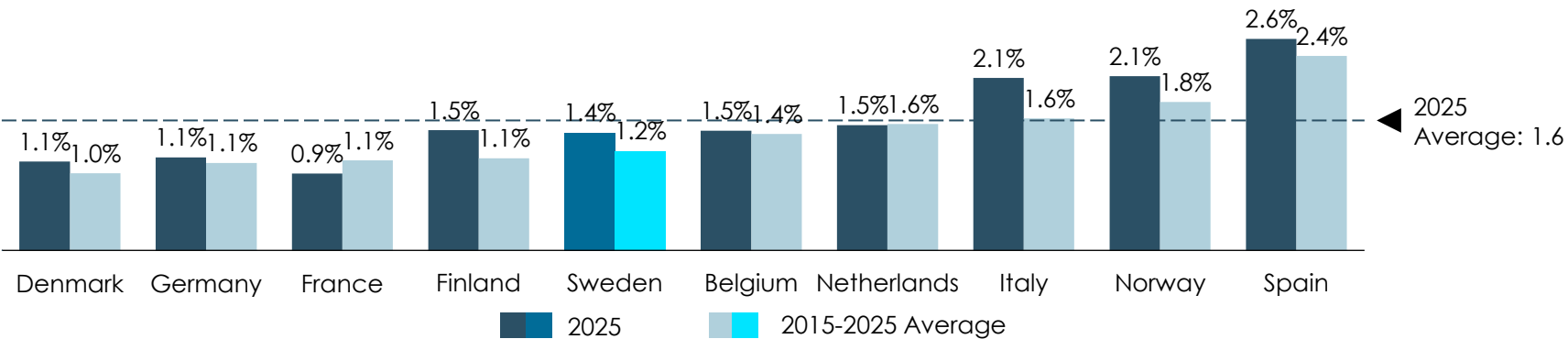
Pass-through of costs is a measure of competition. On one hand, if banks in the market have market power, they may be less likely to reflect lower costs in lower prices for banking customers, resulting in higher end-user prices. On the other hand, if prices are driven by costs, this is a sign of strong competition, where each individual bank has little market power.

Swedish banks have low net interest margins, slightly lower than the average across the analysed countries, and below those in many other European countries, particularly in Southern Europe, see the upper figure. This suggests that Swedish banks are passing on their low costs to customers, that is, charging lower prices, instead of using their cost-effectiveness to increase margins.

Among the comparison countries, Sweden has above-average operational profit (before impairments) as a per cent of assets, see the lower figure. This measure reflects the margin between the revenue and the average costs of banks. Across the European countries examined, banks tend to have higher operational profit in 2025 as compared to previous years.

**Net interest margin, 2025**

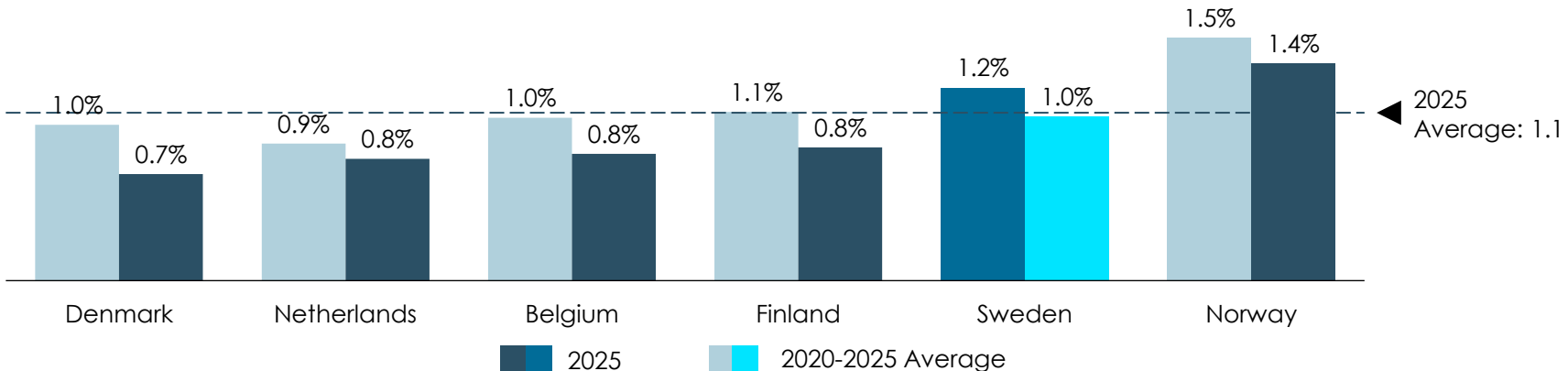
Per cent of total credit



Note: EBA Risk Dashboard does not include data from Norwegian banks from June 2021 to March 2022 because the reporting framework based on CRR2/CRD5 was implemented only in Q2 2022.  
Source: EBA Risk Dashboard (2026).

**Operational profit (before impairment), 2025**

Per cent of total assets



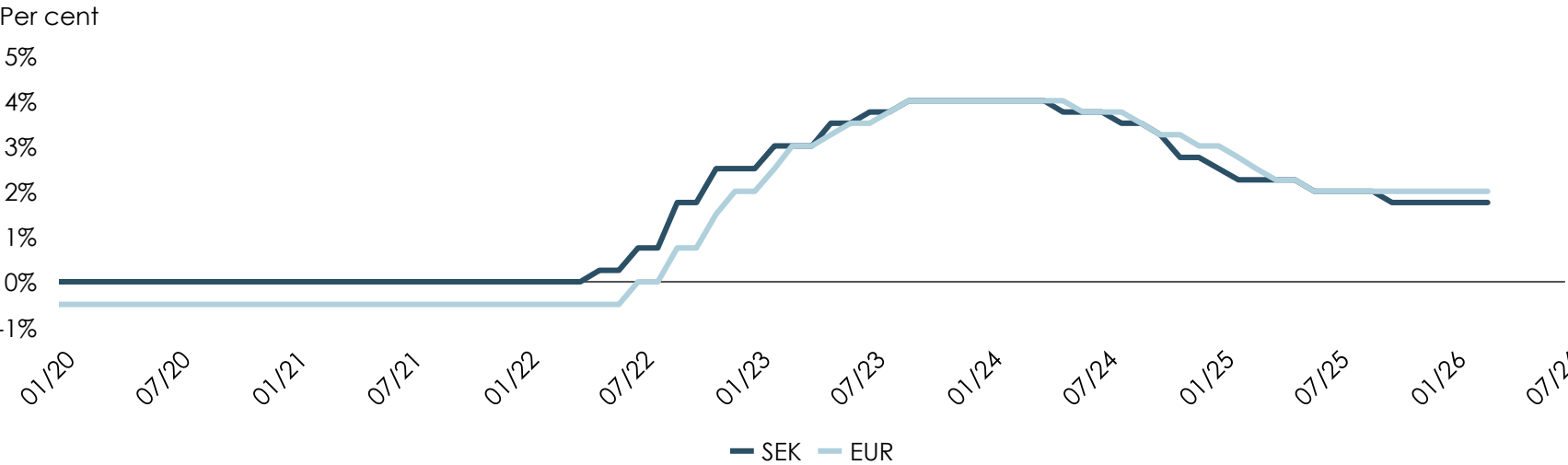
Note: We have omitted France from the lower figure due to inaccuracies in the source data for French banks.  
Source: Refinitiv LSEG Workspace (2026).

# Swedish deposit rates follow the central bank rates to a greater extent than in other European countries

Several factors influence interest rates, such as money market rates and the nature of the credit provided. Therefore, the level of interest rates cannot be used as a stand-alone measure of banking sector efficiency. Interest rates in Sweden were higher in 2022 than in previous years, partly because the Swedish central bank increased its interest rate earlier than the ECB, see the figure to the right. In 2024, the Swedish central bank interest rate fell below the ECB's rate, and the gap widened slightly with the ECB's interest rate increase in June 2026. This is one reason why Sweden is among the countries with the lowest interest rates, as seen in Chapter 1.

When looking at the period when interest rates increased from January 2022 to July 2023, Swedish banks passed on close to 50 per cent of the interest rate increase to their deposit rates (deposit beta), see the lower table to the right. This is higher than the average for banks in the euro area, which passed on 19 per cent of the interest rate increase to their deposit rates on average.<sup>2</sup> This suggests that price stickiness among Swedish banks is lower than in other European countries, including Germany, Belgium, Finland, and the Netherlands.

Central bank interest rates in Sweden and euro area, January 2020 – July 2026



Source: Copenhagen Economics based on Riksbanken (2026) and ECB (2026a).

Deposit betas for European countries, January 2022 to July 2023<sup>1</sup>

|             | Deposit rate,<br>January 2022 | Deposit rate,<br>July 2023 | Increase in deposit<br>rate | Increase in policy<br>rate | Deposit beta |
|-------------|-------------------------------|----------------------------|-----------------------------|----------------------------|--------------|
| Sweden      | 0.14                          | 2.03                       | 1.89                        | 3.75                       | 50%          |
| Euro area   | 0.17                          | 0.92                       | 0.75                        | 4.00                       | 19%          |
| Belgium     | 0.04                          | 0.62                       | 0.58                        | 4.00                       | 15%          |
| Finland     | -0.01                         | 0.91                       | 0.92                        | 4.00                       | 23%          |
| France      | 0.45                          | 1.56                       | 1.11                        | 4.00                       | 28%          |
| Germany     | 0.04                          | 0.79                       | 0.75                        | 4.00                       | 19%          |
| Netherlands | 0.00                          | 1.10                       | 1.10                        | 4.00                       | 28%          |

1) Based on deposit rate betas for large banks from January 2022 to May 2023, see ECB (2023b) and Financial Times (2023). The Swedish figure is based on the central bank interest rate from Riksbanken (2023), with an interest rate increase of 3.75 percentage points in the period, and SCB: Finansmarknadsstatistik, with an interest rate increase of approximately 1.89 percentage points.

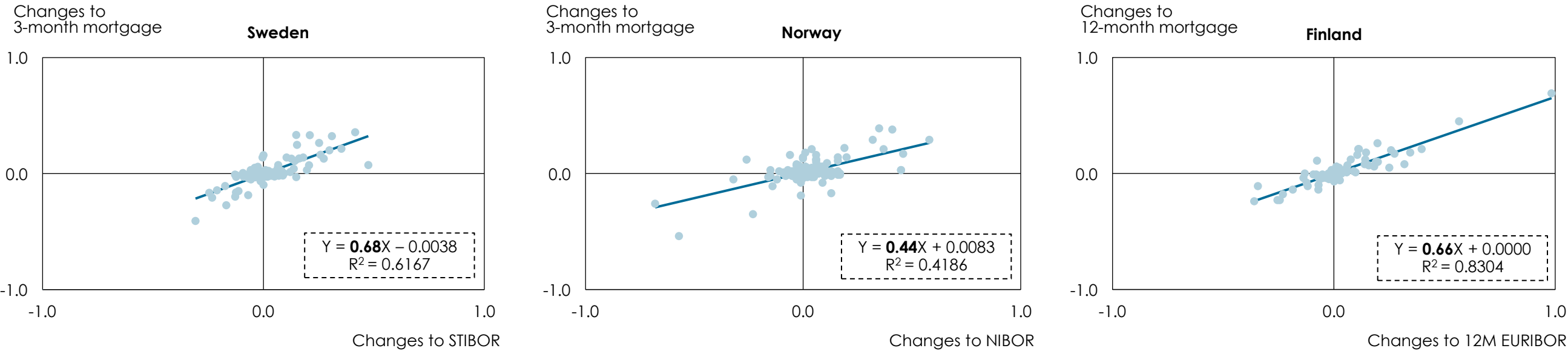
# Interest rate pass-through to mortgage rates is relatively high in Sweden

We find that the average pass-through of changes in interbank offered rates to mortgage rates is higher in Sweden than in Norway and on a par with Finland; see figures. For Finland, we use the variable rate for mortgages with a maturity of up to 12 months, which is more common, instead of the 3-month mortgage rate used for Sweden and Norway. In the figure for Sweden, the slope (0.68) is higher than for Norway (0.44) and slightly higher than for Finland (0.66), indicating that Swedish 3-month mortgage rates respond relatively faster to changes in the STIBOR rate than Norwegian 3-month mortgage rates respond to NIBOR, and at the same pace as Finnish 12-month mortgage rates respond to EURIBOR.

One likely explanation is strong competition among mortgage lenders in Sweden. When banks face greater competitive pressure, they are more inclined to adjust mortgage rates downwards promptly in response to lower funding costs. Swedish households tend to refinance more actively than other countries, see page 10, which can further enhance the speed of adjusting mortgage rates to market conditions.

Another possible factor to explain the relatively high interest rate pass-through is the mortgage market's structure. Swedish borrowers commonly hold variable-rate or short fixed-rate mortgages, which allows for more loans and liquidity in the variable-rate mortgage market.

**Average interest rates pass through from STIBOR, NIBOR and EURIBOR rates to new mortgages in Sweden, Norway and Finland, monthly observations, January 2016 – June 2026**  
Percentage points



*Note: The figures show the correlation between month-on-month changes in the interbank three-month lending rate and floating mortgage rates with an interest fixation period of three months from January 2016 to June 2026. Note that for Finland, we use the variable lending rate for mortgages with an interest fixation period of up to 12 months and the 12-month Euribor due to the popularity of this loan type in the country. The scatter plot includes a simple linear regression line (OLS) to illustrate the trend between the variables.*

*Source: Sveriges Riksbank (2026), Statistics Norway (2026), ECB (2026c), ECB (2026d), and ECB (2026e).*

# Profitability for Swedish banks varies over the business cycle

## Profitability can be a relevant measure of competition in a market

In markets with sound competition, profits would not be higher than what is required by investors. This amounts to the risk-free interest rate plus the given market risk premium of the sector. If profits were consistently higher, and investors were able to achieve an abnormal return through a longer period, new companies would enter the market, offering lower prices than incumbents to gain market share. This would happen until profitability in the sector again is aligned with the required return.

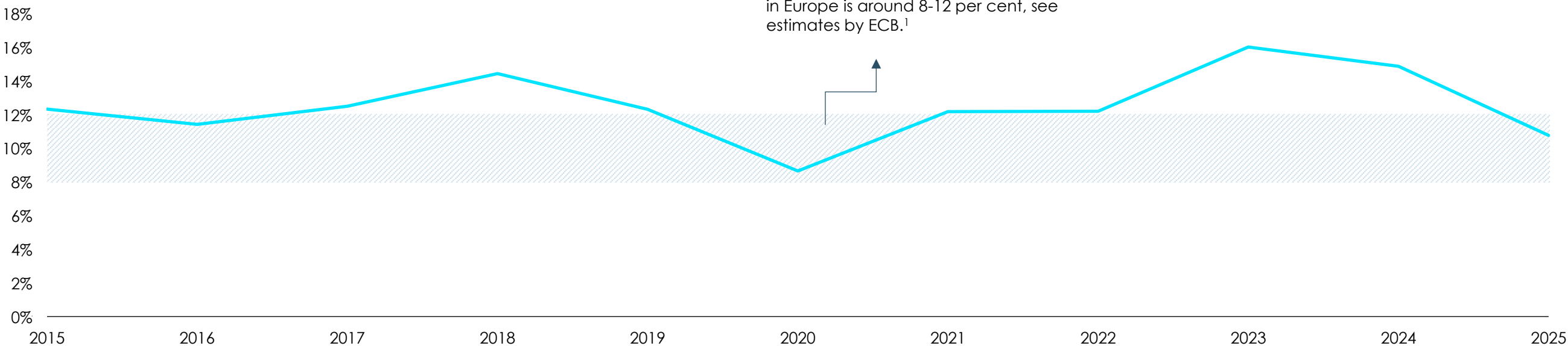
## Return on equity rose for Swedish banks between 2020 and 2023, but has declined since then

In 2022 and 2023, central banks increased interest rates significantly to combat inflation. Banks followed, and lending rates therefore increased. At the same time, deposit rates have shown some stickiness relative to central bank rates. This stickiness has led to increased income for Swedish banks, see figure, as well as for banks in other countries, such as the Netherlands, Norway, and Denmark.

Over a longer period, Swedish banks have been both above and below the required return on equity as estimated by ECB, see figure. From 2023 to 2024, the return on equity has been above the threshold, but has declined in 2025.

## Return on equity for Swedish banks, 2015 - 2025

Per cent of equity



Note: The blue line is based on data from annual reports in Refinitiv LSEG Workspace. The required ROE is a standard rate and does not adjust for changing risk-free rates. Source: Refinitiv LSEG Workspace (2026).

1) ECB (2021b) measures the cost of equity of euro area banks and finds, via estimates from nine different models, that for approx. 66 per cent of European banks part of the study, the return on equity amounted to between 8 and 12 per cent.

# Between 2020 and 2025, Swedish banks realised a return on equity of 13.2 per cent

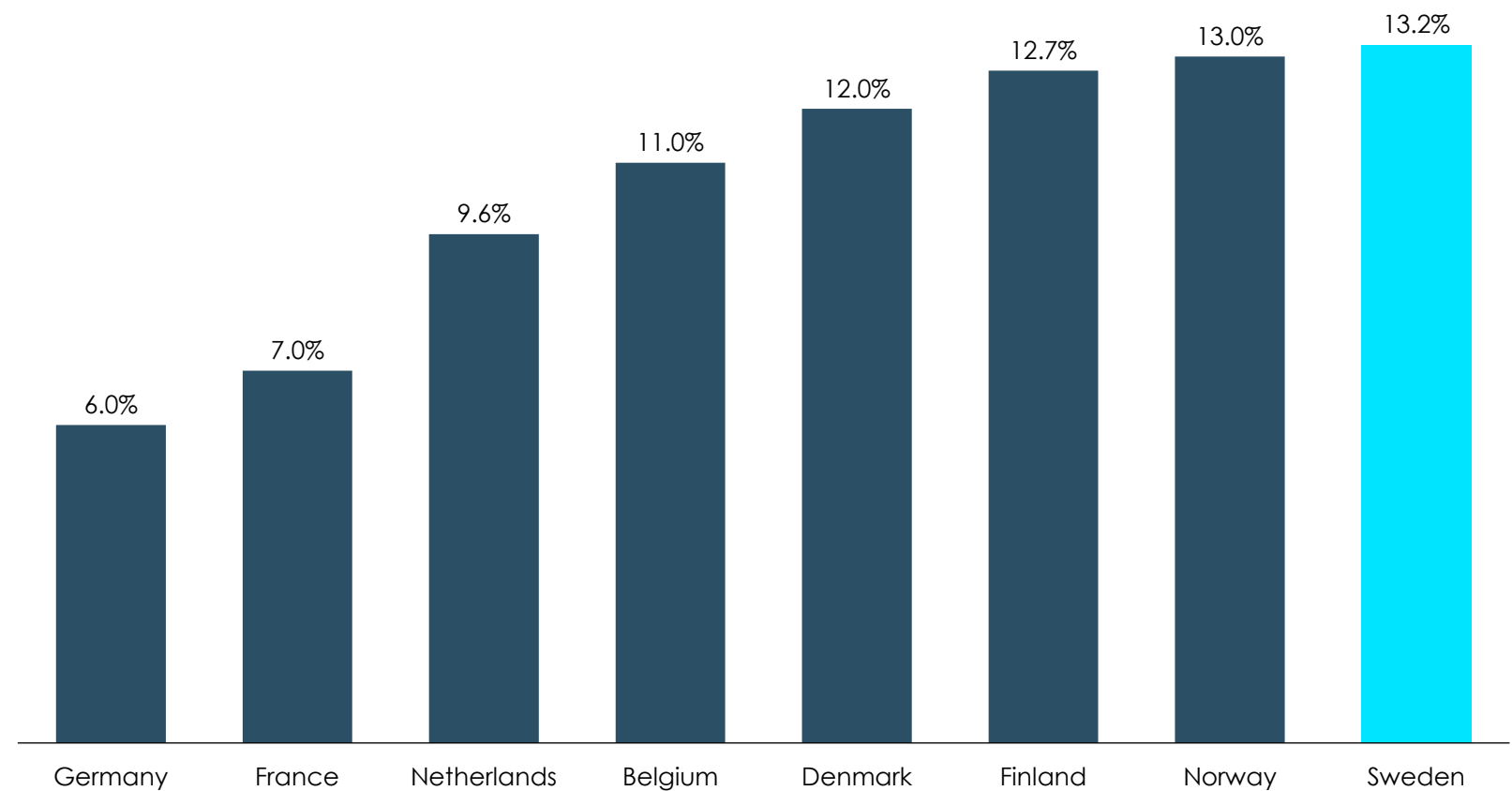
A prolonged period of unusually high profits can be a sign of weak competition. From 2020 to 2025 Swedish banks realised a return for their investors of around 13 per cent, which is the highest among the European countries we compare, see the upper figure.

However, international comparisons of profitability are much affected by differences in business cycle situations across Europe: Here Sweden is at the top e.g., with low losses for both corporate lending and household mortgages.

Meanwhile, banks in southern Europe have higher default rates and correspondingly higher losses – i.e., Italy and Spain have higher losses than the rest of the benchmarking countries shown on the previous pages. Germany, France, and the Netherlands have also seen higher impairment levels than Sweden in the period, lowering returns for equity holders.

Although the unemployment has increased recently, Sweden has a relatively strong job market and was not among the worst hurt economically by the Covid-19 crisis. Further, Sweden has in general had a long period of low interest rates and strong macroeconomic development, except for a decline in real GDP in 2023.

**Return on equity for banks, 2020-2025**  
Net profit as a per cent of equity



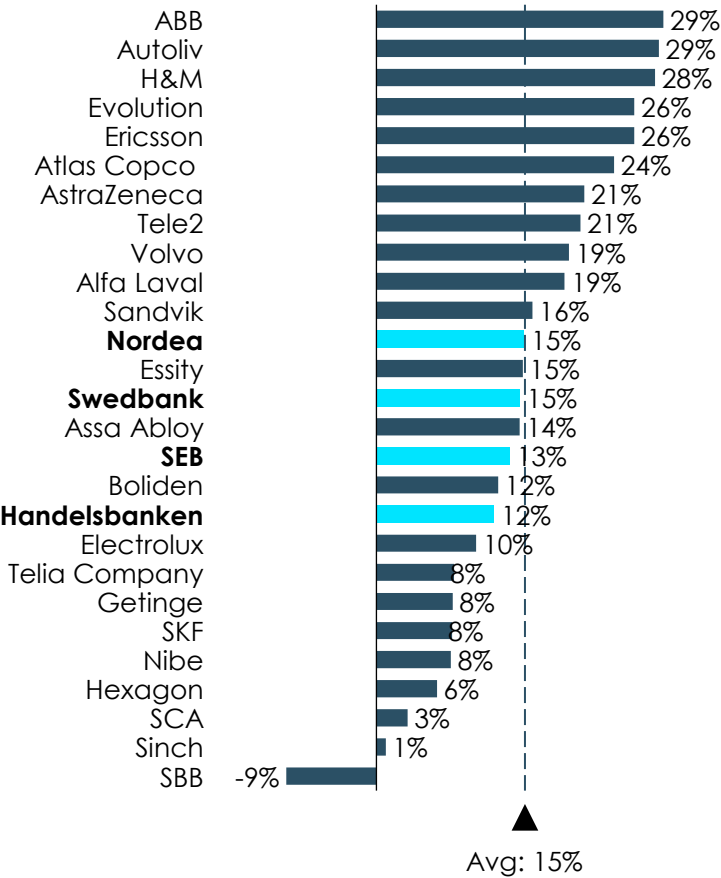
Source: Refinitiv LSEG Workspace (2026).

# Return on equity of Swedish banks is around the average of the 27 largest Swedish companies

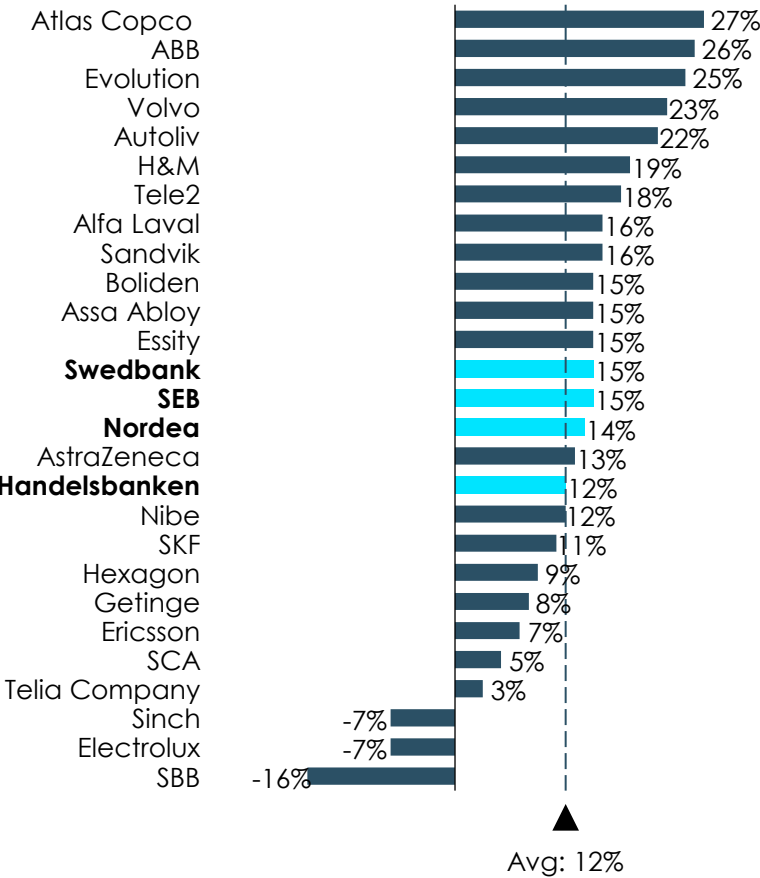
Return on equity for the 27 largest companies in the OMX30 index on the Swedish stock exchange, 2025 and average during 2021-2025

Per cent of equity

2025



2021-2025



Note: Kinnevik and Investor are not included in the figure, as their profits are mainly driven by equity investments.  
Source: Dagens Industri (2026), "OMX Stockholm Large Cap"

Overall, the Return On Equity (ROE)<sup>1</sup> for Swedish banks is close to the average of other large listed companies in Sweden, across different sectors.

In 2025, the average ROE for the 27 largest listed Swedish companies was 15 per cent. In comparison, the return on equity for the four largest Swedish banks was in the range of 12-15 per cent, i.e., slightly lower than average, see figure.

For the period 2021-2025, the four banks' returns were a bit higher than the average of 12 per cent.

## Return on equity is a good, but not complete, measure to compare profitability among companies and industries

Return on equity is a widely used and intuitive measure of profitability, showing how much net income a company generates for each unit of shareholders' equity.

It focuses directly on the return to owners' invested capital and is therefore a natural metric for comparing profitability across firms or over time within the same industry. Because it ties earnings to equity, return on equity also reflects how efficiently management allocates and uses capital to create value, making it an important benchmark indicator for investors, analysts, and regulators.

Return on equity does, however, not capture all aspects, such as risk level and regulatory uncertainty. It mainly captures the level of profitability, not the risk or leverage used to achieve it, and it can be influenced by other factors.

1) ROE is affected by the current business situation at the different companies, which fluctuates from year to year. In addition, the risk profiles of the companies are an important driver of the required return on equity from investors.

# Price-to-book ratios are slightly higher for Swedish banks compared to other countries, but lower than other industries in Sweden

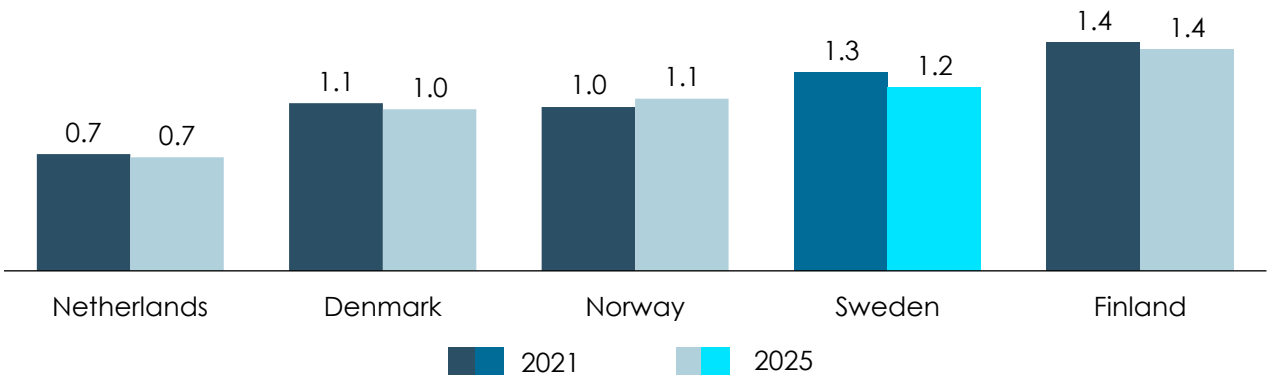
Another way to assess whether an industry is earning, or is expected to earn, high profits is to look at the price-to-book ratio.

The ratio compares a company's market value with the book value of its net assets, and a high level suggests investors are willing to pay well above the accounting value because they expect strong future returns or profitability. Thus, a higher price-to-book ratio is a sign that investors expect high future profits.

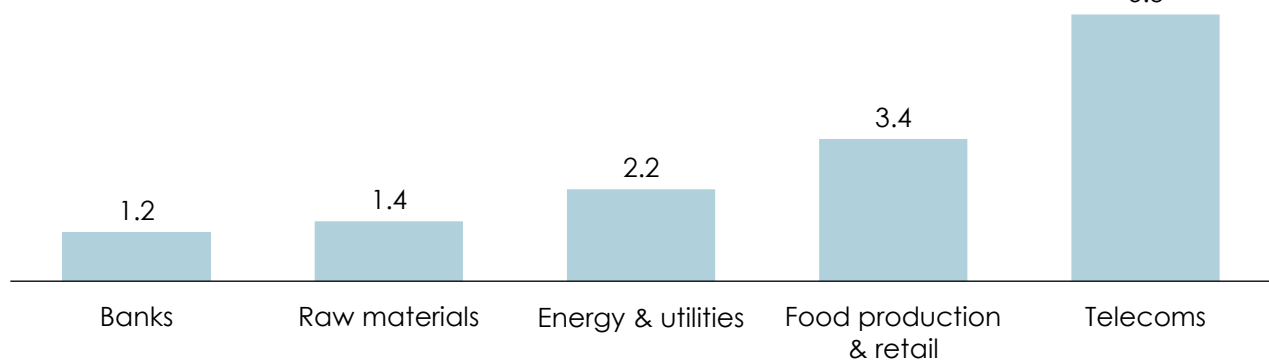
In Sweden, the price-to-book ratio for publicly listed Swedish banks stands at around 1.2 in 2025, down from 1.3 in 2021, see the figure above to the right. This indicates that the market's expectation of profitability for Swedish banks is relatively low and has decreased slightly. The same pattern is seen for banks in several other European countries.

In comparison to other industries in Sweden, Swedish banks have lower price-to-book ratios, see the figure below to the right. For a regulated industry such as telecommunication, the price-to-book ratio is above 6, much higher than for banks, whereas for raw materials, the price-to-book ratio is only slightly above that of banks.<sup>1</sup>

Price-to-book ratios for European banks\* in selected countries, 2021-2025  
Ratio



Price-to-book ratios for selected Swedish industries, 2025  
Ratio



*\*Note: The numbers cover only publicly listed companies, and numbers are weighted with company size. Banks only includes deposit-taking corporations and does not include other kinds of financial corporations. Price to book ratios are weighted by the yearly closing stock price for companies within each category.  
Source: Refinitiv LSEG Workspace (2026).*

A nighttime photograph of a cityscape, likely Stockholm, featuring a river in the foreground with a large, illuminated boat. The city buildings are lit up, and the sky is dark. A semi-transparent white box is overlaid on the image, containing the text.

**3**

## PERFORMANCE OF THE NON-BANK FINANCIAL INTERMEDIATION SECTOR

# Non-MFI loan assets have increased by 110 per cent in Sweden since 2015

Non-bank financing refers to credit provided by institutions outside the traditional banking system (non-MFI), such as asset managers, hedge funds, private lenders, or fintech firms. It is an alternative source of financing, which helps deepen capital markets, and may expand credit availability. Non-bank finance is most efficient when speed, flexibility, or higher risk tolerance is required. In contrast, traditional bank financing is typically better suited for situations requiring stability, regulatory oversight, and deposit-backed funding.

Credit from non-MFIs grew in Sweden from 2015 to 2023, followed by a decline, see the upper figure. In total, loan assets in non-MFIs increased by 110 per cent since 2015 to SEK 914 bn in 2026.<sup>1</sup> Both households and non-financial corporations have increased their borrowing from non-MFIs in this period, see the lower figure.

A plausible reason for this is that private credit and leasing companies may offer an alternative to bank credit. Credit from non-MFI may be desirable to households and non-financial corporations by their more flexible terms and conditions.<sup>2</sup> Other reasons for the growth is increasingly complex pension investments coupled with high global equity markets returns, where investors search for yield globally.<sup>3</sup> Furthermore, non-MFI have developed new forms of credit products, such as completely digitalised products, which comes with low entry barriers to consumers.<sup>4</sup>

**Monetary financial institutions (MFI) & non-monetary financial institutions (non-MFI)**

MFIs constitute the sector of the economy that is active in both taking deposits and granting credit to the economy. These include the central bank and deposit-taking corporations, such as commercial banks and savings banks. Money market funds are also considered MFIs, given that their short-term investments are close substitutes for deposits.

Non-MFIs do not take deposits. Non-MFIs act as intermediaries between savers and borrowers. Non-MFIs can be grouped into

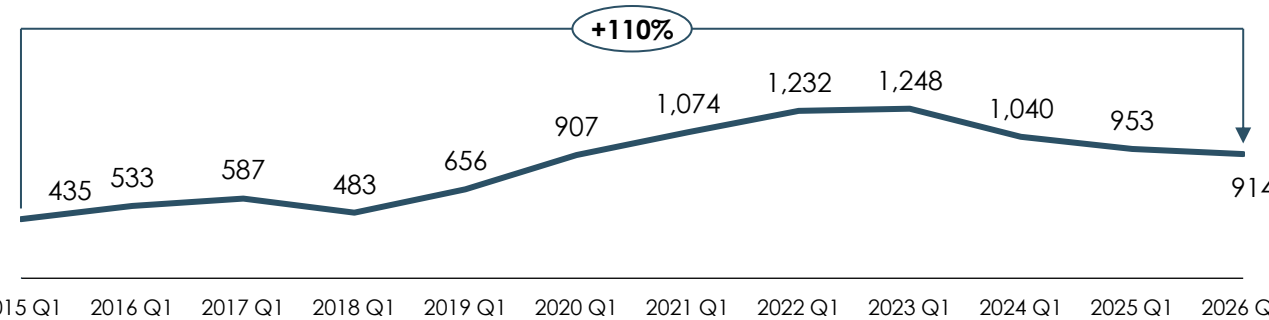
- i) insurance corporations
- ii) pension funds
- iii) non-money market funds
- iv) other financial corporations/institutions.

Other financial corporations include money intermediaries such as financial vehicle corporations and credit and leasing companies. The term also includes, for example, holding companies, asset managers, and other specialised financial corporations.

Source: ECB (2024): Financial accounts for other financial institutions by subsectors and counterpart sectors, see [LINK](#).

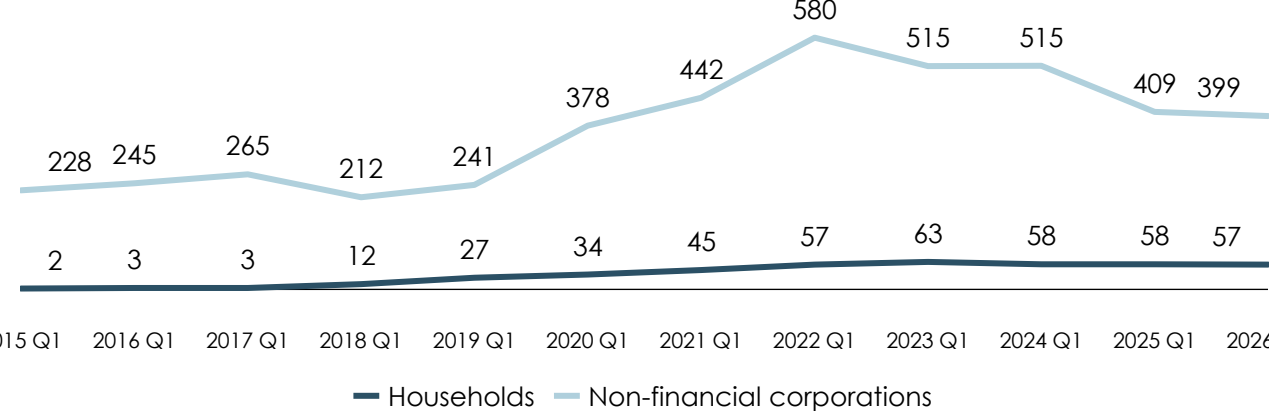
1) Most of the credit from non-MFI is granted by 'other financial corporations', which accounted for 83 per cent of the loan assets held by non-MFI in 2024 Q4. Other non-MFI financial corporations include companies that are neither deposit-taking institutions nor central banks. / 2) Besides households and non-financial corporations, borrowers of non-MFI credit include private equity firms in Sweden and various corporations outside Sweden, based on Statistics Sweden (2025b) and Riksbanken (2025). / 3) Based on a working paper from Sveriges Riksbank, see Li and Myers (2025). / 4) See EBA (2022).

Total loan assets held by non-MFIs in Sweden, 2015 Q1–2026 Q1  
SEK billion



Note: The figure includes data for both short- and long-term loans. The non-MFI sector includes insurance companies, pension funds, and other financial corporations. The figure for 2024 differs slightly from our previous report due to different values for all four non-MFI categories in the source data for that year.  
Source: Statistics Sweden (2026b): "Financial accounts".

Loan assets held by non-MFIs by borrower, 2015 Q1–2026 Q1  
SEK billion



Note: The figure does not include data for other borrowing parties than households and non-financial corporations and hence the total does not match the upper figure in volume.  
Source: Statistics Sweden (2026b): "Financial accounts".

# Non-MFI lenders increased their share of the credit market from 2018 to 2022, followed by a decrease

The share of non-MFI credit relative to the whole credit market<sup>1</sup> has increased by 2.1 percentage points from 6.5 per cent in 2015 to 8.6 per cent in 2026, down from 12.3 per cent in 2022, see the upper figure. Traditional banks still hold most loan assets in Sweden with a 90 per cent share of loan assets in Sweden in 2026.

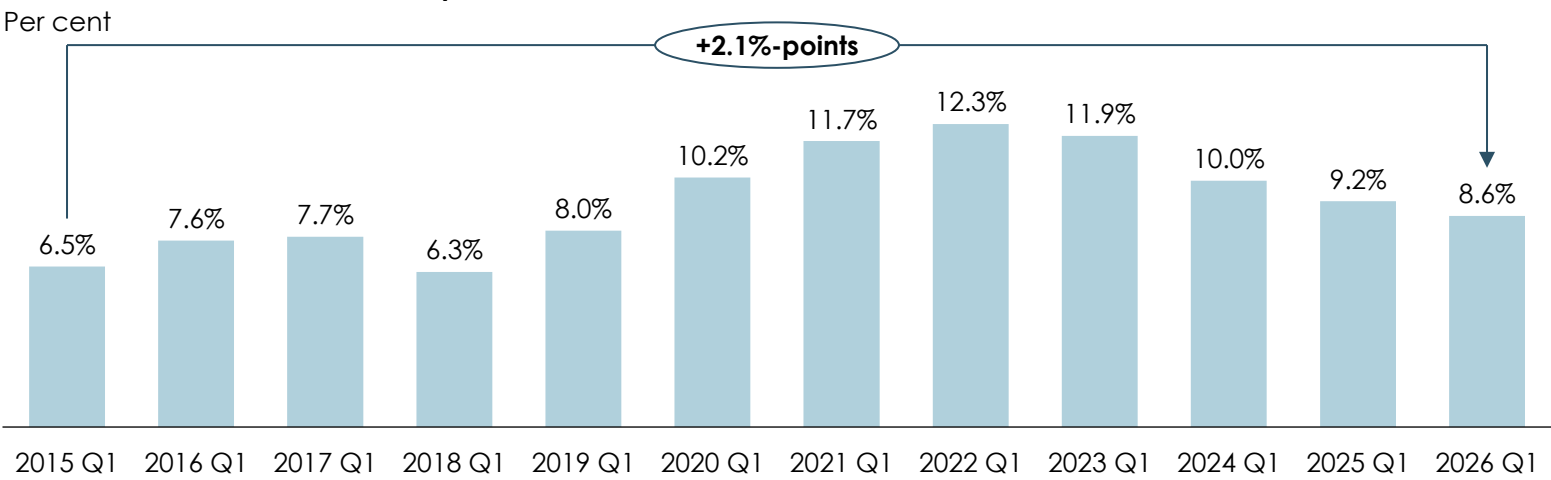
Loan assets from MFI increased by 56 per cent since 2015, much less than the 110 per cent growth in non-MFI credit lending, see the lower figure. This is in line with a general trend in Europe, where the importance of traditional bank credit has decreased since the financial crisis.<sup>2</sup>

The higher growth rate may stem from that non-MFI are not bound by the same rules as banks, such as capital and liquidity requirements, which can be one reason for this development.<sup>3</sup>

Regulatory arbitrage risk can emerge when nonbank institutions operate under different oversight frameworks than banks while engaging in similar financial activities. Post-financial crisis, banks have faced stricter regulation.<sup>3</sup> This difference in regulation may lead to uneven risk management and increase systemic vulnerabilities during periods of financial stress.

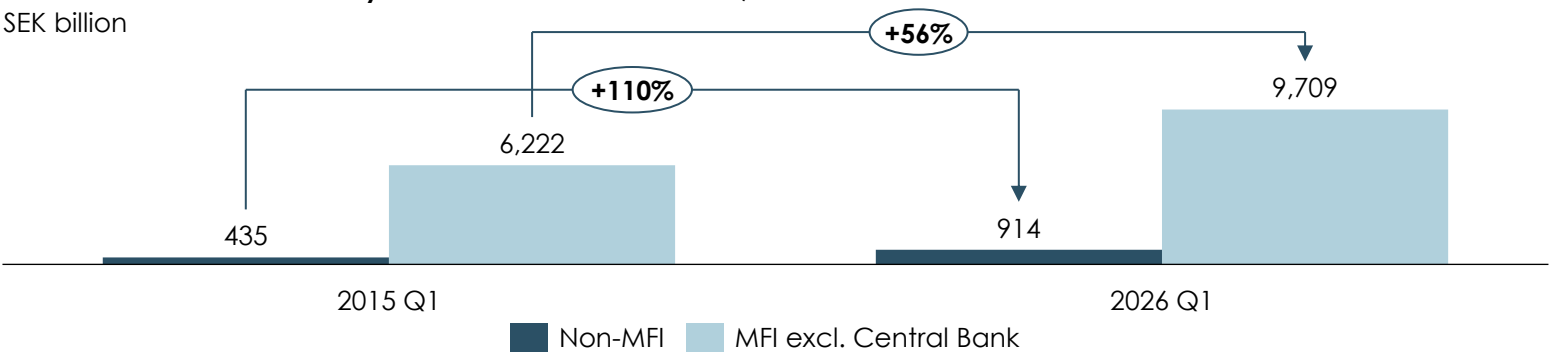
There is a trade-off between stability and efficiency in regulation.<sup>4</sup> Banks add value by screening borrowers, monitoring credit, and transforming deposits into loans. Monitoring banks is key to financial stability, depositor protection, and reducing systemic risk. But finding the right level of oversight is challenging. Too little monitoring invites excessive risk-taking, while too much can hinder core banking functions. If oversight becomes too strict, banks may lend less or avoid risk, reducing credit for smaller or riskier borrowers. This can push lending into the less regulated non-bank sector, raising new risks. The extent to which the growth of non-bank lending is caused by regulatory arbitrage is uncertain.<sup>5</sup>

Market share in loan assets held by non-MFI in Sweden, 2015–2026



Source: Statistics Sweden (2026b): "Financial accounts".

Growth in loan assets held by non-MFI and MFI in Sweden, 2015–2026



Source: Statistics Sweden (2026b): "Financial accounts".

1) Including both MFI and non-MFI loan assets. / 2) See ECB (2021a). / 3) See SAFE White Paper ECB (2025). / 4) See Farhi and Tirole (2020) and McKinsey (2018). /

5) For example, Li & Myers (2025) do not find evidence of regulatory arbitrage in Sweden.

# Credit from non-MFI has also grown in significance in other Nordic countries

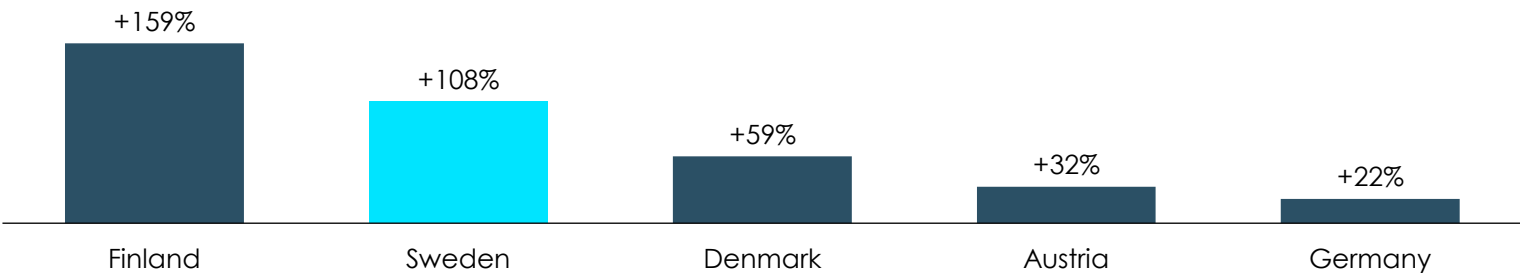
Compared with other European countries, loan assets from non-MFIs in Sweden have grown by 108 per cent, second only to Finland's 159 per cent from 2015 to 2026, see the upper figure. However, non-MFI credit growth in Sweden exceeds that in Denmark, Austria, and Germany.

The high growth rates, and the resulting increased share of non-MFI credit in the total credit market, suggest that Sweden provides an advanced digital infrastructure for financial innovation and that Swedish consumers and corporations are increasingly open to adopting these alternatives to traditional banks. It should be noted that traditional banks still hold a relatively strong position in the Swedish credit market, as illustrated on the previous pages.

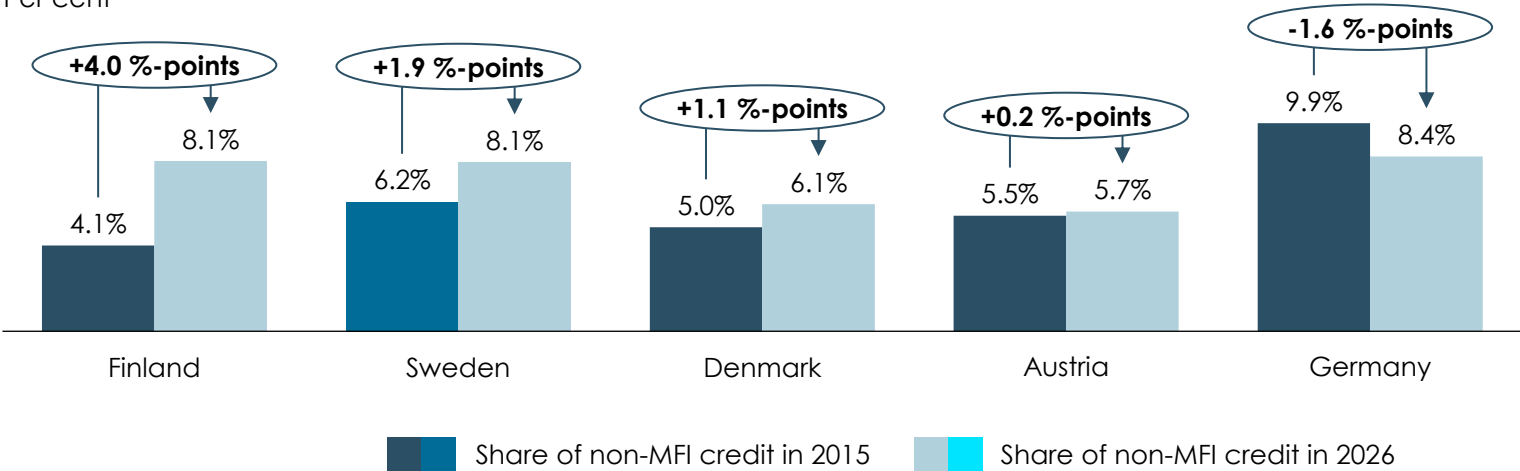
Sweden's central bank, the Riksbank, has highlighted the growth of the non-bank financial sector in the economy and the increase in related risks, which currently stem mainly from inadequate regulation.<sup>1</sup>

The share of credit from non-MFI of total credit has also increased in Finland, Denmark, and Austria, see the lower figure. The extent of growth varies slightly between these countries, reaching 4.0 percentage points in Finland but only 0.2 percentage points in Austria. In Germany, the share of non-MFI credit has decreased by 1.6 percentage points during the period.

**Growth rate of loans granted by non-MFIs in Sweden and in selected comparison countries between 2015 Q1-2026 Q1<sup>2</sup>**  
Per cent



**Non-MFI loan assets as a share of total loan assets in 2015 Q1-2026 Q1**  
Per cent



*Note: In ECB's data for the figure, non-MFI include insurance corporations, pension funds and other financial institutions (except investment funds). ECB's categorization of non-MFIs may differ from that used by the SCB, and hence there are marginal differences in the data and growth rates between SCB and ECB data.*

*Source: European Central Bank (2026b), "Financial accounts by sector".*

1) The Riksbank collaborates with other regulators at the EU level in developing a regulatory framework for the non-bank sector, see Riksbanken (2025). /  
2) The growth rate differs from the rate in page 22, as it is based on the whole year instead of quarterly data.

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