

Nordics outlook report

Third quarter of 2024



Design and Layout

Marketing and Communication Department
Management Solutions

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The objective of Nordics' quarterly report is to provide a comprehensive and summarized overview of the main indicators of the countries banking sector, as well as the macroeconomic situation at the end of each quarter.

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1. International overview

Global growth remains stable, driven by recovery in both advanced and emerging economies, with moderating inflation supporting real income growth. Labour market pressures continue to ease, while unemployment remains mostly stable, majorly at or near historical lows.

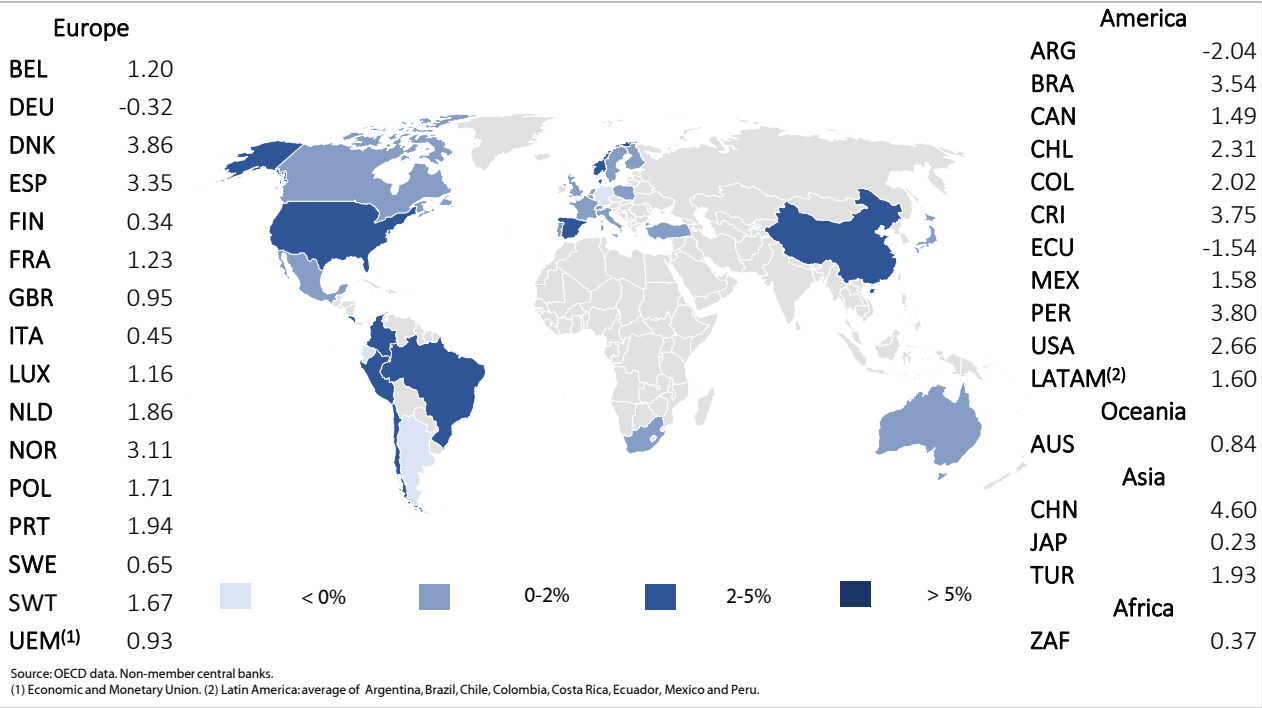
Macroeconomic outlook

- ▶ In the third quarter, GDP in the eurozone grew by 0.93% year-on-year, continuing its upward trend. However, Germany continued its negative trend, recording negative growth of -0.32%. The average CPI in the eurozone continued to fall for another quarter, reflecting the effectiveness of the EU's current monetary policy. Only the Netherlands recorded an increase in its CPI compared to 3Q23. The average unemployment rate in the eurozone was 6.33%, down slightly from 6.40% in the previous quarter.
- ▶ In the third quarter of 2024, U.S. GDP grew by 2.66%, while Canada's year-over-year growth was 1.49%, still slightly up from the second quarter. Latin America's growth rate rose to 1.87%. Inflation in the U.S. decreased to 2.62% and in Canada to 2.04%. The average inflation rate in Latin America was 2.57%, excluding Argentina's high rate of 234.24%. Also in Latin America, the average unemployment rate was 5.88%, with a slowdown observed in Brazil (6.40%) and Peru (5.99%), both of which declined on a quarterly and annual basis. On the other hand, the unemployment rate increased in the United States and Canada, reaching 4.20% and 6.50%, respectively.
- ▶ In the Asia region, China recorded growth of 4.60% in the quarter, down from 4.90% in 3Q23. Japan recorded a GDP increase of 0.23% after two consecutive quarters of negative growth. Turkey's growth slowed down to 1.93%, continuing a downward trend since 1Q24 (6.70%). China's inflation rose to 0.48%, an increase both year-on-year and quarter-on-quarter. Turkey ended its upward trend, with inflation dropping by 18.18 p.p. quarter-on-quarter and by 2.11 p.p. Y-o-Y. Unemployment rates in China and Japan remained relatively stable compared to the previous quarter. In Turkey, however, the unemployment rate decreased by 0.53 p.p. compared to 3Q23.
- ▶ In the third quarter of 2024, South Africa's GDP growth rate increased by 0.87 p.p. compared to 3Q23, reaching a growth rate of 0.37%. Inflation continued to decline, falling by 0.78 p.p. year-on-year. The unemployment rate remained high at 32.10%. In Australia, GDP slowed down with a decline of 1.28 p.p. compared to 3Q23. The CPI continued its downward trend and stood at 2.81%, 2.56 p.p. lower than in 3Q23. Unemployment worsened significantly by 4.62 p.p. compared to 3Q23.
- ▶ According to the OECD, indicators point to a gradual moderation in the second half of the year after the strong growth in the first half. The services sector slowed down in July and August, but recovered in September. Similarly, retail trade grew by 5.1% in the first half of 2024, remained flat in July and August, and then picked up again in September. Industrial production followed a similar trend, showing robust growth in early 2024, but losing momentum in July and August.
- ▶ The IMF's growth projections show that emerging economies will remain stable, similar to advanced economies, which slowed in 2023. Global inflation is expected to decline, although disinflation will be faster in advanced economies than in developing ones.

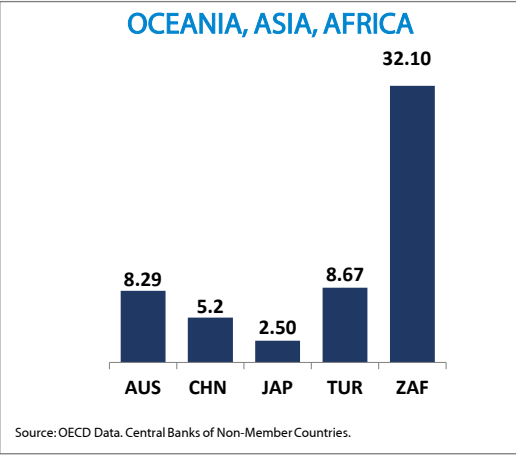
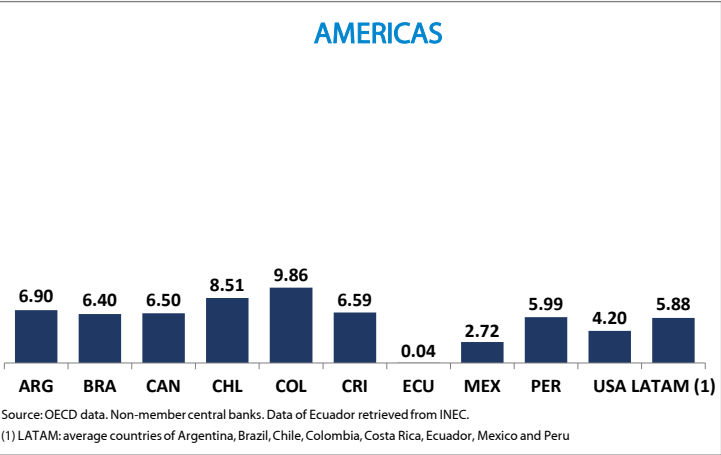
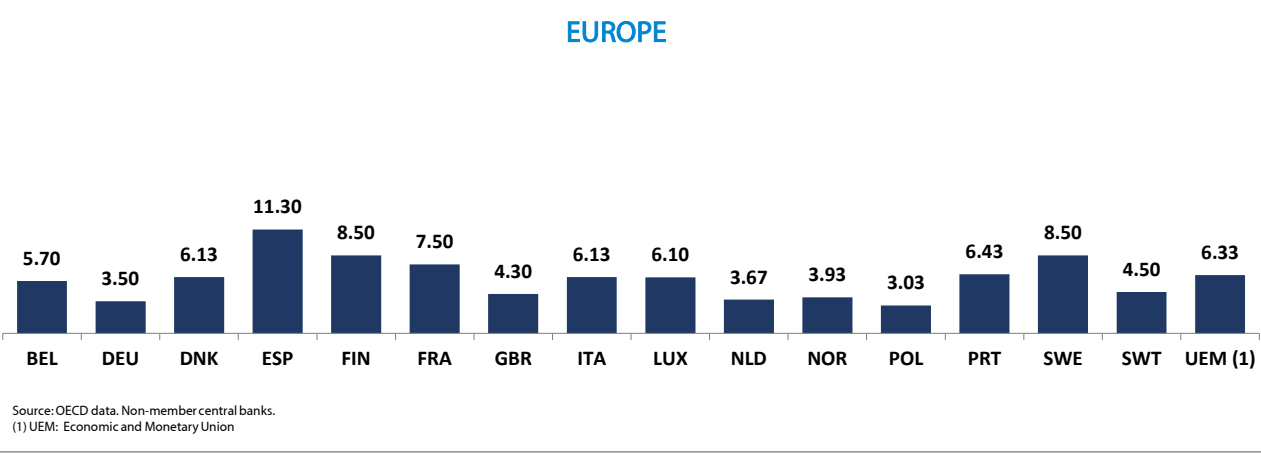
Other indicators and key risks

- ▶ The IMF highlights the importance of mitigating the disruption caused by exchange rate volatility. Differences in disinflation across countries lead to desynchronization of central bank policies, which may result in increased capital flows. The appreciation of the US dollar on the back of high-interest rate expectations could push up domestic prices in economies with higher import dependence and a larger share of dollar-denominated imports, potentially putting pressure on their financial sectors.
- ▶ OECD notes that global risks include geopolitical tensions, trade issues, and slower growth, but a recovery in real incomes could boost consumer confidence. Fiscal measures and structural reforms are crucial to ensuring sustainability and long-term growth.
- ▶ The OECD also warns that financial risks remain due to elevated debt levels, overvalued assets, and the deteriorating creditworthiness of some borrowers, particularly in the commercial real estate sector. In addition, the growing scope and interconnectedness of less regulated non-bank financial institutions increase the likelihood of adverse shocks spreading rapidly across different market segments.

GDP (% , year-on-year growth)

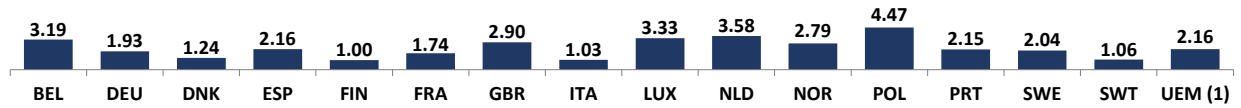


Unemployment rate (%)



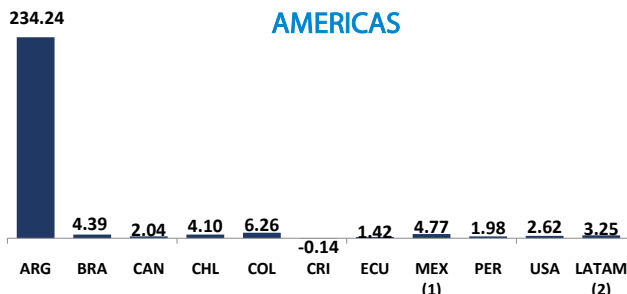
Inflation rate (%)

EUROPE



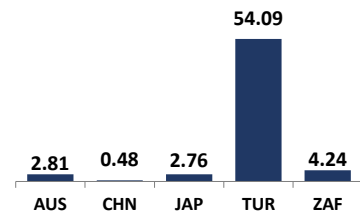
Source: OECD Data, Central Banks of Non-Member Countries.
(1) Monetary and Economic Union

AMERICAS



Source: OECD Data, Trading Economics, Central Banks of Non-Member Countries. Data of Ecuador retrieved from INEC.
(1) Data from 2Q24. 3Q24 data not available.
(2) LATAM: average of Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, and Peru

OCEANIA, ASIA, AFRICA



Source: OECD Data, Trading Economics, Central Banks of Non-Member Countries

Global Ratings and Exchange Rates

LONG-TERM RATES 3Q24

	MOODY'S	S&P	Fitch
EUROPE			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa2	AA-	AA-
ITA	Baa3	BBB	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3	A-	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
SWT	Aaa	AAA	AAA
AFRICA			
ZAF	Ba2	BB-	BB-
OCEANIA			
AUS	Aaa	AAA	AAA
ASIA			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB- ▲	B
AMERICAS			
ARG	Ca	CCC	C
BRA	Ba1 ▲	BB	BB ▲
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa2	BB+	BB+
CRI	Ba3 ▲	BB-	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB-	BBB
USA	Aaa	AA+	AAA

▲ Increased from 2Q24 ▼ Decreased from 2Q24

Source: Investing

EXCHANGE RATES 3Q24 (\$¹)

EUROPE	3Q23	4Q23	1Q24	2Q24	3Q24	2024
EUR	0.92	0.93	0.92	0.93	0.91	0.92
CHF	1.13	1.13	1.14	0.90	0.87	0.88
DKK	6.85	6.93	6.87	6.93	6.79	6.90
NOK	10.48	10.81	10.51	10.75	10.70	10.75
SEK	10.81	10.65	10.39	10.68	10.42	10.58
GBP	0.79	0.81	0.79	0.79	0.77	0.78
PLN	4.14	4.10	3.99	3.99	3.90	3.99
AMERICAS	3Q23	4Q23	1Q24	2Q24	3Q24	2024
ARG	334.66	443.71	833.91	885.25	940.59	913.54
BRL	4.89	4.96	4.95	5.21	5.55	5.36
CLP	839.20	895.36	945.96	933.72	903.11	943.76
COP	4,043.78	4,064.32	3,913.15	3,923.29	4,904.54	4,090.76
PER	3.66	3.77	3.74	3.73	3.47	3.76
MXN	17.06	17.54	16.97	17.23	18.93	18.30
AFRICA	3Q23	4Q23	1Q24	2Q24	3Q24	2024
ZAR	18.64	18.73	18.87	18.56	17.97	18.36
OCEANIA	3Q23	4Q23	1Q24	2Q24	3Q24	2024
AUS	1.53	1.54	1.52	1.52	1.49	1.51
ASIA	3Q23	4Q23	1Q24	2Q24	3Q24	2024
RMB	7.24	7.22	7.19	7.24	7.16	7.20
TRY	26.81	28.55	30.90	32.35	33.50	32.77

Source: Investing, OECD projections, December 2024.

(1) The base currency used is the U.S. dollar against each local currency quoted

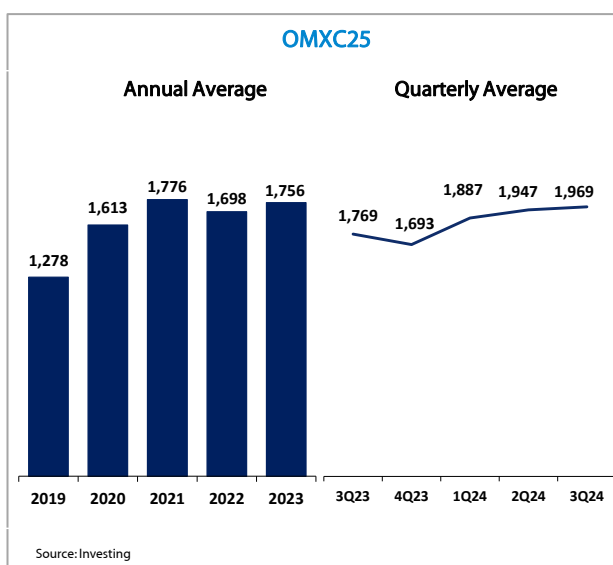
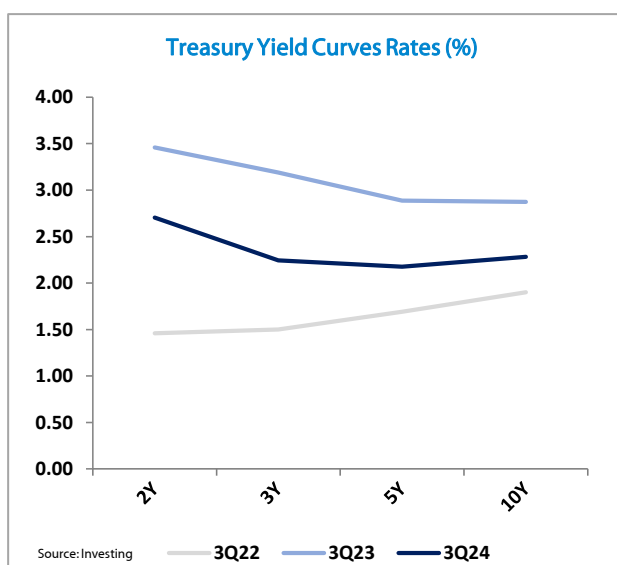
2. Macroeconomic view: Denmark

While the Danish economy shows a GDP increase of 3.86% in 3Q24, domestic demand and investment remain challenging. Projections for 2024 and 2025 suggest cautious recovery and stability, contingent on external conditions and policy responses. CPI decreased to 1.24%, which supports the expectation of moderate inflation at 2.05% in 2025.

Main Macroeconomic Indicators (%)									
ACTIVITY	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p.2Q24	Var. p.p.3Q23	2024	2025
GDP	2.15	4.81	2.20	3.51	3.86	0.35	1.71	2.85	2.49
DOMESTIC DEMAND	-0.01	-5.35	-2.60	-1.19	-1.87	-0.68	-1.86	-0.97	1.99
HOUSEHOLD CONSUMPTION	1.16	3.03	0.70	-0.45	0.85	1.30	-0.31	0.19	1.50
PUBLIC CONSUMPTION	1.70	-0.30	1.26	-0.27	1.27	1.54	-0.43	1.20	2.52
CAPITAL FORMATION	3.14	-19.31	-3.07	-2.27	-4.45	-2.18	-7.59	-1.40	2.16
EXTERNAL DEMAND									
EXPORTS	9.11	17.13	8.33	9.54	6.92	-2.62	-2.19	6.37	3.76
IMPORTS	7.64	3.33	3.11	2.48	-1.38	-3.86	-9.02	1.18	2.84
INFLATION									
CPI	2.14	0.46	0.97	1.57	1.24	-0.33	-0.90	1.43	2.05
LABOUR MARKET									
UNEMPLOYMENT RATE	4.73	6.07	5.87	6.10	6.13	0.03	1.40	6.19	6.14
EMPLOYMENT ⁽¹⁾	1.17	0.90	0.84	0.72	0.74	0.02	-0.43	1.46	0.14

(1) The employment variable represents the year-on-year change in employment growth. Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of December 9th, 2024. The series for the other quarters have also been updated to the database as of December 9th, 2024, to gain consistency. Projections OECD December 2024.

- ▶ In 3Q24, the economy showed mixed signals. GDP growth stood at 3.86%, a 0.35 p.p. increase from Q2 and 1.71 p.p. higher than Q3 2023, indicating resilience. However, domestic demand contracted by 1.87%, reflecting weak consumer confidence and cautious spending, though it is expected to recover in 2025 with a projected growth of 1.99%.
- ▶ Household consumption grew modestly by 0.85%, and public consumption increased by 1.27%, providing moderate support to economic activity. Meanwhile, fixed capital investment declined by 4.45%, reflecting persistent investment challenges. On the external front, exports rose by 6.92%, while imports contracted by 1.38%, indicating subdued domestic demand.
- ▶ Inflation remained controlled at 1.24%, contributing to economic stability, while easing price pressures supported consumer purchasing power.
- ▶ Lastly, the labour market shows a steady unemployment rate of 6.13%, slightly higher than Q2 but 1.40 p.p. higher than 3Q23. Employment growth remains marginal, with projections indicating minimal changes through 2025.



Macroeconomic view: Finland

In 3Q24, Finland's GDP grew by 0.34%, supported by strong public consumption and rising exports. However, household consumption fell by 1.48%, and inflation eased to 1.00%. The unemployment rate increased to 8.50%, reflecting continued labour market pressures.

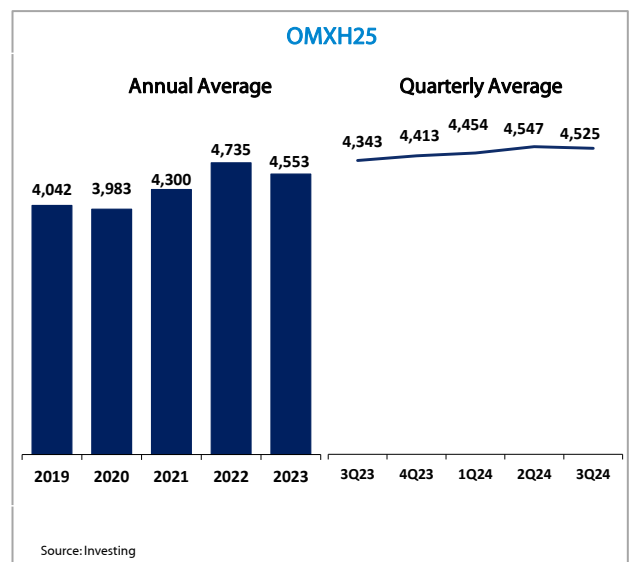
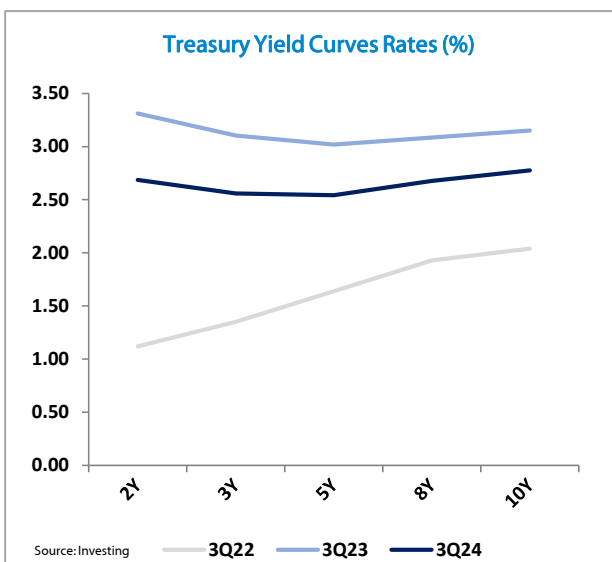
Main Macroeconomic Indicators (%)

ACTIVITY	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p.2Q24	Var. p.p.3Q23	2024	2025
GDP	-1.97	-1.51	-1.16	-1.45	0.34	1.79	2.31	-0.28	1.63
DOMESTIC DEMAND	-4.53	-2.69	0.01	-3.47	-0.90	2.57	3.63	-0.40	1.70
HOUSEHOLD CONSUMPTION	-0.17	0.76	0.58	-1.03	-1.48	-0.45	-1.31	0.52	1.76
PUBLIC CONSUMPTION	-2.62	3.46	1.53	-0.43	4.50	4.93	7.12	1.69	0.69
CAPITAL FORMATION	-10.38	-8.77	-8.41	-8.22	-5.02	3.20	5.36	-6.52	3.38
EXTERNAL DEMAND									
EXPORTS	-2.94	-2.15	-7.96	1.63	5.62	3.99	8.56	-0.01	4.03
IMPORTS	-9.17	-6.11	-4.69	-1.96	1.36	3.32	10.53	-0.60	3.55
INFLATION									
CPI	5.87	3.90	2.80	1.55	1.00	-0.55	-4.87	0.91	1.84
LABOUR MARKET									
UNEMPLOYMENT RATE	7.47	7.60	7.97	8.30	8.50	0.20	1.03	8.23	8.02
EMPLOYMENT ⁽¹⁾	0.84	-0.23	-0.13	-0.89	-0.33	0.56	-1.17	-0.72	0.39

(1) The employment variable represents the year-on-year change in employment growth.

Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of December 16th, 2024. Projections OECD December 2024.

- ▶ In 3Q24, Finland's economy showed significant signs of recovery, with GDP rebounding to a 0.34% growth. This recovery is largely driven by external demand, reflecting an uptick in global trade activity.
- ▶ Domestically, the picture remains mixed. Household consumption contracted by -1.48%, signaling continued weakness in consumer spending due to inflationary pressures and subdued wage growth. Additionally, capital formation showed improvement, with its contraction reducing to -5.02%, highlighting some resilience in investment activity, particularly in technology and renewable energy sectors.
- ▶ Inflation continued to decline to 1.00%. This easing of price pressures is attributed to lower energy prices and interest rate cuts across Europe, contributing to a more stable inflation outlook and alleviating some burdens on consumers.
- ▶ The labour market faced persistent challenges, with the unemployment rate rising to 8.50%. Employment growth further deteriorated to -0.33%, reflecting structural adjustments in traditional industries and labour shortages in high-skill sectors.



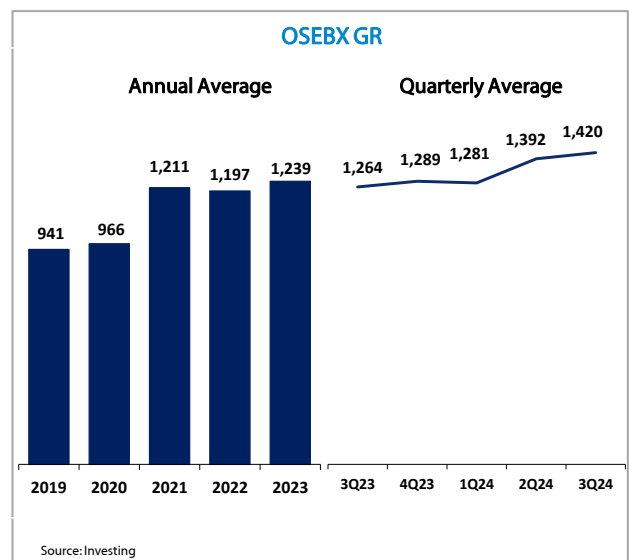
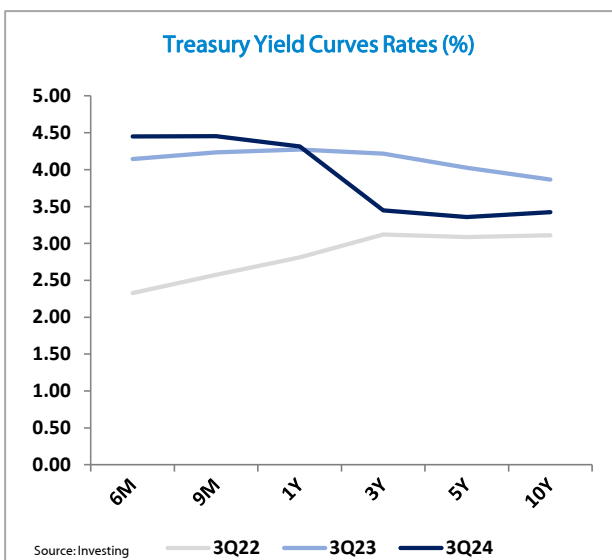
Macroeconomic view: Norway

In 3Q24, Norway's GDP grew by 3.11%, reflecting a moderate slowdown compared to 2Q24, yet signaling stabilization in economic momentum. Domestic demand rose by 1.65%, emerging from its contraction phase, while exports increased by 5.18%, highlighting sustained strong external demand.

Main Macroeconomic Indicators (%)									
ACTIVITY	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p.2Q24	Var. p.p.3Q23	2024	2025
GDP	-3.04	1.15	1.33	4.21	3.11	-1.10	6.15	1.24	1.67
DOMESTIC DEMAND	-2.64	-3.81	-1.50	-2.41	1.65	4.06	4.29		
HOUSEHOLD CONSUMPTION	-0.39	-4.45	0.31	1.31	1.61	0.30	2.00	1.11	1.85
PUBLIC CONSUMPTION	3.54	3.45	3.34	3.64	3.48	-0.16	-0.06	2.28	2.11
CAPITAL FORMATION	-3.29	2.25	-5.91	-2.75	5.51	8.26	8.80	-0.75	3.12
EXTERNAL DEMAND									
EXPORTS	-4.67	3.17	3.67	11.60	5.18	-6.42	9.85	3.75	3.16
IMPORTS	-4.51	-5.91	-1.43	1.44	3.59	2.15	8.10	1.71	2.54
INFLATION									
CPI	4.52	4.53	4.36	3.08	2.79	-0.29	-1.73	3.22	2.64
LABOUR MARKET									
UNEMPLOYMENT RATE	3.60	3.73	3.90	4.17	3.93	-0.24	0.33	3.98	4.08
EMPLOYMENT ⁽¹⁾	1.36	1.23	0.67	0.14	0.24	0.10	-1.12	0.47	0.69

(1) The employment variable represents the year-on-year change in employment growth. Employment data extracted from SSB Norway
Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of June 10th, 2024. The series for the other quarters have also been updated to the database as of June 10th, 2024, to gain consistency. Projections OECD December 2024.

- ▶ GDP expanded by 3.11% in 3Q24, reflecting a deceleration of 1.10 p.p. compared to 2Q24. Household consumption and government spending sustained steady growth at 1.61% and 3.48%, respectively, while capital formation recorded a significant surge of 8.26 p.p. compared to 2Q24.
- ▶ Exports surged by 5.18%, demonstrating strong performance in Norway's trade sector, although this was 6.42 p.p. below the exceptional growth seen in 2Q24. Meanwhile, importation increased by 3.59%, reflecting a rebound in the demand for imported goods and services, supported by the overall increase in economic activity.
- ▶ The inflation eased slightly to 2.79%, indicating that inflationary pressures are under control, fostering a stable economic environment for households and businesses.
- ▶ The unemployment rate fell to 3.93%, showing modest labour market improvements but highlighting persistent challenges. Job creation remains sluggish, as some sectors continue recovering from past economic disruptions.



Macroeconomic view: Sweden

In 3Q24, Sweden experienced moderate economic activity, with GDP growing by 0.65%. This growth was supported by strong domestic demand, particularly public consumption, which increased by 1.43%. Inflation fell to 2.04%, aligning closer to the Riksbank's 2% target, while the labour market exhibited slight weakness with a rise in unemployment.

Main Macroeconomic Indicators (%)

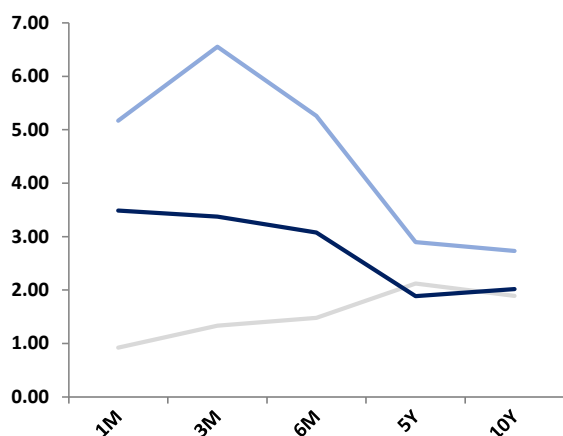
ACTIVITY	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p.2Q24	Var. p.p.3Q23	2024	2025
GDP	-0.52	-0.06	-0.02	0.47	0.65	0.18	1.17	0.56	1.83
DOMESTIC DEMAND	-3.92	-2.16	0.05	-1.32	1.40	2.72	5.32	-0.24	1.77
HOUSEHOLD CONSUMPTION	-2.26	-0.91	0.52	-0.01	0.30	0.31	2.56	-0.05	2.00
PUBLIC CONSUMPTION	1.25	1.56	1.28	0.91	1.43	0.52	0.18	0.95	1.70
CAPITAL FORMATION	-2.65	-1.41	-1.57	-2.77	-1.20	1.57	1.45	-2.16	2.00
EXTERNAL DEMAND									
EXPORTS	2.91	2.69	0.48	3.14	2.41	-0.73	-0.50	1.71	1.95
IMPORTS	-3.45	-0.98	0.65	-0.06	3.99	4.05	7.44	0.25	1.84
INFLATION									
CPI	7.72	5.55	4.67	3.39	2.04	-1.35	-5.68	2.84	0.84
LABOUR MARKET									
UNEMPLOYMENT RATE	7.80	8.00	8.30	8.30	8.50	0.20	0.70	8.39	8.34
EMPLOYMENT ⁽¹⁾	1.08	0.60	-0.49	-0.42	-0.74	-0.32	-1.82	-0.49	0.67

(1) The employment variable represents the year-on-year change in employment growth.

Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of March 6th, 2024. Projections OECD December 2024.

- Sweden's GDP growth in 3Q24 reflected an expansive behavior, driven by an increase in exports and imports. Compared to 3Q23, GDP growth improved by 1.17 p.p., showcasing signs of economic recovery. However, weak global growth, especially in the U.S. and Eurozone, poses risks to sustained performance.
- Despite overall economic growth, public consumption increased slightly by 1.43%, while capital formation decreased marginally by 1.20%, reflecting cautious investment sentiment.
- Inflation continued its downward trend, declining from 7.72% in 3Q23 to 2.04% in 3Q24, a reduction of 5.68 p.p. This reflects improved price stability, supported by normalized producer pricing and corporate plans, which could boost household purchasing power.
- The unemployment rate increased slightly to 8.50%, a 0.20 p.p. increase from 2Q24 and 0.70 points higher than in 3Q23. Employment fell by -0.74%, reflecting ongoing challenges in the labour market. Labour market recovery is expected to be gradual, with improvements anticipated starting in 2025 as monetary policy adjustments take effect.

Treasury Yield Curves Rates (%)

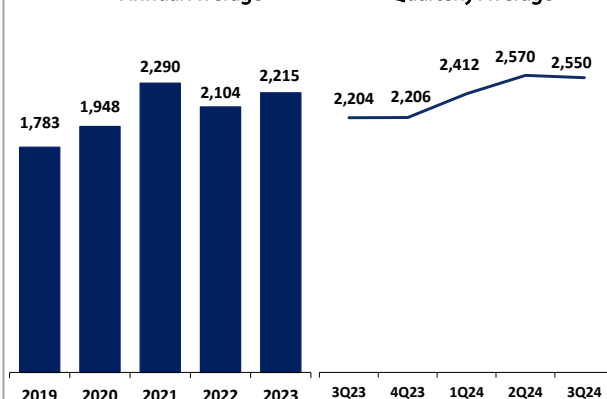


Source: Investing

OMXS30

Annual Average

Quarterly Average



Source: Investing

3. Banking sector: Denmark

During the third quarter, both loans and deposits growth rates of the Danish banking sector decreased year-on-year. However, the cost to income ratio improved compared to 3Q23, as well as did the non-performing loans ratio (NPL) and the coverage ratio. Furthermore, CET 1, the leverage ratio and the LCR improved in the same comparison. The interest rate decreased quarterly by 0.25 p.p., establishing at 3.10%.

BANKING SECTOR CONTEXT 3Q24 (%)							
BUSINESS	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p. 2Q24	Var. p.p. 3Q23
TOTAL LOANS ⁽¹⁾	5.09	-0.30	-3.23	-3.31	-5.20	-1.89	-10.29
TOTAL DEPOSITS ⁽¹⁾	4.50	2.60	-3.82	-2.10	1.74	3.84	-2.76
LTD RATIO	78.54	76.97	76.40	75.86	73.19	-2.67	-5.36
EFFICIENCY							
COST TO INCOME RATIO	46.44	46.55	42.00	42.80	43.20	0.40	-3.24
EU AVERAGE	54.68	55.64	54.61	53.23	52.60	-0.63	-2.08
RISK							
NPL RATIO	1.28	1.27	1.27	1.20	1.20	0.00	-0.08
EU AVERAGE	1.80	1.84	1.86	1.86	1.90	0.04	0.10
COVERAGE RATIO	28.85	28.89	29.00	29.60	29.60	0.00	0.75
EU AVERAGE	42.55	42.26	41.76	41.99	41.60	-0.39	-0.95
SOLVENCY ⁽²⁾							
CET1	18.79	18.86	18.78	18.60	19.00	0.40	0.21
LEVERAGE RATIO	5.08	5.08	5.00	5.00	5.12	0.12	0.04
LCR	188.89	187.07	186.66	201.40	198.00	-3.40	9.11
DNB INTEREST RATE							
INTEREST RATE	3.60	3.60	3.60	3.35	3.10	-0.25	-0.50

(1) The values for loans and deposits reflect their year-on-year growth rates.
(2) CET1 ratio measured as fully-loaded and leverage ratio as fully phased-in definition of Tier 1
Source: Danmarks Nationalbank

- ▶ The Danish banking sector experienced a year-on-year decrease in loans growth as in deposits growth, by 10.29 p.p. and 2.76 p.p., respectively. During 3Q24, loans growth also decreased compared to the previous quarter, recording negative variation at 1.89 p.p., while deposits' growth increased by 3.84 p.p. in the same comparison. The LTD ratio decreased by 5.36 p.p. y-o-y to a 73.19% rate.
- ▶ Regarding efficiency, the cost to income ratio of the Danish banking sector improved by 3.24 p.p. compared to 3Q23, resulting in a total ratio of 43.20%, better than the EU average of 52.60%.
- ▶ Non-performing loans ratio stayed at 1.20% as the previous quarter, improving by 0.08 p.p. compared to 3Q23. As for the NPL EU average (1.90%), it worsened compared to both 3Q23, by 0.10 p.p., and 2Q24, by 0.04 p.p. In addition, the coverage ratio of the Danish banking sector improved annually by 0.75 p.p., but it stayed at 29.60% as the previous quarter, remaining below the EU average of 41.60%.
- ▶ Solvency ratios improved all year-on-year and compared to 2Q24, except for the LCR, which worsened by 3.40 p.p. in comparison to the previous quarter. In the third quarter of 2024, CET1 was 19.00%, which meant an increase of 0.40 p.p. and 0.21 p.p., compared to 2Q24 and 3Q23, respectively. Leverage ratio also improved, achieving a 5.12%, due to an increase compared to the same quarter last year (0.04 p.p.), and the previous quarter (0.12 p.p.). LCR recorded a 198.00% in the third quarter of the year, increasing significantly by 9.11 p.p. compared to 3Q23.
- ▶ Denmark's National Bank decided to lower the interest rate compared to 2Q24 by 0.25 p.p. during the quarter, standing at 3.10%. DNB reduced the interest rate to stimulate economic activity amid slowing inflation and weak growth prospects.

Banking sector: Finland

In 3Q24, total loans growth rate of the Finnish banking sector decreased compared to 3Q23, while deposits growth rate increased in the same comparison. The cost to income ratio improved year-on-year and outperformed the EU average. On the other hand, NPL and coverage ratios worsened compared to 3Q23. The ECB reduced the interest rate by 0.60 p.p. for the third quarter of the year, standing at 3.65%.

BANKING SECTOR CONTEXT 3Q24 (%)							
BUSINESS	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p. 2Q24	Var. p.p. 3Q23
TOTAL LOANS ⁽¹⁾	5.34	2.79	3.85	-1.94	-1.41	0.53	-6.75
TOTAL DEPOSITS ⁽¹⁾	-18.52	-7.76	-7.48	-12.73	-4.30	8.43	14.22
LTD RATIO	91.20	89.53	86.79	92.79	93.95	1.16	2.75
EFFICIENCY							
COST TO INCOME RATIO	43.49	43.46	42.83	42.29	43.10	0.81	-0.39
EU AVERAGE	54.68	55.64	54.61	53.23	52.60	-0.63	-2.08
RISK							
NPL RATIO	1.07	1.14	1.17	1.21	1.20	-0.01	0.13
EU AVERAGE	1.80	1.84	1.86	1.86	1.90	0.04	0.10
COVERAGE RATIO	27.48	26.60	26.86	26.37	26.40	0.03	-1.08
EU AVERAGE	42.55	42.26	41.76	41.99	41.60	-0.39	-0.95
SOLVENCY ⁽²⁾							
CET1	17.85	18.39	18.61	19.20	18.00	-1.20	0.15
LEVERAGE RATIO	5.85	6.11	6.01	6.16	6.10	-0.06	0.25
LCR	176.35	179.86	170.31	173.99	171.10	-2.89	-5.25
ECB INTEREST RATE							
INTEREST RATE	4.50	4.50	4.50	4.25	3.65	-0.60	-0.85

(1) The values for loans and deposits reflect their year-on-year growth rates.
(2) CET1 ratio measured as fully-loaded and leverage ratio as fully phased-in definition of Tier 1
Source: European Bank Authority

- ▶ The Finnish banking sector experimented a negative rate in total loans growth, reaching -1.41%. This represented a decrease of 6.75 p.p. over the year, but an increase of 0.53 p.p. compared to the previous quarter. On the other hand, the growth rate for deposits increased compared to both the previous year and quarter, by 14.22 p.p. and 8.43 p.p., respectively, but it remained in negative rate (-4.30%). LTD ratio rose by 2.75 p.p. compared to 3Q23, standing at 93.95%.
- ▶ The cost to income ratio of Finland improved interannually by 0.39 p.p., to a level of 43.10%. The EU average also improved compared to 3Q23, but remained above the Finnish level, reaching 52.60%.
- ▶ In terms of risk, the NPL ratio worsened by 0.13 p.p. for the Finnish banking compared to 3Q23, reaching a 1.20%. However, the NPL ratio of Finland was still better than the EU average of 1.90%, which worsened compared to both the third quarter last year by 0.10 p.p., and the previous quarter by 0.04 p.p. As for the coverage ratio, it worsened by 1.08 p.p. compared to 3Q23, reaching 26.40%, significantly below the EU average of 41.60%.
- ▶ Regarding solvency, the banking sector recorded an 18.00% CET 1, improving compared to 3Q23 by 0.15 p.p., but worsening compared to 2Q24 by 1.20 p.p. Moreover, the leverage ratio decreased slightly by 0.06 p.p. compared to the previous quarter, but improved annually by 0.25 p.p., reaching a 6.10% in 3Q24. For its part, LCR worsened year-on-year by 5.25 p.p., and by 2.89 p.p. compared to the previous quarter, recording 171.10%.
- ▶ In the third quarter of 2024, the ECB decided to lower the interest rate to 3.65%, to mitigate the risks of economic stagnation and to support growth as inflationary pressures eased.

Banking sector: Norway

The Norwegian banking sector recorded a decrease in its loans growth rate compared to 3Q23, while year-on-year deposits growth rate increased. The cost to income ratio also worsened annually. On the other hand, NPL ratio improved the EU average in 3Q24, while coverage ratio didn't reach the EU average level. CET 1 improved compared to 3Q23, but leverage ratio and LCR worsened in the same comparison. The interest rate stayed at 4.50%.

BANKING SECTOR CONTEXT 3Q24 (%)							
BUSINESS	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p. 2Q24	Var. p.p. 3Q23
TOTAL LOANS ⁽¹⁾	6.38	5.81	2.29	1.74	3.17	1.43	-3.21
TOTAL DEPOSITS ⁽¹⁾	-1.49	2.03	1.46	2.21	2.98	0.77	4.47
LTD RATIO	96.31	96.46	92.18	94.65	96.48	1.83	0.17
EFICIENCY							
COST TO INCOME RATIO	36.85	36.99	38.73	38.30	37.97	-0.33	1.12
EU AVERAGE	54.68	55.64	54.61	53.23	52.60	-0.63	-1.45
RISK							
NPL RATIO	0.90	1.05	0.84	0.88	0.88	0.00	-0.02
EU AVERAGE	1.80	1.84	1.86	1.86	1.90	0.04	0.10
COVERAGE RATIO	26.38	23.22	25.20	24.08	24.19	0.11	-2.19
EU AVERAGE	42.55	42.26	41.76	41.99	41.60	-0.39	-0.56
SOLVENCY ⁽²⁾							
CET1	18.37	18.17	18.77	18.76	18.82	0.06	0.45
LEVERAGE RATIO	6.49	6.83	6.35	6.60	6.48	-0.12	-0.01
LCR	146.10	150.06	142.34	138.90	130.05	-8.85	-16.05
NB INTEREST RATE							
INTEREST RATE	4.25	4.50	4.50	4.50	4.50	0.00	0.25

(1) The values for loans and deposits reflect their year-on-year growth rates.
(2) CET1 ratio measured as fully-loaded and leverage ratio as fully phased-in definition of Tier 1
Source: Norges Bank.

- During 3Q24, the year-on-year growth rate for loans continued decreasing, recording a 3.17%, which meant a decrease of 3.21 p.p. compared to the same quarter of the previous year. However, the loans growth rate increased by 1.43 p.p. compared to the previous quarter. On the other hand, the growth rate for deposits increased annually and quarterly by 4.47 p.p. and 0.77 p.p., respectively, achieving a 2.98%. The LTD ratio increased by 0.17 p.p. compared to 3Q23, reaching a rate of 96.48%.
- The cost to income ratio of the Norwegian banking sector worsened by 1.12 p.p. compared to the same quarter of the previous year, reaching 37.97%. Despite this, Norway's cost to income ratio was much lower than the EU average of 52.60% and continues to improve, with a decrease of 0.33 p.p. compared to 2Q24.
- The NPL ratio improved by 0.02 p.p. in comparison to the same quarter of the previous year, reaching 0.88%, which remains below the EU average of 1.90%. Although the coverage ratio for Norwegian banks worsened compared to 3Q23 by 2.19 p.p., whereas it improved compared to the prior quarter by 0.11 p.p., reaching a 24.19%. However, it remained below the EU average of 41.60%.
- Regarding solvency, CET 1 increased both annually and quarterly, by 0.45 p.p. and 0.06 p.p., respectively, reaching 18.82%. In contrast, leverage ratio and LCR both worsened in comparison to 3Q23, decreasing by 0.01 p.p. and 16.05 p.p., respectively.
- Norges Bank (NB) decided to keep interest rates at 4.50% during 3Q24 in order to address inflation, despite the decision of the ECB to cut interest rates by 0.60 p.p. this quarter. This decision of NB represented an increase on the Norwegian interest rate of 0.25 p.p. compared to 3Q23.

Banking sector: Sweden

The Swedish banking sector experimented an increase in year-on-year growth rates of loans and deposits. Meanwhile, the cost to income ratio worsened compared to 3Q23, as did all risk indicators. However, all solvency ratios improved annually. Sveriges Riksbank decided to lower the interest rates to 3.50%, decreasing by 0.25 p.p. compared to the previous quarter.

BANKING SECTOR CONTEXT 3Q24 (%)							
BUSINESS	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p. 2Q24	Var. p.p. 3Q23
TOTAL LOANS ⁽¹⁾	-4.90	-7.02	3.83	2.93	7.15	4.22	12.05
TOTAL DEPOSITS ⁽¹⁾	-3.04	0.17	0.34	-0.37	0.57	0.94	3.61
LTD RATIO	182.05	182.15	178.70	177.90	178.50	0.60	-3.55
EFFICIENCY							
COST TO INCOME RATIO	39.11	39.50	41.39	43.45	42.40	-1.05	3.29
EU AVERAGE	54.68	55.64	54.61	53.23	52.60	-0.63	-2.08
RISK							
NPL RATIO	0.26	0.30	0.32	0.32	0.40	0.08	0.14
EU AVERAGE	1.80	1.84	1.86	1.86	1.90	0.04	0.10
COVERAGE RATIO	31.07	29.29	28.18	26.24	25.80	-0.44	-5.27
EU AVERAGE	42.55	42.26	41.76	41.99	41.60	-0.39	-0.95
SOLVENCY ⁽²⁾							
CET1	18.81	18.85	18.85	19.16	19.40	0.24	0.59
LEVERAGE RATIO	5.23	5.62	5.27	5.30	5.30	0.00	0.07
LCR	155.27	177.61	166.92	165.52	158.60	-6.92	3.33
SVERIGES RIKSBANK							
INTEREST RATE	4.00	4.00	4.00	3.75	3.50	-0.25	-0.50

(1) The values for loans and deposits reflect their year-on-year growth rates.
(2) CET1 ratio measured as fully-loaded and leverage ratio as fully phased-in definition of Tier 1
Source: European Bank Authority and Statistikdatabasen.

- During the third quarter of 2024, both loans and deposits growth rates increased compared to the same quarter of the previous year, by 12.05 p.p. and 3.61 p.p., respectively. Compared to the prior quarter, both loans and deposits growth rates also rose by 4.22 p.p. and 0.94 p.p., respectively. LTD ratio decreased by 3.55 p.p. annually, reaching 178.50%.
- Regarding efficiency, the cost to income ratio worsened by 3.29 p.p. compared to the third quarter of 2023, reaching 42.40%. The Swedish banking sector was well-positioned in terms of efficiency, remaining below the EU average of 52.60%.
- All risk indicators worsened, both annually and quarterly. The NPL ratio increased in comparison to the previous periods by 0.08 p.p. and 0.14 p.p., compared to 2Q24 and 3Q23, respectively. Still, Swedish banks reported a better NPL ratio than the EU average (0.40% vs 1.90%). The coverage ratio worsened by 5.27 p.p. annually to 25.80%, remaining below the EU average of 41.60%, which also worsened y-o-y by 0.95 p.p.
- Regarding the solvency ratios, there was a general year-on-year improvement in the Swedish banking sector. CET 1, leverage ratio and LCR increased by 0.59 p.p., 0.07 p.p. and 3.33 p.p. annually, reaching 19.40%, 5.30% and 158.60%, respectively.
- Sveriges Riksbank continued to reduce the interest rate as it did the previous quarter, to 3.50%, which meant a decrease of 0.25 p.p. compared to 2Q24. This decision was intended to boost economic growth as inflation slowed and demand remained weak.

4. Glossary

- ▶ **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **COVERAGE RATIO:** It is a ratio that informs us about the protection that financial entities have against the unpaid loans of their clients. It is represented as the total provisions that the entity has over the total doubtful loans.
- ▶ **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- ▶ **EFFICIENCY RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- ▶ **GDP:** Gross Domestic Product (GDP) is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- ▶ **GM:** Gross Margin.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **IMF:** International Monetary Fund.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- ▶ **LCR (Liquidity Coverage Ratio):** this ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- ▶ **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **NPL RATIO:** The non-performing loans ratio is an indicator used to measure the volume of operations that have been considered non-performing, in relation to the volume of loans and credits granted by said entity.
- ▶ **OE:** Operating Expenses.
- ▶ **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- ▶ **OECD:** Organization for Economic Cooperation and Development.
- ▶ **p.p.:** percentage points.
- ▶ **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- ▶ **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.

5. Appendix

MACROECONOMIC OVERVIEW

- BBVA Research:
<http://www.bbvaresearch.com/KETD/ketd/eps/index.jsp>
- Danmarks Nationalbank:
<http://www.nationalbanken.dk/>
- European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- International Monetary Fund (IMF):
<http://www.imf.org>
- Organisation for Economic Co-operation and Development, OECD:
<http://www.oecd.org/home/>
- Statistics Denmark:
<http://www.statbank.dk/>
- Statistics Finland:
<http://www.stat.fi/>
- Statistisk Sentralbyrå:
<http://www.ssb.no/>
- Statistics Sweden:
<http://www.scb.se/>
- Sveriges Riksbank:
<http://www.riksbank.se/>
- World Bank, WB:
<https://www.worldbank.org/>

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