



FINNISH FINANCIAL SECTOR ANNUAL OVERVIEW 2025

EXECUTIVE SUMMARY

Banking market

Life, non-life and employee pension insurance

Funds and asset management

May 2026

New series of annual reports on trends and developments in the financial sector

A streamlined and comprehensive view in a single package

Finance Finland (FFI) has restructured its regular publications and reports to enhance their clarity and impact.

The new *Annual overview of the Finnish financial sector* combines the old *Finnish banking* and *Finnish insurance* reports in a single package that now also covers funds and asset management. The new report provides a more consistent, comparable overview of the financial services sector and its structure, trends and developments.

This English version includes a summary of key trends and developments. The full report and data are available in Finnish.

The report was produced in cooperation with VALOR Partners.

Signs of slight economic upturn but continuing uncertainty in the operating environment

Finnish economy

- Increasing geopolitical instability and uncertainty in trade policy made investment cautious and impacted economic growth. This showed, for example, as subdued housing construction.
- After a sluggish start, the Finnish economy began to shift into a modest upswing towards the end of the year. Economic growth is expected to continue in 2026, albeit slowly.
- Inflation dropped close to zero, easing cost pressure on households.
- Consumer confidence remained weak. This hindered consumption and credit demand.
- Business confidence grew stronger in 2025 but still remained weaker than its long-term average.

Monetary and fiscal policy

- With inflation slowing down, the ECB continued to ease its monetary policy and lowered its key interest rates.
- Euribor rates went down during the year. This was reflected in lending rates and helped ease financing conditions.
- The position of debtors improved with the lower interest rate level, but the overall effects on consumption will not be known immediately.

Market development

- The stock market underwent strong development in the second half of the year despite ongoing uncertainty.
- Market development was supported by expectations for lower interest rates and improved risk appetite.
- After a weak spring, investor confidence recovered and had a positive effect on stock markets.

Situation in early 2026

- Geopolitical uncertainty has increased especially due to the war in Iran. This has increased market volatility.
- Interest rate expectations have changed, and central banks are expected to react to the inflation pressure by raising their key interest rates.
- Investors' fluctuating risk appetite has influenced the development of stock exchange rates.

Regulation is increasing and steering business models

Impact of regulation

- The amount of regulation continued to increase. Much of it was focused especially on the stability of the financial system, risk management and consumer protection.
- EU-level harmonisation improves comparability but can increase reporting and capital requirements.
- The growing volume of regulation increases costs and makes the consideration of scope more important especially for smaller actors.

Basel III / CRR3

Capital requirements will change

- Implementation of the lower limit on RWAs (*output floor*) and the constraints on internal models increases capital requirements, particularly for large banks. For smaller banks, the requirements may decrease.
- May have effects in lending terms and the availability of credit, particularly in higher-risk segments.
- Stability and transparency will increase, but banks' operating conditions will tighten.

DORA

Highlights the importance of operative resilience

- A uniform EU framework for managing IT and cyber risks across the financial sector.
- Enhances the management of third-party risks (e.g. cloud services) and continuity planning.
- Increases need for investment but also improves the overall resilience of the financial sector.

Consumer protection and sustainability

Focus on customer centricity

- Steers the alignment of investment advice with customers' risk profiles and sustainability preferences.
- Improves transparency on the features, risks and sustainability of products.
- Steers product development and strengthens the role of sustainable investment products.

Pension reform

Stronger emphasis on greater risk taking and return-seeking investing

- Enables employee pension companies to allocate a larger share of their portfolios to equities and take on greater risk.
- Can improve long-term returns and increase short-term volatility.
- Aims to safeguard the financing of the pension system without significant increases in contributions even as the population ages.

Tax treatment of pension saving

Incentives will weaken

- The incentives for voluntary pension saving will weaken when their tax deductibility is removed in 2027.
- Until now, the tax deductibility has applied to voluntary private pension insurances, long-term savings contracts and employee contributions to collective supplementary pension schemes.
- The reform may encourage consumers to increasingly shift towards other forms of saving and investing.

The Finnish financial sector is strong and stable

According to the Finnish Financial Supervisory Authority (FIN-FSA), the financial sector maintained strong solvency in 2025 despite continuing uncertainty in the operating environment.

- The banking sector's capital adequacy ratios exceeded the previous year's level. The ratios also remained above the European average. Finnish banks continued to hold a substantial amount of capital relative to their capital requirements.
- The life and non-life insurance sectors' solvency remained at a good level. Investment returns were generally positive.
- The earnings-related pension sector's solvency capital increased thanks to positive investment returns. Authorised pension providers' resilience to equity investment shocks remained close to the 2024 level.
- Fund assets continued their historical growth. Subscriptions to investment funds and special investment funds were made especially by households, both directly and through unit-linked insurance.

Investment in cybersecurity and fraud prevention

Digital progress and artificial intelligence have increased the significance of cybersecurity and fraud prevention in risk management.

- Cybersecurity and operational risk management have gained increasing importance as the number of hybrid and cyber attacks has grown. The financial sector has implemented substantial measures to strengthen resilience in order to minimise the effects of potential attacks and operational disruptions.
- Digital fraud has increased and evolved with the advancement of artificial intelligence, for example. In 2025, the total value of attempted digital fraud reached €148 million in Finland, according to bank data compiled by Finance Finland. In 2024, the value of attempted fraud was €107.2 million.
- Banks successfully blocked or recovered €75.5 million worth of fraudulent payments. Funds lost to criminals totalled €72.5 million. This means more than half of the payments made to criminals were blocked or recovered. In 2024 the figure stood at just over 40%.
- Banks have made extensive effort to raise awareness of fraud and educate people on how to identify scam attempts. Banks have also introduced safeguards and provided customers with ways to set their own restrictions, making it more difficult for criminals to operate.

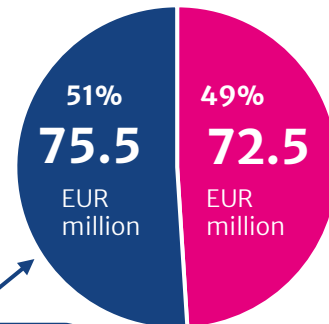
Total value of digital fraud in 2025

148.0

EUR million

+38%
compared to 2024

Payments
blocked or
recovered
by banks



Sum lost to
digital fraud

10 percentage point
improvement in
fraud prevention
compared to 2024

Annual overview 2025 – Key highlights

Banking market

- Growth in the stock of bank loans was mainly driven by corporate lending, while households' loan demand remained subdued due to weak housing market activity.
- Growth in the deposit stock was concentrated in financial and insurance institutions, reflecting a liquidity shift away from riskier investments in an uncertain market environment.
- As the ECB's monetary policy eased, average interest rates on loans decreased, which gradually began to support demand for financing in the corporate segment.
- Changes in the market structure occurred following the withdrawal of Handelsbanken. Municipality Finance strengthened its position in lending and S-Bank strengthened its position in deposits.
- Credit risks remained under control despite the economic situation. The share of non-performing loans declined and capital adequacy strengthened.
- Banks' profitability was weakened by the decline in net interest income following the reversal in interest rate levels. However, profitability remained at a historically strong level.

Non-life insurance

- Growth in premium income was driven primarily by price increases, through which insurers offset the rise in claims expenditure seen in previous years.
- The decline in claims expenditure reflects the normalisation of claims development after several exceptionally costly years and the levelling out of cost-push inflation.
- Profitability improved mainly as a result of a lower claims ratio, although operating expenses remained high.
- The result for the financial year was adversely affected by low investment returns and changes in equalisation provisions, which highlights the important role of investment income in overall financial performance.

Annual overview 2025 – Key highlights

Life insurance

- Growth in premium income and savings stock development were driven by stronger demand for investment-linked products, supported by changes in the interest rate environment and search for higher returns.
- Customer behaviour continued to shift away from traditional guaranteed-interest products towards market-linked solutions.
- The result for the financial year was supported particularly by investment market development, which highlights the sensitivity of the business to market movements.

Earnings-related pension insurance

- Premium income and pension expenditure grew in line with payroll and pension amount developments, leaving the structure of the system's cash flows largely unchanged.
- Growth in investment assets was driven by positive market returns, even as returns were lower than in the previous year due to the market environment normalising.
- In an uncertain operating environment, the strengthening of solvency is evidence of strong investment performance and controlled risk taking.

Funds and asset management

- Growth in fund capital was driven by both market returns and net subscriptions, which were concentrated in fixed-income funds as higher interest rates increased their appeal.
- Investor behaviour reflected a more cautious approach and a reassessment of the risk-return trade-off. This contributed to the growing popularity of fixed-income investments.
- Growth in asset management was largely driven by the similar development of fund capital, highlighting the central role that fund business has within the overall segment.
- Internationalisation continued: foreign ownership of domestic funds increased alongside greater investments of Finnish investors in foreign funds.
- The financial performance of market participants was supported by growth in assets under management, which strengthened commission income across the sector.

Finnish banking in 2025

Lending

Loan stock

€286.3 bn +2.3%

Households' loan stock

€143.1 bn -0.0%

Corporate loan stock

€109.4 bn +2.4%

Deposits

Deposit stock

€219.1 bn +12.8%

Households' deposit stock

€119.1 bn +4.4%

Corporations' deposit stock

€50.3 bn +3.9%

Profitability and operating result

Banking sector's net interest income

€11.3 bn -8.4%

Banking sector's net operating income

€9.2 bn -6.6%

Banking sector's return on equity

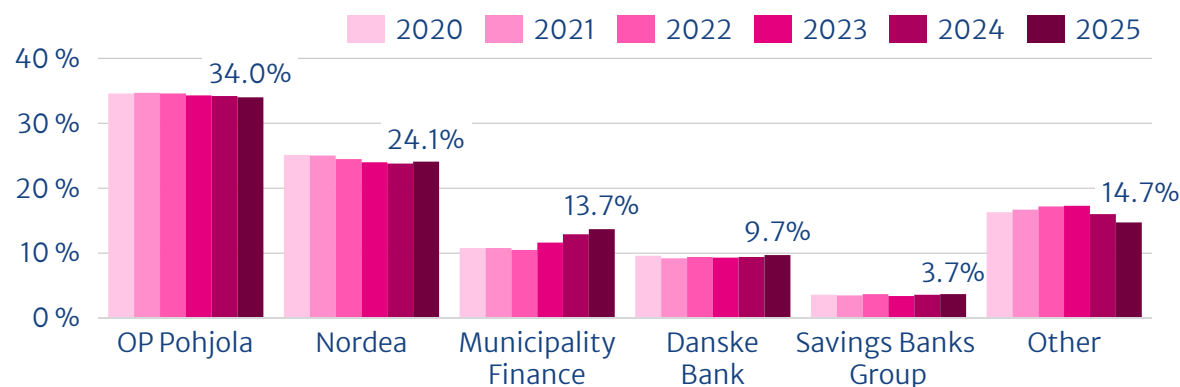
12.2% -1.7 pp.

Key highlights in 2025

- Loan stock growth was mainly driven by corporate lending while households' loan demand remained subdued.
- Deposit stock growth was concentrated in financial and insurance institutions, suggesting a shift of assets towards lower-risk investments.
- Decline of the interest rate level began to drive up credit demand, but at the same time it weakened banks' net interest income and profit development.
- Credit risks remained under control despite continuing uncertainty in the economic environment.
- Profitability remained at a relatively strong level, although it weakened as net interest income decreased.

The banking market is heavily concentrated – Municipality Finance strengthened its position in lending and S-Bank in deposits

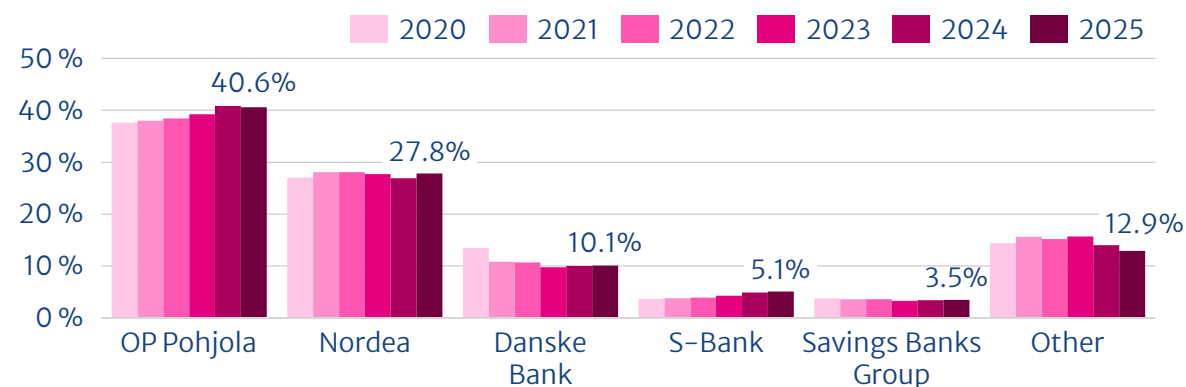
Credit institutions' market shares 2020–2025 – domestic lending, %



The banking market is heavily concentrated

- OP Pohjola and Nordea control the market in terms of their market shares in both loans and deposits.
- Municipality Finance has grown into a significant market player due to its specialisation in financing the public sector. Municipality Finance does not compete in the deposit market due to its different funding strategy.
- Beyond the largest players, the market is fragmented, with smaller entities focusing on niche and regional segments.

Credit institutions' market shares 2020–2025 – domestic deposits, %



Market structure has been changeable in recent years

- Handelsbanken's withdrawal from the market has strengthened especially S-Bank's position in the deposit market.
- Competition for household customers has grown more intense as a result of the market changes.
- Savings Banks and POP Banks maintained their significant regional role.
- Specialised market players, such as Municipality Finance, have strengthened their positions in their own segments.

Non-life insurance in 2025

Premium income and claims expenditure

Domestic direct premiums written

€5.6 bn +4.8%

Claims paid under domestic direct non-life insurance

€4.0 bn -2.4%

Profitability

Combined ratio

91.9% -4.8 pp.

Loss ratio

70.6% -4.9 pp.

Expense ratio

21.3% +0.1 pp.

Performance of investments

Net profit

€0.7 bn -17.5%

Return

€0.8 bn -1.5%

Key highlights in 2025

- Profitability improved noticeably as the claims ratio normalised.
- Growth in premium income was driven primarily by price increases, not by volume growth.
- The decline in claims expenditure reflects the normalisation of claims development after several exceptionally costly years.
- The performance of investments weakened, but its impact on the net profit for the financial year was smaller than that of operative business.

Life insurance in 2025

Premium income and claims expenditure

Domestic direct premiums written

€6.2 bn +12.5%

Claims paid

€4.8 bn +6.1%

Life insurance savings

Total assets

€70.6 bn +7.7%

Investment-linked policies

€61.5 bn +9.7%

Interest-linked policies

€9.1 bn -4.2%

Performance of investments

Net profit

€2.6 bn +13.8%

Investment expenses

€1.2 bn +5.9%

Return

€0.6 bn +19.9%

Key highlights in 2025

- Premium income grew noticeably, especially in investment-linked products, whose proportion in the total insurance savings stock strengthened further.
- The total stock of insurance savings grew by nearly 8%, driven almost entirely by investment-linked savings policies. The stock of interest-linked policies continued to shrink.
- Market shares underwent moderate change: participants who distribute their products through banking channels strengthened their positions, while some other participants fell behind the rest of the market in terms of growth.
- The result for the financial year improved clearly, supported by growth in premium income and development of the investment market.

Earnings-related pension insurance in 2025

Premium income and pension expenditure

Premiums written
€19.2 bn +2.4%

Pension benefits paid out
€21.6 bn +2.5%

Performance of investments

Market value of investments
€135.0 bn +7.3%

Net investment income
€31.0 bn +26.0%

Return on investment at current values
7.7% -1.5 pp.

Solvency

Solvency capital
€41.5 bn +9.9%

Solvency ratio
30.3% +1.2 pp.

Key highlights in 2025¹

- Premium income and pension expenditure grew almost at the same rate, and the structure of the system's cash flows remained largely unchanged.
- Investment assets grew over 7%, exceeding €135 billion. Returns remained at a good level despite a slight drop compared to the previous year.
- Solvency continued to strengthen: solvency capital grew by nearly 10%, and the sector's solvency ratio improved.

¹⁾ Companies covered in this section include Ilmarinen, Elo and Veritas.

Funds and asset management in 2025

Fund capital and net subscriptions	Assets under management	Income and profit
Fund capital in Finnish investment funds €201.8 bn +9.9%	Total €256.1 bn +9.2%	Commission income² €2.5 bn +5.7%
Net subscriptions in Finnish investment funds €5.6 bn -40.4%	Domestic investment funds €176.4 bn +10.4%	Other income² €0.2 bn +72.9%
	Other fund managers¹ €79.7 bn +6.4%	Profit² €0.7 bn +22.5%

Key highlights 2025

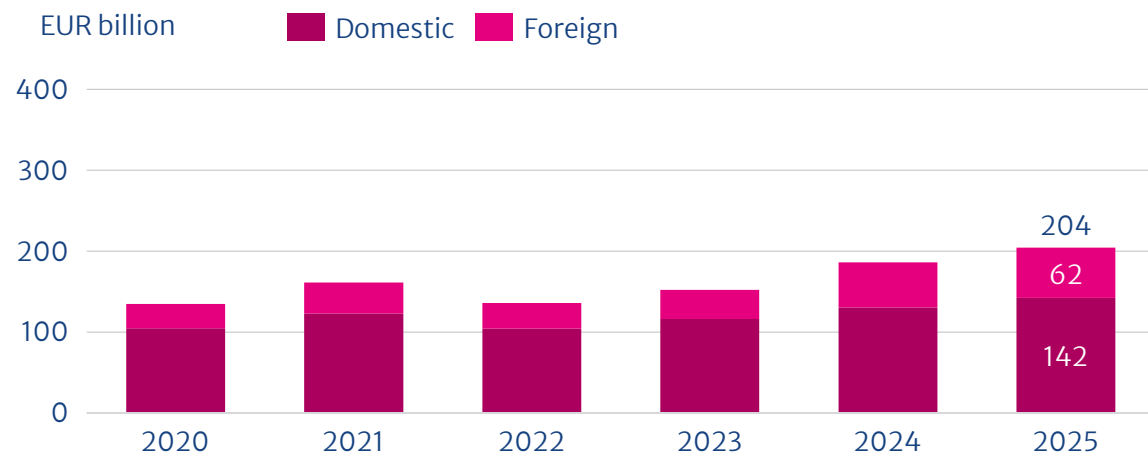
¹⁾ Assets under management in Finnish investment funds, other investment service providers and fund management companies.

²⁾ Income and profit of AIFMs, fund management companies and investment service providers.

- Fund capital in Finnish investment funds totalled over €200 billion. Growth was particularly pronounced in equity funds, fixed-income funds and combination funds. The fund capital of alternative investment funds decreased.
- Net subscriptions were smaller than in the previous year. About 82% of the net subscriptions for the financial year were into fixed-income funds.
- Assets under management grew by over 9%, mainly as a result of the growth of domestic investment funds' fund capital.
- More than 30% of domestic funds' capital was under foreign ownership. Finnish investments into foreign funds also continued to increase.
- The profits of fund and asset management companies improved by 22%, driven especially by commission fees and higher market returns.

Foreign ownership of capital in domestic funds grew above 30% – Finnish investors also increased their share of foreign fund holdings

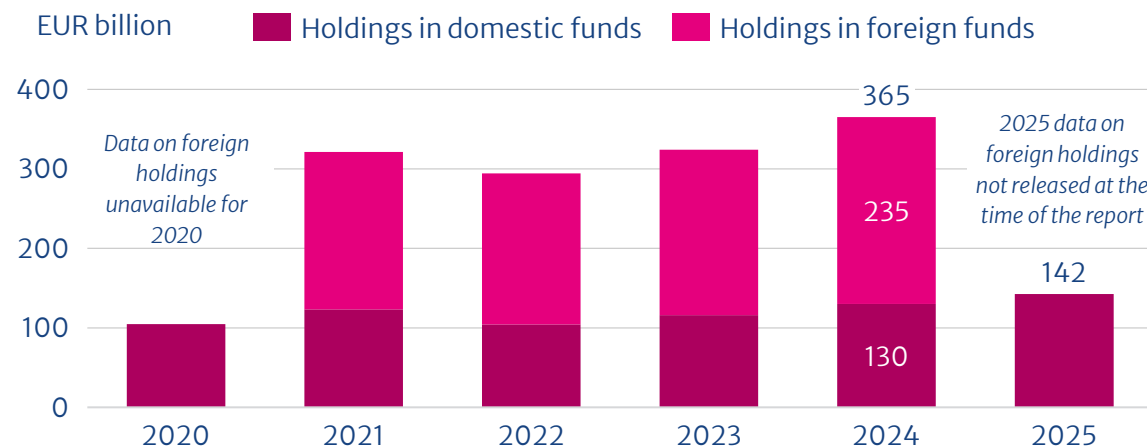
Breakdown of ownership in Finnish investment funds 2020–2025



More than 30% of domestic fund capital is under foreign ownership

- In 2025, foreign investors held over 30% of the fund capital in funds registered in Finland.
- The share of foreign investors grew slightly faster than that of domestic investors.
- This development reflects the internationalisation of Finnish funds and their more extensive cross-border distribution.

Finnish holdings in domestic and foreign investment funds 2020–2025



Significant growth in Finnish investment into foreign funds

- Finnish investment into foreign funds has undergone strong growth in recent years and already makes up the majority of all fund investments.
- In 2024, Finns held about €235 billion in foreign funds, which represented about 64% of all fund investments.



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