

COMPETITION IN THE SWEDISH BANKING SECTOR

Finance Sweden
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Preface

In 2019, Finance Sweden (previously: Swedish Bankers' Association) asked Copenhagen Economics to analyse the competition in the Swedish banking sector to provide facts for the level of competition in the Swedish banking sector. In 2023, we updated and expanded on the 2019-report. Now, we have been asked to update the 2023-report. For most of the figures, new data has been published, but for some of the figures, we still use the figures from the 2023-report, as the data source has not been updated since 2023.¹

The purpose of our analysis is to assess whether competition in the Swedish banking sector is sufficient to secure good quality for consumers regarding the type of product and service as well as the lowest possible prices.

SCOPE AND METHODOLOGY OF ANALYSIS

Throughout the report, "Swedish banks" refer to institutions providing financial services to Swedish banking customers. This includes 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 activity (e.g., asset management), foreign activities are included.

When comparing banking sectors in different countries, we only include banks with more than 1 bn 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 Thomas Reuter Eikon and SCB. In addition, we use aggregated country numbers from the European Central Bank (ECB) and the European Banking Authority (EBA).

We compare the performance of the Swedish banking sector to other European countries, with similar structures of the banking market, effective law systems, and stable political environments. Concretely, this is the other three Nordic countries (Finland, Denmark, and Norway), the EU's two largest economies (France and Germany), and the Netherlands and Belgium.

1) See footnotes below the figures in the report, where we state if the figure has not been updated.

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Executive summary

The Swedish banking market has high consumer mobility and market shares shift over time

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. As analysed in the previous report, Sweden has high consumer mobility.

The European Commission found that from 2017-2022, Sweden had the highest share of customers who have changed providers of financial products - across all types of products. This implies that the Swedish banking market has low barriers to switching banks, which increases the competitive pressure on banks.

Small banks are gaining market shares from the larger banks in Sweden. From 2014 to 2024 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. The same picture is evident in the Swedish mortgage market, as market shares change between banks from year to year.

At the same time, 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.

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

Swedish banks have lower operational costs than comparable EU 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, Swedish interest rates are once again among the lowest among the benchmark countries in 2023 and 2024.

Profitability for banks varies over the business cycle

Banks' returns are cyclical. Recent increases in profits should be seen in this context. Prices and profits in the Swedish banking market rose during 2023 and 2024 – and in general Swedish banks currently have higher returns on equity than banks in other European countries. However, increased profits are seen across Europe due to increasing interest rates on lending, stickiness in deposit rates, and no increase in losses yet, impacting the banks' performance positively.

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 2017-2024, annual loss rates for Swedish banks were close to zero – the lowest among benchmark countries. Low losses are an indication of an effective and secure system where banks adjust their assessments of e.g., property values through a 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 case of defaults.

The efficient lending system is also expressed in a low yield spread between Swedish mortgage loans and treasury bonds, which has been 1.9 percentage points on average in the period 2009-2024. 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.¹

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

Between 2019 to 2024, Swedish banks realised a return on equity of around 12.9 per cent, which is the highest among countries in our comparison. However, international comparisons of profitability are much affected by differences in business cycle situations across Europe: Here Sweden is at the top, while banks in e.g., Germany, France, and the Netherlands have seen higher impairment levels in the period, lowering returns for equity holders.

We also find that the profitability of Swedish banks is at average compared to other large listed companies within Sweden.

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 in 2023 and 2024 than in recent years, but this should be seen in the context of a changing macroeconomic environment with increasing interest rates on lending.

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.

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

Introduction

Financial services have special characteristics

Financial services differ from “normal” products in three areas:

First, financial services are complex in at least three ways:

- i. They are delivered over time, implying the customer needs to assess the trade-off between current and future needs – this could for instance be mortgage lending that has a 30-year time span.
- 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 advisors and customers will often be closer compared to other sectors, as the financial service is delivered over time. This implies the quality of advice needs to be higher compared to other sectors and price setting sharper. Trust between advisor and customer is important, as most perceive personal financials as a private matter.

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 above-mentioned characteristics of financial product imply that we cannot compare competition in the banking market directly to other sectors of the economy.

For instance, mobility is lower in the banking sector compared to other sectors, and consumers will often use the same bank for different financial services.¹ Also, there are economies of scale in the banking sector. Thus, there are benefits to banks having a certain size, and being able to supply different types of financial services.

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 banks have, as well as cost-effectiveness and prices charged by banks across selected EU 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.

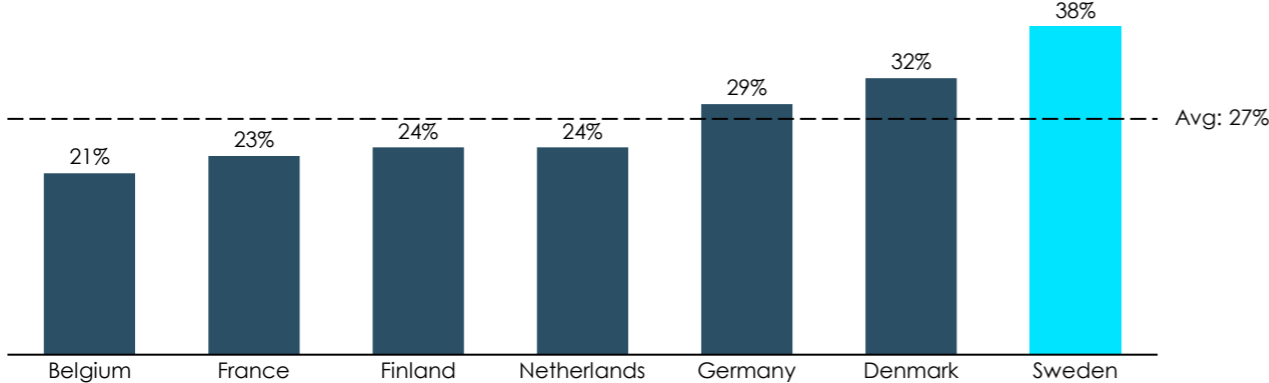
1 COMPETITION IN THE SWEDISH BANKING SECTOR



Sweden has high consumer mobility in banking and mortgage lending

Share of customers who have changed provider of one or several financial products (2017-2022)

Per cent



Note: Data has not been updated since our last report from 2023.
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:

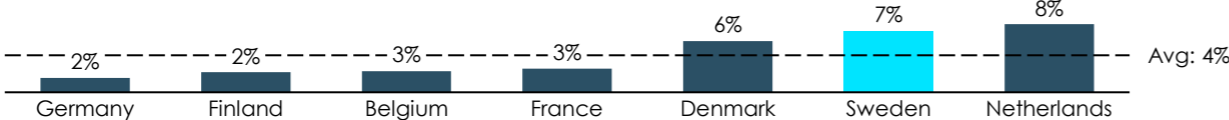
- Customers respond *if* the banking services of one or several banks are uncompetitive, e.g., banking customers change banks if the prices they are paying are higher than the prices charged by competing banks.
- There are no strong barriers for customers to switch banks.

Sweden has high customer mobility in financial services, when compared to other EU countries, see most recent results from the European Commission's Eurobarometer on financial services.¹

Sweden ranks highest in the share of customers who have changed providers of their financial products (across all types of products), see the upper figure. Typically, mortgages are products where customers change providers the least frequently. Looking at the share of customers who have changed their mortgage provider, Sweden is ranked second of the countries in our comparison, see the lower figure.

Share of customers who have changed mortgage loan provider (2017-2022)

Per cent



Note: Data has not been updated since our last report from 2023.
Source: European Commission (2022).

1) European Commission (2022)

Small banks are gaining market shares in Sweden, suggesting a dynamic banking market with sound competition

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.

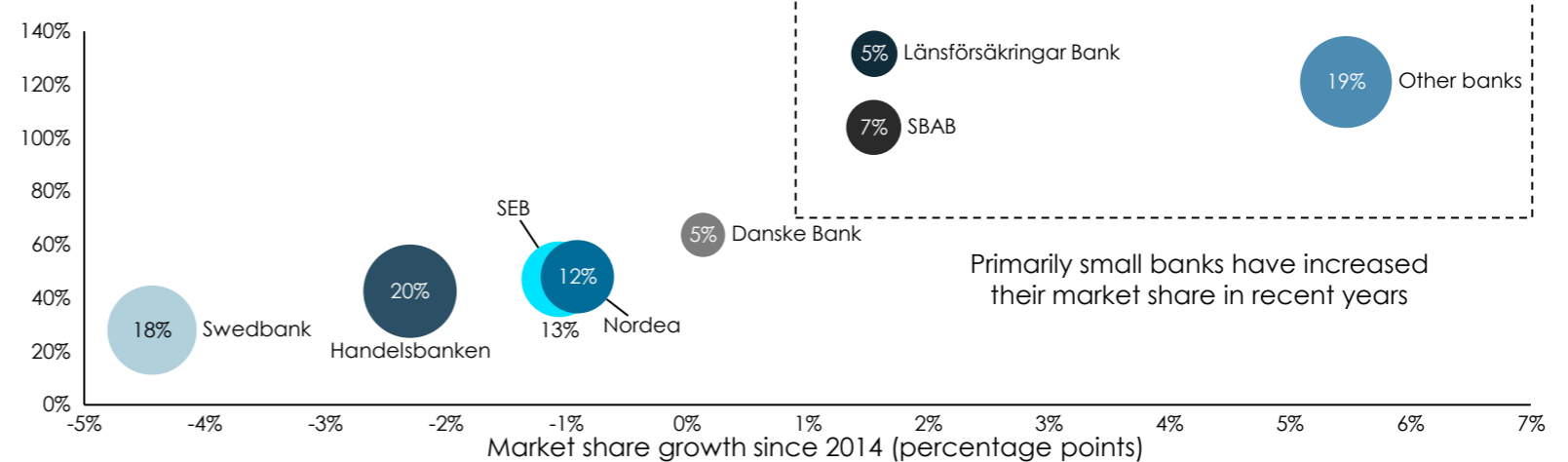
The four biggest banks on the Swedish credit market in 2024 were Handelsbanken, Swedbank, SEB, and Nordea. They account for 63 per cent of the Swedish credit market, see the upper figure.

Smaller banks are gaining market share. Since 2014, the four largest banks have lost market shares, with Swedbank experiencing the biggest decline, by almost 5 percentage points. Smaller banks in Sweden have collectively gained market shares since 2014 through larger growth in lending, see lower figure. This development is more pronounced than in our 2023-report.

The fact that smaller banks can expand and gain market share from the larger banks, suggests sound competition in the Swedish banking market. Some consumers do change the provider of financial services, despite the general lower mobility in the financial sectors, compared to other sectors.

Shares of the total credit market in Sweden (including mortgages, corporate loans etc.) in 2024

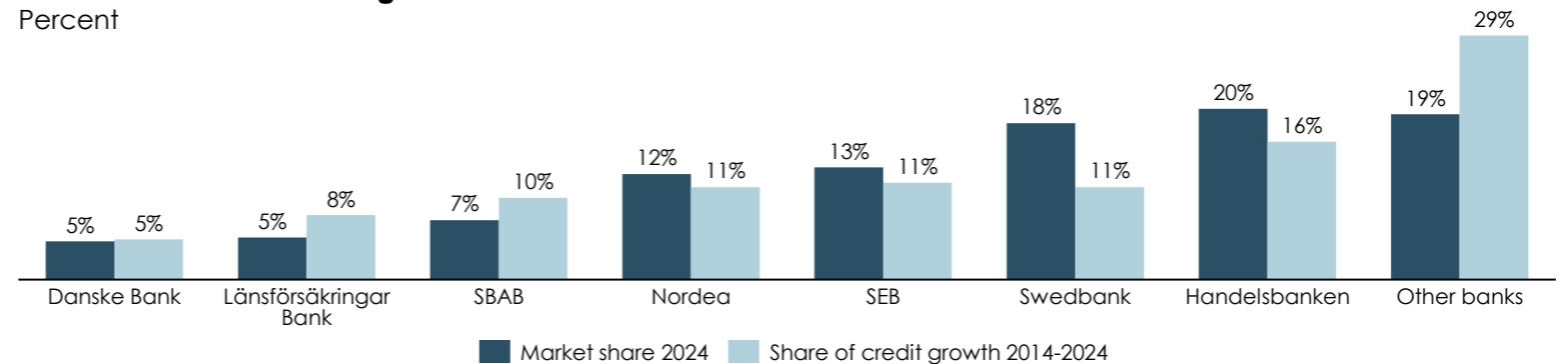
Credit growth 2014-2024 (per cent)



Note: The figure is based on data from SCB. It thereby differs from the Thomas Reuters Eikon 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 2024. Source: SCB, "Lending to households and non-financial corporations".

Share of total net credit growth in Sweden from 2014-2024

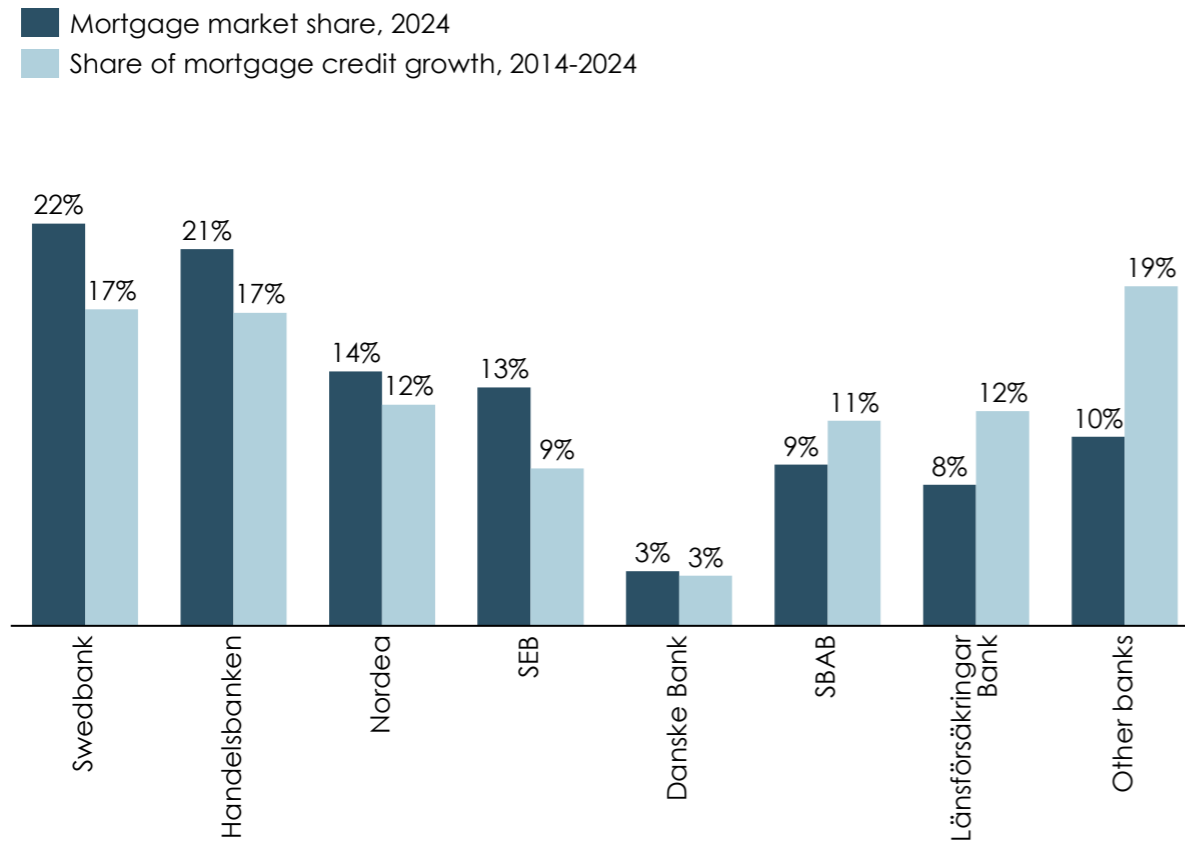
Percent



Note: The figure is based on data from SCB on "Lending to households and non-financial corporations". It thereby differs from the Thomas Reuters Eikon database used in the rest of the report, which is based on income statements. Source: SCB, "Lending to households and non-financial corporations"

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

Mortgage market shares in Sweden in 2024 and share of credit growth in the mortgage market in Sweden during 2014-2024
Percent



Note: We have not included the new lending market share for 2024 in the figure due to a low overall increase in net lending.

Source: SCB, "Lending, Sweden, Collateral housing, Households".

In Sweden, there are several big actors in the mortgage market. 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. In 2024, *other banks* (i.e., not part of the seven biggest banks in Sweden) constituted 35 per cent of the total new mortgage lending, higher than their 10 per cent market share.

However, the net growth of the lending market was relatively small in 2024. The stock of mortgages in Sweden grew by just 1.4 per cent from December 2023 to December 2024.¹ In comparison, the growth was between 4.0 and 7.0 per cent per year from 2019 to 2022.²

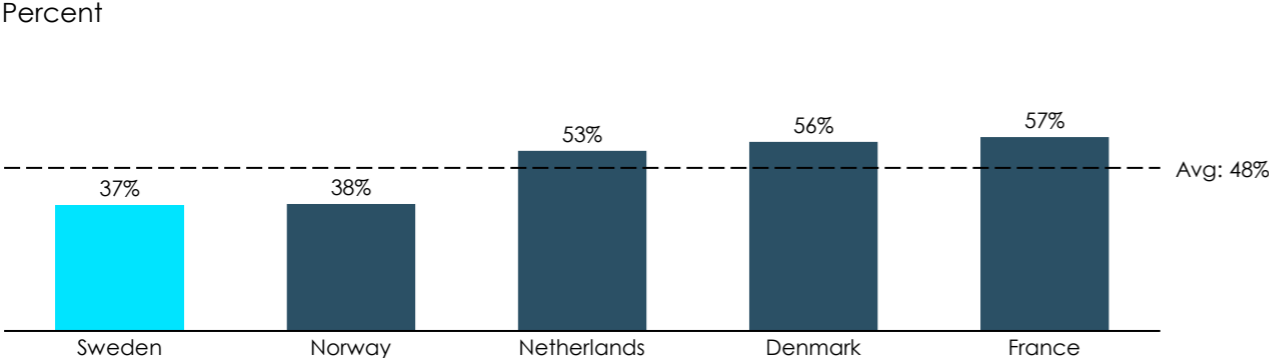
Over a longer period from 2014 to 2024, smaller banks have also had a larger share of the credit growth (19 per cent) than their respective market share entails (10 per cent in 2024). Two of the largest banks, Handelsbanken and Swedbank, have also had a large share of the growth since 2014, each with a 17 per cent share of the total credit growth among Swedish banks.

1) SCB, "Lending, Sweden, Collateral housing, Households".

2) Therefore, one should be cautious about concluding too much from the new lending market share for 2024 alone, which is why we have not included the new lending market share for 2024 in the figure. In 2023, the growth was 0.6 per cent.

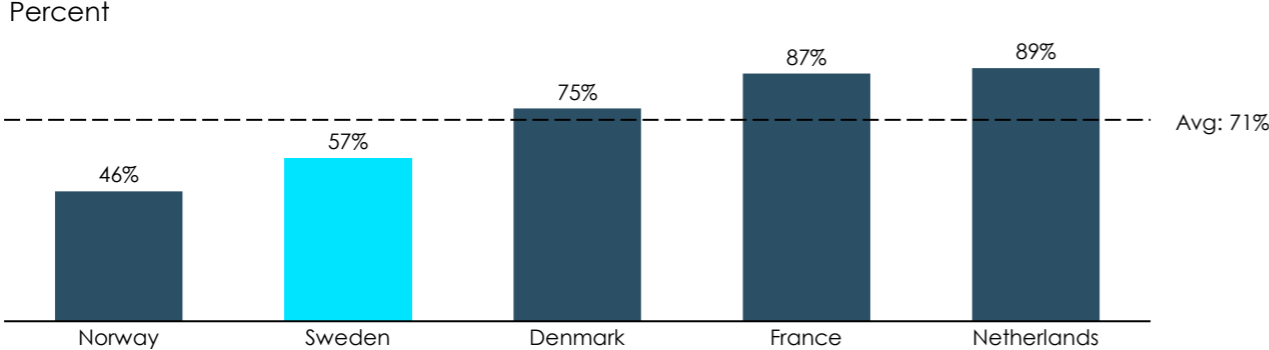
Swedish banking market concentration is lower than average among comparable countries

Market shares for the two largest banks per country, 2024¹



Note: Market shares are calculated based on net loans from the Eikon database. The ratios of domestic to foreign loans are taken from the 2023 report. Aggregate loan data are obtained from the respective countries' national statistics. Finland is excluded as data for one of the largest banks (OP Financial Group) is not sufficient for this figure. Source: Thomas Reuters Eikon (2025).

Market shares for the four largest banks per country, 2024¹



Note: Market shares are calculated based on net loans from the Eikon database. The ratios of domestic to foreign loans are taken from the 2023 report. Aggregate loan data are obtained from the respective countries' national statistics. Finland is excluded as data for one of the largest banks (OP Financial Group) is not sufficient for this figure. Source: Thomas Reuters Eikon (2025).

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 fact box below.

Looking at the market share of respectively the two and four largest banks in Sweden, we find the concentration of the Swedish banking sector to be below average. Thus, there does not seem to be insufficient competition in the Swedish banking sector based on the level of market concentration.

The banking sector concentration in Norway is low due to many smaller savings banks often covering a limited geographical area.

Fact box: 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, 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 the economies of scale.² ECB calls concentration indices in banking an “ambiguous measure” of competition.³

Thus, the “optimal” concentration in the banking sector would be to have enough banks such that each individual bank does not have too much market power, but where each bank is large enough to realise economies of scale.

1) Market shares for Sweden's largest banks have decreased between 2022 and 2024 due to an increase in aggregate lending in Sweden but a decrease in lending by the largest banks.
 2) Claessens and Laeven (2004) found that bank concentration and competition were positively correlated. / 3) ECB (2007) p. 7

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 altogether.

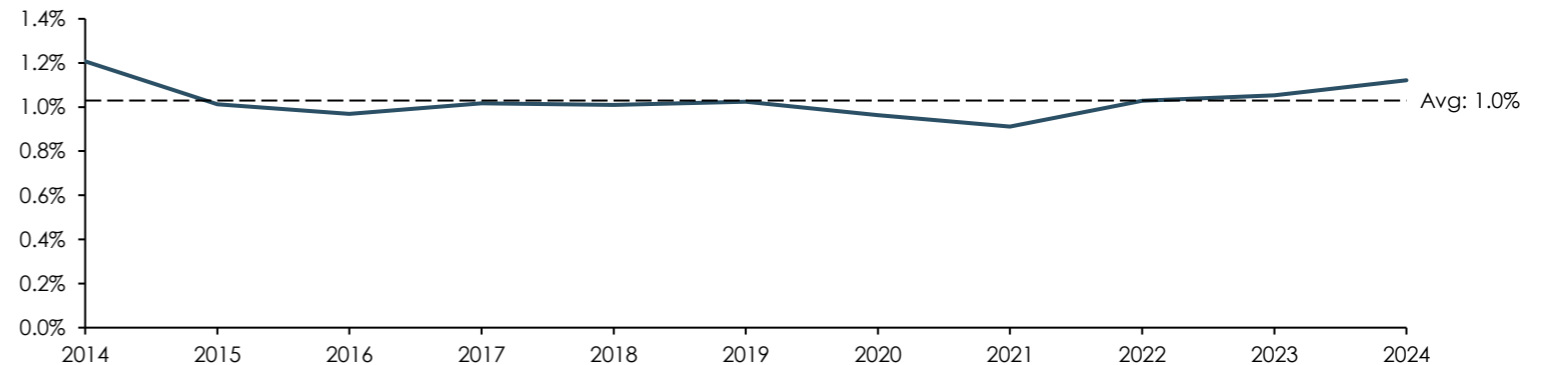
The Swedish financial sector appears to be efficient. Swedish banks have low and stable operational costs of around 1 per cent of their asset value in the period from 2014 to 2024, see the upper figure, suggesting that Swedish banks have already reached a lower threshold for costs. While additional regulations and compliance requirements have been introduced in the period¹, 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 the benchmark countries, see the lower left figure.

One of the reasons 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 have low costs while maintaining a high service level.

Operational costs in Swedish banks, 2014-2024

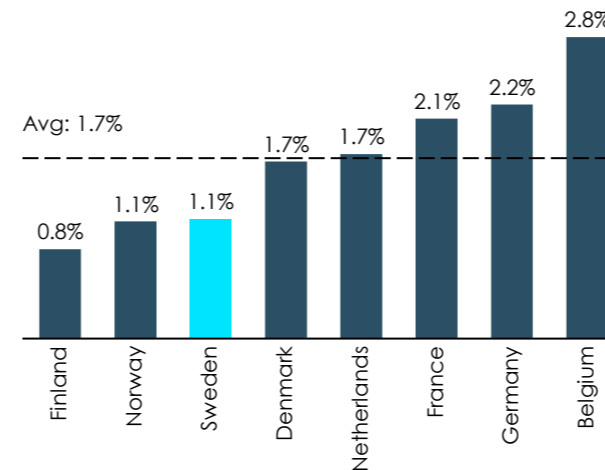
Percent of total assets



Source: Thomson Reuters Eikon (2025).

Operational costs, 2024

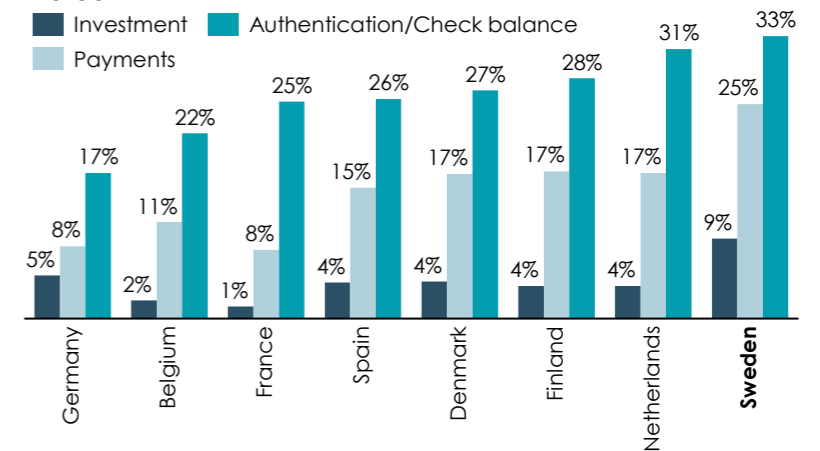
Operational costs as per cent of total assets



Source: Thomson Reuters Eikon (2025)

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

Percent



Note: Data has not been updated since our last report from 2023.
Source: European Commission (2022)

1) Capital requirements was increased in the aftermath of the financial crisis. In addition, anti-money laundering compliance and ESG requirements have been sharpened during the period.

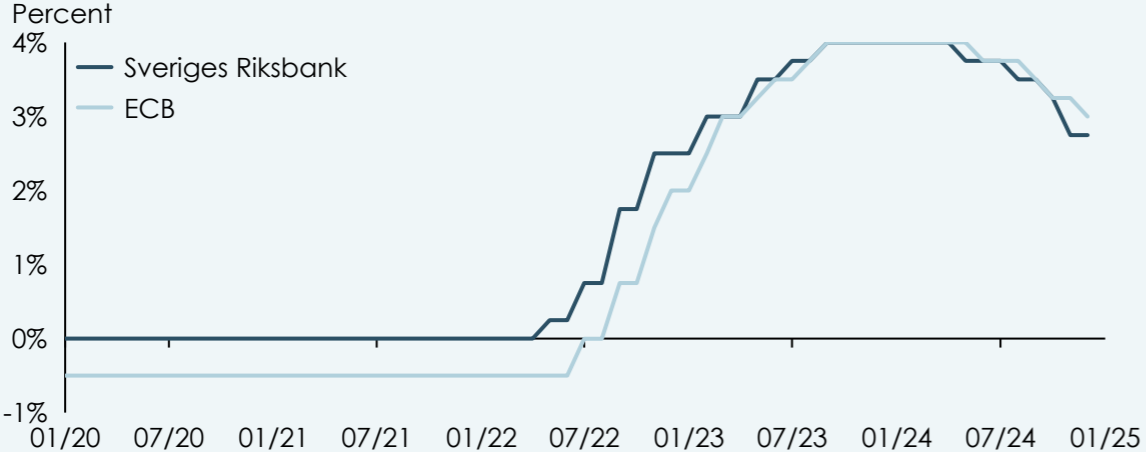
Banking customers in Sweden are offered low-priced financial services

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.

Historically, interest rates in Sweden have been among the lowest in Europe.¹ We find relatively low-interest rates in Sweden for corporates and SMEs in 2021, see figure to the right, despite the central bank interest rate being 0.5 percentage points higher than in the euro area in 2021, see figure below.

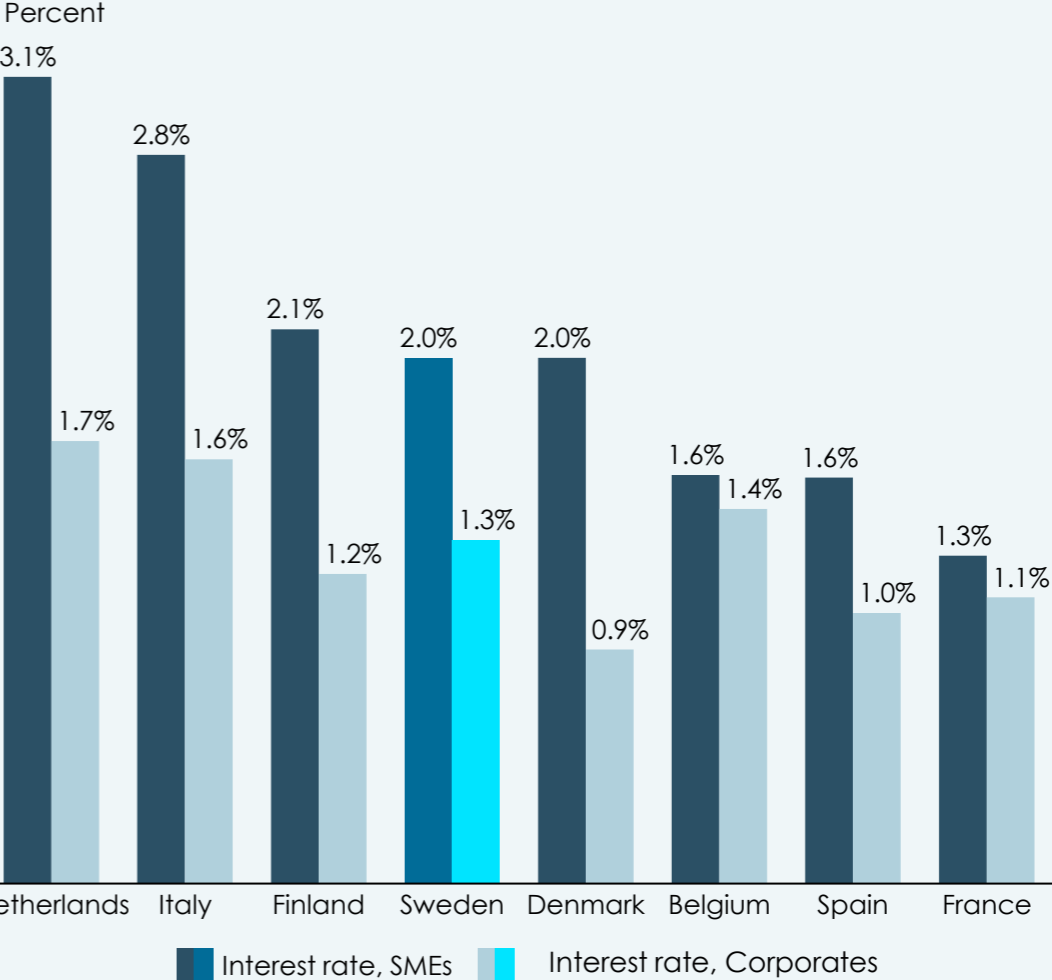
Several factors influence interest rates, such as money market rates and the nature of the credit provided. Therefore, the level of the interest rates cannot be used as a stand-alone measure of banking sector efficiency. The interest rate level in Sweden was higher in 2022 than in previous years, which is partly due to the Swedish central bank increasing its interest rate earlier than the ECB through the last year, see figure below. In 2024, the Swedish central bank interest rate went below ECB's rate, which is one of the reasons why Sweden is among the countries with the lowest interest rates, see next pages.

Central bank interest rates in Sweden and euro area, 2020 - 2024



Source: Copenhagen Economics based on Riksbanken (2025) and ECB (2024a).

Average interest rates for SMEs and Corporates, 2021



Note: Most recent data is from 2021.
Source: OECD (2021)

1) Not covering Central Bank rates. Source, see for instance Copenhagen Economics (2019).

Swedish banks pass on their low costs to customers

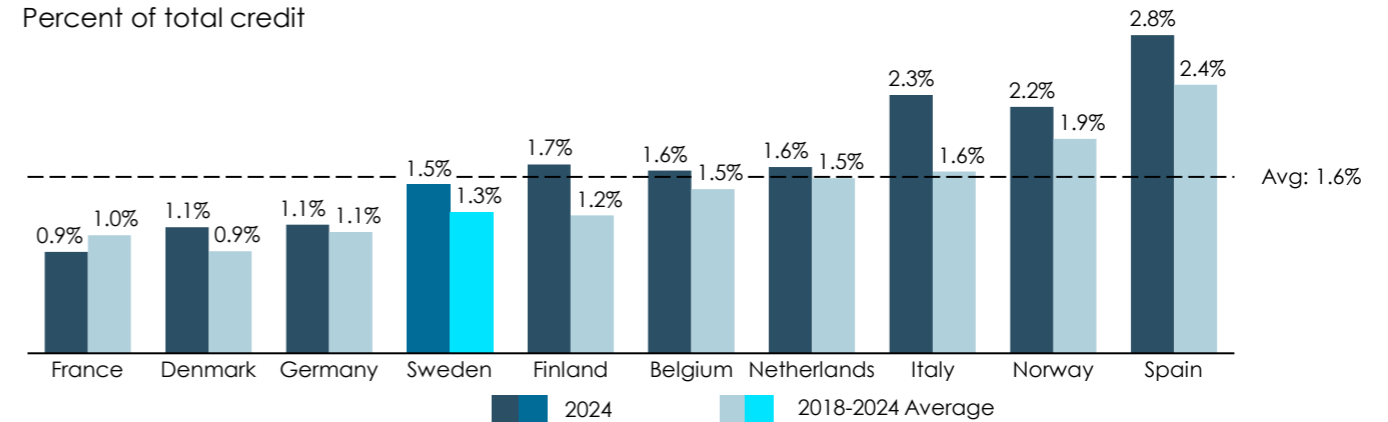
Pass-through of costs is a measure of competition. On one hand, if banks in the market have market power, they may be less likely to reflect low(er) costs in lower prices to banking customers, resulting in higher end-user prices. On the other hand, if prices are cost-driven, it is a sign of strong competition,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

Swedish banks have low net interest margins – lower than average across the analysed countries – and below 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, i.e., charging lower prices, instead of using cost-effectiveness to increase their margins.

Sweden has above-average operational profit (before impairments) as a share of assets among the benchmark countries, 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 2024 as compared to previous years.

Net interest margin, 2024

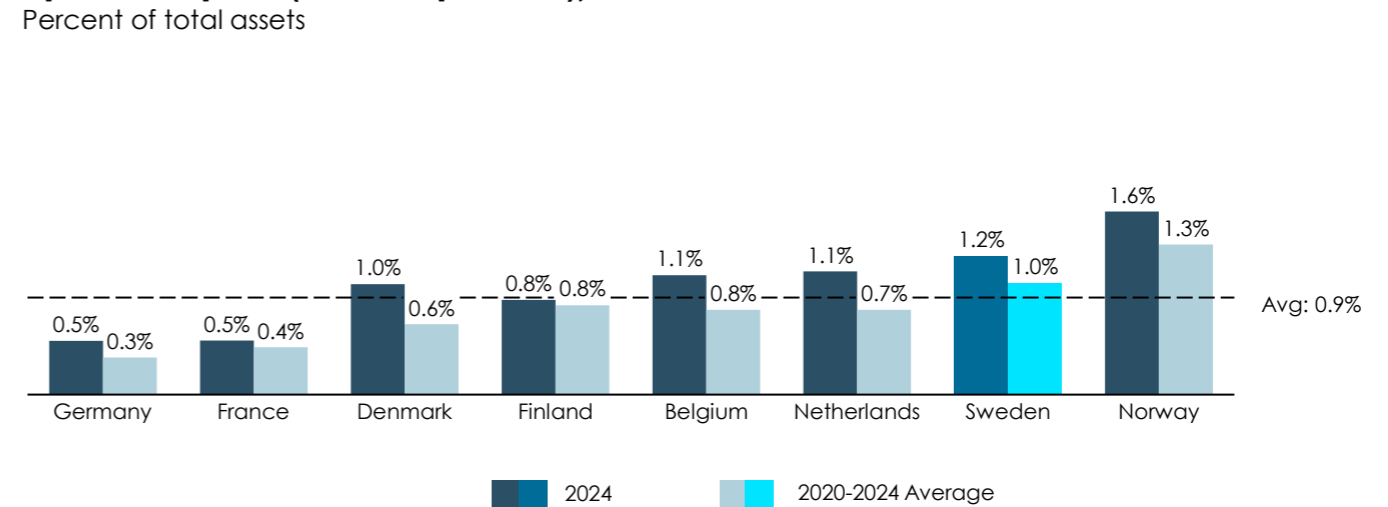
Percent of total credit



Note: EBA Risk Dashboard does not include data from Norwegian banks from June 2021 to March 2022 due to the implementation of the reporting framework based on CRR2/CRD5 taking place only in Q2 2022. Source: EBA Risk Dashboard (2024).

Operational profit (before impairment), 2024

Percent of total assets



Source: Thomson Reuters Eikon (2025).

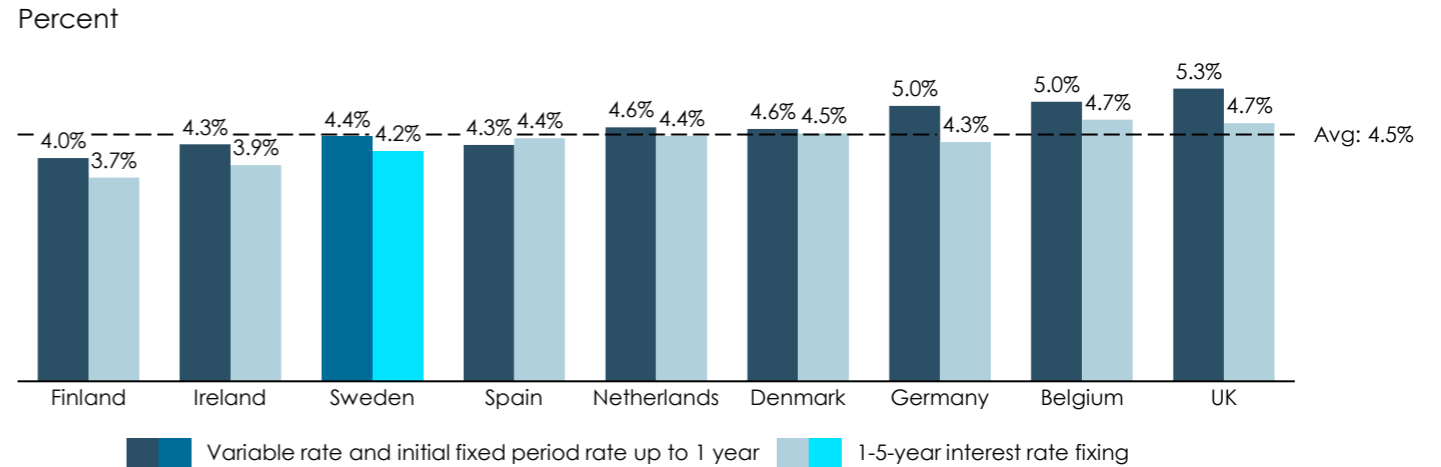
Swedish mortgage rates have historically been among the lowest in Europe

Sweden has long been known for its historically low mortgage rates compared to other European countries,¹ and only Denmark has historically had lower interest rates on floating rate loans.

However, a shift occurred in 2022 as central banks began raising interest rates, marking a departure from the low-rate environment. The Swedish central bank increased the interest rate before ECB. In our 2023 report, we found that Sweden had the second highest mortgage rates relative to peer countries in 2022.

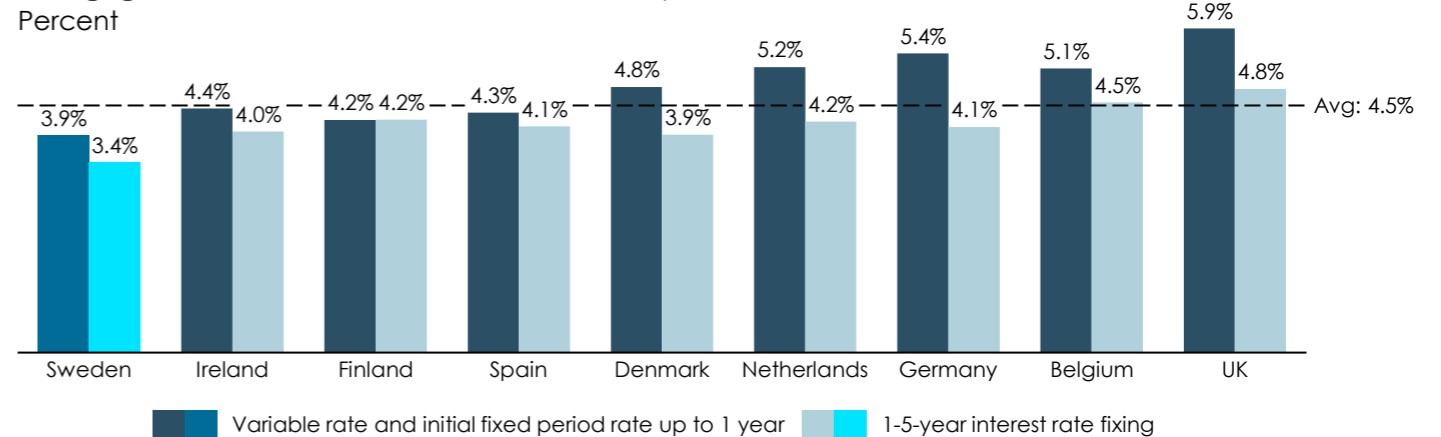
In 2023, Sweden again had some of the lowest mortgage rates, with only Finland and Ireland having lower rates. In 2024, Sweden has the lowest mortgage rates among the countries examined, partly due to the lower central bank interest rate relative to ECB.

Mortgage rate across selected EU countries, 2023



Note: The vast majority of Swedish home-owners have variable rate loans or loans with a short interest rate fixing
Source: EMF (2024)

Mortgage rate across selected EU countries, 2024



Note: Average rates for 2024 are till Q3. The vast majority of Swedish home-owners have variable rate loans or loans with a short interest rate fixing.
Source: EMF (2024)

1) See EMF quarterly report for the last couple of years. For multiple years in a row, Sweden has had the lowest interest rate in Europe with the exception of Denmark.

A scenic view of a city waterfront, likely Stockholm, Sweden. The foreground is dominated by a large body of water reflecting the sky and buildings. The middle ground features a row of historic buildings, including a prominent red brick building with Gothic-style windows and a tall, ornate tower with a green spire. The background shows more buildings and a cloudy sky.

2 EFFICIENCY AND PROFITABILITY OF THE BANKING SECTOR OVER BUSINESS CYCLES

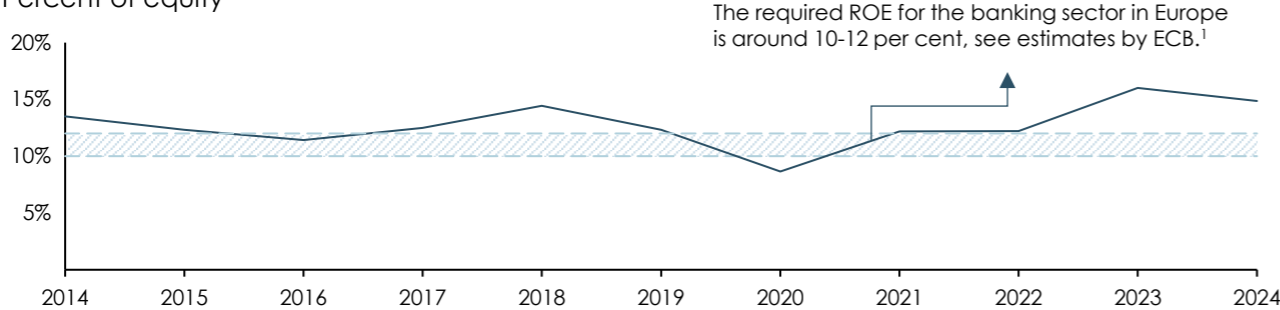
Profitability for banks varies over the business cycle

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 for Swedish banks, 2010 - 2024

Percent of equity



Note: The dark blue line is based on data from annual reports in Thomas Reuters Eikon. The required ROE is a standard rate and does not adjust with changing risk-free rates. Source: Thomson Reuters Eikon (2025).

Profits for Swedish banks rose in 2023

In 2022 and 2023, central banks increased interest rates significantly to combat inflation, as shown in Chapter 1. Banks followed, and lending rates have thus increased. At the same time, there is some stickiness in the development of deposit rates relative to central bank rates. The stickiness has led to increased income for Swedish banks – see upper figure – as well as for banks in other countries.

Over a longer period, Swedish banks have been both above and below the required return on equity as estimated by ECB, see upper figure. In 2023 and 2024, the return on equity was above the threshold.

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 increase to their deposit rates (deposit beta), see lower table, which 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.² This suggests that the price stickiness among Swedish banks is less than for other European countries including Germany, Belgium, Finland, and the Netherlands.

Deposit betas for European countries, January 2022 to July 2023²

	Deposit rate January 2022	Deposit rate July 2023	Increase in deposit rate	Increase in policy 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) ECB (2021) measures the cost of equity of euro area banks and find, via estimations from 9 different models, that required return from investors (providing the equity) is around 10-12 per cent. / 2) Based on deposit rate betas for large banks numbers from January 2022 to May 2023, see ECB (2023b), Financial Times (2023). The Swedish number 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. Between January 2022 and July 2023, the deposit beta for the Euro area was 19 per cent, for Germany 19 per cent, Belgium 15 per cent, Finland 23 per cent, France 28 per cent and the Netherlands 28 per cent. These numbers are based on deposit rates and policy rates from ECB. Denmark is not in the Euro area and therefore not included.

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.

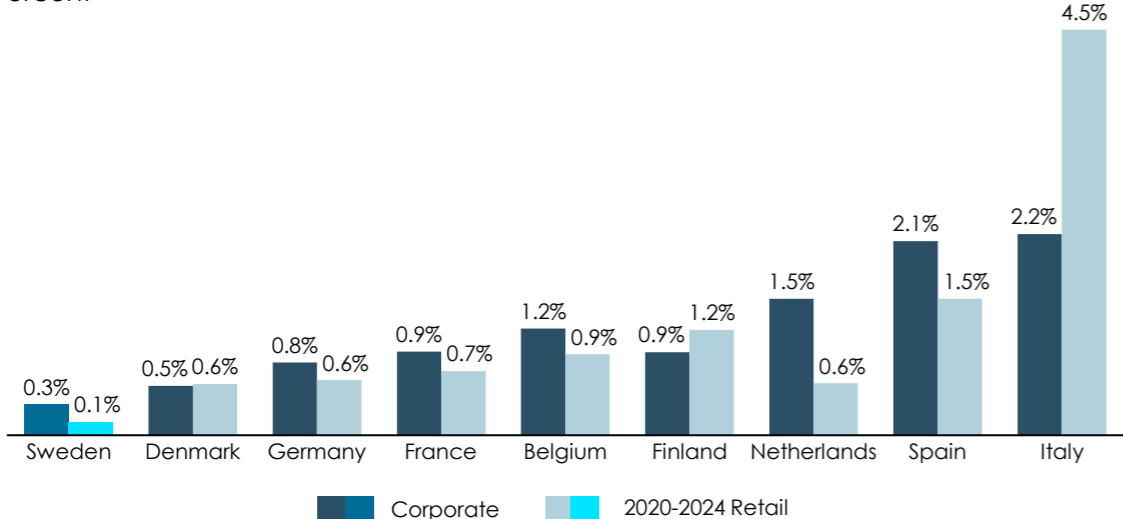
Banks in Sweden¹ experience low default rates on loans for both corporate and retail customers (the majority of which is mortgages) - respectively 0.3 per cent and 0.1 per cent on average per year from 2017-2024, but default rates have increased slightly in recent years. This is the lowest level among the benchmark countries, see the figure below. For most years over the last 15 years, housing prices have increased in Sweden contributing to the low default rates as the mortgage security did not lose value.

Banks in Sweden also experience low losses on both corporate and retail loans. In the period from 2017-2024, average yearly loss rates for Swedish banks were close to zero – the lowest among benchmark countries, see the figure below.

The low losses are an indication of an effective and secure system that is capable of conducting 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 – this secures low losses for banks even in the case of defaults.

Average rate of default for corporates and retail, 2017-2024

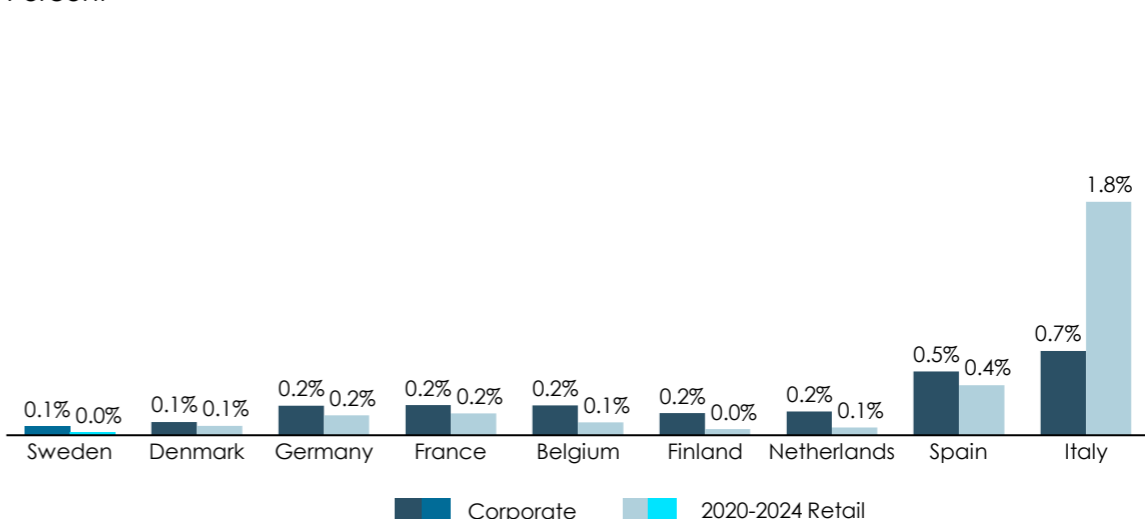
Percent



Note: Values shown are the averages of the default rate for the time period. The data is from the Transparency Exercise and covers Kommuninvest, Länsförsäkringar Bank AB, SBAB Bank, Skandinaviska Enskilda Banken, Svenska Handelsbanken, and Swedbank for Sweden. Source: EBA Risk Dashboards (2017-2024).

Average losses for corporates and retail, 2017-2024

Percent



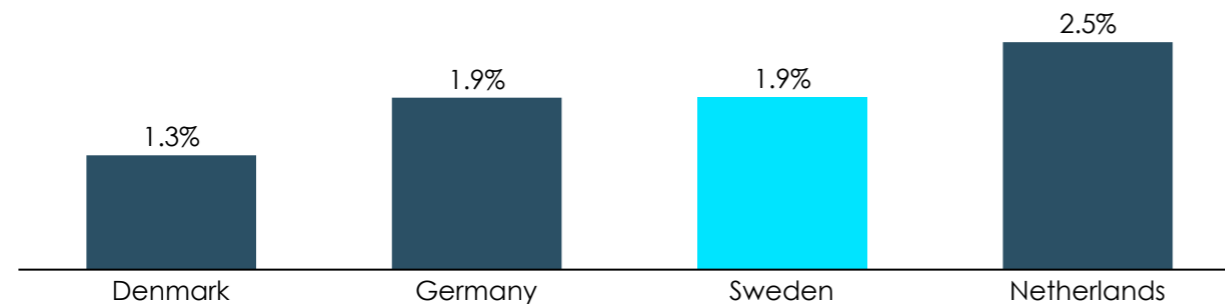
Note: Values shown are the product of the weighted average of default rate and weighted average of loss rate for the time period. Loss rates for Finland is missing for the following quarters 2019 Q3, 2021 Q3 and 2022 Q1. Source: EBA Risk Dashboards (2017-2024).

1) Banks analysed are Kommuninvest Group, Länsförsäkringar Bank, SBAB, SEB, Svenska Handelsbanken and Swedbank. 2) In Sweden almost 90 per cent of all homeowners have mortgage loans with variable interest rates or interest rates fixed for less than five years, implying most homeowners will be affected by the increasing interest rates in the coming time.

The Swedish banking system provides credit – also in time of crisis – at a slightly higher cost than in the Netherlands, Germany and Denmark

Interest yield spread between government bonds and mortgage loans

Percentage point, absolute average, 2009 – 2024Q3

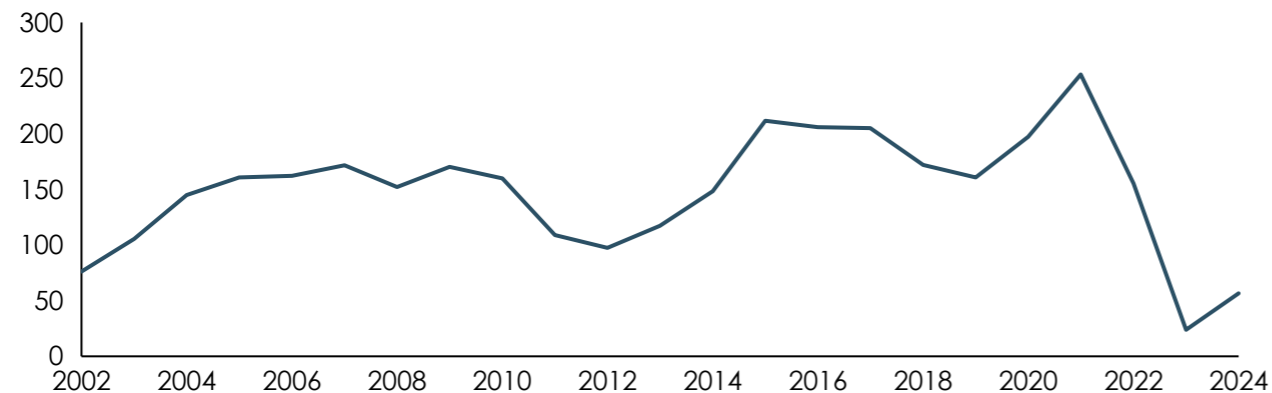


Note: The figure depicts the average absolute interest spread between short-term 3-month maturity treasury bonds and the short-term mortgage rate (1-5 years) for Denmark, Sweden, Germany and the Netherlands. Data for mortgage rates is depicted until Q3 of 2024. For Denmark, the mortgage rate only depicts the Danish "Realkredit" rate and not additional bank loans which have higher interest rates, meaning that the number shown for Denmark is below the total interest yield. Since our 2023 report, we have changed the starting year from 2005 to 2009 for better comparability.

Source: Copenhagen Economics based on OECD (2024) and European Mortgage Federation (2024)

Development in stock of mortgages in Sweden, 2001-2024

Year-to-year changes in stock, Billion SEK



Source: Copenhagen Economics based on SCB, "Lending, Sweden, Collateral housing, Households"

The market for covered bonds is an important part of the credit system – and a low interest *yield spread* between mortgage loans and government bonds suggest an efficient, low-cost mortgage system.

The Swedish yield spread was 1.9 percentage points on average from 2005-2024, see the upper figure. This means that on average, Swedish homeowners can borrow money at an interest rate that is 1.9 percentage point higher than what the Swedish government pays to borrow money. The yield spread is an expression of an efficient lending system with such high liquidity in covered bonds that it is comparable to the liquidity of Swedish government bonds – due to high investor confidence. Another explanatory factor behind the low yield spread is the low losses experienced in the Swedish banking sector, which help ensure that homeowners' financing costs are relatively low.

The yield spread between Swedish mortgage loans and government bonds has on average been 0.6 percentage points higher in Sweden compared to Denmark, at level with Germany, and below the spread in the Netherlands in the period 2009-2024.¹

In an economic downturn, it is key that banks are strong enough to continue financing investments for companies and households. If they are not, the economy risks a downward spiral with lower asset prices and more restrictive lending. The Swedish banking system provides mortgages throughout business cycles and thereby contributes to macroeconomic stability in Sweden. In the aftermath of the financial crisis (2010-2014) the mortgage stock in Sweden was still growing with around SEK 80-150 bn per year, see the lower figure.

In 2023, the stock of mortgages grew by only SEK 24 bn, partly due to lower housing prices, and following several years of much higher growth in the stock of mortgages.² In 2024, the stock increased by SEK 57 bn in 2024.

1) The Swedish yield spread is lower than the yield spread in many other European countries. Copenhagen Economics based on OECD (2024) and European Mortgage Federation (2024) / 2) See for example Finance Sweden (2024): *The mortgage market in Sweden*.

Between 2019 to 2024, Swedish banks realised a return on equity of 12.9 per cent

A prolonged period of unusually high profits can be a sign of weak competition. From 2019-2024 Swedish banks realised a return for their investors of almost 13 per cent, which together with Norway is the highest among the European countries we compare, see 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 a strong housing market and low losses.

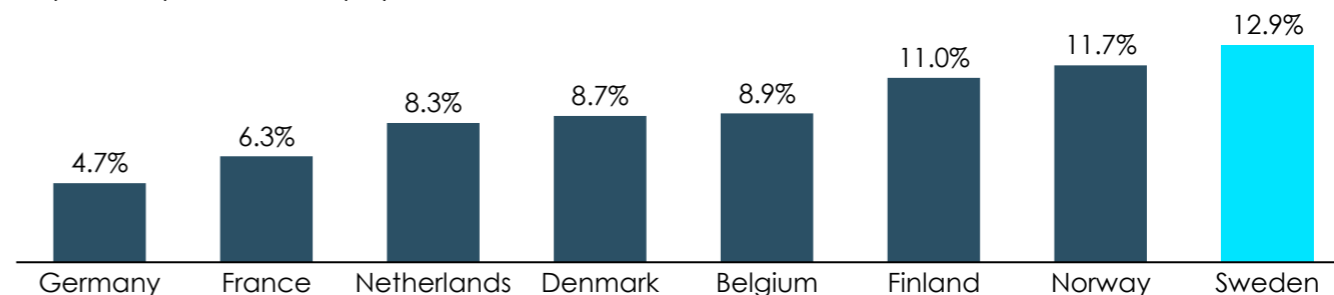
Meanwhile, banks in southern Europe have higher defaults and correspondingly higher losses – i.e., Italy and Spain have higher losses than the rest of the benchmarking countries shown on the previous pages. Germany, France, and the Netherlands have also seen higher impairment levels than Sweden in the 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.

When examining the development in net interest income, Svenska Handelsbanken's and Swedbank's net interest incomes remained constant during 2023-2024. Nordea's, Danske Bank's, and Swedbank's net interest income increased. Most of the other larger European banks have increased net interest income in 2024 compared to 2023, see lower figure.

Return on equity, 2019-2024

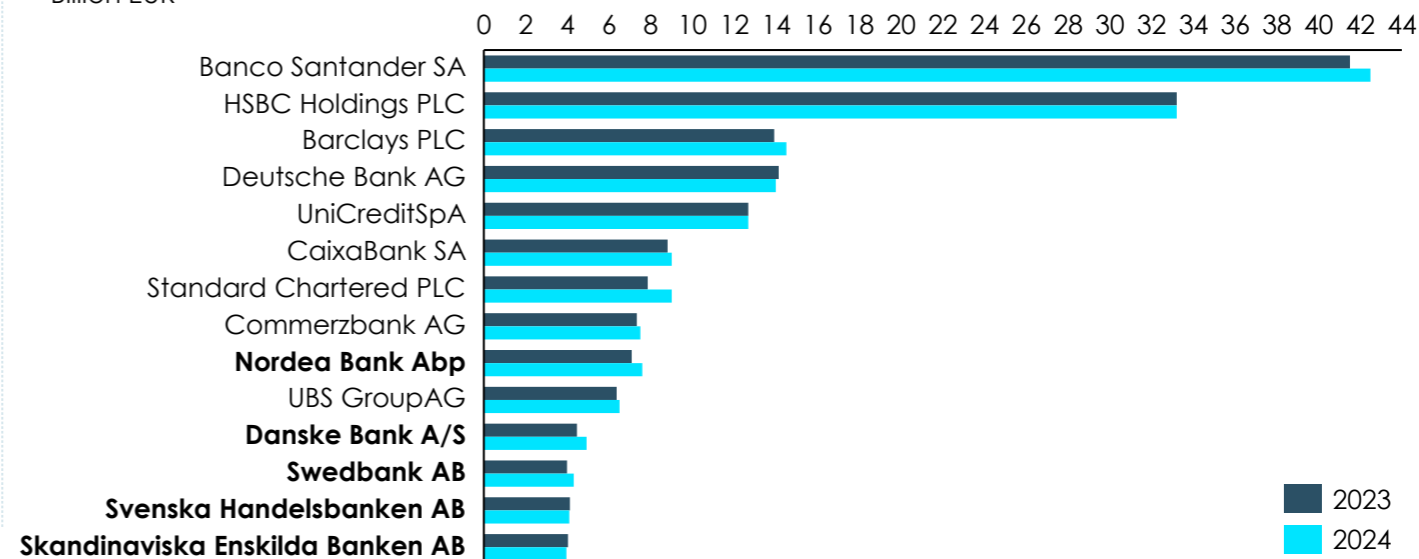
Net profit as per cent of equity



Source: Thomson Reuters Eikon (2025)

Net interest income for some of Europe's largest banks, 2023-2024

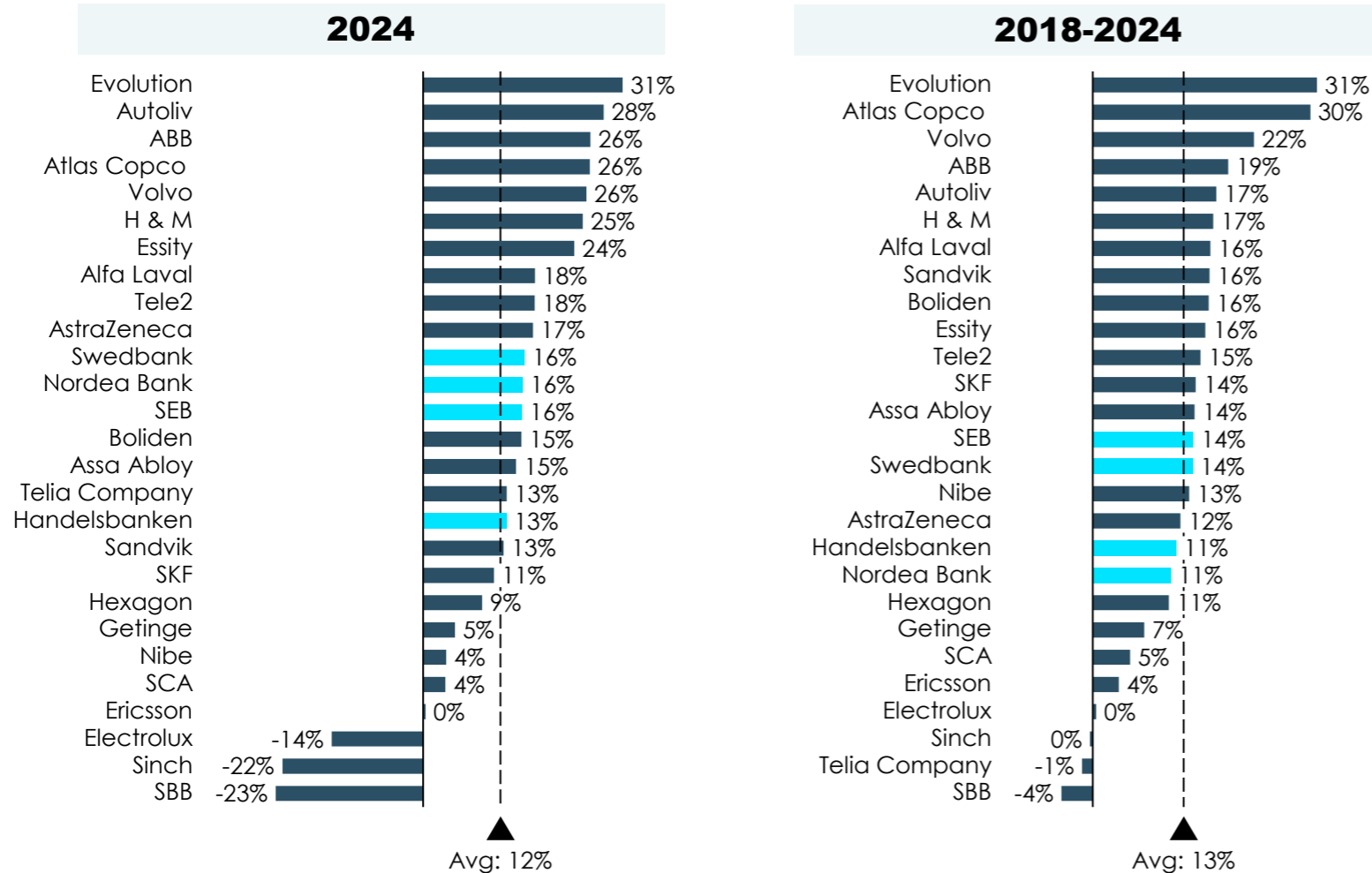
Billion EUR



Note: Numbers for 2024 for the Nordic banks (Nordea, Danske Bank, Handelsbanken, SEB & Swedbank) are retrieved from 2024 annual reports. Numbers for other European banks for 2024 are estimates by S&P Global.
Source: S&P Global (2023), Nordea (2025), Danske Bank (2025), Handelsbanken (2025), SEB (2025) & Swedbank (2025).

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

Return on equity for top 27 largest listed companies in Sweden, 2024 and average during 2018-2024
Percent of equity



Note: Kinnevik and Investor are not included in the figure, as their profits are mainly driven by equity investments.
Source: Dagens Industri (2025), "OMX Stockholm Large Cap"

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

In 2024, the average ROE for the 27 largest listed Swedish companies was 12 per cent, heavily influenced by three companies with negative ROEs.² In comparison the return on equity for the four largest Swedish banks was in the range of 13-16 per cent, i.e., slightly higher than average, see figure.

For the period 2018-2024, the four banks' returns were close to the average of 13 per cent.

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.

2) Average ROE was 16 per cent without including Electrolux, Sinch and SBB.

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