

2026-02-17

Decision

Samhällsbyggnadsbolaget i Norden AB
via the Chair of the Board of Directors
Strandvägen 1
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FI Ref.23-18023



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Caution and administrative fine

Finansinspektionen's decision (to be announced 18 February 2026 at 8:00 a.m.)

1. Finansinspektionen is issuing a caution to Samhällsbyggnadsbolaget i Norden AB (556981-7660).

(Chapter 25, section 22, first paragraph of the Securities Market Act [2007:528])

2. Samhällsbyggnadsbolaget i Norden AB shall pay an administrative fine of SEK 80,000,000 kronor.

(Chapter 25, section 23 of the Securities Market Act)

For information on how to appeal, see the *appendix*.

Summary

Samhällsbyggnadsbolaget i Norden AB (SBB or the firm) is a Swedish limited liability company whose shares are admitted to trading on Nasdaq Stockholm. The firm is thus subject to the supervision of periodic financial information exercised by Finansinspektionen pursuant to the Securities Market Act (2007:528).

The provisions regarding periodic financial information are central to ensuring good investor protection. If a firm does not comply with the provisions, there is a risk that the consequences for individual investors could be serious since the possibility for making well-grounded investment decisions is impaired. A firm's

non-compliance could also damage the confidence in the securities market at large.

Finansinspektionen has investigated whether SBB has prepared consolidated financial statements for the 2021 financial year in accordance with the regulatory framework governing the firm. The investigation shows that SBB has not recognised properties at their fair value. The investigation also shows that the firm incorrectly recognised acquisitions as asset acquisitions instead of business combinations. As a result of these deficiencies, the recorded consolidated profit before tax for 2021 was approximately SEK 3.6 billion too high (corresponding to approximately 12 per cent of the profit before tax) and the consolidated statement of financial position was incorrect at the end of the year. In addition, there have been no disclosures to help users of the consolidated financial statements assess the character of and financial effects from the acquisitions in question. These errors can reasonably be assumed to have impacted decisions made by primary users of the consolidated financial statements on the basis of these statements, and the errors are therefore material.

Finansinspektionen makes the assessment that the violations have been of such a nature that there are grounds on which- to intervene against SBB. The authority takes the position that an intervention should occur via a caution that is accompanied by an administrative fine of SEK 80,000,000.

1 Background

1.1 About Samhällsbyggnadsbolaget i Norden AB and its business

Samhällsbyggnadsbolaget i Norden AB (SBB or the firm) is a Swedish limited liability company whose shares are admitted to trading on the regulated market Nasdaq Stockholm. The firm is the parent company in a group, the business concept of which is to own, manage, renovate and build community service properties in Sweden.

SBB's most recently adopted annual report refers to the 2024 financial year. The annual report shows that the firm had net sales of SEK 347 million that year and that profit/loss was SEK -1,644 million. The consolidated financial statements for 2024 show that consolidated net sales were SEK 3,708 million and that profit/loss was SEK -6,153 million. These statements also show that on average there were 288 employees in the Group in 2024.

1.2 Finansinspektionen's accounting supervision

A Swedish limited liability company with shares admitted to trading on a regulated market must comply with the provisions regarding periodic financial information set out in Chapter 6 of the Securities Market Act (2007:528).

Finansinspektionen is responsible for supervision of compliance with these provisions pursuant to Chapter 23, section 1, fourth paragraph of the same act.

Finansinspektionen may decide to outsource the task of monitoring that issuers of shares or other financial instruments prepare periodic financial information in accordance with the provisions that apply to the issuer to a body with appropriate representatives in the area of accounting. Finansinspektionen has outsourced this monitoring assignment to the Council for Financial Swedish Reporting Supervision (the Council), which is an expert body under the Association for Generally Accepted Principles in the Swedish Securities Market.

If, after completing a review, the Council determines that an issuer has not prepared its periodic financial information in accordance with applicable provisions and the violation is not negligible, the Council must inform Finansinspektionen of its assessment. The Council must also hand over all registered documentation in the matter to the authority. Finansinspektionen then conducts an independent assessment of whether the issuer has violated the provisions in question. This assessment can lead to an intervention by the authority against the company.

1.3 The matter

The matter refers to SBB's consolidated financial statements for 2021 (the consolidated financial statements). After having reviewed the consolidated financial statements, the Council made the assessment that SBB had not prepared them in accordance with applicable provisions. The Council therefore handed over the matter to Finansinspektionen in May 2023 so the authority could assess whether it would intervene against the firm.

Finansinspektionen started its investigation in June 2023. Initially, the investigation covered multiple areas, but it then narrowed in scope to only covering the valuation of properties and the firm's accounting of two acquisitions as asset acquisitions in the consolidated financial statements. During the investigation, the authority informed SBB about its observations and preliminary assessments. SBB has commented on these observations and assessments.

2 Legal basis

2.1 Securities Market Act

Chapter 16, sections 1 and 4 of the Securities Market Act states that Sweden, as a home Member State and whose transferable securities are admitted to trading on a regulated market, as soon as possible and no later than four months after the end of each financial year, must publish their annual report and, where applicable, consolidated financial statements. Chapter 16, section 8 of the

Securities Market Act also states that there are provisions regarding annual reports and consolidated financial statements in the Annual Accounts Act (1995:1554), among others, and that Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (the IAS Regulation) also applies on the matter of consolidated financial statements.

SBB is subject to the supervision exercised by Finansinspektionen pursuant to Chapter 23, section 1, fourth paragraph of the Securities Market Act with the aim of ensuring that the provisions regarding periodic financial information in Chapter 16 of the same Act are met.

2.2 International accounting standards

Article 4 of the IAS Regulation lays forth that an undertaking subject to a Member State's legislation and whose security is listed on a regulated market in a Member State shall prepare consolidated accounts in accordance with the international accounting standards adopted by the European Commission (the Commission) as specified in a special procedure.

The international accounting standards referred to under Article 2 of the IAS Regulation are International Accounting Standards (IAS standards) and International Financial Reporting Standards (IFRS standards) with related interpretations from the Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). Going forward in this report, these will be referred to collectively as *international accounting standards* or *IFRS*.

The international accounting standards applicable in the matter are

- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 40 Investment Property
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement

These accounting standards have been adopted by the Commission as regulations and are therefore applicable in relation to the firm's accounting. When the consolidated financial statements were prepared, Commission Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council was applicable. IAS 1, IAS 8, IAS 40 and IFRS 3 were adopted through this Regulation.

IFRS 13 was adopted through Commission Regulation (EU) No. 1255/2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting

Standard 12, International Financial Reporting Standards 1 and 13, and Interpretation 20 of the International Financial Reporting Interpretations Committee. Regulation (EC) No 1126/2008 has thereafter been amended several times as the Commission has adopted revised versions of already adopted standards, including the standards relevant in this matter.

The content of the relevant provisions in the standards is presented in sections 3.1 and 3.2. The provisions on material errors in IAS 8 are relevant for all violations in this decision. According to IAS 8.41, financial statements do not comply with IFRS if they contain material errors. According to IAS 8.5, the term *material* is defined in IAS 1.7 as follows: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” According to Finansinspektionen, this means that an error is material if it reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

3 Finansinspektionen’s observations and assessments

3.1 Measurement of properties at fair value

3.1.1 Introduction

In this section, Finansinspektionen discusses the recognition of properties the firm acquired from the firms TB (the TB properties) and LV (the LV properties) at fair value in the consolidated financial statements.

3.1.2 Applicable provisions

When reporting assets that are properties, the terms *cost* and *fair value* are key. The provisions for how investment properties must be handled in the financial statements are set out in IAS 40. IAS 40.20 states that a firm acquiring an investment property shall recognise the property at cost in the financial statements at the time of acquisition. After initial recognition, a firm that chooses to recognise investment properties at fair value as a rule and in accordance with IAS 40.33 shall measure all of its investment properties at fair value. A gain or loss that arises following a change in an investment property’s fair value, according to IAS 40.35, shall be recognised in profit or loss for the period in which the gain or loss arises.

According to IFRS 13.5, this is the standard that applies, with some exceptions, when another IFRS requires or allows, in part, fair value measurements.

Fair value is defined by IFRS 13.9 as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. According to IFRS 13.24, this price is the fair value regardless of whether the price is directly observable or estimated using another valuation technique. According to the definition in Appendix A to IFRS 13, an orderly transaction assumes exposure to the market for a period before the measurement date to allow for a sale that is customary for transactions involving such assets and thus is not a forced transaction.

According to IFRS 13.67, the valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

IFRS 13.72 establishes a hierarchy for fair value measurement. This hierarchy categorises the inputs to valuation techniques used to measure fair value into three levels. The highest priority goes to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs). The lowest priority goes to unobservable inputs (Level 3 inputs). According to IFRS 13.81, Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Appendix A to IFRS 3 defines observable and unobservable inputs. Observable inputs are based on market data about actual events or transactions on active markets. Unobservable inputs are inputs for which market data are not available and that are developed using the assumptions that a market participant¹ would use when pricing the asset or liability.

IFRS 13.87 states that to the extent relevant observable inputs are not available – for example in situations in which there is little or no market activity for the asset at the measurement date – unobservable inputs must be used to measure fair value. Unobservable inputs must reflect the assumptions that market participants would use when pricing the asset, including assumptions about risk.

According to IFRS 13.89, unobservable inputs must be developed using the best information available given the circumstances, which might include the firm's own data. When developing unobservable inputs, the firm may begin with its own data. This data must be adjusted if reasonably available information indicates that other market participants would use different data or there is something particular to the firm that is not available to other market participants, e.g., a firm-specific synergy.

IFRS 13.B44(b) states that if the evidence indicates that a transaction is orderly, a firm must take into account this transaction price. The amount of weight placed

¹ Appendix A of IFRS 13 defines a market participant as buyers and sellers in the principal market for the asset. According to this definition, the market participants are independent of each other (i.e., not related parties), knowledgeable, and have sufficient understanding of the asset and the transaction. They also are able to enter into a transaction for the assets and have an interest in completing the transaction for the asset, i.e., they are motivated but not forced or otherwise compelled to enter the transaction.

on this transaction price when compared with other indications of fair value will depend on the facts and circumstances, for example

- i. the volume of the transaction.
- ii. the comparability of the transaction to the asset or liability being measured.
- iii. the proximity of the transaction to the measurement date.

3.1.3 Finansinspektionen's observations

In 2020, SBB acquired the LV properties for SEK 4,750 million. At the acquisition date, the properties consisted of 138 preschool properties in 51 municipalities in Norway. In conjunction with the acquisition, an agreement was signed to lease the properties to the seller for 35 years with an optional extension of 10 years. The properties were recognised in the consolidated financial statements for 2020 at a fair value of SEK 6,300 million. In the consolidated financial statements for 2021, with a measurement date of 31 December 2021 (the measurement date), the properties were measured at a fair value of SEK 7,250 million. At measurement SBB applied a direct yield requirement of 3.65 per cent. A direct yield requirement is a measure of the yield a firm expects given an acquisition of the type in question. The requirement is used to value properties and express the yield investors require on invested capital based on, among other things, the property's risk profile, the market's yield levels, alternative investments (for example, interest rates, bonds) and the property's cash flow stability and expected development in value. In the case in question, the direct yield requirement is calculated as the ratio between net operating income and the acquisition price. The applied direct yield requirement of 3.65 per cent entailed that a positive change in value of SEK 950 million was recorded in the consolidated profit and loss statement for 2021.

On 10 December 2021 (the acquisition date), SBB acquired the TB properties for SEK 4,977 million, which corresponded to a direct yield requirement of 5.05 per cent based on the firm's assumptions of net operating income for 2022. At the acquisition date, the properties consisted of 142 preschool properties in 72 municipalities in Norway. In conjunction with the acquisition, an agreement was signed to lease the properties to the seller for 25 years with an optional extension of 10 years. In the consolidated financial statements for 2021, the properties were measured at a fair value of SEK 6,670 million. The measurement date was 31 December 2021, i.e., 21 days after the date of acquisition. For the measurement, SBB applied a direct yield requirement of 3.77 per cent compared to the direct yield requirement of 5.05 per cent that can be derived from the acquisition of the TB properties. The direct yield requirement of 3.77 per cent entailed that a positive change in value of SEK 1,693 million was recorded in the consolidated profit and loss statement for 2021.

The investigation shows that the agreement structure, the possibilities for growth in cash flows, and the counterparties were the same for the TB properties and the LV properties. Additional similarities demonstrating the comparability between the TB and LV properties is presented in the following table.

Table 1

	Lettable area (m ²)	Current rent/m ² (TNOK)	Vacancy (per cent)	Operating income 2022 (TNOK)	Net operating income 2022 (TNOK)
TB properties	105,234	2,400	0	1,066	251,535
LV properties	106,570	2,495	0	1,066	264,861

According to SBB, the difference between the TB and the LV properties' direct yield requirement at the measurement date was 0.12 percentage points, which was due to differences in the length of the rental contracts.

The consolidated financial statements show that SBB chose to recognise the investment properties at fair value after initial recognition. It also shows that SBB used a valuation technique with unobservable inputs (Level 3 inputs) when the firm measured the properties relevant in this matter at their fair value.

The investigation shows that when SBB established the fair values of the TB and the LV properties at the measurement date, the firm used unobservable inputs from seven real estate transactions in Norway that were completed in 2021. The unobservable inputs the firm used referred to the direct yield requirements that could be derived from the transactions. The direct yield requirements were then adjusted for the comparison transactions' differences in relation to the TB and the LV properties, in part with regard to geographic distribution, the length of the rental contract, and other contract terms. Five of the comparison transactions referred to office properties, one referred to a retirement home, and one referred to a sports arena. The inputs available about SBB's own acquisition of the TB properties were considered of almost no importance in the measurement of both the TB and the LV properties, according to SBB.

3.1.4 SBB's position

Fair value measurement

SBB takes the position that both the TB and the LV properties were measured at their fair values in the consolidated financial statements.

SBB adds further that the cost of the TB properties corresponded to the properties' fair values at the acquisition date according to the definition in IFRS 13.9. However, the firm takes the position that the TB properties' fair values at the measurement date do not correspond to the fair values at the acquisition date since the price that SBB paid for the acquisition does not correspond to what market participants were prepared to purchase the relevant properties for on 31 December 2021.

SBB also states that the measurement that served as the basis for the acquisition of the TB properties was established several months prior to the date the

acquisition agreement was signed and occupancy date. The change in value, in other words, did not take into consideration only the development during the 21 days that had passed between the acquisition date and the measurement date.

At the acquisition date for the TB properties, the market for pure community service properties in Norway was illiquid and not as competitive as the corresponding market in Sweden. SBB, therefore, takes the position that the transaction was beneficial for SBB in terms of the price the firm paid for the properties. The firm asserts that acquisitions can occur at beneficial prices even in an orderly transaction. The transactions that SBB completed led to a development in the market for pure community service properties in Norway, which in part led to an increase in demand. However, the starting point was an inactive market with low activity compared to the Swedish market.

SBB also states that transactions on illiquid markets are often difficult to price. The presence of such uncertainty about the price level often affects the seller or the buyer in the transaction in that the transaction price is lower or higher than what would have accepted if more reference information had been available. Large price differences thus could arise as an effect of the underlying activity being low on the market in question, even if the transaction is orderly.

The firm furthermore states that the TB properties were exposed to the market during a period prior to the acquisition and that the acquisition was an orderly transaction. SBB also states that the agreed rents were competitive and that this is a sign that the transaction was orderly. According to the firm, the seller of the TB properties, without being in an exposed position, was satisfied with the purchase price even if following a more extensive market assessment it would have been possible for the seller to get a higher purchase price. SBB takes the position, though, that the price deviates from comparable transactions and that a deviant orderly transaction such as this, which is not representative for the transaction market, should not serve as a basis for calculation according to fair value.

SBB states that the measurement at fair value should serve as a starting point for the price the firm would receive given a sale (exit price), not the price it paid at the acquisition of the asset (entry price). According to SBB, the central tenet in IFRS 13 is that the inputs used for the measurement at fair value are those that are most representative for what market participants could be expected to pay. SBB's valuation is based on the prices of comparable, relevant transactions that – after considering differences in the characteristics of the assets – indicated materially higher prices than the price SBB paid for the acquisition of the TB properties.

The errors are not material

At the end of 2021, SBB's market capitalisation for the shares in Series A, B and D was SEK 102.6 billion, total equity SEK 83 billion, and the balance sheet total SEK 194.5 billion. The firm states that an increase in the properties' value of

around SEK 2.6 billion is a mere insignificant share of SBB's total value. According to SBB, this indicates that any deviations in the measurement in any case are not so extensive that they can be considered material in the meaning set out in IAS 1.7.

SBB's opinion is that a fair value measurement of properties is most beneficial when using the balance sheet, while the effect on the income statement is more difficult to use to assess the property companies' profit/loss and value creation. Because a user's focus on the income statement is on the net operating income and the property management income, which form the basis for the assessment of future generation of cash flows and value, the effect of the above-mentioned valuation difference in the income statement is less relevant for the users. If the positive changes in value of around SEK 2.6 billion are still to be set in relation to something in the income statement, the firm asserts that the total changes in value were approximately SEK 21 billion during the 2021 financial year. This shows, according to SBB, that the items in question constitute a smaller portion of the total changes in value and that they thus have a limited impact on the overall presentation of the firm's performance.

3.1.5 Finansinspektionen's assessment

SBB had not prepared unobservable inputs using the best information available given the circumstances

Because SBB has valued the TB and the LV properties using unobservable inputs, the firm must use in its valuation the best information available given the circumstances. Such information will maximise the use of relevant observable inputs and reflect the assumptions that other market participants would have used to price the properties in question, such as the condition of the assets, their location and their area of use.

According to Finansinspektionen, when assessing which transactions in this specific case comprise the best information available given the circumstances, it is relevant to consider whether the transactions were orderly, how comparable the assets to which the transactions refer are with the asset that is to be valued, and the proximity of the transaction to the measurement date. This approach is supported by IFRS 13.B44(b).

SBB takes the position that IFRS 13.B44, like the other points under the relevant heading in IFRS 13 – Measuring fair value when the volume or level of activity for an asset or a liability has significantly decreased – are applicable only in situations when the volume or activity level for the asset that will be valued has decreased significantly. Because this has not been the case for the valuations in question, the paragraph, according to SBB, is not applicable. Finansinspektionen does not agree with this interpretation. The paragraph in question was not part of the original version of IFRS 13; rather, it was first introduced in conjunction with the financial crisis in 2008 to manage the challenges that arose as a result of the crisis. According to Finansinspektionen, given the context in which the

paragraph was introduced, it is clear that the intention was not to limit the principles that apply during a fair value measurement to the single situation mentioned in the heading. The intent with introducing the paragraph was instead to clarify that the principles are not applicable only during market activity, but rather also in situations where the volume or activity level for the current asset has decreased significantly. It is also not possible to derive from the paragraph, as SBB has done, that the paragraph only applies to specific situations. In addition, Finansinspektionen notes that the principles for fair value measurement set out in the paragraph do not conflict with any other principles in IFRS 13 in identifying the best information available.

It is an uncontroversial assessment that the acquisition of the TB properties were an orderly transaction and that the cost of the TB properties corresponded to the properties' fair value at the acquisition date.

SBB asserts that the price for the TB properties deviated from the prices of comparable transactions since SBB and other market participants would have had the possibility to sell the properties at a higher price than the sellers. This type of deviating transaction, according to SBB, should not serve as a basis for the fair value measurement at the measurement date. However, there is no support in IFRS 13 for establishing different fair values for a property depending on who the involved market participants are, as SBB appears to have done. IFRS 13.87 states that unobservable data must reflect the assumptions that market participants would use when pricing the asset. According to Finansinspektionen, a market participant, much like SBB, would have made the assessment that the cost of the TB properties constitutes the properties' fair value at the acquisition date. The cost was thus the price that would have been received at the sale of the properties through an orderly transaction between market participants, which is also what happened. According to Finansinspektionen, under IFRS there is a strong presumption that such a price is not beneficial for any party to the transaction. Another assessment could have been made if the cost had not been assessed to constitute the properties' fair value at the acquisition date, for example due to the seller not being a market participant or the transaction not being orderly.

SBB has not presented any evaluation as support for its assertion that the price for which SBB acquired the TB properties deviated from the price of similar transactions. The comparison transactions that SBB refers to do not relate to identical or similar assets but rather consist of, among other things, a sports arena and office facilities. It is therefore not possible to draw the conclusion that other market participants would have paid a higher price at the measurement date than what SBB paid at the acquisition date. Given this background, Finansinspektionen takes the position that the acquisition of the TB properties was the best information available given the circumstances to prepare observable inputs when measuring the TB properties at fair value.

As mentioned above, only 21 days had passed between the acquisition date of the TB properties and the measurement date. Finansinspektionen notes that the

market conditions during this short period had not changed to such an extent that this would create grounds on which SBB could disregard the acquisition of the TB properties when the firm developed unobservable inputs in the manner that it did.

SBB has raised the objection that the measurement that served as the basis for the acquisition of the TB properties was established several months prior to the date the agreement was signed. According to SBB, it is therefore not correct to assert that the change in the valuation of the TB properties takes into consideration the development of only 21 days. Finansinspektionen notes, however, that, regardless of when the evaluations were determined, it is uncontroversial that the TB properties' fair values at the acquisition date corresponded to their cost. Thus, the objection does not change Finansinspektionen's opinion that the fact that only 21 days had passed between the acquisition date and the measurement date is relevant for considering at the time of the assessment the weight the acquisition of the TB properties should have during measurement.

Finansinspektionen overall takes the position that SBB, at the measurement date, should have prepared unobservable inputs using the acquisition of the TB properties, which was the best available information given the circumstances that a market participant would have considered at the measurement date. SBB had not done this.

The valuation of the LV properties should be based on the properties' fair values as at 31 December 2021 and the circumstances that existed then. Earlier circumstances that served as basis for the valuation on 31 December 2020 are thus irrelevant. When SBB measures the LV properties at fair value at the measurement date, the firm, in the same manner as at the measurement of the TB properties, must use the best information available given the circumstances.

The comparability between the TB and the LV properties was very high. Given this, and the circumstances regarding the TB properties stated above, Finansinspektionen takes the position that the information about SBB's acquisition of the TB properties also constitutes the best information available given the circumstances that a market participant would have considered for the measurement of the LV properties at fair value at the measurement date. Using this information, SBB could have drawn up and used non-observable inputs, i.e., the direct yield requirement for the TB properties, for the measurement of the LV properties. SBB has not done this either, but rather used less relevant and less comparable information.

If the TB-properties transaction had been used as comparison data, the TB and the LV properties would have been measured at a lower value in the consolidated financial statements. Thus, SBB – in violation of IAS 40.33 – has not recognised the TB and the LV properties at their fair value. By recognising the properties at a value that is too high, SBB made it appear that the Group had

higher profit than what was the case. The consolidated financial statements therefore contain errors in the meaning of IAS 8.41.

The errors are material

As set out in IAS 40.5, investment properties are properties held to generate rental income or for capital appreciation or both. SBB's annual report for the 2021 financial year also states that the firm's strategy is to own, manage and develop properties in the long term. The authority takes the position that the fact that changes in the values of properties are a measure of how well SBB fulfils its strategy strongly indicates that a user considers the effect of value changes in the income statement as important when assessing how well the firm is managing its assets in order to generate cash flows and create returns in the future for its owners. Finansinspektionen therefore does not share SBB's assessment that the effect from the changes in value of investment properties in the income statement is more difficult to use to assess the property companies' profit/loss and value creation.

As stated above, the TB properties at the measurement date should have been measured using the best information available given the circumstances, namely the acquisition of the TB properties. However, at the measurement date the TB properties were recognised at a fair value of SEK 6,670 million, which means the properties' recognised fair value was approximately SEK 1,693 million too high. Finansinspektionen considers a value increase of this size to comfortably be considered material.

The LV properties were recognised at the measurement date at a fair value of SEK 7,250 million. Given the direct yield requirement of 5.05 per cent at which the TB-properties transaction was completed and the difference in the direct yield requirement between the TB and the LV properties of 0.12 percentage points as specified by SBB, it can be noted that the recognised fair value of the LV properties was approximately SEK 1,878 million too high ($7,250,000 - (264,861/[5.05 - 0.12]) = 1,877,566$). Finansinspektionen also considers this value increase to comfortably be considered material.

In summary, the recognised consolidated profit before tax for 2021 was approximately SEK 3.6 billion too high, which corresponds to approximately 12 per cent of the profit before tax.

Finansinspektionen therefore makes the assessment that the errors individually can be reasonably assumed to influence the decisions that the primary users of the consolidated financial statements make on a basis of these statements. The errors are thus material in the meaning set out in IAS 8.5 and IAS 1.7, and according to IAS 8.41 the consolidated financial statements therefore do not comply with IFRS. SBB has thus failed to fulfil its obligations pursuant to Article 4 of the IAS Regulation.

3.2 Reporting acquisitions as asset acquisitions

3.2.1 Introduction

In this section, Finansinspektionen discusses SBB's reporting of the acquisitions of Offentliga Hus i Norden AB (Offentliga Hus) and Amasten Fastighets AB, currently Neobo Fastigheter AB (Amasten), as asset acquisitions and not business combinations in the consolidated financial statements.

If an acquisition is recognised as an asset acquisition, neither goodwill nor deferred tax is recognised. However, for business combinations, deferred tax on temporary differences between the taxable recorded values and any acquired goodwill is recognised. In addition, for a business combination, the acquirer must provide disclosures in the financial statements that help users assess the nature and financial effects of the acquisition.

3.2.2 Applicable provisions

The provisions specifying when a firm must recognise a transaction as a business combination are set out in IFRS 3.

According to IFRS 3.3, by applying the definition in the standard, a firm must determine if a transaction is a business combination. If the acquired assets are not a business, the same paragraph states that the firm must recognise the transaction as an asset acquisition.

IFRS 3.B7 states that a business consists of three elements: input and the processes applied to this input that can contribute to creating the third element, output.

To enable a simplified assessment to rule out a transaction as a business acquisition, IFRS 3.B7A states that firms can choose to prepare a concentration test.

IFRS 3.B7B sets forth that the criteria for the concentration test are met if substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets and if the criteria stated in the paragraph are met. If the criteria in the concentration test are met, IFRS 3.B7A(a) allows for the transaction to be recognised as an asset acquisition.

When assessing whether the assets are similar, IFRS 3.B7B(e) states that the firm must consider the nature of each identifiable asset and the risks associated with managing and creating outputs from the assets; that is, the risk characteristics.

IFRS 3.B7B(f)(vi) states that identifiable assets that are within the same class of asset but have significantly different risk characteristics must not be considered similar assets.

If the criteria in the concentration test are not met, or if the firm in question elects not to apply the test, IFRS 3.B7A(b) states that the firm must perform the assessment set out in paragraphs B8–B12D of the standard, a so-called expanded assessment.

According to IFRS 3.B11, in an expanded assessment, the determination of whether a particular set of activities and assets is a business must be based on whether the integrated set is capable of being conducted and managed as a business by a market participant. The paragraph also states that when evaluating whether a particular set *is* a business, it is not relevant whether a seller operated the set *as* a business or whether the acquirer intends to operate the set as a business.

IFRS 3.B8 states that although businesses usually generate outputs, outputs are not required at the acquisition date for an integrated set of activities and assets to qualify as a business. However, to be considered an integrated set of activities and assets, the paragraph requires as a minimum an input and a substantive process that together significantly contribute to the *ability* to create output.

If a set of activities and assets has outputs at the acquisition date, an acquired process is considered to be substantive – when it is applied to one or several acquired inputs –if it

- is critical to the ability to continue producing outputs, and if the input acquired includes an organised workforce with the necessary skills, knowledge, or experience to perform that process (IFRS 3.B12C(a)), or
- significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in continued production (IFRS 3.B12C(b)).

According to IFRS 3.59, the party acquiring a business must disclose information that enables users of the acquirer’s financial statements to evaluate the nature and financial effect of the business combination. To meet the objective in paragraph 59, IFRS 3.60 states that the acquirer must disclose the information specified in IFRS 3.B64–B66. These disclosures refer to, for example, the fair value at the acquisition date of transferred remuneration, recognised values at the acquisition date of assets and liabilities, the acquired firm’s income, and profit/loss for the current reporting period.

3.2.3 Finansinspektionen’s observations

During 2021, SBB, through a series of share purchases, acquired control of Offentliga Hus and Amasten.

When SBB acquired control over *Offentliga Hus*, it was a listed company that owned, managed and developed investment properties. The organisation consisted of 16 employees. Parts of the operations were outsourced to external actors. Disclosures about the outsourced property management are set out in *Offentliga Hus*'s annual report and consolidated financial statements for the 2020 financial year. The property management was handled primarily by another firm. The firm's annual report for the 2021 financial year states that the agreement with *Offentliga Hus* for outsourced property management ran until 31 March 2022 and that the agreement had been taken over by SBB.

The acquisition of *Offentliga Hus* included approximately 140 investment properties in Sweden that SBB valued at SEK 10,021 million. Of the property value, 17 per cent consisted of private offices, commercial infrastructure and student housing projects. The remaining portion of the property value consisted primarily of different types of community service properties, including care and assistance properties, offices for public administration, and education properties. The properties were spread throughout a large portion of Sweden. However, the majority of the properties were located in the Stockholm area and in western Sweden. The size of the properties varied between approximately 100 and 40,000 m². *Offentliga Hus* reported for the 2020 financial year rental income of SEK 537 million. The terms of the rental contracts varies from between approximately 1 year to 25 years. Tenants include municipalities, regions and businesses.

When SBB acquired control over *Amasten*, it was a listed company that managed and developed properties. At the end of Q3 2021, the organisation consisted of 114 employees. The acquisition of *Amasten* included approximately 260 investment properties in Sweden that SBB valued at SEK 17,138 million. Of the property value, 91 per cent was attributable to investment properties. The remainder consists of ongoing property projects. Of the surface area of the investment properties, 27.8 per cent consisted of commercial premises. The remainder consisted of residential units. The size of the investment properties varied between approximately 300 and 37,000 m². Of the total property value, 34.5 per cent was distributed between properties in Gävle, Finspång, Sundsvall and Nynäshamn. The remainder was distributed between properties in 33 other locations. Rental income was SEK 501 million during the period January–September 2021.

At the acquisitions of *Offentliga Hus* and *Amasten*, SBB chose to perform a concentration test in accordance with IFRS 3.B7B to evaluate if the acquisitions were to be considered asset acquisitions.

When determining if the properties included in each acquisition were similar, SBB evaluated the properties based on certain qualitative and quantitative risk characteristics. The qualitative risk characteristics that were evaluated were type of property, size, geographic distribution and tenants. The quantitative risk characteristics that were evaluated were the properties' direct yield requirement. The evaluation showed that the direct yield requirement for the properties in

Offentliga Hus varied between 3.6 and 7.6 per cent and for the properties in Amasten between 1.85 and 5.85 per cent.

The investigation shows that SBB made the assessment that the properties included in each acquisition were similar assets. This means that the entire fair value of the gross assets that SBB had acquired were assessed to be concentrated to a group of similar identifiable assets. Since, according to SBB, the criteria in the concentration test were thus fulfilled for both acquisitions, the firm recognised the acquisitions as asset acquisitions.

SBB has provided Finansinspektionen with information about how the consolidated financial statements would have been presented if the acquisitions had been recognised as business combinations. This information, which consists of acquisition analyses, shows that if Amasten had been recognised as a business combination, goodwill would have amounted to SEK 1,183 million. The acquisition analysis for Offentliga Hus shows that goodwill correspondingly would have been SEK 1,131 million. The deferred tax liability that arises when recognising a business combination would have been SEK 2,416 million for Amasten and SEK 1,512 million for Offentliga Hus.

3.2.4 SBB's position

SBB takes the position that it was correct to report the properties as asset acquisitions.

Concentration test

SBB takes the position that the concentration test in IFRS 3 has been designed to be simple to apply and is based on a qualitative assessment rather than a quantitative assessment.

The firm asserts that the risks in the cash flow differ for a property located in a metropolitan area versus a rural area. The difference in risk characteristics between properties in metropolitan areas and rural areas, according to the firm, is primarily that cash flows have a lower risk in the metropolitan areas due to lower vacancy risk. The acquired processes for management of properties, however, was substantially identical, regardless of the type of property and the properties' geographic placement. The assets were similar; they did not have significantly different risk characteristics. The criteria in the two concentration tests were thus met at the acquisitions of Offentliga Hus and Amasten.

The expanded assessment

Even if SBB's fundamental position is that the criteria in the concentration test were met, the firm also asserts that an expanded assessment leads to Offentliga Hus and Amasten being classified as asset acquisitions.

SBB has not acquired any significant processes in Offentliga Hus and Amasten. A hypothetical market participant would thus classify the acquisitions at the acquisition date in a corresponding way to that which SBB has done.

In transactions of the size that were relevant at the acquisitions of Offentliga Hus and Amasten, the typical hypothetical market participants should primarily be considered to be other larger real estate companies. In 2021, real estate companies represented 70 per cent of the total purchase sum in SEK for the properties acquired. In the assessments of how a hypothetical market participant would have behaved, therefore, real estate companies should be considered to constitute this hypothetical market participant.

In property transactions, market participants' focus lies almost exclusively on the property assets in the current target company. Real estate companies as a rule have an established organisation within management, finances and other services required to maintain the property portfolio. Other investors, such as financial institutions, however, are more dependent on the target company's existing services and processes to conduct a business.

According to SBB, the processes and structures in the target company normally do not have practical significance and are not valued by market participants. The processes that exist in real estate companies are replaceable at a marginal cost, as indicated by the tendency of personnel in the majority of property transactions on the market to often be terminated in conjunction with a transaction. As a rule, the operations are not dependent on continuity in these processes, and any disruptions can be handled without major difficulty by the processes being replaced with subcontractors.

Offentliga Hus and Amasten had smaller organisations and processes that were not of critical importance for SBB. After the acquisitions, the firm has not had any difficulties replacing the processes, including outsourced property management where this has been applicable. According to SBB, the processes were not unique in any respect. In the acquisition of Offentliga Hus, the day-to-day property management was outsourced. That these processes were not of critical importance is shown in part in that a total absence of these services as of the date of possession of the shares and a period thereafter probably would not have affected the properties in question, asserts SBB. A process in a real estate company is material if it is expected to generate future cash flows, which would lead to the company's value exceeding the sum of the properties' fair values. Such a high value cannot be identified in the acquisitions of Offentliga Hus and Amasten.

Since the acquired processes were not considered important for market participants, SBB states that the expanded assessment shows that the acquisitions of Offentliga Hus and Amasten were asset acquisitions and not business combinations.

The errors are not material

If the acquisitions of Offentliga Hus and Amasten had been recognised as business combinations, SBB states that the effect on profit/loss and position would not have been material compared to if they had been recognised as an asset acquisition. SBB takes the position that it would thus be difficult to assert that the primary users would be impacted in their decision-making by the small differences that would have occurred if the acquisitions of Offentliga Hus and Amasten had been classified as business combinations instead of asset acquisitions.

In addition, SBB states that it can hardly be considered that SBB would be valued differently based on differences in disclosure according to the rules for business combinations pursuant to IFRS 3.B64 and IFRS 3.59–60. According to SBB, the value is assessed by separate disclosures if the acquisitions of Amasten and Offentliga Hus do not contribute any material information to the reader of the annual report. Instead, it is the effect of all acquisitions, regardless of whether they are an asset acquisition or business combination, which is relevant. Such information is provided in the form of disclosures on earnings potential. Differences in disclosures between asset acquisitions and business combinations are therefore judged not to be of such a nature that they would impact primary users' decisions.

3.2.5 Finansinspektionen's assessment

Concentration test

SBB performed concentration tests to assess whether the acquisitions of Offentliga Hus and Amasten were asset acquisitions. As presented above, the criteria for the concentration test are met if substantially all of the fair values of the gross assets acquired are concentrated to a single identifiable asset or group of similar identifiable assets. This overarching principle is followed up by a number of criteria in IFRS 3.B7B(a–f) that also must be met for the criteria in the concentration test to be met.

IFRS 3.B7B(f) states that the criteria in the concentration test can never be met if all acquired assets belong to the same class of asset but have significantly different risk characteristics. According to IFRS.B7B(e), the term *risk characteristics* refers to the risks associated with managing and creating outputs from the assets.

According to Finansinspektionen, there is a clear connection between the management of an asset and creation of output from this asset such that the latter is a result of, among other things, the former. In other words, it is not possible, as SBB asserts, to investigate only if the acquired processes are the same or different without also considering any differences in the risks associated with the return on the assets. According to Finansinspektionen, the fact that the risks in the return differ is explained in part by a difference in the risks associated with the management.

SBB states that the criteria in the concentration test were met since there are no major differences in the processes for management of the acquired assets. The firm takes the position that the management is substantially the same regardless of property, and the properties thus have the same risk. At the same time, SBB takes the position that the risk in the cash flow for a property located in a metropolitan area is different from a property in a rural area and that this is primarily due to differences in vacancy risk.

Finansinspektionen agrees with the latter statement and takes the position that it is also clear that there are obvious differences in the risks in the management and creation of output from these properties for several reasons. For example, Amasten has both commercial premises and rental units, and Offentliga Hus has commercial infrastructure and care and assistance facilities. The management of such properties differs in the possibility to create output. The tenants of commercial premises and residential units, for example, have different credit risk. Similarly, the credit risk differs for tenants in care and assistance facilities compared to tenants of commercial infrastructure. Different types of properties also entail differences in the management of output from, for example, offices, and commercial infrastructure being more sensitive than residential property to economic fluctuations. In addition, the properties are located in different parts of the country, which also – as even SBB notes – entails differences in the risks of management and creation of output based on, in part, vacancy risks. It is often easier to rent out commercial premises in central Stockholm than in one of the smaller towns where some of the properties are located.

Based on the circumstances specified above, Finansinspektionen notes that the properties in both Offentliga Hus and Amasten were subject to different types of rental purposes, there was a large degree of variation in the properties' size and type, and the properties were located in a large number of different locations in Sweden. Given this background, the authority takes the position that the qualitative risk characteristics of the properties in Offentliga Hus and Amasten were different. This position is also supported by the circumstance that their direct yield requirements varied by four percentage points. Even if the properties were in the same class of assets, they were not similar assets. The criteria in the concentration test, in other words, were not fulfilled, and SBB – before recognising the acquisitions as asset acquisitions – therefore should have performed the expanded assessments to determine if the acquisitions were business combinations.

The expanded assessment

As mentioned above, IFRS 3 states that a business consists of inputs and at least one substantive process applied to this input that can contribute to creating outputs. If the acquired assets at the acquisition date have output, the assessment of whether the acquired processes are substantive are made in accordance with IFRS 3.B12C with support from IFRS 3. B12D. If the firm determines that the

acquisition includes at least one substantive process, the acquisition is a business acquisition. Otherwise, the acquisition can be recognised as an asset acquisition.

Finansinspektionen notes initially that the determination of whether a certain set of activities and assets constitutes a business according to IFRS 3.B11 must be based on whether the integrated set *is capable of* being conducted and managed as a business by a market participant. In this determination, in other words, whether the seller has actually conducted or whether the acquirer *intends* to conduct the set as a business is not important. The investigation shows that a review of Offentliga Hus and Amasten at each respective acquisition date implies that they respectively created output (rental income) and included both the input (properties, among other things) and the processes (day-to-day management, among other things) necessary for independently creating output. This is why, according to Finansinspektionen, there is no doubt that Offentliga Hus and Amasten could be conducted and managed as businesses by a market participant. This circumstance already indicates that Offentliga Hus and Amasten were businesses.

Furthermore, the investigation also shows that the acquisitions of Offentliga Hus and Amasten included inputs comprised of properties, employees, rental agreements, and agreements for outsourced operations, and that at the acquisition date these created output in the form of rental income. The question remains whether the processes the acquisition included, and that made the output possible, were substantive.

In order for a process to be considered substantive under paragraph B12C(a), it must be critical to the ability to continue production, i.e., to continue creating output. In a property management firm, there are many different processes applied to the properties to generate cash flows. Some of the processes are not critical to the ability to continue production, while others are critical in the manner that the absence of these processes would have a direct negative effect on the creation of output.

SBB asserts that the day-to-day management of the property assets is not critical for creating output for the operations. Finansinspektionen does not agree with this assessment. Day-to-day management is very important for a market participant to be able to continue creating output. In addition, the assessment of what is critical must be based on what is acquired and not – as SBB asserts – on who the acquirer is or whether the acquirer intends to replace the acquired processes after the acquisition. This is set out in IFRS 3.B11. Processes in the form of day-to-day management include, among other things, maintenance on and repairs of the properties, tenant adaptations, letting and tenant management. If the properties are not managed, no output is created in the form of rental income or value increases; in contrast, the properties could stop generating rental income or reduce in value. These processes are therefore critical for the ability of a market participant to continue production at the acquisition date. The absence of these processes at the acquisition date would have resulted in, according to the inspection, a loss of production in the form of, among other things, lost rental

income or value reductions. Finansinspektionen thus does not share SBB's opinion that an absence of the acquired processes probably would not have affected the operations of the properties in question. The processes, in other words, were a condition for being able to continue to create output and thus are critical for this creation.

In order for a process to be considered substantive under paragraph B12C(a), in addition to being critical the acquired input must also include an organised workforce with necessary skills, knowledge or experience to perform the process. At the acquisition date, Offentliga Hus had both employed personnel and agreements for outsourced property management, which both constitute such organised workforces as referred to in IFRS. These workforces contributed through their knowledge and experience within, for example, property maintenance, heat and ventilation, and tenant adaptations for the properties being managed and in this way created revenue and cash flows. Similarly, Amasten had 114 employees contributing to the continued property management through their knowledge and skills in relevant areas. Therefore, according to Finansinspektionen, it must be clear that it would not have been possible to create any output if Offentliga Hus and Amasten had not had these organised workforces, which with their necessary skills, knowledge or experiences have executed the acquired processes. Finansinspektionen thus notes that the acquisitions of Offentliga Hus and Amasten included inputs that had such organised workforces as required for the acquired critical processes to be considered substantive.

SBB's assertions about the acquired processes being standardised and that SBB could have easily replaced the processes without any significant cost or disruption in production does not change Finansinspektionen's opinion. That it would have been necessary to replace the processes with equivalent processes to continue to create output indicates instead that the processes have been critical for the possibility to create output. Finansinspektionen has assessed the acquisition based on IFRS 3.B12C(a) and considers the requirements there to have been met. Therefore, there is no reason to go on and assess whether the processes are qualified or replaceable at a low cost based on IFRS 3.B12C(b).

In summary, Finansinspektionen makes the assessment that Offentliga Hus and Amasten must be considered to be business combinations given an expanded assessment. Each acquisition included inputs in the form of properties, employees, rental contracts and agreements for outsourced activities, as well as substantive processes that consisted of day-to-day management. Together, this input and these processes contributed significantly to the possibility to create the output consisting of rental income. SBB should therefore have recognised and disclosed information about the acquisitions as a business combination under IFRS 3.3. SBB had not done this. The consolidated financial statements thus contain errors in the meaning set out in IAS.41.

The errors are material

Finansinspektionen notes initially that goodwill and deferred tax – based on the firm’s acquisition analyses of the acquisitions as business combinations – would have been recognised as SEK 1,131 million and SEK 1,512 million, respectively, for Offentliga Hus and SEK 1,183 million and SEK 2,416 million, respectively, for Amasten. These amounts correspond to almost 30 per cent of the goodwill and the deferred tax that would have been recognised in the consolidated financial statements. Finansinspektionen makes the assessment that the incorrect recognition of the acquisitions, both individually and together, is material.² IFRS 3.59 also states that an acquirer of a business combination must disclose information that enables users of the acquirer’s financial statements to evaluate the nature and financial effect of the acquisition. According to IFRS 3.B64, these disclosures refer to, for example, the acquisition-date fair value, transferred consideration, and the acquisition-date recognised values of assets and liabilities as well as the acquired firm’s income, and profit/loss for the current reporting period. The disclosures must assume that the acquisition date of all business combinations that occurred during the year were as per the beginning of the financial year.

Since SBB has recognised the acquisitions of Offentliga Hus and Amasten as asset acquisitions instead of business combinations, the consolidated financial statements do not have the disclosures about the acquisitions that should have been provided. According to the consolidated financial statements, the acquired properties constituted around 18 per cent of the total value of the Group’s investment properties. Finansinspektionen considers this to be a significant share.³ Finansinspektionen makes the assessment that the disclosures would have made it easier for users of the consolidated financial statements to predict SBB’s future cash flows as well as their timing and certainty. Furthermore, the authority makes the assessment that the lack of disclosures makes it difficult for a user of the consolidated financial statements to assess each acquisition’s nature and financial effects.

In summary, Finansinspektionen takes the position that SBB has not prepared its consolidated financial statements properly, that the errors reasonably could be assumed to have influenced the decisions that the primary users of the consolidated financial statements make based on the statements and that the errors thus are material in the meaning set out in IAS 8.5 and IAS 1.7. Therefore, according to IAS 8.41, the consolidated financial statements do not comply with IFRS. SBB has thus failed to fulfil its obligations pursuant to Article 4 of the IAS Regulation.

² Goodwill: $27.6\% = (1,131 + 1,183)/(1,131 + 1,183 + 6,066)$. Where SEK 6,066 million is the goodwill recognised in the consolidated financial statements for 2021.

Deferred tax: $27.4\% = (1,512 + 2,416)/(1,512 + 2,416 + 10,428)$. Where SEK 10,428 million is the deferred tax recognised in the consolidated financial statements for 2021.

³ $(16,862 + 10,096)/149,335 = 18.1\%$.

4 Considerations for the intervention

4.1 SBB's position

SBB asserts that eventual errors in the accounting assessments cannot be considered to affect the primary users of the financial statements and that this should be considered when assessing how severe a potential violation is. According to the firm, the potential violations also cannot be considered to have a significant concrete or potential effect on the financial system.

SBB also takes the position that the firm's degree of liability should be considered to be low. IFRS is a principle-based and complex regulation that requires reporting firms to make qualified assessments and interpretations according to the standards. SBB has made its assessments in accordance with what a hypothetical market participant would have done given corresponding circumstances. SBB highlights that the firm's primary assessment agrees with the assessments made by the global auditing firms EY, KPMG and PWC and, with regard to valuation, on assessments from the leading valuation institution Newsec. SBB says it understands that the firm bears the ultimate responsibility for its financial statements but also highlights that EY, as its auditor, also stands behind the statements. SBB takes the position that particular consideration should be given to that SBB's assessment rests on clear market practices, a market practice that is to be considered in assessments under IFRS.

SBB takes the position that a mitigating circumstance in accordance with Chapter 25, section 19c, point 1 of the Securities Market Act, is that SBB to a significant extent has collaborated to facilitate the authority's investigation. The firm furthermore asserts that Finansinspektionen should also consider that the events in question refer to financial statements prepared approximately four years ago and that this refers to complex topics and extensive material. SBB also takes the position that that the firm's reception of the written communication from the Council, and later Finansinspektionen, and the provision of material has been of a particularly large scope and beyond that which was requested, and always with full transparency. In addition, SBB has provided material on its own initiative that Finansinspektionen neither has at its disposal nor actively requested with the aim of facilitating the authority's assessment.

4.2 The violations require intervention

Finansinspektionen's investigation shows that SBB has prepared the consolidated financial statements in violation of Article 4 of the IAS Regulation. Consolidated financial statements have thus not been prepared in accordance with the provisions that apply to the firm.

According to Chapter 25, section 22, first paragraph of the Securities Market Act, Finansinspektionen must issue an issuer a caution if the periodic financial information referred to in Chapter 16, section 4 of the Securities Market Act has

not been prepared in accordance with the provisions that apply to the issuer. According to Chapter 25, section 22, second paragraph of the Securities Market Act, a caution must not be decided if a violation is negligible or excusable or if a stock exchange or regulated market in another country within the EEA takes sufficient measures against the issuer.

The deficiencies in the consolidated financial statements consist in part of that the TB and the LV properties were not recognised at their fair values and in part that the acquisitions of Offentliga Hus and Amasten were incorrectly recognised as asset acquisitions instead of business combinations. Through these deficiencies, the Group's recognised profit was too high, and the consolidated statement of financial position at the end of the year was incorrect. In addition, there have been no disclosures to help users of the consolidated financial statements assess the character of and financial effects from the acquisitions in question. Given both the size of the incorrectly recognised value increases of the TB and the LV properties in the consolidated profit and loss statement and the value of the incorrectly recognised items in the consolidated statement of financial position due to the acquisitions of Offentliga Hus and Amasten, Finansinspektionen takes the position that the violations cannot be viewed as negligible. The circumstances are also not such that the violations are excusable.

Overall, Finansinspektionen considers there to be grounds on which to intervene against SBB.

4.3 Choice of intervention

4.3.1 Applicable provisions

As set out above and according to Chapter 25, section 22, first paragraph of the Securities Market Act, Finansinspektionen must issue an issuer a caution if the periodic financial information referred to in Chapter 16, section 4 of the Securities Market Act has not been prepared in accordance with the provisions that apply to the issuer.

If an issuer has been informed of a decision regarding a caution, Finansinspektionen, in accordance with Chapter 25, section 23 of the Securities Market Act, may decide that the issuer must pay an administrative fine.

According to Chapter 25, section 18, point 2 of the Securities Market Act, Finansinspektionen may issue an injunction to take remedial action if the issuer has published information that is incomplete or contains material misstatements.

According to Chapter 25, section 19b of the Securities Market Act, when deciding on an intervention against the issuer, Finansinspektionen must take into consideration the severity of the violation and its duration. Furthermore, special consideration must be given to the nature of the violations, their concrete and

potential effects on the financial system, losses incurred and the degree of responsibility.

According to Chapter 25, section 19c of the Securities Market Act, in addition to that set out in Chapter 25, section 19b of the same act, as an aggravating circumstance, consideration shall be given to previous violations by the issuer. During this assessment, special weight shall be attached to whether the violations are similar in nature and the time that has elapsed between the various violations. As a mitigating circumstance, it shall be considered if the issuer to a significant extent, through active cooperation, facilitated Finansinspektionen's investigation and if the issuer promptly ceased the violation after it was reported to or identified by Finansinspektionen.

4.3.2 Finansinspektionen's assessment

SBB has not prepared consolidated financial statements for 2021 in accordance with the provisions that apply to the firm. Finansinspektionen is therefore issuing SBB a caution.

The consolidated financial statements contain multiple errors, all of which can reasonably be assumed to have impacted the decisions that users of the consolidated financial statements make based on these statements. The errors relate to central items in the consolidated financial statements and therefore may have had a material impact on the overall presentation of the firm's financial position. In order for the caution to be a sufficient intervention, it must be accompanied by an administrative fine.

All violations that are relevant in the matter are attributable to the consolidated financial statements for 2021. Due to the nature of the observed deficiencies, according to Finansinspektionen, an injunction to take remedial action would only fulfil a retroactive function in the sense that the consolidated financial statements for 2021 would be correctly presented. Given this background – and given that the violations apply to disclosures in an annual report and consolidated financial statements that are several years old – Finansinspektionen takes the position that it would not be meaningful to order the firm to take remedial action in addition to issuing a caution with an administrative fine.

4.4. Size of the administrative fine

4.4.1 Applicable provisions

According to Chapter 25, section 19, second paragraph of the Securities Market Act, the administrative fine is set at the lowest to SEK 50,000 and at the most the highest of

1. an amount as per 26 November 2013 in SEK corresponding to EUR 10 million,

2. five per cent of the issuer's turnover or, where applicable, corresponding to consolidated turnover for the immediately preceding financial year, or
3. two times the profit recorded by the issuer as a result of the violation, if the amount can be ascertained.

When the administrative fine's size has been established, consideration must be given to such circumstances as referred to in Chapter 25, sections 19b and 19c of the Securities Market Act. In addition, pursuant to Chapter 25, section 19d of the Securities Market Act, consideration must be given to the issuer's financial position and, if it can be determined, the profit the issuer made as a result of the violation.

4.4.2 Finansinspektionen's assessment

According to SBB's most recent adopted annual accounts for the 2024 financial year, the firm's net sales were SEK 347 million and the consolidated net sales SEK 3,708 million. Five per cent of the consolidated net sales is approximately SEK 185 million and exceeds an amount that as per 26 November 2013 corresponded to EUR 10 million, i.e., approximately SEK 88 million. It has not been possible to ascertain the extent to which SBB has profited as a result of the violations. The administrative fine therefore shall be set as at the most five per cent of the consolidated net sales.

When determining the size of the administrative fine, consideration shall be given to the severity of the violation and its duration. Consideration shall also be given to the nature of the violations, their concrete and potential effects on the financial system, losses incurred and the degree of responsibility. In addition, consideration shall be given to the issuer's financial position and, if it can be determined, the profit the issuer made as a result of the violation.

The provisions regarding periodic financial information are central to ensuring good investor protection. Disregarding the regulations risks serious consequences for individual investors, who have less of a possibility of making well-grounded investment decisions. There is also a risk that non-compliance with rules could damage confidence in the stock exchange and the market in general. Finansinspektionen therefore takes the position that the violations are of such a nature that they pose a risk of having an adverse impact on the confidence in the securities market. This applies in particular since the errors refer to central items in the consolidated financial statements with a significant impact on the view the statements provide of the consolidated financial position. During the period in question, SBB has financed its operations through both the equity and the bond markets as well as credit institutions. On the bond market, terms and conditions are often linked to loan-to-value ratios and the value of the issuer's assets, which means that matters related to valuations can play a direct role in lenders' risk assessments. For firms whose assets consist largely of commercial real estate, the valuation principles are also significant for credit assessments more generally. Such properties are widely used as collateral for loan-based financing, and reliable valuations are therefore very important for the issuance of

credit. Incorrect valuations could lead to loan-based financing being distributed incorrectly between market participants. If incorrect valuation methods were to occur in general or be perceived as acceptable on the market, there is a risk that this would impact confidence in the periodic financial information that issuers prepare. In the long run, this could lead to negative impacts such as elevated financing costs for firms. In contrast to SBB, Finansinspektionen therefore considers the violations, given this background, to have also led to potential severe effects on the financial system. At the end of 2021, SBB had a market capitalisation of approximately SEK 102 billion and around 165,000 shareholders. At the end of 2022, the firm had around 258,000 shareholders. In other words, the number of shareholders increased by approximately 56 per cent in 2022. During the period December 2021 to May 2022, SBB's Class B share was the twelfth most traded share on Nasdaq Stockholm, which resulted in the share being included in the OMXS30 index. In other words, there is considerable interest in SBB. As a result of the violations, investors and small savers of both shares and bonds have risked making decisions on inaccurate premises. Market participants may have been exposed to risks that were larger than that implied by correct and reliable information, or compensation received may not have fully corresponded to the actual risk. To the extent that Finansinspektionen is aware, however, the violations have not resulted in any observable damages or concrete effects on the financial system.

SBB has objected, asserting that the degree of responsibility should be considered to be lower since IFRS is a principle-based and complex regulation and that the firm's auditors stand behind their assessments. According to Finansinspektionen's assessment, the principles and the requirements in IFRS provide sufficient grounds on which to assess what is a correct application of the provisions in this case. The responsibility for following applicable regulations lies entirely with SBB. Neither statements from external auditors and auditing companies nor valuations made by a well-respected valuation provider should thus impact SBB's degree of responsibility.

SBB asserts that a hypothetical market participant would have made a similar assessment as the firm and that the firm's actions rest on a clear market practice. Finansinspektionen does not share SBB's perception that the firm has acted in accordance with market practices since at the time the transactions were executed other similar acquisitions by real estate companies were recognised as business combinations. This type of comparison is also highly limited in value since each transaction must be assessed on the circumstances of each individual case. That a certain practice has been established in a specific industry does not mean that the rules have another meaning in this industry than it does in other industries. Any other view would risk reducing predictability and skew the application of the rules.

Finansinspektionen does not consider SBB to have cooperated more actively than what reasonably could have been expected by a firm that is subject to an investigation by Finansinspektionen. There is thus no cause for considering this to be a mitigating circumstance when determining the administrative fine.

Overall, Finansinspektionen takes the position that the severity of the violation should form the starting point for the assessment of the size of the administrative fine and that the severity itself indicates that the fine should be set at a relatively tangible amount.

The administrative fine must be viewed as a gradation of the severity of the violations. The highest amount specified in the legislation sets the outer limit for how large the administrative fine may be. At the same time, the size of the administrative fine must reflect the severity of the violations and constitute proportionate intervention. The circumstances at the firm that conducted the violations and the impact that the administrative fine could have on it must therefore be considered when determining the administrative fine. For example, what is perceived as a deterrent fine for a smaller firm with moderate turnover could be more or less insignificant for a firm with deep financial resources (Bill 2006/07:115 p. 641). In other words, Finansinspektionen must ensure that the fine is proportionate based on both the severity of the violation and financial position of the firm in question. *Financial position* refers to, for example, the firm's annual turnover but also other factors (see Bill 2015/16:26 p. 107).

Finansinspektionen has stated in previous decisions that, when the determination of the size of the administrative fine is based on consolidated net sales, it is not always reasonable to view the fine as an equally large share of net sales as would apply to an individual firm. This applies in particular when the firm's net sales only correspond to a minor share of the Group's net sales, where there is a risk that such an administrative fine would be disproportionately high and not give sufficient consideration to the company's financial position (see, among others, Finansinspektionen's decisions in the matters FI Ref 22-11506, 23-25934 and 23-32698). However, such considerations are not as strong when, as in this matter, the issue is an intervention against a parent company that conducts limited operational activities and whose own net sales thus do not correctly reflect the company's financial position. In such a case there may instead be grounds when determining administrative fines to consider the consolidated net sales. This should also be the starting point for the assessment in this case.

In summary, Finansinspektionen based the gradation of the violations from an amount that corresponds to five per cent of the consolidated net sales, i.e., approximately SEK 185 million).

Finansinspektionen notes that the violations are more than four years old. The drawn-out processing period for this matter was due to the complex nature of the investigation and the significant amount of material, which also required extensive supplemental information from the firm. Even given this, however, the delay should lead to a slight decrease in the administrative fine.

Given the consolidated net sales and the circumstances in general as specified above, Finansinspektionen takes the position following a balanced assessment

that the administrative fine should be set at SEK 80,000,000. Finansinspektionen considers the administrative fine to be well-balanced and proportionate.

The administrative fine will accrue to the Swedish Government and is invoiced by Finansinspektionen after the decision enters into force.

FINANSINSPEKTIONEN

Beatrice Ask
Chair of the Board of Directors

Fredrik Lindgren
Legal Counsellor

Decisions in this matter were made by Finansinspektionen's Board of Directors (Beatrice Ask, chair, Martin Flodén, Gunnar Larsson, Stefan Lundgren, Charlotte Zackari and Johan Almenberg, Director General) after a presentation by Legal Counsellor Fredrik Lindgren. Chief Legal Counsel Erik Blommé, Acting Unit Head Marie Eiderbrant, Senior Legal Counsellor Nathalie Lacotte and Senior Accounting Expert Andreas Jonson also participated in the final proceedings.

Appendix – How to appeal

CC: Samhällsbyggnadsbolaget i Norden AB's CEO

referenskälla.

Do not forget to specify the date on which you received the document.

How to appeal

It is possible to appeal the decision if you consider it to be erroneous by writing to the Administrative Court. Address the appeal to the Administrative Court in Stockholm, but send the appeal to Finansinspektionen, Box 7821, 103 97 Stockholm or finansinspektionen@fi.se.

Specify the following in the appeal:

- Name, personal ID number or corporate ID number, postal address, email address and telephone number
- The decision you are appealing against and the case number
- What change you would like and why you believe the decision should be changed.

If you engage an legal representative, specify the name, postal address, email address and telephone number of the legal representative.

Finansinspektionen must receive the appeal within three weeks from the day you received the decision.

If the appeal was received on time, Finansinspektionen will assess whether the decision will be changed and then send the appeal, the documents in the appealed case and the new decision, if relevant, to the Administrative Court in Stockholm.