



Samhällsbyggnadsbolaget

ANNUAL REPORT

2020

SAMHÄLLSBYGGNADSBOLAGET I NORDEN AB (PUBL)

Contents

INTRODUCTION	4
Message from the CEO	6
SBB as an investment	8
Target follow-up	12
THE BUSINESS	17
Business model	17
Property management	18
Value-add strategies	24
SUSTAINABILITY REPORT	34
MANAGEMENT REPORT	54
Properties	58
Financing	59
Risk and sensitivity	60
Corporate Governance Report	62
Proposed appropriation of accumulated profit	65
FINANCIAL REPORTS	66
Consolidated financial statements and notes	67
Parent Company financial statements and notes	92
Signing of the Annual Report	98
Audit Report	99
OTHER	103
Definitions	103
Calculation of alternative performance measures	105
Investor relations	107

“ SBB’s vision is to be the best Nordic property company for community service properties and residential properties.”

To support the next stage of our growth journey, we are continuing to invest in our platform.

SEK 90.2 bn

Property value
31 December 2020

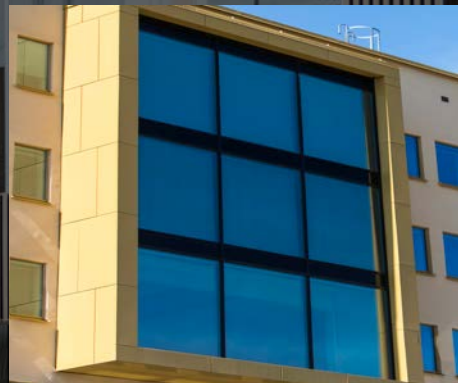
SBB's income comprises secure cash flows from property management of social infrastructure, which are supplemented with three income-generating value-add strategies.

p. 6



Since the beginning, SBB has worked with clear and highly set goals to deliver shareholder value over time.

p. 12



SBB's property portfolio is characterized by a high letting ratio and long lease contracts.

p. 18

98%

SEK 5,121 m

Rental income
Jan-Dec 2020

SEK 2,232 m

Cash flow from operating activities
Jan-Dec 2020

This is SBB

Ilija Batljan founded SBB (abbreviated SBB or the Group or the company in the report) in March 2016 with a vision to create the best Nordic property company focused on residential and community service properties. The company's strategy is long-term ownership, management and development of rent controlled residential properties in Sweden and social infrastructure properties in the Nordics. Further, the company aims to actively carry out property development where cash flow properties can be developed into social infrastructure building rights.

Active property management

SBB has its own management organization. SBB's management focuses on active work with value-creating development and continuous maintenance of the existing portfolio. A high surplus ratio is one of the company's sustainability goals, and the company performs management operations with a focus on net operating income. This is partly done through energy-saving investments.

In addition to working with traditional property management, SBB also works with further value-creating activities in the form of three income-generating value-add strategies; project and property development, renovations, remodelling and extensions, and property transactions.

Project and property development

SBB actively works with project development of social infrastructure. By using capital efficiently and applying good risk and cost control, profitability and long-term values are achieved for SBB's shareholders.

As of 31 December 2020, the project portfolio comprised 5,623 apartments (corresponding to a leasable area of 341,915 sq.m.), of which 1,681

apartments were under construction and 3,942 apartments were under active project development. At the end of the period, the community service properties in on-going production in the project portfolio corresponded to a leasable area of 106,050 sq.m.

SBB also generates value through its vigorous development of building rights. Establishing new building rights ensures a project portfolio that is sustainable over the long term and a stable production rate. As of 31 December 2020, SBB's portfolio of building rights amounted to approximately 2,518,000 sq.m. GFA, corresponding to approximately 34,000 apartments, making SBB one of the Nordic region's leading property developers.

The profit target for project and property development is SEK 1,000m – 1,400m per year.

Renovations, remodelling and extensions

SBB renovates residential properties with the objective of renovating 600 apartments; the company also works to remodel and extend its community service properties. SBB completed renovations of 695 apartments in 2020. In addition to renovations of apartments,

SBB has a larger volume of remodelling projects and tenant adaptations involving the company's community service properties. The total volume of these projects was SEK 2,287m. The profit target for renovations, remodelling and extensions is SEK 600m per year.

Property transactions

SBB continuously assesses the portfolio to identify potential and focus resources on the properties offering the greatest potential. SBB continuously works to sell properties assessed as fully developed and not assessed to be core holdings. Selling such properties entails capital being recovered and resources being freed up to facilitate additional attractive acquisitions whereby the quality of the portfolio is gradually raised. In this value-generating area, the company is also able to seize upon opportunities to make investments with a shorter investment horizon where these are deemed to generate shareholder benefit, and include investments in equities and/or debt instruments. The profit target for property transactions is SEK 400m per year.

By using capital efficiently and applying good risk and cost control, profitability and long-term values are achieved.



The year in brief

SEK 90.2 bn

Property value
31 December 2020

SEK 5.1 bn

Rental income
Jan-Dec 2020

SEK 9.1

Profit for the period
Jan-Dec 2020

SEK 2,232 m

Cash flow from operating activities
Jan-Dec 2020

SEK 28.21/share

EPRA NRV
31 December 2020

1.31%

Average interest
31 December 2020

Events during the year

- SBB's safe cash flows are only marginally impacted by the effects of Covid-19, as cash flows mainly come from tenants who are tax-financed by the Nordic states or rent-controlled residential properties.
- In the second quarter, in a large number of transactions, SBB sold office properties and rental apartments with a total leasable area of approximately 500,000 sq.m. and a total agreed property value of approximately SEK 9.5bn.
- In June, SBB presented new targets in connection with the company's capital market day, including a new growth target that the profit from property management per ordinary Class A and B share over a five-year period will grow by an average of 15 percent per year and that the property portfolio will amount to SEK 125bn by 2025.
- In July, a portfolio with preschools was acquired from the Norwegian Laeringsverkstedet with newly signed 35-year triple-net agreements and with Laeringsverkstedet as the tenant for a value of NOK 4,250m.
- In July, mandatory convertible subordinated notes maturing in 2023 were issued for SEK 2,750m, of which SEK 2,148m is recognized as equity. Conversion of the convertible notes to new B shares in SBB is mandatory.
- In the third quarter, SBB began a large number of projects for its own long-term management. Among them are rental apartments and elderly care units in central Västerås, elderly care units in Borlänge, new police buildings in Örnsköldsvik, Helsingfors and Kiruna, sheltered housing, a cultural centre and rental apartments in Boden and rental apartments in Haninge.
- In October, a portfolio was acquired in Finland, consisting mainly of elderly care units. The agreed property value for the portfolio amounted to EUR 222m. The transaction is the largest to date in the Finnish healthcare segment
- In November, an agreement was signed with Skellefteå's non-profit property company Skebo for the acquisition of 766 rental apartments and 123 apartments with health and residential care services, at an agreed property value of approximately SEK 1.3bn.
- In partnership with the municipality, SBB will develop building rights to invest an additional SEK 3bn in the construction of 1,500 new apartments in Skellefteå.
- In November, 100 percent of the shares in Sveafastigheter Bostad, with a development portfolio of 6,000 apartments in Greater Stockholm, were acquired for a purchase price of SEK 2,770m.
- In December, SBB issued its first social unsecured senior bond of EUR 700m with a maturity of eight years at a fixed interest rate of 0.75 percent and a perpetual hybrid bond of EUR 500m with a fixed interest rate of 2.625 percent in the European capital market.
- In December, the acquisition was completed of a total of 113,064,967 shares in Offentliga Hus i Norden AB (publ), corresponding to 44.2 percent of the shares and votes. The acquisition was classified as an associated company. As a stage in completing the acquisition, a decision was made to issue a maximum of 7,860,160 Class D ordinary shares.

Message from the CEO

Samhällsbyggnadsbolaget i Norden AB (SBB)'s income comprises secure cash flows from property management of social infrastructure, which are supplemented with three income-generating value-add strategies: Project and property development; Renovations, remodelling and extensions; and Property transactions.

Combined, these three value-generating areas delivered profit before tax of SEK 10,341m for 2020 and profit after tax of SEK 9,084m. After deductions for earnings attributable to preference shares, Class D shares, hybrid bonds and non-controlling interests, profit for the period amounted to SEK 6.41 per ordinary Class A and B share.

SBB's long-term efforts are yielding good results in terms of ecological, social and economic sustainability. We are investing extensively to reduce our climate impact.

Sharp increase in net operating income and cash flows from property management

Compared with 2019, profit from property management increased by 284 percent to SEK 2,474m (645). A sharp increase in net operating income to SEK 3,479m (1,265) is the principal explanation for the strong development of profit from property management. At the same time, we continue to lower our average interest rate, ending up at 1.31 percent (1.76) at the end of the period. SBB only has an insignificant exposure to variable interest rates. The average period of fixed interest for all interest-bearing liabilities is among the lowest in the Nordic region: 4.5 years (2.8) and the average debt maturity was 4.8 years (3.4).

Cash flow from operating activities before changes in working capital increased by 242 percent to SEK 2,232m (653) for the full year. Adjusted for non-recurring effects for repurchases

of expensive loans and restructuring costs, cash flow for the year ended up at SEK 2,483m (933).

In 2020, we succeeded in raising the surplus ratio to 68 percent, from 63 percent in 2019. Our renovation projects contributed to net operating income increasing, like-for-like, by a strong 4.1 percent, while rental income increased by 3.2 percent.

Covid-19 has gone from being a pandemic to also becoming a greatly increased risk to the world economy that leaves no one indifferent. During the year, SBB received 99.8 percent of its rental income, which is probably the highest of all listed property companies in Europe. We have seen that community service and residential properties are least affected by the crisis, but the crisis leaves no one unaffected. On the other hand, this is neither the first nor the last crisis that long-term focused companies have to deal with. Crises come and go and you have to be humble in the face of this, but our task is to be a reliable and long-term societal player that delivers shareholder value, good profitability and strong results in a sustainable way.

Europe's leading property company in value-add strategies

We supplement our secure cash flows from property management with three income-generating, value-add strategies: generating value through property development, renovations and

transactions. In property development, we are now focusing on using our extensive portfolio of building rights to construct new residential and community service properties based on the needs of the municipalities, both to be managed in-house, as well as through joint ventures. Project and property development delivered profit of SEK 2,224m in 2020, exceeding our target of generating an average SEK 1,000-1,400m annually in profit from property development. SBB is focusing on constructing environmentally friendly rent-controlled apartments in Stockholm and Gothenburg. We currently have 1,681 apartments in production. As of 31 December 2020, SBB's portfolio of building rights amounted to approximately 2,518,000 sq.m. GFA for social infrastructure, corresponding to approximately 34,000 apartments, making SBB one of the leading property developers in the Nordics. The integration of Sveafastigheter has further strengthened SBB's position as the Nordic region's leading property developer.

With regard to renovations, we managed to exceed our target of 600 apartments annually by 16 percent. SBB completed renovations of 695 apartments in 2020. At the end of the year, a further 73 apartments were undergoing renovation, while renovation of 164 apartments was planned to commence in the first quarter of 2021. Combined with the continued need to renovate community service properties, this

” According to Vision 2030, SBB's target is for at least 50 percent of all of its new production to be in wood.”



generates potential for strong recurring earnings through value-enhancing investments.

Elderly people and people with disabilities are currently experiencing shortages of functional elderly care units and housing for the disability. SBB views contributing new elderly care units and housing for the disabled as an important part of its investment in social sustainability. The number of elderly care units to be managed in-house is set to increase sharply, with total rental income from elderly care units and housing for the disabled doubling by 2025, from just over SEK 800m to SEK 1.6bn annually. By the end of 2020, our income from elderly care units and homes for the disabled had increased to SEK 954m.

Key ratios for a BBB+ rating have been delivered

In 2020, SBB achieved a significant reduction in its loan-to-value ratio. At the end of the period, our pro forma net debt, adjusted for cash inflows from properties that have been sold but not yet transferred, liquid financial assets and 12 months' earnings divided by total capital, in accordance with S&P's definition of the loan-to-value ratio, amounted to 45 percent. According to S&P's loan-to-value definition, our reported adjusted net debt was 50 percent at the end of the year (see the table on the next page).

Based on the key ratios we have reported, we therefore have a strong BBB rating and at the same time have, according to our calculations, fulfilled the key ratios that are most important in securing a BBB+ rating. The finance policy and the Board's clearly expressed ambition regarding the rating strengthen the ambition to achieve an A rating in the long term. The quality of our assets, both in terms of the security of the rental flows and of their liquidity in the transaction market, has proven to be among Europe's most secure in challenging times. We continue to raise our interest coverage ratio, which was a multiple of 4.1 at the end of the year. We have slightly more than SEK 70bn in non-pledged assets; cash balances, including liquidity from properties that have been sold but not yet transferred and financial assets of SEK 18.7bn, as well as available credit commitments of SEK 29.3bn.

Sustainability is the core of our business model

SBB's properties use solely 100 percent renewable electricity, which is also what SBB offers to its residential tenants. SBB offers green leases and inventories risks linked to climate change. Investments to upgrade rental apartments and our residential areas are combined with environmental decontamination. Of the 695 apartments renovated in 2020, 86 percent have been environmentally decontaminated.

At the end of 2020, SBB procured solar cell installations that will produce some 227,000 KWh of electricity annually. At the same time, SBB is continuing to invest to reduce its energy consumption by between 25 percent and 50 percent in a number of residential areas. An example is a project in the Västland 26:39 property in Sundsvall. This is a residential property of approximately 13,400 sq.m., in which a combination of district

heating, FX ventilation, geothermal heat pumps, waste water heat exchangers and additional insulation will more than halve the energy consumption. Besides reducing climate impact through lower energy consumption and by generating renewable energy, SBB is contributing to climate adaptation by prioritizing new production in wood. According to Vision 2030, SBB's target is for at least 50 percent of all of its new production to be in wood. In 2020, 52 percent of new production in progress, that is 54,965 sq.m. of a total 104,373 sq.m. was in wood.

SBB's wholly owned subsidiary Sveafastigheter has built Sweden's largest energy-positive building, Neptun, with the Miljöbyggnad Guld environmental building standard. SBB's projects and property development contribute to building sustainable communities by beginning with communication-adjacent locations and refining previously developed land, helping alleviate pressure to develop significant green areas.

SBB offers all Swedish municipalities the opportunity to use vacant premises free of charge to commence Covid-19 vaccination efforts. The Municipality of Haninge has initiated vaccinations of healthcare and residential care personnel at an SBB property.

Over the year, SBB undertook a number of initiatives to support vulnerable small businesses and healthcare personnel. Additional initiatives in summertime employment resulted in 134 young people securing summer jobs at SBB.

In 2020, Sveafastigheter won six land allocations in the City of Stockholm, focusing in particular on social sustainability. In the fourth quarter, Sveafastigheter also conducted a larger-scale participation process with about fifty young people from the Fryshuset youth centre as part of its development of housing at Sjöstadshöjden in Stockholm. In Kista/Husby, 181 homes and a new urban street are being created, connecting the districts. In Enskede, 118 housing units for the elderly are being developed, with the community in focus. In Hagsätra, 129 homes are being created that will increase security in the neighbourhood. In Rågsved, 38 homes are being developed with the perspective of children in focus. In Bromsten 264 apartments are under development where mobility and a farm environment will be in focus. In Hässelby, additional buildings with 47 rental apartments are being created.

In the fourth quarter, under its new framework for sustainable financing, SBB issued an eight-year social bond of EUR 700m with a fixed interest rate of 0.75 percent. This is the Nordic region's first social bond to date.

Prospects

SBB's assets are among the most sought after in a low interest rate environment in which investors seek a stable and secure return. Our resilient portfolio, with low-risk assets in the form of Swedish rent-controlled apartments and Nordic social infrastructure, including elderly care units, schools, preschools and LSS properties, provides a great foundation. What generates value is

“Our platform, in the form of our employees, their skills and the associated infrastructure, represents our most important asset.”

our team and our platform, with its full-scale infrastructure for growth and the implementation of our value-add strategies. Two years ago, we communicated our goal that we would be able to deliver the highest annual increase in net asset value among all listed Swedish property companies for the years 2019-2021. The outcome for 2019 ended up at the high 73 percent per ordinary Class A and B shares. This year, we continued to deliver with an increase in net asset value per ordinary Class A and B share of 41 percent.

Property is often seen as a cyclical asset with few opportunities for growth and highly dependent on interest rate fluctuations. Let me start with interest rates – the fact is that all shares are affected by interest rates, not only shares in property companies. What a property company can do is to ensure that it has longer periods of fixed interest. SBB's assets can be described as defensive and include Swedish rent-controlled residential properties, elderly care units, schools, homes for the disabled and other investments in social infrastructure with an average remaining lease term of nine years. In terms of profit and growth, SBB has delivered and continues to deliver, and we are also careful to ensure that the profit benefits our shareholders in the form of an annually increasing dividends. This year, the Board of Directors proposes a dividend of SEK 1 per Class A or B share, corresponding to an increase of 67 percent compared with the preceding year.

Our platform, in the form of our employees, their skills and the associated infrastructure, represents our most important asset. To support the next stage of our growth journey, we are continuing to invest in our platform. And we will continue to grow. Lastly, I would like to express our great gratitude to all of our employees, Board of Directors, tenants, suppliers and shareholders, who have supported our journey in the first five years. The future is ours.

Ilija Batljan
CEO and founder

SBB as an investment

As a shareholder in SBB...

... you are an owner of the Nordic region's largest property company in social infrastructure

In a short amount of time, SBB has established itself as one of the largest listed property companies and the largest in social infrastructure in the Nordic region. The property portfolio has a clear focus on low-risk assets with exposure to Nordic welfare states with long leases, high letting ratios and a diversified base of tenants. Read more on page 18.

...you have exposure to a unique business model with recurring income streams from three value-add strategies

The business model builds on managing the world's most secure assets with exposure to value-generating potential through project and

property development, renovations and property transactions. Through its business model, SBB generates long-term, sustainable shareholder value through a high risk-adjusted annual return. Read more on page 25.

...you become part of the journey towards the world's most sustainable property company

Sustainability is a natural part of our business model and SBB strives to be the world's most sustainable property company. SBB has set up a sustainability vision for 2030 and a sustainability policy for the concrete implementation of the targets and the vision. SBB's sustainability vision, targets and policy are adopted by the Board of Directors and continuously followed up by the CEO together with the Sustainability Manager. Read more on page 34.

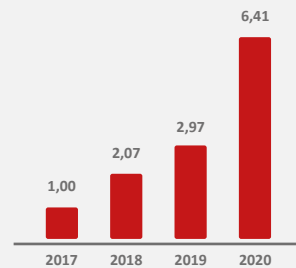
...you are a prioritized stakeholder and can expect increasing dividends every year

Our shareholders are one of our most important stakeholders and the business seeks to deliver shareholder value, good profitability and strong cash flows. SBB endeavours to be transparent and readily available. We prioritize meetings with shareholders, are visible in the media and participate in presentations and seminars to the highest extent that time allows. But most important of all is that our shareholders will be able to participate in our value creation. Consequently, one of our central goals is to deliver a stable increasing annual dividend per ordinary Class A and B share.

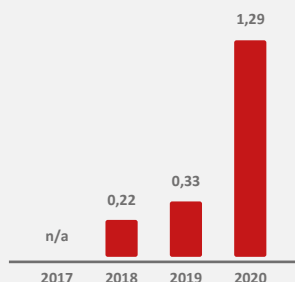
Focus on delivery

- Earnings per ordinary Class A and B share have risen by 541 percent since 2017
- The dividend per ordinary Class A and B share has risen by 900 percent since 2017
- Strong balance sheet: BBB- (investment grade credit rating) from S&P and Fitch (positive outlook)

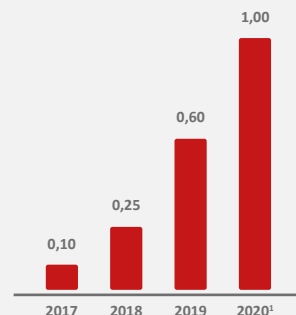
Earnings per Class A and B ordinary share, SEK



EPRA earnings (EPS), SEK/share



Dividend per Class A and B ordinary share, SEK



1) The Board's proposal to the Annual General Meeting 2021

Frequently asked questions from investors in 2020

How has SBB been able to grow so quickly?

SBB has a platform of employees, expertise and infrastructure that creates the conditions for growth and execution of our value-add strategies. Our foremost strength is our team, which is continuously working to create the most value possible, but the growth must also be supported by the Nordic region's strong demographic development.

Why do municipalities sell their properties to SBB?

Growing numbers of municipalities are realizing that they can obtain both a stronger financial position and a property owner that does just as good a job, or a better job, than the municipality itself. SBB can also create added value for the municipalities through investments and development of building rights to create more rental apartments and community service properties.

Why does it take so long to achieve a better rating?

SBB currently meets the requirements for a BBB rating, as well as the most important key figures for BBB+. SBB is actively working for the actual rating to reflect the company's financial position and earning capacity. The rating institutes work with a horizon of 12-18 months and revisions do not always take place in direct connection with the criteria being met.

How will SBB achieve the goal of SEK 125bn in the property portfolio by 2025?

We see very strong opportunities to continue growing the portfolio. In addition to making acquisitions, we will use our extensive portfolio of building rights to construct rent-regulated residential properties both to manage under our own auspices, as well as through joint ventures with parties who assume the construction risk.

What is the difference between SBB's B and D share?

The B share is directly exposed to SBB's value creation, with the goal of annually increasing the dividend. The Board has proposed that the 2021 Annual General Meeting raise the dividend to SEK 1 per share. The D share is reminiscent of a fixed-interest investment with a high and predictable yield. The dividend on the D share has a fixed ceiling of SEK 2 per share.

Why is SBB on lists of the stock market's most short-sold shares?

Of all of the current short sales of 5.07 percent at 31 December 2020, only 1.14 percent constituted a traditional short sale. The other short positions arose in connection with SBB's issue of mandatory convertible notes to institutional investors in July 2020, where the convertibles will be converted to Class B shares in 2023. With the aim of neutralizing its market risk, some of the convertible holders shorted the share to protect themselves from potential declines. This is called a delta hedge and was handled by SBB's financial adviser in connection with the issue.

The share

SBB's Class B share (ticker SBB B) and Class D share (ticker SBB D) are traded on Nasdaq Stockholm, Large Cap. The company's preference share (ticker SBB PREF) is traded on Nasdaq First North Premier Growth Market. Over the year, the total return on the Class B share was 28 percent.

As of 31 December 2020, the number of Class B ordinary shares totalled 1,119,504,867, while Class D shares totalled 179,881,880. The preference shares totalled 30,713 and in addition, the company had 209,977,491 ordinary Class A shares. The price of the ordinary share of Class B was SEK 28.66 and of Class D was SEK 30.10 at 30 December 2020. The market capitalization of the Class B shares (including the value of unlisted ordinary Class A shares at the same price) was SEK 38,103m, and for the Class D shares, it was SEK 5,414m.

The closing price for SBB's shares fluctuated between SEK 13.54 and 31.65 over the year, closing at SEK 28.66 at the end of the fourth quarter. This is an increase of 25 percent compared with 31 December 2019 (22.95). Over the year, the total return on SBB's shares, including dividends, was 28 percent.

The liquidity of SBB's share has increased over the year. The average daily trading volume was approximately SEK 176m, compared with SEK 28.7m for the corresponding period in the preceding year. This amounts to an increase of 513 percent. SBB works actively with its investor base by participating in roadshows, presentations and events for private and institutional investors.

Mandatory convertible bonds

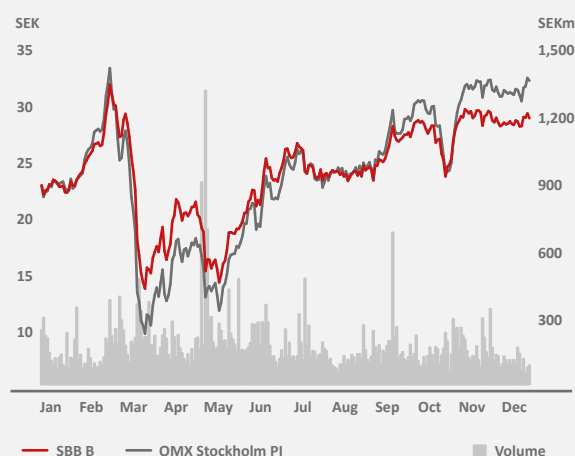
In July, SBB issued a mandatory convertible subordinated note for SEK 2,750m maturing in July 2023. The issue price was set at 100 percent and the convertible note matures at an annual interest rate of 7 percent. On maturity, the convertible note can be converted into Class B SBB shares, subject to the entitlement to premature conversion of SBB and the holders of the convertible note or on fulfilment of certain specific criteria, in accordance with the terms of the convertible note. The minimum conversion price of the convertible note, applied if SBB demands early redemption, is SEK 24.33 per Class B share, and the maximum conversion price is SEK 30.11 per Class B share. The number of shares issued in the event of mandatory conversion on maturity will be linked to the prevailing market price for Class B SBB shares at the time of conversion. The number of shares issued upon conversion will decrease proportionally as the price for Class B shares increases within the limits set in accordance with the terms of the convertible note. For accounting purposes, the convertible note is divided into an equity portion and a debt portion, with the debt portion corresponding to the present value of the future interest payments

for the instrument. Given conversion at the average share price on 31 December, 95,635,542 new shares would be issued.

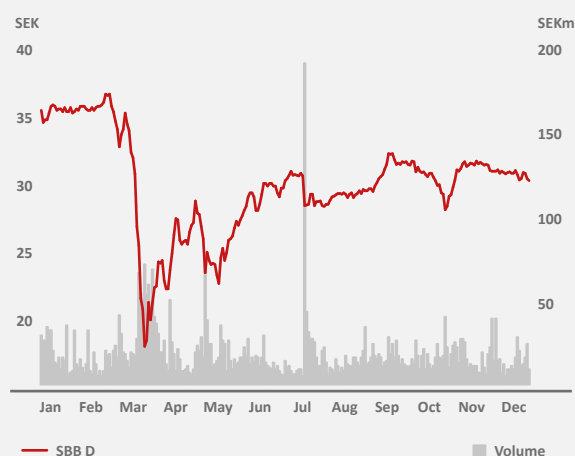
	Share price, SEK	
	31-12-2020	30/12/2019
Class B shares	28.66	22.95
Class D shares	30.10	34.89
Preference shares	710.00	756.00

	Average trading volume per trading day, SEKm	
	Jan-Dec 2020	Jan-Dec 2019
Class B shares	176	28.7
Class D shares	18.6	19.5
Preference shares	0.1	0.1

Class B share trend, past 12 months



Class D share trend, past 12 months



Ownership

On 31 September 2020, share capital amounted to SEK 150,939,495.10 at a quotient value of SEK 0.1 per share. Shareholding entitles the holder to one vote per Class A ordinary share and 0.1 votes per Class B ordinary share, Class

D ordinary share and preference share at the General Meeting. The preference shares have a preferential right over the ordinary shares to an annual dividend of SEK 35 per preference share divided into quarterly payments. Holders of Class

D ordinary shares are entitled to five times the total dividend on Class A and B ordinary shares, although not to more than SEK 2 per share and year.

Ownership structure as of 31-12-2020

Shareholders	Class A shares	Class B shares	Class D shares	Preference shares	Share capital, %	Votes, %
Ilija Batljan (privately/ companies)	109,053,868	18,132,874	530,000	-	8.46	32.63
Arvid Svensson Invest	41,809,742	23,868,281	-	-	4.35	13.00
Dragfast AB	36,163,467	57,612,502	-	-	6.21	12.33
Johansson-intressen	22,315,456	30,081,315	-	-	3.47	7.45
Länsförsäkringar	-	88,182,338	-	-	5.84	2.59
Læringsverkstedet Gruppen AS	-	-	44,197,779	-	2.93	1.30
Michael Cocozza	-	41,545,671	-	-	2.75	1.22
Sveafastigheter Bostad	-	35,701,962	-	-	2.37	1.05
BlackRock	-	31,886,880	729,334	-	2.16	0.96
Vanguard	-	28,689,902	2,112,371	-	2.04	0.91
Avanza Pension	-	21,199,444	8,739,353	1,724	1.98	0.88
Marjan Dragicevic	-	28,000,000	-	-	1.86	0.82
Swedish Foundation for Strategic Research	-	27,911,810	-	-	1.85	0.82
Gösta Welandson with companies	-	20,060,764	224,000	-	1.34	0.60
Lennart Schuss	-	20,074,872	190,000	-	1.34	0.60
Other	634,958	646,556,252, 1	123,159,043	28,989	51.0	22.8
Total	209,977,491	1,119,504,867	179,881,880	30,713	100	100

In accordance with the decision of the Annual General Meeting 2020, the shareholders have appointed the following persons: Mia Batljan (chairman), Rikard Svensson, Sven-Olof Johansson and Lennart Schuss to constitute Nomination Committee for the 2021 Annual General Meeting.



Target follow-up

Since the beginning, SBB has worked with clear and highly set goals to deliver shareholder value over time. In connection with SBB's capital market day in June 2020, updated financial and operational targets were presented.

Financial targets

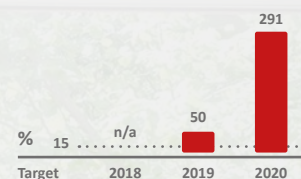
Objectives

Generate growth in the profit from property management per ordinary Class A and B share (EPRA Earnings), which over a five-year period on average amounts to **at least 15 percent per year**

Comment

SBB previously had a growth target measured in net asset value, but has deemed that growth in the profit from property management is a more relevant measurement when one, like SBB, manages secure cash flow properties.

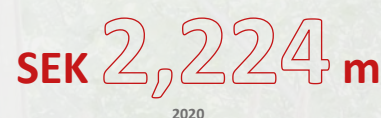
Outcome 2020



The outcome for 2020 was 291 percent.

Generate earnings from property development of, on average, **SEK 1,000m - 1,400m a year**

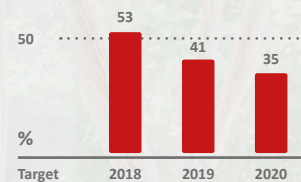
SBB focuses on using its portfolio of building rights to build green rental apartments based on the municipalities' needs.



The outcome for 2020 was SEK 2,224m.

Loan-to-value ratio lower than 50 percent, defined as net debt in relation to total assets.

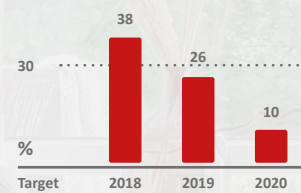
SBB has the strategy to have low financial risk, and therefore sets targets based on loan-to-value ratio, secured loan-to-value ratio and interest coverage ratio. The loan-to-value ratio is used to illustrate SBB's financial risk.



The outcome for 2020 was 35 percent.

A secured **loan-to-value ratio of less than 30 percent**

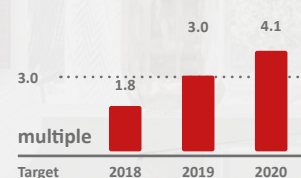
The secured loan-to-value ratio is used to illustrate SBB's financial stability.



The outcome for 2020 was 10 percent.

Minimum interest coverage ratio of a multiple of 3.0

The interest coverage ratio is used to illustrate SBB's financial risk.



The outcome for 2020 was a multiple of 4.1.

Achieve a **BBB+ rating no later than the second half of 2021**, and A- in the long term

SBB currently meets the requirements for a BBB rating, as well as the most important key figures for BBB+. SBB is actively working for the actual rating to reflect the company's financial position and earning capacity.



SBB's rating was BBB- at the end of 2020.

Operational targets

Target	Comment	Outcome 2020								
A property portfolio of SEK 125bn by 2025 , with retained BBB+ rating	This target is based on SBB's position as the Nordic region's leading company in social infrastructure. Of the SEK 125bn, at least SEK 15bn of the property value shall be comprised of rental apartments in Stockholm and Gothenburg. The property value for 2020 was SEK 90.2bn.	<table border="1"> <tr> <th>Year</th> <th>Value (SEK bn)</th> </tr> <tr> <td>2018</td> <td>25.2</td> </tr> <tr> <td>2019</td> <td>79.5</td> </tr> <tr> <td>2020</td> <td>90.2</td> </tr> </table>	Year	Value (SEK bn)	2018	25.2	2019	79.5	2020	90.2
Year	Value (SEK bn)									
2018	25.2									
2019	79.5									
2020	90.2									
100 percent climate neutral by 2030	SBB wants to act strongly in the climate transformation and therefore strives for climate neutrality in the entire value chain. An important part of the strategy for reducing emissions from the construction process is to build new construction out of wood. The start year for the calculation of climate neutrality will be 2021.	<p>52%</p> <p>Percentage of new construction projects in 2020 that had a wood frame</p>								
Renovation of at least 600 apartments per year	There is scope for renovating more than 75 percent of SBB's portfolio of apartments. In 2020, 695 apartments were renovated.	<table border="1"> <tr> <th>Year</th> <th>Number of Apartments</th> </tr> <tr> <td>2018</td> <td>415</td> </tr> <tr> <td>2019</td> <td>562</td> </tr> <tr> <td>2020</td> <td>695</td> </tr> </table>	Year	Number of Apartments	2018	415	2019	562	2020	695
Year	Number of Apartments									
2018	415									
2019	562									
2020	695									

Dividend policy

Objectives	Comment	Outcome 2020
Generate a stably increasing annual dividend per ordinary Class A and B share	SBB's ambition is for the company's profit to benefit the shareholders through dividends. The Board of Directors has proposed the 2021 Annual General Meeting approve a dividend of SEK 1.	<p>0.25 2018</p> <p>0.60 2019</p> <p>1.00 2020</p>

Economy and property market¹

The rapid spread of Covid-19 is the single largest factor that has characterized 2020 the world over. The Nordic property markets have shown strength despite this uncertainty regarding the future.

The global economy

The rapid spread of Covid-19 is the single largest factor that has characterized 2020 the world over. Due to the virus, the economic trend was weak and, according to the OECD, global GDP is expected to contract by 4.2 percent for the full-year 2020, which is better than the forecasts in the first half of the year. At year-end 2020, vaccination against the virus began and vaccines from several different pharmaceutical manufacturers are being distributed worldwide. However, mutations in the virus have been noted, which may lead to a further prolonged crisis. Depending on the continued development of the crisis, the recovery can either go better or worse than current forecasts.

The United Kingdom left the European Union at the end of 2020, nearly five years after the Brexit referendum and several years of prolonged

and tough negotiations. An agreement has been signed, which entails continued free trade of goods between the UK and the EU. However, human capital may no longer move freely across the borders. With regard to services and above all financial services, an agreement has not yet been signed, something that is critical for the UK in that London is the financial capital of Europe. The UK has now also initiated negotiations with the U.S., among others, for new trade agreements.

The property market in Sweden – Strong transaction year despite the pandemic

Despite a year marked by uncertainty about the future and restrictions and recommendations with the aim of slowing the spread of Covid-19, the Swedish transaction market was strong. During the first quarter of the year, the

transaction intensity was high and the same good investment willingness that existed in 2019 continued into the new year. However, in April and May, the market saw an increased uncertainty and reduced activity in the wake of the rapid spread of Covid-19. The uncertainty led to reduced financing possibilities and many transactions were broken off or postponed. However, beginning in June, the transaction market gained speed again and the transaction volume for 2020 ended up at a full SEK 189bn.

As a result of infection prevention measures, such as restrictions and recommendations, unemployment has risen and companies in various sectors have struggled to survive. Particularly in city retail, restaurants, hotels and other service and experience businesses, several companies have had a tough time. This led to properties with these kinds of premises having

1) Source: Newsec

SEK 189

The transaction market
Sweden, 2020

24%

Community service properties'
share of the transaction market
Finland, 2020



a difficult year. Community service properties, logistics/industry and residential properties have, however, been seen as secure investments as there are often long leases with strong tenants. The logistics segment also received support from the steadily growing e-commerce. The restrictions and recommendations introduced in Sweden also resulted in a large degree of teleworking during the year, which has left office spaces unutilized. Studies have been done that indicate that office employees in the future will to a higher extent than before work one or more days a week from home. This has resulted in an uncertainty regarding the demand for offices in the future and a wait-and-see rental market with increasing vacancies and subletting.

International investors accounted for around 25 percent of the total transaction volume, which is slightly lower than in earlier years. The transactions carried out where the buyer was international have been larger deals, however.

The Stockholm area was the largest geographic segment and accounted for around 37 percent of the total transaction volume, which is slightly lower compared with 2019 when Stockholm accounted for a full 41 percent. The second largest segment was the Regional cities, which accounted for 28 percent of the volume and the third largest segment was Rest of Sweden, which accounted for 19 percent. Malmö and Gothenburg accounted for 9 percent and 8 percent, respectively, of the year's total investments in commercial properties.

Rental housing is still a highly attractive segment for both domestic and international investors. During the year, residential properties accounted for 33 percent of the total transaction volume in Sweden, which means that residential properties comprised the segment that had the largest turnover in the Swedish transaction market for the third consecutive year. The property segment with the second most turnover was Logistics/Industry, which accounted for a full 18 percent of the total transaction volume. Offices were the segment with the third largest turnover at 16 percent. Community service properties have taken a position as a given investment option for long-term investors and amounted to 13 percent of the total transaction volume.

The property market in Norway – Second strongest year yet

The commercial property market in Norway experienced a very strong year in 2020. The total transaction volume for full-year 2020 was around NOK 113bn, distributed across around 314 transactions. This constitutes an upswing in volume since 2019 and accounts for the second strongest year to-date in the Norwegian market, where only 2015 was stronger with a volume of around NOK 120bn. However, the rental market is expected to be hesitant during 2021 as well, as a result of Covid-19, and the vacancy rates are therefore expected to increase slightly in the country.

International investors were net buyers during the year, which is a break in the trend and a result of, among other things, lower hedging costs after the key rate decreased, the currency weakened and the central bank took a number of other steps during the year. However, international investors accounted for just 10 percent of the total transaction volume, which remains the lowest share in the Nordic region. The relatively limited interest from international investors is a result of expensive hedging costs (although they have decreased slightly this year) and attractive products that are sold for too high levels and low yield requirements for many foreign buyers.

The office segment continues to be the most invested segment in Norway, with a share of 35 percent of the year's total transaction volume. Community service properties had a strong year and accounted for around 18 percent of the total transaction volume and in connection with this formed the second largest segment in the Norwegian market. The logistics segment increased its share and accounted for around 13 percent of the year's transaction volume.

In Oslo, there has been extensive pressure on offices during the year and the yield requirements decreased by 50 points to 3.25 percent. Interest has been strong in the Oslo market, which made strong advancements during the year. In total, Oslo accounted for 53 percent of the total transaction volume in Norway in 2020, which can be compared with 35 percent in 2019 and 49 percent the year before that. The large share of properties bought in the community service and logistics segments also contributed to somewhat stronger volumes outside the large cities.

 In the Nordic countries, the municipalities' interest in selling part of their community service holdings grew.

The housing prices continued to rise during the year and an increased payment willingness for housing can be seen. A clear interest was also noted for properties in good locations almost regardless of segment, in connection with investors continuing to look for returns.

The property market in Finland – Continued stability in the transaction market

The total transaction volume in the Finnish property market remained stable in 2020 and amounted to EUR 6.0bn for full-year 2020, which can be compared with EUR 6.3bn in 2019. However, this is a strong decrease compared with the 2018 transaction volume of EUR 9.2bn. As in the previous year, demand continues to exceed supply. This is due to a relatively high return and a stable cash flow, which means that there are more buyers than sellers, which continues to push transaction volumes down. The international investors continued to show a strong interest in the Finnish property market and in 2019 accounted for 51 percent of the total transaction volume.

The residential segment increased its share of the transaction volume in 2020 to 28 percent. In 2020, residential properties were the property segment with the greatest turnover for the first time since 2016, when offices dropped to a share of the total transaction volume of 25

1) Refers to areas outside metropolitan and regional cities

2) Refers to areas outside metropolitan and regional cities

3) Transactions >= NOK 50m

Source: Newsec

percent. Community service properties were the third strongest property segment and accounted for 24 percent of the total volume, while retail continued to decline and ended up at 14 percent. Industrial properties continue to not attract all too many investors compared with the neighbouring countries and ended up at 7 percent of the total transaction volume, in line with 2019.

During the year, investment interest grew in areas outside the major cities in Finland, which increased their share from 11 percent in 2019 to 21 percent in 2020. Even Tampere increased from 4 percent to 9 percent, while Helsinki continues to attract the largest share of investors and accounted for 62 percent of the total transaction volume.

The property market in Denmark

– A return to strong volumes

After an unusually weak transaction year in 2019, 2020 signalled a return to stronger transaction volumes in the Danish market. The total transaction volume for full-year 2020 amounted to DKK 70bn, after a strong end to the year. The transaction volume during the last quarter of the year amounted to DKK 29bn and thereby accounted for nearly 40 percent of the year's total transaction volume. However, it should be mentioned that the transaction volume did not reach the 2018 level of DKK 74bn, or the record-breaking year 2017 at DKK 84bn.

International investors accounted for 38 percent of the total transaction volume in 2020, which was a slightly weaker share than the previous year, but still indicates a strong interest in the Danish property market. Copenhagen declined sharply in 2020 and only accounted for 29 percent of the total transaction volume. Aarhus accounted for 5 percent, the Triangle Region for 10 percent, Odense for 5 percent and Aalborg for 3 percent of the volume, while the rest of Denmark accounted for a record-breaking 48 percent. This was driven, among other things, by Heimstaden's purchase of HD Ejendomme from Niam.

In 2020, residential property was the segment that accounted for the largest share of the total transaction volume in Denmark with 42 percent of the total transaction volume during the year, corresponding to DKK 29bn. Offices declined slightly in 2020 and only accounted for 20 percent of the total volume, which both industry and retail accounted for around 14 percent of the total volume. This entailed a strong recovery from retail, which only accounted for 9 percent of the total volume in 2019, and also the strongest figure to-date for the industry segment.

The Nordic market for community service properties

In the Nordic countries, the municipalities' interest in selling part of their community service holdings grew. Many municipalities are still in need of capital to maintain current property portfolios, build new housing, finance care and education and invest in important infrastructure. In addition to this, many municipalities in Sweden and Finland, for example, have a positive attitude to private actors taking care of large parts of the new construction of public service properties. Demographic challenges mean that the vast majority of the municipalities are in extensive need of new schools and elderly homes in the next few years and part of this new production will be done by the private sector. Many municipalities are also positive to having more companies for the labour market in the municipality.

There is greater interest in investing in public service properties in Sweden and the other Nordic countries. In 2020, community service properties accounted for around 13 percent of the transaction volume in Sweden. Covid-19 has meant that the segment has attracted several new investors as the properties often offer long leases with secure tenants and limited sensitivity to economic fluctuations. Covid-19 has strengthened the existing trend, where the interest from investors in the segment increased as a result of the current social development with an ageing population, a growing number of young people and an extensive immigration. In all geographic segments in Sweden, the return levels for elderly homes and schools have gradually declined. A similar trend can also be seen in Sweden's neighbouring countries, where the return levels have begun dropping both in the capital cities and also in smaller cities.

In 2007, the segment only accounted for around 2 percent of the transaction volume. This generally is about the fact that municipalities, county councils and the state were historically the sole owners of all public service properties. There are many reasons for the change in the ownership structure. Firstly, there is a need for new investments in the sector at the same time that many municipalities lack capital to make these investments. The market for public service properties has developed most in Sweden and Finland. However, private actors are increasing their share of the market in Norway and Denmark as well and an upswing was noted in both of these countries in 2020.

In Norway, community service properties accounted for 18 percent of the total transaction volume in 2020, compared with 8 percent in 2015. As in the other Nordic countries, interest in

public service properties is growing even if there are only a few property companies that focus on this segment. An increased interest from pension funds has been noted, driven by their long-term nature and the attraction of stable returns. The state and municipalities are still the main owners of these kinds of properties, but the attitude to divestments has begun to change. However, it is still public offices that constitute the largest share of the transaction volume for community service properties in the country and few elderly care units were sold to private actors.

In Finland, 2020 was a record-breaking year for the community service property segment, which continued to attract a large number of domestic and foreign investors. The segment accounted for 24 percent of the total transaction volume in full-year 2020, which is a record-breaking share of the total transaction volume in a Nordic country. A large number of schools, elderly care units and public schools have been sold in the country and it is primarily Nordic buyers who continue to be active. However, there is significant interest in the market from outside the Nordic region and it is likely that these buyers will succeed in establishing themselves further in the market in the future.

In Denmark, the market for community service properties remains somewhat immature even if it became slightly stronger in 2020. However, community service properties continued to account for only around 1 percent of the transaction volume in full-year 2020 when only a few transactions took place in the segment. Government-owned properties are controlled by seven units: FREJA (development company), the Danish Defence Estates and Infrastructure Organisation, Banedanmark (the railway network in Denmark), the Danish Building and Property Agency (Property companies and property developers), the Danish Nature Agency, Danish Prison and Probation Service and the Danish Agency for Culture and Palaces. In recent years, certain properties owned by public institutions were sold due to restructuring and requirements of cost reductions, which were driven by political decisions.

Due to the factors stated above, it is likely that the demand for, and investor interest in, public service properties in the Nordic region will continue to be extensive in the future.

Business model

The business model builds on property management with secure cash flows from social infrastructure, which are supplemented with three income-generating value-add strategies: Project and property development; Renovations, remodelling and extensions; and Property transactions. Through its business model, SBB generates long-term, sustainable shareholder value through a high risk-adjusted annual return.

SBB

Value-add strategies



Project and property development

Establishment of building rights and development of cash flow properties for own management

Annual profit target
SEK 1,000m – 1,400m



Renovations, remodelling and extensions

Standard-raising apartment renovations and tenant customisations in community service properties

Annual profit target
SEK 600 million



Property transactions

Value-creating capital recovery

Annual profit target
SEK 400 million

Vision 2030 – becoming the world's most sustainable property company by 2030

Property management

– with rental income of SEK 4.8bn of which 98 percent comes from social infrastructure in the form of Nordic community service properties and Swedish rent-controlled apartments.



Property management

SBB's property management focuses on active work with value-creating development and continuous maintenance of the existing portfolio. A high surplus ratio is one of the company's sustainability goals, and the company performs management operations with a focus on net operating income. This is partly done through energy- saving investments.

SBB operates in a market with stable and strong underlying driving forces (economic development and population growth). SBB's property portfolio is characterized by a high letting ratio and long lease contracts. Rental income consists of secure, long-term flows, primarily from Nordic central governments/municipalities/county councils and from rent-controlled apartments in Sweden. Of the company's income, 98 percent derives from community service properties in the Nordics and Swedish rent-controlled residential properties – social infrastructure. Cash flows are uniquely stable with three of the Nordic central governments being among only ten sovereigns around the world to hold an AAA rating from the three leading credit rating agencies. As a whole, the property portfolio provides exposure to the Nordics' strong demographic trend, with a sharp increase in population compared with the rest of the EU.

Property portfolio

Sensitivity analysis

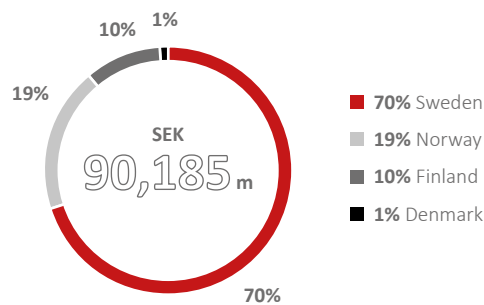
	Change	Value impact
Rental value	+/- 5 %	SEK 3,811 /-3,817 m
Discount rate	+/- 0.25 %	SEK -2,716 / 2,867 m
Yield requirements	+/- 0.25 %	SEK -2,827/3,139 million

The property valuations are made according to accepted principles based on certain assumptions. The table below presents how the value has been impacted in a change of certain parameters assumed for the appraisal. The table provides a simplified illustration as one single parameter probably does not change in isolation.

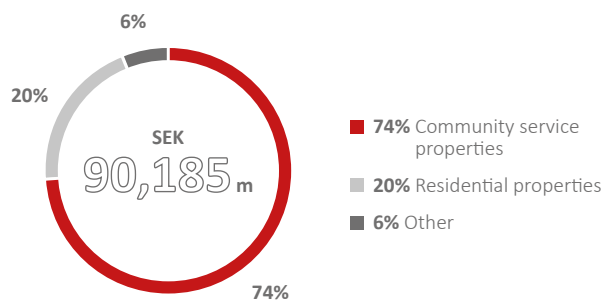
Property portfolio change

Opening fair value 01-01-2020	79,542
Acquisitions	14,552
Investments	2,088
Sales	-13,522
Translation difference	- 1,590
Unrealized value changes	9,115
Fair value at end of period	90,185

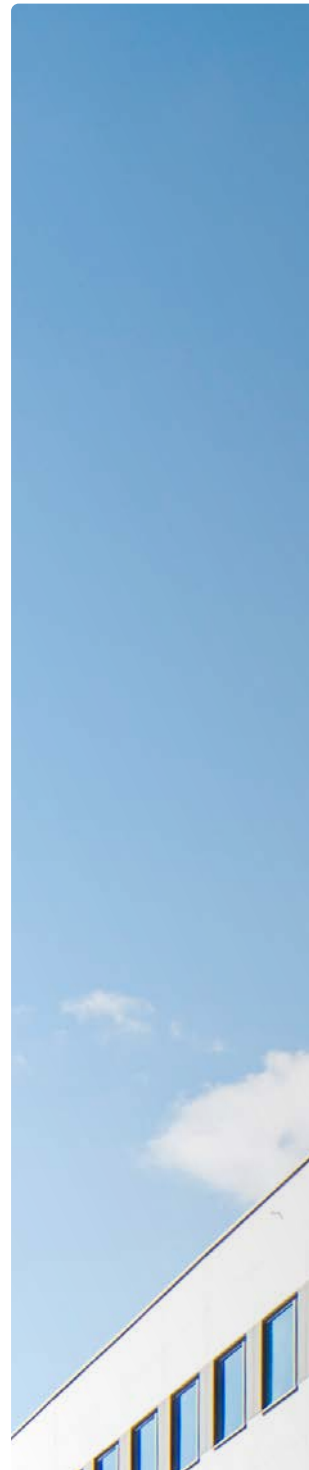
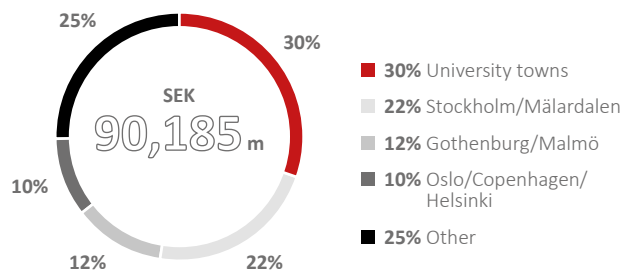
Property value, by country



Property value per segment



Property value per region



Of the company's income, 98 per cent derives from community service properties in the Nordics and Swedish rent-controlled residential properties.

Property value by geography

75%

Located in metropolitan regions

98%

Social infrastructure

SEK 17.4 bn

Property value
NORWAY

SEK 8.8 bn

Property value
FINLAND

SEK 63.1 bn

Property value
SWEDEN

SEK 0.9 bn

Property value
DENMARK



Community service properties

The business concept of Samhällsbyggnadsbolaget (SBB) is to benefit its shareholders and society in general by:

- Being a natural and reliable cooperative partner to the public sector, by owning, managing, renovating and building community service properties in the Nordic region and regulated rental apartments in Sweden (jointly called social infrastructure) in the long term.
- Conducting active work as a society builder and long-term collaborative partner of municipalities, county councils and national authorities in order to create building rights for social infrastructure.

SBB's public sector properties include properties that are used by tenants that are tax financed by the Nordic welfare states. The tenants conduct operations in education, elderly care, support for the disabled and other activities for healthcare and municipal and national administration. For example, SBB owns several municipal buildings, ministry buildings, a large number of elderly housing units, preschools and schools and is the Nordic region's largest actor in properties for support of the disabled.

They are assets with minimal risk due to a regulated market and a growing population, at the same time that the need for public sector properties is very extensive for demographic reasons in combination with tenants that are financed by the Nordic welfare states. SBB has among the longest average lease durations in

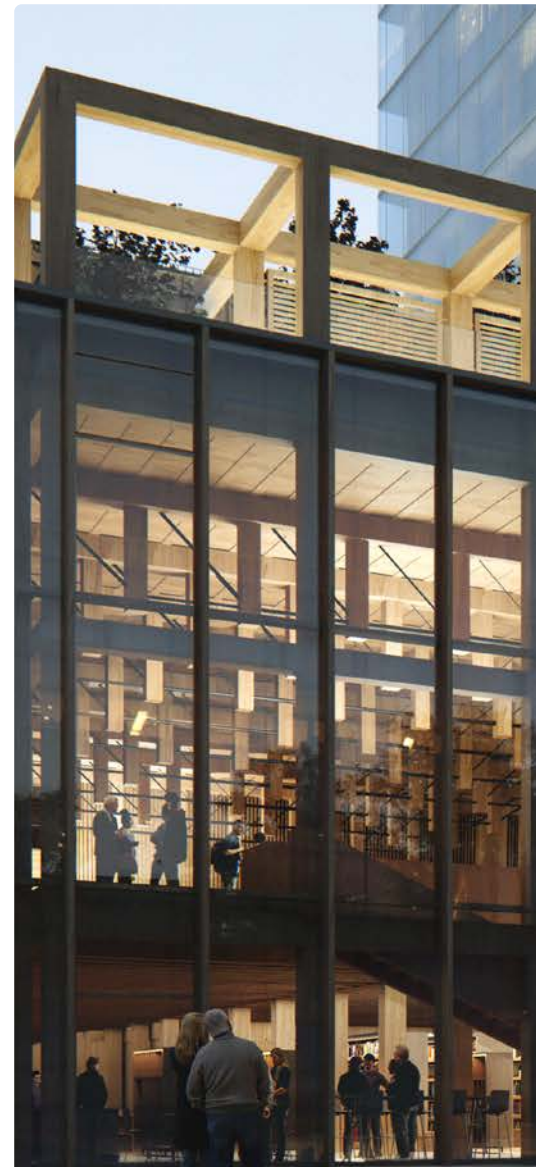
the market for public sector properties, around nine years, combined with a very low degree of relocation, which means that the actual duration is clearly longer than nine years. The property advisor Newsec recently conducted an analysis of the relocation inclination for elderly care units and schools and noted that of the properties Newsec has in its database, the tenant's frequency of extending leases at the end of the lease term has been 99 percent for elderly care units and 97 percent for schools since the middle of the 2000s.

Supply and demand for social infrastructure

The need for public sector properties is very large. The graph below illustrates the number of planned units of elderly housing and upper-secondary schools until 2022 in relation to the actual need.

In addition to a major deficit of social infrastructure properties, there is also considerable potential for further letting of the existing portfolio. The leading property advisor Newsec analysed rent levels for newly produced public sector properties in Sweden in autumn 2019.

The graph below shows rents in the new production analysis in relation to average rents for SBB's portfolio.



Lease duration, public sector properties



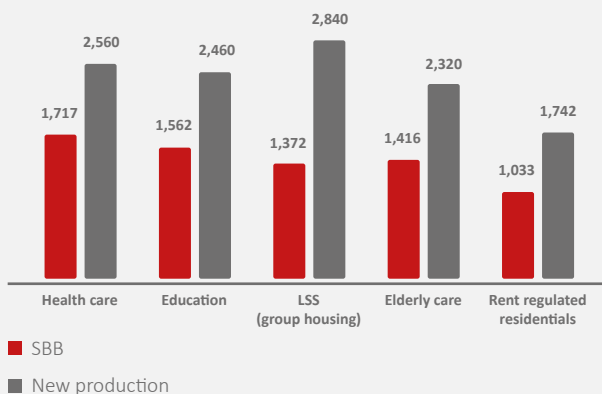
Largest tenants, community service property portfolio

Tenants	Rental income	% of total
Swedish state	549	14.1
Norwegian state	334	8.6
Læringsverkstedet AS	254	6.5
AcadeMedia	138	3.5
Municipality of Härnösand	131	3.4
Norwegian National Association for Hearth and Lung Diseases	122	3.1
State of Finland	116	3.0
Attendo	108	2.8
Ambea	77	2.0
Esperi Oy	72	1.9
Total 10 largest	1,901	48.9
Other	1,994	51.1
Total rental income	3,895	100.0

Current projects: Skellefteå

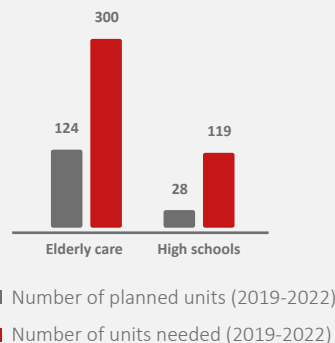
In 2018, SBB began a collaboration with the Municipality of Skellefteå around the municipality's new cultural centre, which is scheduled for completion in 2021, and which will be one of the world's tallest wooden buildings. Skellefteå's cultural centre is located in one of the most financially strong municipalities in Sweden and will house the Västerbotten Theatre, Museum Anna Nordlander, Skellefteå Art Hall and the City Library. The municipality has full responsibility for designing the building, for any extra costs and for the property management. A lease was signed with a term of 50 years. After this transaction, SBB deepened its collaboration with the municipality through another deal of SEK 1.3bn containing residential and community service properties, which was announced in November 2020.

Rent per sq.m. for new production, compared with SBB's existing portfolio of community service properties



Source: SALAR

Need and planned community service properties



Source: Newsec

Illustration: White Arkitekter/Arrangement@mir.no



Rent-controlled residential properties

SBB manages and refines rent-controlled homes in Swedish growth municipalities. The company's properties are located in close vicinity to the town centre and with access to very good public transport. Community service properties, which together with Swedish regulated rental apartments are defined as social infrastructure, constitute SBB's core holdings and over time shall comprise around 90 percent of the company's total property value. The combination of Swedish regulated rental apartments and public sector properties is unique among listed companies in the Nordic region. They are assets with minimal risk since the supply of rental apartments in Sweden is far below demand due to a regulated market and a growing population, at the same time that the need for public sector properties is very extensive for demographic reasons in combination with tenants that are financed by the Nordic welfare states.

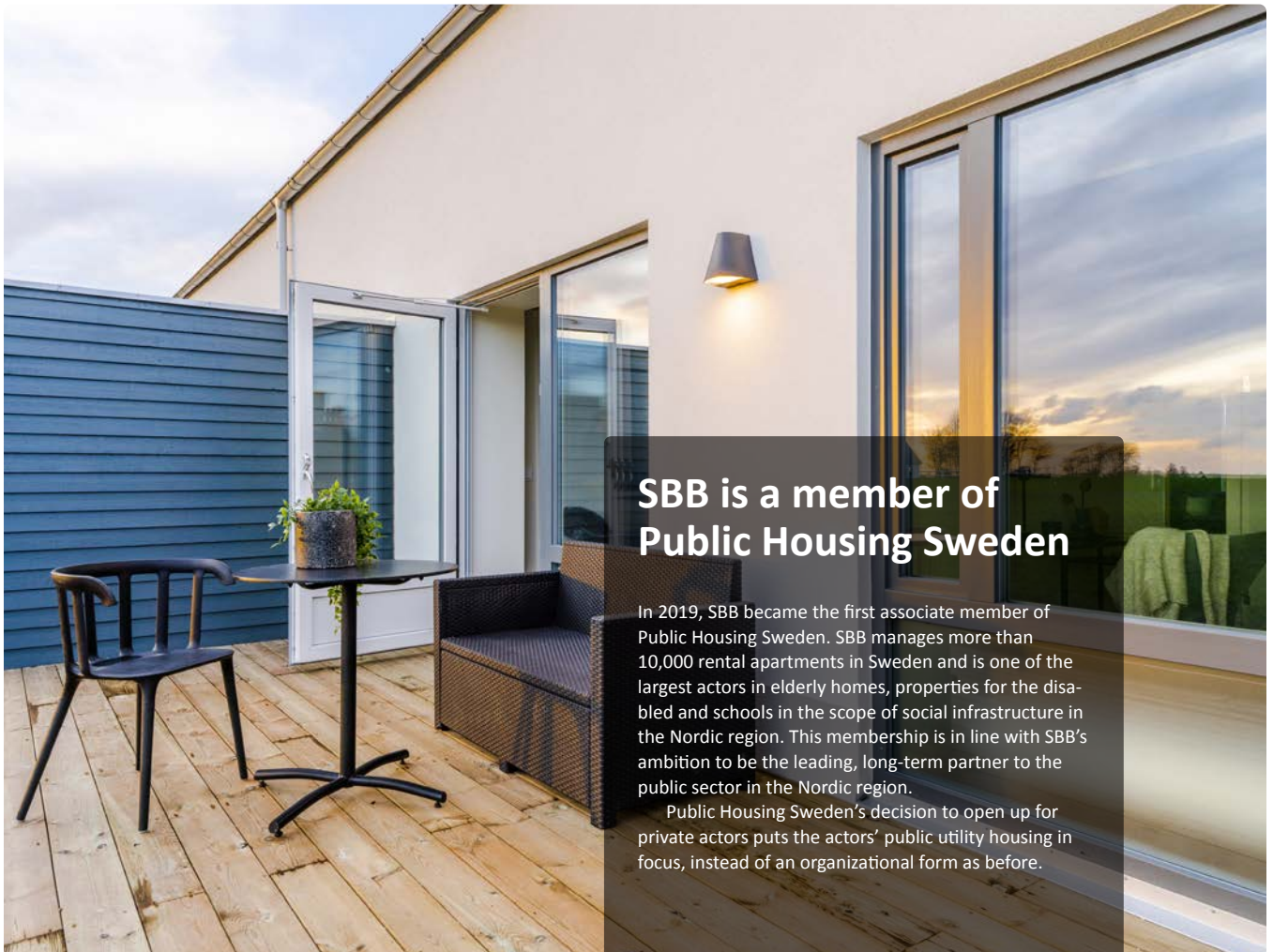
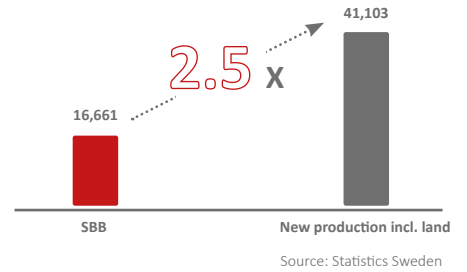
SBB's focus within the rent-controlled residential segment is on Sweden. Residential is characterized by high demand and low supply, and thereby a high letting ratio, as well as low tenant dependence. The Swedish housing market

is characterized by strict regulation, lagging housing construction and strong population growth, which has led to a shortage of homes in large parts of Sweden. Sweden is one of the countries with the highest expected population growth in the next few years, both compared with the other Nordic countries and Europe as a whole. On a regional level in Sweden, SBB is well positioned and is found in cities with a positive population growth.

SBB's portfolio of around 10,300 rent-controlled apartments was appraised at SEK 18.1bn, or 20 percent of the market value for the Group's total property portfolio at 31 December 2020.

The economic letting ratio for SBB's portfolio of rent-controlled Swedish residential properties was nearly 100 percent at 31 December 2020. Most vacancies were attributable to ongoing renovations, in accordance with the Group's renovation strategy, which has the goal that 600 apartments will be renovated annually. This graph illustrates the low market values in the company's portfolio compared with the costs for the new construction of residential properties.

Value per sq.m. incl. building rights vs new production incl. land



SBB is a member of Public Housing Sweden

In 2019, SBB became the first associate member of Public Housing Sweden. SBB manages more than 10,000 rental apartments in Sweden and is one of the largest actors in elderly homes, properties for the disabled and schools in the scope of social infrastructure in the Nordic region. This membership is in line with SBB's ambition to be the leading, long-term partner to the public sector in the Nordic region.

Public Housing Sweden's decision to open up for private actors puts the actors' public utility housing in focus, instead of an organizational form as before.



SBB is investing in 100-percent renewable electricity

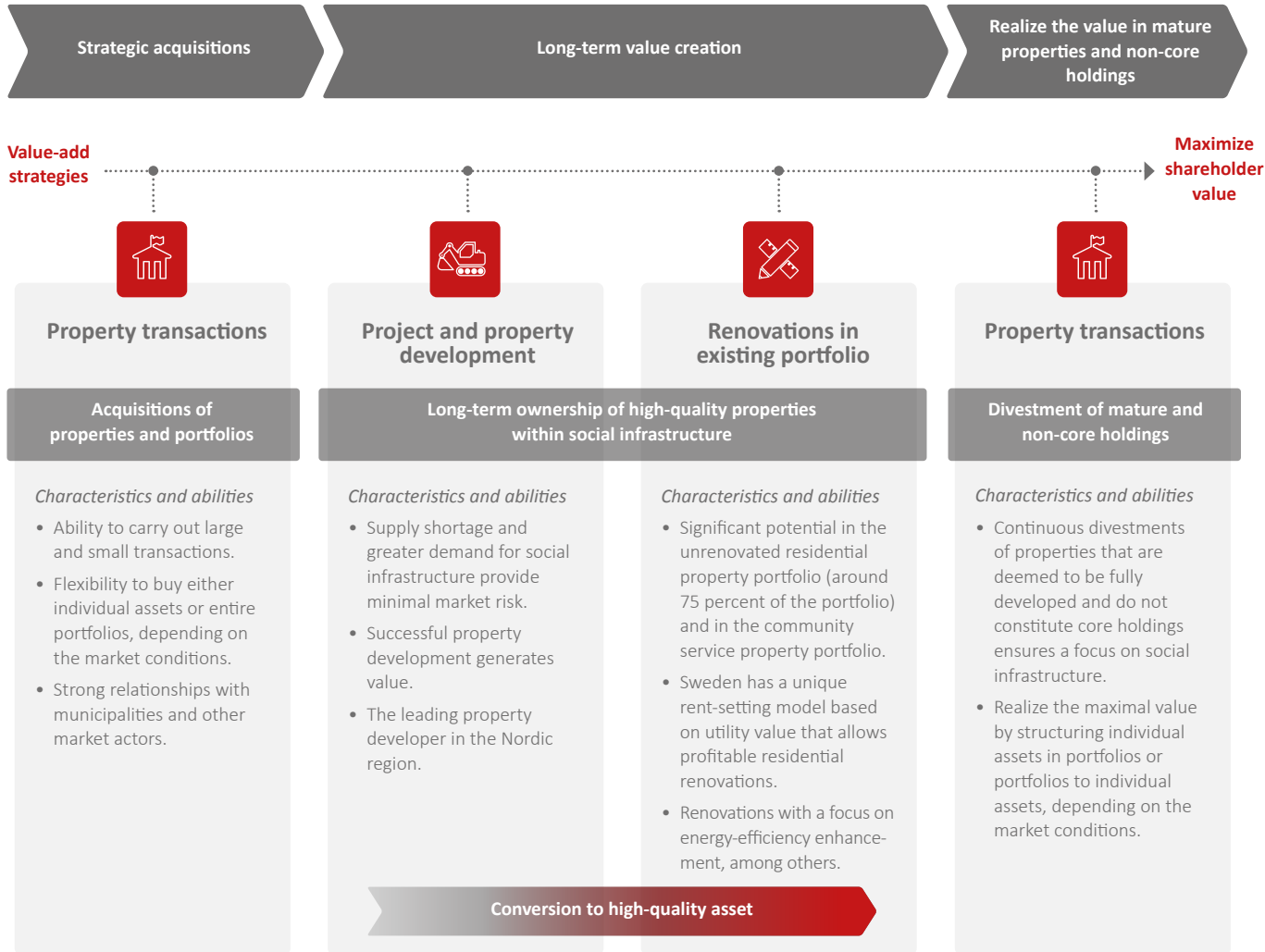
SBB has a collaboration with Skellefteå Kraft to supply 100-percent origin-certified renewable electricity to all of SBB's Swedish properties. Once SBB's total consumption in Sweden of around 60 GWh has switched over to 100-percent renewable electricity, it will mean that SBB's carbon dioxide emissions will be around 15,000 tonnes lower per year than if the energy according to the so-called Nordic residual mix were used, corresponding to CO₂ emissions of around 250.76 g/kWh. The nuclear fuel waste savings amount to nearly 70 kilograms.

VALUE-ADD STRATEGIES

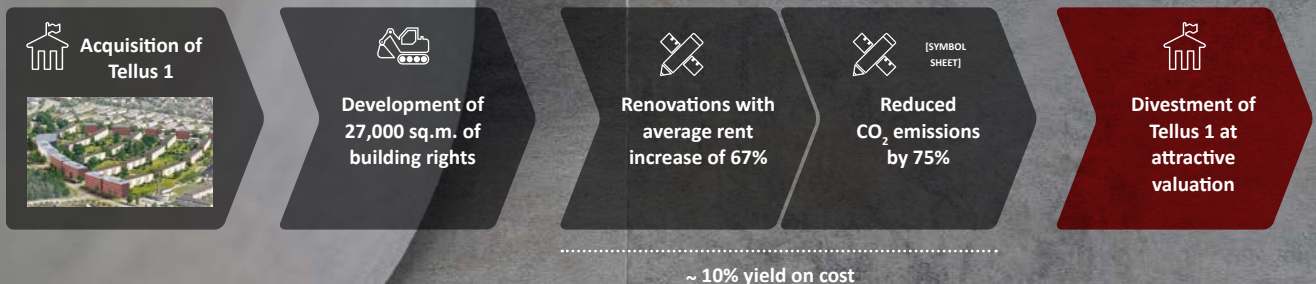




The business model's value-add strategies maximize shareholder value



The value-adding strategies in practice: Tellus 1





Project & property development

SBB actively works with value creation through project development of residential properties and community service properties. By using capital efficiently and applying good risk and cost control, profitability and long-term values are achieved for SBB's shareholders.

Project development

As of 31 December 2020, the project portfolio comprised 5,623 apartments (corresponding to a leasable area of 341,915 sq.m.), of which 1,681 apartments were under construction and 3,942 apartments were under active project development. At the end of the period, the community service properties in on-going production in the project portfolio corresponded to a leasable area of 106,050 sq.m.

Building Rights

SBB also generates value through its vigorous development of building rights. Establishing new building rights ensures a project portfolio that is sustainable over the long term and a stable production rate. As of 31 December 2020, SBB's portfolio of building rights amounted to approximately 2,518,000 sq.m. GFA, corresponding to approximately 34,000 apartments, making

SBB one of the Nordic region's leading property developers.

Operational targets

- Project and property development shall generate an annual profit of SEK 1,000m – 1,400m over a business cycle.
 - There shall be a minimum of 1,500 apartments in production.
 - There shall be a minimum of 5,000 apartments in project development.
 - There shall be a minimum of 20,000 apartments in the building rights portfolio.
 - Profit from new production projects shall amount to SEK 5,000 – 10,000 per sq.m.
 - Profit from building rights development shall amount to SEK 4,000 – 5,000 per sq.m.

Outcome 2020

- Profit from project and property development amounted to SEK 2,224m for the period.
- As of 31 December 2020, 1,681 apartments were in production.

SBB generates value in several parts of the value chain



The portfolio in brief

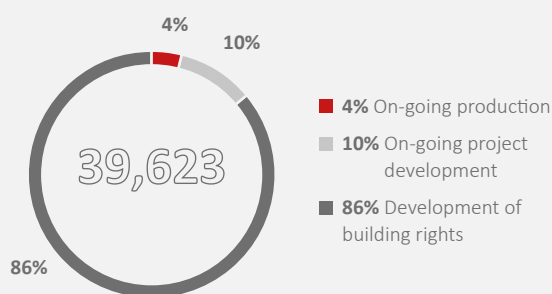
1,681 Apartments in on-going production

3,942 Apartments in active project development

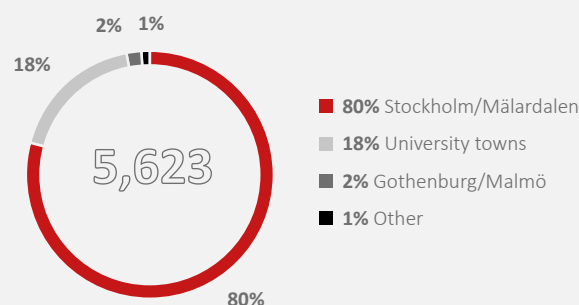
106,050 Sq.m. of community service properties in on-going production

440,634 Sq.m. GVA in created building rights during the year

Portfolio by phase
(number of apartments)



Project portfolio by geography
(number of apartments)



Project portfolio

On-going production

By segment	Apartments	Leasable area	Rental value	Rental value/ sq.m.	Estimated investment	Worked up	Book value
	(count)	(sq.m.)	(SEKm)	(SEK/sq.m.)	(SEKm)	(SEKm)	(SEKm)
Residential properties	1,681	105,303	222	2,110	4,122	1,122	1,757
Community service properties	n.a.	106,050	206	1,947	3,904	384	1,035
Total	1,681	211,353	429	2,028	8,026	1,506	2,792

By geography	Apartments	Leasable area	Rental value	Rental value/ sq.m.	Estimated investment	Worked up	Book value
	(count)	(sq.m.)	(SEKm)	(SEK/sq.m.)	(SEKm)	(SEKm)	(SEKm)
Stockholm/Mälardalen	1,286	104,668	236	2,251	4,136	1,223	2,142
University towns	305	70,048	129	1,844	2,604	260	584
Gothenburg/Malmö	90	20,771	37	1,793	739	4	20
Other	0	15,866	27	1,679	547	19	47
Total	1,681	211,353	429	2,028	8,026	1,506	2,792

On-going project development

By segment	Apartments	Leasable area	Rental value	Rental value/ sq.m.	Estimated investment	Worked up	Book value
	(count)	(sq.m.)	(SEKm)	(SEK/sq.m.)	(SEKm)	(SEKm)	(SEKm)
Residential properties	3,942	236,612	528	2,231	9,839	1,132	2,113
Community service properties	n.a.	13,885	31	2,208	508	46	150
Total	3,942	250,497	559	2,230	10,348	1,178	2,263

By geography	Apartments	Leasable area	Rental value	Rental value/ sq.m.	Estimated investment	Worked up	Book value
	(count)	(sq.m.)	(SEKm)	(SEK/sq.m.)	(SEKm)	(SEKm)	(SEKm)
Stockholm/Mälardalen	3,194	191,678	453	2,361	8,408	939	1,805
University towns	706	42,381	71	1,667	1,354	182	285
Other	42	16,439	35	2,155	586	57	174
Total	3,942	250,497	559	2,230	10,348	1,178	2,263

Definitions

Production in progress – new construction projects that have entered production, where a building permit has been granted and a contracting agreement has been signed
Project development in progress – projects for which land allocations and/or building permits have yet to be granted but for which a decision on land allocation has been made or an acquisition agreement has been signed regarding non-proprietary land, and projects on proprietary land for which the design and planning process has been initiated

Information on the project portfolio is based on assessments of the size, focus and scope of the projects. The information also builds on assessments of future project costs and rental value. Such assessments and assumptions should not be seen as a forecast. Assessments and assumptions involve uncertainties regarding the implementation, design and size, schedules, project costs and future rental value of the projects. Data on the project portfolio are reviewed regularly and assessments and assumptions are adjusted as a result of projects in progress being completed, of new projects being added, or of conditions changing.

Development of building rights

SBB divides the building rights development process into four phases: Project concepts (phase 1), Prior to a decision on planning notification (phase 2), With a planning notification (phase 3) and Legally enforceable detailed development plans (phase 4). SBB's building rights projects are listed below according to their phase of development.

Planning phase	Planning process						External valuation (SEKm)	
	Internal planning decision	Application for planning notification	Positive planning notification	Assumptions	Legally enforceable	GFA building rights (sq.m.)	Value (SEK M)	per sq.m. (SEK)
Phase 1 – Project concepts	✓					964,525	704	729
Phase 2 – Prior to a decision on planning notification	✓	✓				107,000	46	432
Phase 3 – With planning notification	✓	✓	✓			855,453	1,563	1,827
Phase 4 – Legally enforceable detailed development plans	✓	✓	✓	✓	✓	590,795	999	1,691
Total						2,517,773	3,312	1,315

Sales status	GFA building rights (sq.m.)	Value, (SEK M)	per sq.m. (SEK)
Sold, but not vacated building rights	416,600	1,429	3,431
Unsold building rights (estimated value based on sales already made)	2,101,173	7,192	3,423
Total	2,517,773	8,622	3,424

Joint ventures

To help hasten urban development and to secure production resources, SBB has, in several cases, entered into joint ventures with the buyer of the building rights to develop those building rights and, in some cases, SBB has entered into joint ventures to establish building rights. SBB assesses the profit potential in these arrangements to be around SEK 1.4bn following deductions for SBB's own investment in the building rights. This profit potential is in addition to the aforementioned surplus values as regards building rights development. In the joint ventures, SBB takes a very limited implementation risk in that the other joint venture party takes responsibility for project planning, sales, production and project management. The profit potential of around SEK 1.4bn relates only to joint ventures that have already been agreed.

	Investment (SEKm)	Leasable area (sq.m.)	Estimated value at completion (SEKm)	SBB share (%)	Estimated profit SBB (SEKm)
Rental and tenant owner projects	7,798	247,411	10,555	45%	1,247
Other joint venture projects	378	10,800	750	51%	187
Total joint ventures					1,434

The information is based on assessments of the size, focus and scope of such projects. The information also builds on assessments of future project costs and rental value. Such assessments and assumptions should not be seen as a forecast. Assessments and assumptions involve uncertainties regarding the implementation,

design and size, schedules, project costs and future rental value of the projects. The information is reviewed regularly and assessments and assumptions are adjusted as a result of projects in progress being completed, of new projects being added, or of conditions changing.

Projects completed during the year

Flora, Stockholm



High-tech meets no-tech in Midsommarkransen

Flora is a residential building designed by Belatchew Arkitekter at the heart of one of Stockholm's hottest districts, Midsommarkransen. Welcoming outdoor seating is provided at a street-level vegan café.

The façade has been clad in wood and the roof in sedum and herbs, re-establishing the building's green imprint on the site. The apartments are airy and bright thanks to the numerous light inlets and high ceilings. All of the apartments have French balconies. The apartments facing the courtyard have large balconies facing south and the apartments highest up in the property have terraces extending along the entire façade.

Number of apartments: 37

Average size: 49 sq.m.

Architect: Belatchew Arkitekter

Cykelkungen, Uppsala



Car-free accommodation in Uppsala

Situated on the Östra Sala hill is Cykelkungen – a unique building advancing development in mobility solutions. Cykelkungen offers zero parking spaces but does have both bicycle parking areas and a workshop with bicycle pumps and opportunities for storing bicycle tires. To facilitate shopping and other errands, electric cargo bicycles can be borrowed through a bicycle pool.

The 99 rental apartments constituting Cykelkungen are of varied design and character. The ground floor duplex apartments have the feel of terraced houses, while the upper-level attic apartments offer fine views.

Number of apartments: 99

Average size: 61 sq.m.

Architect: Cord Siegel Arkitekter

Hydran, Västerås



Sustainability and community in Västerås

In Öster Mälarstrand, 96 sustainable sheltered housing apartments have been built in a location with services nearby and where social inclusion is in focus. The ground floor contains a common area, with a kitchen and other shared spaces in which residents can participate in various shared activities. These are coordinated by the facility's host.

Hydran is Sweden's first multi-household dwelling to be constructed as an energy-positive building that uses district heating rather than geothermal heating. By generating energy through solar cells and saving surplus heat, the building produces more energy than it consumes.

Number of apartments: 96

Average size: 44 sq.m.

Architect: 4 arkitektur & form



Renovations, remodelling and extensions

SBB renovates rent-controlled apartments with the objective of renovating 600 apartments each year; the company also works to remodel and extend its community service properties

SBB completed renovations of 695 apartments in 2020. A further 73 apartments are currently being renovated and the leases on 164 apartments have been terminated, with renovation planned to commence within a three-month period.

In addition to renovations of apartments, SBB has a larger volume of remodelling projects and tenant adaptations involving the company's community service properties. The total volume of these projects is approximately SEK 2,287m, as detailed in the table below. Examples of remod-

elling and extension projects in progress include the remodelling of premises in Haninge as a school and elderly care unit for the Municipality of Haninge and the Remodelling and extension of the central police station in western Helsinki.

	WAULT (years)	Investment (SEKm)	Community service property share (%)	Residential property share (%)	Leasable area (sq.m.)	Worked-up as of 31-12-2020 (SEKm)	Net operating income improvement (SEKm)	Yield on cost (%)
Renovation, remodelling and extension, community service properties	16	2,287	96%	4%	166,400	1,206	132	5.8%



SBB developing Western Helsinki police station

In 2020, the company extended the lease with Senatfastigheter on 14,124 sq.m. until 2032. Senatfastigheter is the Finnish national administration property management unit, which in turn will lease the premises to the Police Authority for Western Nyland as the main police station in Espoo in Greater Helsinki. The property will be modernized in accordance with the Police Board's new police station concept. SBB will invest EUR 23.6m in the property with an estimated yield of 5.3 percent. New rental income after the renovation, which is estimated to be complete in the fourth quarter of 2022, is estimated at EUR 3.4m. The rental income is adjusted to 100 percent of the changes in CPI.

Photo: Vahanen Rakennusfysiikka Oy



Property transactions

SBB's principal focus is generating value from the existing portfolio while also building significant shareholder value by recovering capital when fully developed properties and non-core properties are sold, at the same time that the company is always active in the transaction market to find acquisition opportunities.

SBB continuously assesses the portfolio to identify potential and focus resources on the properties offering the greatest potential. SBB continuously works to sell properties assessed as fully developed and not assessed to be core holdings. Selling such properties entails capital being recovered and resources being freed up to facilitate additional attractive acquisitions whereby the quality of the portfolio is gradually raised. Given the large local presence, SBB can be an effective buyer and seller of both individual

properties and portfolios. No transactions are too small or too large for SBB.

The company's history of property transactions has made it a market leader in the Nordic region and the preferred buyer among both public and private sector vendors, primarily because of SBB's superior professionalism, capacity to execute transactions quickly and high degree of credibility and integrity in the business relationship. The company has a history of acquiring properties with AAA cash flows

and untapped potential value. Combined with a pipeline of acquisitions and sales, this allows the company to constantly recover capital to generate benefit for shareholders.

In this value-generating area, the company is also able to seize upon opportunities to make investments with a shorter investment horizon where these are deemed to generate shareholder benefit, and include investments in equities and/or debt instruments.

Time line for transactions in 2020



Earning capacity

The current earning capacity for the Group for 12 months is presented below and takes into account the Group's property portfolio at 31 December 2020. The current earning capacity is not a forecast, but only to be viewed as a hypothetical snapshot and is presented only to illustrate income and expenses on an annual basis, given the property portfolio, financial costs, capital structure and organization at a set point in time. The Group's earning capacity does not include the earning impact of unrealized and realized value changes.

The following information forms the basis for the calculation of the earning capacity:

- Contracted rental income on an annual basis (including supplements and rental discounts) and other property-related revenues on the basis of current lease contracts as of 31 December 2020.
- Operating and maintenance costs are based on budget.
- The property tax is calculated from the properties current tax assessment value as of 31 December 2020.
- Costs for central administration is based on the current organization.
- Financial expenses are based on contracted interest rates and include interest on external loans.

The Group's earnings capacity

Amount in SEK, millions	Community			Total	Adjusted ¹⁾
	service properties	Residential properties	Other		
Rental income	3,815	801	223	4,839	4,839
Operating costs	-548	-253	-56	-857	-857
Maintenance	-180	-46	-14	-240	-240
Property administration	-108	-36	-14	-155	-155
Property tax	-68	-17	-15	-100	-100
Net operating income	2,912	451	124	3,487	3,487
Central administration				-150	-150
Results from associated companies/joint ventures				152	152
Financial income				98	98
Financial costs				-729	-551
Profit from property management before dividend				2,858	3,036
per Class A and B ordinary share				2.15	2.28
Dividend hybrid bonds				-455	-455
Dividend Class D shares				-360	-360
Dividend, convertibles				-193	-193
Dividend, preference shares				-1	-1
Profit from property management attributable to ordinary shareholders				1,849	2,027
per Class A and B ordinary share				1.39	1.52

1) Adjusted for non-long-term surplus liquidity held by the Group at the end of the period with an estimated average interest rate of 1.31 percent, which is the weighted average in the debt portfolio as of 31 December 2020.

The Group's earning capacity recurring income streams via value-add strategies

Amount in SEK, millions	Total	Adjusted ¹⁾
Profit from property management attributable to ordinary shareholders	1,849	2,027
per Class A and B ordinary share	1.39	1.52
Profit from property development	1,200	1,200
Profit from transactions	400 ²⁾	400 ²⁾
Profit from renovations/investments	600	600
Adjusted profit from property management to ordinary shareholders with recurring income streams	4,049	4,227
per Class A and B ordinary share	3.05	3.18

1) Adjusted for non-long-term surplus liquidity held by the Group at the end of the period with an estimated average interest rate of 1.31 percent, which is the weighted average in the debt portfolio as of 31 December 2020.

2) Based on historical profit generation from transaction of approximately SEK 700m per year.



SUSTAINABILITY REPORT





Samhällsbyggnadsbolaget i Norden AB (SBB) creates sustainable environments in which people want to live, work and spend time well into the future. Being the largest Nordic player in social infrastructure, SBB's local efforts contribute to general societal development that is socially, environmentally and economically sustainable. SBB's locally rooted management provides a close and direct customer contact, and SBB's size provides the possibility to make necessary investments in the properties.

SBB's business model is to own and manage rental apartments in Sweden and community service properties in the Nordic countries in the long term and to develop in cooperation with municipalities around the Nordic region. The long-term dividend target is to generate a stable growing annual dividend. The loan-to-value ratio shall not exceed 50 percent.

SBB governs the company's operations in line with the UN global sustainable development goals. SBB has chosen to focus on goals (1), (3), (4), (5), (7), (8), (9), (10), (11), (13), (15) and (16). Through the company's sustainable financial framework, SBB ensures the financing, focus and follow-up of progress in the work of contributing to these goals.

SBB supports the climate objectives of the Paris Agreement and is a member of the UN Global Compact, a worldwide initiative for sustainable enterprise. In dialogue with its stakeholders, the company identified energy efficiency, reduced climate impact, development of sustainable cities and communities, financially sustainable development, business ethics and attractive employers as the focus areas for its operations. To be in line with the Paris Agreement and Sweden's national objectives on climate neutrality, SBB has raised its targets for reduced energy consumption. To achieve the goal, SBB is making long-term investments in its properties. This way, SBB reduces its emissions and costs for both the company and its tenants.

Sustainability strategy and targets for 2030

Sustainability is a natural part of SBB's business model and SBB strives to be the world's most sustainable property company. At the UN summit in September 2015, the world's national leaders adopted 17 global sustainable development goals.

The countries of the world have committed to lead the world to a sustainable and fair future through to 2030. The agenda covers the three dimensions of sustainability: social, environmental and economic. SBB has set a long-term strategy and vision for 2030 and a sustainability policy for the concrete implementation of the targets and the vision that describes the work in the short and median term. The action plan to get there, with concrete targets and risk assessments in the various focus areas, has been formulated and is described in detail under "Goals, results and follow-up". SBB's sustainability vision, targets and policy are adopted by the Board of Directors and continuously followed up by the CEO together with the Sustainability Manager.

- Govern the company's operations in line with the UN global sustainable goals: (1), (3), (4), (5), (7), (8), (9), (10), (11), (13), (15), (16) and (17).
- 100 percent climate neutral by 2030.
- Minimizing the risks to the company's assets by thoroughly analysing and managing the climate risks in the property portfolio.

- Regularly improving, following up and reporting the company's sustainability work.
- The company's Code of Conduct is to be understood and complied with by all employees and partners.

Focus areas 2021

- Economic sustainable development, ethics (including preventive work against corruption) and professionalism.
- Development of sustainable cities and communities.
- Reduced environmental impact: electricity, water and heat use, waste management, environmentally hazardous substances, energy efficiency improvement, climate impact with CO2 emissions and environmental improvements in property renovations.
- Attractive employer: developing and stimulating working environment for employees.

About the Sustainability Report

This is SBB's statutory Sustainability Report and covers all of the Group's companies. SBB reports sustainability by financial year, which runs from January to December. The report describes SBB's sustainability work and follow-up during 2020. The latest report was published on 24 March 2020 and referred to the 2019 financial year. The report is not reviewed by the auditor. The statutory Sustainability Report, which covers the areas in SBB's Annual Report the content of which is provided on page 34, has been approved for publication by the Board of Directors. The report has been formulated in accordance with the GRI's basic standard. The contact person for the Sustainability Report is Marika Dimming, IR & Sustainability Manager, marika@sbbnorden.se. The contact persons for the Annual Report are Ilija Batljan, CEO, ilija@sbbnorden.se and Marika Dimming, IR & Sustainability Manager, marika@sbbnorden.se. [GRI 102-45,46] [GRI 102-48,49,50,51,52,53,54]



Internal procedures and regulations

SBB works with sustainability issues in a structured manner. The Board of Directors has established a Sustainability Committee that reviews the continuity, management and progress of the sustainability work. The management team has in turn put together a Sustainability Council with key people from various parts of the company.

Governance and responsibility [GRI 102-18] [GRI 103-2] [TCFD-GOVERNANCE]

SBB's Board of Directors has an overall responsibility for the governance of the sustainability issues. SBB's management team is responsible for preparing proposals on policies, targets and strategies within sustainability, which the Board approves.

Sustainability Committee

The Board of Directors has a Sustainability Committee that is responsible for reviewing the continuity, management and progress of the work with the sustainability goals. The Sustainability Committee has minuted meetings in connection with the ordinary Board meetings. The CEO bears the utmost responsibility for following up the continuous sustainability work, including fulfilment of sustainability goals.

Sustainability Council

For the operational work on the implementation of Vision 2030, the management team has

appointed an internal Sustainability Council with key individuals from various parts of the company including representatives from the management team. The Sustainability Council has minuted meetings every two months and works focused on preparing and following up subtargets and strategies to achieve them.

Environment and quality management system

In 2020, the management team introduced an environmental and quality management system that ensures that the continuous sustainability work is conducted in a structured and uniform way. In the management system, roles and the division of responsibility are described, among other aspects. SBB has a well-functioning property management organization with technical property management experts who are assigned an important role in the implementation of the highly set energy target. Their role includes monitoring the energy performance in the entire property portfolio and investigating the most suitable measures for each individual property,

such as heat pumps, supplemental insulation, LED lighting and improvements to ventilation systems. SBB's agreements with operations providers contractually regulate the follow-up of a number of quality and sustainability aspects, such as energy consumption, ventilation, indoor climate, occurrence of Legionella, etc. Our technical management experts regularly follow up compliance to these agreements.

Risk management

Sustainability-related risks are a central part of SBB's sustainability work and are integrated into the ordinary risk management, which is handled by the management team where the CEO bears the utmost responsibility. The Board of Directors is responsible, through the Sustainability Committee, for the company's management and continuity in the handling of these risks. Properties embody large values, which are at risk of being lost if the risks are not managed in a structured manner. Such as damage due to physical risks or transition risks caused by climate



changes. For several years, SBB has inventoried the climate-related risks in the property portfolio. Additional commitments were undertaken in 2020 to thoroughly analyse the sustainability risks of each individual property.

Sustainability index

In new production, SBB's sustainability index is applied, which ensures structured work with social, environmental and economic sustainability in all major projects. The sustainability appendix serves both as a work method for the projects and a contractually binding document. The sustainability appendix includes a document that is to be discussed in the early project development phases before project planning and contracts are finished. There are compulsory requirements on SBB's part, such as compliance with the Code of Conduct and sustainability policy, project planning for low energy consumption, requirements on the stock-taking and assessment of construction materials and waste management during construction. There are also voluntary commitments for projects that want to go further in their sustainability work.

Social bonds

For several years, SBB has contributed to a sustainable financial market by offering green bonds. In 2020, SBB presented a new Sustainable Financial Framework, which also enables financing of social assets. The framework is in line with Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Green Loan Principles. The framework enables, for example, the financing of green and social infrastructure, but also energy efficiency projects, such as heat pumps, supplemental insulation, LED lighting and improvements in ventilation systems.

Stakeholder dialogue

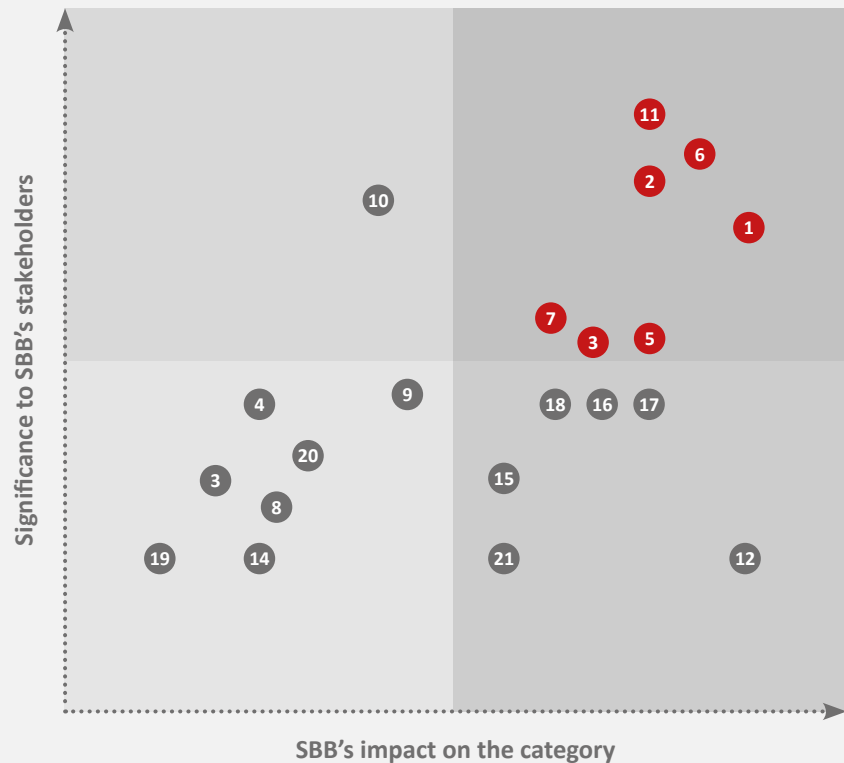
SBB continuously engages stakeholders and local communities in its operations. Stakeholders include tenants, investors, employees, local communities, suppliers and financiers [GRI 102-40]. SBB treats all stakeholder groups with respect and dignity; particular focus is placed on the collaboration with the stakeholders who share SBB's vision of a long-term and sustainable social infrastructure in the Nordic region [GRI 102-42]. Dialogues are conducted through

multiple forums, including open consultations in the detailed planning process, continuous contacts between customers and management, financial market days, employee interviews and questionnaires [GRI 102-43]. In 2020, extensive efforts have been made to identify areas of sustainability of significance for SBB's stakeholders. Stakeholder groups have been engaged through questionnaires and in-depth interviews, which have then been analysed and related to an internal analysis of the company's possibility to exert influence in the respective area of sustainability. The results are summarized below [GRI 102-47, 103-1] [TCFD-Risk Management] and point to a number of sustainability areas that are particularly important to follow up and report: direct and indirect emissions of greenhouse gases, sustainable urban development, renewable energy use, energy consumption in properties, water resource management, research and innovation for sustainable properties and sustainable building materials [102-44].

The principles and values that are fundamental to SBB's operations and sustainability work are described in the policies that are adopted by the

Stakeholder analysis

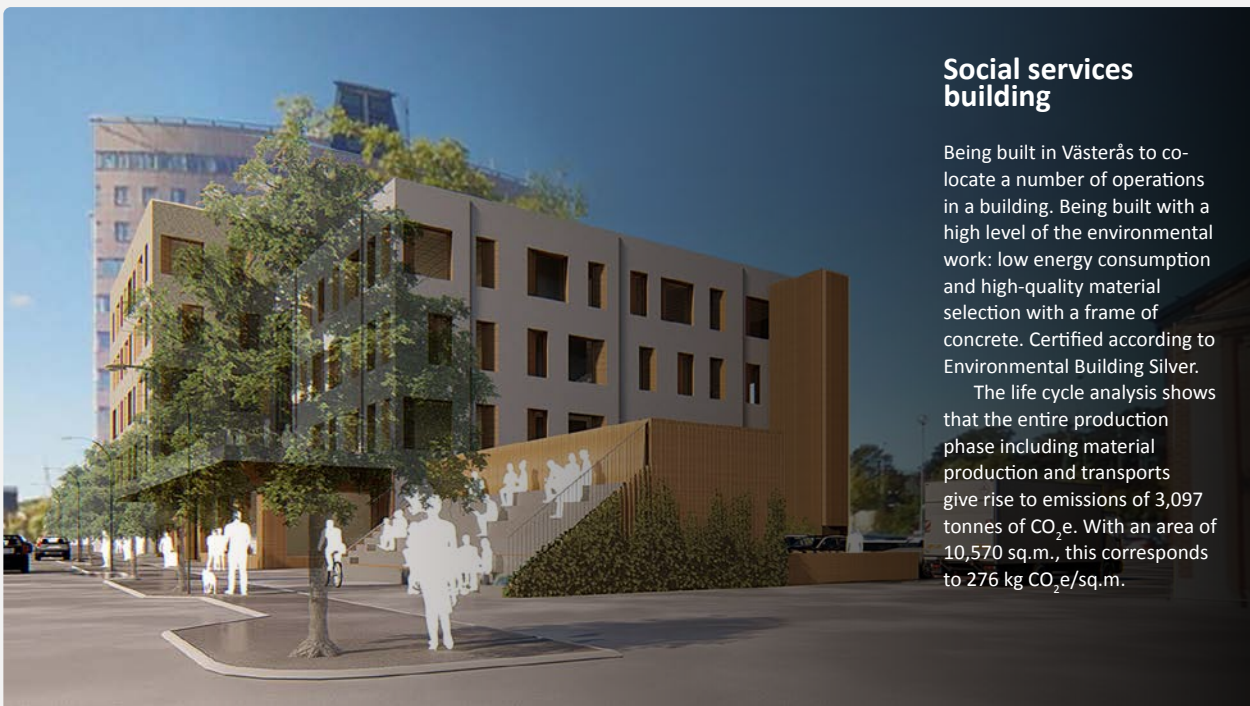
- 1 Energy consumption in properties
- 2 Renewable energy use
- 3 Research and Innovation for sustainable properties
- 4 Healthy and safe premises and residential properties
- 5 Sustainable building materials
- 6 Sustainable urban development
- 7 Water resource management
- 8 Waste and recycling in premises
- 9 Waste and recycling in construction projects
- 10 Impact on biodiversity
- 11 Direct and indirect greenhouse gas emissions
- 12 Jobs for young people (summer jobs)
- 13 Availability
- 14 Diversity and equal opportunities at the workplace
- 15 Safe and healthy workplace
- 16 Fair working conditions with good terms for support for employees and suppliers
- 17 Investments in Social Infrastructure
- 18 Sustainable supply chain
- 19 Human rights
- 20 Anti-corruption and business ethics
- 21 Product selection in own operations



Climate impact in the building process

Project development is a growing part of SBB's business. In 2020, 167,880 sq.m. of new production was under construction or in the project planning phase under SBB's direction. The sector's awareness of construction's climate impact has grown and at the beginning of 2022, a law on climate declarations for the building phase is expected

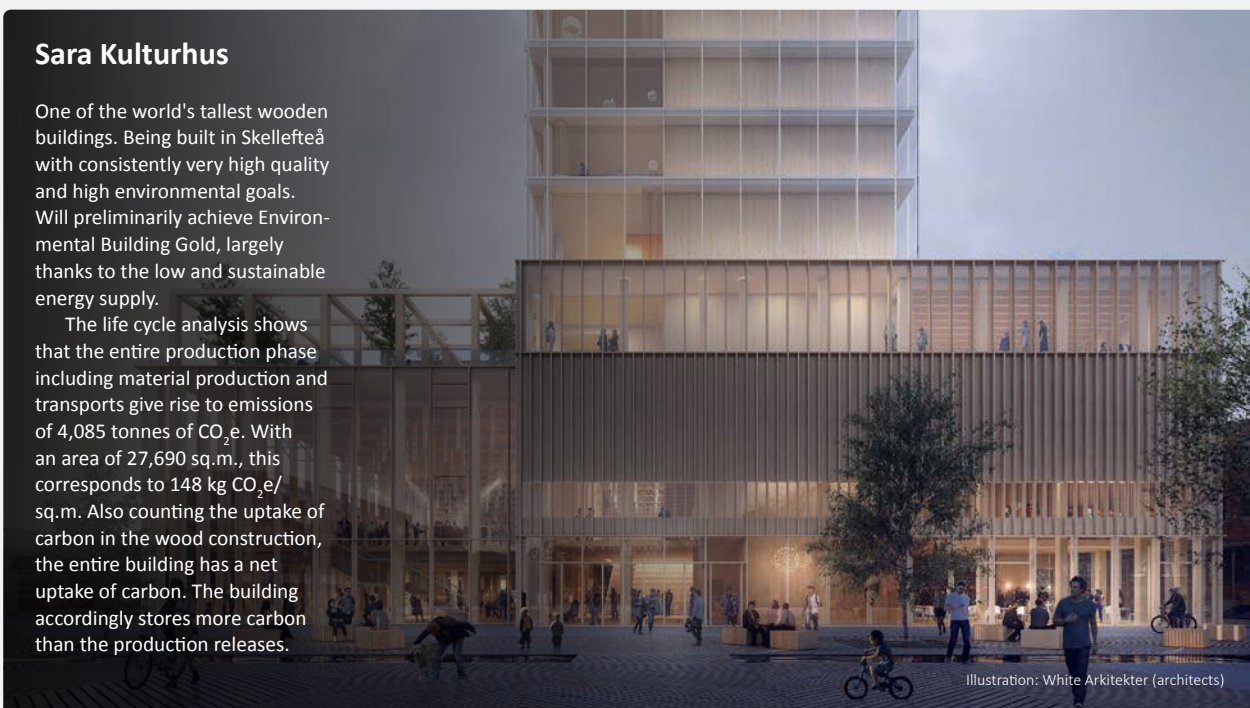
to enter into effect. As a part of SBB's strategy to achieve climate neutrality in every part of the construction process, life cycle analyses were done in 2020 to more closely study the company's own new construction projects' climate impact. Two examples that represent different structural engineering solutions are presented below.



Social services building

Being built in Västerås to co-locate a number of operations in a building. Being built with a high level of the environmental work: low energy consumption and high-quality material selection with a frame of concrete. Certified according to Environmental Building Silver.

The life cycle analysis shows that the entire production phase including material production and transports give rise to emissions of 3,097 tonnes of CO₂e. With an area of 10,570 sq.m., this corresponds to 276 kg CO₂e/sq.m.



Sara Kulturhus

One of the world's tallest wooden buildings. Being built in Skellefteå with consistently very high quality and high environmental goals. Will preliminarily achieve Environmental Building Gold, largely thanks to the low and sustainable energy supply.

The life cycle analysis shows that the entire production phase including material production and transports give rise to emissions of 4,085 tonnes of CO₂e. With an area of 27,690 sq.m., this corresponds to 148 kg CO₂e/sq.m. Also counting the uptake of carbon in the wood construction, the entire building has a net uptake of carbon. The building accordingly stores more carbon than the production releases.

Illustration: White Arkitekter (architects)

Board of Directors [GRI 102–16, 103–2 & 205–2]. All of the policies below are publicly available on SBB's website.

- Fair Employment Practices Policy
- Human Rights Policy
- Bribery and Corruption Policy
- Prevention of Tax Evasion Policy
- Code of Conduct
- Code of Conduct for Suppliers
- Sustainability Policy
- Sustainability Code for Suppliers
- Whistleblower Policy

SBB promises to always:

- Act ethically, openly and transparently
- Foster human rights
- Foster employees' right to organize (ILO C87) and to bargain collectively (ILO C98)
- Respect and protect employee representatives (ILO C135) and to actively combat discrimination against employee representatives
- Guarantee trade unions' right to conduct their work effectively at SBB's workplaces
- Strive for zero injuries and incidents at workplaces and to prevent sickness absences. Follow-up of outcomes will be reported annually in the Annual Report.
- Always actively oppose and never engage in any form of corruption, fraud, money laundering, tax evasion, extortion, bribery or illegal financing of political organizations
- Apply the precautionary approach when there is uncertainty regarding the business' ethical aspects or effects on people and the environment [102-11]

The Code of Conduct, Sustainability Policy, Anti-corruption Policy and Policy Against Tax Evasion are to guide responsible and ethical behaviour among employees. Among other sources, the Code of Conduct builds on the ten principles of the UN Global Compact, including human rights and anti-corruption. Guidelines are also included regarding gifts, entertainment, appropriate and inappropriate benefits, as well as examples of what are viewed as bribes and the penalties applied when these regulations are violated. All employees and suppliers are obliged to understand, sign and comply with these regulations. A briefing on these regulations is mandatory on commencement of all projects in excess of SEK 10m. An external whistleblower service has been in place since 2017, through which deviations can be reported. SBB's vulnerability to risks of deviations from these promises and internal regulations is assessed and managed by the management team in the ordinary work with risk management under the direction of the CEO. The extensive dialogue with stakeholder groups provides valuable perspectives to the management's work with risk management.

SBB has a policy of always offering vacant apartments via its digital rental platform, where existing tenants have priority for vacant apartments within the property portfolio. Illegal trade in rental contracts is commonplace in Sweden, particularly around Stockholm where queueing times are long. SBB has procedures to counteract this. In leasing, applicant identity is verified via Bank-ID for example. SBB informs all of its tenants of their rights and obligations at contract signing. During the lease term, SBB has a continuous dialogue with tenants where complaints, comments, improvement suggestions, etc. are addressed to contribute to greater security and customer satisfaction.

External partnerships and frameworks [GRI 102-12] [GRI 102-13]

To safeguard transparent, accessible and consistent reporting in accordance with the ESG criteria, SBB has resolved to adhere to a number of global frameworks and standards. It is in SBB's interests to provide stakeholders with sustainability data meeting the best standards available. Examples of external partnerships and frameworks that SBB has joined and/or supported are listed below:

- UN Global Compact
- UNHCR
- Mentor, Låxhjälp, Swedish Childhood Cancer Foundation, etc.
- The Paris Agreement
- The Global Goals
- GRI
- EPRA's guidelines on sustainability reporting
- CDP
- The TCFD recommendations
- Sweden Green Building Council (SGBC): Environmental certification of properties
- Byggarubedömningen (building materials assessment)
- Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles

R&D – AI Robot for energy follow-up

Energy follow-up is an important piece of the puzzle in the data driven efficiency improvement work that forms the basis of both reduced energy consumption and reduced costs. The information is needed to be able to apply the right efficiency enhancement and energy savings measures where they provide the greatest benefit. SBB has taken the initiative to the development of an AI robot that automatically reads in energy bills and registers the energy consumption in a follow-up

system. For a property company of SBB's size, it requires a major effort to gather consumption data from all of the thousands of energy meters, especially since new properties are added all the time. With the AI robot, each energy bill (out of a total of 50,000 invoices received annually) is scanned and interpreted for consumption data, facility and meter number in 3 milliseconds and is automatically added to the follow-up tool.

SBB's wood building strategy

SBB has a strategy of building in wood; at least 50 percent of the new construction projects shall be built with wood frames. Wood is a material that will play an important role in the climate transformation. It is renewable and also has capacity to store carbon dioxide. If the forest is used in a sustainable way, both the forest and society can continue to grow and thrive. SBB's suppliers only use wood raw materials from sustainable and certified forestry.

Living forests bind carbon dioxide from the air to the trees' cellulose. The forest therefore functions as a carbon sink. When the forest grows, the forest's total carbon dioxide storage also increases. Since the 1920s, the Swedish forest has had a net growth and the amount of wood raw materials has more than doubled, at the same time that there has been an active forest and timber industry. This has been possible thanks to sustainable harvesting levels and a responsible forest management. All wood raw materials that are built into buildings

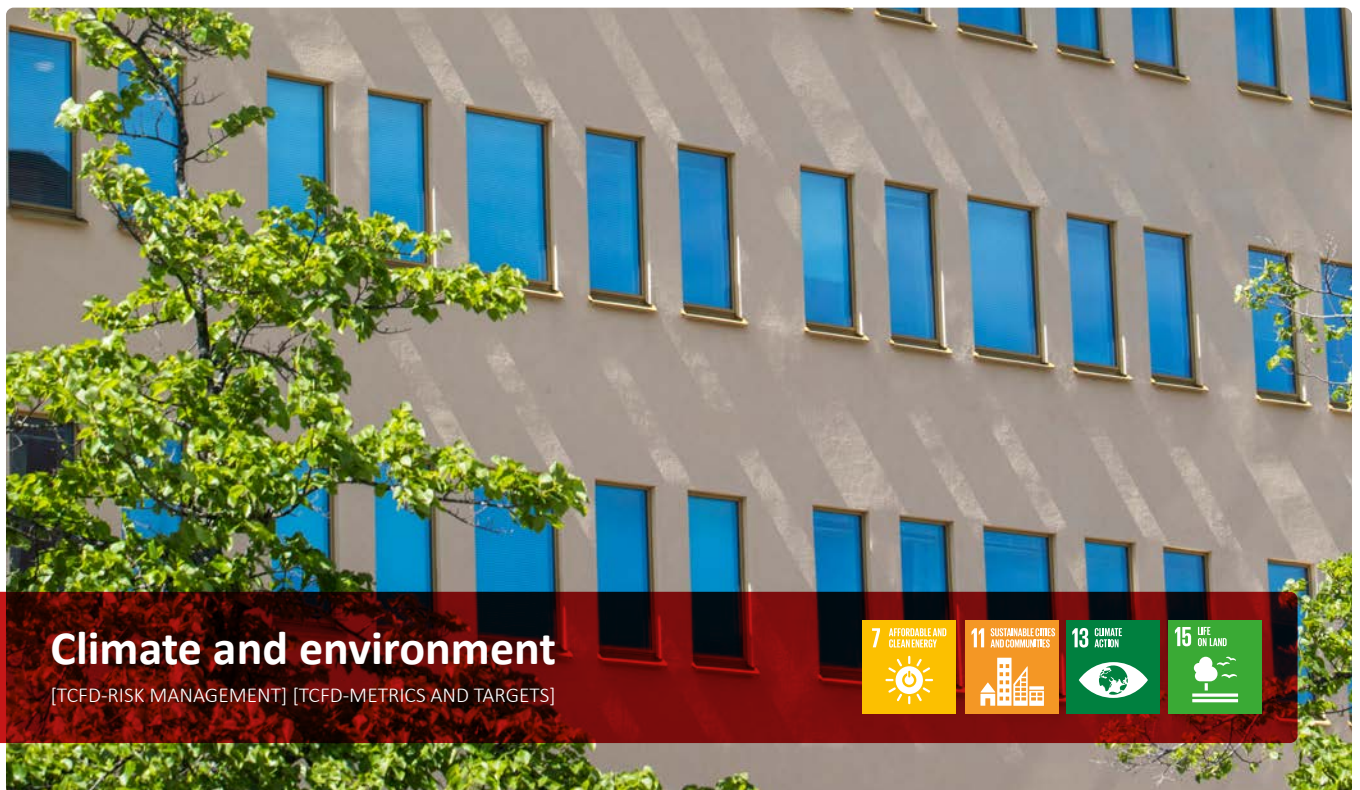
also continue to store carbon dioxide as long as the building remains. In this way, the wood compensates for the process-related emissions that arise in the manufacture of the wood products and more. The fact is that the carbon sink is often so large in wood buildings that it compensates for the entire construction process' emissions, including all materials and transports and more.

In addition to this, there are many other advantages of building with wood. Since it is a more industrialized process, a better working environment is achieved when a lot of the work can take place in purpose-made factories. It is also easier to ensure correct working conditions and that collective agreements are followed compared with construction sites where many different actors are present at the same time. The timber building industry is also more in line with SBB's gender equality goals, with a more even distribution between men and women than the construction industry at large.



Goals, results and follow-up

SBB has set up a sustainability vision for 2020-2030 and a sustainability policy for the concrete implementation of the targets and the vision. SBB's sustainability vision, targets and policy are adopted by the Board of Directors and continuously followed up by the CEO together with the Sustainability Manager.



The climate issue is one of humanity's greatest challenges and SBB has a responsibility for future generations to contribute solutions and reduce its own climate impact. Properties account for almost 40 percent of the total demand for energy in Sweden. Reducing energy use in the properties is therefore a highly prioritized environmental issue. SBB wants to act strongly in the climate transformation and SBB has therefore adopted the goal of climate neutrality by 2030 in the entire value chain, as an important part of SBB's promise to build a better society. And SBB wants to do it together with its tenants, customers, suppliers and other stakeholders. The action plan for achieving the goals in climate and environment covers concrete targets that are to be achieved in the near term. This includes a reduced climate impact by 5 percent per year and pertains to the entire value chain, from materials production to management. In the management phase, there is a goal of reduced energy consumption by 5 percent per year with reduced climate emissions as a result. In the production phase, a timber building is an important part of the strategy for reduced climate emissions. Wood is a building material

with a low climate impact that also binds carbon when it is built in. The goal of at least 50 percent wood construction is followed up annually. In addition to SBB's long-term vision and goals, SBB also sets minimum requirements in the climate and the environment in all new construction through a sustainability appendix. The goals are also described in detail in the table "Progress and initiatives in Climate and Environment 2020".

Climate change and climate adaptation entail risks for society and the property sector. Physical risks include rising sea levels, more extreme weather events and more heat waves, causing risks for particularly vulnerable groups. Risks in adaptation include changing regulations, fluctuating demand for premises and housing, modes of transport and changing travel habits. A negligible part (less than 1 percent) of the property portfolio is located in areas with a higher risk profile; in addition to this, no significant climate risks have been identified. Other environmental risks, such as radon, asbestos, PCB, Legionella bacteria, etc., are handled through testing and investigations during property acquisitions and in the management process through regular checks.

Demolition and decontamination is always done based on applicable legal requirements in cooperation with certified decontamination contractors. In renovations and new production, SBB strives to never use materials with environmental risks; materials are assessed and documented according to approved assessment systems, such as the Byggarvbedömningen (building materials assessment). As long-term property owners, it is important to plan the property development and portfolio to minimize all these risks. The CEO bears utmost responsibility for the identification and management of these risks, which are part of the management's ordinary risk management. For several years, SBB has inventoried the climate-related risks in the property portfolio. Additional commitments were initiated in 2020 to thoroughly analyse the sustainability risks of each individual property in cooperation with experts in the area from MSCI. The extensive dialogue with stakeholder groups provides valuable perspectives to the management's work with risk management. More in-depth climate-related data according to TCFD's recommendations are reported annually through CDP.

Some examples of upgrades that have been made or initiated in 2020:

- Installation of exhaust air heat pumps in three properties in Skara and one in Tidaholm where the ventilation and heating system are simultaneously adjusted.
- Recovery of exhaust air and waste water heat exchangers.
- Project planning of system solution to reduce the energy consumption of three properties in Borlänge by 30 percent. This partly takes place in collaboration with researchers at Dalarna University.
- In connection with the renovation of our apartments, we remove bathtubs and install low-volume water fittings.
- Installation of geothermal heat
- Continuously improved energy performance with planned maintenance in the entire portfolio, e.g. after replacement or repair of windows.
- Modernization of ventilation facility in garages.

Energy consumption [GRI 302-1]

	Sweden ¹ (MWh)	Norway (MWh)	Finland (MWh)	Total (MWh)	Intensity (kWh/sq.m.) [Energy-Int]
District heating [DH-Abs]	324,674	3,529	16,625	344,828	106.5
District cooling [DC-Abs]	8,764	651	0	9,415	2.9
Electricity [Elec-Abs]	164,174	8,584	11,891	184,649	57.0
Other types of energy [Fuels-Abs]	0	0	0	0	0

Carbon dioxide emissions [GRI 305-1,2,3]

	Sweden ¹ (tonnes CO2)	Norway (tonnes CO2)	Finland (tonnes CO2)	Total (tonnes CO2)	Intensity (kWh/sq.m.) [GHG-Int]
Scope 1 [GHG-Dir-Abs]					
Heating, types of energy	0	0	0	0	0
Company cars	543.7	89	74	707	0.22
Scope 2 [GHG-Indir-Abs]					
District heating	14,935	522	3,995	19,452	6.01
District cooling	105	96	0	202	0.06
Electricity	1,556	77	2,509	4,142	1.28
Scope 3 [GHG-Indir-Abs]					
Emissions from construction projects	10,889	0	0	10,889	3.36

1) The Danish part of the portfolio (approx. 1.4%) is included in Sweden's figures.

Declaration of limitation and basis for calculation of emissions according to the GHG protocol [GRI 305-1,2,3]

Scope	Activity	Restriction
1	Business travel with company car	The travel made on business with company cars. Data from reading meters through partner company for company cars. Emissions are calculated per vehicle in the Swedish property management based on the mileage driven in business and measures average fuel consumption (data from partner companies). Emissions for Norwegian and Finnish property management are estimated based on the measured emissions from the Swedish property management.
2	Use of electricity	The electricity consumption where the property owner is the contracting party. Data for energy use from energy follow-up systems. Conversion factor for source-labelled electricity from EPD: Hydro power 8.6g CO2/kWh (86 %), Wind power: 13.95g CO2/kWh (2 %), Bioenergy: 15g CO2/kWh (12 %). Other electricity: 9 g CO2e/kWh for Norwegian electricity mix, 211 g CO2e/kWh for Finnish electricity mix.
2	Use of district heating	The district heating where the property owner is the contracting party. Data for energy use from energy follow-up systems. Specific emissions data for the respective suppliers of the Swedish district heating grids and standard amounts for Norwegian and Finnish district heating and district cooling with data from Norway's and Finland's statistical central agencies.
2	Use of district cooling	The district cooling where the property owner is the contracting party. Data for energy use from energy follow-up systems. Specific emissions data for the respective suppliers of the Swedish district cooling grids and standard amounts for Norwegian district heating and district cooling with data from Norway's statistical central agency.
3	Emissions in the construction process	All of SBB's construction projects. Data is based on life cycle analyses from a representative selection of projects that have been used to estimate SBB's total emissions from construction projects.

SBB's largest source of greenhouse gas emissions is the energy consumption in the properties. This is followed by emissions that arise in the construction process: from extraction of raw materials, production of building products, transports, energy consumption, waste and excess at the construction site. In addition to this, there are emissions from travel by company cars, design of outdoor environments and waste management during operation. SBB conducts structured work to reduce carbon dioxide emissions in all of these areas.

The energy consumption and its climate impact for all properties is monitored and analysed centrally in an energy follow-up system that makes it easier to discover deviations and

improvement potential in the portfolio.

An inventory of all emissions from the building production is done through life cycle analyses. The work on life cycle analyses is regulated in SBB's sustainability appendix that is used in all new construction and renovation projects in excess of SEK 10m. The sustainability goals in Vision 2030 encompass the entire value chain and two central components in the strategy to reduce the emissions from building production are (1) investing in improvements in existing properties rather than demolishing and building new, and (2) working with timber construction in new production. SBB's goal is that 50 percent of the new production has wood frames. SBB also uses local suppliers, coordinated transports and

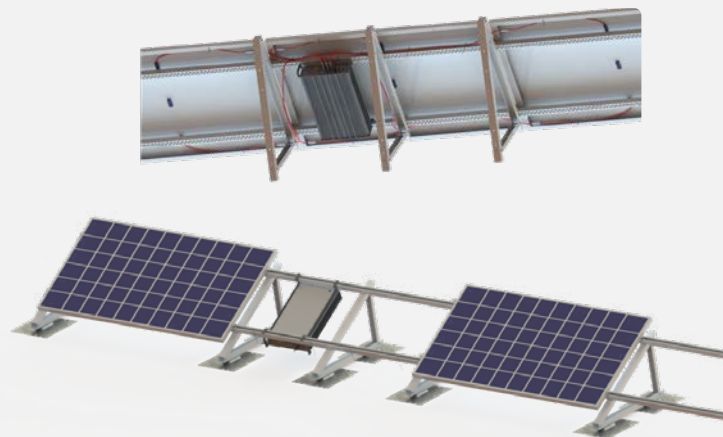
re-use of building materials in its own building activities to reduce carbon dioxide emissions and the environmental impact in new construction and renovations.

SBB's direct emissions from travel with service vehicles, company cars and carpool cars constitute about 0.7 percent of the emissions from the operation of the properties. At the same time, these emissions can be directly influenced by the company's behaviour and SBB works to reduce these emissions in part through its car policy.

SBB has the goal of reducing carbon dioxide emissions by 5 percent per year between 2018-2023.

R&D – Solar energy modules

SBB participates as the financier and pilot in a project that is focused on developing solar energy modules together with the company Watts2You. A solar energy module is a solar panel with built-in battery storage capacity and software for optimization of charging from both the sun and the power grid. The latter has the aim of controlling withdrawal and charging from the battery depending on power demand and electricity price over the day. Right now, the first prototype is installed and is currently being tested in a lab to be CE marked in a few weeks. After the product is CE marked and approved, production will begin. During the spring of 2021, the first solar energy modules will be installed in one of SBB's residential properties in the Stockholm area.



Progress and initiatives within Climate and Environment 2020

Zero-net climate emissions and reduced environmental impact	
Energy use	100-percent renewable electricity from hydroelectric, wind and solar power through an agreement with Skellefteå Kraft. In 2020, the monitoring and reporting of energy use was expanded to include the entire portfolio. SBB has the goal of reducing energy consumption by 5 percent per year in the entire property portfolio. The goal pertains to kWh per square metre. Properties with a high energy consumption per square metre and in absolute figures are prioritized. SBB's green bonds finance many initiatives for energy-efficiency enhancement in SBB's properties, including supplemental insulation, energy-efficient heaters, geothermal heat pumps and energy-efficient lighting. We have negotiated a favourable electricity trading agreement with 100 percent renewable electricity, which we will offer to all of our residential tenants. During the fourth quarter, SBB procured solar cell installations for eight properties in Skara and Tidaholm. The solar cells will produce a total of approximately 227,000 KWh of electricity annually. The solar cells will be installed in properties that were additionally insulated and equipped with FX ventilation and heat pumps in 2019. With the addition of the solar cells, energy consumption will be further reduced and SBB will obtain a complete systems solution in which the solar cells offset the heat pumps' electricity consumption.
Carbon dioxide emissions	SBB has the goal of reducing carbon dioxide emissions by 5 percent annually. In 2020, the monitoring and reporting of carbon dioxide emissions was expanded to include the entire portfolio. Numerous initiatives have been implemented to reduce emissions. SBB views its properties' climate impact from a life cycle perspective and is preparing to be able to conduct life cycle analyses in all new production.
Sustainable property management	SBB is investing in further development of existing properties instead of demolishing and building new. All properties that have been held for more than three years must be environmentally inventoried. The environmental inventories are to be done continuously, at least every ten years. Adequate spaces for waste management and source sorting must be available in or next to the properties. The operating and maintenance agreements signed are adapted to live up to the requirements set according to certification systems, such as Miljöbyggnad (environmental building), also for the properties that are not certified.
Certified buildings [Cert-Tot]	Five new properties were certified in 2020. A list of all certified properties is publicly available on the website. A total of 33,300 square metres, 8.5 percent, of the property portfolio is certified according to the standard defined in SBB's sustainable financial framework.
Number of green leases	Several new green leases were signed in 2020; the green leases follow the property owners' templates for green contracts. A formal system for monitoring the number of green leases is being developed.
Environmental and climate risks	An analysis of environmental and climate-related risks in the entire portfolio has been done and updates are made every year and upon the acquisition of properties. Among others, physical, regulatory and transitional risks linked to climate change are addressed. Risks to the business are primarily managed by SBB's management team with support from the Board of Directors; SBB's CEO is responsible for leading this work. All of SBB's properties are fully insured.
Environmental inventory and decontamination	Healthy indoor environments are of the utmost importance to SBB. All newly obtained properties are environmentally inventoried and these inventories are updated every ten years as a minimum. Among other aspects, the occurrence of asbestos, radon and PCB, as well as energy consumption are inventoried; decontaminations of substances hazardous to health and the environment (including asbestos) were done in 86 percent of the 695 apartment renovations carried out in 2020.
Biodiversity	SBB focuses on further development of already developed areas and at the same time increases biodiversity in these areas in dialogue with the local communities. All new development includes a dialogue process where the local community's perspectives are obtained and integrated into the development. Where there are uncertainties regarding the effects on biodiversity, environmental impact assessments are conducted. All of SBB's wood building projects use wood from certified forestry, which ensures a high species richness and biodiversity.
Water usage [Water-Abs] [Water-Int]	Water usage is measured and monitored annually. In 2020, water usage was measured at 776,000 cubic metres or approx. 0.2 m ³ /m ² . Low-flush toilets, showers and mixer taps are installed in connection with renovations. SBB has the goal of reducing water usage by 1 percent annually. Follow-up is integrated in the energy follow-up system.
Sustainable building materials [102-9]	52 percent of SBB's on-going projects, measured as the share of gross floor area, have wood frames. All with certified wood according to FSC or PEFC. The goal is 50 percent. SBB is pioneering in the area and is building one of the world's tallest wood buildings in Skellefteå. SBB evaluates and registers building materials with regard to environmental and climate risks to achieve a sustainable supply chain. As part of the work, SBB went in as a member of the Byggarbeteutvecklingen (building materials assessment), a non-profit economic association consisting of actors in the society building sector that aims to promote the development towards a non-toxic and good developed environment.
Waste	SBB strives to minimize waste, both in property management and in the construction process. In property management, SBB collaborates with tenants and makes areas available for source sorting. In the construction process, SBB sets requirements on waste minimization and sorting through the company's sustainability appendix. SBB also conducts environmental rounds where compliance is followed up and documented by a third party. All materials left over after our apartment renovations are taken back and used in the next renovation; this also applies to small items, such as opened paint cans.
Proximity to public transport	SBB wants to create possibilities for a sustainable lifestyle and therefore invests in properties close to public transport; the share of properties close to public transport is continuously followed up. > 98 percent of SBB's properties are less than a ten-minute walk away from public transport.
Innovations in environmental technology	Several initiatives have been carried out and planned during the year, including energy recovery from waste water, a pilot project with a new kind of solar cell with an integrated battery pack and the development of AI tools for energy follow-up. SBB has a resident app for all residential tenants where they can easily receive their rent notices and order additional services, such as agreements for renewable electricity trading and home insurance for which SBB has negotiated favourable terms.



Social sustainability



Social sustainability is an important part of SBB's promise to build a better society. The growing gaps in health and living conditions between different groups in society and residential areas are one of the major challenges in Sweden today. The property industry has a major impact and extensive potential to contribute solutions for greater cohesion, belief in the future, health and trust.

SBB manages, acquires and develops properties for important societal functions in areas offering long-term development potential. Major investments are being made to upgrade and develop the portfolio by renovating apartments, premises, common areas and facades. Outdoor environments, such as playgrounds and green areas, are also being restored and new outdoor lighting is being added to remove dark and unsafe areas and contribute to greater biodiversity. The environment and the dwelling become more pleasant for the individual and the area as a whole becomes safer. In some areas where SBB has its property portfolio, the security issue is a priority focus area. Therefore, an important part of the business model is to make investments in improving social conditions of the areas and thus contributing to a positive and socially sustainable development. Among other things, this is achieved by creating meaningful activities, such as summer jobs, for young residents and by collaborating with local organizations on projects to improve the social environment in various ways.

Fundamental to the business is to continuously develop the properties and the living environment, which leads to well-being and security as well as a positive location identity. As a long-term property manager, it is a given to work with social sustainability and to counter marginalization in the areas in which SBB is active.

Risks and opportunities related to social sustainability, such as working conditions in the

supply chain, security in the local community, etc., are addressed by the management team. The CEO bears utmost responsibility for the identification and management of these risks, which are part of the management's ordinary risk management. The extensive dialogue with stakeholder groups provides valuable perspectives to the management's work with risk management.

Table with social assets Possibly refer to this table elsewhere in the report.

Classification	Number of sq.m.	Rental income, SEKm	Total, %
Rental apartments	774,249	801	17
Project properties for future rental apartments	101,820	69	1
Total residential properties	876,069	870	18
Education	1,019,941	1,386	29
<i>Preschool</i>	227,485	442	9
<i>Compulsory/Upper-secondary school</i>	573,551	646	13
<i>University</i>	218,904	299	6
Elderly care	430,905	597	12
LSS	255,008	344	7
Hospitals and health centres	190,181	286	6
Government infrastructure and justice	375,934	481	10
Municipality and department properties	310,273	407	8
Public offices	276,291	314	6
Other	6,314	2	0
Project properties for future community service properties	78,746	80	2
Total Community service properties	2,913,593	3,895	80
Total Social infrastructure	3,789,662	4,839	98
Other	135,744	75	2
Total	3,925,406	4,839	100

Progress and initiatives in Social Sustainability 2020

Leading in social infrastructure	
Social values at the core of our business	During 2020, an inventory of social values in SBB's product portfolio was done and they were integrated into SBB's financial reporting. Detailed information is presented in the quarterly reports and the Annual Report. Social infrastructure generates 98 percent of SBB's rental income. SBB's business builds on understanding and development in line with the long-term demographic development, SBB's CEO and founder Ilija Batljan is an expert in the area with a PhD in demography and planning for elderly care.
Social bonds	The societal benefits of SBB's business model have been demonstrated through SBB's issuance of the world's most extensive social corporate bond in 2020. A new sustainable financial framework was developed in 2020. The sustainable financial framework presents a definition for the company's social assets in the categories "Affordable housing", "Health care facilities" and "Access to essential services". The assets' contribution to the global goals has been examined by a third party and has been deemed to make a significant contribution to global goals 3. Good health and well-being, 4. Quality education and 10. Reduced inequalities.
Responsible business	
Health and safety in SBB's assets [H&S-Asset] [H&S-Comp] [GRI-416-1]	SBB's responsibility for health and safety extends to all of SBB's assets and workplaces, including construction sites. Safety inspections are regularly conducted in its own and contractors' workplaces where risks are inventoried, assessed and resolved.
Dialogue with, and development of, local communities [Compty-Eng]	SBB develops local communities, applying a holistic perspective with regard to social, ecological and economic sustainability. SBB has a locally rooted property management organization that has close contact with its customers. Risks and opportunities are analysed. Dialogues with municipalities and residents are a mandatory part of SBB's detailed planning processes. Project-specific conditions and requirements, such as local goals, ecosystems, acoustic environment, etc., are addressed and integrated into the continued project development.
Indoor environment and accessibility	Healthy indoor environments are of the utmost importance to SBB. All newly obtained properties are environmentally inventoried and these inventories are updated every ten years as a minimum. Among other aspects, the occurrence of asbestos, radon and PCB, as well as energy consumption are inventoried; decontaminations of substances hazardous to health and the environment (including asbestos) were done in 86 percent of the 695 apartment renovations carried out in 2020. SBB sets high standards on accessibility in all of its newly built properties and makes efforts for greater accessibility in its renovations. SBB owns and manages apartments that can also be rented by people with fewer financial resources. Customer satisfaction is investigated through close dialogue with the locally rooted property management; a major customer satisfaction survey is planned for 2021.
Number of summer workers in SBB's residential areas	134
Support to refugees	SBB has contributed to UNHCR with 10 Better Shelter refugee homes and 100 tents to help improve the housing situation for refugees.
Number of workplace accidents	0 - All incidents and injuries that occur in the organization are reported to the Swedish Social Insurance Agency and the Swedish Work Environment Authority, as well as AFA Insurance.
Supporting Lärhjälpen and Mentor Sverige	SBB sponsors Lärhjälpen (which provides free help with homework) for 15 pupils in grades 7-9 at the Guldhedsskolan school in Gothenburg. SBB is also a member of Mentor Sverige (which provides mentors for young people entering the labour market).





Employees [GRI 102-8]



In recent years, SBB has grown through a number of acquisitions. As the organization grows, coordination needs also increase and the demands imposed on communications and leadership are raised. It is important to attract and retain competent employees.

SBB guarantees all personnel a workplace characterized by equal opportunities, dignity, respect and justice, free from discrimination and harassment. The principles that form the basis of working conditions at SBB are described in an HR policy that is adopted by the Board of Directors. Recruitment decisions shall always be based on clearly defined criteria and all applicants must be treated and assessed on these grounds, without discrimination. Based on their individual capacity, all employees shall be afforded opportunities for optimal professional and personal development to enhance the success of the organization and the employee. This is also the starting point when we look at the terms gender equality, diversity and equal treatment, which for us means that all people are of equal value and should be treated with respect and dignity. SBB does not tolerate any form of bullying, harassment or discrimination. The term discrimination includes, but is not limited to, the grounds that are protected by Swedish law: sex, transgender identity or expression, ethnic identity, religion or other belief, disability, sexual orientation or age. This is regulated through SBB's Sustainability Policy

and Code of Conduct, which all employees must read, understand, sign and comply with. SBB also contributes to work against discrimination and for equal opportunity by signing to work for the ten principles of the UN Global Compact. All new employees must participate in SBB's introductory programme, which includes policies including the Code of Conduct and the Sustainability Policy.

SBB has an organization that is structured to cope with managing, developing and renovating the company's properties. The company's comprehensive management organization is deemed to be strategically important in order to guarantee a good residential and working environment. A local base among the employees is also important. Therefore, the company employs young people who work over the school breaks in the residential areas that they live in. A personal commitment leads to continuous development of the residential environment at the same time that it provides good social side-effects.

A long and deeply-rooted tradition of respect for agreements between the social partners, trade unions and employers' organizations pervades SBB's markets. SBB values this model and also safeguards respect for human rights, the freedom of association and the ILO Declaration on Fundamental Principles and Rights at Work. SBB is also a member of the UN Global Compact.

Health and safety are central issues for SBB; SBB conducts regular safety inspections at its

offices, in its properties and at its construction sites. SBB's responsibility covers employees, engaged personnel, operating personnel, tenants and contractors. It is a given part of SBB's promise of being the world's most sustainable property company, but also as a result of the well-developed legal requirements that are in the company's markets. Without a correct risk analysis and work preparation, many of the work steps at SBB's own and contractors' worksites may become risky. SBB always takes responsibility for safety and assesses risks for all work steps in a correct way at its own sites and at its contractors. SBB also conducts safety inspections regularly.

In 2020, a training plan for all staff was prepared. The training plan covers training in quality, the environment, the work environment and skills development. Each professional category in SBB will be given a training package that is tailored for their respective category. Planning and status for the training of personnel is coordinated by a Training Council with representatives from the management team; the Training Council holds regular minuted meetings led by the HR manager.

Salary surveys are conducted annually to identify and eliminate any unfair structural differences between groups. SBB's premise is that salary differences depending on e.g. sex shall not occur.

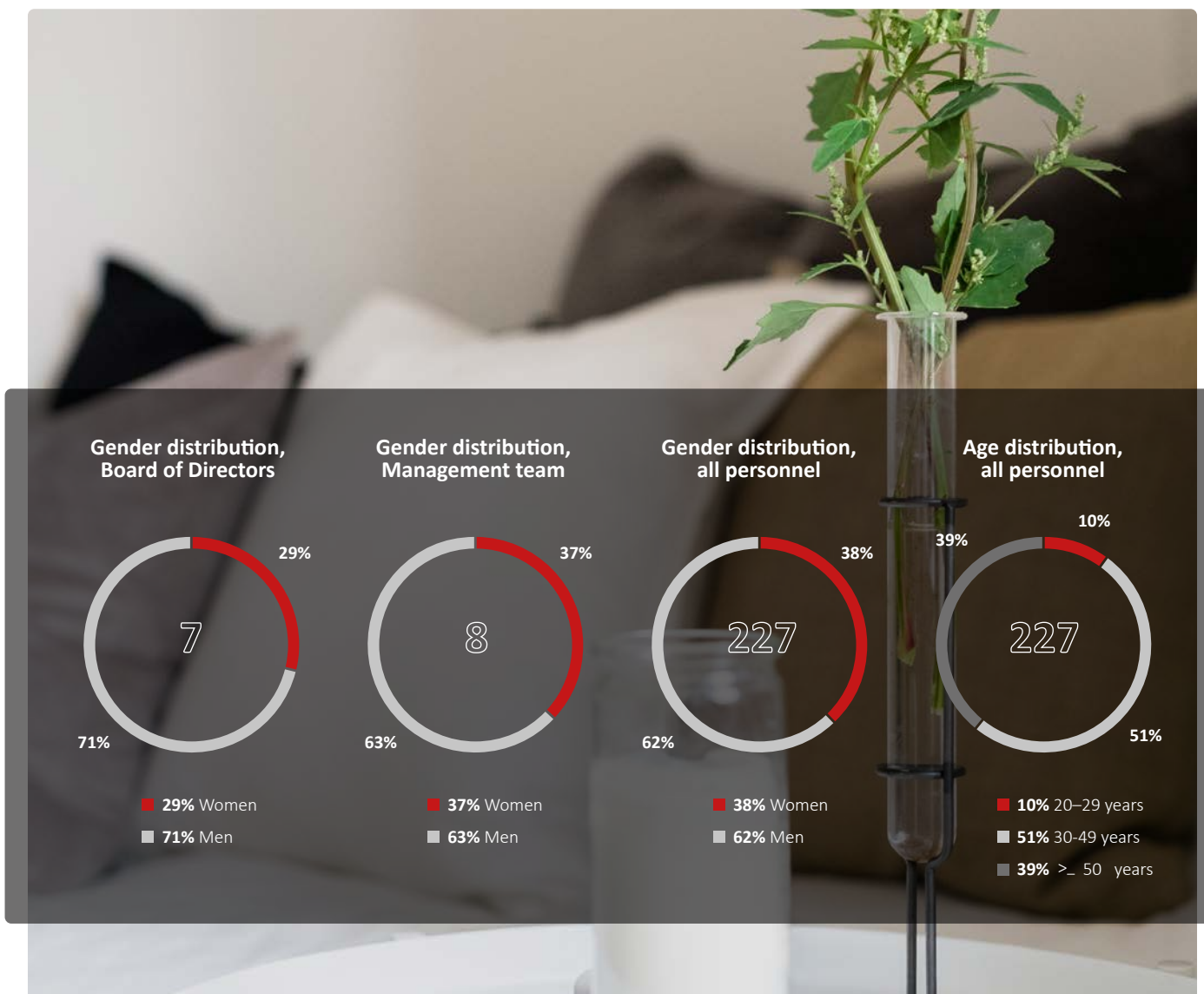
Remuneration of senior executives is decided by the Remuneration Committee in the Board of Directors. All employees are offered an opportunity of part-ownership in the form of an option programme, which is a long-term incentive programme that contributes to commitment in the company. All employees are also offered a wellness allowance of SEK 2,500 per year that can be used for activities that promote the employee's health.

SBB wants to adapt the workplace to its employees' circumstances; the arrangement of working hours and workplace shall to the greatest extent be adapted to the individual's prerequisites. For example, SBB wants to make it possible to adapt the arrangement of meetings, conferences and the like to the needs of parents. SBB also conducts surveys of sickness absence, mental and physical health for the entire workforce and for specific groups to keep any group from being disadvantaged by the workplace's or the work situation's arrangement.

Employees - statistics [Diversity-Emp] [GRI 405-1]

	Total	Gender distribution (%)	20 – 29 years	30 – 49 years	50 or more years
All employees	227		23	116	88
Age distribution (%)			10%	51%	39%
Women	86	38%	15	49	22
Men	141	62%	8	67	66
Managers	38		-	15	23
Age distribution (%)				39%	61%
Women	11	29%	-	5	6
Men	27	71%	-	10	17
Management Team	8		-	3	5
Age distribution (%)				38%	63%
Women	3	38%	-	1	2
Men	5	63%	-	2	3
Board of Directors	7		-	-	7
Age distribution (%)					100%
Women	2	29%	-	-	2
Men	5	71%	-	-	5

Refers to employees in Sweden as at 31-12-2020



Heading

Area	Progress and initiatives in 2020
Developing human capital	
Attracting and retaining talent	<p>Market-based terms of employment</p> <p>Collective agreements</p> <p>Skills development</p> <p>Good working environment</p> <p>Flexible working hours and geographical postings adapted to our employees' circumstances</p> <p>Parental leave and parental compensation</p> <p>Bonuses based on several different parameters linked to SBB's fulfilment of targets and the performance of the individual employee</p> <p>A long-term incentive programme, where all employees are offered part-ownership through the subscription of options with a maturity of three years.</p> <p>Annual performance reviews, personal development and skills enhancement</p> <p>Employees enjoy health insurance and occupational pension benefits</p> <p>Membership in MERC Talent Network that aims to increase the members' networks and give young talent insight into potential career paths ahead.</p>
Proportion of employees covered by collective agreements [GRI 102-41]	More than 80 percent of all employees are covered by collective agreements.
Employee benefits	Wellness allowance, eyeglasses, paid vacation, company car, parental leave, occupational pension and health insurance.
Flexibility and balancing work and life	Flexible working hours and geographical postings adapted to SBB's employees' circumstances
Encouraging diversity and equality	Initiatives to increase diversity and equality awareness in connection with personnel meetings and training.
Gender pay ratio [Diversity-Pay]	A salary survey is done annually to discover any differences in salaries and ensure that the company's salaries are gender equal. Regulations and practice for salaries and terms of employment are documented in SBB's HR policy and salary policy. There, it is stated that the salary shall reflect the employee's expertise, work results, responsibility and development. SBB's CEO leads the work with the salary survey and immediately adjusts any differences discovered between women and men who do the same work.
Improving well-being at work and fostering a balance between work and leisure [H&S-Emp] [GRI 403-2]	Opportunities for teleworking, flexible working hours and taking the employee's personal situation into account.
Measuring employee well-being	Employee surveys are conducted annually.
Education and development [Emp-Training] [Emp-Dev]	A training plan for all employees was developed during 2020. The training sessions include role-specific topics and compulsory components on the environment, work environment, Code of Conduct, climate risks and risks in the supply chain. The HR manager is responsible for the planning and implementation of the training plan. The implementation of the training plan began with virtual training meetings during 2020 due to the prevailing risk of the spread of infection.
Employee interviews and assessment	Annual employee interviews conducted for all employees.
Health, safety and terms of employment for employees, operational personnel and contractors	<p>SBB's responsibility for health and safety extends to all of SBB's assets and workplaces, including construction sites. Safety inspections are regularly conducted in its own and contractors' workplaces where risks are inventoried, assessed and resolved.</p> <p>All managers are trained in health and safety. Health and safety are also included in the training plan for all employees with relevant content adapted to each role. In 2020, short-term sickness absence was 2.7 percent and long-term sickness absence was 4.8 percent.</p> <p>SBB supports the long tradition of respect for agreements between unions and employers' organizations that are in place in all of SBB's markets. All of SBB's employees except the head office are covered by collective agreements (80 percent). Employees are covered by the collective agreements regardless whether they are union members or not. Union representatives are involved in negotiations in reorganizations and in risky work steps.</p>
Training managers in working environment and business acumen	All managers shall be able to identify and address risks in the work environment, such as noise, heavy lifting, high elevations, ergonomics, etc. SBB's work environment responsibility covers both SBB's own and insourced personnel, such as contractors. Training in working environment and business acumen is mandatory for all managers in property management. Training is arranged on an ongoing basis to keep skills and awareness up to date.
Leasing agents trained in tenancy law	All leasing agents are trained in tenancy law. New training sessions will be arranged in 2021 to keep the knowledge up-to-date.
New employees during the year [GRI 401-1]	46
Employee turnover [Emp-Turn-over] [GRI 401-1]	20.3 %
Career paths within SBB	SBB is a rapidly growing company with many opportunities for the employees to develop within their roles or by switching roles. In property management, there is a possibility to change one's areas of responsibility, such as by going from property manager to area manager or from area manager to regional manager. There are also opportunities for specialization, such as by going from a technician to a technical manager or by developing further in other ways, such as by a property manager taking on a different group of properties or switching business area. SBB also encourages employees who want to grow by obtaining further training.



Governance and economic sustainability



SBB's goal is to have good financial growth without it entailing consequences to the climate and the social environment. By being profitable, SBB creates conditions for driving and developing sustainable management and construction.

Through low financial and operational risk, SBB shall provide a strong, risk-adjusted growth in value with increasing cash flows and a growing dividend to its shareholders.

Progress and initiatives within Governance and economic sustainability 2020

Best in class in ESG	
Reducing carbon dioxide emissions caused by SBB's workforce	Our company car policy offers opportunities for plug-in hybrids or fully electric models. Opportunities to work both locally and remotely reduce travel needs.
Involving all employees in sustainable development	Regional managers have been assigned the task of setting bonus targets linked to SBB's sustainability goals, such as reduced energy consumption and green leases. Initiatives in connection with personnel meetings and training to increase awareness of sustainability issues in general and of SBB's sustainability targets in particular.
Involving all employees in the company's targets and commitments	Involvement through exchanges of experience during training. Incentive programmes also enable participation by all employees.
Effective governance	
Board of Directors with the sector's broadest and deepest skills and experience [GRI 103-2]	Skills-enhancing initiatives are included on the agenda of every second Board meeting, including further training in a particular area of the operations. The Board of Directors has a Sustainability Committee with minuted meetings in connection with all ordinary Board meetings; since this year, the Committee has an external member with special expertise and experience in ESG. Annual assessment of the Board of Directors in connection with the audit.
Composition of the Board [Gov-Board] [GRI 102-22]	Since 2018, 30 percent of Board members have been women.
Process for nomination and election of the Board [Gov-Selec] [GRI 102-24]	The 2020 Annual General Meeting resolved that the Nomination Committee should comprise representatives of at most the three largest shareholders and the Chairman of the Board. The Chairman of the Board was tasked with contacting the three largest registered shareholders in terms of votes as of 30 September 2020, requesting that each appoint one member to the Nomination Committee. SBB complies with the Swedish Code of Corporate Governance; more information is provided in the Corporate Governance Report.

Process for handling conflicts of interest [Gov-COI.] [GRI 102-25]	SBB applies the Swedish Code of Corporate Governance. The Board of Directors, Remuneration Committee and Audit Committee are elected in accordance with the Code; more information is available in the Corporate Governance Report.
Leading the sector in transparent reporting	We apply industry-leading standards and frameworks in our reporting: GRI, EPRA, CDP, SASB, etc.
Evaluation of the management [GRI 103-3]	The Board of Directors assesses the company's CEO annually.
Sustainable supply chain [GRI 102-9][GRI 308-1] [GRI 414-1]	All suppliers are required to comprehend, sign and comply with SBB's Code of Conduct and Sustainability Code for Suppliers. Follow-up of compliance began in 2020 and will continue in 2021. No impropriety in the supply chain is tolerated by SBB. SBB works in close contact with local actors for operations, maintenance and construction. The property management's local knowledge and procurement of suppliers makes it easier to discover and address any discrepancies compared with large, centrally procured contracts where the procurement officer has no direct connection to the work city or those doing the work. To enable an overview and facilitate follow-up, property management is encouraged to limit the number of procured suppliers.
Ethics and anti-corruption	
Independent Board members	Since 2018, 80 percent of the Board members have been independent.
Disseminating awareness of ethics and fostering anti-corruption throughout the workforce [GRI 205-2]	SBB's work for ethical behaviour and anti-corruption is described in the Code of Conduct and the Bribery and Corruption Policy. Initiatives to increase awareness of ethics and anti-corruption and the possibility of using the whistle-blower service are made in connection with personnel meetings and training. These topics were addressed at 100 percent of training events in 2020.
Number of incidents reported to our whistle-blower function [GRI 205-3]	No incidents were reported.
Zero corruption	SBB does not tolerate any form of corruption, kickbacks, fraud, money laundering, tax evasion, extortion, bribery or illegal financing of political organizations and acts vigorously to prevent and counteract these. The purpose of SBB's insider policy is to reduce the risk of insider trading and other prohibited acts. The insider rules affect different positions to varying degrees, but all employees must be aware of and comply with the provisions included in the insider policy. Anti-corruption is part of all training conducted for SBB's employees. More information is provided in the Bribery and Corruption Policy and the Code of Conduct. No cases of corruption were detected in 2020.
High-risk markets	SBB is not active in any high-risk markets.
Lobbying	SBB does not support any political parties and only participates as members in established and recognized trade associations, such as the property owners' associations, Sweden Green Building Council and Public Housing Sweden.
Innovation and digitization	
Developing innovation initiatives and future-proofing a strategy generating value	Several initiatives have been carried out and planned during the year, including energy recovery from waste water, a pilot project with a new kind of solar cell with an integrated battery pack and the development of AI tools for energy follow-up.
Developing SBB's properties for a high level of connectivity and control	The energy usage in all of SBB's properties is registered online in SBB's energy monitoring system. Fully digitized leasing process for rental apartments.
Economic sustainability	
Customer value	Contributing to more efficient property management and freeing up capital for SBB's customers.
Rating	Achieve an investment grade rating of BBB+ in the short term and of A- in the longer term.
Sustainable financing	Continued growth and development of SBB's green and social portfolio with financing and goal attainment according to SBB's sustainable financial framework.
Risks and opportunities	Risks to and opportunities for the business are primarily managed by SBB's management team with support from the Board of Directors; SBB's CEO is responsible for leading this work. Risks and opportunities in technical development, competitors, demographic development, climate (physical, regulatory, transitional risks) are managed. SBB's management team and Board are composed for maximized breadth and depth with experts in a number of different areas and leading industry experts.

Other

- Member of Sweden Green Building Council
- Contributes to Mentor Sweden's (www.mentor.se) work as a partner
- Sponsors OV Helsingborg's social project "Handball school for all"
- Sponsors Stockholm Basketball in cooperation with Charles Barton, running basketball camps for young people aged 13 to 17, who for various financial reasons would not otherwise be able to afford these camps
- SBB sponsors Låxhjälp (which provides free help with homework) for 15 pupils in grades 7-9
- Carry out well-being days for tenants together with other property companies and municipalities

GRI-Index

	Description	Page
	Organizational profile	
102-1	Name of the organization	1, 72
102-2	Activities, brands, products and services	4
102-3	Location of headquarters	72
102-4	Location of operations	19
102-5	Ownership and legal form	11
102-6	Markets served	19
102-7	Scale of the organization	2-3, 10, 78
102-8	Information on employees and other workers	49-50
102-9	Supply chain	45
102-10	Significant changes to the organization and its supply chain	56
102-11	Precautionary principle or approach	40
102-12	External initiatives	40
102-13	Membership of associations	40
	Strategy	
102-14	Statement from senior decision-maker	6-7
	Ethics and integrity	
102-16	Values, principles, standards and norms of behaviour	38, 40
	Governance	
102-18	Governance structure	37
102-22	Composition of the highest governance body and its committees	51
102-24	Nominating and selecting the highest governance body	51
102-25	Conflicts of interest	51
	Stakeholder engagement	
102-40	List of stakeholder groups	38
102-41	Proportion of employees covered by collective agreements	50
102-42	Identifying and selecting stakeholders	38
102-43	Approach to stakeholder engagement	38
102-44	Key topics and concerns raised	38
	Reporting practice	
102-45	Entities included in the consolidated financial statements	36
102-46	Defining report content and topic boundaries	36
102-47	List of material topics	38
102-48	Restatement of information	36

	Description	Page
102-49	Changes in reporting	36
102-50	Reporting period	36
102-51	Date of most recent report	36
102-52	Reporting cycle	36
102-53	Contact point for questions regarding the report	36
102-54	Claims of reporting in accordance with the GRI Standards	36
102-55	GRI-Index	53
102-56	External assurance	36, 99
	Management approach	
103-1	Explanation of the material topic and its boundary	38
103-2	The management approach and its components	37
103-3	Evaluation of the management approach	52
	Economic performance	
201-1	Direct economic value generated and distributed	70, 78
	Anti- corruption	
205-2	Communication and training about anti-corruption policies and procedures	52
205-3	Confirmed incidents of corruption and incidents taken	52
	Energy	
302-1	Energy consumption within the organization	43
	Emissions	
305-1	Direct (Scope 1) GHG emissions	43
305-2	Energy indirect (Scope 2) GHG emissions	43
305-3	Other indirect (Scope 3) GHG emissions	43
	Supplier environmental assessments	
308-1	New suppliers that were screened using environmental criteria	52
414-1	New suppliers that were screened using social criteria	525
	Employment	
401-1	New employee hires and employee turnover	50
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	50
405-1	Diversity of governance bodies and employees	49
	Customer health and safety	
416-1	Assessment of the health and safety impacts of product and service categories	47

MANAGEMENT REPORT



Management Report¹

The annual report refers to Samhällsbyggnadsbolaget i Norden AB (publ), corp. ID no. 556981-7660, hereinafter referred to as SBB or Samhällsbyggnadsbolaget alternatively the Group or the company.

The year in brief

- Rental income increased to SEK 5,121m (1,996)
- The operating surplus increased to SEK 3,479m (1,265).
- Cash flow from operating activities before changes in working capital totalled SEK 2,232m (653).
- Profit before tax increased to SEK 10,341m (3,137), of which:
 - Profit from property management was SEK 2,474m (645). The profit from property management includes costs for early repayment of loans and other non-recurring costs of SEK -251m (-280).
 - Changes in value of properties are included in the amount of SEK 8,542m (2,453).
 - Changes in the value of financial instruments are included in the amount of SEK -207m (39).
- Profit for the year amounted to SEK 9,084m (2,624) after the deduction of deferred tax of SEK -1,092m (-479) and current tax of SEK -165m (-34), corresponding to earnings per class A and B ordinary share of SEK 6.41 (2.97).
- The value of the property portfolio amounted to SEK 90.2bn (79.5).
- Long-term net asset value (EPRA NRV) was SEK 37,505m (24,855), corresponding to SEK 28.21 (20.04) per share.
- The Board of Directors proposes a dividend of SEK 1 (0.60) per ordinary A and B share, a dividend of SEK 2 (2) per ordinary D share to be paid quarterly.
- In July, mandatory convertible subordinated notes maturing in 2023 were issued for SEK 2,750m, of which SEK 2,148m is recognized as equity. Conversion of the convertible notes to new B shares in SBB is mandatory. At the same time, a private placement of class D shares was conducted in the amount of SEK 607m.
- During the year, perpetual hybrid bonds totalling EUR 1,000m were issued in the European capital market, as well as unsecured bonds totalling EUR 800m. SBB also issued its first social unsecured senior bond of EUR 700m. All outstanding senior unsecured bonds issued by SBB and Hemfosa that mature until May 2021 were repurchased during the year, for a total issued amount of SEK 3,724m. In addition, issues were conducted of Class B and D ordinary shares of SEK 4,282m after issue costs.
- S&P Global Ratings confirmed SBB's investment grade rating of BBB- with a stable outlook and Fitch Ratings revised SBB's rating to BBB- with a positive outlook. Both Fitch Ratings and S&P Global Ratings announced short-term ratings of F3 and A3, which is an investment grade rating for commercial papers.
- During the year, SBB acquired properties at a value of SEK 15bn where the largest two transactions in addition to the acquisition of Sveafastigheter Bostad were a portfolio with preschools from the Norwegian Laeringsverkstedet at a value of NOK 4.3m and a portfolio mainly comprising elderly care units in Finland at a value of EUR 222m. Sales of SEK 14bn were also carried out, mostly comprising office properties.

Events during the year

- During the year, SBB launched a new business area, SBB Government Infrastructure, with the objective of acquiring properties within central government infrastructure, and which will focus will on ministry and government authority buildings, prison and defence properties.
- After the offer to Hemfosa's shareholders expired on 29 January 2020, SBB controlled 93.5 percent of the shares and 93.8 percent of the votes in Hemfosa. After that, SBB called for a compulsory purchase of the shares that have not been submitted in the offer.
- Sveafastigheter Bostad, with a development portfolio of 6,000 apartments in Greater Stockholm, was acquired in November for a purchase price of SEK 2,770m. The acquisition was partly financed through a private placement of 44.5m class B shares in SBB at a price of SEK 31.10 per share, corresponding to a total value of SEK 1.4bn.
- In December, the acquisition was completed of a total of 113,064,967 shares in Offentliga Hus i Norden AB (publ), corresponding to 44.2 percent of the shares and votes. The acquisition was classified as an associated company. As a stage in completing the acquisition, a decision was made to issue a maximum of 7,860,160 Class D ordinary shares.
- On 20 January, SBB submitted a public mandatory offer to the shareholders of Offentliga Hus. On 12 March, it was communicated that SBB's holdings amounted to 72.79 percent.
- S&P Global Ratings revised SBB's rating to BBB- with positive outlook.
- In January, SBB issued an unsecured bond of EUR 600m. The bond has a two-year term with buyback rights after approximately one year and bears a variable interest rate of 3 months EURIBOR plus 60 basis points.
- At the Extraordinary General Meeting on 23 February, a resolution was passed regarding the redemption of all preference shares and the introduction of a long-term incentive programme through the issue of warrants.
- After the end of the year, the company conducted an external appraisal of transactions made after the end of the quarter and contracts scheduled for occupancy in the next 12 months. These transactions concern community service properties with an average lease length of 33.8 years and a fully indexed net operating income of SEK 119m. The outcome of the appraisal indicates a surplus value that exceeds the cost/investments by SEK 1,225m.

Important events after the end of the year

SBB Key Ratios

	2020 Jan-Dec	2019 Jan-Dec
Property-related key data		
Market value of properties, SEK m	90,185	79,542
Number of properties	1,618	1,394
Number of sq.m., thousands	3,958	4,233
Surplus ratio, %	68	63
Yield, %	4.3	4.8
Economic occupancy ratio, %	93.6	94.8
Average contract length of social infrastructure properties, years	9	7
Financial key data		
Rental income, SEKm	5,121	1,996
Net operating income, SEK m	3,479	1,265
Profit for the period, SEK m	9,084	2,624
Cash flow from operating activities, SEKm ²⁾	2,232	653
Equity excluding non-controlling interest, SEKm	37,244	24,304
Return on equity, %	22	12
Loan-to-value ratio, %	35	41
Secured loan-to-value ratio, %	10	26
Equity ratio, %	43	30
Adjusted equity ratio, %	48	33
Interest coverage ratio, multiple ¹⁾	4.1	3.0
Equity-related key ratios		
Current net asset value (EPRA NTA), SEKm	29,724	17,931
Current net asset value (EPRA NTA), SEK/share	22.36	14.45
Current net asset value (EPRA NTA) after dilution, SEK/share	20.86	14.26
Long-term net asset value (EPRA NRV), SEKm	37,505	24,855
Long-term net asset value (EPRA NRV), SEK/share	28.21	20.04
Long-term net asset value (EPRA NRV) after dilution, SEK/share	26.32	19.77
EPRA Earnings, SEKm	1,638	248
EPRA Earnings (EPS), SEK/share ¹⁾	1.29	0.33
EPRA Earnings after dilution (EPS diluted), SEK/share	1.25	0.32
EPRA Vacancy Rate	6.4	5.2
Earnings per Class A and B ordinary share, SEK	6.41	2.97
Earnings per ordinary D share, SEK	2.00	2.00
Average number of ordinary class A and B shares	1,270,977,083	762,481,721
Average number of ordinary D shares	130,778,598	65,967,084
Average number of preference shares	30,713	122,886
Number of ordinary class A and B shares	1,329,482,358	1,240,526,587
Number of ordinary D shares	179,881,880	104,425,359
Number of preference shares	30,713	30,713

1) As per new definition.

2) Before changes in working capital.

See all definitions and calculations on pages 102-106

1) The Corporate Governance Report is not part of the Management Report

Properties

At the end of 2020, Samhällsbyggnadsbolaget had a total of 1,618 register properties (1,394). The total property value amounted to SEK 90,185m (79,542), the leasable area was 3,958,000 square meters (4,233,000) and the rental value amounted to SEK 5,170m (5,502). The economic letting ratio at year-end was 93.6 percent (94.8). At the same time, the average yield on the property portfolio, excluding building rights, was 4.3 percent (4.8).

The increase in the value of the properties was due to acquisitions of SEK 14,552m (57,608), divestments of SEK 13,522m (6,917), investments of SEK 2,088m (650) and unrealized changes in value amounting to SEK 9,115m (2,704). The acquisitions concerned 61 percent of community service properties, 35 percent of residential properties and 3 percent of other properties. The property portfolio has mainly increased in Sweden, but also significantly increased in Norway and Finland.

Opening fair value 01-01-2020	79,542
Acquisitions	14,552
Investments	2,088
Sales	-13,522
Translation difference	-1,590
Unrealized changes in value	9,115
Fair value at year-end	90,185

In early July, SBB signed an agreement to acquire a major portfolio of preschools from the Norwegian Laeringsverkstedet, at an agreed property value of NOK 4,250m. The portfolio comprises 138 properties with approximately 114,000 sq.m. of leasable area and 601,000 sq.m. of land. Laeringsverkstedet signed 35-year triple-net agreements for the entire portfolio with a rent of NOK 251.4m.

In October, a portfolio was acquired in Finland, consisting mainly of elderly care units. The agreed property value for the portfolio amounted to EUR 222m. The portfolio comprises around 71,000 square metres of leasable area and an annual net operating income of EUR 13.1m. The average duration in the portfolio is 7.6 years. The transaction is the largest to date in the Finnish healthcare segment

SBB acquired the shares in Sveafastigheter in December. The acquisition comprised a development portfolio with 40 projects primarily located in Stockholm with 5,000 apartments, a residential portfolio of 1,128 apartments in Stockholm and Öresund and on-going implementation projects of around 1,000 apartments.

During the year, SBB divested properties for a combined agreed property value of approximately SEK 14bn. Mainly office properties were divested.

Valuation model

SBB reports investment properties at fair value. Each quarter, 100 percent of the properties are valued. Under SBB's valuation policy, 100 percent of the properties are valued by external valuers every half year, while the values in the remaining quarters are based on internal valuations. In 2019, 100 percent of the properties were valued every quarter by external valuers. The value of the property portfolio as per 31 December 2020 has been based on external valuations made by Newsec, JLL, Savills, CBRE and Colliers. The valuations have been based on an analysis of future cash flows for each property, taking into account the current lease terms, market situation, rental levels, operating, maintenance and management costs, as well as need for investments. The yield requirements used in the valuations are in the range of 2.20 percent to 15.0 percent, with an average value of 5.05 percent. The value of the properties includes SEK 3,312m for building rights that have been valued through the application of the local price method, which means that the assessment of the value is based on comparisons of prices for similar building rights. Fair value has thus been assessed in accordance with IFRS 13 level 3.

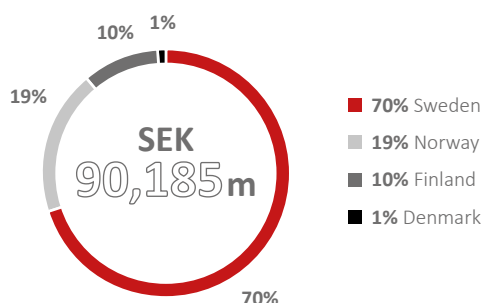
Valuation basis

Each assumption for a property is assessed individually based on the knowledge available about the property, as well as the external appraisers' market information and experience-based assessments.

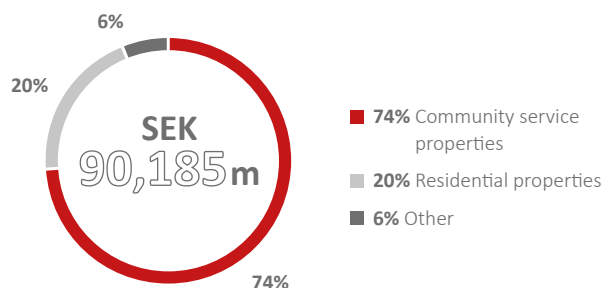
Key figures per segment

Category	Property value, SEKm	Number of properties	Rental value, SEKm	Letting ratio, %	Leasable area, sq.m. thousands	Long-term yield, %	Long-term yield in average, %
Residential properties	18,120	388	865	92.5	774	2.20-8.25	4.08
Community service properties	67,109	1,189	3,999	95.4	2,868	2.90-15.00	5.19
Other	4,973	41	306	73.3	326	4.52-8.25	5.72
Total	90,185	1,394	5,170	93.6	3,958	2.20-15.00	5.05

Property value, by country



Property value per segment



Associated companies and joint ventures

SBB's engagement in associated companies and joint ventures consists partly of a holding in the companies and in some cases financing to the companies. As at 31 December 2020, participations in associated companies and joint ventures amounted to SEK 2,867m (909) and receivables from associated companies and joint ventures amounted to SEK 827m (1,142). The largest holdings consist of shares in KlaraBo Förvaltning AB, Offentliga Hus AB (publ) and Offentlig Eiendom AS. During the year, shares in Valerum Fastighets AB were sold and shares in Offentliga Hus AB (publ) were acquired. See Note 16 for further information.

The largest part of the profit for the year from associated companies/joint ventures amounting to SEK 144m (92) was attributable to the companies Klarabo Förvaltning AB, which owns and manages investment properties, and PPE Holding AB (part of the Sveafastigheter Group), which conducts property development operations.

Klarabo Förvaltning AB

Financing

Financing

SBB's key ratios improved significantly in 2020. The change relates to a reduced loan-to-value ratio from 41 percent to 35 percent, and that the average interest rate decreased from 1.76 percent to 1.31 percent. SBB has an official credit rating from Fitch Ratings and Standard & Poor's Global Ratings. The rating by Standard & Poor's is BBB- with stable outlook. In the fourth quarter, Fitch Ratings revised the rating outlook for SBB to positive from stable. SBB also has a short rating of F3 from Fitch and of A3 from Standard & Poor's, corresponding to an investment grade rating. The reason for also having a short rating is to enable the company to issue securities on the commercial paper market. The rating agencies' analysis and assessment of the company meant that focus in 2020 remained on consolidating and restructuring the debt portfolio. The aim is to reduce the financial costs and to diversify borrowing. SBB continued to repay expensive loans and buy back bonds.

Financial market development

Important events having the greatest impact on the financial market in 2020 were Covid-19, news of vaccines and the US election. Despite uncertainty regarding future global growth, the central banks' interventions have succeeded in calming the financial markets, resulting in declining credit margins. In the Euro bond market, the index shows that margins fell by approximately 28 basis points over the fourth quarter. SBB, like other companies that issue bonds, has benefited from investors chasing returns in an environment with compressed spreads and low interest rates. The low interest rate situation has contributed to investors seeking longer maturities and investing in hybrid bonds to obtain a higher return. A trend that emerged during the year and continued into the current period was investing in ESG bonds. That is, bonds associated with environmentally and socially sustainable ventures. Happily, we are now also able to state empirically that new issues in this segment lead to lower spreads than for ordinary bonds.

Finance function

The finance function shall support the company's core business by minimizing the cost of capital in the long term. Its task is to manage existing debt, raise new loans for investments and acquisitions, streamline cash management and limit the financial risks. The work is governed by the company's finance policy, which is adopted by the Board once a year. The finance policy regulates reporting, monitoring and control. All financial issues of strategic importance are dealt with by the Board.

Raising capital

Running a real estate company is capital intensive. The company is financed with equity and liabilities in the form of bank loans, bonds, hybrid bonds and commercial paper. The distribution between the different asset classes depends on factors such as the cost of the various forms of financing, the focus of the property portfolio, and the risk aversion of the shareholders, investors and creditors.

The company is jointly owned with KlaraBo Sverige AB and conducts property management and development through further acquisitions and new production. The company's property portfolio consists of 1,691 apartments distributed over the cities Bollnäs, Borlänge, Ludvika, Malmö, Smedjebacken, Sundsvall and Trelleborg. The property portfolio has a value of SEK 1.8bn and the result for 2020 was SEK 170m of which SBB's share was SEK 83m.

Offentliga Hus AB (publ)

The company owns, manages and develops investment properties throughout Sweden. The company's property portfolio mostly consists of community service properties and to a lesser extent offices, infrastructure and student accommodation with a leasable area of 540,000 sq.m. The property portfolio has a value of SEK 9.3bn and the result for 2020 was SEK 2m of which SBB's share was SEK -4m.

Equity

On 31 December 2020, SBB's equity amounted to SEK 52,136m (30,896). The equity ratio was 43 percent (30), while the adjusted equity ratio was 48 percent (33). Return on equity was 22 percent (12).

During the period, SBB carried out issues of class B and D ordinary shares for SEK 4,282m after issue costs that were used as consideration for the acquisition of shares in Hemfosa and Sveafastigheter, as well as the acquisition of Laeringsverkstedet. In July, SBB issued a mandatory convertible bond that, for accounting purposes, has been divided into an equity component and a liability component. The component reported as equity including issue costs amounted to SEK 2,148m. Perpetual hybrid bonds were also issued for SEK 10,333m after issue costs during the year.

As the hybrid bond loans are perpetual and the redemption can only be invoked by the company, it is classified in accounting terms according to IFRS as an equity instrument. The hybrid bond loans are listed on Nasdaq Stockholm and Euronext Dublin.

Liabilities

At year-end, the interest-bearing liabilities amounted to SEK 55,265m (56,091) of which SEK 12,064m (25,985) related to liabilities to credit institutions, SEK 37,783m (25,162) to bond loans and SEK 5,418m (4,944) related to commercial papers (in SEK and EUR). The loan-to-value ratio was 35 percent (41). The fair value of the liabilities and other financial instruments as of 31 December 2020 is deemed to correspond to the carrying amount.

Of the company's loans, the proportion of loans with variable interest rates was 4 percent (21) and loans with fixed interest rates 96 percent (79). The average fixed interest term was 4.5 years (2.8). The variable interest-bearing liabilities have Stibor as a base, which as a rule gives an opportunity to change the capital structure without having to pay breakage costs. Some variable loans have interest rate floors, which means that the company has not been able to take advantage of the negative interest rate on the market. In 2020, SBB hedged a large part of the interest-bearing liabilities with interest-rate derivatives of a total nominal value of SEK 16,627m (17,898) with a duration of one to ten years. Through interest-rate derivatives, rate caps and loans with fixed interest, SBB has hedged 96 percent (79) of the variable liabilities, which comprises loans with variable interest and commercial paper, as well as liabilities that fall due within one year. At the end of the period, the fair value of the interest-rate derivatives and cross currency derivatives amounted to SEK -138m (48).

At 31 December 2020, cash and cash equivalents amounted to SEK 13,606m (12,858) and financial investments amounted to around SEK 2,931m (1,396). In addition to this, SBB had SEK 29,309m (7,103) in the form of unutilized credit facilities. No additional securities need be pledged for the credit facilities to be used.

The other liabilities consist of deferred tax liability, accounts payable, current tax liabilities, accrued expenses and prepaid income and other liabilities linked to acquisitions of properties.

Maturity structure (including commercial papers)

Maturity year	Nominal amounts, SEK million	Market share, %
< 1 yr	8,707	16
< 2 yr	2,223	4
< 3 yr	6,364	11
< 4 yr	5,193	10
< 5 yr	8,089	15
> 5 yr	25,098	45
Total	55,676	100

Maturity structure (excluding commercial papers)

Maturity year	Nominal amounts, SEK million	Market share, %
< 1 yr	3,289	7
< 2 yr	2,223	4
< 3 yr	6,364	13
< 4 yr	5,193	10
< 5 yr	8,089	16
> 5 yr	25,098	50
Total	50,256	100

Creditors and collateral

Liabilities to credit institutions were reported at SEK 12,064m on 31 December 2020. Property mortgages of SEK 25,066m have been pledged as collateral for the majority of the interest-bearing liabilities. In addition, SBB provided collateral in the form of shares in property-owning companies of SEK 10,905 million.

Interest-bearing liabilities that do not have collateral in properties consist of commercial papers and unsecured bonds that the company has issued.

Alternative forms of financing

The loan-to-value ratio for the majority of bank loans is around 60 percent. Therefore, in order to optimize the company's capital structure, there is a need to continuously seek alternative forms of financing, such as commercial papers and bonds. SBB has followed the trend in Sweden and in Europe, instead of refinancing and borrowing new capital in the banking market, it has issued commercial papers and unsecured bonds. After SBB's updated ratings from S&P and Fitch, the credit margin and hence the interest expense continued to decrease significantly for the Company.

Bonds

Bond loans had a carrying amount of SEK 37,783m (25,162) on 31 December 2020. In 2020, SBB issued unsecured bonds excluding hybrids of SEK 1,585m and EUR 1,490m. In 2020, SBB repurchased unsecured bonds of SEK 7,349m, which were both issued by SBB and Hemfosa Fastigheter AB. All bonds previously issued by Hemfosa Fastigheter AB have now been repaid.

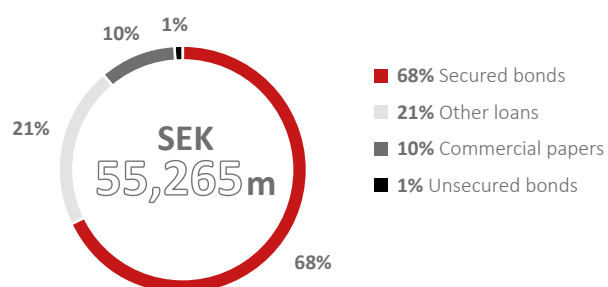
Average interest and fixed-interest term

At year-end, SBB's average interest rate was 1.31 percent (1.76). The average fixed interest term at year-end was 4.5 years (2.8) and average capital tied up 4.8 years (3.4).

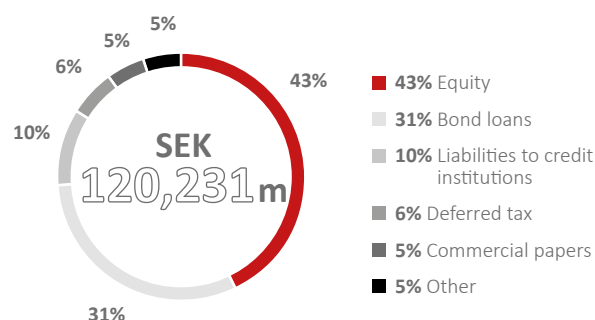
Covenants and risk-taking

SBB's financial risk taking and position can be assessed by, among other things, the key ratios of equity ratio, interest coverage ratio and loan-to-value ratio. In credit agreements with banks and credit institutions, there are sometimes established limits, known as covenants, for the three key ratios. At year-end 2020, the company fulfilled the banks' covenant requirements in all credit facilities and the covenant requirements for each bond.

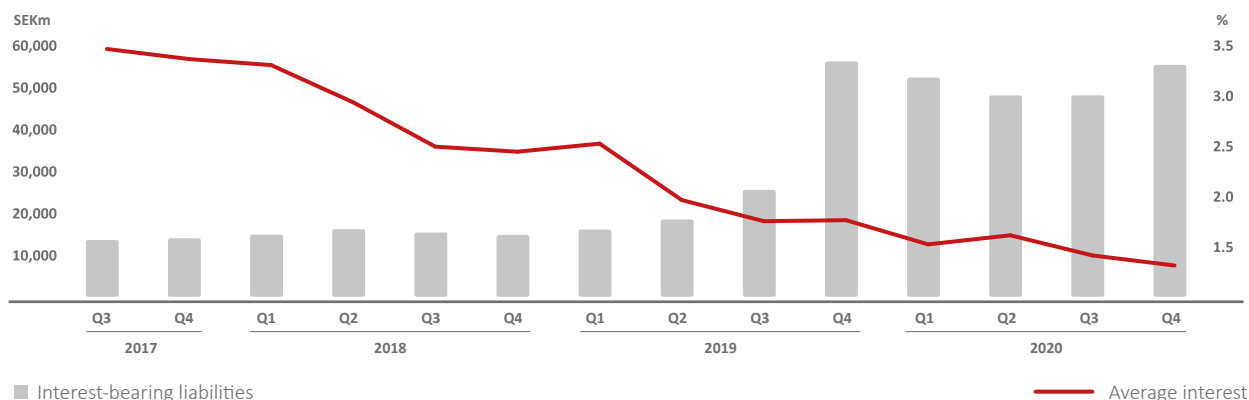
Distribution of interest-bearing liabilities



Capital structure



Development of the Group's average interest rate



Shares and share capital

SBB's Class B ordinary share (ticker SBB B) and Class D ordinary share (ticker SBB D) are traded on Nasdaq Stockholm, Large Cap. The company's preference share (ticker SBB PREF) is traded on Nasdaq First North Premier Growth Market. As of 31 December 2020, the number of Class B ordinary shares totalled 1,119,504,867, while Class D ordinary shares totalled 179,881,880. There was a total 30,713 preference shares, as well as 209,977,491 ordinary Class A ordinary shares.

The three largest shareholders from a voting rights perspective were Ilija Batljan (32.63% of votes, 8.46% of capital), Arvid Svensson Invest (13.0% of votes, 4.35% of capital) and Dragfast AB (12.33% of votes, 6.21% of capital).

Risk and sensitivity

A property company is exposed to various risks and opportunities in its operations. To limit the exposure to various risks, SBB has set out and adheres to internal regulations and policies.

PROPERTY VALUES

Risk

The Group's properties are reported at market value in the Group's consolidated balance sheet and changes in value are reported in the income statement. Changes in value are affected partly by property-specific factors such as rental levels, letting ratios and operating costs, and partly by macroeconomic factors such as the general economic situation, growth, unemployment levels, the rate of growth of new builds, population growth, inflation and interest rates. If the value of properties decreases, there can be a number of consequences including breach of loan covenants, which can lead to loan repayments being accelerated. A significant reduction in the market value of the properties could also have a negative impact on the ability to divest these properties without incurring losses, which in turn could have a material adverse effect on the Group's financial position and results.

Management

SBB's property portfolio has a good geographical spread with residential properties in Sweden and community service properties in the Nordics. 75 percent of the property portfolio is in the metropolitan regions. In Sweden, SBB owns, manages and develops residential properties in high growth municipalities where there is high demand for residential properties near city centres and there is access to good transport links. The community service properties include properties that are used by tenants that are directly or indirectly tax financed with long leases. In summary, SBB's property portfolio with the combination of community service and residential properties constitutes assets with low risk of impairments.

FINANCING

Risk

Apart from equity, the Group's operations are mainly financed through bond loans and through loans from credit institutions. As a result, SBB is exposed to financing and interest rate risks. Financing risk is the risk that SBB may not have access to financing or only have access to refinancing at an increased cost for refinancing, investments and other payments. Furthermore, certain loan agreements and bond terms contain terms that may limit the Group's ability to enter into new debt securities. If the Group is unable to obtain funds for refinancing or new borrowing or only at less favourable terms, it may have a material adverse effect on the Group's financial position.

Interest rate risk is described as the risk that arises from changes in the interest rates which may adversely impact the Group's interest expense, which is one of the Group's main expense items. Interest expenses are mainly affected by, apart from the level of interest-bearing liabilities, the level of the current market interest rate, credit institutions' margins and the strategy for fixed interest periods. The Swedish market interest rate is mainly affected by the expected rate of inflation and the Riksbank's repo rate. The interest rate risk can lead to changes in market value and cash flows as well as fluctuations in the Group's earnings.

On 31 September 2020, share capital amounted to SEK 150,939,495.10 at a quotient value of SEK 0.1 per share. Shareholding entitles the holder to one vote per Class A ordinary share and 0.1 votes per Class B ordinary share, Class D ordinary share and preference share at the General Meeting. The preference shares have a preferential right over the ordinary shares to an annual dividend of SEK 35 per preference share divided into quarterly payments. Holders of Class D ordinary shares are entitled to five times the total dividend on Class A and B ordinary shares, although not to more than SEK 2 per share and year.

Risk management

The financing risk is managed through targets in the finance policy striving to have good diversification in terms of the loans' maturity structure, forms of borrowing and lenders, and to have good advance planning for refinancing and a well-balanced liquidity reserve. As of 31 December 2020, the average remaining maturity of the loan portfolio was 4.8 years. At the same time, available liquidity, including cash and cash equivalents, financial investments, loan commitments and unutilized lines of credit, amounted to SEK 45,846m. The objective of SBB's interest rate risk strategy is to achieve stable cash flows to allow property investments and meet the requirements and expectations of external parties whilst achieving the best possible financial cash flow. The interest rate risk strategy's aim is to maintain a balanced combination of variable and fixed interest rates, taking into account the sensitivity of SBB's total cash flows to changes in the fixed income market over a long-term horizon. The average fixed interest term at the end of the year was 4.5 years and the share of the loan portfolio with fixed interest terms through interest rate derivatives or fixed interest loans was 96 percent.

ENVIRONMENT

Risk

Property management and property development have an environmental impact. The Environmental Code (1998: 808) states that anyone who engages in activities that contributed to pollution are also responsible for decontaminating the property. If the responsible entity cannot carry out or pay for this decontamination of a polluted property, the entity that has acquired the property is responsible for ensuring that decontamination takes place, as long as that entity, at the time of acquisition, knew of or should have detected the pollution. This means that the Group may be subject to claims, under certain conditions, for land remediation or for remediation regarding actual or suspected pollution of land, water areas or groundwater in order to restore the property to the condition required under the Environmental Code. Such claims can have a material adverse effect on the Group's operations, financial position and income. There is also a risk that future environmental risks may adversely affect the Group's operations or financial position. Furthermore, amended laws, ordinances and requirements from authorities in the environmental area can result in increased costs for the Group regarding sanitation or remediation for existing properties or properties acquired in the future. Such changes may also result in increased costs or delays for the Group to be able to carry out its property development as it sees fit.

Risk management

As part of the acquisition process, a thorough analysis of possible environmental risks is carried out prior to each acquisition. SBB does not undertake any activity that requires special environmental licences, but property management and property development can have an environmental impact. At present there is no knowledge of any significant environmental requirements to which SBB could be subject.

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, SBB has chosen to prepare the statutory Sustainability Report as a separate report from the Annual Report. The Sustainability Report has been submitted to the auditor at the same time as the Annual Report. The Sustainability Report is on pages 34-56.

RENTAL INCOME AND LETTING RATIO

Risk

In the long term, a property's rental income is affected by, among other things, supply and demand in the market. The Group's rental income is affected by the letting ratio of the properties, contracted rental levels and the ability of tenants to pay their rent. Reduced letting ratios or rental levels will, regardless of reason, affect the Group's revenue negatively. The risk of large fluctuations in the letting ratio and loss of rental income increases with the number of large tenants for a property company. The risk is that large tenants will not renew or extend their rental agreements at the end of the lease, which in the long run may lead to a reduction in rental income and a reduction in the letting ratio. SBB is also dependent on the tenants paying their rents on time. Revenue and cash flow can be adversely affected if the tenants stop paying, or in any other way do not fulfil their obligations.

Management

SBB's strategy is the long-term ownership, management and development of residential properties in Sweden and community service properties in the Nordic region, i.e. a market with stable and strong underlying driving forces. The property portfolio is characterised by a high letting ratio and, for the community service properties, long leases. Residential properties are located in Swedish growth municipalities close to town centres and access to good transportation links and where demand for housing is high. The community service properties include properties that are used by tenants that are directly or indirectly tax financed with long leases. The average contract length for community service properties was 9 years as of 31 December 2020. The letting ratio was 93.6 percent. SBB's rental policy contains requirements for managing rental risk. On the assessed credit risk, certain leases are supplemented by a guarantee, deposit or bank guarantee. All rents are payable in advance. In the case of residential properties, a credit report is required to check any payment remarks and the income level of the potential tenant. In addition, a affordability test is carried out to ensure that the potential tenant's financial situation allows for the payment of the rent while meeting the demands of the Consumer Agency on a reasonable standard of living.

TAX

Risk

SBB's utmost intention is to comply with laws and regulations, not least within the area of taxation. However, if SBB's interpretation of tax law, treaties and regulations or their application is incorrect, or if one or more governmental agencies successfully make negative tax adjustments or if the applicable laws, treaties, regulations or state interpretation of them or administrative practice regarding them changes, even with retroactive effect, the Group's previous or current taxation can be questioned. If tax authorities were to succeed with such claims, this could lead to an increased tax expense, as well as tax supplements and interest, which could have a material adverse effect on the Group's operations, financial position and income.

On 30 March 2017, the Swedish Government presented a bill (SOU 2017: 27), which, if adopted, would probably affect future taxation of property investments. The proposal concerns changes to the prevailing income tax, as well as the stamp tax rules and capital gains taxation. During the summer of 2017, the bill was sent for referral for opinions. These opinions, and the proposal in general, are currently being analysed and prepared by the Swedish Government before the legislative procedure can continue. The proposal includes, among other things, that the deferred tax liability that is attributable to the difference between the taxable and the market value of properties will be taxed when the controlling influence of a property-owning company changes. It is proposed that indirect property sales will be imposed with stamp duty. If the bill is implemented in its current formulation, this could mean that tax is to be paid on all of the Group's future divestments of property-owning companies.

Since laws, treaties and other tax regulations, as well as other tax fees, tax surcharges and interest on unpaid taxes have historically been subject to frequent changes, further changes are expected in the future within the jurisdictions in which the Group operates, possibly with retroactive effect. Such a change may have a significant impact on the Group's tax burden.

Risk management

SBB aims to continuously monitor changes in laws, practices and court decisions in the tax area and employs tax experts from several reputable companies.

PROPERTY COSTS

Risk

Tenants renting community service properties usually have relatively comprehensive responsibilities for operation and maintenance. Operating expenses are mainly costs that are tariff-based, such as electricity, cleaning, water and heating costs. Several of these goods and services can at certain times only be purchased from one supplier, which can also affect the price. When a cost increase is not compensated by rent adjustment, or an increase in the rent through renegotiation of the lease agreement, this can have a material adverse effect on SBB's financial position and results. In the event of vacant rental properties, effect is mainly loss of revenue. Maintenance costs include costs that are necessary to maintain the properties' standard in the long term. Unforeseen and extensive renovation needs of the properties can have a material adverse effect on SBB's income and cash flow.

Risk management

SBB has an organization with extensive knowledge and experience of property management and has very good control of its properties. The management organization is constantly working on cost optimization. The property portfolio is characterized by properties with long contracts and a high letting ratio and thus there are few vacant rental properties. The standard of the properties is high and there are no major extensive renovation needs in the portfolio.

PROPERTY DEVELOPMENT

Property development projects (including new construction and renovation of existing buildings or change of use) are subject to permits and decisions by authorities in so far as they do not already exist. Such permits and decisions cannot always be guaranteed and can cause delays, increased costs and can even hinder the realization of a project. Furthermore, changes in municipal planning can lead to detailed plans not being approved, which causes delays and increased costs attributable to necessary restructuring of the project. If the necessary permits or approvals are not received, delays can be caused, costs increase or even jeopardize the realization of the project, which can have a material adverse effect on the Group's financial position and results.

Risk management

SBB's organization has extensive knowledge and extensive experience of conducting property development projects. SBB's business model is to acquire properties that generate a positive cash flow up to the detailed plan and further development. The acquisitions are often made off-market after SBB has held a dialogue with the respective municipality to ensure that the property with the local area is prioritized for urban development. In cases where SBB has entered into a joint venture with another party for the development of the property, SBB takes a very limited implementation risk in that the other party takes responsibility for project planning, sales, production and project management.

OTHER RISKS

Operating risk

Operating risk is the risk of incurring losses due to inadequate procedures and/or irregularities. Adequate internal control, administrative systems adapted for this purpose, skills development and access to reliable valuation and risk assessment models provide a good basis for ensuring operational safety. Shortcomings, defective procedures and/or irregularities in operational security may have a material adverse effect on SBB's operations. SBB works continuously to ensure the company's safety and internal control.

Employees

The knowledge, experience and commitment of SBB's employees are important for the Group's future development. If SBB fails to retain the members of the management and other key personnel, or manages not to recruit new members to the management or other key personnel to replace those who leave, it can have a material adverse effect on the Group's operations, financial position and results. SBB works actively to be an attractive employer; among other things, an incentive programme has been established.

Corporate Governance Report

Corporate governance

Corporate governance at Samhällsbyggnadsbolaget i Norden AB (publ) (hereinafter referred to as "SBB" or "the company") aims to ensure that rights and obligations are distributed among the company's bodies in accordance with applicable laws, rules and processes. An effective and transparent corporate governance gives the owners the opportunity to assert their interests vis-à-vis the company's management, at the same time as the division of responsibility between the management and the Board, but also otherwise within the company, is clear. An effective and transparent corporate governance results in decisions being made effectively, which enables SBB to act quickly when new business opportunities arises.

SBB is a Swedish public limited company whose ordinary shares of Class B and D are listed on Nasdaq Stockholm Large Cap and whose preference shares are listed on Nasdaq Stockholm First North Premier. SBB has also issued bond loans that are listed on Nasdaq Stockholm. SBB's corporate governance is based on law, articles of association, Nasdaq Stockholm's rules for issuers, Nasdaq Stockholm's rules for First North (Nasdaq First North Growth Market – Rulebook), Nasdaq Stockholm's rules for issuers of interest-bearing financial instruments, and the rules and recommendations issued by relevant organizations. The Swedish Code of Corporate Governance (the "Code") shall be applied by all companies whose shares are trading on a regulated market. The Code is available at www.bolagsstyrning.se, where the Swedish corporate governance model is also described. This Corporate Governance Report is presented in accordance with the Annual Accounts Act and the Code and describes SBB's corporate governance during the 2020 financial year. This year's Corporate Governance Report strives to avoid repetition of information on what follows from applicable regulations and focuses on reporting on company-specific circumstances for SBB.

Annual General Meeting

SBB's Annual General Meeting 2021 will take place on 5 May 2021 in Stockholm. Shareholders have the right to raise issues for discussion at the Annual General Meeting if the written request has been received by the Board by 9 March 2021 at the latest. The request is to be made to the Board of Directors. Contact information is available on the company's website, www.sbbnorden.se. SBB always strives for the Board, the management team, the nomination committee and the auditor to be present at the Annual General Meeting. The Annual General Meeting is, according to the Swedish Companies Act, the company's highest decision-making body and it is at a General Meeting that shareholders have the right to make decisions regarding the company. Rules governing the Annual General Meeting are included in the Swedish Companies Act, the Code and Articles 7 - 9 of the Articles of Association. Apart from what is stipulated by law regarding a shareholder's right to participate in the Annual General Meeting, SBB's Articles of Association state that pre-notification to the Annual General Meeting shall take place no later than the date stated in the notice to the meeting. Notice of the Annual General Meeting is made by keeping the notice available on the company's website and being advertised in the Swedish Official Gazette. At the same time as the notice is given, an announcement is made in Dagens Nyheter. The General Meeting shall be held at the place where the Board has its registered office, i.e. Stockholm and the Annual General Meeting shall be held within six months from the end of the financial year. The company's financial year runs from 1 January to 31 December.

At SBB's Annual General Meeting 2020, among other things, a decision was made to authorize the Board of Directors, on one or more occasions for the period until the end of the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, to make a decision on a new share issue of all share classes existing in the Articles of Association and warrants and/or convertibles with the right to subscribe/convert to all share classes in the Articles of Association. The number of stock and/or preference shares, warrants or convertibles that may be issued on the basis of the authorization shall not be limited in any other way than that which follows from the limits of the Articles of Association in force at any time concerning share capital and number of shares. This authorization was exercised by the Board four times in 2020 through the issue of a total of 44,533,762 new ordinary Class B shares and 73,361,929 new ordinary Class D shares. The Board's utilization of the authorization mainly includes a targeted raising of capital and reinvestments in connection with property acquisitions.

At the Annual General Meeting, a resolution was also passed to authorize the Board, for the period until the next Annual General Meeting, to decide

on acquisitions and transfers of ordinary shares of Class B and Class D in the company. Acquisitions may take place of a maximum number of shares, such that the company's own holdings do not at any time exceed 10 percent (10) of all shares in the company. The Board of Directors has not utilized this authorization.

The Share and Shareholders

The number of registered shares in the company on 31 December 2020 amounted to 1,509,394,951 divided into four classes of shares: 209,977,491 Class A shares, 1,119,504,867 Class B shares, 179,881,880 Class D shares and 30,713 preference shares. Ordinary Class A shares can be converted into ordinary Class B shares at the request of the holder. The ordinary Class D shares are entitled to five (5) times the total dividend on the ordinary Class A and the ordinary Class B shares, however, no more than SEK 2 (2) per share and year. The preference shares have the right and preference for dividend of SEK 35 per share and year with quarterly payment and are subject to redemption provisions. The ordinary Class A shares entitle the holder to one vote per share and the ordinary Class B shares, ordinary Class D shares and the preference shares entitle the holder to 1/10 vote per share. At year-end, the share capital was SEK 150,939,495.10 and the quota value per share was SEK 0.1. The largest shareholder is Ilija Batljan.

Articles of Association

SBB's Articles of Association, which were adopted at the Annual General Meeting on 27 April 2020, can be found in their entirety at www.sbbnorden.se. The Articles of Association stipulate that the company shall, directly or indirectly, own and manage properties and/or shares and carry out related activities. The Board has its registered office in Stockholm and shall consist of 3 - 10 members with no deputies. The Articles of Association do not contain any special provisions on the appointment and dismissal of Board members, or on the amendment of the Articles of Association.

Nomination Committee

At the Annual General Meeting of SBB on 27 April 2020, instructions for the Nomination Committee's work were adopted. The Nomination Committee, which shall consist of the Chairman of the Board and up to three representatives appointed by the three largest shareholders in the company as of 30 September 2020, has, according to the instructions, the task of preparing and submitting proposals to the Annual General Meeting for the Chairman of the Annual General Meeting, the election of the Chairman of the Board and other members of Board of Directors, Board remuneration divided between the chairman and other members and the principles for any remuneration for committee work, election and remuneration of the auditor and deputy auditor (if applicable) and decisions on principles for the appointment of a new Nomination Committee.

SBB's Nomination Committee for the Annual General Meeting 2021 consists of Mia Batljan (Ilija Batljan and Ilija Batljan Invest AB), Sven-Olof Johansson (Compactor Fastigheter AB), Rikard Svensson (AB Arvid Svensson) and Lennart Schuss (Chairman of the Board). Mia Batljan is Chairman of the Nomination Committee. Prior to the Annual General Meeting 2021, the Nomination Committee held one minuted meeting.

In its work, the Nomination Committee has to apply the diversity policy established by the Board. Point 4.1 of the Code forms the basis for this diversity policy. As a whole, the Board of SBB shall have suitable combined competence and experience for the work carried out for the work of the Board, and to be able to identify and understand the risks that the business entails and the regulations that regulate the activities carried out. When new Board members are elected, the suitability of the individual member must be examined in order to achieve a Board with a combined competence that is sufficient for an appropriate management of the company. The Board's composition shall be characterized by versatility and breadth of the chosen members' competence, experience, gender, age, education and professional background.

Board of Directors

According to the Articles of Association, SBB's Board of Directors must consist of at least three and at most ten members with no deputies. At the Annual General Meeting on 27 April 2020, Lennart Schuss (Chairman of the Board), Ilija Batljan, Sven-Olof Johansson, Hans Runesten, Anne-Grete Ström-Erichsen, Ewa Swartz Grimaldi and Fredrik Svensson were re-elected to the Board of

Directors of the company. For information on the Board members and their assignments outside the Group and the holding of shares in SBB, see the section "Information about the Board members" below.

The Board of Directors shall safeguard the shareholders' long term interests and bear the utmost responsibility for the company's organization and the management of the company's affairs. The Board of Directors has established rules of procedure for the Board and an instruction for the CEO. In addition, the Board has also decided on a number of comprehensive policies, guidelines and instructions for the company's operations. This includes, among other things, the finance policy, information policy, insider policy, IT policy, policy for related party transactions, instructions for financial reporting, whistleblower policy and ethical guidelines for the company's conduct (code of conduct). All these internal governance documents are processed at least once a year and are updated on an ongoing basis to comply with laws and when otherwise needed.

According to the Code, a majority of the Board members elected by the AGM must be independent in relation to the company and the company's management. At least two of these must also be independent in relation to the company's major shareholders. The company's Board of directors has been deemed to meet the requirements for independence, since six of the seven members elected by the AGM are independent in relation to the company and Group management. The company's CEO, Ilija Batljan, has not been deemed to be independent in relation to the company and the company management. Five out of seven members have been deemed to meet the requirement for independence in relation to major shareholders.

Chairman of the Board

The Chairman of the Board is elected at the Annual General Meeting and leads the work in the Board of Directors. The Chairman of the Board must ensure that the work of the Board is carried out efficiently, that the Board fulfils its duties and that the Board's decisions are executed by the company and the management. The Chairman shall ensure that the Board receives the information and the documentation required to make well-founded decisions. At the Annual General Meeting on 27 April 2020, Lennart Schuss was re-elected as Chairman of the Board.

Board of Directors work in 2020

During 2020, the company's Board of Directors held 68 meetings, of which one constituting meeting. On the agenda for each ordinary Board meeting, there are a number of standing items: The CEO's review of operations, acquisitions, divestments, investments, organization development and financial reporting. During 2020, the Board decided on several major acquisitions, divestments, investments, financing and refinancing. The Board of Directors also decided on the issue of ordinary Class B and Class D shares in accordance with the authorization from the General Meeting.

Name	Elected year	Year of birth	Independence of company/management	Independence of major shareholders	Attendance at Board meetings
Lennart Schuss	2017	1952	Yes	Yes	68/68
Ilija Batljan	2017	1967	No	No	68/68
Sven-Olof Johansson	2017	1945	Yes	Yes	68/68
Hans Runesten	2014	1956	Yes	Yes	68/68
Fredrik Svensson	2018	1961	Yes	No	66/68
Eva Swartz Grimaldi	2017	1956	Yes	Yes	65/68
Anne-Grete Strøm-Erichsen	2017	1949	Yes	Yes	63/68

Evaluation of the Board of Directors and the CEO

Once a year, the Chairman of the Board initiates an evaluation of the work of the Board in accordance with the Board's rules of procedure. The 2020 evaluation has been carried out so that each Board member answered a questionnaire. The Chairman of the Board also had certain individual contacts with the Board members. The purpose of the evaluation is to get an idea of the Board members' views on how the work of the Board is conducted and what measures can be implemented to streamline the work of the Board. The intention is also to get an idea of what kind of issues the Board considers should be prioritized and in which areas it may require further experience and competence on the Board. The result of the evaluation has been reported within the Board and has been presented to the Nomination Committee.

Committees

The Board of Directors had three committees at the end of the year: an Audit Committee, a Remuneration Committee and a Sustainability Committee. The members of the committees are appointed for one year at a time at the statutory Board meeting and the work and the authority of the committees are governed by the annual committee instructions.

The committees have a preparatory and acting role. The issues that have been discussed at committee meetings are recorded and reported at the next Board meeting.

Audit Committee

The Audit Committee works according to an annual agenda and its task is to monitor the company's financial reporting and the effectiveness of the company's internal control and risk management. The Audit Committee also keeps itself informed of the audit of the annual accounts and consolidated accounts. The committee shall also review and monitor the auditor's independence and impartiality and in particular follow up if the auditor provides the company with services other than auditing services. The committee also supports proposals for the AGM's decision on the election of auditors.

According to the Code, the Audit Committee must consist of at least three members, of which the majority must be independent in relation to the company and Group management and at least one independent in relation to the company's major owners. The Audit Committee consists of the entire Board except Ilija Batljan whereby committee meetings were an integral part of the Board work.

Remuneration Committee

The Remuneration Committee shall prepare matters regarding remuneration principles for the CEO and other senior executives as well as individual remuneration to the CEO in accordance with the remuneration principles. The principles include, among other things, the relationship between fixed and possible variable remuneration and the correlation between performance and remuneration, main conditions for any bonus and incentive program, as well as the main conditions for non-monetary benefits, pension, termination and severance pay. For the CEO, the Board of Directors as a whole sets the remuneration and other terms of employment. However, share-related incentive programmes for Group management are decided by the Annual General Meeting. The committee shall further assist the Board in monitoring the system by which the company complies with the law, stock exchange rules and the Code governing the disclosure of information relating to remuneration to the CEO and other senior executives, and to monitor and evaluate any ongoing and completed programmes for the year, variable remuneration for the CEO and other senior executives, the application of the guidelines for remuneration to the CEO and other senior executives that the Annual General Meeting resolves by law, as well as applicable remuneration structures and remuneration levels. The Remuneration Committee consists of the Board members Eva Swartz Grimaldi (Chairman) and Lennart Schuss who are deemed to be independent in relation to the company and Group management. In 2020, the Remuneration Committee held four meetings. The members of the committee were present at all meetings. At the meetings, among other things, the company's guidelines for remuneration of senior executives and remuneration levels for the CEO and other senior executives have been addressed.

At SBB's 2020 Annual General Meeting, guidelines for remuneration of senior executives were adopted. The Board of Directors shall prepare proposals on new guidelines when a need arises for substantial changes to the guidelines although at least once every four years. The guidelines cover Board members, the CEO and vice presidents, as well as other individuals in Group management. The Board deems it to be critical to a successful implementation of the company's business strategy and the safeguarding of the company's long-term interests, including its sustainability, the company's ability to recruit and retain senior executives with expertise and capacity to achieve set goals. For this, it is required that the company can offer competitive overall remuneration that motivates senior executives to do their utmost. Variable remuneration covered by these guidelines shall be based on criteria that aim to promote the company's business strategy and long-term interests, including its sustainability. The remuneration and other terms of employment of senior executives shall be market based. The remuneration is comprised of basic salary, variable remuneration, pension and certain other benefits. In addition to this – and independent of these guidelines, the General Meeting can resolve to implement share- or share-price-based remuneration. The guidelines do not cover remuneration that is decided by the General Meeting. The size of remuneration paid for 2020 and information on current incentive programmes is presented by Note 8.

Sustainability Committee

The Sustainability Committee is responsible for reviewing and monitoring the continuity and progress of work on sustainability objectives, management of sustainability risks, and compliance with the Sustainability Code and with the Code of Conduct.

The Sustainability Committee consists of Sven-Olof Johansson as the chairman, and Eva Swartz Grimaldi, and Mats Andersson, former CEO of the Fourth Swedish National Pension Fund and a pioneer within sustainable investments, is on the committee as an external member.

Information about the Board of Directors

Lennart Schuss, born 1952

Chairman of the Board

Chairman of the Board of the company since 2017 and member of the Remuneration Committee. Chairman of the Board of the Group since 2016.

Education: B.A. in Economics, Stockholm School of Economics.

Other assignments: Advisor to Genesta Property Funds and Chairman of the Swedish Society of Friends of the Weizmann Institute of Science. Lennart is co-founder of Gimmel Fastigheter, Catella Corporate Finance, ESWÖ & Partner Fund Commission and Stockholm Fund Commission.

Shareholding in the company (including any related holdings):

20,253,334 Class B ordinary shares and 380,000 Class D ordinary shares.

Independent in relation to the company, Group management and the company's principal shareholders.

Ilija Batljan, born 1967

Member of the Board and CEO

Board member and CEO of the Company since 2017. Founder of the company, CEO and Board assignments within the Group since 2016.

Education: Ph.D. in demography and planning for elderly care, Stockholm University. Bachelor of Economics, Stockholm University.

Other assignments: Chairman of Ilija Batljan Invest AB, Health Runner AB and Cryptzone Group AB (previously listed on First North).

Shareholding in the company (including any related holdings):

109,053,868 ordinary Class A shares, 18,632,874 ordinary Class B shares

and 530,000 ordinary Class D shares. Not independent in relation to the company and Group management. Is the company's largest owner.

Sven-Olof Johansson, born 1945

Board Member

Board member of the company since 2017.

Education: Master in political science from Stockholm University and Stockholm School of Economics.

Other assignments: Founder and Managing Director of FastPartner AB (publ), Chairman of the Board and Managing Director of Compactor Fastigheter AB and Board member of Autoropa Aktiebolag and STC Interfinans AB.

Shareholding in the company (including any related holdings):

22,315,456 ordinary Class A shares and 29,481,315 ordinary Class B

shares. Independent in relation to the company and Group management. Independent in relation to the company's principal shareholders.

Hans Runesten, born 1956

Board Member

Board member of the company since 2017.

Education: Master of Business Administration, Stockholm University.

Other assignments: Chairman of the Board of Effnetplattformen AB (publ).

Shareholding in the company (including any related holdings):

5,200,258 ordinary Class B shares. Independent in relation to the company, Group management and the company's principal shareholders.

Eva Swartz Grimaldi, born 1956

Board Member

Board member of the company since 2017. Chairman of the Remuneration Committee.

Education: Bachelor's Degree in Languages (Italian, Spanish and French) as well as from Kulturvetarlinjen.

Other assignments: Chairman of Doberman AB, Apotea AB and Norstedt publishing team and Board member of Stockholm University, Stockholm Concert Hall, Forget Foundation and Royal Patriotic Society.

Shareholding in the company (including any related holdings):

932,128 ordinary Class B shares. Independent in relation to the company, Group management and the company's principal shareholders.

Anne-Grete Strøm-Erichsen, born 1949

Board Member

Board member of the company since 2017.

Education: B.A. in Computer Science from Bergen Technical School (Western Norway University of Applied Sciences), computer science studies at South Dakota School of Mines & Technology 1980-1981.

Other assignments: Senior Advisor at Rud Pedersen Public Affairs Norway. Chairman of the Board of Dips ASA, Bergen Havn AS, Tankesmen Agenda and the Norwegian Atlantic Committee. Board Member of Kongsberg Gruppen ASA, Carte Blanche and The Norwegian National Company of Contemporary Dance.

Shareholding in the company (including any related holdings):

0. Independent in relation to the company, Group management and the company's principal shareholders.

Fredrik Svensson, born 1961

Board Member

Board member of the company since 2018.

Education: MBA from Linköping University.

Other assignments: Board member of Balder AB. Chairman of the Board of Arvid Svensson Invest AB. CEO of Aktiebolaget Arvid Svensson.

Shareholding in the company (including any related holdings):

31,809,742 Class A shares and 33,043,281 Class B shares. Independent in relation to the company and Group management. Dependent in relation to the company's principal shareholders.

Information on the company's major shareholders is presented on page 11.

Remuneration of the Board of Directors

At the 2020 Annual General Meeting, it was resolved that Board fees shall be payable in an amount of SEK 1,950,000, of which the Chairman receives SEK 450,000 and the other members elected by the General Meeting, who are not employed in the company receive SEK 300,000 each. For committee work on the Remuneration Committee, a total fee of SEK 40,000 is payable, to be divided as SEK 20,000 per member. For committee work on the Sustainability Committee, a total fee of SEK 60,000 is payable, to be divided as SEK 20,000 per member. For the Audit Committee, which consists of Board members, the fee for participation is included in the ordinary Board fee.

CEO and senior executives

The CEO is appointed by the Board and is responsible for the day-to-day management of the company and the Group's operations in accordance with the Board's instructions and regulations. The division of responsibilities between the CEO and the Board of Directors is stated in the Board's rules of procedure and the CEO's instructions drawn up by the Board. The CEO acts as the chair of the management team and makes decisions in consultation with the others in the management team. This consists, in addition to Ilija Batljan (CEO), of seven people: Krister Karlsson (Deputy CEO, Property Development), Lars Thagesson (Deputy CEO and COO), Eva-Lotta Stridh (CFO), Rosel Ragnarsson (Finance Director), Oscar Lekander (Business Development), Annika Ekström (Real Estate Director) and Viktor Manel (Manager, Sveafastigheter).

Auditor

The company's financial accounting records and bookkeeping, as well as the administration of the Board and management, are reviewed and audited by the company's auditor. At the Annual General Meeting on 27 April 2020, the registered auditing firm Ernst & Young AB was re-elected and Ingemar Rindstig was elected as auditor for the period until the Annual General Meeting 2021. Mikael Ikonen, Authorized Public Accountant, has been appointed as the Auditor-in-Charge from Ernst & Young AB. The auditors' task is to examine the company's and the Group's annual accounts and accounts, as well as the Board's and the CEO's management of the company and the Group.

The auditors must report to the Audit Committee on significant errors in the accounting and suspicions of irregularities. The auditors must report to the company's Board of directors at least one to two times a year, normally in conjunction with the annual report, about their observations during the audit of the company and its assessment of the company's internal control. The auditors also participate at the Annual General Meeting to present the audit report that describes the audit work and observations made. In addition to the audit assignment, Ernst & Young was hired for additional services in 2020, accounting issues, but also issues related to the issue of shares and change of list. Such services have always and only been provided to the extent that

is consistent with the rules of the Auditing Act and FAR's professional ethics rules regarding the auditor's impartiality and independence.

Internal control of financial reporting and risk management

SBB's internal control of financial reporting is designed to manage risks and ensure high reliability in the processes regarding the preparation of the financial reports and to ensure that applicable accounting requirements and other requirements for SBB as a listed company are complied with. The Board is responsible for the internal control of the company regarding financial reporting. SBB follows the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate a company's internal control over financial reporting, the Internal Control - Integrated Framework, which consists of the following five components: control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

Distribution and delegation of responsibility have been documented and communicated in internal documents governing the Board and the company such as:

- The Board's Rules of Procedure
- Instruction to the CEO
- Delegation scheme
- Authorization scheme
- Other internal control documents (for example, financial manual)

All internal control documents are regularly updated when changes are made to, for example, legislation, accounting standards or listing requirements and when otherwise needed.

Risk assessment

In accordance with the rules of procedure, the Board of Directors, as well as the Audit Committee, review the company's internal control once a year. Identification is made of the risks that are assessed and measures are set to reduce these risks. The auditor is invited to report on his/her internal control report at a Board meeting and to the Audit Committee. The significant risks identified by SBB are errors in accounting and valuation of properties, credit risks, refinancing risks, interest rate risks, tax and VAT, and the risk of fraud, loss or misappropriation of assets.

Control activities

Since the company's financial system is structured so that the conclusion of agreements and payment of invoices, etc. must comply with the decision paths, company signatures and authorizations stated in the internal control documents, there is basically a control structure to counteract and prevent the risks that the company has identified. In addition to these control structures, a number of control activities are carried out to further detect and correct errors and deviations. Such control activities consist of follow-up at various levels in the organization, such as follow-up and reconciliation in the Board of Directors made decisions, review and comparison of profit items, account reconciliation, approval and reporting of business transactions with the finance department.

Communication

SBB has built up an organization to ensure that financial reporting is correct and effective. The internal control documents clarify who is responsible for what and the daily interaction between the concerned people means that relevant information and communication reaches all parties concerned. The management regularly receives financial information about the company and its subsidiaries regarding the development of letting and other management, review and follow-up of ongoing and future investments and liquidity planning. The Board is informed by the management team regarding risk management, internal control and financial reporting. The company's information policy ensures that all information provided externally and internally becomes correct and is given at any suitable time. All employees at SBB have, at various reviews, been involved in influencing the design of relevant internal policies and guidelines and have thus been directly involved in the preparation of these internal control documents.

Internal control

As has been explained above, a continuous process takes place on an ongoing basis at all levels of the organization. The Board regularly evaluates the information provided by the company management and the auditors.

In addition, the company's auditor reports directly to the Board of directors their observations from the audit and its assessment of the internal control. Of particular importance is the Board's monitoring of the development of the internal control and to ensure that measures are taken regarding any deficiencies and proposals that emerge.

Evaluation of the need for a separate internal function

No internal audit function is currently established within SBB. The Board has examined the issue and assessed that existing structures for follow-up and evaluation provide a satisfactory basis. All in all, this means that it is not considered justified to have a special unit for internal audit. The decision is reviewed annually.

Deviations relating to the Code

As mentioned, the code is based on the principle "follow or explain". This means that a company that applies the Code may deviate from individual rules, but must then give an explanation where reasons for the deviation are reported. SBB followed the Code in 2020 without deviations.

Allocation of earnings

The Board proposes the following distribution of profits to the Annual General Meeting:

At the Annual General Meeting the following earnings are available for distribution:

Share premium reserve	39,376,401,155
Profit brought forward	-1,181,441,272
Profit for the year	75,462,360
	38,270,422,243

The following allocation is proposed:

Dividend ordinary Class A and B shareholders (SEK 1.00/share)	1,329,482,358
Dividend ordinary Class D shareholders (SEK 2.00/share)	359,763,760
To be carried forward	36,581,176,125
	38,270,422,243

Statement by the Board of Directors regarding the proposed dividend

The Board of Directors is hereby given the following opinion in accordance with Chapter 18, Section 4 of the Swedish Companies Act (2005: 551). Below is the Board's justification for the proposed profit distribution being in accordance with the provisions of Chapter 17, §§ 2 and 3 of the Swedish Companies Act.

The nature and scope of the operations are stated in the Articles of Association and the annual report. The business that is conducted in the company does not entail risks beyond what is or may be assumed to occur in the industry or the risks that are generally associated with conducting business activities. The financial position of the company and the Group as of 31 December 2020 is stated in the annual report. The principles applied for the valuation of assets, provisions and liabilities can be found in the notes on p. 72-97 in the annual report.

It is clear from the proposed distribution of profits that the Board of Directors propose a dividend of SEK 1 per ordinary Class A and B share, equivalent to SEK 1,329,482,358, and SEK 2 per ordinary Class D share, equivalent to SEK 359,763,760. In total, the proposed dividend amounts to SEK 1,689,246,118, which represents 4 percent of the Parent Company's equity and 3 percent of the Group's equity. The Group's equity ratio was 43 percent on 31 December 2020. Distributable funds in the Parent Company as of 31 December 2020 amounted to SEK 38,270,422,243.

The proposed dividend does not jeopardize the investments planned or the fulfilment of other obligations. The company's financial assessment does not give rise to any other assessment than that the company can continue its operations and that the company can be expected to fulfil its obligations in the short and long term. With reference to the above and what has otherwise come to the Board's knowledge, the Board's assessment is that a comprehensive assessment of the company's and the Group's financial position means that the dividend proposal is justifiable according to Chapter 17, § 3, § 2 and 3 of the Swedish Companies Act, with reference to the requirements of the business. nature, scope and risks impose the size of the company's equity and the company's and the Group's consolidation needs, liquidity and position in general.

FINANCIAL REPORTS



Consolidated income statement

Amounts in SEKm	Note	2020	2019
Rental income	4.5	5,121	1,996
Operating costs	4.6	-987	-471
Maintenance	4.6	-323	-115
Property administration	4.6	-217	-104
Property tax	4.6	-115	-41
Net operating income	4	3,479	1,265
Central administration	6,7,8	-224	-136
Acquisition and restructuring costs		-52	-83
Results from associated companies/joint ventures	16	144	92
Profit before financial items		3,347	1,138
Profit/loss from financial items			
Interest income and similar items	9	166	102
Interest expenses and similar items	10	-973	-482
Expenses for redeemed loans in advance	10	-199	-197
Translation gains/losses	10	158	91
Leasing costs	11	-25	-7
Profit from property management		2,474	645
Changes in the value of properties	14	8,542	2,453
Dissolution of goodwill upon property sale		-468	-
Changes in value, derivatives	17	-207	39
Profit before tax		10,341	3,137
Tax for the year		-165	-34
Deferred tax		-1,536	-479
Dissolution of deferred tax goodwill		444	-
PROFIT FOR THE YEAR		9,084	2,624
<i>Profit for the year attributable to:</i>			
Parent Company shareholders (including hybrid bond)		9,011	2,619
Non-controlling interest		73	5
NET PROFIT FOR THE YEAR		9,084	2,624

Consolidated statement of comprehensive income

Amounts in SEKm	Note	2020	2019
Profit for the year		9,084	2,624
Other comprehensive income			
Translation gains/losses		-916	163
COMPREHENSIVE INCOME AFTER TAX FOR THE YEAR		8,168	2,787
<i>Comprehensive income for the year attributable to:</i>			
Parent Company shareholders (including hybrid bond)		8,095	2,772
Non-controlling interest		73	15
		8,168	2,787
Earnings per Class A and B ordinary share before dilution	22	6.41	2.97
Earnings per Class A and B ordinary share after dilution	22	6.41	2.92
Profit per Class D ordinary share	22	2.00	2.00

Comments on the income statement

Net operating income

Rental income during the period amounted to SEK 5,121m (1,996). Of the rental income, SEK 843m pertained to residential properties, SEK 4,012m to community service properties and SEK 266m to other properties. In a comparable portfolio, rental income increased by 3.2 percent compared with the corresponding period in the preceding year. The increase in revenues is primarily driven by investments and newly signed lease agreements. At the end of the period, SBB had rental income of SEK 4,839m (5,217) per rolling 12-month earning capacity. Of these, community service properties accounted for SEK 3,815m, corresponding to 79 percent of the total rental income, residential properties amounted to SEK 801m, corresponding to 17 percent of total rental income. The rest is attributable to other properties. The average rent for residential properties was SEK 1,034 / sq.m. and SEK 1,331/ sq.m for community service properties. The economic letting ratio at the end of the period was 93.6 percent (94.8). The average contract length for community service properties was 9 years (7).

Property expenses during the period amounted to SEK -1,642m (-731). They mainly consist of tariff-based costs, operating and maintenance costs, as well as management administration. In a comparable portfolio, costs increased by 2.0 percent compared with the corresponding period in the preceding year. The increase is attributable to increased maintenance expenses and property management administration while operating costs decreased. Accordingly, the net operating income for a comparable portfolio increased by 4.1 percent. Operating surplus amounted to SEK 3,479m (1,265). SBB's surplus ratio was 68 percent (63).

Profit after tax

In total, the costs for central administration amounted to SEK -224m (-136) for the year. The central administration costs include costs for business development, transactions, property development and financial management. As a result of the acquisition of Hemfosa, the company has had some non-recurring costs. As the acquisition of Hemfosa is classified as a so-called business combination, the transaction costs are to be recognized in income statement. In total, these acquisition and restructuring costs amounted to SEK -52m (83).

Profit from associated companies and joint ventures was SEK 144m (92) for the year. The largest part of the profit was attributable to the companies Klarabo Förvaltning AB and joint ventures in the Sveafastigheter Group.

Net financial items for the period amounted to an expense of SEK 873m (493). The financial costs include interest for external financing, as well as other financial costs, such as accrued arrangement fees. The financial costs include non-recurring expenses in the form of costs for early redemption of expensive loans of SEK -199m (-197). During the period, exchange rate differences of SEK 158m (91) were reported that are attributable to the translation of loans raised in Euro to the extent that they are not matched against hedges in the form of net assets in Euro and cross currency derivatives.

The value changes for the properties amounted to SEK 8,542m (2,453) of which a decrease of SEK 573m (251) comprised realized value changes and an increase of SEK 9,115m (2,704) comprised unrealized value changes. The realized changes in value are mainly attributable to discounts for deferred tax in the sale of properties through companies, which are offset by the correspondingly lower tax expenses that are reported. Property sales have been effectuated at amounts slightly greater than the relevant valuations. Half of the unrealized value changes are attributable to newly signed leases with a total rental value of SEK 633m and general rent increases. Project and property development together with successive renovations contributed around one fourth of the value changes. This includes that SBB successively renovated 695 apartments over the year, made project investments in existing portfolios such as the remodelling of the police station in western Helsinki, the construction of a new police station in Kiruna, as well as new construction and remodelling of a school and an elderly care unit in Hänge and created 440,634 sq.m. GFA of building rights during the year. The rest of the value changes are attributable to reduced yield requirements attributable to increased demand for long, stable cash flows.

Profit after tax for the year amounted to SEK 9,084m (2,624). Tax on the profit for the period was SEK -1,257m (-513), of which SEK -165m (-34) pertained to current tax and SEK -1,092m (-479) pertained to deferred tax related to properties and tax-loss carryforwards. The low tax is attributable to property sales in company form.

Consolidated balance sheet

Amounts in SEKm	Note	2020	2019
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	13	6,319	6,687
Total intangible assets		6,319	6,687
Tangible assets			
Investment properties	14	90,185	79,542
Land lease agreements	11	614	445
Equipment	15	22	21
Total tangible fixed assets		90,821	80,008
Financial fixed assets			
Participations in associated companies/joint ventures	16	2,867	909
Receivables from associated companies/joint ventures	17.29	827	1,142
Derivatives	10.17	129	73
Financial fixed assets at fair value	17	2,931	459
Other long-term receivables	17	-	24
Total financial fixed asset		6,753	2,607
Total fixed assets		103,893	89,302
Current assets			
Current receivables			
Rent receivables	17.23	91	53
Other receivables	17.18	2,398	791
Prepaid expenses and accrued income	19	243	158
Total current receivables		2,732	1,002
Short-term investments	17	-	1,041
Cash and cash equivalents	17.20	13,606	12,858
Total current assets		16,338	14,901
TOTAL ASSETS		120,231	104,203

Comments on the balance sheet

Investment properties

As of 31 December 2020, the value of the properties amounted to SEK 90.2bn (79.5). The value of the property portfolio has been based on external valuations made by Newsec, JLL, Savills, CBRE and Colliers. The valuations have been based on an analysis of future cash flows for each property, taking into account the current lease terms, market situation, rental levels, operating, maintenance and management administration costs and investment needs. The yield requirements used in the valuation are in the range of 2.20 percent to 15.0 percent, with an average value of 4.3 percent (4.8). The value of the properties includes SEK 3,312m for building rights that have been valued through the application of the local price method, which means that the assessment of the value is based on comparisons of prices for similar building rights. Fair value has thus been assessed in accordance with IFRS 13 level 3. See further on investment properties in Note 14.

Associated companies and joint ventures

SBB's engagement in associated companies and joint ventures consists partly of a holding in the companies and in some cases financing to the companies. As at 31 December 2020, participations in associated companies and joint ventures amounted to SEK 2,867m (909) and receivables from associated companies and joint ventures amounted to SEK 827m (1,142). Some of the companies carry out property development projects, which are described in more detail on page 28, while other companies own investment properties. The largest holdings consist of the companies Offentliga Hus AB (publ), KlaraBo Förvaltning AB, Genova Holding 25 AB and Offentlig Eiendom AS. The largest part of the profit for the year from associated companies/joint ventures amounting to SEK 144m (92) was attributable to the company KlaraBo Förvaltning AB, which owns and manages investment properties, and joint ventures in the Sveafastigheter Group.

Goodwill

The goodwill item of SEK 6,319m (6,687) is largely attributable to the acquisition of Hemfosa and consists mainly of synergy effects in the form of reduced financing and administration costs. In addition, there is a reported goodwill attributable to the difference between nominal tax and the deferred tax that is calculated on the acquisition of properties in company format that must be reported among "business combinations", as the acquisitions of Hemfosa and Sveafastigheter is considered to be. For reported goodwill of SEK 2,044m, a corresponding amount is recognized under the item deferred tax. Due to properties having been sold, this part decreased over the period.

Consolidated balance sheet

Amounts in SEKm	Note	2020	2019
EQUITY AND LIABILITIES	21		
Share capital		150	134
Other capital contributions		24,102	17,658
Reserves		-245	100
Retained earnings including comprehensive income for the year		13,238	6,412
Equity attributable to Parent Company shareholders		37,245	24,304
Hybrid bond		15,096	4,676
Other reserves		-616	-45
Non-controlling interest		412	1,961
Total equity		52,136	30,896
Long-term liabilities			
Liabilities to credit institutions	17.23	11,995	22,073
Bond loans	17.23	34,663	23,720
Derivatives	10.17	267	25
Deferred tax liabilities	12	7,172	6,237
Lease liabilities	11	614	445
Other long-term liabilities	17.23	1,020	22
Total long-term liabilities		55,731	52,522
Current liabilities			
Liabilities to credit institutions	17.23	69	3,912
Commercial papers	23	5,418	4,944
Bond loans	17.23	3,121	1,442
Accounts payable	17.23	117	131
Current tax liabilities	12	166	126
Other liabilities	17,23,24	2,098	8,822
Accrued expenses and prepaid income	17.25	1,375	1,408
Total current liabilities		12,364	20,785
TOTAL EQUITY AND LIABILITIES		120,231	104,203

Comments on the balance sheet

Equity

Equity amounted to SEK 52,136m (30,896) at 31 December 2020. The equity includes issued hybrid bonds with a book value of SEK 14,480m, mandatory convertible subordinate notes for SEK 2,148m and preference shares in the Norwegian subsidiary Nye Barcode 121 Bidco AS and a minority holding in Hemfosa Fastigheter AB (publ), as SBB does not hold all of the shares in that company. As shares in Hemfosa have been acquired during the period, the minority interest has decreased by SEK 1,634m. During the period, SBB carried out issues of class B and D ordinary shares for SEK 4,282m after issue costs that were used as consideration for the acquisition of shares in Hemfosa and Sveafastigheter, as well as the acquisition of Laeringsverkstedet. In July, SBB issued a mandatory convertible bond that, for accounting purposes, has been divided into an equity component and a liability component. The component reported as equity including issue costs amounted to SEK 2,148m. Perpetual hybrid bonds were also issued for SEK 10,333m after issue expenses during the year. Translation differences in the translation of net assets in subsidiaries in Norway, Finland and Denmark from local currency to SEK amounted to SEK -916m (163) of the change in equity during the period. The effect is mainly explained by the negative development of the Norwegian krona against the Swedish krona during the period.

The equity ratio was 43 percent (30), the adjusted equity ratio was 48 percent (33) and the loan-to-value ratio was 35 percent (41).

Deferred tax

In Sweden, deferred tax is calculated at a nominal tax rate of 20.6 percent on differences between the reported and tax value of assets and liabilities. In Norway and Denmark, the corresponding tax rate is 22.0 percent and in Finland, it is 20.0 percent. At 31 December 2020, the deferred tax liability amounted to SEK 7,172m (6,237), and is mainly attributable to investment properties and loss carry-forwards. As of 31 December 2020, the tax-loss carryforwards amounted to SEK 3.5bn.

Debt and cash and cash equivalents

Interest-bearing liabilities in the Group amounted to SEK 55,265m (56,091) at the end of the period, of which SEK 12,064m (25,985) pertained to liabilities to credit institutions, SEK 37,783m (25,162) pertained to bond loans and SEK 5,418m (4,944) pertained to commercial paper. See further under the section Financing on pages 58-59. Cash and cash equivalents amounted to SEK 13,606m (12,858).

Consolidated statement of changes in equity

Amounts in SEKm

	Equity attributable to Parent Company shareholders					Hybrid bond	Other reserves ¹⁾	Non-controlling interest	Total equity
	Share capital	Other capital contributions	Reserves ¹⁾	Retained earnings	Total				
Total equity 01-01-2019	80	4,345	-100	4,685	9,010	1,872	-8	322	11,197
Profit for the year	-	-	-	2,421	2,421	198	-	5	2,624
Other comprehensive income	-	-	200	-	200	-	-37 ²⁾	-	163
Comprehensive income for the year	-	-	200	2,421	2,621	198	-37	5	2,787
Share issue	54	13,542	-	-	13,596	-	-	-	13,596
Issue hybrid bonds	-	-	-	-	-	4,677	-	-	4,677
Issue of warrants	-	3	-	-	3	-	-	-	3
Issue costs	-	-190	-	-	-190	-77	-	-	-267
Tax issue costs	-	51	-	-	51	21	-	-	72
Dividend	-	-	-	-357	-357	-198	-	-1	-556
Redeemed preference shares	-	-93	-	-54	-147	-	-	-295	-442
Repurchased hybrid bonds	-	-	-	-283	-283	-1,873	-	-	-2,156
Acquired minority shares	-	-	-	-	-	-	-	1,930	1,930
Total equity 31-12-2019	134	17,658	100	6,412	24,304	4,676	-45	1,961	30,896
Total equity 01-01-2020	134	17,658	100	6,412	24,304	4,676	-45	1,961	30,896
Profit for the year	-	-	-	8,678	8,678	332	-	74	9,084
Other comprehensive income	-	-	-345	-	-345	-	-571 ²⁾	-	-916
Comprehensive income for the year	-	-	-345	8,678	8,333	332	-571	74	8,168
Share issue	16	4,341	-	-	4,357	-	-	-	4,357
Issue hybrid bonds	-	-	-	-	-	10,427	-	-	10,427
Issue mandatory convertible bonds	-	2,220	-	-	2,220	-	-	-	2,220
Issue costs	-	-147	-	-	-147	-94	-	-	-240
Tax issue costs	-	30	-	-	30	88	-	-	118
Dividend	-	-	-	-1,121	-1,121	-332	-	-	-1,453
Acquired minority interests	-	-	-	-	-	-	-	16	16
Redeemed minority interests	-	-	-	-732	-732	-	-	-1,640	-2,372
Total equity 31-12-2020	150	24,102	-245	13,238	37,245	15,096	-616	412	52,136

1) Reserves consist of hedge accounting and translation differences.

2) The amount relates to translation differences for hybrid bonds of SEK -570m (-47) and non-controlling interest of SEK -1m (10).

Consolidated cash flow statement

Amounts in SEKm	Note	2020	2019
Operating activities			
Profit from property management		2,474	645
<i>Adjustment for non-cash items</i>			
Depreciation		2	3
Profit from associated companies/joint ventures		-144	-92
Net interest income		873	493
Interest paid		-958	-459
Interest received		150	97
Tax paid		-165	-34
Cash flow from operating activities before changes in working capital		2,232	653
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-1,720	-644
Increase (+)/Decrease (-) in operating liabilities		-7,513	9,443
Cash flow from operating activities		-7,001	9,452
Investing activities			
Property investments	14	-14,016	-58,258
Property sales	14	12,903	6,672
Investments/sales equipment	15	-3	-19
Investments in associated companies/joint ventures	16	-1,611	-606
Investments in intangible fixed assets	13	-84	-4,295
Changes in receivables from associated companies/joint ventures	17	307	432
Change in financial assets	17	-1,323	-1,459
Changes of other long-term receivables	17	44	-13
Cash flow from investing activities		-3,782	-57,546
Financing activities			
Share issue		665	13,406
Issue hybrid bonds		10,333	4,600
Issue mandatory convertible bonds		2,148	-
Redeemed preference shares		-	-83
Repurchased hybrid bonds		-	-2,156
Issue of warrants		-	3
Dividends paid		-853	-426
Acquired minority shares		16	1,930
Redeemed minority shares		-1,623	-349
New loans		34,693	53,766
Amortization of loans		-34,878	-12,362
Change in other long-term liabilities		1,052	2,467
Cash flow from financing activities	26	11,554	60,796
Cash flow for the period		770	12,702
Cash and cash equivalents at the beginning of the period			
		12,858	157
Translation difference of cash and cash equivalents		-22	-1
Cash and cash equivalents at the end of the period	20	13,606	12,858

Group notes (1-30)

NOTE 1 Significant accounting principles

General information

This annual report and consolidated accounts comprise the Swedish Parent Company Samhällsbyggnadsbolaget in Norden AB (publ), corporate identity number 556981-7660 and its subsidiaries. The Group conducts operations within property management and property development. The Parent Company is a limited liability company registered in Sweden and with its registered offices at Strandvägen 1 in Stockholm.

On 25 March 2021, the Board of Directors approved this annual report and consolidated accounts, which will be presented for adoption at the Annual General Meeting on 5 May 2021.

Principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC). In addition, the Swedish Annual Accounts Act and "RFR1 Supplementary Accounting Rules for Groups" have been applied. The accounting principles set out below, unless otherwise stated, have been applied consistently to all periods presented in the Group's financial reports. The Group's accounting policies have been applied consistently by the Group's companies.

Assets and liabilities are reported at acquisition value in addition to investment properties and some financial assets that are valued and reported at fair value. The functional currency for the Parent Company is Swedish kronor, which is also the reporting currency for the Parent Company and the Group. All amounts are stated in millions of SEK unless otherwise stated.

Subsidiary

Subsidiaries are all companies in which the Group is exposed to or is entitled to variable returns from its involvement and can affect the return by means of its influence over the company. Subsidiaries are initially recognized in the consolidated accounts according to the acquisition method. Group companies are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group and they are not included in the consolidated financial statements from the date on which the controlling influence ceases. Intra-Group transactions and balance sheet items as well as unrealized gains / losses on transactions between Group companies are eliminated in the consolidated accounts.

Associated companies and joint ventures

As an associated company, companies in which the Group exercises a significant but not controlling influence are reported, which is presumed to be the case when the holding amounts to at least 20 and a maximum of 50 percent of the votes. It is also assumed that ownership constitutes a part of a lasting connection and that the holding shall not be reported as a collaborative arrangement.

Collaborative arrangements mean companies in which the Group, together with other parties through agreements, has a joint controlling influence over the business. A holding in a collaborative arrangement is classified either as a joint venture or as a joint venture, depending on the rights and obligations that the investor has under the contract. In the Group, the holdings have been classified as joint ventures mainly because the Group is entitled to the net assets instead of direct rights to assets and commitments in liabilities.

Associated companies and joint ventures are reported according to the equity method. When applying the equity method, the investment is initially valued at the acquisition value in the Group's statement of financial position and the carrying amount is subsequently increased or reduced to take into account the Group's share of profit and other comprehensive income from its holdings after the acquisition date. If the Group's share of losses in an associated company or joint venture exceeds the holding in this associated company or joint venture, the Group does not report any additional losses

unless the Group has undertaken obligations on behalf of the company. The Group's share of earnings and other comprehensive income in an associated company and joint venture is included in the Group's profit and other comprehensive income.

The carrying amounts are tested every reporting date to assess if there are indications of impairment requirements for the investment in an associated company or joint venture. If this is the case, a calculation is made of the impairment amount which corresponds to the difference between the recoverable amount and the reported value. The write-down is reported on the line "Profit from participations reported according to the equity method" in the income statement.

Financial assets at fair value

The item "Financial assets at fair value" includes shares in companies, in which the Group does not have any controlling influence, which is presumed to be the case when the holding is below 20 percent of the votes in a company. Revaluations of the holdings are reported in the income statement.

Acquisitions

In the case of an acquisition, an assessment is made whether the acquisition constitutes a business combination or an asset acquisition. An asset acquisition exists if the acquisition relates to properties but does not include the organization and the processes required to conduct the management activities. Other acquisitions are business combinations.

Since the acquisition of Group companies does not relate to the acquisition of operations, without the acquisition of assets in the form of investment properties, the acquisition cost is allocated to the acquired net assets.

Reverse acquisition

A reverse acquisition occurs when the company issuing securities (the legal acquirer) is identified as the acquired company for accounting purposes. The company whose equity interests are acquired (the legally acquired company) must be the acquirer for the purpose of accounting for the transaction to be regarded as a reverse acquisition. Consolidated financial statements prepared after a reverse acquisition are issued in the legal Parent Company's name (accounting for acquired company) but are described in the notes as a continuation of the legal subsidiary's financial reports (accounting acquirer) with an adjustment, namely a retroactive adjustment of the accounting acquirer's share capital so it reflects the reported acquired company's share capital.

Comparative information presented in the consolidated financial statements is also adjusted retroactively to reflect the legal Parent Company's share capital (reported acquired company). The company's acquisition of SBB i Norden AB (publ), corp. ID no. 559053-5174, as of 16 January 2017 has been classified as a so-called reverse acquisition. This means that the Group is reported as a continuation of SBB i Norden AB Group and the comparative figures before the acquisition, i.e. 2016, consists of SBB i Norden AB Group.

INCOME STATEMENT

Income

The Group's revenues consist essentially of rental income. Revenues are recognized less any discounts.

The lease agreements are classified in their entirety as operational leases. Rental income including supplements is announced in advance and accrual of rents is made linearly so that only that part of the rents that accrue to the period is reported as income. Reported rental revenues have, where applicable, been reduced by the value of rent discounts provided. In those cases where the lease gives a reduced rent for a certain period, this is periodically allocated over the current contract period. Remuneration paid by tenants in connection with early relocation is reported as revenue in connection with the termination of the contractual relationship with the tenant and no commitments remain, which normally occurs when moving away.

Based on the leases that the Group has and its composition, SBB has found that the service provided by the Group is subordinate to the lease contract and that all remuneration shall be deemed to be rent.

Sale of properties is reported in connection with the risks and benefits being transferred to the buyer from the seller. Assessment of whether risks and benefits have been transferred takes place at each individual disposal opportunity. The result of the sale of real estate is reported as a realized change in value.

Leases

Leases in which essentially all of the risks and benefits associated with ownership remain with the lessor are classified as operating leases. All of the Group's lease agreements are therefore regarded as operating leases. Properties leased under operating leases are included in the item investment properties.

Property costs

Property costs, which are a part of the Group's net operating income, include operating and maintenance expenses, costs for management administration and property tax. Operating costs consist, among other things, of tariff-based costs, such as electricity, water, heating and cleaning, insurance and facility management. Maintenance costs refer to costs for measures to maintain the standard and technical condition of the property. Management administration includes costs for property management and letting and some elements of financial management. Property tax refers to both property tax based on the property's tax assessment value and, where applicable, property charges based on fees per apartment.

Central administration/Acquisition and restructuring costs

The Group's administrative expenses are allocated to the management administration, which is part of the Group's net operating income, and central administration. Central administration includes costs at the Group-wide level that are not directly attributable to property management, such as costs for Group management, business development, property development and financing.

Acquisition and restructuring costs refer to transaction costs for acquisitions classified as business combinations and restructuring costs linked to acquisitions.

Employee benefits

Employee benefits consist of salaries, paid holidays, paid sick leave and other benefits and pensions.

The Group only has defined contribution pension plans. For the defined-contribution pension plans, the company pays fixed fees to a separate legal entity and has subsequently fulfilled its commitment to the employee. Defined contribution pension plans are reported as a cost in the period to which the premiums paid are attributable.

Financial income and expenses

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the interest rate that means that the present value of all future deposits and payments during the fixed interest period will be equal to the carrying amount of the receivable or liability. Financial income and expenses are recognized in the period to which they relate.

Changes in the value of investment properties

Both unrealized and realized changes in value are reported in the income statement on the value change line of investment properties. The unrealized change in value is calculated on the basis of the valuation at the end of the period compared with the valuation at the beginning of the period or the acquisition value if the property was acquired during the period with regard to the period's investments.

Taxes

Tax for the period consists of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is reported in other comprehensive income or directly against equity, since the associated tax effect is also reported in this place.

Current tax is the tax that is calculated on the taxable profit for the period. Taxable profit differs from the reported profit in that it has been adjusted for non-taxable and non-deductible items. Current tax is tax that must be paid or received for the current year, possibly adjusted by current tax attributable to previous periods.

Deferred tax is reported on the difference between the reported and taxable values of assets and liabilities. Changes in the reported deferred tax asset or liability are reported as a cost or income in the income statement, except when the tax is attributable to items recognized in other comprehensive income or directly against equity.

Reporting of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker is the function that is responsible for allocating resources and assessing the operating segments' results. In the Group, this function has been identified as the management team. An operating segment is part of the Group that conducts operations from which it can generate revenue and incur costs and for which there is independent financial information available. The Group's division into segments is based on the differences in the nature of the segments and on the reporting that the management obtains in order to follow up and analyse the business and the information obtained to make strategic decisions. As a result, the business has been divided into three segments: residential properties, community service properties and other properties. The segments' results are assessed and analysed based on net operating income. The same accounting principles are used for the segments as for the Group.

Earnings per share

Earnings per ordinary share of class A and B before dilution are calculated by dividing the net profit attributable to the Parent Company's shareholders with a deduction for dividend to preference shareholders and holders of ordinary shares of class D and interest on hybrid bonds divided by the weighted average number of ordinary shares of class A and B outstanding during the year.

Profit per ordinary share of class A and B after dilution is calculated by dividing the net result attributable to the Parent Company's shareholders with a deduction for dividend to preference shareholders and holders of ordinary shares of class D and interest on hybrid bonds, adjusted, if applicable, by the sum of the weighted average number of ordinary shares of class A and B and potential shares that can give rise to dilution effects. Dilution effect of potential shares is only recognized if a translation into shares would result in a reduction in earnings per share after dilution.

BALANCE SHEET

Goodwill

Goodwill arising from the preparation of the consolidated accounts, upon business combinations, constitutes the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiaries' identifiable net assets on the acquisition date. At the time of acquisition, goodwill is reported at cost. Subsequently, it is reported at cost less any impairment losses. Goodwill is tested for impairment annually or more often if there is an indication that the carrying amount may not be recoverable.

Investment properties

Investment properties, that is, properties that are held for the purpose of generating rental income and value increases, are initially recognized at cost, including directly attributable transaction costs. After the initial accounting,

investment properties are reported at fair value. Fair value is primarily based on prices in an active market and is the amount to which an asset could be transferred between knowledgeable parties who are independent of each other and who have an interest in the transaction being carried out. In order to determine the real value of the properties at each individual closing date, the market value of all properties is made.

Additional expenses are capitalized when it is probable that future economic benefits associated with the expense will be received by the Group and thus increase the valuation, and that the expenditure can be determined with reliability. Other maintenance costs and repairs are recognized as income in the period in which they arise. In the case of major new, additional and rebuilding, interest expense is also capitalized during the production period.

Equipment, machinery and installations

The equipment mainly consists of office equipment and cars, which have been taken up at cost less deductions for accumulated depreciation and any write-downs made. The equipment is depreciated linearly during the asset's estimated useful life. The equipment is estimated to have a useful life which is assumed to be equal to the asset's economic life, and therefore the residual value is assumed to be negligible and not taken into account. Depreciation is calculated from the time when the asset is ready for use.

Financial instruments

Financial instruments are any form of agreement that gives rise to a financial asset in a company and a financial liability or an equity instrument in another company. Financial instruments reported in the balance sheet include on the asset side shares in companies where the Group do not have a controlling interest, long-term receivables, accounts receivable, cash and cash equivalents, other receivables and derivatives. Liabilities include accounts payable, liabilities to credit institutions, bond loans, owner loans, other current liabilities and loan liabilities and derivatives. The report depends on how the financial instruments have been classified.

Accounting and removal

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party according to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet when an invoice has been sent and the company's right to compensation is unconditional. Debt is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset or financial liability is offset in the balance sheet when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the debt. A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial debt.

Classification and valuation

Financial assets

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the asset's contractual cash flows: The Group's debt instruments are classified at amortized cost or fair value through profit.

Financial assets classified at amortized cost are initially measured at fair value with the addition of transaction costs. Accounts receivable and rental receivables are initially reported at the invoiced value. After the first accounting opportunity, the assets are valued according to the effective interest method. Assets classified at amortized cost are held according to the business model to collect contractual cash flows that are only payments of principal amounts and interest on the outstanding capital amount. The assets are covered by a loss reserve for expected credit losses.

Equity instruments: are classified at fair value through profit or loss with the exception if they are not held for trading, as an irrevocable choice can be made to classify them at fair value through other comprehensive income without subsequent reclassification to the result. The Group currently does hold such equity instruments that are valued at fair value via profit or loss.

Derivatives: are classified at fair value through profit or loss except if they are classified as hedging instruments and the effective part of the hedge is reported in "Other comprehensive income".

Fair value is determined as described in Note 17 Financial instruments.

Classification and valuation of financial liabilities

Financial liabilities are classified at amortized cost with the exception of derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After the first accounting date, they are valued at the amortized cost according to the effective interest method.

Derivatives: are classified at fair value through profit or loss except if they are classified as hedging instruments and the effective part of the hedge is reported in "Other comprehensive income".

Fair value is determined as described in Note 17 Financial instruments.

Impairment of financial assets

The Group's financial assets, other than those that are classified at fair value through profit or loss or equity instruments that are measured at fair value through other comprehensive income, are subject to impairment losses for expected loan losses. Write-downs for loan losses according to IFRS 9 are forward-looking and a loss reserve is made when there is an exposure to credit risk, usually at the first accounting opportunity. Expected credit losses reflect the present value of all cash flow deficits attributable to default either for the next 12 months or for the expected remaining maturity of the financial instrument, depending on the asset class and on the credit deterioration since the first reporting date. Expected credit losses reflect an objective, probability-weighted outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

The simplified model is applied to accounts receivable, contract assets and rental receivables. A loss reserve is reported, in the simplified model, for the expected residual maturity of the receivable or asset.

For other items covered by expected loan losses, an impairment model with three stages is applied. Initially, as well as on each balance sheet date, a loss reserve for the next 12 months is reported, or for a shorter period of time depending on the remaining maturity (stage 1). If there has been a significant increase in credit risk since the first accounting date, a loss reserve for the asset's remaining maturity (stage 2) is reported. For assets that are deemed to be credit impaired, provisions for continued loan losses for the remaining maturity (stage 3) are still reserved. For credit-impaired assets and receivables, the calculation of interest income is based on the asset's reported value, net of loss reserves, as opposed to the gross amount as in the previous stages.

The valuation of expected loan losses is based on various methods. The method for accounts receivable, contract assets and rental receivables is based on historical customer losses combined with forward-looking factors. Other receivables and assets are written down according to a rating-based method through external credit rating. Expected credit losses are valued at the product of probability of default, loss given default and the exposure in the event of default. For credit-impaired assets and receivables, an individual assessment is made, taking into account historical, current and forward-looking information. The valuation of expected loan losses takes into account any collateral and other credit enhancements in the form of guarantees.

The financial assets are recognized in the balance sheet at amortized cost, i.e. net of gross value and loss reserve. Changes in the loss reserve are reported in the income statement.

Hedge accounting

The Group applies IFRS 9 hedge accounting for financial instruments aimed at hedging financial risks related to net investments in foreign operations.

The Group assesses, evaluates and documents efficiency both at the beginning of the hedge and on an ongoing basis. The effectiveness of the hedge is judged on the basis of an analysis of the economic relationship between hedged item and hedging instrument, and the effect of credit risk must not dominate changes in value in underlying items and instruments. In addition, the hedging ratio in the economic relationship should be that used in the hedging relationship.

Hedges of net investments in foreign operations: The Group uses commercial paper in foreign currency and other loans as hedging instruments. Changes in the fair value of the hedging instrument are reported in "Other comprehensive income" to the extent that the hedging is effective and the accumulated changes in fair value are reported as a separate component of equity. Profit or loss arising from the part of the hedge that is not effective is recognized immediately in profit for the year. Upon divestment of foreign operations, the gain or loss accumulated in equity is converted to profit for the year, which in turn increases or decreases the result for the sale.

Accounting for termination of hedging: Hedge accounting cannot be terminated according to decision. Hedge accounting ceases when:

- when the hedging instrument matures or is sold, liquidated or redeemed,
- when there is no longer an economic connection between hedged item and hedging instrument, or credit risk, value changes that result from the economic relationship dominate, and
- when hedge accounting no longer meets the goals of risk management.

Upon divestment of foreign operations, the gains or losses are reclassified from equity to the profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash and cash equivalents and immediately available balances with banks and corresponding institutions. Cash and cash equivalents are subject to the requirement for loss reserves for expected credit losses.

Hybrid bond

Bonds are classified as debt or equity based on whether there is any contractual obligation to settle the agreement by paying cash or another financial asset. This assessment applies to both nominal amount and interest payments. At initial recognition, the assessment has been made that the hybrid bond should be classified as an equity instrument and not as a liability. Interest on the hybrid bond is reported directly against equity.

Mandatory convertible bonds

During the period, SBB issued a mandatory convertible bond for SEK 2.75bn that will mature in 2023. The convertible bears an annual interest rate of 7 percent which is paid semi-annually, subject to the company's ability to defer interest payments under certain circumstances. Conversion to the company's Class B shares will be mandatory upon maturity at the latest. On initial reporting, a division into an equity component and a liability component was made in accordance with IAS 32. The liability reported corresponds to the present value of future interest payments. Equity constitutes the remainder of the capital issued. The issue costs have been divided between the two components.

Deferred tax

Deferred tax is reported on the difference between the carrying amount of assets and liabilities in the financial statements and the tax value used in calculating taxable profit. Deferred tax is reported in accordance with the so-called balance sheet method. Deferred tax liabilities are reported for taxable temporary differences and deferred tax assets are reported for deductible temporary differences to the extent that it is probable that the amounts can be utilized against future taxable surpluses. On the other hand, if the temporary difference arose in the first accounting of assets and liabilities that constitute an asset acquisition, deferred tax is not reported. Deferred tax is calculated according to statutory tax rates that have been decided or announced on the balance sheet date and which are expected to apply when the deferred tax asset in question is realized or the deferred tax liability.

Cash flow

The cash flow statement is prepared in accordance with the indirect method as per IAS 7. This means that the result is adjusted with transactions that did not involve incoming or outgoing payments and for income and expenses attributable to the investment and/or financing activities.

NOTE 2 Information on new and future standards

New standards

Amendments to IFRS 3

On 22 October 2018, IASB issued amendments regarding the definition of a business combination in IFRS 3 that affects the delimitation between a business and asset acquisition. If an optional "concentration test" indicates that the acquisition is an asset acquisition, it means that no further assessment is required. However, the test never answers the question of whether an acquisition is a business acquisition and can only show if it is an asset acquisition. This voluntary test means that if substantially all of the fair value of the gross assets acquired can be attributed to an asset or group of similar assets, the acquisition constitutes an asset acquisition. SBB estimates that the change will not affect the share of asset acquisitions in relation to business combinations to any great extent, since the majority of the acquisitions made relate to asset acquisitions. The amendment has been applied on the financial year that began on 1 January 2020.

Amendments to IFRS 9

Amendments to IFRS 9 Financial Instruments regarding hedge accounting entered into effect on 1 January 2020. The amendments have the aim of mitigating the effects of hedge accounting as a result of the IBOR reform and they are to be applied to all hedging relationships that are directly affected by the IBOR reform. The amendments had no impact on the consolidated financial statements.

New standards and interpretations not yet effective

A number of new standards and interpretations are effective for financial years commencing after 1 January 2019 and have not been applied at the time of the compilation of this financial statement. These new standards and interpretations are not expected to have a material impact on the consolidated financial statements in the current or upcoming periods or on future transactions.

NOTE 3 Significant estimates and assessments

When preparing the financial reports, the executive management and the Board must make certain assessments and assumptions that affect the reported value of asset and liability items and income and expense items as well as information provided in other respects. The assessments are based on experiences and assumptions that the management and the Board consider to be reasonable under the prevailing circumstances. Actual outcomes can then differ from these assessments if other conditions arise. The assessments that are most important in the preparation of the company's financial reports are described below.

The accounting is particularly sensitive to the assessments and assumptions that lie in the valuation of investment properties. Investment properties are reported at fair value, which is determined by the executive management based on market assessment. Significant assessments have thus been made regarding, among other things, cost of capital and direct yield requirements as based on the appraisers' experience-based assessments of the market's return requirements for comparable properties. Cash flow estimates for operating, maintenance and administration costs are based on actual costs, but also experiences with comparable properties. Future investments have been assessed on the basis of the actual need that exists. When acquiring companies, an assessment is made of whether the acquisition is to be classified as an asset acquisition or business combination. An asset acquisition exists if the acquisition relates to properties, but does not include organization, personnel and the processes required to conduct the business. Other acquisitions are business combinations. In real estate transactions, an assessment is also made of when the transition of risks and benefits takes place. This assessment is indicative of when the transaction is to be reported.

Another assessment issue in the report concerns the valuation of deferred tax. With consideration of the accounting rules, deferred tax is reported nominally without discounting. Current tax has been calculated based on a nominal tax rate of 21.4 percent in Sweden, 22 percent in Norway and Denmark and 20 percent in Finland. Calculations of deferred tax in Norway, Denmark and Finland have been made based on the same nominal tax rate as for current tax. For Sweden, deferred tax is calculated at a nominal tax rate of 20.6 percent on differences between the reported and tax value of assets and liabilities. The actual tax is deemed to be lower partly because of the possibility of selling properties in a tax-efficient manner and partly because of the time factor. When assessing loss carry-forwards, an assessment is made of the possibility of utilizing the deficits against future profits.

SBB has issued hybrid bonds of SEK 10.3bn. The hybrid bond has a perpetual maturity with a running interest rate. SBB has the opportunity to redeem outstanding hybrid bonds as of first possible redemption day, which is 5-6 years from the issue date. At the first reporting date, the assessment was made that the hybrid bond should be classified as an equity instrument and not as a financial liability. The assessment underlying the classification is that there is no explicit contractual obligation to settle the agreement by paying cash or another financial asset. Nor are there any other circumstances indicating that the agreement will be settled in cash or another financial asset. SBB is entitled to postpone interest payments for an indefinite period in so far as hybrid bond holders are notified within the agreed period and the hybrid bond is subordinated to all other creditors.

Estimates and assessments are also made regarding goodwill in the form of an impairment test that is performed on an ongoing basis. When impairment testing goodwill, a number of significant assumptions and assessments must be taken into account in order to calculate the cash-generating unit's value in use. These assumptions and estimates relate to expected future discounted cash flows. Forecasts for future cash flows are based on the best possible estimates of future revenues and costs, as well as general market conditions and developments for the industry. Significant assumptions are set out in Note 13 Goodwill.

NOTE 4 Operating segments

For reporting and follow-up, the Group has been divided into three segments: Residential, Community service and Other properties. The division is based on the differences in the nature of the segments and on the reporting the management obtains to follow up and analyse the business, as well as on the data obtained on which to base strategic decisions.

Below is a description of each segment:

- Residential properties consist primarily of apartments in apartment buildings but also includes townhouses.
- Community service properties consist of schools, retirement homes, housing for the disabled and properties where municipal and governmental agencies/authorities conduct their business.
- Other properties primarily consist of commercial properties for which the intention is to conduct a detailed planning process to develop the properties.

Financial year 01-01-2020 – 31-12-2020	Residential properties	Community service properties	Other properties	Total segments	Group items and adjustments	Group Total
Rental income	843	4,012	266	5,121	-	5,121
Property costs	-432	-1,086	-124	-1,642	-	-1,642
Net operating income	411	2,926	142	3,479	-	3,479
Central administration	-	-	-	-	-224	-224
Acquisition and restructuring costs	-	-	-	-	-52	-52
Profit from associated companies/joint ventures	-	-	-	-	144	144
Profit before financial items	411	2,926	142	3,479	-132	3,347
Interest income and similar items	-	-	-	-	166	166
Interest expenses and similar items	-	-	-	-	-1,039	-1,039
Profit from property management	411	2,926	142	3,479	-1,005	2,474
Changes in the value of investment properties	2,026	6,281	235	8,542	-	8,542
Dissolution of goodwill upon property sale	-	-	-	-	-468	-468
Changes in value of derivatives	-	-	-	-	-207	-207
Profit before tax	2,437	9,207	377	12,021	-1,680	10,341
Tax	-	-	-	-	-1,257	-1,257
Profit for the year	2,437	9,207	377	12,021	-2,937	9,084
Investment properties	18,102	67,109	4,973	90,185	-	90,185
Investments	582	1,238	268	2,088	-	2,088

Financial year 01-01-2019 – 31-12-2019	Residential properties	Community service properties	Other properties	Total segments	Group items and adjustments	Group Total
Rental income	707	1,168	121	1,996	-	1,996
Property costs	-372	-298	-61	-731	-	-731
Net operating income	335	870	60	1,265	-	1,265
Central administration	-	-	-	-	-136	-136
Acquisition and restructuring costs	-	-	-	-	-83	-83
Profit from associated companies/joint ventures	-	-	-	-	92	92
Profit before financial items	335	870	60	1,265	-127	1,138
Interest income and similar items	-	-	-	-	102	102
Interest expenses and similar items	-	-	-	-	-595	-595
Profit from property management	335	870	60	1,265	-620	645
Changes in the value of investment properties	1,188	1,143	122	2,453	-	2,453
Changes in value of derivatives	-	-	-	-	39	39
Profit before tax	1,523	2,013	182	3,718	-581	3,137
Tax	-	-	-	-	-513	-513
Profit for the year	1,523	2,013	182	3,718	-1,094	2,624
Investment properties	13,230	61,547	4,765	79,542	-	79,542
Investments	369	260	21	650	-	650

Income from Swedish customers accounts for 73 percent (80) of the Group's total revenue. Income from Norwegian customers accounts for 16 percent (14) of the Group's total revenue and income from Finnish and Danish customers accounts for the rest of the Group's total revenue. Sweden accounts

for 81 percent (84) of fixed assets (which are not financial instruments or deferred tax assets), Norway accounts for 19 percent (16) and Finland and Denmark account for the remainder. There is no tenant that makes up more than 10% of the revenue.

NOTE 5 Contracted future rental income

Total rental income for the Group amounted to SEK 5,121m. All leases are classified as operating leases. The maturity structure for the lease contracts relating to non-terminable operating leases is shown in the table below. Residential and car rental contracts, which usually run on a three-months notice, are not included in the table.

Contracted future rental income	2020	2019
Contracted rental income within 1 year	4,294	4,277
Contracted rental income between 1 and 2 years	4,214	3,828
Contracted rental income between 2 and 3 years	4,136	3,218
Contracted rental income between 3 and 4 years	3,979	2,599
Contracted rental income between 4 and 5 years	3,939	2,064
Contracted rental income later than 5 years	42,868	11,898
Total	63,430	27,884

NOTE 6 Costs by type

	2020	2019
Operating costs	987	471
Maintenance	323	115
Property administration	217	104
Property tax	115	41
Other external expenses	48	99
Depreciation	2	2
Personnel costs	226	118
Total	1,918	950

NOTE 7 Fees to the auditor

Ernst & Young AB, Ernst & Young AS, Ernst & Young Oy, Ernst & Young A/S	2020	2019
Audit fees	17	11
Other auditing costs	0	1
Tax consultancy	1	-
Other services	3	5
Total	21	17

NOTE 8 Employees and personnel costs

	2020		2019	
	Average number of employees	Of which men, %	Average number of employees	Of which men, %
Average number of employees				
Subsidiaries in Sweden	220	62	118	74
Subsidiaries in Norway	19	68	4	75
Subsidiaries in Finland	6	50	1	100
Total subsidiaries	245	62	123	74
Parent Company	19	45	14	50
Total in the Group	264	61	137	72

	2020		2019	
	Number on the balance sheet date	Of which men, %	Number on the balance sheet date	Of which men, %
Gender distribution, Board and senior executives				
Board Members	6	67	6	67
CEO and other senior executives	8	63	7	71
Total in the Group	14	64	13	69

Personnel costs	2020	2019
Parent Company		
<i>Board of Directors and other senior executives</i>		
Salaries and other remuneration	16	14
Social security contributions	5	4
Pension costs	3	3
Total	24	21

<i>Other employees</i>		
Salaries and other remuneration	7	6
Social security contributions	2	2
Pension costs	3	1
Total	12	9

Subsidiary		
<i>Board of Directors and other senior executives</i>		
Salaries and other remuneration	2	-
Social security contributions	1	-
Pension costs	0	-
Total	3	-

<i>Other employees</i>		
Salaries and other remuneration	148	61
Social security contributions	40	23
Pension costs	18	3
Other personnel costs	3	0
Total	209	87

Total personnel costs	248	117
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In the report, certain personnel costs have been reclassified to operating costs and capitalized in projects when the rules have been applied. For this reason, the personnel costs in this note will not correspond to the cost category in Note 6.

Incentive schemes

During the year, the company introduced a bonus system that covers the years 2019-2021 and all employees. The bonus system consists of three parts, each of which will entitle one third of the maximum bonus amount. Two of the parts are determined by certain company-level goals being achieved according to the company's established annual report, while the last part is linked to individual goals. In order for the bonus to be paid at all, it is required that the part linked to individual goals is achieved and that one of the two of the goals that are linked to goals at the company level is achieved. Payment of bonus is made in connection with the salary payment that falls closest to the Annual General Meeting after which the company's annual report has been adopted.

In addition to the bonus system, the company has had an incentive programme for the company's current and future employees, which includes 20,000,000 warrants that entitle the holder to subscribe for the corresponding number of Class B shares in the company. Subscription of Class B shares using warrants occurred in October 2020. The subscription price for new subscription of B shares corresponds to 130 percent of the average of the company's B shares' volume-weighted last price during the 10 trading days from 24 October 2017 through 6 November 2017, i.e. SEK 7.93.

2020

(amounts in SEK thousands)	Basic salary, Board fee	Variable compensation	Pension costs	Other remuneration	Total
Chairman of the Board					
Lennart Schuss	470	-	-	-	470
Board Member					
Sven-Olof Johansson	320	-	-	-	320
Hans Runesten	300	-	-	-	300
Fredrik Svensson	300	-	-	-	300
Eva Swartz Grimaldi	340	-	-	-	340
Anne-Grete Strøm-Erichsen	300	-	-	-	300
CEO					
Ilija Batljan	3,624	600	1,203	144	5,571
Other senior executives (7):					
	9,598	1,906	2,435	186	14,124
Total	15,817	2,506	3,638	329	21,725

2019

(amounts in SEK thousands)	Basic salary, Board fee	Variable compensation	Pension costs	Other remuneration	Total
Chairman of the Board					
Lennart Schuss	480	-	-	-	480
Board Member					
Sven-Olof Johansson	300	-	-	-	300
Hans Runesten	300	-	-	-	300
Fredrik Svensson	300	-	-	-	300
Eva Swartz Grimaldi	330	-	-	-	330
Anne-Grete Strøm-Erichsen	300	-	-	-	300
CEO					
Ilija Batljan	3,912	-	978	-	4,890
Other senior executives (6):					
	7,840	-	1,639	-	9,479
Total	13,762	-	2,617	-	16,379

Remuneration and terms for senior executives

Remuneration to the CEO and other senior executives consists of basic salary and pension benefits. Other senior executives mean those persons who together with the CEO form the management team.

The CEO has a period of notice of 6 months if the termination is from the company and if the CEO chooses to terminate his employment, the period of notice is also 6 months. In the event of termination by the employer, severance pay of 12 months salary is to be paid. The pension benefit for the CEO is 30 percent of the pensionable salary.

NOTE 9 Financial income

Assets valued at amortized cost	2020	2019
Interest income from other financial assets	84	36
Interest income from joint ventures	36	57
Other	46	9
Total interest income based on the effective interest method	166	102

NOTE 10 Financial expenses

Liabilities at fair value	2020	2019
Interest costs, interest rate derivatives	-55	13
Exchange rate differences, interest rate derivatives	-14	9
Total reported in profit (financial items)	-69	22
Liabilities valued at amortized cost		
Interest expenses, other financial liabilities	-763	-444
Depreciation of arrangement fees	-199	-129
Premium, repurchased bonds	-1	-128
Other financial costs	-139	0
Exchange rate differences, financial items*	158	91
Total interest expenses based on effective interest method	-944	-610
Total interest expenses and similar items	-1,014	-588

* Not calculated according to the effective interest method

During the year, SEK 31,225m (13,907) in interest payments were capitalized for investments in the property portfolio, where an interest rate of 3 percent (4-5) was used.

NOTE 11 Leases

The Group's material leases mainly consist of land lease agreements. The table below the carrying amount of the Group at the beginning of the year and end of the year for land lease agreements and lease liabilities including changes during the year is reported.

31-12-2020	Land lease agreements	Liability leasing
Opening balance	445	445
Additional agreements	169	169
Closing balance	614	614

31-12-2019	Land lease agreements	Liability leasing
Opening balance (adoption of IFRS 16)	52	52
Additional agreements	393	393
Closing balance	445	445

In addition to the land lease agreements there are some leasing agreements of less value such as cars, office equipment etc. For these agreements the exception rule in IFRS 16 applicable for lease agreements of low value has been applied where the leasing fee is accounted as a linear cost over the leasing period in the income statement and no asset/liability is reported in the balance sheet.

The following table shows the amounts related to the leasing activity reported in the consolidated income statement during the year.

	2020	2019
Interest expense on leases	18	3
Cost for lease agreements where the underlying asset is of lesser value	7	4
Reported leasing	25	7

The annual land lease fee is SEK 18m (3). Leaseholds are according to IFRS 16 considered as an perpetual lease and the carrying amount will thereby not be depreciated, but rather the value will remain until leasehold fees are renegotiated. The leasing liability that arises is not repaid, but rather the value remains until leasehold fees are renegotiated.

NOTE 12 Tax

SBB reports tax expenses in the form of current tax and deferred tax, calculated on the basis of current tax rate of 21.4 percent in Sweden with the exception of deferred tax which is calculated on the basis of the new tax rate of 20.6 percent, 22 percent in Norway and Denmark and 20 percent in Finland.

	2020	2019
Tax for the year	-164	-34
Deferred tax properties	-1,181	-429
Deferred tax loss carryforwards	-9	-37
Deferred tax, financial instruments	58	0
Deferred tax other	39	-13
Reported tax	-1,257	-513

Reconciliation of effective tax rate	2020	2019
Profit before tax	10,341	3,137
Tax according to the applicable tax rate for the Parent Company (21.4%)	-2,227	-671
Tax effect of:		
Other tax rates within the Group	18	22
Tax attributable to preceding years	7	-34
Non-taxable income from the sale of shares in subsidiaries	532	50
Other non-taxable income	119	25
Unrecognized income to be recorded	-174	-36
Non-deductible costs	-191	-38
Unrecognized income to be deducted	0	8
Utilization of previously unused loss carryforwards	62	17
Other tax adjustments	-57	0
Tax depreciation	-28	-2
Temporary differences regarding properties	683	146
Reported tax	1,257	-513
Effective tax rate	12%	-16%

The Group has tax items that are reported in other comprehensive income as a result of the hedge accounting. All tax-loss carryforwards have been taken into account in the calculation of deferred tax. As of 31 December 2020, the tax-loss carryforwards amounted to SEK 3.5bn.

Information on deferred tax assets and tax liabilities

The following table details the tax effect of the temporary differences:

Deferred tax	2020	2019
Deferred tax properties	-8,218	-7,030
Deferred tax, untaxed reserves	-47	-22
Deferred tax loss carryforwards	1,009	829
Deferred tax derivatives	23	-21
Deferred tax other	61	7
Reported deferred tax liability	-7,172	-6,237

NOTE 13 Goodwill

Goodwill	31-12-2020	31-12-2019
Opening balance	6,687	24
Acquisitions	100	6,663
Sale:	-468	-
Closing balance	6,319	6,687

Goodwill is mostly attributable to the acquisition of Hemfosa. The acquisition of Hemfosa is classified, from an accounting point of view, as a business combination in accordance with IFRS 3. This means that assets acquired, liabilities assumed and contingent liabilities are assumed to be measured at their fair value at the acquisition date. The difference between the cost for the acquired assets and the real value of the acquired assets is allocated to goodwill.

In connection with the acquisition, goodwill arose amounting to SEK 6,666m in terms of the difference between the acquired shares and the net assets. Goodwill is comprised of two parts. It mostly comprises of the synergy effects resulting from lowered financial- and administration costs. This part amounts to SEK 4,275m. In addition, there is a reported goodwill attributable to the difference between nominal tax and the deferred tax that is calculated on the acquisition of properties in company format that must be reported among business combinations. For reported goodwill, a corresponding amount is recognized under the item deferred tax. Due to properties having been sold, this part decreased by SEK 468m during the year. In connection with the acquisition of Sveafastigheter, goodwill of SEK 97m arose with an equivalent amount recognized as deferred tax.

Transaction costs related to the acquisition were charged to profit for the year in an amount of SEK 52m (83) and are recognized under the item Acquisition and restructuring costs in the profit and loss accounts.

Impairment testing

Goodwill is tested for impairment at the lowest levels where there are separate identifiable cash flows (cash-generating units), which for the Group comprise the segments Community service properties and Other.

The impairment test for the Group's goodwill consists of assessing whether the unit's recoverable value is higher than its carrying amount for each cash-generating unit to which the goodwill belongs. The recoverable amount has been calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without regard to any future business expansion and restructuring. The calculation of the value in use has been based on:

- A discount rate of 4.4 percent before tax.
- A forecast of cash flows over the next 5 years.

The discounted cash flow model includes forecasting of future cash flows from operations, including estimates of rental income and operating profit (EBIT). The important assumptions that drive expected cash flows over the next five years, in addition to cash flows, comprise the cost of financing and tax. The values have been estimated on these variables mainly based on and in accordance with historical experience. The calculations show no need for impairment and they do not indicate that any reasonably possible changes in important assumptions would lead to an impairment requirement. Goodwill has been allocated to the following cash-generating units:

	31-12-2020	31-12-2019
Community service properties	5,741	6,293
Other	578	394
	6,319	6,687

NOTE 14 Investment properties

The Group divides its property portfolio into three different categories: residential properties, community service properties and other properties.

31-12-2020 Fair value	Residential properties	Community service properties	Other properties	Total	31-12-2019 Fair value	Residential properties	Community service properties	Other properties	Total
Opening carrying amount	13,230	61,547	4,765	79,542	Opening carrying amount	6,720	16,422	2,101	25,243
Acquisitions	5,146	8,947	459	14,552	Acquisitions	4,951	49,705	2,952	57,608
Investments	581	1,239	268	2,088	Investments	368	261	21	650
Sales	-2,866	-9,647	-1,009	-13,522	Sales	-18	-6,519	-380	-6,917
Unrealized changes in value	2,010	6,853	252	9,115	Unrealized changes in value	1,209	1,423	72	2,704
Reclassifications	-	-274	274	-	Reclassifications	-	-	-	-
Translation differences	0	-1,555	-35	-1,590	Translation differences		255	-1	254
Closing carrying amount	18,102	67,109	4,973	90,185	Closing carrying amount	13,230	61,547	4,765	79,542

2020 Value changes	Residential properties	Community service properties	Other properties	Total
Unrealized value changes	2,010	6,853	252	9,115
Realized value changes	16	-572	-17	-573
Total	2,026	6,281	235	8,542

2019 Value changes	Residential properties	Community service properties	Other properties	Total
Unrealized value changes	1,209	1,423	72	2,704
Realized value changes	-21	-280	50	-251
Total	1,188	1,143	122	2,453

The value of the property portfolio has been based on external valuations made by Newsec, JLL, Savills, CBRE and Colliers. The valuations have been based on an analysis of future cash flows for each property, taking into account the current lease terms, market situation, rental levels, operating, maintenance and management administration costs and investment needs. The yield requirements used in the valuation are in the range of 2.20 percent to 15.0 percent, with an average of 5.05 percent. The value of the properties includes approximately SEK 3,312m for building rights that have been valued by applying the local price method, which means that the assessment of the value is based on comparisons of prices for similar building rights. Fair value has thus been assessed in accordance with IFRS 13 level 3. For a description of levels in the real value hierarchy, see Note 17 Financial instruments.

The change in the value of investment properties held as

of the balance sheet date are reported in the income statement under "Changes in value of investment properties". They were part of the value creation from property development of SEK 2,224m (338). The remaining part is attributable to increased net operating income as a result of investments and leases in the property portfolio and reduced yield requirements.

SBB has commitments to complete commenced projects where the remaining investment volume amounts to SEK 6,520m in addition to what is recognized in the balance sheet.

Sensitivity analysis

The property valuations are made according to accepted principles based on certain assumptions. The table below presents how the value has been impacted in a change of certain parameters assumed for the appraisal. The table provides a simplified illustration as one single parameter probably

31-12-2020	Change	Value impact			
		Residential properties	Community service properties	Other properties	Total
Rental value	+/- 5 %	SEK 899/-899 m	SEK 2,671 /-2,677 m	SEK 241 /-241 m	SEK 3,811 /-3,817 m
Discount rate	+/- 0.25 %	SEK -706 /800 m	SEK -1,897 /1,948 m	SEK -113 /119 m	SEK -2,716 /2,867 m
Yield requirements	+/- 0.25 %	SEK -757 /864 m	SEK -1,968 /2,152 m	SEK -102 /123 m	SEK -2,827 /3,139 m

31-12-2019	Change	Value impact			
		Residential properties	Community service properties	Other properties	Total
Rental value	+/- 5 %	SEK 808/-808 m	SEK 2,676 /-2,678 m	SEK 228 /-228 m	SEK 3,712 /-3,714 m
Discount rate	+/- 0.25 %	SEK -585 /655 m	SEK -1,349 /1,430 m	SEK -85 /88 m	SEK -2,020 /2,173 m
Yield requirements	+/- 0.25 %	SEK -656 /743 m	SEK -1,635 /1,696 m	SEK -79 /86 m	SEK -2,370 /2,525 m

Key figures per segment

Category	Property value, SEKm	Number of properties	Rental value, SEKm	Vacancy rate, average, %	Leasable area, thousand sq.m.	Long-term yield, %	Long-term yield, average, %
Residential properties	18,102	388	865	7.5	774	2.20 - 8.25	4.08
Community service properties	67,109	1,189	3,998	4.6	2,868	2.90 - 15.00	5.19
Other	4,973	41	305	26.7	316	4.52 - 8.25	5.72
Total	90,185	1,618	5,168	6.4	3,958	2.20 - 15.00	5.05

NOTE 15 Equipment

	31-12-2020	31-12-2019
Opening balance	50	11
Acquisitions for the year	9	39
Sales and disposals	-15	-1
Reclassifications	0	1
Closing balance	44	50
Opening balance	-29	-6
Sales and disposals	-5	-21
Accumulated depreciation on acquisitions	19	1
Depreciation for the year	-4	-2
Reclassifications	-1	-1
Closing balance	-22	-29
Closing carrying amount	22	21

NOTE 16 Shares in associates/joint ventures/ other companies

	31-12-2020	31-12-2019
Opening balance	909	213
Share of profit	144	92
Acquisitions for the year	1,913	416
Shareholder contributions	126	268
Sales/disposals for the year	-183	-12
Translation difference	-41	0
Reclassifications	-	-69
Closing carrying amount, share of capital	2,867	909

Holdings	Classification	Main activity	Share of capital 31-12-2020	Share of capital 31-12-2019	Book value 31-12-2020	Book value 31-12-2019
BCAC-Hus Förv. AB	Associated companies	Property development	10%	10%	0	4
HusBacc Utv Hold AB	Joint venture	Property development	50%	50%	78	78
HanVäst Utv AB	Joint venture	Property development	50%	50%	0	0
Jordbro Centrum Ut AB	Joint venture	Property development	50%	50%	0	0
Nöthagen Utv AB	Joint venture	Property development	50%	50%	0	0
Tillbringaren 2 H AB	Joint venture	Own, manage, develop properties	49%	49%	19	13
Slaggborn Utv AB	Joint venture	Property development	50%	50%	47	34
Klarsam Fast Utv AB	Associated companies	Property development	40%	40%	8	8
Cronsjö Fast Utv AB	Associated companies	Property development	30%	30%	1	1
Varpslagg Fast Utv AB	Associated companies	Property development	40%	40%	2	2
Gullbern Fast Utv AB	Associated companies	Property development	40%	40%	1	1
Fastighetsutv IB 85 AB	Joint venture	Property development	-	50%	0	6
KlaraBo Förv AB	Associated companies	Own, manage, develop properties	49%	49%	399	316
Valerum Fast AB	Joint venture	Own, manage, develop properties	-	50%	0	19
Bryggkaffe Fast Utv AB	Joint venture	Property development	50%	50%	21	0
Solhemmet Samhällsfastigheter AB	Joint venture	Property development	50%	50%	0	0
Samterna Holding 1	Joint venture	Property development	50%	50%	0	0
Samterna Holding 2	Joint venture	Property development	50%	50%	0	0
Fastighetsutveckling IB 95 AB	Joint venture	Property development	-	50%	0	10
JV Tangen AS	Joint venture	Property development	50%	50%	10	11
Gardermoen Campus Utvikling AS	Joint venture	Property development	65%	65%	57	62
Offentlig Eiendom AS	Associated companies	Property development	34%	40%	319	345
PPE Holding AB	Associated companies	Property development	38%	-	95	-
Sveaviken Nordsten Holding AB	Associated companies	Property development	38%	-	1	-
Samterna Utvecklings AB	Joint venture	Property development	50%	-	8	-
Kuttervägen Holding AB	Joint venture	Property development	50%	-	10	-
Idun Domum AB	Joint venture	Property development	50%	-	0	-
Mazeloten 196 AB	Joint venture	Property development	50%	-	0	-
Mazelot Odalen Projekt AB	Joint venture	Property development	50%	-	31	-

Holdings	Classification	Main activity	Share of capital 31-12-2020	Share of capital 31-12-2019	Book value 31-12-2020	Book value 31-12-2019
Sommarsol Exploatering AB	Joint venture	Property development	50%	-	1	-
Odalen Upphandling 1 AB	Joint venture	Property development	50%	-	0	-
Sommarsol Holding AB	Joint venture	Property development	50%	-	15	-
Genova Holding 25 AB	Joint venture	Property development	50%	-	112	-
Samstern Bromma Beckomberga 1:1 AB	Joint venture	Property development	50%	-	0	-
Samhäll 62 AB	Joint venture	Property development	50%	-	0	-
iBoxen Infrastruktur Sverige AB	Joint venture	Property development	35%	-	3	-
Samhäll 102 AB	Joint venture	Property development	50%	-	2	-
Bokoop Fastighet AB	Joint venture	Property development	50%	-	1	-
Fastighetsutveckling IB 102 AB	Joint venture	Property development	50%	-	30	-
Magsam Holding AB	Joint venture	Property development	50%	-	9	-
Offentliga Hus AB (publ)	Associated companies	Own, manage, develop properties	37%	-	1,444	-
Kuststaden Projektutveckling AB	Associated companies	Property development	21%	-	145	-
					2,867	909

Information on significant holdings

Holdings in joint ventures and associated companies that are considered significant for the Group are detailed below.

KlaraBo Förvaltning AB	31-12-2020	31-12-2019	Offentliga Hus AB (publ)	31-12-2020	31-12-2019
Fixed assets	1,824	1,611	Fixed assets	9,391	-
Cash and cash equivalents	79	20	Cash and cash equivalents	523	-
Other current assets	3	12	Other current assets	94	-
Long-term financial liabilities	-925	-935	Long-term financial liabilities	-5,387	-
Other long-term liabilities	-63	-27	Other long-term liabilities	-377	-
Short-term financial liabilities	-75	-12	Other current liabilities	-631	-
Other current liabilities	-44	-44			
Net assets	799	624	Net assets	3,613	-
			Net sales	535	-
Net sales	128	94	Operating and maintenance expenses	-185	-
Operating and maintenance expenses	-66	-47	Central administration	-76	-
Central administration	-9	-2	Depreciation	0	-
Depreciation	0	0	Profit from associated companies/joint ventures	1	-
Interest income	0	0	Net financial items	-232	-
Interest costs	-19	-13	Changes in value, property	-20	-
Changes in the value of properties	177	121	Changes in value, derivatives	-14	-
Tax	-41	-31	Tax	-7	-
Profit for the year	170	122	Profit for the year	2	-
Other comprehensive income	-	-	Other comprehensive income	-	-
Comprehensive income for the year	170	122	Comprehensive income for the year	2	-
of which Group's share	83	60	of which Group's share	-4	-
Reconciliation of carrying amounts:			Reconciliation of carrying amounts:		
Opening net assets	644	8	Opening net assets	-	-
Contribution for the year	-	514	Acquisitions for the year	3,912	-
Profit for the year	170	122	Profit for the year	-10	-
Comprehensive income for the year	-	-	Comprehensive income for the year	-	-
Closing net assets	815	644	Closing net assets	3,902	-
The Group's share in %	49%	49%	The Group's share in %	37%	-
The Group's share in SEK thousand	399	316	The Group's share in SEK thousand	1,444	-
Carrying amount	399	316	Carrying amount	1,444	-

Information for other holdings	31-12-2020	31-12-2019
Total carrying amount for non-significant associates/ joint ventures	1,024	574
Total amount for the Group's share of:		
Profit from continuing operations	94	33
Profit after tax from discontinued operations	-30	-
Other comprehensive income	-	-
Total comprehensive income	64	33

NOTE 17 Financial instruments

Financial assets and liabilities per valuation category

The table below presents the Group's financial assets and liabilities, as at carrying amount and fair value, classified in the categories according to IFRS 9.

Valuation of financial assets and liabilities at 31 December 2020

SEK million	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount	Fair value
Financial assets				
Receivables from associated companies/joint ventures	-	2,867	2,867	2,867
Derivatives	129	-	129	129
Financial fixed assets at fair value	2,931	-	2,931	2,931
Accounts receivable	-	91	91	91
Other current receivables	-	2,190	2,190	2,190
Cash and cash equivalents	-	13,606	13,606	13,606
Total	3,060	18,754	21,814	21,814
Financial liabilities				
Liabilities to credit institutions	-	12,064	12,064	12,064
Bond loans	-	37,784	37,784	37,784
Commercial papers	-	5,418	5,418	5,418
Other long-term liabilities	-	1,020	1,020	1,020
Derivatives	267	-	267	267
Accounts payable	-	117	117	117
Other current liabilities	-	2,098	2,098	2,098
Total	267	58,501	58,768	58,768

Valuation of financial assets and liabilities at 31 December 2019

SEK million	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount	Fair value
Financial assets				
Receivables from associated companies/joint ventures	-	1,142	1,142	1,142
Derivatives	73	-	73	73
Financial fixed assets at fair value	459	-	459	459
Long-term receivables	-	24	24	24
Accounts receivable	-	53	53	53
Other current receivables	-	791	791	791
Short-term investments	1,041	-	1,041	1,041
Cash and cash equivalents	-	12,858	12,858	12,858
Total	1,573	14,868	16,441	16,441
Financial liabilities				
Liabilities to credit institutions	-	25,985	25,985	25,985
Bond loans	-	25,162	25,162	25,162
Commercial papers	-	4,944	4,944	4,944
Other long-term liabilities	-	22	22	22
Derivatives	25	-	25	25
Accounts payable	-	131	131	131
Other current liabilities	-	8,822	8,822	8,822
Total	25	65,066	65,091	65,091

For assets and liabilities measured at amortized cost, this is assumed to be a reasonable estimate of the fair value. For some of these items, however, there is a fair value that marginally differs from the carrying amount due to changes in interest rates. For other loans, fair value is deemed to agree with the carrying amount as the credit margins agreed are still market based.

Credit risk exposure

The maximum credit risk of the assets consists of the net amounts of the reported values in the table above. The Group has not received any pledged assets for the financial net assets.

Valuation at fair value

Fair value is the price that at the valuation date would be obtained by selling an asset or paid to the transfer of a liability by an orderly transaction between market participants. The table below shows financial instruments valued at fair value based on the classification in the fair value hierarchy. The different levels are defined as follows:

Level 1 - Listed prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Other observable inputs for the asset or liability other than listed prices included in level 1 either directly (i.e. as price quotes) or indirectly (i.e. derived from price quotes).

Level 3 - Input data for the asset or the liability that is not based on available market.

Change for the derivatives in level 2 is presented below.

	31-12-2020	31-12-2019
Opening carrying amount	48	-12
New acquisitions	114	16
Disposals	-93	2
Value changes in earnings	-207	39
Translation difference	0	2
Closing carrying amount	-138	48

Calculation of fair value

Interest-bearing receivables and liabilities

For the purpose of disclosure, a fair value of interest-bearing receivables and liabilities is calculated by discounting future cash flows capital and interest discounted at current market interest rates. These items refer to level 2 of the valuation hierarchy. The company has estimated that the fair value corresponds to the carrying amount when the interest rate corresponds to current market interest rate and that the credit margin is estimated to be the same as when the loans were entered.

Interest-rate derivatives

The fair value of interest rate swaps are based on a discount of estimated future cash flows according to the contracts and maturities and based on market interest rate on the balance sheet date. The interest rate swaps relate to level 2 in the valuation hierarchy.

Financial fixed assets at fair value

The item refers to holdings in both listed and unlisted shares and other securities valued at fair value with a change in value in the result. The holdings have thus been valued in accordance with both Level 1 and Level 3. The listed shares have been valued at a quoted price on the market. For unlisted shares and other securities, input data such as recent issues and other unobservable data have been used to determine the value.

Short-term investments

The item refers to the placing of liquid funds in a so-called ETF, i.e. a listed fund. Short-term investments refer to Level 2 of the valuation hierarchy.

Current receivables and liabilities

For current receivables and liabilities, such as accounts receivable and accounts payable, with a life expectancy of less than six months, the carrying amount is considered to reflect fair value. Any classification in levels according to the valuation hierarchy is not made for these items.

Bond loans as per 31-12-2020

Term	SEK million	Repurchased by SBB	Interest terms	Maturity date	ISIN code	Type
2019-2024	500	257.5	Stibor 3M + 3.30%	14-02-2024	SE0012256741	Green
2019-2024	200	27.5	Stibor 3M + 3.25%	19-02-2024	SE0012313245	
2019-2025	600	50	Stibor 3M + 1.90%	14-01-2025	XS1997252975	
2020-2025	500	86	Stibor 3M + 1.03%	14-01-2025	XS1997252975	
2019-2023	200	75	Stibor 3M + 1.40%	22-05-2023	XS2000538699	
2016-2021	466		Stibor 3M + 1.85%	23-12-2021	NO963342624	Secured
2019-2022	500	50	Stibor 3M + 1.20%	22-07-2022	XS2021634675	Green
2019-2021	1,960	25	Stibor 3M + 0.93%	05-07-2021	XS2022418243	
2019-2023	800	80	Stibor 3M + 1.150%	06-09-2023	XS2050862262	Green
2019-2022	600	110	Stibor 3M + 0.95%	03-10-2022	XS2059787049	
2019-2023	1,000		Stibor 3M + 1.01%	01-02-2023	XS2066041661	
2019-2022	300		0.85%	11-03-2022	XS2078676322	
2019-2021	500		Stibor 3M + 0.7%	08-11-2021	XS2078691123	
2019-2023	700	25	1.07%	11-05-2023	XS2078737306	
2019-2021	800	325	Stibor 3M + 0.66%	08-11-2021	XS2078371486	
2019-2020	400	150	0.80%	14-06-2021	XS2093118953	
2019-2024	1,057		1.66%	28-11-2024	XS2085870728	
2019-HYB	1,500		3.50%	Hybrid	SE0013359148	
2020-2027	600		Stibor 3M + 1.50%	30-01-2027	XS2111589219	Green
2020-2025	785.45		Stibor 3M + 2.008	26-06-2025	XS2194790429	
2020-2023	2750		7%	24-07-2023	XS2208267596	Mandatory convertible bonds
2020-2025	200		Stibor 3M + 1.170	18-12-2025	XS2275409824	Social

Term	EURm	Repurchased by SBB (NOKm)	Interest terms	Maturity date	ISIN code	Type
2019-HYB	300		4.63%	Hybrid	XS1974894138	
2019-2025	550	3	1.75%	14-01-2025	XS1993969515	
2019-2026	500		1.13%	04-09-2026	XS2049823680	
2020-2027	750		1%	12-08-2027	XS2114871945	
2020-HYB	500		2.62%	Hybrid	XS2010032618	
2020-2040	50		2.75%	03-04-2040	XS2151934978	
2020-2028	700		0.75%	14-12-2028	XS2271332285	Social
2020-HYB	500		2.625%	Hybrid	XS2272358024	

Term	NOKm	Repurchased by SBB (EURm)	Interest terms	Maturity date	ISIN code	Type
2016-2023	620		3.00%	01-11-2023	NO0010777683	Secured
2020-2023	400		Nibor 3M + 0.72%	24-02-2023	XS2124186508	
2020-2025	700		Nibor 3M + 1.65%	27-08-2025	XS2223676201	
2020-2023	200		Nibor 3M + 1.50%	14-07-2023	XS2203994517	

NOTE 18 Other receivables

	31-12-2020	31-12-2019
Receivables, property transactions	2,081	356
Tax account	208	90
Other	109	345
Carrying amount	2,398	791

NOTE 19 Prepaid expenses and accrued income

	31-12-2020	31-12-2019
Accrued income	84	9
Prepaid acquisition costs	28	100
Project costs not invoiced	20	8
Prepaid insurance	11	0
Prepaid property tax	18	2
Prepaid rent	74	3
Other	8	36
Carrying amount	243	158

NOTE 20 Cash and cash equivalents

	31-12-2020	31-12-2019
Cash and bank balances	13,606	12,858
Carrying amount	13,606	12,858

NOTE 21 Equity

Change in share capital in SEK

	Number of ordinary class A shares	Number of ordinary class B shares	Number of ordinary class D shares	Number of preference shares	Share capital
Opening balances 01-01-2020	209,977,491	1,030,549,096	104,425,359	30,713	134,498,266
Non cash/set off issue 14-01-2020	-	9,782,909	773,778	-	1,055,669
Non cash/set off issue 20-01-2020	-	6,910,394	953,874	-	786,427
Non cash/set off issue 20-01-2020	-	647,364	-	-	64,736
Non cash/set off issue 04-02-2020	-	3,650,061	366,940	-	401,700
Non cash/set off issue 26-02-2020	-	6,575,281	-	-	657,528
New issue 17-07-2020	-	-	21,303,990	-	2,130,399
Non cash/set off issue 01-09-2020	-	-	44,197,779	-	4,419,778
New issue 13-10-2020	-	14,108,000	-	-	1,410,800
New issue 03-11-2020	-	2,748,000	-	-	274,800
Non cash/set off issue 18-12-2020	-	44,533,762	-	-	4,453,376
Non cash/set off issue 29-12-2020	-	-	7,860,160	-	786,016
Closing balances 31-12-2020	209,977,491	1,119,504,867	179,881,880	30,713	150,939,495

	Number of ordinary class A shares	Number of ordinary class B shares	Number of ordinary class D shares	Number of preference shares	Share capital
Opening balances 01-01-2019	209,977,491	546,071,540	41,626,390	175,251	79,785,067
New issue 14-01-2019	-	-	4,064,516	-	406,452
New issue 04-04-2019	-	-	2,741,936	-	274,194
New issue 04-04-2019	-	-	1,612,903	-	161,290
New issue 05-04-2019	-	-	13,042,574	-	1,304,257
New issue 30-04-2019	-	-	4,838,710	-	483,871
Non cash/set off issue 06-05-2019	-	-	697,113	-	69,711
Non cash/set off issue 11-06-2019	-	-	4,774,194	-	477,419
Non cash/set off issue 04-07-2019	-	-	209,134	-	20,913
Redeemed preference shares 20-08-2019	-	-	-	-139,030	-13,903
Non cash/set off issue 20-08-2019	-	-	2,780,600	-	278,060
Redeemed preference shares 09-09-2019	-	-	-	-5,508	-551
Non cash/set off issue 09-09-2019	-	-	110,160	-	11,016
New issue 05-11-2019	-	18,181,819	-	-	1,818,182
New issue 16-12-2019	-	57,907,534	-	-	5,790,753
New issue 23-12-2019	-	7,535,527	-	-	753,553
Non cash/set off issue 30-12-2019	-	400,852,676	27,927,129	-	42,877,981
Closing balances 31-12-2019	209,977,491	1,030,549,096	104,425,359	30,713	134,498,266

Share capital

On 31 December 2020, the share capital amounted to SEK 150,939,495.10 and the quota value was SEK 0.1, divided into 209,977,491 ordinary shares of Class A, 1,119,504,867 ordinary shares of Class B, 179,881,880 ordinary shares of Class D and 30,713 preference shares. Holders of ordinary shares of Class A and B are eligible for dividends as determined afterwards. Holders of Class D ordinary shares are entitled to five times the total dividend on Class A and B ordinary shares, although not to more than SEK 2 per share and year. The shareholding entitles the right to vote at the Annual General Meeting with one vote per share for ordinary share Class A and 0.1

per share for ordinary share Class B and ordinary share Class D.

All ordinary shares have the same right to the Samhällsbyggnadsbolaget in the Nordic region's remaining net assets. All shares are fully paid and no shares are reserved for transfer. No shares are held by the company itself or its subsidiaries.

Other capital contributions

Other contributed capital consists of capital contribution by the Samhällsbyggnadsbolaget to the owners of Norden AB (publ) in the form of shareholder contributions and share premium at issues of common shares as well as preference shares.

Hybrid bond

SBB has issued four hybrid bonds totalling SEK 14.5bn after deduction of issue costs. Below is a compilation of outstanding hybrid bonds.

ISIN code	Currency	Amount	Interest terms
SE0013359148	SEKm	1,500	Stibor 3M + 3.50 %
XS1974894138	EURm	300	4.63%
XS2010032618	EURm	500	2.62%
XS2272358024	EURm	500	2.63%

SBB has the opportunity to redeem outstanding hybrid bonds as of first possible redemption day, which is 5-6 years from the issue date. At initial recognition, the assessment was made that the hybrid bond should be classified as an equity instrument and not as a financial liability. The assessment underlying the classification is that there is no explicit contractual obligation to settle the agreement by paying cash or another financial asset. Nor are there any other circumstances indicating that the agreements will be settled in cash or another financial asset. SBB is entitled to postpone interest payments for an indefinite period in so far as hybrid bond holders are notified within the agreed period and the hybrid bond is subordinated to all other creditors.

Non-controlling interest

Non-controlling interests largely consist of the minority of ordinary shares and preference shares in Hemfosa that SBB did not control as of 31-12-2020, i.e. 1.7 percent of the shares and 1.2 percent of the votes in Hemfosa. In addition, there is a minority interest regarding a subsidiary in the Hemfosa Group.

In addition to the preference shares in Hemfosa, there are preference shares at three levels in the SBB Group: in the Parent Company and in the subsidiary Nye Barcode 121 Bidco AS. The Parent Company's preference share is entitled to one tenth (1/10) vote. If the Annual General Meeting decides on a dividend, SBB's preference share has preferential rights over the ordinary shares to an annual dividend of SEK 35 per preference share.

Translation reserve

The translation reserve includes all exchange rate differences arising from translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency in which the Group's financial reports are presented. The Parent Company and the Group present their financial reports in Swedish kronor. Accumulated translation differences are recognized in profit or loss on the sale of the foreign operations.

Translation reserve	31-12-2020	31-12-2019
Opening carrying amount	55	-108
Change for the year	-916	163
Closing carrying amount	-861	55

NOTE 22 Earnings per share

Below is a calculation of the earnings for ordinary shares of class A and B. According to the articles of association, the preference shares have preferential rights to SEK 35/share and the ordinary shares of class D carry a maximum dividend of SEK 2/share. In addition, interest is paid on hybrid loans. The calculation of earnings per ordinary share class A and B is based on the profit for the year less deductions for preference shares and ordinary shares of class D and interest on hybrid loans. The net is divided between the average number of ordinary shares of class A and B totalling to 1,312,784,970 (762,481,721).

Earnings per share before dilution	2020	2019
Profit for the year	9,084	2,624
Less profit attributable to preference shareholders	-3	-11
Less profit attributable to holders of ordinary shares of class D	-262	-150
Less profit attributable to hybrid loans	-332	-198
Less profit attributable to non-controlling interests	-74	-4
Profit for the year attributable to ordinary class A and B shares	8,413	2,261
Average number of outstanding ordinary class A and B shares	1,312,784,970	762,481,721
Earnings per share before dilution	6.41	2.97
Average number of outstanding ordinary shares of class D	130,778,598	65,967,084
Earnings per share (ordinary class D shares have no dilution)	2.00	2.00

Earnings per share after dilution	2020	2019
Profit for the year	9,084	2,624
Less profit attributable to preference shareholders	-3	-11
Less profit attributable to holders of ordinary shares of class D	-262	-150
Less profit attributable to hybrid loans	-332	-198
Less profit attributable to non-controlling interests	-74	-4
Profit for the year attributable to ordinary class A and B shares	8,413	2,261
Average number of outstanding ordinary class A and B shares	1,312,784,970	762,481,721
Effect of potential ordinary shares on options	-	10,916,617
Earnings per share after dilution	6.41	2.92

When calculating earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares are attributable to the warrants subscribed by the company's employees. The potential ordinary shares refer to Class B ordinary shares. For Class D ordinary shares, there is no dilution as there are no potential ordinary shares.

Of the dividend, SEK 1m (1) refers to dividends relating to preference shares, SEK 418m (-) to dividends relating to ordinary shares of classes A and B, SEK 93m (90) to dividends relating to class D ordinary shares and SEK 91m (72) to the interest on the hybrid bond that has not yet been paid.

NOTE 23 Financial risks

Through its operations, the Group is exposed to various types of financial risks. Financial risks refer to fluctuations in the Group's earnings and cash flow as a result of changes in, for example, interest rates. SBB is primarily exposed to liquidity risk, financing risk, credit risk and interest rate risk.

Financial transactions and risks in the Group are managed centrally by the Parent Company's finance function. The Group's finance policy for managing financial risks has been designed and decided by the Board. The finance policy forms a framework of guidelines and rules and defines the objectives for the financing activities.

The overall objective of the financing activities is to:

- Achieve the best possible financial net within the framework of the decided risk level and given risk limits.
- Identify and ensure good management of the financial risks arising in SBB.
- Ensure good payment preparedness for meeting SBB's payment obligations at any time.
- Ensure access to the required funding at the lowest possible cost within the agreed risk level.
- Ensure that the finance operations are carried out with good internal control

Further information on financing and capital structure can be found on page 58.

Liquidity and financing risk

Liquidity risk refers to the risk that there is insufficient liquidity to meet future payment commitments. Ongoing liquidity forecasts are made to identify need for capital. A liquidity reserve for the business shall at all times be available to ensure SBB's short-term payment ability. Financing risk is the risk that SBB may not have access to financing or only have access to refinancing at an increased cost for refinancing, investments and other payments. Through a good diversification in terms of the loans' maturity structure, forms of borrowing, lenders and well-balanced liquidity reserves, the risk can be minimized. SBB defines financing risk as the risk at any time of not having access to capital, or for refinancing, investment and other payments at an increased cost. As of 31 December 2020, the average remaining maturity of the loan portfolio was 4.8 years (3.4). At the same time, cash and cash equivalents totalled SEK 13,606m (12,858). In addition, the company held SEK 45,846m (19,961) in cash, loan commitments, financial investments and unutilized credit lines. The Group's contractual repayments of financial liabilities are shown in the table below. Liabilities are included at earliest repayment period.

Maturity structure	31-12-2020				
	< 1 yr	1-3 years	3-5 years	> 5 yr	Total
Liabilities to credit institutions	130	4,154	3,361	4,424	12,169
Bond loans	3,160	4,333	9,922	20,675	38,090
Commercial papers	5,418	-	-	-	5,418
Other long-term liabilities	-	999	19	3	1,020
Derivative liabilities	97	18	124	27	267
Accounts payable	117	-	-	-	117
Other current liabilities	2,098	-	-	-	2,098
Total	11,020	9,605	13,425	25,128	59,179

Maturity structure	31-12-2019				
	< 1 yr	1-3 years	3-5 years	> 5 yr	Total
Liabilities to credit institutions *)	3,923	8,921	12,403	837	26,084
Bond loans *)	1,466	7,587	4,714	11,524	25,291
Commercial papers	4,944	-	-	-	4,944
Other long-term liabilities	-	20	2	-	22
Derivative liabilities	3	1	43	-23	25
Accounts payable	131	-	-	-	131
Other current liabilities	8,822	-	-	-	8,822
Total	19,289	16,629	17,162	12,338	65,418

*) Excl. arrangement fees

Credit risk

Credit risk is defined as the risk that counterparties, both financial and commercial, are not able to fulfil their obligations to SBB or offer security for completion. In the financial operations, the objective is to actively spread the risk of capital being lost when a counterparty is unable to fulfil its obligations to SBB. Another credit risk is that SBB's tenants not being able to fulfil their obligations. The Group has established guidelines to ensure that the tenants have a suitable credit background and the credit losses in are small in relation to the Group's sales.

The assessment has been made that there has been no significant increase in credit risk for any of the Group's financial assets. The counterparties are without a credit risk rating, except for cash and cash equivalents where the counterparties have the credit rating of AA- and A.

The maturity structure for accounts receivable on the balance sheet date is given below.

	31-12-2020	31-12-2019
Rental and accounts receivable not past due	30	35
Overdue accounts receivable 1-30 days	17	18
Overdue accounts receivable 31-90 days	19	9
Overdue accounts receivable > 90 days	42	11
Total rental and accounts receivable	108	74

Provisions account receivables	31-12-2020	31-12-2019
Opening carrying amount	-20	-9
Provisions	2	-10
Amounts written off (credit losses recorded)	1	-1
Recovered, previously provisioned	0	-
Total	-17	-20

Closing carrying amount	91	54
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Receivables mainly consist of rental receivables for which the Group has chosen to apply the simplified method for reporting expected credit losses according to IFRS 9. This means that expected loan losses are reserved for the remaining maturity, which is expected to be less than one year for all receivables above. Rental income is invoiced in advance, which means that all reported rental receivables have fallen due. The Group reserves for expected credit losses based on historical information on established customer losses in combination with taking into account known information about the counterparty and forward-looking information. SBB writes off a claim when there is no longer any expectation of receiving payment and active measures for receiving payment have been terminated.

The above shows the financial assets for which the Group has reserved expected loan losses. In addition, the Group also monitors reservation requirements for other financial instruments, such as cash and cash equivalents, and for the Parent Company also internal receivables. SBB applies a rating-based method in combination with other known information and forward-looking factors for assessing expected credit losses. In cases where the amounts are not deemed to be insignificant, a provision is made for expected credit losses for these financial instruments.

Interest-rate risk

Interest rate risk is defined as the risk that the development in the fixed income market will have negative effects on SBB. Interest rate risk affects SBB partly as current interest expenses for loans and derivatives and partly as market value changes on derivatives. Interest rate risk refers primarily to the risk in SBB's current interest expenses. The objective of interest rate risk management is to achieve the desired stability in SBB's total cash flows. Stable cash flows are important partly to promote property investments, partly to meet the requirements and expectations of creditors and other external parties on SBB. Within the framework of the chosen strategy and permitted deviations, the goal is to achieve the best possible financial cash flow in the long term. The interest rate risk shall be measured on SBB's net debt in combination with derivative instruments. The interest rate risk strategy shall consist of a balanced combination of variable interest rate and fixed interest rate fixing. When choosing an interest rate risk strategy, account must be taken of how sensitive SBB's total cash flows are to

developments in the fixed income market over a multi-year time horizon. The average fixed interest term was 4.5 years (2.8) at year-end. Below is the interest maturity structure.

Interest maturity structure (nominal amount)

Maturity year	Interest due	Share %
Variable	11,415	21
2021	1,587	3
2022	1,822	3
2023	3,043	5
2024	2,264	4
2025	9,676	17
2026	25,870	46
Total interest-bearing liabilities	55,676	100

Capital Management and Financial Commitments

SBB must have a stable financial position so that it can give the company conditions for its operations and hence the goal to generate growth in profit from property management per ordinary A and B share over a five-year period of at least 15 percent per year on average.

SBB's new dividend policy also entails a goal to generate a stably increasing yearly dividend. Another goal is to achieve a BBB+ rating in the first half of 2021 and A- in the long term. In order to attain these goals, SBB has a number of financial goals:

- Loan to value shall be below 50 percent. As of 31-12-2020, LTV was 35 percent.
- Equity ratio shall be at least 45 percent. As of 31-12-2020, the Equity Ratio was 43 percent. The reason for the equity ratio falling below for 2020 is explained by the raising of capital which was made due to the acquisition of Hemfosa. The adjusted equity ratio was accordingly 48 percent.
- Generate earnings from property development of, on average, SEK 1,000m- 1,400m a year.
- Secured loan to value shall be below 30 percent. As of 31-12-2020, LTV was 10 percent.
- The interest coverage ratio shall be at least 3.0 times. For 2020, the interest coverage ratio was 4.1 times.

In credit agreements with credit institutions and bond holders there are often established limit values, so-called covenants. In most agreements, they concern solvency, loan-to-value ratio and interest coverage. The loan agreements, in general have a limit regarding equity ratio of 25 percent. The interest coverage ratio shall in the credit agreements be 1.5-1.7 times and the loan to value shall not exceed 70-80 percent.

Sensitivity analysis

The sensitivity analysis calculations are based on the Group's earning capacity and balance sheet as of 31 December 2020. The sensitivity analysis shows the effect on the Group's annual profit after full impact of each of the parameters. Interest-bearing liabilities and lease contracts run for several years, which means that level changes do not get a full impact during an individual year, but first in a longer perspective.

	Change +/-	Annual earnings effect before tax, SEKm
Economic letting ratio	1 percentage point	+/- 52
Rental income	1 percent	+/- 48
Property costs	1 percent	+/- 14
Average interest	1 percentage point	+/- 553

Hedging instruments and hedge accounting

As of 31 December 2020, the Group's holdings of foreign currency debt are distributed on the following underlying amounts and maturities.

Hedging instruments identified 31 December 2020

Hedging instrument - hedge accounting is applied (Amounts in SEKm)	Within 3 mos.	3 mos.- 1 year	1-3 years	>3 years	Total
Debt Euro – currency hedge of net investment in foreign operations	-	-	-	9,671	9,671
Debt NOK – currency hedge of net investment in foreign operations	-	-	-	2,959	2,959
Hedged debt, nominal amount (balance sheet value)	-	-	-	12,630	12,630

Hedging instruments identified 31 December 2019

Hedging instrument - hedge accounting is applied (Amounts in SEKm)	Within 3 mos.	3 mos.- 1 year	1-3 years	>3 years	Total
Debt Euro – currency hedge of net investment in foreign operations	-	-	-	2,215	2,215
Debt NOK – currency hedge of net investment in foreign operations	-	-	-	1,057	1,057
Hedged debt, nominal amount (balance sheet value)	-	-	-	3,272	3,272

Hedge accounting began in 2018. The Group applies hedge accounting in accordance with IFRS 9 regarding loan liabilities and aims to hedge currency risk in net investments in foreign operations. The loans are valued at the exchange rate at the balance sheet date. To the extent that an effective hedging relationship exists, the exchange rate change on the loans is reported in other comprehensive income, and thereby matches exchange rate changes on net investments in the foreign operations. Exchange rate fluctuations for an ineffective portion of a hedging relationship are reported immediately in the income statement.

When the transaction is concluded, the relationship between the hedging instrument and the hedged item is documented, as well as the objective of risk management and the strategy.

Hedges are designed so that they can be effective, that is, it is expected that there will be a financial connection because the hedging instrument counteracts changes in fair value regarding exchange rates in hedged items. The economic relationship is preferably determined by qualitative analysis of critical conditions in the hedging relationship. If changed circumstances affect the hedging relationship so that critical conditions no longer match, the Group uses quantitative methods (the hypothetical derivative method) to evaluate the effectiveness. Sources of hedging inefficiency include the risk that hedged volume in hedging instruments would exceed the net investment. The Group regularly monitors the currency exposure in the net investments, and hedge accounting is applied only to a proportion of total exposure, which is why the risk of inefficiency is deemed to be low.

The Group determines the hedging ratio between hedging instruments and hedged items based on the hedging quotas that exist in the actual hedges. the ratio is 1:1.

Effects of hedge accounting on financial position and earnings - Current hedging relationships	Hedging instruments identified 31 December 2020			Period - change in fair value, for measurement of inefficiency	
	Nominal amount	Carrying amount	Item in balance sheet	Hedging instrument	Hedged item
<i>Currency hedge of net investment in foreign operations</i>					
Debt in EUR	-9,671	-9,671	Bond loans	-337	-337
Debt in NOK	-2,959	-2,959	Bond loans	-201	-201

Effects of hedge accounting on financial position and earnings - Current hedging relationships	Hedging instruments identified 31 December 2019			Period - change in fair value, for measurement of inefficiency	
	Nominal amount	Carrying amount	Item in balance sheet	Hedging instrument	Hedged item
<i>Currency hedge of net investment in foreign operations</i>					
Debt in EUR	-2,215	-2,215	Bond loans	-28	-28
Debt in NOK	-1,057	-1,057	Bond loans	-8	-8

Some inefficiency has been reported during the period when the hedging ratio was not 1:1. Inefficiency is reported as exchange rate differences of SEK 158m (98) in the income statement.

Effects of hedge accounting on financial position and earnings

Reconciliation of currency translation reserve	2020 Currency translation reserve	2019 Currency translation reserve
Opening carrying amount	55	-108
<i>Additional items during the period</i>		
Currency translation effects from net investments in foreign operations	-1,339	135
Exchange rate revaluation of debt in foreign currency identified as hedging	423	28
Total additional items, reported in other comprehensive income	-916	163
Closing carrying amount	-861	55
of which continuous hedges	-861	55

NOTE 24 Other liabilities

	31-12-2020	31-12-2019
Liabilities, property transactions	715	8,169
Deferred stamp duty	320	0
Liabilities, personnel costs	14	0
Dividend	553	0
Other current liabilities	496	653
Carrying amount	2,098	8,822

NOTE 25 Accrued expenses and prepaid income

	31-12-2020	31-12-2019
Accrued personnel costs	21	20
Accrued operating costs	95	62
Accrued interest	526	287
Prepaid rental income	620	610
Other accrued expenses	113	430
Carrying amount	1,375	1,408

NOTE 26 Liabilities relating to financing activities

	01-01-2020	Trans- actions affecting cash flow	Non-cash flow transactions			31-12-2020
			Debt acquired on acquisition	Change in foreign currency	Other	
Bond loans	25,162	11,674	-	947	-	37,783
Liabilities to credit institutions	25,985	-14,918	513	484	-	12,064
Commercial papers	4,944	348	-	126	-	5,418
Deferred tax	3,095	-	-	-	-678	2,417
Other long-term liabilities	22	498	500	-	-	1,020
Total liabilities attributable to financing activities	59,208	-2,398	1,013	1,557	-678	58,703

	01-01-2019	Trans- actions affecting cash flow	Non-cash flow transactions			31-12-2019
			Assumed debt in acquisition	Change in foreign currency	Other	
Bond loans	6,925	15,161	3,085	-9	-	25,162
Liabilities to credit institutions	5,909	-328	20,391	13	-	25,985
Commercial papers	1,840	1,639	1,455	10	-	4,944
Deferred tax	-	-	3,095	-	-	3,095
Other long-term liabilities	25	-3	-	-	-	22
Total liabilities attributable to financing activities	14,700	16,469	28,026	14	-	59,208

NOTE 27 Pledged assets

	31-12-2020	31-12-2019
Mortgages	27,438	87,795
Participations in Group companies	10,905	13,161
Total	38,319	100,956

NOTE 28 Contingent liabilities

	31-12-2020	31-12-2019
Sureties for commitments in joint ventures/associated companies	-	273
Guarantees for commitments in joint ventures/associated companies	-	6
Total	-	279

NOTE 29 Related party transactions

SBB has had an incentive programme for the company's current and future employees, which comprises 20,000,000 warrants that entitle the holder to subscribe for the corresponding number of Class B shares in the company. The incentive programme is established on market terms. Subscription of Class B shares using warrants occurred in October 2020. The subscription price for new subscription of B shares corresponded to 130 percent of the average of the company's B shares' volume-weighted last price during the 10 trading days from 24 October 2017 through 6 November 2017, i.e. SEK 7.93.

For information on remuneration to senior executives, see Note 8 Employees and personnel costs.

NOTE 30 Events after the balance sheet date

- On 20 January, SBB submitted a public mandatory offer to the shareholders of Offentliga Hus. On 12 March, it was communicated that SBB's holdings amounted to 72.79 percent.
- S&P Global Ratings revised SBB's rating to BBB- with positive outlook.
- In January, SBB issued an unsecured bond of EUR 600m. The bond has a two-year term with buyback rights after approximately one year and bears a variable interest rate of 3 months EURIBOR plus 60 basis points.
- At the Extraordinary General Meeting on 23 February, a resolution was passed regarding the redemption of all preference shares and the introduction of a long-term incentive programme through the issue of warrants.
- After the end of the quarter, the company conducted an external appraisal of transactions made after the end of the quarter and contracts scheduled for occupancy in the next 12 months. These transactions concern community service properties with an average lease length of 33.8 years and a fully indexed net operating income of SEK 119m. The outcome of the appraisal indicates a surplus value that exceeds the cost/investments by SEK 1,225m.

Income statement of Parent Company

Amounts in SEKm	Note	2020	2019
Net sales		-	-
Personnel costs	4	-39	-31
Other operating costs	3	-83	-147
Operating profit/loss		-122	-178
Profit/loss from financial items			
Profit from participations in Group companies	5	166	-44
Interest income and similar items	6	927	831
Interest expenses and similar items	7	-852	-626
Translation gains/losses	7	277	-
Changes in value, derivatives	7	-265	21
Profit after financial items		132	4
Appropriations	8	-62	453
Profit before tax		69	457
Tax	9	6	-81
NET PROFIT FOR THE YEAR		75	376

Parent Company statement of comprehensive income

Amounts in SEKm	Note	2020	2019
Profit for the period		75	376
Other comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE PERIOD		75	376

COMMENTS ON THE PARENT COMPANY'S INCOME STATEMENT AND BALANCE SHEET

The Parent Company's operations consist of Group functions such as business development, transactions, property development and financing. The company has 21 employees. The costs, incl. personnel costs during the period, amounted to SEK -122m (-178).

During the period, SBB issued Class B and D ordinary shares for SEK 4,282m after issue expenses. In July, SBB issued a mandatory convertible bond that, for accounting purposes, has been divided into an equity component and a liability component. The component reported as equity including issue costs amounted to SEK 2,148m. Perpetual hybrid bonds were also issued for SEK 10,333m during the year.

Balance Sheet of Parent Company

Amounts in SEKm	Note	2020	2019
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	10	26,698	24,232
Receivables from Group companies	11.12	34,044	18,822
Receivables from associated companies/joint ventures	12	81	-
Deferred tax assets	9	180	45
Financial fixed assets at fair value	12	1,050	239
Derivatives	12	129	21
Other long-term receivables	12	-	1
Total financial fixed asset		62,181	43,360
Total fixed assets		62,181	43,360
Current assets			
Current receivables			
Other receivables	12	806	18
Prepaid expenses and accrued income	13	29	5
Total current receivables		835	23
Short-term investments	12	-	1,041
Cash and bank balances	12.14	12,986	11,664
Total current assets		13,821	12,728
TOTAL ASSETS		76,002	56,088

Amounts in SEKm	Note	2020	2019
EQUITY AND LIABILITIES			
<i>Restricted equity</i>			
Share capital		150	134
<i>Unrestricted equity</i>			
Share premium reserve		39,375	22,628
Profit brought forward		-1,172	-221
Profit for the year		75	376
Total equity		38,421	22,917
Untaxed reserves	16	14	-
Long-term liabilities			
Bond loans	12	27,255	20,387
Liabilities to associated companies	12	-	287
Derivatives	12	255	-
Other long-term liabilities	12	457	-
Total long-term liabilities		27,937	20,674
Current liabilities			
Bond loans		3,080	444
Commercial papers	12	5,418	3,486
Accounts payable	12	5	12
Current tax liabilities	9	9	-
Other liabilities	12	622	8,103
Accrued expenses and prepaid income	17	496	452
Total current liabilities		9,630	12,497
TOTAL EQUITY AND LIABILITIES		76,002	56,088

Statement of Changes in Equity of Parent Company

Amounts in SEKm				
	Share capital	Share premium reserve ¹⁾	Profit brought forward	Total equity
Total equity 01-01-2019	80	7,211	-65	7,226
Profit for the year	-	-	376	376
Other comprehensive income	-	-	-	-
Comprehensive income for the year	-	-	376	376
New/non-cash/set off issue	54	13,352	-	13,596
Issue hybrid bonds	-	4,600	-	4,677
Dividend	-	-569	-	-569
Redeemed preference shares	-	-93	-	-93
Tax effects equity	-	-	127	127
Repurchased hybrid bonds	-	-1,873	-283	-2,156
Total equity 31-12-2019	134	22,629	154	22,917
Total equity 01-01-2020	134	22,629	154	22,917
Profit for the year	-	-	75	75
Other comprehensive income	-	-	-	-
Comprehensive income for the year	-	-	75	75
Share issue	16	4,266	-	4,282
Issue hybrid bonds	-	10,333	-	10,333
Issue mandatory convertible bonds	-	2,148	-	2,148
Dividend	-	-	-1,453	-1,453
Tax effects equity	-	-	118	118
Total equity 31-12-2020	150	39,375	-1,105	38,421

¹⁾ The entire share premium reserve constitutes non-restricted equity

Cash Flow Statement of Parent Company

Amounts in SEKm	Note	2020	2019
Operating activities			
Profit after financial items		132	4
Net interest income		-87	-205
Interest paid		-568	-449
Interest received		918	831
Tax		-	-
Cash flow from operating activities before changes in working capital		394	181
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-236	-10
Increase (+)/Decrease (-) in operating liabilities		-8,051	8,120
Cash flow from operating activities		-7,893	8,291
Investing activities			
Investments in subsidiaries		-1,717	-20,532
Claims incurred by Group companies		-12,354	-10,874
Changes in receivables from associated companies		-648	156
Change in financial assets		347	-1,239
Changes of other long-term receivables		-134	-
Cash flow from investing activities		-14,505	-32,489
Financing activities			
Non-cash/set off issue		665	13,406
Issue hybrid bonds		10,333	4,600
Repurchased hybrid bonds		-	-2,156
Convertible note issue		2,148	-
Redeemed preference shares		-	-93
Group contributions received		-	453
Dividends paid		-853	-419
New loans/amortization of loans		11,713	20,065
Changes in other long-term liabilities		-287	-
Cash flow from financing activities		23,720	5,856
Cash flow for the period		1,322	11,658
Cash and cash equivalents at the beginning of the period		11,664	6
Cash and cash equivalents at the end of the period	14	12,986	11,644

Parent Company notes (1-22)

NOTE 1 Significant accounting principles

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". The Parent Company applies the same accounting principles as the Group with the exceptions and additions stated in RFR 2. This means that IFRS is applied with the deviations specified below.

Subsidiary

Shares in subsidiaries are reported in the Parent Company in accordance with the acquisition value method. This means that transaction costs are included in the book value of holdings in the subsidiary. The book value is tested quarterly against the subsidiaries' equity. In cases where the book value is less than the subsidiaries' consolidated value, impairment losses are charged to the income statement. In cases where a previous impairment is no longer justified, it is reversed.

Group contributions and shareholder contributions

The Parent Company reports both received and paid Group contributions as appropriations. Shareholder contributions of the Parent Company are transferred directly to shareholders' equity of the recipient and reported as shares and participations with the Parent Company. Received shareholder contributions are reported as an increase in non-restricted equity.

Income

Dividends are reported when the right to receive payment is certain. Revenue from the sale of subsidiaries is reported when risks and benefits and control associated with the holding in the subsidiary have been transferred to the buyer.

Financial instruments

Due to the connection between accounting and taxation, the rules on financial instruments in accordance with IFRS 9 in the Parent Company are not applied as a legal entity, but the Parent Company applies the acquisition value method in accordance with the Annual Accounts Act. In the Parent Company, therefore, financial fixed assets are valued at acquisition value and financial current assets according to the lowest value principle, with the application of impairment losses for expected loan losses according to IFRS 9 for assets that are debt instruments, see further in Note 23 for the Group. For other financial assets, write-downs are based on market values.

The Parent Company applies the exception not to value financial guarantee agreements for the benefit of subsidiaries and associated companies and joint ventures in accordance with the rules in IFRS 9, but instead applies the principles for valuation according to IAS 37 Provisions, contingent liabilities and contingent assets.

Tax allocation reserves

In the Parent Company, tax allocation reserves including deferred tax liabilities are reported. In the consolidated accounts, on the other hand, untaxed reserves are divided into deferred tax liabilities and equity.

NOTE 2 Significant estimates and assessments

For significant estimates and assessments, see Note 3 for the Group.

NOTE 3 Fees to the auditor

Ernst & Young AB	2020	2019
Audit fees	10	1
Other auditing costs	-	1
Tax consultancy	1	-
Other services	-	4
Total	11	6

NOTE 4 Employees and personnel costs

For salaries and remuneration to employees and senior executives as well as information on the number of employees, see Note 8 for the Group.

NOTE 5 Profit from participations in Group companies

	2020	2019
Dividends received	138	-
Profit from participations in Group companies	28	-44
Total	166	-44

NOTE 6 Interest income and similar items

Assets valued at amortized cost	2020	2019
Interest income to Group companies	825	611
Other interest income	102	37
Exchange rate differences*	-	182
Total	927	831

* Not calculated according to the effective interest method

NOTE 7 Interest expenses and similar items

Liabilities valued at amortized cost	2020	2019
Interest expenses to Group companies	216	136
Other interest expenses	510	242
Exchange rate differences*	-	56
Other financial costs	125	192
Total	825	626

* Not calculated according to the effective interest method

NOTE 8 Appropriations

	2020	2019
Group contributions received	-	451
Group contributions paid	-48	-
Provision for tax allocation reserve	-14	2
Total	-62	453

NOTE 9 Tax

	2020	2019
Tax for the year	-11	1
Changes in deferred tax for temporary differences	17	-82
Reported tax	6	-81

Reconciliation of effective tax rate	2020	2019
Profit before tax	69	457
Tax according to the applicable tax rate for the Parent Company (21.4/22%)	-15	-98
Tax effect of:		
Other tax rates applied in the company	1	-2
Tax attributable to preceding years	-2	2
Non-taxable income	35	0
Non-deductible costs	-31	-25
Unrecognized income to be deducted	-	11
Capitalization of deficit	17	31
Reported tax	6	-81
Effective tax rate	8.3%	17.7%

Reconciliation of deferred tax assets	31-12-2020	31-12-2019
Opening carrying amount	45	1
Tax loss carryforwards	135	44
Closing carrying amount	180	45

Reconciliation of deferred tax assets	31-12-2020	31-12-2019
Opening carrying amount	45	1
Tax reported in the income statement	17	-82
Tax recognized against equity	118	127
Closing carrying amount	180	45

NOTE 10 Participations in Group companies

	31-12-2020	31-12-2019
Opening cost	24,232	3,700
Acquisition/shareholder contributions	2,466	20,559
Provisions	-	-
Sales	-	-26
Closing carrying amount	26,698	24,232

Company	Reg. office	Shares	Capital share	Carrying amount	
				31-12-2020	31-12-2019
SBB i Norden AB (publ) CID no. 559053-5174	Stockholm	20,516,611	100%	2,281	2,281
Aktiebolaget Högekullen CID 559002-5465	Stockholm	10,000,000	100%	334	334
SBB Option AB CID 559062-6262	Stockholm	50,000	100%	7	7
Kuststaden Holding AB CID 556875-2173	Oskarshamn	26,735,251	100%	623	623
Sörmlandsporten AB CID 556716-3034	Stockholm	1,000	100%	203	203
Karlbergsvägen 77 Fastighets AB (publ) CID 559084-4352	Stockholm	15,102,878	99%	191	226
Hemfosa Fastighets AB CID 556917-4377	Stockholm	177,420,348	98%	23,058	20,559
SBB Treasury Oy CID 3147399-4	Helsinki	1,000	100%	1	-
Book value in the Parent Company				26,698	24,232

NOTE 11 Receivables from Group companies

	31-12-2020	31-12-2019
Opening carrying amount	18,822	7,948
Additional receivables	76,764	65,004
Reclassifications	0	-44
Outgoing receivables	-61,542	-54,086
Closing carrying amount	34,044	18,822

Credit risk

The Parent Company applies a rating-based method for calculating expected credit losses on intra-Group receivables based on the probability of default, expected loss and exposure in the event of default. The Parent Company has defined default as when payment of the claim is 90 days delayed or more, or if other factors indicate that the payment default is present. The Parent Company believes that the subsidiaries currently have similar risk profiles and the assessment is done on a collective basis. Significant increase in credit risk has not been considered to exist for any intra-Group receivable on the balance sheet date. The Parent Company's receivables from its subsidiaries are subordinated external lenders' claims for which the subsidiary's properties are pledged as collateral. The Parent Company applies the general method to the intra-Group receivables. The Parent Company's expected loss in the event of default takes into account the subsidiaries' average loan-to-value ratio (LTV) and the expected market value in the event of a forced sale. Based on the Parent Company's assessments according to the above method, taking into account other known information and forward-looking factors, expected loan losses are not deemed to be significant and no provision has therefore been reported.

NOTE 12 Financial instruments

Valuation of financial assets and liabilities at 31-12-2020

SEK million	Financial assets/ liabilities/ measured at fair value through profit or loss	Financial assets/ liabilities measured at amortized cost	Fair value
Financial assets			
Receivables from Group companies	-	34,044	34,044
Receivables from subsidiaries	-	81	81
Financial fixed assets at fair value	1,050	-	1,050
Derivatives	129	-	129
Other current receivables	-	806	806
Cash and cash equivalents	-	12,968	12,968
Total	1,179	47,899	49,078
Financial liabilities			
Bond loans	-	30,335	30,335
Other long-term liabilities	-	457	457
Commercial papers	-	5,418	5,418
Derivatives	255	-	255
Accounts payable	-	5	5
Other current liabilities	-	622	622
Total	255	36,837	37,092

Valuation of financial assets and liabilities at 31 December 2019

SEK million	Financial assets/ liabilities/ measured at fair value through profit or loss	Financial assets/ liabilities measured at amortized cost	Fair value
Financial assets			
Receivables from Group companies	-	18,822	18,822
Derivatives	21	-	21
Other long-term receivables	-	1	1
Other current receivables	-	18	18
Short-term investments	-	1,041	1,041
Cash and cash equivalents	-	11,664	11,664
Total	21	31,546	31,567
Financial liabilities			
Bond loans	-	20,387	20,387
Liabilities to associated companies	-	287	287
Commercial papers	-	3,486	3,486
Accounts payable	-	12	12
Other current liabilities	-	8,103	8,103
Total	-	32,275	32,275

The assets and liabilities are reported at amortized cost, which is deemed to correspond to its fair value.

Valuation at fair value

Fair value is the price that at the valuation date would be obtained by selling an asset or paid to the transfer of a liability by an orderly transaction between market participants. The table below shows financial instruments valued at fair value based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Level 1 - Listed prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Other observable inputs for the asset or liability other than listed prices included in level 1 either directly (i.e. as price quotes) or indirectly (i.e. derived from price quotes).
- Level 3 - Input data for the asset or the liability that is not based on available market (i.e. unobservable input data)

Liquidity and financing risk

Liquidity risk refers to the risk that there is insufficient liquidity to meet future payment commitments. Ongoing liquidity forecasts are made to identify need for capital. A liquidity reserve for the business shall at all times be available to ensure SBB's short-term payment ability.

Financing risk is the risk that SBB may not have access to financing or only have access to refinancing at an increased cost for refinancing, investments and other payments. Through a good diversification in terms of the loans' maturity structure, forms of borrowing, lenders and well-balanced liquidity reserves, the risk can be minimized. SBB defines financing risk as the risk at any time of not having access to capital, or for refinancing, investment and other payments at an increased cost.

As of 31 December 2020, the average remaining maturity of the loan portfolio was 4.8 years. SBB's available liquidity amounted to SEK 13,606m and financial investments amounted to approximately SEK 2,931m. In addition to this, SBB has SEK 29,309m in the form of unutilized credit facilities.

The Parent Company's contractual repayments of financial liabilities are shown in the table below. Liabilities are included at earliest repayment period.

Maturity structure	31-12-2020				Total
	< 1 yr	1-3 years	3-5 years	> 5 yr	
Bond loans	3080	4,349	9,425	13,482	30,335
Commercial papers	5,418	-	-	-	5,418
Accounts payable	5	-	-	-	5
Other current liabilities	622	-	-	-	622
Total	9,125	4,349	9,425	13,482	36,380

Maturity structure	31-12-2019				Total
	< 1 yr	1-3 years	3-5 years	> 5 yr	
Bond loans	444	7,128	13,259	-	20,831
Commercial papers	3,486	-	-	-	3,486
Accounts payable	12	-	-	-	12
Other current liabilities	8,103	-	-	-	8,103
Total	12,045	7,128	13,259	0	32,432

NOTE 13 Prepaid expenses and accrued income

	31-12-2020	31-12-2019
Prepaid acquisition costs	10	0
Prepaid insurance	7	0
Prepaid interest	10	0
Other	2	5
Carrying amount	29	5

NOTE 14 Cash and cash equivalents

	31-12-2020	31-12-2019
Cash and bank balances	12,986	11,664
Carrying amount	12,986	11,664

NOTE 15 Equity

As of 31 December 2020, the share capital consisted of 209,977,491 ordinary shares class A, 1,229,504,867 ordinary shares class B, 179,881,880 ordinary shares class D and 30,713 preference shares with a quota value of SEK 0.1. See also information in the Group's Note 21 Equity.

NOTE 16 Untaxed reserves

	31-12-2020	31-12-2019
Tax allocation reserves	14	-
Carrying amount	14	-

NOTE 17 Accrued expenses and prepaid income

	31-12-2020	31-12-2019
Accrued personnel costs	6	4
Accrued interest	488	197
Other items	2	251
Carrying amount	496	452

NOTE 18 Pledged assets

The Parent Company has no pledged assets.

NOTE 19 Contingent liabilities

	31-12-2020	31-12-2019
Guarantees for the benefit of Group companies	14,211	6,014
Carrying amount	14,211	6,014

NOTE 20 Related party transactions

Related-party transactions 2020

Financial assets	Purchases of goods/ services	Interest	Receivables on balance sheet date	Liabilities on balance sheet date
Group companies	-	609	34,044	-
Total	-	609	34,044	-

Related-party transactions 2019

Financial assets	Purchases of goods/ services	Interest	Receivables on balance sheet date	Liabilities on balance sheet date
Group companies	-	475	18,822	-
Total	-	475	18,822	-

The company's transactions with related parties include loans by the company's shareholders and lending to subsidiaries as well as interest on the loans. Loans within the Group are subordinated and with a 2 percent interest payable quarterly.

For information on remuneration to management, see employee note in the Group's Note 8.

NOTE 21 Events after the balance sheet date

For events after the balance sheet date, see Note 30 for the Group.

NOTE 22 Proposed appropriation of profit

	31-12-2020
The following unappropriated profits are at the disposal of the AGM:	
Share premium reserve	39,376,401,155
Profit brought forward	-1,181,441,272
Profit for the year	75,462,360
	38,270,422,243
The following allocation is proposed:	
Dividend ordinary class A and B shareholders (SEK 1.00/share)	1,329,482,358
Dividend class D shareholders (SEK 2.00/share)	359,763,760
To be carried forward	36,581,176,125
	38,270,422,243

The Board's opinion on the dividend is available on page 65.

The Board of Directors and the CEO assure that the consolidated and annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, respectively, good accounting practice and give a true and fair view of the Group's and the company's financial position and results and that the management report provides a true and fair overview of the development of the Group's and the company's operations, financial position and results and describes significant risks and uncertainties faced by the companies that are part of the Group.

The statutory Sustainability Report, which covers the areas in SBB's Annual Report the content of which is provided on page 34, has been approved for publication by the Board of Directors.

Stockholm, 25 March 2021

Lennart Schuss
Chairman of the Board

Ilija Batljan
CEO

Sven-Olof Johansson
Board Member

Hans Runesten
Board Member

Fredrik Svensson
Board Member

Eva Swartz Grimaldi
Board Member

Anne-Grete Strøm-Erichsen
Board Member

Our audit report was submitted on 25 March 2021.
Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Ingemar Rindstig
Authorized Public Accountant

Audit Report

To the General Meeting of the shareholders of Samhällsbyggnadsbolaget i Norden AB (publ), corporate identity number 556981-7660

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Statements

We have audited the annual accounts and consolidated accounts of Samhällsbyggnadsbolaget i Norden AB (publ) for 2020 except for the Corporate Governance Report on pages 62-65 and the Sustainability Report on pages 34-53. The company's Annual Report and consolidated accounts are presented on pages 54-102 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statements do not include the Corporate Governance Report and Sustainability Report on pages 62-65 and 34-53 respectively. The statutory management report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's Audit Committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for the statements

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent in relation to the Parent Company and Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibility in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Particularly significant areas

Areas of particular significance to the audit are those that in our professional opinion were the most significant to the audit of the annual accounts and consolidated financial statements for the period in question. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

Description of the area

The fair value of the Group's investment properties amounted to SEK 90,185m and value changes amounted to SEK 9,114m on 31 December 2020. In terms of amounts, investment properties are the most significant item on the consolidated balance sheet. Valuation at fair value is by nature associated with subjective assessments where a small change in assumptions that form the basis of the valuations can have material effects on the carrying amounts. The valuations are based on both return according to the cash-flow model and on the local price method for building rights. The cash flow model means that future cash flows are forecast. The properties' yield requirements are assessed based on each property's unique risk and transactions made in the market. The local price method means that the assessment of the value takes place based on comparisons of prices for similar building rights. Due to the various assumptions and assessments that are made in connection with the valuation of investment properties we considered this area as a key audit matter in the audit. A description of the valuation principles of the property holdings can be found in the section Properties on page 57 and Note 14, regarding significant estimates and assessments and in Note 3.

How our audit addressed this key audit matter

In our audit, we evaluated and examined the company's process for property valuation, among other things by evaluating the applied valuation method and input data in the valuations. We have also made comparisons with available market information. With support from our valuation specialists, we examined the company's model for property valuation. With support from our valuation specialists, we also examined the reasonableness of assumptions made for a selection of the properties, such as yield requirements, vacancy rate, rental income and operating costs. We have assessed whether the information provided in the annual report is appropriate.

Goodwill

Description of the area

As of 31 December 2020, goodwill for implemented business combinations amounts to SEK 6,319m in the consolidated balance sheet and is related to the difference between the acquisition value of the acquired shares and the fair value of the acquired net assets. The Group performs impairment test annually or when there is an indication that the carrying amount exceeds the estimated recoverable amount.

Assessment of the recoverable amount, defined as the highest value of fair value minus sales costs and value in use, involves assumptions from management to identify and calculate the value for cash generating units (CGUs). A description of the valuation principles of goodwill can be found in the section goodwill on page 68, Note 13 and in Note 3 regarding significant estimates and assessments.

Due to the various assumptions and assessments that are made in connection with the valuation of goodwill we considered this area as a key audit matter in the audit.

How our audit addressed this key audit matter

Our audit procedures to address this area, included, amongst others:

- We have evaluated the company's process to establish and perform impairment testing.
- We have examined how cash generating units (CGUs) are identified and compared to how the company internally monitors its business.
- We have examined the company's cash generating unit's (CGU) discount rate and assumptions on long-term growth through comparison against the company's forecasts.
- We have involved valuation specialist to assist us in the evaluation of the used valuation and calculation methods, assessment of reasonableness in used assumptions and assessment of the sensitivity analysis.

We have reviewed disclosures made in the Annual Report.

Acquisitions and sales of investment properties

Description of the area

In 2020, the Group acquired investment properties in an amount of SEK 14,552m and sold them in an amount of SEK -13,522m. The property transactions' complexity is comprised of any specific terms in the individual transaction agreements, the property's pricing and valuation, the assessment of whether the acquisition will be classified as an asset acquisition or business combination, and the assessment of the time for the recognition of the transaction. Due to the complexity of assumptions and assessments made in property transactions, we consider this area to be a key audit matter in the audit. A description of accounting principles for acquisition and sale of investment properties can be found in the Properties section on page 57, Note 1 regarding income in the income statement and Note 3 regarding significant estimates and assessments.

How our audit addressed this key audit matter

In our audit, we evaluated and examined the company's process for the assessment of classification and recognition of acquired and sold investment properties. We examined the reporting of implemented acquisitions and sales with regard to the time of recognition, purchase price and any special terms against underlying agreements. We have reviewed disclosures made in the Annual Report.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-53 and 103-108. The compensation report for the 2020 financial year also constitutes other information. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this review, we also take into account the information we otherwise collected during the audit and assess if the information otherwise appears to contain material misstatements.

Responsibility of the Board of Directors and the CEO

It is the Board of Directors and the CEO who are responsible for the preparation of the Annual Report and consolidated accounts and that they provide a fair view according to the Annual Accounts Act and, with regard to the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They provide information, when appropriate, concerning conditions that may affect the ability to continue operations and to apply the going concern assumption. The going concern assumption is not, however, applied if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative to do otherwise.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable certainty is a high degree of certainty, but is no guarantee that an audit performed according to ISA and generally accepted auditing standards in Sweden will always discover a material misstatement if such exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISA, we apply professional judgement and maintain a professional scepticism throughout the audit. In addition:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may entail a company no longer being able to continue operating.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the supervision, monitoring and execution of the Group Audit. We are solely responsible for our statements.

We must inform the Board of Directors of the planned scope and orientation of the audit and of its timing. We must also provide information regarding significant observations made during the audit, including any significant deficiencies we have identified in the internal control.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the threats or safeguards put in place.

Of the areas communicated with the Board, we determine which are most significant to the audit of the Annual Report and consolidated accounts, including the most significant risks for material misstatement that have been identified, and that therefore constitute the areas of particular significance for the audit. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Statements

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the CEO of Samhällsbyggnadsbolaget i Norden AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory management report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for the statements

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibility of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

Our objective regarding the audit of the management, and thereby our statement regarding discharge from liability, is to collect audit evidence to be able to assess, with a reasonable degree of certainty, whether any Board Member or the CEO has in any material regard:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective regarding the audit of the proposed appropriation of the company's profit, and thereby our statement in this regard, is to assess, with a reasonable degree of certainty, whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with a starting point in risk and materiality. This means that we focus on the review of such measures, areas and conditions that are essential to the operations and where departures and violations would have particular significance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Auditor's review of the Corporate Governance Report

The Board of Directors is responsible for ensuring that the Corporate Governance Report on pages 62-65 has been prepared in accordance with the Annual Accounts Act.

Our examination of the Corporate Governance Report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6, Section 6, second paragraph, items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the other parts of the Annual Report and consolidated accounts and are in accordance with the Annual Accounts Act

Auditor's opinion regarding the statutory Sustainability Report

The Board of Directors is responsible for the statutory Sustainability Report on pages 34-53 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Our examination was conducted in accordance with FAR's auditing standard RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided me (us) with sufficient basis for our opinion.

A statutory Sustainability Report has been prepared.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Samhällsbyggnadsbolaget i Norden AB by the General Meeting of the shareholders on 27 April 2020, and has been the company's auditor since 28 March 2017.

Stockholm, 25 March 2021
Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Ingemar Rindstig
Authorized Public Accountant

Definitions

Financial definitions

Actual net asset value (EPRA NTA), SEK

Equity attributable to the ordinary share, excluding equity related to preference and D shares, non-controlling interests and hybrid bonds, adding back deferred tax liability, goodwill and derivatives adjusted for estimated actual deferred tax at 5.5 percent.

The key figure provides an adjusted and complementary measure of the size of equity calculated in a manner consistent with listed property companies.

Number of preference shares outstanding

The number of preference shares outstanding at the end of the period.

Number of ordinary shares outstanding

The number of ordinary shares outstanding at the end of the period.

Return on equity, %

Net profit for the period in relation to average equity for the period.

The key figure shows SBB's return on equity during the period.

Loan-to-value ratio, %

Net debt in relation to total assets. The key figure is used to illustrate SBB's financial risk.

EPRA

European Public Real Estate Association is an organization for listed property companies and investors in Europe. EPRA sets standards regarding financial reporting.

EPRA Earnings, SEK

Profit from property management after dividend to preference shareholders and holders of D shares, result attributable to non-controlling interest and interest on hybrid bonds less estimated current tax attributable to the profit from property management. Taxable profit from property management refers to profit from property management less tax deductible depreciation and renovations.

The key figure provides information on profit from property management calculated in a uniform manner for listed property companies.

Profit from property management

Profit before changes in value and tax.

The key figure provides a measurement of the operations' profit generation regardless of value changes.

Average number of preference shares

The number of preference shares outstanding weighted over the period.

Average number of ordinary shares

The number of ordinary shares outstanding weighted over the period.

Average interest, %

Weighted average contracted interest for interest-bearing liabilities at the end of the period excluding unutilized credit facilities.

The key figure is used to illustrate SBB's financial risk.

Average fixed interest term, years

Average remaining duration until an interest-adjustment point for interest-bearing liabilities.

The key figure is used to illustrate SBB's financial risk.

Adjusted equity/assets ratio, %

Reported equity including owner loans and convertibles, with reversal of reported deferred tax liability as a percentage of total assets.

The key figure is used to illustrate SBB's financial stability.

Tied-up capital, year

Remaining maturity of interest-bearing liabilities.

The key figure is used to illustrate SBB's financial risk.

Cash flow from operating activities, SEK

Cash flow from operating activities before changes in working capital according to the cash flow statement.

Long-term net asset value (EPRA NRV), SEK

Recognized equity attributable to the ordinary share, excluding equity related to preference and D shares, non-controlling interests and the hybrid bond, adding back deferred tax liability, goodwill attributable to deferred tax and derivatives. The key figure provides an adjusted and complementary measure of the size of equity calculated in a manner consistent with listed property companies.

Net debt, SEK

Interest-bearing liabilities less cash and cash equivalents.

Earnings per ordinary share A and B, SEK

Net profit for the period after dividend to preference shareholders and holders of D shares, result attributable to non-controlling interest and interest on hybrid bonds in relation to the average number of ordinary shares A and B for the period.

Interest-coverage ratio, multiple

Profit from property management (last 12 months) after reversal of net financial items in relation to net interest income, excluding costs for early redemption of loans and leasing costs.

The key figure is used to illustrate financial risk.

Equity/assets ratio, %

Reported equity as a percentage of total assets. The key figure is used to illustrate SBB's financial stability.

Secured loan-to-value ratio, %

Secured liabilities as a percentage of the total assets.

The key figure is used to illustrate SBB's financial stability.

Property-related definitions

Number of properties

Number of properties at the end of the period

Number of m²

Total area in the property portfolio at the end of the period

GFA

Gross floor area

Yield, %

Net operating income (rolling 12 months) in relation to the sum of the properties fair value at the end of the period excl. the value for building rights and project properties.

The key figure is used to illustrate the level of return on the net operating income in relation to the value of the properties.

Net operating income, SEK

Rental income less property costs.

Economic letting ratio, %

Rental income as a percentage of rental value

The key figure is used to facilitate the assessment of rental income in relation to the total value of potential lettable area.

EPRA Vacancy rate, %

The rental value of vacant leases divided by the rental value of the entire portfolio.

The key figure is calculated in accordance with the EPRA definition, which enables comparison with other companies.

Average contract length of social infrastructure properties, years

Remaining contract value in relation to annual rent for social infrastructure properties.

The key figure aims to illustrate SBB's rental risk.

Rental income, SEK

Charges for the period with deductions for rental losses.

Rental value, SEK

Refers to contracted rent plus the assessed rent on vacant space.

Market value of properties, SEK

Fair value of the properties at the end of the period.

Surplus ratio, %

Net operating income as a percentage of rental income for the period.

The key figure shows how much of the rental income remains after direct property costs.

Calculation of alternative performance measures

Return on equity

Amount in SEK, millions	2020	2019
Profit for the period	9,084	2,624
Opening Equity	30,896	11,197
Closing Equity	52,136	30,896
Average equity	41,516	21,047
Return on equity	22%	12%

Loan-to-value ratio

Amount in SEK, millions	2020	2019
Liabilities to credit institutions	12,064	25,985
Bond loans	37,783	25,162
Commercial papers	5,418	4,944
Cash and cash equivalents	-13,606	-12,858
Net liabilities	41,659	43,233
Total assets	120,231	104,203
Loan-to-value ratio	35%	41%

Yield

Amount in SEK, millions	2020	2019
Net operating income according to earnings capacity	3,487	3,713
Investment properties	90,185	79,542
Building rights and ongoing projects	-9,056	-2,893
Property value excl. building rights	81,129	76,649
Yield	4.3%	4.8%

Economic letting ratio

Amount in SEK, millions	2020	2019
Rental income in current earnings capacity	4,839	5,217
Rental value in current earnings capacity	5,170	5,502
Economic letting ratio	93.6%	94.8%

EPRA Earnings

Amount in SEK, millions	2020	2019
Profit from property management	2,474	645
Net profit attributable to preference shares	-3	-11
Net profit attributable to ordinary class D shares	-262	-150
Net profit attributable to hybrid bonds	-332	-198
Net profit attributable to non-controlling interest	-74	-4
Tax paid	-165	-34
Profit from property management after taxes paid	1,638	248
Average number of ordinary class A and B shares	1,270,977,083	762,481,721
Earnings per class A and B ordinary share	1.29	0.33
Average number of ordinary class A and B shares after dilution	1,312,784,970	773,398,338
Earnings per ordinary share A and B after dilution	1.25	0.32

Adjusted equity ratio

Amount in SEK, millions	2020	2019
Equity	52,136	30,896
Deferred tax excl. deferred tax related to goodwill	5,128	3,869
Total	57,264	34,765
Total assets	120,231	104,203
Adjusted equity ratio	48%	33%

Earnings per class A and B ordinary share

Amount in SEK, millions	2020	2019
Profit for the period	9,084	2,624
Net profit attributable to preference shares	-3	-11
Net profit attributable to ordinary class D shares	-262	-150
Net profit attributable to hybrid bonds	-332	-198
Net profit attributable to non-controlling interest	-74	-4
Net profit attributable to ordinary class A and B shares	8,413	2,261
Average number of ordinary class A and B shares	1,312,784,970	762,481,721
Earnings per class A and B ordinary share	6.41	2.97

Interest coverage ratio

Amount in SEK, millions	2020	2019
Profit from property management (rolling 12 months)	2,474	645
<i>Reversal of net financial items</i>		
Interest income and similar items	-166	-102
Interest expenses and similar items (rolling 12 months)	973	482
Expenses for redeemed loans in advance (rolling 12 months)	199	197
Exchange rate differences (rolling 12 months)	-158	-91
Land lease payments (rolling 12 months)	25	7
Total reversal of net financial items	873	493
Profit from property management (rolling 12 months) excl. net financial items	3,347	1,138
Net interest income		
Interest income and similar items	166	102
Interest expenses and similar items (rolling 12 months)	-973	-482
Total net interest items	-807	-380
Interest coverage ratio (multiple)	4.1	3.0

Equity ratio

Amount in SEK, millions	2020	2019
Equity	52,136	30,896
Total assets	120,231	104,203
Equity ratio	43%	30%

Net asset value

Amount in SEK, millions	2020	2019
<i>Equity excluding non-controlling interest</i>		
Equity	52,136	30,896
Hybrid bond	-14,480	-4,629
Non-controlling interest	-411	-1,963
Equity excluding non-controlling interest	37,244	24,304
Preference share capital	-15	-15
D share capital	-5,531	-3,255
Reversal of derivatives	138	-48
Goodwill attributable to deferred tax	-2,044	-2,368
Other goodwill	-4,275	-4,319
Reversal of debt component of mandatory convertible bonds	541	-
Reversal of deferred taxes	7,172	6,237
Deferred tax deduction (5.5%)	-3,506	-2,604
Current net asset value (EPRA NTA)	29,724	17,931
Current net asset value (EPRA NTA), SEK/share	22.36	14.45
Current net asset value (EPRA NTA), SEK/share (diluted)	20.86	14.26
Reversal of other goodwill	4,275	4,319
Reversal of deferred tax deduction (5.5%)	3,506	2,604
Long-term net asset value (EPRA NRV)	37,505	24,855
Long-term net asset value (EPRA NRV), SEK/share	28.21	20.04
Long-term net asset value (EPRA NRV), SEK/share (diluted)	26.32	19.77
Number of ordinary class A and B shares	1,329,482,358	1,240,526,587
Number of ordinary class A and B shares after dilution	1,425,117,900	1,257,358,587

Secured loan-to-value ratio

Amount in SEK, millions	2020	2019
Liabilities to credit institutions	12,064	25,985
Secured bond loans	465	1,334
Total secured loans	12,529	27,319
Total assets	120,231	104,203
Secured loan-to-value ratio	10%	26%

Surplus ratio

Amount in SEK, millions	2020	2019
Net operating income	3,479	1,265
Rental income	5,121	1,996
Surplus ratio	68%	63%

Investor relations

Samhällsbyggnadsbolagets IR's activities should, through clear information disclosure, responsiveness and clear availability, promote good relations with the capital market's players, create trust in the company and thereby contribute to cost-effective financing in terms of a fair market valuation. IR activities and associated information disclosure shall be in accordance with applicable legislation, the Nasdaq regulations, the Swedish Financial Supervisory Authority's guidelines for stock exchange and MTF companies, the Swedish Code of Corporate Governance and SBB's guidelines for communication.

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Press releases, interim reports and annual reports are published and can be downloaded, in both Swedish and English (most), at the SBB's website (www.sbbnorden.se). There is also continuous information about the company, the share and financial statistics and the opportunity to subscribe to press releases and reports.

Calendar

Interim report Jan-Mar 2021	05-05-2021
Annual General Meeting	05-05-2021
Interim report Jan-June 2021	15-07-2021
Interim report Jan-Sept 2021	29-10-2021



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