KAPITALSKA DRUŽBA

CONSOLIDATED ANNUAL REPORT 2023

Kapitalska družba d. d.

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LIST OF USED ABBREVIATIONS

ISA	Insurance Supervision Agency
GDP	Gross domestic product
BVAL	Bloomberg Valuation Service
CBBT	Composite Bloomberg Bond Trader
ECB	European Central Bank
ESS	Economic and Social Council
EU	European Union
EUR	Euro – the currency of the European Monetary Union
FURS	Financial Administration of the Republic of Slovenia
G20	The G20 group
IMF	International Monetary Fund
KDD	Centralna klirinško depotna družba, d. o. o.
KS MR	Modra Renta Guarantee Fund
KS MR II	Modra Renta II Guarantee Fund
KS PPS	Guarantee Fund of the First Pension Fund of the Republic of Slovenia
KPSJU	Life-Cycle Civil Servants Pension Fund
MKPS	Life-Cycle Pension Fund (MKPS)
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
OECD	Organisation for Economic Cooperation and Development
OdSUKND	Ordinance on the strategy for the governance of the State's capital assets (Official Gazette of the Republic of Slovenia, No 53/2015)
IASB	International Accounting Standards Board
IFRIC	The International Financial Reporting Interpretations Committee
OTC	Over The Counter
PDPZ	Voluntary supplementary pension insurance
PNMZ K	Pension scheme for collective supplementary pension insurance (MKPS)
PNMZ P	Pension scheme for individual voluntary supplementary pension insurance (MKPS)
PPS	First Pension Fund of the Republic of Slovenia
RS	Republic of Slovenia
SBI TOP	Central Slovenian stock market index
SSH	Slovenian Sovereign Holding, d. d.
SODPZ	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
SURS	Statistical Office of the Republic of Slovenia
IMAD	Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development
USD	US dollar - Currency of the United States of America
VaR	Value At Risk

ZFPPIPP	Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (Official Gazette of the Republic of Slovenia no. 126/07, 40/09, 59/09, 52/10, 106/10 - Official Gazette of the RS, no. 126/07, 40/09, 59/09 and 52/10, 26/11, 47/11 - ORZFPPIPP21-1, 87/11 - ZPUOOD, 23/12 - Constitutional Court decision, 48/12 - Constitutional Court decision 47/13, 56/13 - ZPre-1E, 100/13, 10/15, 27/16, 31/16 - Constitutional Court decision, 38/16 - Constitutional Court decision, 63/16 - ZD-C, 30/18 - ZPPDID, 54/18 - Constitutional Court decision, 69/19 - Constitutional Court decision, 49/20 - ZIUZEOP, 61/20 - ZIUZEOP-A, 36/20 - ZZUSUDJZ, 74/20 - Constitutional Court decision, 85/20 - Constitutional Court decision, 203/20 - ZIUPOPDVE , 178/21, 196/21 - Constitutional Court decision, 157/22 - Constitutional Court decision, 35/23 - Constitutional Court decision, 57/23 - Constitutional Court decision, 102/23)
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, No. 42/2006, 60/2006 – corr., 26/2007 – ZSDU-B, 33/2007 – ZSReg-B, 67/2007 – ZTFI, 10/2008, 68/2008, 42/2009, 33/2011, 91/2011, 100/2011 – Constitutional Court decision, 32/2012, 57/2012, 44/2013 – Constitutional Court decision, 82/2013, 55/2015, 15/2017, 22/2019 – ZPosS, 158/2020 – ZIntPK-C, 175/2020 – ZIUOPDVE, 18/2021, 74/2021 - ZIPRS2122-A, 29/2022 - ZUOPDCE, 18/2023 - ZDU-1O, 75/2023)
ZIPRS2324	Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2023 and 2024 (Official Gazette of the Republic of Slovenia no. 150/2022)
ZIPRS2425	Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (Official Gazette of the Republic of Slovenia no. 123/2023, 12/2024)
ZNVP-1	Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 75/2015, 74/2016 – ORZNVP48, 5/2017, 15/2018 – Constitutional Court decision 43/2019)
ZODPol	Organisation and Work of the Police Act (Official Gazette of the Republic of Slovenia, No. 15/2013, 11/2014, 86/2015, 77/2016, 77/2017, 36/2019, 66/2019 – ZDZ, 200/2020, 172/2021, 201/2021 – Constitutional Court decision, 105/2022 – ZZNŠPP, 141/2022)
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZPIZ-1	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 106/1999, 72/2000, 81/2000 – ZPSV-C, 124/2000, 52/2001, 109/2001, 11/2002, 108/2002, 114/2002, 110/2002 – ZISDU-1, 29/2003, 40/2003 – Constitutional Court decision, 63/2003 – ZIPRS0304-A, 63/2003 – Constitutional Court decision, 133/2003, 135/2003, 25/2004, 63/2004 – ZZRZI, 136/2004 – Constitutional Court decision, 2/2004 – ZDSS-1, 54/2004 – ZDoh-1, 8/2005, 72/2005, 111/2005, 23/2006, 69/2006, 112/2006 – Constitutional Court decision, 114/2006 – ZUTPG, 17/2007, 5/2008, 5/2008, 10/2008 – ZVarDod, 73/2008, 53/2009, 98/2009 – ZIUZGK, 27/2010 – Constitutional Court decision, 38/2010 – ZUKN, 56/2010, 79/2010 – ZPKDPIZ, 94/2010 – ZIU, 57/2011, 94/2011 – Constitutional Court decision, 105/2011 – Constitutional Court decision, 61/2010 – ZSVarPre, 40/2011 – ZSVarPre-A, 110/2011 – ZDIU12, 40/2012 – ZUJF, 96/2012 – ZPIZ-2, 9/2017 – Constitutional Court decision, 121/2021, 171/2021 – Constitutional Court decision)

ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the RS, No 96/2012, 39/2013, 46/2013 – ZIPRS1314-A, 63/2013 – ZIUPTDSV, 99/2013 – ZSVarPre-C, 101/2013 – ZIPRS1415, 111/2013 – ZMEPIZ-1, 44/2014, 85/2014 – ZUJF-B, 95/2014 – ZIUPTDSV-A, 97/2014 – ZMEPIZ-1A, 95/2014 – ZIPRS1415-C, 95/2014 – ZUPPJS15, 95/2014 – ZUJF-C, 31/2015 – ZISDU-3, 90/2015 – ZIUPTD, 90/2015 – ZUPPJS16, 96/2015 – ZIPRS1617, 102/2015, 42/2016 – Constitutional Court decision, 80/2016 – ZIPRS1718, 88/2016 – ZUPPJS17, 40/2017, 23/2017, 75/2017 – ZIUPTD-A, 65/2017, 71/2017 – ZIPRS1819, 28/2019, 75/2019 – ZIPRS2021, 75/2019 – ZUPPJS2021, 75/2019, 36/2020 – ZIUJP, 49/2020 – ZIUZEOP, 61/2020 – ZIUZEOP-A, 139/2020 – ZUPPJS2021-A, 139/2020, 174/2020 – ZIPRS2122, 189/2020 – ZFRO, 15/2021 – ZDUOP, 51/2021, 74/2021 – ZIPRS2122-A, 121/2021, 162/2021, 187/2021 – ZIPRS2223, 10/2022, 29/2022 – ZUOPDCE, 150/2022 – ZIPRS2324, 40/2023 - ZČmIS-1, 78/2023 - ZORR, 84/2023 - ZDOsk-1, 125/2023 - Constitutional Court decision, 133/2023)
ZPPOGD	Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. 21/2010, 8/2011, 23/2014 – ZDIJZ-C)
ZSDH-1	The Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014, 96/2015 – ZIPRS1617, 80/2016 – ZIPRS1718, 71/2017 – ZIPRS1819, 51/2018 – ZIUGDT, 174/2020 – ZIPRS2122, 187/2021 – ZIPRS2223, 140/2022)
ZUJIK	Exercising of the Public Interest in Culture Act (Official Gazette of the Republic of Slovenia no. 96/2002, 123/2006 – ZFO-1, 7/2007 – Constitutional Court decision, 53/2007, 65/2007 – Constitutional Court decision, 56/2008, 4/2010, 20/2011, 100/2011 – Constitutional Court decision, 111/2013, 68/2016, 61/2017, 21/2018 – ZNOrg, 49/2020 – ZIUZEOP, 3/2022 – ZDeb, 105/2022 – ZZNŠPP)
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015, 9/2019, 49/2020 – ZIUZEOP, 102/2020, 48/2023, 78/2023 – ZZVZZ-T)

GROWTH.

INTRODUCTION
TO THE ANNUAL REPORT

1 PRESENTATION OF THE KAPITALSKA DRUŽBA GROUP

The Kapitalska družba Group consists of the controlling company, Kapitalska družba, d. d., and three subsidiaries, Modra zavarovalnica, d. d., Hotelske nepremičnine, d. o. o., and FINAP, d. d. – in liquidation. Each of the listed companies is presented in more detail below.

1.1 KAPITALSKA DRUŽBA, D. D.

1.1.1 Company

Company name: Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

Registered address: Dunajska cesta 119, Ljubljana

Company ID number: 5986010000

VAT ID: SI59093927

1.1.2 Ownership Structure and Equity

As at 31 December 2023, the sole shareholder of Kapitalska družba d. d. is the Republic of Slovenia.

The Company's share capital amounts to EUR 364,809,523.15, and is divided into 874,235 registered no-par value ordinary shares. Each no-par value share shall account for the same proportion and corresponding amount in the share capital.

1.1.3 Activities of the company

The main activity of Kapitalska družba, d. d. is the management of its own assets and the management of the Compulsory Supplementary Pension Insurance Fund (SODPZ) with the aim of providing additional funds for pension and disability insurance. Kapitalska družba, d. d. also performs other activities related to asset management and services related to support to asset management.

The activities of Kapitalska družba d. d. are defined by law and by the Company's Articles of Association. According to its Articles of Association, Kapitalska družba, d. d. carries out the following activities in accordance with its purpose:

58.110	Book publishing
58.120	Issuing of directories and address books
58.130	Newspapers publishing
58.140	Publishing of journals and other periodicals
58.190	Other publishing activities
58.290	Other software publishing
59.200	Recording and publishing of sound recordings and musicals

62.010	Computer programming activities
62.020	Computer consultancy activities
62.030	Computer facilities management activities
62.090	Other information technology and computer service activities
63.110	Data processing, hosting and related activities
63.120	Web portals
64.200	Activities of holding companies
64.300	Activity of trust and other funds and similar financial entities
64.990	Other unclassified financial service activities, except insurance and pension fund activities
65.300	Pension funding
66.210	Risk and damage evaluation
66.290	Other activities auxiliary to insurance and pension funding
68.100	Buying and selling of own real estate
68.200	Renting and operating of own or leased real estate
69.200	Accounting, bookkeeping and audit activities, tax consultancy (except audit activities)
70.100	Company management activities
70.220	Business and other management consultancy activities
73.200	Market research and public opinion polling
85.590	Other education n.e.c.
85.600	Educational support activities

1.1.4 Bodies of the Company

1.1.4.1 Management Board

***Bachtiar Djalil**, Chairman of the Board*

***Gregor Bajraktarević**, Member*

In 2023, Kapitalska družba d. d., was run by the Management Board composed of:

- Bachtiar Djalil, Chairman of the Board
- Gregor Bajraktarević, Member.

The Chairman of the Management Board and a member of the Management Board of Kapitalska družba, d. d. were appointed by the Supervisory Board on the basis of a public tender, in accordance with the Company's Articles of Association and the provisions of ZSDH-1. One of the Members is appointed Chairman of the Management Board. The term of office of the board members lasts four years, after which they may be reappointed.[1]

The Company's Management Board is not authorised to issue or purchase treasury shares.

1 The Chairman of the Board, Bachtiar Djalil, began his new four-year term on 4 January 2023, and the member of the Board, Gregor Bajraktarević, began his new four-year term on 9 February 2023.

1.1.4.2 Supervisory Board

In 2023, the Supervisory Board of Kapitalska družba d. d. operated in the following composition:

- Janez Tomšič, Chairman,
- Boris Žnidarič, Deputy chairman[2],
- Ladislav Rožič, Member,
- Mirko Miklavčič, Member,
- Boštjan Leskovar, Member,
- Andreja Cedilnik, Member.

On 1 February 2023, the four-year term of office of three members of the Supervisory Board expired: Boris Žnidarič, Mirek Miklavčič and Ladislav Rožič. At the General Meeting of 2 February 2023, Boris Žnidarič, Mirko Miklavčič and Ladislav Rožič were reappointed as members of the Supervisory Board. The term of office of these three members of the Supervisory Board lasts four years and began on 2 February 2023. At the Supervisory Board meeting on 9 March 2023, Boris Žnidarič was re-elected Deputy Chairman of the Supervisory Board.

The Supervisory Board of Kapitalska družba, d. d. is appointed by the General Meeting of the Company. In compliance with Article 51(6) of ZSDH-1, the Supervisory Board is composed of six members. Three members of the Supervisory Board are appointed on the proposal of Slovenski državni holding, d. d. (Slovenian Sovereign Holding – SSH), two members on the proposal of the pensioners' organisations at the state level and one member on the proposal of trade union associations or confederations which are representative of the country. If stakeholders do not formulate a proposal for the appointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of Shareholders. The proposal of candidates for shareholder representatives is drawn up by SSH, which informs the Supervisory Board about the selection, while the proposal of candidates representing pensioners is formulated by federations or organizations of pensioners at the state level, which inform the Supervisory Board about the selection. The candidates from among the representatives of the trade unions are elected by the representatives (electors) of the representative government-level trade union associations or confederations, which inform the Supervisory Board about the selection. Any representative association or confederation has the number of representatives equal to the number of the representative trade unions it comprises. In addition to the representatives referred to in the previous sentence, the association or confederation elects another representative for every ten thousand members. The term of office of the Supervisory Board members is four years with the possibility of reappointment.

1.1.4.3 General Meeting

The rights of the sole shareholder are exercised by the Government of the Republic of Slovenia.

1.1.5 Diversity policy

In 2023, Kapitalska družba, d. d. adopted a Diversity Policy for the Management and the Supervisory Board, which sets out the main principles for ensuring diversity in the Management Board and the Supervisory Board of Kapitalska družba, d. d. with regard to representation in both bodies. The Diversity Policy promotes diversity in the membership of both bodies. Differences in knowledge, experience, professional qualifications, age, gender and other aspects of the members of the Management Board and the Supervisory Board can be used to the benefit of the company by the diverse composition of

2 Boris Žnidarič held the position of Deputy Chairman of the Supervisory Board until the end of his term on 1 February 2023, and again in the new term from 9 March 2023.

the bodies. The Diversity Policy aims to achieve greater diversity in the composition of the Management Board and the Supervisory Board, which will contribute to the effectiveness of both bodies and will have a positive impact on the development of the Company's business and reputation. Ensuring diversity in terms of gender, age, educational and professional background, professional profile, tenure allows for the exchange of different views and perspectives and a good understanding of current developments, with the aim of ensuring the long-term success and sustainability of the Company's business. The Management Board and the Supervisory Board and its human resource committee strive to achieve the goals of the Diversity Policy, each within the scope of their responsibilities. The commitment to the implementation of the Diversity Policy is also followed by the sole shareholder and other stakeholders, in particular when proposing the members of the Supervisory Board, as Article 51(6) of the Slovenian Sovereign Holding Act (ZSDH-1) provides for a legally defined interest-based composition of the Supervisory Board, according to which, out of a total of six members of the Supervisory Board, three members are appointed on the proposal of SSH, two members are appointed on the proposal of national pensioners' federations or organisations, and one member is appointed on the proposal of trade union federations or confederations, representative of the country. The aim shall be to have as equal a gender balance as possible and continuity of orientation so that not all members of the Management Board or Supervisory Board are replaced at the same time. The complementarity of the two bodies is also important. Gender diversity is skewed in favour of the male gender, with a ratio of 83.3% : 16.7% on the Supervisory Board and 100% : 0% on the Management Board.

1.1.6 Other

Kapitalska družba, d. d. is a public interest entity (PIE), but it does not meet the average number of employees criterion under Article 70c of the Companies Act (i.e. the average number of employees in the financial year as at the balance sheet cut-off date is not greater than 500), and is therefore not obliged to prepare a statement of its non-financial operations.

1.2 MODRA ZAVAROVALNICA, D. D.

1.2.1 Company

Name: Modra zavarovalnica, d. d.

Registered address: Dunajska cesta 119, Ljubljana

Company ID number: 6031226000

VAT ID: SI21026912

1.2.2 Ownership Structure and Equity

As at 31 December 2023, the sole shareholder of Modra zavarovalnica, d. d. was Kapitalska družba, d. d.

The Company's share capital amounts to EUR 152,200,000, and is divided into 152,200,000 entered ordinary registered no-par value shares. Each share represents an equal stake and an associated amount in the share capital. The share of an individual no-par value share in the share capital is determined according to the number of no-par shares issued.

1.2.3 Activities of the company

Modra zavarovalnica, d. d., performs activities within the group of life insurance products pursuant to the Insurance Act and the decision issued by the Insurance Supervision Agency allowing the Company to perform insurance transactions in the following insurance segments:

- accident insurance – point 1 of paragraph 2 of Article 7 of the Insurance Act (ZZavar-1),
- life insurance – point 19 of paragraph 2 of Article 7 of the Insurance Act (ZZavar-1).

The activities of Modra zavarovalnica, d. d. are defined by law and by the company's Articles of Association. According to the Articles of Association and in line with its purpose, Modra zavarovalnica, d. d., performs the following activities:

65.110	Life insurance
65.120	Non-life insurance (only the insurance business under the classes of insurance involving accident and health insurance)
65.300	Pension funding
66.210	Risk and damage evaluation
66.220	Activities of insurance agents and brokers
66.290	Other activities auxiliary to insurance and pension funding
66.300	Fund management activities

1.2.4 Bodies of the Company

1.2.4.1 Management Board

Pursuant to the Company's Articles of Association, the Management comprises three members. In 2023, Modra zavarovalnica, d. d. was run by the Management Board composed of:

- Borut Jamnik, Chairman of the Management, four-year mandate period from 29 August 2021 onwards, mutual termination of the mandate on 16 April 2023,
- Matej Golob Matzele, Chairman of the Management, four-year mandate period from 10 May 2023 onwards,

- Matija Debelak, Member of the Management, four-year mandate period starting 14 September 2021; in the period from 1 January to 16 April 2023, member of the management, in the period from 17 April to 9 May 2023, Chairman of the Management and from 10 May 2023, member of the Management,
- Boštjan Vovk, Member of the Management, four-year mandate period starting 1 October 2022.

The Management runs the Company in the best interest of the Company, independently and at its own responsibility. The Management Board represents and presents the Company without limitations. In legal transactions, the Company is represented by two Management members jointly, i.e. the Chairman and one member, a member with the Chairman or another member of the Management Board. The Company's Articles of Association lay down the transactions and decisions that are subject to approval by the Supervisory Board.

In 2023, the Management executed its powers in line with the Management's Rules of Procedure, made regular reports to the Supervisory Board and, in line with the Articles of Association, fulfilled its obligations to the shareholder as laid down by the Companies Act (ZGD-1).

1.2.4.2 Supervisory Board

The Supervisory Board comprises six members. Kapitalska družba, d. d., proposes three members of the Supervisory Board. Half the Supervisory Board members were proposed by insured persons based on a public call to submit their candidate proposals. Two members were proposed by the Board of the Life-Cycle Civil Servants Pension Fund on behalf of the insured, while the third member was proposed by the Board of the Life-Cycle Pension Fund on behalf of other insured persons.

In 2023, the Supervisory Board comprised the following members:

- Bachtiar Djalil, Chairman of the Supervisory Board from 23 December 2022 to 22 December 2023 and Deputy Chairman of the Supervisory Board from 23 December 2023,
- Branimir Štrukelj, Deputy Chairman of the Supervisory Board from 23 December 2022 to 22 December 2023 and Chairman of the Supervisory Board from 23 December 2023,
- Bojan Zupančič, Member,
- Janez Prašnikar, Member
- Roman Jerman, Member,
- Marko Cvetko, Member.

The powers of the Supervisory Board are laid down in the Company's Articles of Association, while the method of its work is governed by the Supervisory Board's Rules of Procedure.

1.2.4.3 General Meeting

The voting rights at the general meeting in 2023 were exercised by Kapitalska družba, d. d., as the sole shareholder.

1.3 HOTELSKE NEPREMIČNINE, D. O. O.

1.3.1 Company

Name: Hotelske nepremičnine, družba za nepremičnine, d. o. o.

Registered address: Dunajska cesta 119, Ljubljana

Company ID number: 8290130000

VAT ID: SI86977334

1.3.2 Ownership Structure and Equity

As at 2 October 2018, Kapitalska družba, d. d. together with its subsidiary Modra zavarovalnica, d. d. founded Hotelske nepremičnine, d. o. o. As at 31 December 2023, the share capital of the latter equals EUR 25,000.00 and each founder holds a 50 % interest.

1.3.3 Activities of the company

The company Hotelske nepremičnine, d. o. o., was founded for the purchase of property, namely of the San Simon resort.

Principal activity:

68.200 Renting and operating of own or leased real estate

1.3.4 Management

In 2023, the directors of the company Hotelske nepremičnine, d. o. o. were:

- Zoran Perše, Director,
- Roman Jerman, Director.

1.4 FINAP, D. D. – IN LIQUIDATION

1.4.1 Company

Name: FINAP, storitve in posredovanje, d. d. – in liquidation

Registered address: Rimska cesta 11, Ljubljana

Company ID number: 5001927000

VAT ID: 37429043

As at 31 December 2023, Kapitalska družba, d. d. holds a 66.08% interest in the company, which it obtained on the basis of Article 48.a of the Book-Entry Securities Act (ZVNP-1). On 24 March 2009, the General Meeting of Shareholders of the Company adopted the decision on the termination of the company and on the beginning of regular liquidation due to the reduced volume of operations, which caused long-term negative operations of the company.

On 7 March 2024, the subsidiary company FINAP, storitve in posredovanje, d. d. - in liquidation was deleted from the court register on the basis of the following sequence of decisions of the registration court. By order ref. no. Srg 2023/37549 of 6 November 2023 the Court decided to initiate the procedure for the cancellation of the registration of the subject of entry. As no objection was lodged against the aforementioned decision within the time limit laid down in Article 436 of the ZFPPIPP, the court, by decision ref. no. Srg 2024/2474 of 25 January 2024, decided that there was a ground for cancellation (Article 439(1)(1) of the ZFPPIPP). Then, by order ref. no. Srg 2024/8280 of 7 March 2024, the court decided to delete FINAP, storitve in posredovanje, d. d. - in liquidation from the court register.

2 STATEMENT BY THE MANAGEMENT BOARD OF THE CONTROLLING COMPANY

The year was marked on the one hand by the exceptional growth of financial markets, moderate growth of the gross domestic product (GDP) and falling inflation, and on the other hand by geopolitical turmoil, which in the second half of the year not only affected Ukraine, but also the Middle East region. In 2023, the Group operated successfully, had capital that reached EUR 1.5 billion and managed more than EUR 4.6 billion of its own funds, funds of mutual pension and cover funds.

The group is the largest operator and provider of supplemental pension insurance and the largest payer of supplemental pensions/pension annuities in the Republic of Slovenia. More than 360,000 insured persons or members save in its mutual pension funds, and the collected funds reached EUR 2.4 billion. Total supplementary pension insurance premium paid in the year in funds, reached EUR 196 million in 2023. Since its foundation, the Group has been setting standards for the quality management of pension funds, which once again proves how important its role is in the stability of the pension system.

As a demographic reserve fund, Kapitalska družba, d. d. makes regular contributions to the public pension system, thus helping to cover the cost of pensions paid by ZPIZ. It also transferred EUR 65 million to ZPIZ in 2023. By delivering on our commitments in a sustainable way, we contribute to the reliability of the Slovenian pension system, even though the amount of these contributions exceeds the characteristics of the assets we have at our disposal. A significant proportion of investments are defined as strategic or significant by the country's capital investment management strategy and therefore represent hard-to-sell assets.

At the beginning of 2023, the insurance company faced the introduction of the IFRS 17 standard, which fundamentally changed the accounting treatment of insurance contracts and the statements of insurance undertakings. The standard demanded the implementation of the transition on 1 January 2022 and the preparation of comparative statements for 2022. The introduction of the new standard also led to the need to redefine the assets of the insurance company, which it had already defined in the context of business models defined in accordance with the IFRS 9 standard. The insurance company carried out the reclassification of the assets prospectively, without recalculation retrospectively, and recognized the determined difference due to the reclassification to the debit of the Company's equity as at 1 January 2023.

The Group's organizational culture is becoming more and more permeated day by day with the holistic aspects of sustainable business practices (ESG), which pursues long-term sustainable positive performance. This means supporting responsible business practices, expanding connectivity, promoting integrity and responsible business practices, and empowering employees. This is how we live our core values: safety, professionalism, accountability, honesty, teamwork and customer focus. We build our advantages on business excellence and dedicated, highly professional colleagues. Empowered and motivated employees, characterised by strong work discipline, knowledge and creativity, are the guarantee for the successful further development of the Group and its growing role in the Slovenian pension system.

Gregor BAJRAKTAREVIĆ
Member of the Management Board

Bachtiar DJALIL
Chairman of the Management Board

3 REPORT OF THE SUPERVISORY BOARD OF THE CONTROLLING COMPANY

REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE AUDITED CONSOLIDATED ANNUAL REPORT OF THE KAPITALSKA DRUŽBA GROUP FOR 2023

Pursuant to Article 282 of the ZGD-1, the Supervisory Board of Kapitalska družba hereby submits the following report to the Company's General Meeting.

a) Report of the Supervisory Board on the method and extent of the verification of the Company's management during the financial year

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federation/organisation of pensioners and one is appointed on the basis of a proposal by national-level trade union federation or confederation. The same conditions and criteria that apply to members of SDH's Supervisory Board apply to the members of Kapitalska družba's Supervisory Board. Members of Kapitalska družba's Supervisory Board serve a four-year term of office and may be reappointed. The Supervisory Board of Kapitalska družba functioned in the following composition in 2023: Janez Tomšič (Chairman), Dr Boris Žnidarič (Deputy Chairman), Andreja Cedilnik (member), Boštjan Leskovar, MSc (member), Mirko Miklavčič (member) and Ladislav Rožič, MSc (member). The terms of office of the following three members of the Supervisory Board expired on 1 February 2023: Dr Boris Žnidarič, Mirko Miklavčič and Ladislav Rožič, MSc. At the Company's General Meeting held on 2 February 2023, Dr Boris Žnidarič, Mirko Miklavčič and Ladislav Rožič, MSc were reappointed as members of the Supervisory Board. The four-year term of office of the three aforementioned members of the Supervisory Board began on 2 February 2023. Dr Boris Žnidarič was reappointed Deputy Chairman of the Supervisory Board at the 229th session of the aforementioned body held on 9 March 2023, the first session following the start of his new term of office. All members were actively included in the work of the Supervisory Board, in particular through their regular attendance at sessions, and through their participation in discussions and the adoption of decisions. In connection with the adoption of decisions by the Supervisory Board, the rules of procedure of Kapitalska družba's Supervisory Board include provisions regarding steps to be taken in the event of a potential conflict of interests. In addition to disclosing the fact that he also serves as a member of SDH, d.d.'s Management Board, Chairman of the Supervisory Board Janez Tomšič issued a statement of self-exclusion in accordance with the fourth paragraph of Article 59 of the ZDSH-1 in the statement of independence he provided.

The Supervisory Board met at nine sessions during the 2023 financial year as follows: six regular sessions and three correspondence sessions.

The Kapitalska Družba Group comprises the parent company Kapitalska družba d.d. and three subsidiaries: Modra zavarovalnica d.d., Hotelske nepremičnine d.o.o. and FINAP d.d. (in liquidation). A review of the important matters discussed by the Supervisory Board in 2023 is presented below:

- particular attention in the monitoring of Kapitalska družba's operations in 2023 was given to monitoring the management of the Company's assets and to monitoring the management of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ), which is managed by Kapitalska družba;
- confirmation of the annual reports of Kapitalska družba and the Kapitalska Družba Group for the 2022 financial year;
- consent to Kapitalska družba's business-financial plan for the 2024 financial year;
- the Supervisory Board was continuously briefed on the operations of the subsidiary Modra zavarovalnica;
- the Supervisory Board monitored the Company's management activities, in the scope of which the performance of individual Slovenian investments of significant value (some of them are defined as strategic or important investments in accordance with the Strategy for Managing State Capital Investments) were presented and discussed in detail by quarters at sessions of the Supervisory Board. With regard to those investments, the Supervisory Board was also briefed on the voting positions of the Management Board prior to that company's general meeting. In accordance with the provisions of the Company's Articles of Association, the members of the Supervisory Board also gave the Management Board their consent to conclude transactions for the purchase and sale of securities and participating interests when the value of a specific transaction exceeded the value set out in the relevant Supervisory Board resolution. Among such decisions in 2023, the Supervisory Board consented to the extension of the loan rescheduling agreement with Sava, d.d. and, based on opposition to the resolution to delist shares from the regulated market, consented to the demand that Kompas Shop, d.d. acquire shares held by Kapitalska družba for appropriate monetary compensation;
- in 2023, the Supervisory Board adopted the Diversity Policy for the Company's Management Board and Supervisory Board, which is being implemented with the aim of ensuring the diversity of management and supervisory bodies, in part through an appropriate composition in terms of expertise, gender and age. That policy defines separately diversity objectives in the composition of the Supervisory Board and Management Board. The Supervisory Board adopted a new methodology for calculating variable remuneration based on the performance and effectiveness of the work of Kapitalska družba's Management Board, and gave its consent to amendments to the Rules on the internal organisation of Kapitalska družba, relating to the reorganisation of one sector and the discontinuation of a department as an independent organisational unit at the second management level with the aim of rationalising and optimising the Company's operations; and
- the Supervisory Board carried out a self-assessment of the effectiveness of its work. In order to assess its effectiveness, Supervisory Board members relied on the self-assessment matrix published in the Manual for Assessing the Effectiveness of Supervisory Boards, adopted by the Slovenian Directors' Association. On the basis of the self-assessment, the Supervisory Board conducted its analysis and adopted a guideline to put more emphasis on the training of the Supervisory Board members.

An Audit Committee, Accreditation Committee (until 9 March 2023) and HR Committee functioned as advisory bodies to the Supervisory Board in 2023. The Supervisory Board finds that it cooperated with the committees, Management Board and the Company's expert departments effectively, properly and professionally.

Work of the Supervisory Board’s Audit Committee

In 2023, the Supervisory Board’s Audit Committee functioned in the following five-member composition until 9 March 2023: Andreja Cedilnik (chair), Ladislav Rožič, MSc and Mirko Miklavčič (members, until 1 February 2023) and Natalija Stošicki and Mojca Verbič (external members). The Audit Committee functioned in the following four-member composition from 10 March 2023 on: Andreja Cedilnik (chair), Boštjan Leskovar, MSc and Mirko Miklavčič (members), and Natalija Stošicki (external member). The members of the Audit Committee are appointed from the members of the Supervisory Board until the end of the term of office on the aforementioned body, unless otherwise decided in a resolution of the Supervisory Board. The terms of office of independent experts (external members) are not tied to the term of office of Supervisory Board members, and those persons may be replaced by the Supervisory Board at any time. The Supervisory Board's Audit Committee met at ten sessions, three of which were correspondence sessions. One session was held in the composition of members that functioned until 9 March 2023, while nine sessions were held in the composition of members that functioned from 10 March 2023 on.

The Audit Committee is a permanent working body of the Supervisory Board, and throughout the financial year it closely monitored the operations of the Company and the work of the Management Board for the needs of the Supervisory Board’s decisions. In its work, the Audit Committee complied with the provisions of the ZGD-1 with respect to its competences, as well as the provisions of the rules of procedure of the audit committee as adopted by the Supervisory Board. In addition to its legally prescribed tasks, the Audit Committee also reviewed the interim reports on the operations of Kapitalska družba, its subsidiary and the SODPZ under Kapitalska družba’s management, and it also performed additional tasks by authorisation of the Supervisory Board. It was briefed on information regarding the performance of individual companies of significant value. It also monitored the work of the internal audit department. In 2023, the Audit Committee consented to the conclusion of agreements with the certified auditor that encompassed permitted non-audit services. It also carried out the process of self-assessment of the work performed in the previous year. The Audit Committee regularly briefed the Supervisory Board on its work during the latter’s sessions.

Work of the Supervisory Board’s Accreditation Committee

The Supervisory Board’s Accreditation Committee functioned in the following composition until 9 March 2023: Dr Boris Žnidarič (chair until 1 February 2023), Boštjan Leskovar, MSc (member) and Ladislav Rožič, MSc (member until 1 February 2023), and Dr Alenka Stanič, Irena Prijović, MSc and Gorazd Žmavc (external members). The aforementioned committee did not meet in 2023. The Accreditation Committee’s task was to provide support to the Supervisory Board in the assessment of the suitability of candidates for members of the supervisory and management boards of companies in which Kapitalska družba holds capital investments who were selected from a predefined list of candidates. At its 229th session held on 9 March 2023, the Supervisory Board adopted a resolution to discontinue the work of the Accreditation Committee because it assessed that the Company’s Management Board is responsible for the selection of competent candidates for members of the Supervisory Board and thus responsible for formulating, if required, an appropriate HR Committee that will report to the Management Board.

Work of the HR Committee

The Supervisory Board's HR committee functioned in the following composition until 8 March 2023: Boštjan Leskovar, MSc (chair), and Andreja Cedilnik (member) and Mirko Miklavčič (member until 1 February 2023). From 9 March 2023 on, the HR Committee functioned in the following composition: Boštjan Leskovar, MSc (chair), and Ladislav Rožič, MSc and Andreja Cedilnik (members). The members of the HR committee, who are also members of the Supervisory Board, are appointed until the end of their term of office on the Supervisory Board, unless otherwise decided in a resolution of the aforementioned body.

The Supervisory Board's HR Committee met at two sessions. One session was held in the composition of members that functioned until 8 March 2023, while one session was held in the composition of members that functioned from 9 March 2023 on. The committee's main tasks in 2023 were as follows: support for the Supervisory Board in the formulation of a revised methodology for calculating variable remuneration based on the performance and effectiveness of the work of the Company's Management Board, cooperation in the formulation of the Diversity Policy of the Company's Management Board and Supervisory Board, and the formulation of a proposal for the setting of the variable remuneration of the Company's Management Board for 2022.

The earnings of members of the Supervisory Board and the external members of its committees are disclosed in the consolidated annual report in Tables 58 and 59.

Assessment of the work of the Management Board and Supervisory Board

On the basis of the above-described continuous monitoring and supervision of the operations and management of Kapitalska družba and group companies during the 2023 financial year, and based on a review of the consolidated annual report of the Kapitalska Družba Group for 2023 compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and disclosures contained therein reflect the actual situation and position of the Kapitalska Družba Group. The Supervisory Board finds that the Management Board prepared materials in a timely manner, which facilitated quality information and the thorough discussion of the most important operational matters. The Management Board also provided exhaustive responses to the Supervisory Board's additional questions and initiatives. The Management Board's reporting to the Supervisory Board enabled the latter to carry out its supervisory role satisfactorily in 2023.

b) Supervisory Board's position regarding the audit report

Pursuant to the second paragraph of Article 282 of the ZGD-1, the Supervisory Board reviewed and discussed the audit report relating to the audit of the consolidated financial statements of the Kapitalska Družba Group for 2023, which was conducted by the audit firm PricewaterhouseCoopers d.o.o., Ljubljana, which issued an unqualified opinion. In the auditor's opinion, the consolidated financial statements represent a fair picture, in all material respects, of the consolidated financial position of Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d. (hereinafter: Company) and its subsidiaries (hereinafter collectively: Group) as at 31 December 2023, and of the consolidated financial performance of the Group and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. The Supervisory Board has no remarks regarding the audit report.

c) Decision regarding the approval of the consolidated annual report for 2023

The audited consolidated annual report of the Kapitalska Družba Group for 2023 was discussed by the audit committee at its 101st session held on 13 June 2024, and by the Supervisory Board at its 239th session held on 20 June 2024. The Audit Committee assessed the annual report as appropriate, and proposed that the Supervisory Board approve the annual report. Pursuant to the provisions of Article 282 of the ZGD-1, the Supervisory Board hereby approves the consolidated annual report of the Kapitalska Družba Group for 2023.

Janez Tomšič
President of the Supervisory Board

Ljubljana, 20 June 2024

STABILITY.

MANAGEMENT
REPORT

4 ORGANISATION OF THE KAPITALSKA DRUŽBA GROUP

The Group is organised in line with the needs of the work process and requirements regarding the efficiency and competitiveness of operations. The role of Kapitalska družba, d. d., as the parent company in the insurance group, which includes the subsidiary companies Modra zavarovalnica, d. d., Hotelske nepremičnine, d. o. o., and FINAP, d. d. – in liquidation. Kapitalska družba, d. d., provides IT services for its subsidiaries Modra zavarovalnica, d. d., and Hotelske nepremičnine, d. o. o.

4.1 REPORTING ON OUR EMPLOYEES

Employees are the source of effort and knowledge contributing to the attainment of the Group's long-term goals and the satisfaction of its stakeholders. For this reason, we strive to create a working environment in which we encourage mutual trust, respect and cooperation in achieving the Group's goals. We pay considerable attention to knowledge and education as we are aware that only intensive investment in development can allow the Company to respond quickly and efficiently to the requirements of the competitive market.

At the end of 2023, there were 128 employees in the Kapitalska družba Group, of which Kapitalska družba, d. d. had 62 employees, and Modra zavarovalnica, d. d. had 66 employees. The company Hotelska nelimenične, d. o. o., has no employees; both directors, who manage the company based on the management contract, are employed by Kapitalska družba, d. d., or Modra zavarovalnica, d. d. Company FINAP, d. d. - in liquidation has no employees.

Table 1: Number of employees in the Group by level of education

Education level	Number of employees as at 31 Dec 2023	Number of employees as at 31 Dec 2022
Level 8 (8/1, 8/2)	23	20
Level 7	54	51
Level 6 (6/1, 6/2)	31	32
Level 5	18	16
Level 4	2	2
Total	128	121

5 BUSINESS ENVIRONMENT

5.1 MACROECONOMIC OPERATING FRAMEWORK

5.1.1 Gross domestic product, inflation and unemployment

In 2023, after the Russian invasion of Ukraine, the end of the Covid-19 pandemic and the intensification of the monetary tightening policies of the major central banks, the world economy has shown considerable resilience at the global level, with major divergences between individual countries. Economic growth surprised positively, especially in the US and some other developed and developing countries, while growth in Europe was weak and negative in some countries.

In the fight against inflation, the largest central banks continued their restrictive monetary policy and increased interest rates in 2023. The historically extreme intensity of interest rate hikes by the American, European and English central banks has influenced (financial analysts') expectations of a recession in 2023, which have not materialised. Government and household consumption have been the main contributors to economic growth, helped by lower energy prices and the opening up of the Chinese economy after the Covid-19 pandemic. The banking crisis that emerged in early 2023 was limited to individual banks and did not trigger a broader financial crisis, thanks to the swift reaction of the American and Swiss supervisory institutions. Governments are facing fiscal pressures from high debt levels, higher expenditures due to an ageing population, increased defence spending, and climate change and extreme weather events, which hit Slovenia hard in 2023.

In the fight against inflation, the European Central Bank (ECB) was more successful than the US Federal Reserve System. Core inflation in the US gradually declined from 5.7% in December 2022 to 3.9% in December 2023, while in the Euro area it rose from 5.2% in December 2022 to 5.7% in March, ending 2023 at 3.4%.

Both the OECD and the IMF expect a further moderation in the inflation rate, but in most countries these will remain higher than the target levels of the central banks in 2024 as well. Despite the decline in the inflation rate, core inflation and, within it, especially services inflation, have been sustained at high levels in many countries by cost (wage) pressures and high margins in some industries. In its February forecast, the OECD predicts that core inflation in countries of the G20 group will fall from 4.2% in 2023 to 2.5% in 2024, and should reach target levels in most countries towards the end of 2025. Core inflation in the Euro area is forecast to fall from 3.4% in 2023 to 2.6% in 2024, according to their forecasts, and to 2.8% according to the IMF.

Unemployment remains low in both the US and Europe. Financial analysts describe in particular the robustness of the labour market in the US, where the unemployment rate reached 3.7% at the end of 2023, and 6.4% in the Euro area. Wage pressures from high inflation, which have eroded workers' real incomes, and shortages of skilled labour in certain industrial and technological sectors have posed important challenges for the conduct of national economic policies.

In 2023, Slovenia had a 1.6% growth in economic activity,[3] which mostly stems from the growth of gross fixed investments in fixed assets and final household consumption. The foreign trade surplus also contributed to the growth in economic activity, while the reduction in inventory had a negative impact. The unemployment rate stood at 3.4% at the end of 2023 and decreased by 0.1 percentage points compared to the previous year. The annual inflation rate has decreased from 10.3% to 4.2% in 2023 and is much higher than the average level in the Euro area. The prices of food and soft drinks contributed the most to the annual inflation in Slovenia[4].

The OECD and IMF forecast below-average but positive global economic growth of 2.9% or 3.1% respectively in 2024, and weak growth of 0.6% or 0.9% in the Euro area. In their forecasts, they highlight the risks, associated with potential geopolitical tensions, fluctuations in commodity prices (especially energy prices) and possible financial turmoil due to high debt levels in many countries. They also warn of the possibility of persistent inflation and of the consequences of current monetary policies, which will affect individual countries at different speeds and with different strengths.

The table below shows the macroeconomic aggregates (gross domestic product, inflation and unemployment rate) for Slovenia and major world countries or regions for 2023.

Table 2: Gross domestic product, inflation and unemployment rate, data for 2023

	Annual inflation rate, in %	Annual GDP growth, in %	Unemployment rate, in %
Slovenia	4.2	1.6	3.4
Germany	3.7	-0.2	5.8
Euro area	2.9	0.1	6.4
USA	3.4	3.1	3.7
China	-0.3	5.2	5.1

Source: Bloomberg (6 February 2024), IMAD, SURS (29 February 2024).

5.1.2 Interest rates

In 2023, most central banks in developed countries, with the exception of the Bank of Japan, continued with restrictive monetary policy and interest rate hikes. In 2023, the ECB raised basic interest rates six times, by a total of 2.0 percentage points. The last increase was in September, when the main refinancing operations rate was raised by 25 basis points to 4.5%. The Federal Reserve raised the interest rates four times, by a total of 1.0 percentage point. The last increase was in July to a value of 5.25% to 5.50%. Both central banks managed to reduce inflation rates significantly in 2023, but they were still higher than the central banks' targets at the end of 2023. At the last meeting of the two central banks in December, there was already a change in rhetoric from the Federal Reserve and a mention of interest rate reductions, in contrast to the ECB, which had not yet discussed this at its meeting.

Despite the fact that peaks have probably reached been in this interest rate cycle, central banks will continue monetary tightening through activities to reduce the value of their balance sheets, notably by reducing the amount of reinvestment and by selling bonds.

3 First estimate from SURS, calculated from quarterly data.
4 Data from SURS and IMAR.

Table 3: Basic interest rates of major central banks

	The level of the basic interest rate as at 31 Dec 2023
Euro area	4.5% (basic interest rate) 4.0% (deposits interest rate)
USA	5.25– 5.50%
England	5.25%
Japan	-0.10%
Canada	5.00%
China	4.35%

Source: Bloomberg (7 February 2024)

5.2 TRENDS ON FINANCIAL MARKETS

In 2023, significant increases in the prices of equity and debt securities were recorded, the rare exception of negative returns were Chinese stocks, prices of industrial raw materials and the value of the dollar in EUR. Despite the slowdown in economic growth and the intensity of interest rate hikes by major central banks (with the exception of the Bank of Japan and the Bank of China), which exceeded analysts' expectations at the beginning of the year, the global stock index posted record returns. Debt markets also recorded high returns, but mainly at the expense of a strong rebound in the last two months of 2023. In the final months of the year, data on a stronger decline in inflation rates were released, which, together with data on a robust labour market, meant that financial market expectations of intensive central bank interest rate cuts in 2024 and the possibility of a reduction in inflation without the onset of a recession - the so-called soft landing - were reflected in financial instrument prices.

The year 2023 did not pass without major upheavals, which did not have a long-term impact on the financial markets. The first was the banking crisis in the first half of March, which caused some short-term corrections, notably in the value of corporate shares in the US and European financial sectors, and a significant widening of credit spreads on both corporate and government bonds. The second was the US debt ceiling. A last-minute political agreement on a statutory debt ceiling prevented a default on maturing US debt, but in August the rating agency Fitch downgraded the US credit rating by one notch - from the highest possible rating of AAA to AA+.

The six-month (6m) Euribor rose from 2.7% at the beginning of the year to 4.14% in October 2023, reaching the 2008 level, and ended the year at 3.86%. The yield to maturity of the 10-year German government bond started 2023 at 2.57%, flirted with 3% in October and ended the year at 2%.

The average price growth of government bonds (+7.2%) was lower than that of corporate bonds (+8.2%), despite the longer average maturity of these investments, as we also saw a reduction in credit spreads in the bond market.

The Global Stock Index MSCI World (MSCI Daily TR Gross World) gained 20.5% in Euro currency terms, with developed markets contributing the most to returns and a handful of high-tech companies making the biggest contribution to growth. Together with the dividend yield, the Slovenian share index of the first listing achieved a 27.1% increase in value.

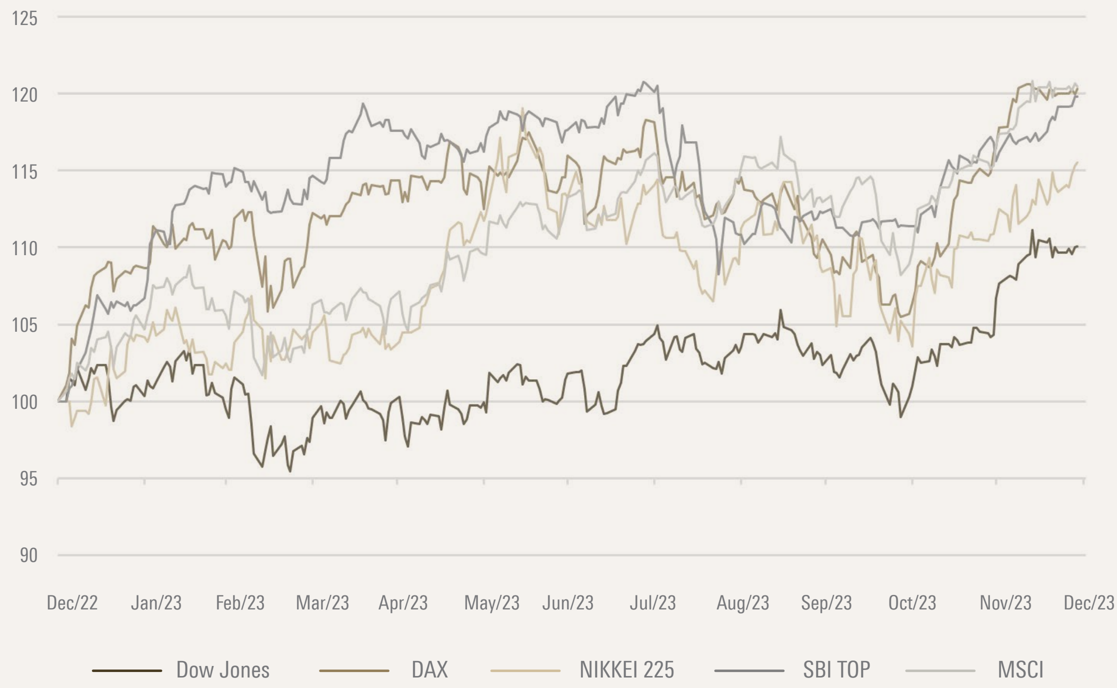
The reduction in required rates of return on debt investments and the increase in geopolitical risk in the Middle East have contributed to the rise in the gold price. It is the only one to gain 9.5% in 2023, measured in EUR, against a general fall in the prices of other raw materials.

Table 4: The returns of the most important financial markets

	Returns in 2023, measured in EUR, including dividend yield
Stock indexes	
SBITOP – Slovenia	27.1%
DAX - Germany	20.3%
Dow Jones – USA	12.5%
NIKKEI 225 – Japan	17.9%
MSCI World TR – global	20.5%
Bond indexes	
IBOXX EUR Sovereigns TR index – government EUR bonds	7.2%
IBOXX EUR Corporates TR Index – corporate EUR bonds	8.2%
Exchange rate and raw materials	
EUR/USD	3.1%
Crude petroleum - BRENT	-3.9%
Gold	9.5%

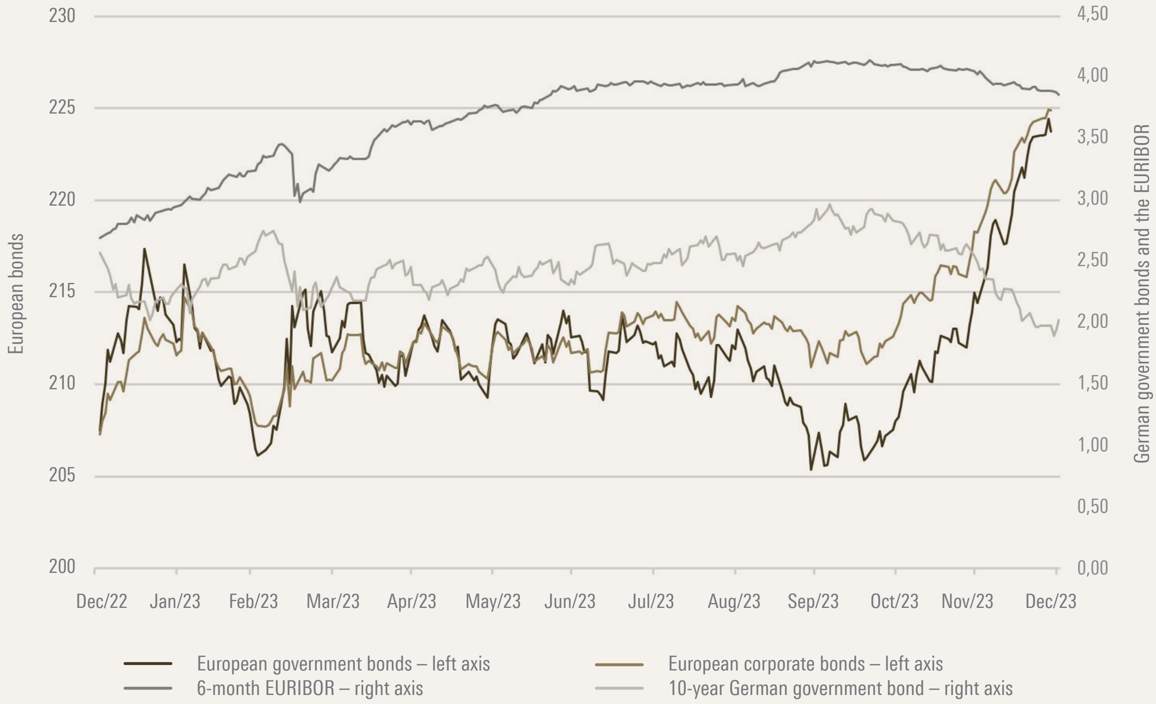
Source: Bloomberg (7 February 2024)

Figure 1: Changes of the Slovenian stock index SBI TOP and some foreign stock indices in 2023, in Euro (index: 31 December 2022 = 100)



ource: Bloomberg (5 February 2024).

Figure 2: Changes of the index of the total yield of European government bonds (IBOXX EUR Sovereigns TR Index), the index of total yield of European corporate bonds (IBOXX EUR Corporates TR Index), the yield to maturity of the 10-year German government bond and the value of the 6-month EURIBOR in 2023



Source: Bloomberg (5 February 2024).

6 OPERATIONS OF THE KAPITALSKA DRUŽBA GROUP IN 2023

The Kapitalska družba Group consists of the controlling company (Kapitalska družba, d. d..) and three subsidiaries (Modra zavarovalnica, d. d., Hotelske nepremičnine, d. o. o., and FINAP, d. d. – in liquidation). Subsidiary companies Modra zavarovalnica, d. d., and Hotelske nepremičnine, d. o. o., report to the parent company in accordance with the Group Code[5], which also defines the reporting guidelines, which define the contents, deadlines and methods of reporting by the subsidiary company to the parent company in the Group. Associates of Kapitalska družba, d. d., are listed in the accounting report - Note no. 14.

6.1 MANAGEMENT OF THE KAPITALSKA DRUŽBA'S OWN ASSETS

Kapitalska družba, d. d. classifies its investments into four groups, namely:

- Equity investment,
- Abandoned securities[6],
- Securities from registry accounts[7] and
- Portfolio investments.

The composition of financial assets is presented in the following table, followed by a more detailed description of the mentioned groups.

5 The Corporate Governance Code of the Group does not include FINAP, d. d. – in liquidation.
6 Abandoned securities acquired under Article 48.a of ZNVP-1.
7 Securities from registry accounts acquired under Article 48a of ZNVP-1.

Table 5: Financial assets of Kapitalska družba, d. d., as at 31 December 2023 and 31 December 2022

Investment type	Value (in 000 EUR)	Share (in %)	Value (in 000 EUR)	Share (in %)
	31 Dec 2023		31 Dec 2022	
Equity investment	780,006	61.3	668,591	59.3
strategic investments[8]	196,599	15.4	189,000	16.8
important investments	500,250	39.4	411,535	36.5
portfolio investments	83,157	6.5	68,056	6.0
Abandoned securities	255	0.0	213	0.0
Securities from registry accounts	7,736	0.6	6,420	0.6
Portfolio investments	485,298	38.1	452,953	40.1
portfolio equity investments	17,131	1.3	18,094	1.6
portfolio debt investments[9]	437,842	34.5	396,488	35.1
cash and cash equivalents	1,909	0.1	9,955	0.9
Investment in financial receivable	28,416	2.2	28,416	2.5
Total financial assets	1,273,295	100.0	1,128,177	100.0

6.1.1 Management of Capital Investments

6.1.1.1 Governance in relation to systemic regulation

At the end of April 2014, The Slovenian Sovereign Holding Act (ZSDH-1) came into force. With the implementation of ZSDH-1, the management of the Republic of Slovenia's investments on behalf of and for the account of the Republic of Slovenia remained the responsibility of SSH. The latter also on behalf of Kapitalska družba, d. d., exercises voting rights and conducts sales procedures in the case of joint investments.

ZSDH-1 defined the maximum annual liability of Kapitalska družba, d. d., for the provision of ZPIZ funds. Namely, Kapitalska družba, d. d., on the basis of the provisions of the third paragraph of Article 52 of ZSDH-1, is obliged to transfer, every year by September 29 at the latest, EUR 50 million to ZPIZ, mainly for the coordination of pensions, or a proportionally lower amount, if the amount for the coordination of pensions is lower. Kapitalska družba, based on the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2023 and 2024 (ZIPRS2324), regardless of the third paragraph of Article 52 ZSDH-1, had to transfer EUR 65 million to ZPIZ in 2023.

SSH manages investments in accordance with ZSDH-1, OdSUKND, investment management policy, corporate governance code and based on the annual investment management plan. The adopted OdSUKND also contains the so-called i. classification of investments (definition and classification of capital investments into strategic, important and portfolio investments). The annual investment management plan, which must be adopted no later than the end of November for the following calendar year, defines the detailed goals of SSH in the management of individual investments and measures and guidelines for achieving these goals.

8 The classification of strategic, important and portfolio investments is in accordance with the Ordinance on the strategy for the governance of the State's capital assets.

9 Portfolio debt investments also include units of target funds.

6.1.1.2 Composition of capital investments

Capital investments of Kapitalska družba d. d., represent domestic equity investments, namely investments in shares and interests in companies.

The total number of these investments as at the last day of 2023 was 38, comprising 30 investments in stock corporations and 8 investments in limited liability companies.

The value of equity investments as at 31 December 2023 amounted to EUR 780,006 thousand and compared to the previous year increased by EUR 111,415 thousand.

In accordance with the classification of investments in the Ordinance on the strategy for the governance of the State's capital assets (OdSUKND), adopted by the National Assembly of the Republic of Slovenia in July 2015, Kapitalska družba, d. d. classifies its capital investments into strategic, significant and portfolio investments.

Table 6: Classification of capital investments of Kapitalska družba d. d. as at31 December 2023 and 31 December 2022 in accordance with the Ordinance on the strategy for the governance of the State's capital assets

Investment type	Number of investments	Value (in 000 EUR)	Share in capital investment portfolio (in %)	Number of investments	Value (in 000 EUR)	Share in capital investment portfolio (in %)
		2023			2022	
Strategic investments	10	196,599	25.2	10	189,000	28.2
Important investments	6	500,250	64.1	6	411,535	61.6
Portfolio investments	22	83,157	10.7	16	68,056	10.2
Total capital investment	38	780,006	100.0	32	668,591	100

6.1.1.3 Sales and deletions of companies

In order to ensure transparency of the sale procedures and equal treatment of bidders, sales of equity investments were conducted through public announcements of invitations to bids. In 2023, Kapitalska družba, d. d., for its assets, published four public invitations to make offers for the purchase of shares and business shares, namely for the sale of shares acquired on the basis of Article 48.a of ZNVP-1, for the sale of shares of the company Frizarti, družba za upravljanje, d. d., for the sale of shares in the company Kongrad, d. d., and a joint public solicitation of bids with Slovenian Sovereign Holding in three lots (joint investments in the ownership of Slovenian Sovereign Holding or RS and Kapitalska družba, d. d., investments in the ownership of Kapitalska družba, d. d., and investments in the ownership Slovenian Sovereign Holding, d. d., and RS).

In the financial year 2023, we received purchase consideration or cash consideration of EUR 96 thousand arising from sale, squeeze-outs and acquisitions. In total, we disposed of 18 investments from the OVP and RVP portfolios, of which one was a squeeze-out (Lepenka, d. d.), one was an acquisition (Datalab, d. d.), and we sold 16 investments on the basis of public invitations to bids.

Two companies, Alpdom, d. d. and Nivo investicije, d. d., were deleted from the court register after the bankruptcy proceedings were completed.

6.1.1.4 Acquisitions of companies

Kapitalska družba did not receive any offers from sellers to purchase shares or interests in 2023.

In 2023, Kapitalska družba, d. d. realized the purchase of 2 investments from Slovenian Sovereign Holding or RS, namely the shares of the companies KS naložbe, d. d., and Vipa Holding, d. d., for a total value of EUR 313.

6.1.1.5 The Code of Management of Capital Investments and the Enforcement of Ownership Rights at General Meetings of Companies

In the period from 1 January 2023 to 31 December 2023, Kapitalska družba, d. d. reasonably applied the Corporate Governance Code for Companies with State Capital Investment (hereinafter: the Code) adopted by Slovenian Sovereign Holding on 19 December 2014 and amended several times thereafter in relation to the management of its capital investments.

Kapitalska družba, d. d., as an active participant in the Slovenian capital market, is striving to introduce modern corporate governance methods into practice, with the aim of ensuring that the principles, procedures and criteria for the exercise of its ownership rights are clearly and publicly defined in advance. To this end, from 2009 to December 2014, it applied its own Corporate Governance Code of Kapitalska družba, which set out the policy and procedures for the exercise of Kapitalska družba, d. d.'s management rights in companies in which it has an ownership interest. In December 2014, following the adoption of the Code, Kapitalska družba, d. d. also started to apply the Code in a meaningful way, due to unification with the SSH. The text of the Code currently in force is published on the website of Slovenian Sovereign Holding.

In addition to the Code, Kapitalska družba, d. d. has also taken into account its own Guidelines for Voting Positions at General Meetings in 2023 when managing its capital (equity) investments. Kapitalska družba, d. d., every year before the start of the general meeting season, updates the starting points for voting at general meetings of companies. These starting points define, inter alia, the remuneration policy for supervisory boards, boards of directors and management boards, the dividend policy, the use of distributable profit, recapitalisation with authorised share capital, the acquisition of own shares and the introduction of a one-tier management system. The document is published on the website of Kapitalska družba, d. d.

With regard to the remuneration of the members of the Supervisory Boards and Management Boards, Kapitalska družba, d. d. reasonably applied with the recommended levels of remuneration for the performance of functions and the amount of attendance fees set out in the Code, with regard to the receipts and other rights of the management boards, executive directors and management of companies, it complied with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD).

Kapitalska družba, d. d. acted in accordance with the adopted Code at all General Meetings attended by its representatives in 2023. Disclosures of the activities of Kapitalska družba, d. d. at general meetings of companies are published on the website of Kapitalska družba, d. d.

6.1.1.6 Attendance at general meetings of companies

In 2023, Kapitalska družba, d. d. was entitled to attend 170 general meetings of shareholders or members of companies in its name and on behalf of the pension fund under management. Representatives of Kapitalska družba, d. d., attended 21 general meetings at which Kapitalska družba, d. d., independently exercised its voting rights Pursuant to Article 53 of ZSDH1, the voting rights of Kapitalska družba d. d., were exercised by the Slovenian Sovereign Holding in the name and on behalf of Kapitalska družba d. d. at 34 General Meetings, and employees of Kapitalska družba d. d. were authorised to attend and exercise all the rights of a shareholder, except for the exercise of the voting rights. Kapitalska družba d. d., did not attend the 106 General Meetings in respect of the investment of abandoned securities and securities from registry accounts, as there were no business reasons in the interest of Kapitalska družba d. d., in addition to the insignificant share in the capital. Two general meetings were cancelled before the start of the meeting.

Table 7: Attendance at general meetings of companies

Form of attendance	Number of the general meetings
Attendance and voting by employees of Kapitalska družba, d. d.	21
Attendance of employees of Kapitalska družba, d. d., voting by SSH.	34
Total	55

6.1.2 Abandoned securities and securities held in registry accounts

On 25 September 2015, Book-Entry Securities Act (ZNVP-1) was adopted, which, in its transitional and final provisions, stipulated that the Central Securities Depository (CSD) would close the registry accounts of legal entities by 30 September 2016 and the registry accounts of other persons by 1 January 2017. The book-entry securities in the registry accounts which have not been transferred to other accounts by the expiry of the deadline for the termination of the registry accounts would be transferred to the account of the competent jurisdiction in accordance with the rules of the CSD, subject to the provisions of the Acts governing the deposit of things with court. Further amendments and supplements to the Book-Entry Securities Act (ZNVP-1A) provided that, notwithstanding the provisions of the Act regulating the court deposit procedure, the book-entry securities that would otherwise have belonged to the Republic of Slovenia belong to Kapitalska družba, d. d.. On 18 June 2019, the Act was amended for the second time in this respect by the Act amending the Book-Entry Securities Act (ZNVP-1B), which further regulated the transfer of the book-entry securities that remained registered in the closed registry accounts until 31 August 2019, to the credit of a joint dedicated account for the transfer to Kapitalska družba, d. d..

The transfer of securities from a joint dedicated account for transfer to Kapitalska družba, d. d., to a special account of Kapitalska družba, d. d., is governed by Article 48a of ZNVP-1. Pursuant to Article 48a(3) of ZNVP-1, the persons whose book-entry securities have been transferred to the joint dedicated account for transfer to Kapitalska družba, d. d. maintained by the KDD, or other beneficiaries, had until 31 December 2021 to request that the transferred book-entry securities, or the book-entry securities that replaced them, be transferred to an account with a member of the central securities depository company. After the expiry of this deadline, the securities for which no claim had been made by the beneficiaries were transferred from the joint dedicated account for transfer to Kapitalska družba, d. d. to a special account of Kapitalska družba, d. d..

As of 1 January 2022, Kapitalska družba, d. d. thus became the legal holder of these securities, entitling it to exercise all rights attaching to the securities so acquired, without Kapitalska družba, d. d. having voting rights in certain of them. As of that date, the former holders thus lost all rights under these securities. Kapitalska družba, d. d. thus acquired shares and interests in 153 companies in 2022 based on the Article 48a of ZNVP-1.

In addition to the above, the Central Securities Depository, pursuant to Article 48a(5) of ZNVP-1, delivered to Kapitalska družba, d. d., within 15 days from the date of transfer of the book-entry securities, all returns, pay-outs and monetary compensations received in respect of the book-entry securities transferred to the credit of the joint dedicated account for transfer to Kapitalska družba, d. d. pursuant to Article 48a(2) of ZNVP-1, without any additional interest up to the expiry of the aforementioned 15-day period.

Revenue from the acquisition of these securities are recognised in the income statement as financial income from interests in group companies, associates and other companies for a total amount of EUR 23 thousand.

As at 31 December 2023, Kapitalska družba, d. d. holds investments in 141 issuers, divided into two portfolios (some of the investments are in both portfolios), 90 in abandoned securities and 125 in securities from registry accounts, of which 3 investments are in liquidation and 8 investments are in bankruptcy, on account of abandoned securities and securities from registry accounts acquired based on the Article 48a of ZNVP-1. The total value of both portfolios as at 31 December 2023 was EUR 7,991 thousand.

6.1.3 Management of portfolio investments

In managing its portfolio investments, Kapitalska družba, d. d. uses an active and passive management strategy, using a combination of top-down and bottom-up approaches. Decisions on the composition of the portfolio by investment class approach ("top down") are taken by the Investment Committee, which meets at least twice a year. The portfolio of equity securities is managed according to a index of a globally diversified share portfolio, the bond portfolio according to an index of European government bonds and an index of corporate bonds issued in the Euro currency.

The total value of portfolio managed investments increased by EUR 32.3 million in 2023 as a result of rise in the prices in both debt and equity investments, with equity investment returns well outpacing those of debt investments. The majority of investments in equity securities are investments in investment funds, which consequently also recorded the largest increase in value in 2023. With interest rates rising in 2023, the share of cash resources has fallen and the share of investments in commercial bills, bonds and bond investment funds has increased.

The five largest portfolio-managed investments as at 31 December 2023 are equity index funds tracking the US S&P 500 index (SPY US) and index funds tracking the MSCI World equity index (XDWD GY, IWDA LN, SMSWLD GY and XMWO GY,). The five largest bond investments as at 31 December 2023 are two bonds of the Republic of Slovenia, two bonds of France and a bond of Germany. The investment in a financial receivable of EUR 28.4 million represents a secured receivable from Sava, d. d. The five largest investments among stocks are investments in the shares of companies, namely, Novo Nordisk A/S, Cie de Saint Gobain, Vinci SA, Astrazeneca Plc and Shell Plc.

Table 8: Composition of portfolio-managed financial investments as at 31 December 2023 and 31 December 2022

Investment type	Value (in 000 EUR)	Share (in %)	Value (in 000 EUR)	Share (in %)
	31 Dec 2023		31 Dec 2022	
Investment funds	355,912	73.3	313,896	69.3
Bonds	76,059	15.7	79,145	17.5
Shares	17,131	3.5	18,094	4.0
Commercial paper	0	0.0	1,493	0.3
Investment in financial receivable	28,416	5.9	28,416	6.3
Treasury bills	5,871	1.2	1,954	0.4
Cash	1,909	0.4	9,955	2.2
Total portfolio managed financial investments	485,298	100.0	452,953	100.0

6.1.4 Investment property

In 2023, Kapitalska družba, d. d. held investment property in the following business premises:

- Stekleni dvor, Dunajska cesta 119, Ljubljana,
- Glavarjeva rezidenca, Pegamova ulica G, Ljubljana,

| Bežigrajski dvor, Dunajska cesta 56, 58 and Kržičeva ulica 3, Ljubljana,

| Nebotičnik, Štefanova ulica 1, 3 in 5, Ljubljana.

As at 31 December 2023, most of the investment properties were rented out.

6.2 MUTUAL PENSION FUND MANAGEMENT

The group manages four mutual pension funds or life-cycle pension funds, managed and disclosed as separate assets owned by the insured persons or members of each fund[10]:

- Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ),
- Life-Cycle Civil Servants Pension Fund (KPSJU),
- Life-Cycle Pension Fund (MKPS) and
- First Pension Fund of the Republic of Slovenia (PPS) which was formed according to a special act through the exchange of pension vouchers.

The Kapitalska družba Group is the largest provider of supplemental pension insurance in Slovenia. At the end of December 2023, more than 360 thousand individuals saved in its mutual pension funds and the assets collected reached EUR 2.4 billion. Total supplementary pension insurance premium paid in, excluding asset transfers between the sub-funds, reached EUR 196 million in 2023.

Table 9: Data on mutual pension funds managed by Kapitalska družba Group as at 31 December 2023

Fund	The number of insured persons or members[11]	No. of employers or premium payers[12]	Assets under management (in EUR mio)
SODPZ	50,622	426	931.2
KPSJU	256,965	1,875	1,109.3
MKPS	39,555	450	382.9
PPS	13,298	-	11.8
Total	360,440	2,751	2,435.2

6.2.1 Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia

Kapitalska družba d. d., based on the Pension and Disability Insurance Act (ZPIZ-1), has been the manager of SODPZ since its establishment in 2001. SODPZ is a mutual pension fund that provides occupational pension insurance in accordance with the provisions of the Pension and Disability Insurance Act (ZPIZ-2), the Organisation and Work of the Police Act (ZODPol) and Exercising of the Public Interest in Culture Act (ZUJIK).

Occupational pension insurance, which in 2001 replaced the calculation of the insurance period with an increase, includes insured persons who perform particularly difficult and health-damaging work, as well as insured persons who perform work that cannot be successfully and professionally performed after a certain age. Occupational pension insurance is a part of compulsory social insurance.

10 More information on the management of mutual pension funds can be found in the annual reports of individual funds.
11 Some insured persons or members may be included in several funds.
12 Some employers or premium payers may have concluded contracts on the financing of the pension plan in several funds.

SODPZ comprises the assets financed by the funds collected through the payment of occupational pension insurance contributions (and any default interest on contributions not paid by the due date), as well as the returns generated by the management of these assets. The assets of the SODPZ are owned by the insured members of the occupational pension insurance scheme and are intended exclusively for the purpose of covering liabilities towards the insured members or other beneficiaries. The SODPZ is managed by Kapitalska družba, d. d. on behalf and at the expense of insured members and other beneficiaries.

Occupational insurance is implemented based on the Occupational insurance pension scheme, prepared based on the provisions of ZPIZ-2, approved by the Minister of Labour, Family, Social Affairs and Equal Opportunities.

In 2023, Kapitalska družba d. d., was entitled to reimbursement of entry and exit fees, the annual management fee of the SODPZ and the costs of occupational pensions payout. Entry fees were 2.0%, exit fees were 0.5%, and occupational pension payout costs were 0.5% of the occupational pension. The annual management fee until 30 November 2023, taking into account the amount of the net value of SODPZ assets, was 0.88% of the average annual net value of SODPZ assets, and from 1 December 2023 onwards 0.85% of the average annual net value of SODPZ assets. The amount of the SODPZ management fee depends on the monthly net asset value of the SODPZ.

6.2.2 Life-Cycle Civil Servants Pension Fund

The Life-Cycle Civil Servants Pension Fund (KPSJU) pursues a life-cycle investment policy and comprises three different sub-funds:

- Dynamic Civil Servants Sub-Fund (DPJU) is intended for young savers aged up to 50 years of age and pursues a higher risk investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk,
- The Prudent Civil Servants Sub-Fund (PPJU) is intended for savers aged between 50 and 60 years of age and pursues a balanced investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk,
- The Guaranteed Civil Servants Sub-Fund (ZPJU) is intended for the oldest savers aged over 60. Savers saving within the scope of this sub-fund assume only the investment risk exceeding the guaranteed return.

The Life-Cycle Civil Servants Pension Fund (KPSJU) is a fund intended exclusively for civil servants. It provides them with the right to a supplementary old-age pension or other rights stipulated in the pension scheme. In addition to the premiums paid into the fund by employers, premiums can also be paid in by civil servants themselves, thus ensuring a higher supplementary pension and allowing them to claim a tax allowance.

Newly employed civil servants who join a sub fund subject to their age, unless they decided otherwise themselves, while members who saved in accordance with the guaranteed return policy upon the merger in the beginning of 2017 decided by themselves depending on their age whether to transition to a higher risk investments policy.

As the manager of KPSJU based on the KPSJU Rules, Modra zavarovalnica is entitled to an entry fee and management fee. Entry fees are calculated as a percentage of the paid-in premium amounted 0.5 % in 2023. The annual fee for the management of the KPSJU fund amounts to 0.5 % of average NAV of the KPSJU. All other direct operating costs of the fund are charged to the Company.

6.2.3 Life-Cycle Pension Fund (MKPS)

The Life-Cycle Pension Fund (MKPS) is an open-ended mutual pension fund intended for the implementation of supplementary pension insurance schemes. All persons in employment included in compulsory pension insurance can pay into this fund. The PNMZ K Pension Scheme for collective supplementary insurance is open to insured persons via their employer, just like the individual PNMZ P Pension Scheme, which is intended for individuals.

MKPS comprises three sub-funds that are established as separate assets, whereby each sub-fund is characterised by its own investment goal and investment policy and is intended for a target age group of members.

- The Dynamic Sub-Fund (MDP) is intended for younger savers aged up to 50 and pursues a somewhat higher risk investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- The Prudent Sub-Fund (MPP) is intended for savers aged 50 to 60 years of age and pursues a prudent investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- The Guaranteed Sub-Fund (MZP) is intended for savers older than 60 years of age and pursues a guaranteed return investment policy. Savers saving within the scope of this sub-fund assume only the investment risk exceeding the guaranteed return.

As the MKPS manager and based on the detailed MKPS Rules, Modra zavarovalnica d. d. is entitled to an entry fee and management fee, which are paid from the subfunds' assets. Entry fees are calculated as a percentage of the paid in premium upon its payment and are remitted to the manager's account; in 2023, they amounted to 2.5%. The annual fee for the management of the MKPS amounted to 1% of the average net value of assets of an individual sub-fund.

6.2.4 First Pension Fund of the Republic of Slovenia

PPS is a pension fund that obtained its assets through the exchange for pension vouchers. Since 1 January 2003, PPS has been a closed-ended mutual pension fund and further payments or enrolment in the fund have not been possible. Since August 2004, the funds collected by all members aged 60 or over, have been transferred to KS PPS, which is intended for the disbursement of supplementary pension annuities. If a member of PPS dies before acquiring the right to a pension annuity, the right to the payment of the surrender value of their policy is granted to their heirs.

Modra zavarovalnica , d. d. is entitled to an annual fee for the management of PPS, which amounted to 1% of the average annual NAV in 2023, and to exit fees charged as a percentage of the surrender value of assets paid out to heirs.

6.3 MANAGEMENT OF OWN FUNDS OF MODRA ZAVAROVALNICA, D. D.

Financial assets of Modra zavarovalnica, d. d., include financial assets of guarantee funds[13] and the Company's own assets under the following items of the statement of financial position of Modra zavarovalnica d. d.[14]:

- investments in associates and jointly controlled entities,
- investments,
- cash and cash equivalents.

13 Guarantee funds are presented in more detail in point 6.4 Management of guarantee funds for the disbursement of pension annuities.
14 More about the management of financial assets of Modra zavarovalnica, d. d., is described in the annual report of Modra zavarovalnica, d. d.

The Company's own financial assets amounted to EUR 353.3 million at the end of December 2023. The largest share is taken up by the portfolio of equity investments and the portfolio of investments into debt securities, which are followed by the portfolio of non-portfolio equity investments.

Table 10: Own Financial Assets of Modra zavarovalnica, d. d.

in EUR 000

Assets	31 Dec 2023	31 Dec 2022
Portfolio equity investments	50,439	39,482
Non-portfolio equity investments	60,732	60,806
Portfolio debt security investments	240,502	229,422
Cash	1,620	2,303
Total	353,293	332,013

6.3.1 Portfolio equity investments

Table 11: Portfolio equity investments

in EUR 000

Assets	31 Dec 2023	31 Dec 2022
Foreign stocks	50,439	39,482
Total	50,439	39,482

At the end of 2023, the portfolio was most exposed to the IT sector, followed by finance and health-care. In terms of FX exposure, the portfolio's greatest exposure was to the US dollar and the Euro. More than half of the portfolio is invested in the equities of US issuers and over 20% in investments of European issuers. The remainder is represented by investments in issuers from more developed Asian countries and issuers from developing economies.

6.3.2 Non-portfolio equity investments

As at 31 December 2023, Modra zavarovalnica owned stocks or interests in Cinkarna Celje, d. d., Pozavarovalnica Sava, d. d., Delavska hranilnica, d. d., and Hotelske nepremičnine, d. o. o. among its equity investments. Owing to the size of the equity interest, these investments are managed actively. The total value of these investments amounted to EUR 60.7 million at the end of 2023.

6.3.3 Portfolio debt security investments

Table 12: Portfolio debt security investments

in EUR 000

Assets	31 Dec 2023	31 Dec 2022
Bonds	121,388	66,618
Government bonds	61,100	28,190
Corporate bonds	60,288	38,428
Treasury bills	61,201	114,621
Commercial paper	690	796
Deposit and investment receivables	3,646	3,747
Units of target funds	53,577	43,640
Total	240,502	229,422

The value of the government bond portfolio amounted to EUR 61.1 million at the end of 2023. The portfolio mainly consists of government bonds of countries within the Euro area. All bonds are denominated in Euro. The largest share is represented by bonds of the Republic of Slovenia. The average maturity of the government bond portfolio is 4.3 years and the average rating is A. Most bonds have a fixed coupon interest rate.

At the end of 2023, the value of the corporate bond portfolio amounted to EUR 60,3 million. Among corporate bonds, bonds of issuers from the Euro area prevail as well. All bonds are denominated in Euro. The majority of the bonds have a fixed coupon interest rate. Most corporate bond issuers come from the industries of finance, basic consumer goods, pharmaceuticals and energy. The average maturity of the government bond portfolio was 2,7 years at the end of the year, with the average rating being A-.

At the end of 2023, the value of target fund units reached EUR 53.6 million; of the mentioned amount, EUR 33.4 million are related to target funds that invest exclusively in debt securities.

The value of treasury bills amounted to EUR 61.2 million. The portfolio comprises German, Italian, Spanish, Belgian and French treasury bills.

Deposits include investment receivables in the amount of EUR 2.1 million and deposits in the amount of EUR 1.5 million. All deposits are placed with domestic banks.

6.3.4 Cash and cash equivalents

At the end of December 2023, Modra zavarovalnica disclosed EUR 1.6 million of cash and cash equivalents among its financial assets.

6.4 MANAGEMENT OF GUARANTEE FUNDS FOR THE DISBURSEMENT OF PENSION ANNUITIES

Modra zavarovalnica d. d. is the largest payer of supplementary pensions/pension annuities in the Republic of Slovenia, and in 2023 managed three guarantee funds for the disbursement of pension annuities, which are managed separately:

- Modra Renta guarantee fund (KS MR), which collected insurance premiums between December 2011 and December 2015,
- Modra Renta II guarantee fund (KS MR II), which was established on 1 January 2016 based on ZPIZ-2; since January 2016, the premium is paid in this fund only and no longer in the Modra Renta guarantee fund (KS MR), while annuities are disbursed from both funds,
- Guarantee Fund of the First Pension Fund (KS PPS), which has been used since August 2004 to disburse supplementary pension annuities deriving from the exchanged pension vouchers to all persons who have reached the age of 60.

Pursuant to the provisions of the Insurance Act (ZZavar-1), KS MR II and KS PPS funds are registered as ring-fenced funds.

In 2023, Modra zavarovalnica, d. d. paid a sum of EUR 37.9 million for supplementary pensions to 46,857 insured persons. Pension annuity deriving from supplementary pension insurance (“Modra Renta” and “Modra Renta II” annuities) was received by 37,179 insured persons, while 9,678 insured persons received annuities deriving from supplementary pension insurance in the First Pension Fund (exchange for pension vouchers).

Table 13: Basic information on Modra zavarovalnica d. d. guarantee funds for 2023

Guarantee fund	No. of annuity recipients at the end of 2023	Assets under management (EUR million)	Expenses for annuities (EUR million)
KS MR	6,867	7.4	1.8
KS MR II	30,312	264.0	29.1
KS PPS	9,678	92.5	7.0
Total	46,857	363.9	37.9

6.4.1 Modra Renta Guarantee Fund

The KS MR represents separate assets intended for the disbursement of pension annuities to savers under supplementary pension insurance schemes who have exercised their right to a pension deriving from compulsory insurance at the Pension and Disability Insurance Institute.

Payments in KS MR had been collected until the end of 2015 and, since 2016, KS MR has merely made disbursements of lifetime pension annuities. Upon taking out annuity pension insurance, each individual was able to select one of the forms of lifetime annuities, thereby exercising their right to a supplementary old-age pension.

As at 31 December 2023, the fund's assets amounted to EUR 7.4 million. The biggest share of these assets is represented by bonds, which account for 88% of total assets.

At the end of 2023, 30% of the assets of the KS MR were invested in the Republic of Slovenia and 70% of all assets were held in investments of foreign issuers.

6.4.2 Modra Renta II Guarantee Fund

KS MR II represents separate assets intended for the disbursement of pension annuities to savers under supplementary pension insurance schemes who have exercised their right to a pension deriving from compulsory insurance at the Pension and Disability Insurance Institute.

Upon taking out annuity pension insurance, each person insured may select one of the forms of lifetime pension annuities, thereby exercising their right to a supplementary old-age pension. Modra zavarovalnica provides a diverse selection of different pension annuity forms to retired savers:

- Lifetime Modra renta: this is a supplementary pension without a guaranteed period of disbursement that is disbursed to the end of one's life. It may be disbursed monthly, quarterly, semi-annually or annually, whereby the period of disbursement depends on the amount of funds collected. An individual disbursement may not be lower than EUR 30,
- Lifetime Modra renta with a guaranteed disbursement period: this is a supplementary pension with a guaranteed disbursement period of 1 to 20 years. It is until an insured person's death or at least until the expiry of the selected guaranteed period of disbursement. It may be disbursed monthly, quarterly, semi-annually or annually, whereby the period of disbursement depends on the amount of the funds collected. An individual disbursement may not be lower than EUR 30,
- Lifetime Modra renta with accelerated disbursement: this is a supplementary pension with a guaranteed disbursement period of 1 to 20 years, whereby the majority of the funds saved are drawn in the selected guaranteed period of disbursement, after which an amount not lower than EUR 30 is disbursed monthly (quarterly, semi-annually or annually) until the end of life,

- Lifetime Modra renta with accelerated disbursement 2/1: this is a supplementary pension with accelerated disbursements in a guaranteed period of 1 to 20 years, whereby the high monthly pension annuity in the accelerated period does not exceed twice the amount of the lifetime pension annuity after the expiry of the accelerated period.

An individual who chooses an annuity with a guaranteed disbursement period can decide for the payment of the annuity in the form of an advance payment.

Table 14: Number of new members and amount of payments in KS MR II in 2023

Pension fund	No. of new members/ persons insured	Surrender value of assets (in EUR million)
MKPS	760	11,849
KPSJU	4,540	44,410
Pension funds by other managers	1,158	28,956
Total	6,458	85,215

The amount of one's pension annuity depends on the supplementary pension insurance funds collected, the technical interest rate, unisex life expectancy tables, date of birth, age upon the effective date of annuity insurance and the cost of annuity payments. The average age of annuity recipients is 63 years, 62% of all annuity recipients are female.

Insurances for lifetime annuity disbursements are included in the positive result achieved during the disbursement period through the management of such insurance portfolios. The Company earmarks at least 90% of its positive underwriting result of the previous accounting period for profits. The amount of annuities was not adjusted in 2023 due to the negative result of the fund in 2022.

As at 31 December 2023, the fund's assets amounted to EUR 264 million. The biggest share of assets is represented by bonds with 53% and advances with 22% of the fund's total assets.

At the end of 2023, 35% of the assets of the KS MR II were invested in the Republic of Slovenia and 65% of all assets were held in investments of foreign issuers.

6.4.3 Guarantee Fund of the First Pension Fund

KS PPS constitutes separate assets and was established on 13 July 2004 for all insured persons aged 60 or more, thereby obtaining the right to annuity. Upon obtaining the right to annuity, each person insured selects the corresponding form of pension annuity, based on an indicative calculation. Insured persons having 2,000 points or less can receive their pension annuity in a one-off amount. Insured persons having more than 2,000 points on their insurance policy can choose between a lifetime pension annuity and a lifetime pension annuity with a guaranteed disbursement period. Insured persons having between 2,000 and 5,000 points can also receive their pension annuity once a year. The guaranteed payout period is set at 5, 10 or 15 years. If an insured person dies during the guaranteed payout period, the pension annuity is paid out to their beneficiaries or heirs until the expiry of the guaranteed payout period.

Insured persons receiving the KS PPS pension annuity are entitled to the surplus rate of return of the annuity fund over the guaranteed rate of return, pursuant to the General Terms and Conditions of Supplementary Pension Insurance in the First Pension Fund of the Republic of Slovenia – exchange for pension vouchers. The share of the surplus intended for a permanent annuity increase is identified once a year by the manager's Management. In 2023, a portion of the surplus return from 2021 in the amount of EUR 4,336,802 was allocated to permanently increase the annuities, which at the end of 2021 and in accordance with the Rules on the allocation of the surplus of the KS PPS, was allocated to provisions to equalize the profitability experience. In April 2023, all insured persons or, rather, insurance or recipients of KS PPS pension annuities who took out insurance until December 2022 in the form of a monthly or annual annuity received increased annuities. The disbursement of increased annuities made in April also included a settlement for the period between January and March 2023.

In 2023, the right to a pension annuity was acquired by 1,253 insured persons aged 60 or more who paid in a total of EUR 2.3 million into the KS PPS for their supplementary pensions.

As at 31 December 2023, the fund's assets amounted to EUR 92.5 million. The largest part of these assets comprise bonds, which account for 63%, and stocks which account for 24% of all assets.

At the end of 2023, 51% of assets were invested in investments in Republic of Slovenia, and 49% of all assets of KS PPS were invested in investments of foreign issuers.

6.5 ASSET MANAGEMENT OF HOTELSKE NEPREMIČNINE D. O. O.

The company Hotelske nepremičnine, d. o. o. was founded in October 2018 by Kapitalska družba, d. d., together with its subsidiary Modra zavarovalnica, d. d. The company's main activities are dealing with its own property and renting out and operating its own or leased property.

Since the end of November 2018, the company has been the owner of the San Simon hotel resort in Izola, which was handed over to Hoteli Bernardin, d. d. immediately after the purchase. Hoteli Bernardin d. d. was then merged with the company Sava Turizem, d. d. in 2020.

The San Simon hotel complex is located in Izola in the bay, where the remains of the ancient harbour from Roman times can still be seen today. The accommodation facilities of San Simon Resort consist of the Haliaetum and Mirta hotels, the Korala, Palma, Sirena and Perla outbuildings and holiday homes. The Haliaetum Hotel has an indoor pool with heated water, and the Mirta Hotel has a Wellness & Spa centre. The resort also has two restaurants, a bistro and a bar on the beach, as well as two halls suitable for organizing larger banquets, such as weddings, receptions, dance and music events, and the like.

The offer at San Simon Resort has been upgraded with the concept of a family-friendly hotel.

In 2019, the first phase of the renovation was carried out, which included the renovation of the Haliaetum Hotel with a swimming pool, restaurant, reception with lobby, Sirena outbuilding, beach bistro and outdoor slide. The second phase of renovation continued in 2022 and 2023, during which a comprehensive renovation of the remaining three outbuildings (Korala, Palma and Perla) was carried out.

7 RISK MANAGEMENT

Risk management is explained in the accounting report of the Annual Report of the Kapitalska družba Group in chapter 17.2 Accounting policies.

8 IMPORTANT BUSINESS EVENTS AFTER 2023

At the end of 2023, the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425) was adopted, pursuant to which Kapitalska družba, d. d., notwithstanding Article 52(3) of the ZSDH-1, is required to remit EUR 65 million to the ZPIZ each year in the years 2024 and 2025, no later than 29 September of the current year. Based on the aforementioned Act, in February 2024, Kapitalska družba, d. d. and ZPIZ concluded a contract on the coverage of Kapitalská družba, d. d.'s liabilities towards the Pension and Disability Insurance Institute of Slovenia in the years 2024 and 2025.

The new Occupational insurance pension scheme applies from 1 January 2024. The amendments concern the extension of the transitional period during which the new differentiated contribution rate applies, the extension of the transitional period during which the proportion of the net asset value of the SODPZ up to which unallocated solidarity reserves are built up is taken into account, and the introduction of a compulsory health contribution for occupational pensioners.

Subsidiary company FINAP, storitve in posredovanje, d. d. - in liquidation was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register.

9 ANTICIPATED DEVELOPMENT OF THE KAPITALSKA DRUŽBA GROUP IN 2024

The Kapitalska družba Group will also be the largest provider of supplementary pension insurance on the Slovenian market in 2024. In 2024, it plans to pay into the public pension system in the amount of EUR 65 million and in this way remain an important pillar of the stability of the pension system.

In 2024, it will pay more attention to the environmental, social and management aspects of business, which ensure sustainable and future-oriented business. In 2024, it will again, for the third time, measure its carbon footprint, in scope 1 and 2. In the context of the extensive ESG-related regulation, the company will focus its efforts on introducing approaches related to sustainability reporting and the mandatory content it entails. It will start with the gradual formulation of strategic orientations and goals in all three ESG areas. The first reporting on the subject of sustainability in accordance with the guidelines of the CSRD (Corporate Sustainability Reporting Directive) is planned for the 2025 financial year. In 2024, the insurance company is expected to once again publish an otherwise non-binding report on its website with data on various aspects of the sustainability of investments in management, whereby it is planning an even more extensive report than last year.

Regardless of the fact that in 2024 the insurance company will approach the creation of new strategic orientations for the next mid-term period, its central guiding principle remains the security of assets under management and personal data. The Regulation of the European Parliament on Digital operational resilience for the financial sector, valid in 2025, is also related to security. Therefore, in 2024, in the insurance company we will harmonize the digital operational resilience processes with the provisions of the regulation. The key changes will be in the area of the operational risk management system, security incident management (classification, reporting), digital operational resilience testing and risk management of third parties that cooperate with the insurance company in the field of information and communication technology.

In 2024, the insurance company plans to upgrade investment portfolios with derivative financial instruments in order to protect returns, if necessary, and upgrade the investment management process in the direction of pursuing the key principles of sustainable development. The Company's goal is that the amount of own assets will always exceed the amount of the required solvency capital, calculated from various types of risks, with the target value of the stated ratio being 150%.

The Group will follow the trends when it comes to the development of financial services, which are aimed in the direction of digitization of services, simple user experience and the offer of new– innovative ways of saving. The customer remains at the centre of our attention, we will thus focus on building relationships based on trust. We will strive to ensure that savings in pension funds as well as the disbursement of pension annuities are adapted to the needs of individuals, adequately follow changes in the economic and demographic environment, and contribute to the sustainability of the pension system.

In 2024, Hotelske nepremičnine, d. o. o. will continue with the project of obtaining all the necessary documentation for the construction of mobile homes on the site of the old bungalows.

10 SUSTAINABLE BUSINESS PRACTICES

For many years, the strategic direction of Kapitalska družba Group for business excellence has also included measures to achieve sustainable business practices. In recent years, when many gaps and weaknesses in society have become apparent, both in the global economic system and in social norms, and in the relationship between man and the environment, such efforts have become even more important. Kapitalska družba therefore adopted the Sustainable Business Policy of Kapitalska družba, d. d., and the Kapitalska družba Group in 2023.

In the Kapitalska družba Group we do not see sustainable business as a "hygiene factor", but as a key element of successful future development, necessary to effectively cope with fundamental changes in the business and geopolitical environment. Understanding the effects of business activities on society and the environment is becoming a greater challenge every day, which requires the identification of sustainable risks and their effective management. Achieving social, economic and environmental sustainability, which includes all stakeholders and contributes to the positive development of the entire society, is becoming the biggest challenge of modern times.

We perceive both great challenges and new business opportunities in sustainable business practices. As a responsible financial group, we are committed to promoting sustainable business and creating long-term value for our stakeholders. We are aware that our actions have an impact on the environment, society and the economy, so we want to manage these impacts in a responsible and transparent manner.

10.1 RESPONSIBILITY TO THE BROADER SOCIAL COMMUNITY

The Kapitalska družba Group is an important building block of the Slovenian pension system. Kapitalska družba, d. d., together with its subsidiary Modra zavarovalnica, d. d, is the largest provider of supplemental pension insurance and the largest payer of pension annuities within the framework of the second pension pillar. The mission of Kapitalska družba, d. d. is to also provide additional funds for compulsory pension and disability insurance. The Kapitalska družba Group thus ensures the safe old age of pensioners and follows changes in the economic and demographic environment, thereby contributing to the long-term sustainability of the Slovenian pension system. Its role in both the provision of funds for compulsory pension insurance and the management of the supplementary pension insurance fund ensures a secure retirement for pensioners.

Pension fund committees are composed to include key stakeholders (representatives of the government, employers and representative trade unions). In this way, direct communication and exchange of views is ensured, as well as real-time information of stakeholders about the operations of pension funds.

With the aim of raising awareness among individuals and company representatives and increasing trust in the pension system and providers of supplemental pension insurance, representatives of the subsidiary company Modra zavarovalnica d. d., in 2023 carried out financial literacy activities for the general population. They participated in the School of Finance for teenagers, the Financial Festival

2023 event organized by the Ljubljana Stock Exchange, the Days of the Slovenian Administration and conducted regular training for trade union representatives and their members. By writing specialised articles they participate in financial and general media and online forums.

Modra zavarovalnica, d. d., helps to create better conditions in the field of education of children and adolescents, fuller inclusion of the elderly in society and promotes the transfer of knowledge between older and younger generations and the wider community. With this aim, it supports various charitable activities and makes donations (to the Association of Slovenian Cancer Patients, to the Slovenian Association of Friends of Youth of Moste Polje for the purpose of the Humanitarian program Sponsorship called Botrstvo, to the Hospital for Women Diseases and Obstetrics, etc.). Modra zavarovalnica, d. d., in 2023 also participated in several humanitarian projects and campaigns related to areas affected by floods. This kind of projects included: The National Council of Disability Organizations of Slovenia, members of the Education, Science and Culture Trade Union of Slovenia (SVIZ), the Prevalje volunteer fire brigade, the state budget for financing post-flood reconstruction, etc.).

10.2 RESPONSIBILITY TOWARDS EMPLOYEES

10.2.1 Concern for employee training and education

We are aware that employees are the company‘s key share capital and that qualified and motivated employees contribute the most to the company‘s successful operations. In the Kapitalska družba Group, we strive to create a working environment in which the dignity and integrity of each employee is respected, and mutual trust and cooperation in achieving business goals are respected, along with the consistent observance of legislation and international conventions.

Existing work areas and the development of new business functions in the Group are upgraded through various forms of pre-planned training, tailored to the requirements of individual jobs, the specific areas of knowledge required by each employee and the group‘s development tasks. Employees received additional training by attending lectures, workshops and seminars (live and by participating in online seminars) in the fields of finance, accounting, corporate and portfolio asset management, pension insurance, personal data protection, public procurement system, prevention of money laundering and terrorist financing, quality management systems, legal content and HR content, document management, data operations and data analysis, sustainable business practices and the field of information security and risk management, as well as internal training that we regularly provide for all employees. In the Kapitalska družba Group we encourage the continuation of studies to obtain a higher level of professional education and the acquisition and maintenance of various licences, thus improving the quality of work processes and increasing the competence of employees for the job in question, thus ensuring their professional development.

10.2.2 Caring for a safe and healthy working environment

In the Kapitalska družba Group, we take care of a safe, flexible and healthy working environment and in doing so comply with all regulations in the field of occupational safety and health and thus ensure adequate working conditions. We regularly carry out tasks in the fields of occupational safety and health, fire protection and health management at work. Among the most important tasks carried out in this area, it is worth highlighting the regular training of employees in occupational safety and health, the participation in risk assessments of the workplace and the working environment, the regular periodic preventive medical check-ups, the revision of the occupational safety declaration and the monitoring of compliance with fire protection measures.

We are aware that maintaining and improving the health of employees is important, because only healthy and satisfied employees who work in a safe and stimulating work environment can be efficient and innovative and less likely to go on sick leave. That is why we implement systematic targeted activities and measures to maintain and strengthen the physical and mental health of employees. This is achieved through a combination of improving work organisation and the working environment, with good interpersonal relations at the top of the agenda, as these have a decisive impact on employees' health and well-being. We encourage employees to participate in activities to protect and strengthen health, including the possibility of organized recreation, and we encourage the personal development of employees through trainings. With a flexible working day and enabling a hybrid way of working, which also includes the possibility of working from home, we make it easier to balance work and family life.

An important aspect of ensuring and increasing the future social security of employees is collective supplemental pension insurance, which is provided to all employees in the group under the same conditions, namely by paying monthly premiums to the MKPS of the subsidiary company Modra zavarovalnica, d. d. Among employees, this is considered one of the most valued forms of motivation. The vast majority of employees are also included in voluntary collective healthcare insurance and collective accident insurance. With the aforementioned insurances and measures to ensure a healthy and stimulating environment, the Group comprehensively takes care of the well-being of employees and the continuous development of favourable working conditions.

10.2.3 Family friendly company

In the Kapitalska družba Group, we are aware of the importance and advantages of an active, family-friendly policy in the company. Balancing career development and family life has become part of our organizational culture, which is often a challenge today, as business and private life are increasingly intertwined. Family Friendly Enterprise Certificate enables employees in the Group to effectively balance work and family life. Kapitalska družba, d. d. also received a thank you for spreading the culture of a family-friendly company in Slovenia.

With the measures taken, we want to ensure short-term and long-term positive effects on the lives of employees. As part of the Family Friendly Enterprise Certificate, the Kapitalska družba Group has taken many measures, such as:: communication with employees, opinion polls among employees, public relations, time account, children's time bonus, additional leave, management philosophy and concept, reintegration plan after a long absence from work, socialising between employees and management board, participation of relatives in the company's occasional work, gifting of a newborn child, children's New Year's Eve gifts, and training for managers in the area of work-life balance.

10.3 ENVIRONMENTAL RESPONSIBILITY

10.3.1 Electricity from renewable resources

The tender for the supply of electricity in 2023 was carried out in accordance with The Decree on green public procurement. We have concluded a contract for the supply of electricity produced 100% from renewable resources, subject to the provisions of the Decree. Energy obtained from environmentally friendly, renewable resources does not use fossil fuels in its production, and the capture of renewable energy sources does not deplete the resource. Thus, the environment is less burdened with greenhouse gases, harmful emissions and radioactive waste.

10.3.2 Procurement of material

When purchasing goods, we strive to comply with the provisions of The Decree on green public procurement, not only in procurement procedures but also in record-keeping procedures. Accordingly, we design tendering conditions for the purchase of goods that have a lower environmental impact over their entire life cycle compared to conventional goods, that conserve natural resources, materials and energy, and that have the same or better functionalities. In 2023, when purchasing sanitary materials, we ordered environmentally friendly products. We also make every effort to ensure that the paper we buy is as environmentally friendly as possible (FSC-certified). In order to reduce the consumption of paper, we are introducing electronic commerce for work with the aim of fully introducing a paperless environment. We strive to introduce electronic business even more widely through electronic confirmation and signing of documents, not only to reduce paper consumption, but also to optimise certain processes and minimise our carbon footprint. We will continue to build on the digitisation of our business with the introduction of a document system.

10.4 COOPERATION WITH STAKEHOLDERS

Kapitalska družba Group places particular emphasis on cooperation with its main stakeholder groups: Republic of Slovenia as the owner of the controlling company, SSH, trade unions, pensioners‘ associations, employers‘ organizations, professional associations and employees.

In the area of pension insurance, the Group in cooperation with stakeholders such as the Ministry of Labour, Family, Social Affairs and Equal Opportunities, Economic and Social Council, trade unions, employers‘ associations, the Government of the Republic of Slovenia, FURS, the CRP and the ZPIZ, sets standards for quality and reliability. In the field of asset management, it works closely with stakeholders, such as: SSH, companies with capital assets of the State in Kapitalska družba, d. d., the Slovenian Directors' Association, regulators and various financial institutions. The Government of the Republic of Slovenia also plays a special role as the legal representative of the owner of the controlling company.

Kapitalska družba Group strives to maintain constructive relationships with all these stakeholders, based on professionalism, flexibility, punctuality and transparency. Stakeholders are involved in the operation of the Group at various levels, including in the supervisory board of Kapitalska družba, d. d, and Modra zavarovalnica, d. d., and committees and pension fund boards.

Kapitalska družba Group strives to maintain smooth operations and to foster relations with all stakeholders in a secure and accessible manner, including by conducting meetings of the company‘s bodies and other meetings via video conference calls and by introducing electronic commerce. The Group strives to establish mutually beneficial relationships based on a high level of trust with stakeholders, partners and suppliers.

One of the strategic goals of the subsidiary Modra zavarovalnica, d. d, is the design of financial products and accompanying services according to customer needs. Therefore, insured persons play an active role in the development of products and services. Insured persons‘ satisfaction monitoring processes are constantly upgraded, taking into account the comments, wishes and opinions of the insured.

Based on the systematic monitoring of responses from key partners and suppliers, we introduce improvements and corrective measures in the group and improve business processes.

10.5 SOCIALLY RESPONSIBLE INVESTING ACTIVITIES

In managing its assets, the Kapitalska družba Group also takes into account, to a reasonable extent in the process of selecting financial investments, the sustainability aspect of the activities of the issuers of financial investments, i.e. long-term sustainable operations with a positive attitude towards the environment, towards social issues and/or towards corporate governance. The sustainability aspect is taken into account in the case of purchases of financial investments, provided that an external source is available to measure it. If several different investments with similar characteristics and expected returns are available, when choosing an investment, priority is given to the investment with a better indicator of sustainable development, or in the case of the purchase of units of collective investment undertakings, to the undertaking which, as part of its investment policy, defines that it also takes into account sustainable development aspect.

For investments in shares or debt securities of companies and financial institutions, Kapitalska družba Group partly takes into account the sustainability analyses or indicators of recognised institutions professionally engaged in the assessment or ranking of companies according to their level of sustainability in order to assess compliance with the sustainability criterion, such as ESG rating by MSCI. Modra zavarovalnica, d. d., uses the MSCI ESG score to define an exposure score for key ESG risks and opportunities. Also, but due to insufficient data with less reliability, it also estimates the carbon footprint of investments and funds under management. When investing in government debt securities Modra zavarovalnica, d. d. takes into account, from a sustainability perspective, the level of governance of the issuing country, as expressed by the Worldwide Governance Indicators (WGI) or the corruption index published by Transparency International.

10.6 CORPORATE INTEGRITY AND WHISTLEBLOWER PROTECTION

By adopting the Corporate Integrity Plan in July 2021, Kapitalska družba, d. d. is committed to the highest standards of corporate integrity. With the plan, it rounded off the integrity system, which it started building in 2019 by establishing a system for preventing, detecting and investigating fraud and other harmful practices and whistleblower protection. In 2023, after becoming subject to the Whistleblower Protection Act, Kapitalska družba, d. d. upgraded its corporate integrity system with legislative requirements on whistleblower protection, internal whistleblowing channels for fraud, misconduct and other harmful practices, and the appointment of a trustee to receive and handle internal reports.

In the design and implementation of corporate integrity activities, the Kapitalska družba Group, in addition to the Whistleblower Protection Act and the Code of Management of Governance Code for Companies with Capital Assets of the State, is also guided by other reference documents, namely the guidelines of the Commission for the Prevention of Corruption, the Slovenian Corporate Integrity Guidelines and anti-corruption principles for state-owned companies. Modra zavarovalnica, d. d., also takes into account the Insurance Code of the Slovenian Insurance Association in its operations.

By identifying specific risks in the field of corporate integrity, defining measures to mitigate these risks, appointing a Corporate Integrity Officer and putting in place measures to protect whistleblowers, including the appointment of a trustee to receive and deal with internal fraud, Kapitalska družba d. d., demonstrates zero tolerance for corruption in the Group and illegal and unethical conduct by its employees, the Company's management and members of the Supervisory Board.

Kapitalska družba, d. d., also upgraded its operation as a socially responsible company by signing the Commitment to respect human rights in business operations.

10.7 IMPLEMENTATION OF THE CENTRAL GOALS OF SUSTAINABLE DEVELOPMENT OF THE UNITED NATIONS ORGANIZATION

Table 15: Demonstration of the implementation of the main sustainable development goals of the United Nations Organization (Sustainable Development Goals - SDGs)

Environmental aspect (E - Environment)	Activities in ESG	Comment	UN goals
Pollution prevention and control	Carbon footprint	In 2023, the Group measured the carbon footprint for the second time in scopes 1 and 2.	13 CLIMATE ACTION
	Continuing the roll-out of digitisation and paperless business	With the introduction of the document system, we have established the conditions for a gradual transition to paperless business (environment) in the controlling company.	
	Compliance with the Green Procurement Decree	Kapitalska družba, d. d., pursues the rules of the Green Procurement Decree in its procurement and record procedures. In the Group, we order environmentally friendly products and use paper made from responsibly sourced wood fibres.	
	Consistent separation of waste	The collection and separation of waste has been established by raising awareness among employees.	
	Energy consumption	The tender for the supply of electricity in 2023 was carried out in accordance with The Decree on green public procurement. We have concluded a contract for the supply of electricity produced 80% from renewable resources, subject to the provisions of the Decree.	7 AFFORDABLE AND CLEAN ENERGY

Social aspect (S - Social)	Activities in ESG	Comment	UN goals
	Responsible attitude towards the Broader Social Community	Kapitalska družba d. d., operates as a demographic fund and co-finances the public pension system. The Group is the largest provider of supplemental pension insurance and the largest payer of pension annuities within the framework of the second pension pillar. In this way, it contributes significantly to the strengthening and further development of the Slovenian pension system and its adaptation to adverse demographic forces.	
	Responsible attitude towards external stakeholders and insured persons	We systematically cultivate and strengthen good relations with partner institutions in our ecosystem: trade unions, the Association of Pensioners' Societies (ZDUS), those liable for payment, insured persons, occupational pensioners and recipients of pension annuities, Slovenian Directors' Association - ZNS. Mutually beneficial relationships are based on professionalism, agility and transparency, as well as on establishing interactive communication channels.	17 PARTNERSHIP FOR THE GOALS

Social aspect (S - Social)	Activities in ESG	Comment	UN goals
Accountability towards stakeholders, those liable for payment, insured persons, employees and the wider environment	Responsible attitude towards employees	In Kapitalska družba Group, we cultivate an organizational culture in which employees are successful and feel good. We adapt to the various needs and career expectations of our employees and in this way enable the holistic development of their skills. With the dominant form of employment for an indefinite period, we guarantee a high level of employee safety. In the controlling company, we implement dialogue with our employees through the Workers' Council and the Kapitalska družba's trade union, as well as quarterly meetings with all employees. With activities within the framework of the full "Family friendly company" certificate, we make it possible to achieve and maintain a good balance between professional and private life. We organize "Open Doors Day" for employees' children. We also invite our retired colleagues to organized employee social gatherings.	8 DECENT WORK AND ECONOMIC GROWTH
		We are committed to a responsible attitude towards our employees through flexible working hours and the possibility to work from home (hybrid working).	
	Designing current and future financial security	We pay great attention to equal treatment and equal opportunities regardless of gender and other personal circumstances. We follow the Collective Agreement for Insurance in our remuneration policy. Stimulating and fair remuneration is ensured regardless of gender. In the controlling company Kapitalska družba, d. d., we also adopted the "Diversity Policy for the Management and the Supervisory Board of Parent company Kapitalska družba, d. d."	5 GENDER EQUALITY
		By enrolling all employees in a supplementary pension scheme and paying the maximum tax-deductible premium, we also ensure the financial security of employees in the third stage of life.	
	Diversity and equal opportunities	We promote lifelong learning, functional and holistic education, knowledge sharing among employees and intergenerational cooperation. Existing work areas and the development of new business functions are also upgraded through various forms of pre-planned training, tailored to the requirements of individual jobs, the specific areas of knowledge required by each employee and the development tasks the Kapitalska družba Group.	4 QUALITY EDUCATION
	Safety and health of employees	The health and well-being of employees are the fundamental maxims that the Kapitalska družba Group implements with a wide range of measures in the field of occupational safety and health. Based on the "Workplace Health Promotion Plan", we promote healthy and sustainable lifestyles and implement systematic, targeted activities and measures to maintain and improve the physical and mental health of our employees. This is achieved through a combination of improving work organisation and the working environment, with good interpersonal relations at the top of the agenda, as these have a decisive impact on employees' health and well-being.	3 GOOD HEALTH AND WELL-BEING
		Regular preventive medical examinations are organized with a wide range of tests and the possibility of additional examinations.	
		We implement measures to strengthen health, including organized recreation for employees and organizing trainings about a healthy lifestyle.	
		Most employees are included in collective supplemental health insurance and collective accident insurance. As part of preventive health care, employees receive free vaccinations against influenza and tick-borne encephalitis (TBE).	

Management aspect (G - Governance)	Activities in ESG	Comment	UN goals
Business compliance and integrity	High standards of corporate governance	Management in the Kapitalska družba Group is based on: Corporate Governance Code for Companies with Capital Assets of the State, Recommendations and Expectations of SSH, Corporate Governance Code of the Kapitalska družba Group, Guidelines of the Commission for the Prevention of Corruption, Slovenian Corporate Integrity Guidelines and Anti-Corruption Principles for State-Owned Companies. Kapitalska družba, d. d., committed itself to respecting the highest standards of corporate integrity by adopting the Corporate Integrity Plan. By identifying corporate integrity risks specific to the Company's business, defining measures to mitigate these risks and appointing a Corporate Integrity Officer, we demonstrate zero tolerance for corruption and illegal and unethical conduct by employees, company management and supervisory board members. Kapitalska družba also joined the Agreement on cooperation in the organization of the International Fraud Awareness Week in 2021, 2022 and 2023 as a partner. In this way, too, we want to participate in the exchange of good practices and the awareness of all stakeholders with the common goal of all signatories to reduce corruption, financial crime and fraud in the Republic of Slovenia. Kapitalska družba, d. d., has also been participating for many years as a sponsor of the corporate governance conference of the Slovenian Directors' Association - ZNS.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Effect risk management	Risk management is integrated into business decision-making at all levels and takes place in accordance with the Rules on risk management of the Kapitalska družba Group.	
	Non-discrimination and respect for human rights and ethical principles and values of society	We do business in accordance with our values. We use the creativity and innovation of our employees to solve challenges related to sustainable development.	
		Kapitalska družba d. d., is also a signatory to the Commitment to respect human rights in business operations. By signing the Commitment to respect human rights in business operations, we have further strengthened our commitment to socially responsible corporate governance. We consistently implement measures to prevent unethical activity and act in accordance with our Corporate Integrity Plan.	

11 **REPORT** ON RELATIONS WITH SUBSIDIARIES

In 2023, between Kapitalska družba d. d., Modra zavarovalnica, d. d., and the company Hotelske nepremičnine, d. o. o., there were no transactions carried out under other than normal market conditions. Company FINAP, d. d. is in liquidation.

Leases of business premises

Modra zavarovalnica, d. d., is a tenant of business premises owned by Kapitalska družba, d. d. The lease was signed in 2019 and runs until September 2024.

Provision of services in the field of information technology

Modra zavarovalnica, d. d. and Hotel nepremičnine, d.o.o. use system infrastructure (servers, communication equipment, printing devices, system software, disk capacities, etc.) owned by Kapitalska družba, d. d. In addition, Kapitalska družba, d. d., provides services related to information technology to its subsidiaries. The rental of system infrastructure and the provision of services in the field of information technology management are regulated in the contract on the provision of services in the field of information technology.

Pension plan funding contract

Kapitalska družba, d. d. has a contract with Modra zavarovalnica, d. d. on the financing of the pension plan for collective supplementary pension insurance implemented by the open-ended Life-Cycle Pension Fund (MKPS).

12 INDICATORS[15]

	Value (in 000 EUR)		Ratio value	
	2023	2022	2023	2022
1. FINANCING STATUS INDICATORS				
a) Ownership financing rate				
Equity	1,451,433	1,315,923	0.7	0.7
Liabilities	2,007,007	1,796,522		
b) Long-term financing rate				
Equity + long-term debts (together with provisions) + long-term accrued costs and deferred revenue	1,924,823	1,717,372	1.0	1.0
Liabilities	2,007,007	1,796,522		
2. INVESTMENT STATUS INDICATORS				
a) Basic assets rate				
Fixed assets (at book value)	6,566	6,570	0.0	0.0
Assets	2,007,007	1,813,419		
b) Long-term assets rate				
fixed assets + long-term accrued and deferred asset items (at carrying amount) + investment property + non-current investments + non-current operating receivables	1,712,788	1,494,330	0.9	0.8
assets	2,007,007	1,813,419		
3. HORIZONTAL FINANCIAL STRUCTURE RATIOS				
a) Capital coverage of fixed assets				
equity	1,451,433	1,315,923	221.1	200.3
fixed assets (at book value)	6,566	6,570		
b) Direct coverage of current liabilities				
liquid assets	5,175	15,059	0.1	0.2
current liabilities	82,184	79,150		
c) Accelerate coverage of current liabilities				
liquidity assets + current receivables	89,592	97,067	1.1	1.2
current liabilities	82,184	79,150		
d) Short-term coverage of current liabilities				
Short-term assets	268,417	286,193	3.3	3.6
current liabilities	82,184	79,150		

15 Indicators are not audited.

	Value (in 000 EUR)		Ratio value	
	2023	2022	2023	2022
4. OPERATING EFFICIENCY RATIOS INDICATORS				
a) Economy of operation				
Operating revenue	46,060	29,253	1.8	0.7
Operating expenses	25,594	42,911		
5. RETURN RATIOS				
a) Net return on capital				
Net profit or loss for the period	76,326	-109,737	5.5%	-7.9%
Average capital (without net profit or loss for the period)	1,400,384	1,389,210		
b) Dividends to share capital ratio				
Total dividends paid for the financial year	0	0	/	/
Average share capital	364,810	364,810		
c) Net return of assets				
Net earnings of the accounting period	76,326	-109,737	4.0%	-5.8%
Average assets	1,901,765	1,877,303		

13 CORPORATE GOVERNANCE STATEMENT

Pursuant to the fifth paragraph of Article 70 of the Companies Act (ZGD-1) and point 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Kapitalska družba, d. d., hereby declares the corporate governance statement for the period from 1 January 2023 to 31 December 2023.

I. Kapitalska družba, d. d., as a public limited company in which the Republic of Slovenia is a 100% shareholder, voluntarily complies with the Corporate Governance Code for Companies with State Capital Investment (hereinafter: the Code), which contains principles, procedures and criteria for the conduct of members of management and supervisory bodies of companies in which the Republic of Slovenia is a stakeholders. In addition, Kapitalska družba, d. d., follows the valid Recommendations and expectations of Slovenian Sovereign Holding.

Kapitalska družba provides a declaration of compliance with the Code adopted by SSH and was valid in 2023. The Code contains the principles and recommendations of good practice for the corporate governance code for companies with capital assets of the state. The text of the Code currently in force is publicly available on the website of Slovenian Sovereign Holding http://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja.

Management and Supervisory Board of Kapitalska družba, d. d., declare that they voluntarily comply with the Code in their work and operations. Deviations from the individual recommendations of the Code are indicated and explained below:

Article 3.1 of the Code: The fundamental goal of a company with capital assets of the State is to maximise its value and generate the maximum possible return for owners in the long term, unless laid down otherwise by the law or its Memorandum of Association. In order to ensure higher transparency in relation to the company goals, companies are obliged to make sure that all such goals are clearly defined in the company's documents on incorporation.

Clarification: Given the specific purpose of its establishment and the envisaged transformation into a demographic fund, and taking into account the strategy for the governance of the State's capital assets in the performance of its activities, Kapitalska družba, d. d. is primarily responsible for fulfilling the legal obligation to provide funds to the ZPIZ and for the management of the SODPZ.

Article 3.2 of the Code: The management of a large or medium-sized company with capital assets of the state, together with the Supervisory Board, shall draw up and adopt a Corporate Governance Policy as a separate document, which should contain at least the following:

- **a description of all the main management policies, taking into account the company's objectives, values and responsibilities towards the wider social environment,**
- **an indication of which management code the company has adopted as a reference code,**
- **precise identification of stakeholder groups and relevant stakeholders, and a policy for communicating and engaging with each stakeholder group (creditors, subsidiaries, suppliers, customers, employees, media, analysts, government authorities, local and wider community),**
- **the process of familiarizing subsidiaries, shareholders or members with the group's strategy and management standards,**

- **the policy of transactions between the company and related companies, including their members of management bodies and controls,**
- **a commitment by the Supervisory Board to establish a system for identifying conflicts of interest and the independence of members of the management and supervisory bodies, which includes provisions for action in the event of circumstances that materially alter their status vis-à-vis the company,**
- **the commitment that the supervisory board will evaluate its own effectiveness,**
- **the intention to form possible committees of the supervisory board and the definition of their roles,**
- **a clear system of distribution of responsibilities and powers between the members of the company's management and control bodies,**
- **rules between the company and its related entities, including their members of the management or supervisory boards, that are not governed by conflict of interest laws,**
- **defining the company's communication policy, which includes high-quality standards for the design and disclosure of accounting, financial and non-financial information,**
- **protecting the interests of the Company's employees by defining the manner, content and standards of employee performance and ensuring an appropriate level of ethical conduct in the Company, including the prevention of discrimination.**

Clarification: Kapitalska družba d. d., in which SSH does not exercise a dominant influence, in 2023 it has not yet adopted the Corporate Governance Policy as an independent document. Regardless of the above, Kapitalska družba, d. d., materially respects all essential guidelines of the provision in question regarding the management of the company.

Article 4.3 of the Code: On matters relating to the exercise of membership rights from the capital investment of the state in a company with a capital assets of the state, the management and supervisory bodies of companies with capital assets shall refrain from any communication with representatives of the Ministries.

Clarification: Kapitalska družba d. d., does not fully comply with the stated provisions of the Code, since Kapitalska družba, d. d., is not a company managed by SSH, d. d. Kapitalska družba based on the law, is the manager of SODPZ, which is part of the compulsory pension insurance, which makes communication with representatives of the ministries necessary regarding the implementation of occupational insurance.

Article 6.2 of the Code: The Supervisory Board, in cooperation with the management, shall establish a succession policy to ensure or manage the risk of a smooth transfer of management rights in the event of the termination of the term of office of the members of the Management Board. The aim of the policy is to train potential candidates from among the employees who would be suitable candidates for assuming managerial positions in the company.

Clarification: In 2024, Kapitalska družba, d. d. adopted a succession policy in the form of a single document to identify, register and train potential candidates from the ranks of its employees who may be suitable candidates to take over management and leadership positions in the company (key personnel). The succession policy was adopted by the company's management board in December 2023, and it came into effect after its adoption by the company's supervisory board in 2024.

Article 6.5 of the Code: The supervisory board is composed in such a way as to ensure responsible supervision and decision-making for the benefit of the company. Regardless of whether the company has adopted a diversity policy, the composition of the supervisory board must take into account the expertise, experience and skills that are complementary among the individual members of the supervisory board (complementarity of knowledge and experience). The continuity and diversity of the

composition of the supervisory board should also be ensured to a greater extent in terms of characteristics such as age, international composition and gender representation in supervisory boards (heterogeneity of composition).

Subsection 6.5.1: The supervisory board prepares a competence profile for the members of the supervisory board from the point of view of the optimal size and composition of the supervisory board and publishes it on the company's public website. In drawing up the competence profile, the Supervisory Board should take into account the sectoral composition provided for in Article 21(2) of the ZSDH-1. The supervisory board should review the competence profile once a year and, if necessary, update it accordingly.

Clarification: Kapitalska družba, d. d. shall comply with the above-mentioned provisions of article 6.5 and sub-section 6.5.1 of the Code accordingly, taking into account the mandatory provisions of the sixth paragraph of Article 51 of ZSDH-1 and the Articles of Association of the Company, which regulate the specific composition of the Supervisory Board of Kapitalska družba, d. d. Taking into account the aforementioned legal restrictions, the supervisory board could not prepare a competence profile for the members of the supervisory board from the point of view of the optimal size and composition of the supervisory board, and the Diversity Policy also pursues the goal of complementarity of knowledge and experience and heterogeneity of the composition of the supervisory board.

Article 6.8 of the Code: If the General Meeting elects the members of the Supervisory Board on a proposal from the Supervisory Board, the Supervisory Board shall, in addition to the information required by law, include for each proposed candidate, in the justification of the proposals for the adoption of resolutions, at least information on membership of other management or supervisory bodies and an assessment of potential conflicts of interest, where the assessment of a candidate's potential conflicts of interest shall also take into account the individual circumstances set out in Annex 1 to this Code. The supervisory board must also disclose information on whether the proposed candidate is independent as defined by this Code and whether the supervisory board followed the procedures defined by this Code when selecting the candidate.

Subsection 6.8.1 of the Code: In justifying its (election) proposal, the supervisory board also provides a description of the competence profile for the member of the supervisory board, as well as information about the candidate, which enables shareholders to assess the extent to which the candidate meets the characteristics of the required profile.

Clarification: The Company does not fully comply with the above provisions of article 6.8 and sub-section 6.8.1 of the Code due to the mandatory provisions of ZSDH-1 and the Company's Articles of Association, which provide for a special nomination procedure for members of the Company's Supervisory Board in the case of Kapitalska družba, d. d., as explained in the Transitional Explanatory Note under article 6.5 of the Code.

Article 6.9 of the Code: The process of selecting candidates for members of the supervisory board and drafting a proposal for a general meeting's resolution on the appointment of members of the supervisory board should be transparent and defined in advance.

Subsection 6.9.8 of the Code: Immediately after the announcement of the convening of the general meeting, which will elect new members of the supervisory board on the proposal of the supervisory board of the company with capital assets of the state, the chairman of the supervisory board of the company calls on the candidates proposed for election by the supervisory board to submit an application to the Human Resources Committee of SSH for accreditation and nomination. Candidates may also be invited to apply for accreditation and nomination by the Human Resources Committee of the SSH. The recommendation does not apply if the proposal of SSH candidates was the only recruitment route.

Clarification: Kapitalska družba does not fully comply with the recommendations from subsection 6.9.8 of the Code, since the general meeting of Kapitalska družba, d. d., is represented by the Government of the Republic of Slovenia. In accordance with the provisions of ZSDH-1, three members of the supervisory board are appointed at the proposal of SSH, therefore, in accordance with the statute, the candidates from among the representatives of SSH are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. Two members are appointed on the proposal of national federations or organizations of pensioners and one member on the proposal of trade unions or confederations representative of the country. The procedure for the selection of shareholder candidates and their proposers is set out in detail in the Company's Articles of Association.

Article 7.4 of the Code: At least in large companies, the culture of talent recognition and skills development should be present not only at the second level, but also deeper in the organisation. The development plan of an individual employee should define the direction of their career and the definition of critical competencies that are necessary for the current and future success of the organization. Management is responsible for motivating employees, strengthening the sense of responsibility among employees and for strengthening the desired leadership. The reward system is based on knowledge, performance, education and complexity of work.

Clarification: Kapitalska družba partially complies with the stated provision of the Code, as it has not yet adopted a development plan for all employees, but respects the other essential directions of the provision in question. As already explained in article 6.2 of the Code, in 2024 Kapitalska družba, d.d. adopted a succession policy in the form of a single document for the Management Board and leadership personnel of the Company, which has already been adopted by the Management Board in December 2023, insofar as it relates to the heads of the organisational units.

Article 7.5 of the Code: The management formulates the company's strategy, taking into account the company's fundamental goals, vision and aspects of sustainable business. Based on the strategy, it creates a business plan for each financial year, which includes an investment plan, a financial plan, a personnel plan, and a success plan based on various indicators and a risk assessment.

Clarification: Kapitalska družba d. d., partially complies with the stated provision of the Code, as it does not have a multi-year company strategy, but only an annual business plan that contains all the required elements. Regardless of the above, the company has adopted strategies for the management of its own assets and for the management of SODPZ.

Article 8.5 of the Code: Large and medium-sized companies draw up a financial calendar before the start of the year, which includes the expected dates of the company's major announcements (general shareholders meetings, dividend payment dates, annual and interim reports) for the financial year. The financial calendar is published and accessible to the public on the company's website.

Clarification: The Company cannot comply with this provision of the Code due to the specifics provided for Kapitalska družba, d. d. by the ZSDH-1 (in accordance with Article 52(2) of the ZSDH-1, the Company's distributable profit cannot be used for distribution to shareholders, and the duties of the Company's General Meeting are performed by the General Meeting of SSH i.e., the Government of the Republic of Slovenia, in accordance with Article 51 of the ZSDH-1).

Article 11.2 of the Code:

II. Description of the company's main characteristics of internal control and risk management systems relating to the accounting reporting procedure

Clarification: Kapitalska družba, d. d. manages risks and carries out internal control procedures at all levels. The purpose of internal controls is to ensure the accuracy, reliability, transparency and clarity of all processes and risk management related to accounting reporting.

The controls carried out in the Accounting Department, which is in charge of keeping books of account and compiling financial statements pursuant to the applicable accounting, tax and other regulations, include procedures ensuring that:

- business events are recorded based on authentic bookkeeping documents, which serve for the accurate and fair recording of these events and provide a guarantee that the Company disposes of its assets with integrity,
- business events are recorded, and financial statements prepared in compliance with applicable legislation.

The financial statements of Kapitalska družba, d. d. for each financial year are also examined and audited by an external audit. Pursuant to the resolution of the General Meeting as at 26 August 2022, the Company's financial statements for 2023 are audited by the audit company PricewaterhouseCoopers d. o. o., Ljubljana, which has been appointed as the Company's auditor for the financial years 2022, 2023 and 2024.

The internal audit department is located in the organizational structure of the company as an independent organizational unit, directly subordinate to the management board, but also functionally subordinate to the audit committee and the supervisory board. This provides the independence of its operations and separation from executive functions that are the subject of audit. The fundamental focus of Internal Auditing is to examine and provide assurance on the operations of the Company's internal control systems. An internal auditor assesses the efficiency of internal controls in terms of the management of risks that the Company is exposed to. In accordance with the annual work program adopted by the company's management and supervisory board, the internal audit carries out audits for individual areas of the company's operations. By proposing improvements to business processes and procedures in the company, the internal audit contributes to increasing the performance of the company's operations.

III. Important direct and indirect ownership of the Company's securities in terms of achieving a qualifying holding as laid down by the act regulating takeovers

Clarification: The sole shareholder of Kapitalska družba d. d., is the Republic of Slovenia, which is the holder of all 874,235 ordinary registered no-par value shares (100% holding in the share capital).

IV. Holders of securities that carry special control rights

Clarification: The Company has issued no securities that would grant special control rights.

V. Restrictions on voting rights

Clarification: The sole shareholder of Kapitalska družba d. d., is the Republic of Slovenia, which is the holder of all 874,235 ordinary registered no-par value shares and has no restrictions on voting rights.

VI. The company rules on the appointment or replacement of members of the management/supervisory bodies and amendments to Articles of Incorporation

Clarification: The Company's rules on the appointment and replacement of the members of the management and supervisory bodies and amendments to articles of association are set out in the company's Articles of Association.

The Supervisory Board of Kapitalska družba, d. d. is appointed by the General Meeting of the Company. In compliance with Article 51(6) of ZSDH-1, the Supervisory Board is composed of six members. Three members of the Supervisory Board are appointed on the proposal of Slovenski državni holding, d. d. (Slovenian Sovereign Holding – SSH), two members on the proposal of the pensioners' organisations at the state level and one member on the proposal of trade union associations or confederations which are representative of the area of the country. If stakeholders do not formulate a proposal for the appointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of the Company. The candidates from among the representatives of SSH are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. The candidates from among the representatives of the pensioners are proposed by the pensioners' organisations and associations at the state level, which inform the Supervisory Board about the selection. The candidates from among the representatives of the trade unions are elected by the representatives (electors) of the representative government-level trade union associations or confederations, which inform the Supervisory Board about the selection. Any representative association or confederation has the number of representatives equal to the number of the representative trade unions it comprises. In addition to the representatives referred to in the previous sentence, the association or confederation elects another representative for every ten thousand members. The term of office of the Supervisory Board members is four years with the possibility of reappointment.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement. One of the Members is appointed Chairman of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or one of its Members may be dismissed early, solely for the reasons laid down in paragraph 2 of Article 268 of the Companies Act (ZGD-1). The breach of the Articles of Association of Kapitalska družba representing a severe dereliction of duties may constitute cause for dismissal.

The Articles of Association and its amendments and supplements are adopted by the Annual General Meeting of Kapitalska družba, d. d., at the proposal of the Management Board and the Supervisory Board.

VII. Authorisations to the Management, particularly authorisations to issue or purchase own shares

Clarification: The powers held by members of the management are laid down in the Company's Articles of Association. The Company's Management Board is not authorised to issue or purchase treasury shares.

VIII. Information on the operations and key competences of the Company's General Meeting and a description of the shareholders' rights and method of their enforcement

Clarification: The sole shareholder of the company exercises its rights arising from the ownership of shares at the company's general meeting. The General Meeting is the highest body of the Company and acts pursuant to the provisions of ZGD-1, ZSDH-1 and Company's Articles of Association. The General Meeting is convened by the company's management board, as laid down to by the law and Articles of Association when it is in the interest of the Company. The General Meeting may also be convened by the Supervisory Board. The General Meeting must also be convened by the Management Board at the request of the shareholder. A shareholder's request to convene a general meeting shall be accompanied in writing by the agenda, a draft resolution for each proposed agenda item on which the general meeting is to make a decision, or, if the general meeting does not take a decision on a particular agenda item, by a statement of the reasons for the agenda item. The convening of the general meeting must be published at least 30 days before the day of the general meeting. The convocation of the General Meeting is published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and on the website of Kapitalska družba, d.d. The published convocation of the General Meeting must also contain proposals for resolutions and an indication of the place where the entire material to be submitted for decision-making at the General Meeting must be made available at the same time the convocation is published. The right to participate in the general meeting and exercise the voting rights belongs to a shareholder who, as a holder of shares, is registered in the central register of book-entry securities at the end of the fourth day before the gathering of the general meeting.

The General Meeting decides on the fundamental affairs of Kapitalska družba, d. d., and in particular: adopts the Company's Articles of Association and its amendments; adopts the annual report in the event that the Supervisory Board has not approved it or if the Supervisory Boards leaves the decision on the adoption of the annual report to the General Meeting; takes decisions regarding the use of distributable profit at the proposal of the Management and Supervisory Boards; takes decisions on discharging members of the Management and Supervisory Boards; appoints and dismisses members of the Company's Supervisory Board; appoints the Company's auditor; takes decisions regarding measures to increase or decrease share capital, unless laid down otherwise by the Articles of Association or the law; takes decisions on the dissolution of Kapitalska družba, d. d. and its status changes, as well as on other matters in line with the law and Articles of Association.

IX. Information about the composition and operations of the management and supervisory bodies and their committees

Clarification: The governance and management of Kapitalska družba, d. d. are based on legal provisions and the provisions of the Articles of Association. The Company has a two-tier governance system, with the Management Board managing the Company and the Supervisory Board supervising its operations.

a) Supervisory Board

The powers of the Supervisory Board are laid down in the Company's Articles of Association, while the method of its work is governed by the Supervisory Board's Rules of Procedure. A detailed description of the activities and the method of Supervisory Board operations in 2023 is provided in the Report of the Supervisory Board. In 2023, the Supervisory Board of Kapitalska družba d. d. operated in the following composition:

- Janez Tomšič, Chairman,
- Boris Žnidarič, Deputy chairman,
- Ladislav Rožič, Member,
- Mirko Miklavčič, Member,
- Boštjan Leskovar, Member,
- Andreja Cedilnik, Member.

In 2023, three Supervisory Board Committees (Audit Committee, Accreditation Committee (until 9 March 2023) and Human Resources Committee) were active. Their work is presented in the Report of the Supervisory Board.

The Audit Committee of the Supervisory Board of Kapitalska družba, d. d., in the year 2023 until 9 March 2023 was composed of five members: Andreja Cedilnik, Chairman Ladislav Rožič, Member (until 1 February 2023), Mirko Miklavčič, Member (until 1 February 2023), Natalija Stošicki, External member, and Mojca Verbič, External member. From 10 March 2023, the audit committee was composed of four members: Andreja Cedilnik, Chairman Boštjan Leskovar, Member, Mirko Miklavčič, Member, and Natalija Stošicki, External member. The members of the Audit Committee appointed from among the members of the Supervisory Board shall be appointed for the period until the expiry of the term of office of the member of the Supervisory Board, unless the Supervisory Board decides otherwise by resolution. The term of the independent expert (external member) is not tied to the term of office of the members of the supervisory board, and the supervisory board can replace him at any time.

In 2023, the Accreditation Committee of the Supervisory Board worked until 9 March 2023, and was composed of: Boris Žnidarič, Chairman (until 1 February 2023), Boštjan Leskovar, Member, Ladislav Rožič, member (until 1 February 2023), Alenka Stanič, External member, Irena Prijović, External member, and Gorazd Žmavc, External member.

In the year 2023, until 8 March 2023, the Human Resources Committee of the Supervisory Board was composed of: Boštjan Leskovar, Chairman, Andreja Cedilnik, Member, and Mirko Miklavčič, Member (until 1 February 2023). From 9 March 2023, the Human Resources Committee was composed of: Boštjan Leskovar, Chairman, Ladislav Rožič, Member, and Andreja Cedilnik, Member. Members of the Human Resources Committee, all of whom are also members of the Supervisory Board, are appointed for the period until the expiry of the term of office of the member of the Supervisory Board, unless the Supervisory Board decides otherwise by resolution.

b) Management Board

In accordance with ZSDH-1 and the company's articles of association, the management board has a minimum of two and a maximum of three members. Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement for the period of four years. In 2023, Kapitalska družba d. d., was run by the Management Board composed of:

- Bachtiar Djalil, Chairman of the Board,
- Gregor Bajraktarević, Member.

The Chairman of the Management Board and a member of the Management Board of Kapitalska družba, d.d. were appointed by the Supervisory Board on the basis of a public tender, in accordance with the Company's Articles of Association1 and the provisions of ZSDH-1.[16]

The management runs the company for the good of the company, independently and at its own responsibility. The members of the Management Board shall represent the Kapitalska družba d. d., independently and without limitation. The Company's Articles of Association lay down the transactions and decisions for which the Management board must obtain the approval of the Supervisory Board. The Management Board of Kapitalska družba, d.d. is accountable to the Supervisory Board and the General Meeting, and in the conduct of its business it must act with the professional care of a good businessperson, protect business secrets of Kapitalska družba, d.d. and comply with the non-competition clause.

In 2023, the Management Board exercised its responsibilities in accordance with the Management's Rules of Procedure, reported regularly to the Supervisory Board and, in accordance with the Articles of Association, fulfilled its obligations towards the shareholder, as defined by ZGD1 in ZSDH-1.

Table 16: Management's composition in the financial year 2023

Name and surname	Function (chairman, member)	Areas of work within the Management Board	First appointment to the function	Completion of the function/ term of office	Gender	Citizenship	Year of birth	Education	Professional profile	Membership in the supervisory boards of companies not related to the Company
Bachtiar Djalil	Chairman	Legal and Human Resources, Internal Audit, Risk Management, Finance and Accounting, General Affairs	1 January 2010	4 January 2027	M	RS	1975	Bsc (Law), LL.M. (Groningen)	Corporate governance, pension and investment fund management, commercial and financial law	Loterija Slovenije, d. d. (until 4 April 2023)
Gregor Bajraktarević	Member	Asset Management, IT and Business Processes, Pension Fund Management	6 February 2017	9 February 2027	M	RS	1975	Msc (Science)	Asset management, corporate governance, investment banking and corporate restructuring	HIT, d .d. (until 1 September 2023)

16 On 4 January 2023, Bakhtiar Djalil took up a new four-year term as Chairman of the Management Board and on 9 February 2023, Gregor Bajraktarević took up a new four-year term as Member of the Management Board.

Table 17: Composition of the Supervisory Board and committees in financial year 2023

Name and surname	Function (chairman, deputy chairman, member of the SB)	First appointment to the function	Completion of the function/term of office	Representative of capital/employees	Attendance in SB meetings compared to the total number of SB meetings (e.g. 5/7)	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under point 6.6 of the Code (YES/NO)	Existence of a conflict of interest during the financial year (YES/NO)	Membership in supervisory bodies of other companies	Membership in committees (audit, HR, remuneration committee, etc.)	Chairman/Member	Attendance in committee meetings compared to the total number of meetings (e.g. 5/7)
Janez Tomšič	Chairman	21 October 2021	21 October 2025	Representative of capital	9/9	M	RS	1979	Bsc (Law)	corporate governance, real estate management, commercial law	Yes	No	SID , d. d.	/	/	/
Boris Žnidaršič	Deputy (from 1 January 2023 to 1 February 2023 and from 9 March 2023)	1 February 2015	1 February 2027	Representative of pensioners	9/9	M	RS	1948	Sc.D.	Master of Laws and PhD in Social Sciences, qualified university teacher	Yes	No	Krka, d. d.,	Accreditation	Chairman (until 1 February 2023)	there were no meetings
Ladislav Rožič	Member	31 January 2011	1 February 2027	Representative of the trade unions	9/9	M	RS	1957	Msc (Science)	finance, corporate governance	Yes	No	/	Audit	Member (Until 1 February 2023)	there were no meetings
														Accreditation	Member (Until 1 February 2023)	there were no meetings
														HR	Member (Until 9 March 2023)	0/1
Mirko Miklavčič	Member	2 February 2019	1 February 2027	representative of pensioners	9/9	M	RS	1947	Bsc in labour relations	finance, corporate governance, insurance	Yes	No	/	Audit	Member (until 1 February 2023 and from 9 March 2023)	9/9
														HR	Member (Until 1 February 2023)	there were no meetings
Boštjan Leskovar	Member	21 October 2021	21 October 2025	Representative of capital	9/9	M	RS	1973	Msc (Science)	finance, governance systems, corporate governance	Yes	No	Elektro Celje, d. d. (until 31 August 2023)	HR	Chairman	2/2
														Accreditation	Member (Until 9 March 2023)	there were no meetings
														Audit	Member (Until 9 March 2023)	9/9
Andreja Cedilnik	Member	31 August 2022	31 August 2026	Representative of capital	9/9	F	RS	1974	Bsc (Economics)	finance, accounting, controlling, corporate governance	Yes	No	/	Audit	Chairman	10/10
														HR	Member	2/2

Table 18: External members of Supervisory Board committees in the financial year of 2023

Name and surname	Committee	Attendance in committee meetings compared to the total number of meetings (e.g. 5/7)	Gender	Citizenship	Education	Year of birth	Professional profile	Membership in the supervisory boards of companies not related to the Company
Mojca Verbič (until 9 March 2023)	Audit	1/1	F	RS	Bsc (Economics)	1975	Expert in finance and business support	/
Irena Prijović (until 9 March 2023)	Accreditation	there were no meetings	F	RS	Msc (Science)	1968	Corporate governance	Uradni list, d. o. o., Športna loterija, d. d. (until 26 August 2023)
Alenka Stanič (until 9 March 2023)	Accreditation	there were no meetings	F	RS	Sc.D.	1963	Key Personnel Consultant	/
Gorazd Žmavc (until 9 March 2023)	Accreditation	there were no meetings	M	RS	law	1947	legal field	/
Natalija Stošicki	Audit	9/10	F	RS	Bsc (Economics)	1966	financial services expert	/

X. Description of the diversity policy regarding representation in the company's management and supervisory bodies

Kapitalska družba, d. d. has adopted a diversity policy in 2023 with regard to representation in the company's management or supervisory bodies in terms of gender and other aspects such as age or education and professional experience. The Diversity Policy of the Management Board and Supervisory Board sets out the main principles for ensuring diversity in the Management Board and Supervisory Board of Kapitalska družba, d. d. The Diversity Policy promotes diversity in the membership of both bodies. Differences in knowledge, experience, professional qualifications, age, gender and other aspects of the members of the Management Board and the Supervisory Board can be used to the benefit of the company by the diverse composition of the bodies. The Diversity Policy aims to achieve greater diversity in the composition of the Management Board and the Supervisory Board, which will contribute to the effectiveness of both bodies and will have a positive impact on the development of the Company's business and reputation. Ensuring diversity in terms of gender, age, educational and professional background, professional profile, tenure allows for the exchange of different views and perspectives and a good understanding of current developments, with the aim of ensuring the long-term success and sustainability of the Company's business. The Management Board and the Supervisory Board and its human resource committee strive to achieve the goals of the Diversity Policy, each within the scope of their responsibilities. The commitment to the implementation of the Diversity Policy is also followed by the sole shareholder and other stakeholders, in particular when proposing the members of the Supervisory Board, as Article 51(6) of the Slovenian Sovereign Holding Act (ZSDH-1) provides for a legally defined interest-based composition of the Supervisory Board, according to which, out of a total of six members of the Supervisory Board, three members are appointed on the proposal of SSH, two members are appointed on the proposal of national pensioners' federations or organisations, and one member is appointed on the proposal of trade union federations or confederations, representative of the country. The aim shall be to have as equal a gender balance as possible and continuity of orientation so that not all members of the Management Board or Supervisory Board are replaced at the same time. The complementarity of the two bodies is also important. Gender diversity is skewed in favour of the male gender, with a ratio of 83.3% : 16.7% on the Supervisory Board and 100% : 0% on the Management Board.

Gregor BAJRAKTAREVIĆ
Member of the Management Board

Bachtiar DJALIL
Chairman of the Management Board

Ljubljana, 10 June 2024

TRUST.

FINANCIAL
REPORT

14 STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. hereby confirms the consolidated financial statements of the Kapitalska družba Group for the year ending 31 December 2023 and the accompanying notes and disclosures to the financial statements.

The Management Board also confirms that the appropriate accounting policies were consistently applied in compiling the financial statements, that accounting estimates were made according to the principle of prudence and the diligence of a good manager, and that the consolidated financial statements present a true and fair picture of the Kapitalska družba Group's financial assets and operating results for 2023.

The Management Board is also responsible for ensuring that accounting is conducted correctly and that appropriate measures are taken to secure property and other assets, and confirms that the consolidated financial statements, together with the notes, have been compiled on a going concern basis and the Group and in line with current legislation and the International Financial Reporting Standards (IFRS) as adopted by the EU.

The tax authorities may audit the Kapitalska družba Group at any time in the five years following the end of a year in which tax must be paid, which can result in an additional tax liability, default interest and fines for corporate income tax or for other taxes and levies. The Company's Management Board is not aware of any circumstances that could give rise to any significant liability on this account.

Gregor BAJRAKTAREVIĆ
Member of the Management Board

Bachtiar DJALIL
Chairman of the Management Board

Ljubljana, 10 June 2024

15 AUDITOR'S REPORT

Independent Auditor's Report

To the Shareholder of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.:

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee of the Company dated 6 June 2024.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "Regulation"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

PricewaterhouseCoopers d.o.o.,
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Matriculation No.: 5717159, VAT No.: SI35498161

Translation note:

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Independence

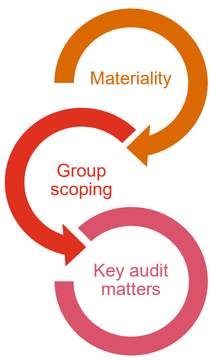
We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in Slovenia and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation.

The non-audit services that we have provided to the Company and its subsidiaries, in the period from 1 January 2023 to 31 December 2023, are disclosed in the Note No. 3 Audit fees.

Our audit approach

Overview



Materiality	Overall Group materiality: • EUR 16,056 thousand, which represents 0.8 % of the Group's total assets.
Group scoping	• We conducted audit work at 2 reporting units, Kapitalska družba d.d and Modra zavarovalnca d.d. and analytical procedures of the Group reporting package of 1 reporting unit Hotelske nepremičnine d.o.o. • Our audit scope covered 98 % of the Group's operating income, 99 % of the Group's financial income and 99 % of the Group's total assets.
Key audit matters	• Fair value of the investments in level 3 of the fair value hierarchy • Insurance contract liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	EUR 16,056 thousand
How we determined it	0.8 % of the Group's total assets
Rationale for the materiality benchmark applied	The amount of the Group's total assets is a relevant indicator of operations for the key stakeholders. As a mutual entity, the Group shares benefits with participants nevertheless the Group has made a profit or loss, therefore a profit is not relevant. Based on this, we have decided to use total assets as a materiality benchmark, believing that this indicator is the most relevant for the key users of the consolidated financial statements. We chose the threshold of 0.8 % which is consistent with quantitative materiality thresholds used for public interest entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Fair Value of Investments in Level 3 of the fair value hierarchy Refer to note 17.2 Material accounting policy information and 16 Investments, excluding loans of the consolidated financial statements: – 17.2 Material accounting policy information– Significant accounting judgements and estimates – 17.2. Material accounting policy information – Classification and valuation of financial assets and fair value measurement of non-marketable financial and non-financial assets, – 17.2. Material accounting policy information– Financial assets: Classification and measurement of financial assets, – 17.2 Material accounting policy information– Financial assets: Fair value determination, – 17.2 Material accounting policy information– Financial assets: Criteria for classification of investments based the level of the fair value hierarchy, – Note No. 16 – Investments, excluding loans: Fair value hierarchy as at 31 December 2023 – Note No. 16 – Investments, excluding loans: Table 34: Changes in Level 3 investments in 2023. The total value of investments in level 3 of the fair value hierarchy amounts to EUR 102,553 thousand as at 31 December 2023. Significant estimates and assumptions are applied in the valuation of financial assets in level 3. These include interest rates, future expected cashflows, required rate of return on debt and equity as well as the prevailing market conditions within the EU and global markets in which the Group operates. The Group has the following types of investments at level 3 of the fair value hierarchy as of 31 December 2023: – equity instruments representing 50.6 % or EUR 51,862 thousand, – Accounts receivable representing 27.7 % or EUR 28,416 thousand, – Exchange traded funds (ETF) representing 18.7 % or EUR 19,144 thousandand – other debt instruments representing 3.1 % or EUR 3,130 thousand. The assessment of the fair value of equity instruments in level 3 was carried out using the yield-based method of assessing the value of the company, using the method of discounting free cash flows and the method of discounted dividends, and using the asset-based method of assessing the value of the company, using the method of net asset value (adjusted book values). The estimated fair value of account receivable is determined on the basis of the estimated fair value of the principal collateral using the return-based method of valuation using the method of discounting free cash flows. Estimating the fair value of investments in level 3 of the fair value hierarchy is based on valuation models that consider significant observable and unobservable inputs that are not publicly available in the markets (discount rates, WACC). Certain data for the valuation is obtained from the Bloomberg and other financial sources, and for some companies, an important source is data and documents about their past and future operations, which the management obtained from the companies that were the subject of the evaluation. Given the complexity of the accounting estimates and assumptions in the fair value valuation models of financial assets in level 3, which represent an important item from the point of view of the audit of the Group's financial statements, we determined this area as significant for our audit and as a key audit matter	Given the high level of complexity and estimation involved within the valuation process we engaged valuation experts for their assistance and involvement within our audit work. During the course of our audit, we have performed the following procedures: – We tested the design and implementation of selected internal controls in the process of measurement of financial assets with an emphasis on internal controls for determining and validating assumptions and model results in the assessment of fair value of the investment at level 3 of fair value hierarchy, – We verified the methods and models used in the determination of the fair value of the investment at level 3 of the fair value hierarchy in line with the requirements of IFRS 13; – We verified reasonableness of the assumptions applied (discount rates, financial projections / plans and Collateral) in the models used in estimating fair value of the investment at level 3 of fair value hierarchy; – We performed testing over a sample of inputs used in the valuation process for Level 3 investments as of 31 December 2023 and assessed the methodology used for fair value adjustments, in light of available market data and industry trends, – We have assessed the disclosures related to the level 3 investments in the consolidated financial statements, with respect to their adequacy, completeness, and compliance with the International Financial Reporting Standards as adopted by the European Union.

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Insurance contract liabilities

Refer to note 17.2 Material accounting policy information and 23 Financial and Operating Liabilities of the consolidated financial statements:

- 17.2 Material accounting policy information - Significant Accounting Judgements and Estimates;
- 17.2 Material accounting policy information - Insurance Contract Liabilities;
- Note 23 to the financial statements: Financial and Operating Liabilities: Insurance Contract Liabilities;

Insurance contract liabilities consist of the liability for remaining coverage (LRC) of EUR 336,630 thousand as of 31 December 2023 divided to liabilities for residual coverage - No loss component EUR 328,018 thousand and liabilities for residual coverage - Loss component EUR 8,612 thousand.

Model used by the Group for the measurement of the insurance contracts and related LRC is General measurement model (GMM).

The GMM model is based on the following building blocks: a current estimate of future cash flows expected to arise during the life of the contract; an adjustment to reflect the time value of money and the financial risks related to the future cash flows and a contractual service margin (CSM) representing the unearned profit from the contract.

The GMM measurement model applied in measurement of Insurance contract liabilities involve significant Management judgments over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and assumptions applied in the models, and consist of significant Economic assumptions such as discount rates and actuarial assumptions such as mortality, longevity, attributable expenses are key inputs used to estimate these liabilities. Significant judgment is applied in setting these assumptions.

The complexity of the GMM model may increase the inherent risk as a result of input data quality or the design or application of the model as such, including internal control environment in the business process, therefore we considered it a key audit matter for our audit of the Consolidated financial statements.

Our audit approach was the following:

We tested the requirements and implementation of selected internal controls in the process of determining and measuring Insurance contracts that result in liabilities, with an emphasis on internal controls for determining and validating actuarial assumptions and result models;

- We evaluated important control activities in actuarial processes and verified the operational effectiveness of key internal controls in the process;
- We gained our understanding of the insurance contract liabilities calculation methodology applied by the Group. We engaged our own actuarial experts to assist us in performing our audit procedures;
- We tested on a sample basis accuracy of the input data of the measurement models in the source systems and reconciled it with the input in the insurance contract liabilities calculation engine;
- We assessed how management determined and approved assumptions used in the measurement model. Our assessments included challenging, as necessary, management's rationale for the specified assumptions and judgments applied.
- We challenged the assumptions in projected cash flows adopted by the Group considering specific product features.
- We recalculated on a sample basis projected cash flows used in the calculation of the insurance contract liabilities and compared them to Group's calculations.
- We performed substantive analytical procedures to determine whether the insurance contract liabilities calculated in the models and systems are reasonable and complete. We reconciled the output of the insurance contract liabilities calculation engine with the accounting records.
- We have assessed the disclosures related to the insurance contract liabilities in the consolidated financial statements, with respect to their adequacy, completeness, and compliance with the International Financial Reporting Standards as adopted by the European Union.

Reporting on other information including the Business Report

Management is responsible for the other information. The other information comprises the Business Report which is a constituent part of the Annual Report of the Group but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information, including the Business Report and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the Business Report is consistent with the consolidated financial statements and whether the Business Report was prepared in accordance with valid legal requirements.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Business Report for the financial year for which the consolidated financial statements are prepared is, in all material respects, consistent with the consolidated financial statements; and
- the Business Report has been prepared, in all material respects, in accordance with the requirements of the Slovenian Companies Act.

In addition, in the light of knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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 consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 internal control relevant to the 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group at the shareholders meeting of the Company on 26 August 2022 for the financial year ended 31 December 2022. The president of the supervisory board signed the audit contract on 10 June 2022. The contract was concluded for 3 years. Our uninterrupted period of appointment is 2 years.

The key audit partner on the audit resulting in this independent auditor's report is Primož Kovačič..

For and on behalf of PricewaterhouseCoopers d.o.o.:

Primož Kovačič,

Director, Certified auditor

6 June 2024

Ljubljana, Slovenia

Translation note:

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16 CONSOLIDATED FINANCIAL STATEMENTS FOR 2023

16.1 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in EUR 000

Item	Note	1 Jan - 31 Dec 2023	Adjusted 1 Jan - 31 Dec 2022
1. Net sales revenue	1	22,903	21,035
2. a) Insurance services income	2. 1	8,781	7,881
2. b) Other operating revenues	2. 2	14,376	337
Total operating revenue		46,060	29,253
3. Costs of materials and services	3	-4,700	-4,477
4. Labour costs	4	-7,758	-6,889
5. Write-downs in value	5	-2,129	-1,870
6. a) Insurance services cost	6. 1	-8,694	-14,503
6. b) Other operating expenses	6. 2	-2,313	-15,172
Total cost and expenses		-25,594	-42,911
Operating profit or loss		20,466	-13,658
7. Financial revenue	7.		
b) Financial revenue from shares in associates	7. 1	8,306	2,404
c) Financial revenue from shares in other companies	7. 1	101,200	69,819
d) Financial revenue from other investments and from loans	7. 2	18,807	11,188
Total financial revenue		128,313	83,411
8. Financial expenses	8		
b) Financial expenses due to impairment and write-off of other investments	8. 1	-6,768	-113,356
c) Financial expenses from financial liabilities	8. 2	-65,010	-50,009
d) Financial expenses from operating liabilities	8. 3	-5	-3
e) Financial expenses from insurance contracts	8. 4	-5,145	-5,017
Total financial expenses		-76,928	-168,385
Profit/loss before tax		71,851	-98,632
9. Corporate income tax	9	-5,338	-129
10. Deferred tax	10	9,813	-10,976
11. Net profit or loss for the period		76,326	-109,737

The disclosures and notes on pages 93 to 174 form an integral part of the financial statements.

16.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR 000

	1 Jan – 31 Dec 2023	Adjusted 1 Jan - 31 Dec 2022
Profit or loss for the year	**76,326**	**-109,737**
Other comprehensive income for the financial year	**74,924**	**-43,041**
Items not to be later reclassified subsequently to profit or loss	**76,619**	**-104,196**
Actuarial gains/losses within defined employee benefits plans	-44	54
Gains/losses in relation to changes in fair value of investments in equity, measured at fair value through other comprehensive income	101,045	-118,691
Net gains/losses recognized in revaluation surplus related to investments in equity of associates and joint ventures accounted for using the equity method	-1,779	855
Tax on items subsequently not to be reclassified to profit or loss	-22,603	13,586
Items that may be reclassified subsequently to profit or loss	**-1,695**	**61,155**
Gains/losses in relation to investments in debt instruments, measured at fair value through other comprehensive income	9,971	-8,081
Net income/expenses from insurance contracts	-11,197	67,701
Tax on items that may be reclassified subsequently to profit or loss	-469	1,535
Total comprehensive income for the year	**151,250**	**-152,778**

The disclosures and notes on pages 93 to 174 form an integral part of the financial statements.

16.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR 000

Item	Note	31 Dec 2023	Adjusted 31 Dec 2022	Adjusted 1 Jan 2022
ASSETS				
A. Non-current assets				
I. Intangible assets and non-current deferred costs and accrued revenue	11	66,317	66,410	51,281
II. Property, plant and equipment	12	5,249	5,189	5,785
III. Investment property	13	23,924	24,881	24,296
IV. Non-current investments				
1. Long-term investments, except loans				
b. Shares and interests in associates	14	84,808	79,859	83,023
c. Other shares and interests	16	1,128,350	964,392	1,281,769
d. Other long-term investments	16	343,911	317,133	293,940
Total long-term investments, excluding loans		1,557,069	1,361,384	1,658,732
2. Long-term loans	17	59,949	36,218	16,249
Total non-current investments		1,617,018	1,397,602	1,674,981
V. Non-current operating receivables	18	280	248	197
VI. Deferred tax assets	10	25,802	15,999	29,896
Total non-current assets		1,738,590	1,510,329	1,786,436
B. Current assets				
I. Assets held for sale	15	0	5,074	11,543
III. Current investments				
1. Current investments, except loans	16	171,027	181,242	50,017
2. Short-term loans	17	7,798	2,810	17,618
Total short-term investments		178,825	184,052	67,635
IV. Current operating receivables				
2. Current trade receivables		4,465	3,337	3,448
3. Current operating receivables due from others		10,999	10,871	4,352
4. Other current operating receivables		68,953	67,800	53,090
Total current operating receivables	18	84,417	82,008	60,890
V. Cash and cash equivalents	19	5,175	15,059	31,580
Total current assets		268,417	286,193	171,648
Total assets		2,007,007	1,796,522	1,958,084

in EUR 000

Item	Note	31 Dec 2023	Adjusted 31 Dec 2022	Adjusted 1 Jan 2022
EQUITY AND LIABILITIES				
A. Equity				
I. Called-up capital	20	364,810	364,810	364,810
II. Capital surplus	21	218,801	218,046	217,839
V. Reserves arising from valuation at fair value	22	471,091	395,952	441,875
VI. Net profit or loss brought forward		320,405	446,852	328,236
VII. Net profit or loss for the year		76,326	-109,737	100,370
Total equity		1,451,433	1,315,923	1,453,130
B. Provisions				
I. Provisions for pensions and similar obligations		720	601	587
II. Other provisions		5,244	19,439	5,250
Total provisions	25	5,964	20,040	5,837
C. Non-current liabilities				
I. Non-current financial liabilities		65,000	65,006	50,000
II. Long-term Insurance contract liabilities		336,630	273,676	299,486
III. Other long-term liabilities		1,349	1,364	1,277
Total non-current liabilities	23	402,979	340,046	350,763
IV. Deferred tax liabilities	10	64,447	41,363	73,356
Total non-current liabilities		467,426	381,409	424,119
D. Current liabilities				
II. Current financial liabilities		0	0	1
III. Current operating liabilities				
2. Current trade payables		624	844	706
5. Current liabilities to the state		65,401	65,425	50,323
7. Other current operating liabilities		13,643	8,338	10,838
Total current operating liabilities	23	79,668	74,607	61,867
IV. Current tax liabilities	24	2,516	4,543	13,130
Total current liabilities		82,184	79,150	74,998
Total equity and liabilities		2,007,007	1,796,522	1,958,084

The disclosures and notes on pages 93 to 174 form an integral part of the financial statements.

16.4 CONSOLIDATED CASH FLOW STATEMENT

in EUR 000

	1. Jan – 31 Dec 2023	Adjusted 1 Jan - 31 Dec 2022
A. Cash flows from operating activities		
a) Net profit or loss, and adjustments		
Net profit or loss	76,326	-109,737
Tax adjustment	-4,475	11,105
Adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, and depreciation of investment property	2,501	2,198
Adjustments for impairments/write-offs/of property, plant and equipment, intangible assets and investment property	0	-7
Adjustments for financial income	-120,007	-81,007
Adjustments for financial expenses	76,928	168,385
Adjustments for the share in the operating results of associated and jointly controlled companies	-8,306	-2,404
Adjustments for profit/loss on sale of property, plant and equipment	13	-2
Operating profit before changes in net current assets and taxes	**22,980**	**-11,469**
b) Changes in net current assets and provisions		
Opening less closing operating receivables	-2,441	-21,169
Opening less closing assets (disposal groups) held for sale	5,074	6,469
Closing less opening operating debts	3,034	4,153
Closing less opening operating liabilities	-14,076	14,203
Cash generated from operating activities	**-8,409**	**3,656**
c) Net cash (disbursements) from operating activities	14,571	-7,813
B. Cash flows from investing activities		
a) Net receipts from investing activities		
Receipts from interest	7,989	6,024
Receipts from dividends	41,570	41,515
Cash receipts from disposal of property, plant and equipment	15	3
Receipts from decrease of long-term investments	49,754	159,612
Receipts from decrease of short-term investments	236,960	120,446
Total receipts from investing activities	**336,288**	**327,600**
b) Cash disbursements from investing activities		
Cash disbursements to acquire intangible assets	-396	-376
Disbursements to acquire property, plant and equipment	-453	-175
Cash disbursements to acquire investment property	-291	-1,398
Disbursements to acquire non-current investments	-121,820	-102,607
Disbursements to acquire current investments	-173,537	-181,957
Total cash disbursements for investing activities	**-296,497**	**-286,513**
c) Cash from investing activities	39,791	41,087

in EUR 000

	1. Jan – 31 Dec 2023	Adjusted 1 Jan - 31 Dec 2022
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Cash receipts from paid-in capital	754	207
Total cash receipts from financing activities	754	207
b) Cash disbursements for financing activities		
Cash disbursements for repayment of current financial liabilities	-65,000	-50,002
Cash disbursements for repayment of non-current financial liabilities		
Total cash disbursements for financing activities	-65,000	-50,002
c) Cash from financing activities	-64,246	-49,795
D. Closing balance of cash		
a) Net cash flow for the period	-9,884	-16,521
b) Opening balance of cash	15,059	31,580
c) Total closing balance of cash	5,175	15,059

The disclosures and notes on pages 93 to 174 form an integral part of the financial statements.

16.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR 000

				Reserves arising from valuation at fair value					
		Share capital	Capital surplus	Financial investments	Insurance contracts	Net profit or loss brought forward	Net profit or loss for the current period	Majority equity interest	Total
A. 1.	Balance as at 31 Dec 2022	364,810	218,046	338,811	57,141	446,852	-109,737	1,315,923	1,315,923
a)	Retrospective adjustments due to the transition to IFRS 9 (adjustments of business models)	0	0	0	0	-21,914	0	-21,914	-21,914
A. 2.	Balance as at 1 Jan 2023	364,810	218,046	338,811	57,141	424,938	-109,737	1,294,009	1,294,009
B. 1.	Changes in equity – transactions with owners	0	755	0	0	0	0	755	755
d)	Entry of additional paying-up of the capital	0	755	0	0	0	0	755	755
B. 2.	Total comprehensive income for the period	0	0	86,121	-11,197	0	76,326	151,250	151,250
a)	Net profit or loss for the reporting period	0	0	0	0	0	76,326	76,326	76,326
d)	Changes in reserves arising from valuation of investments at fair value	0	0	87,944	-11,197	0	0	76,747	76,747
e)	Changes in reserves arising from valuation of investments at fair value - associated companies	0	0	-1,779	0	0	0	-1,779	-1,779
f)	Other components of the comprehensive income of the period	0	0	-44	0	0	0	-44	-44
B. 3.	Changes in equity	0	0	215	0	-104,533	109,737	5,419	5,419
a)	Distribution of the remaining part of the net profit of the comparative reporting period to other components of equity	0	0	215	0	-109,952	109,737	0	0
f)	Profits/losses from derecognition of equity investments measured at fair value through other comprehensive income to retained earnings	0	0	0	0	5,419	0	5,419	5,419
C.	Closing balance as at 31 Dec 2023	364,810	218,801	425,147	45,944	320,405	76,326	1,451,433	1,451,433

The disclosures and notes on pages 93 to 174 form an integral part of the financial statements.

16.6 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR 000

Adjusted				Reserves arising from valuation at fair value					
		Share capital	Capital surplus	Financial investments	Insurance contracts	Net profit or loss brought forward	Net profit or loss for the current period	Majority equity interest	Total
A. 1.	**Balance as at 31 Dec 2021**	**364,810**	**217,839**	**561,211**	**0**	**263,874**	**49,917**	**1,457,651**	**1,457,651**
a)	Retrospective adjustments due to the transition to IFRS 17	0	0	0	-10,560	6,039	0	0	-4,521
b)	Retrospective adjustments due to the transition to IFRS 9	0	0	-108,777	0	58,324	50,453	0	0
A. 2.	**Balance as at 1 Jan 2022**	**364,810**	**217,839**	**452,434**	**-10,560**	**328,237**	**100,370**	**1,453,130**	**1,453,130**
B. 1.	**Changes in equity – transactions with owners**	**0**	**207**	**0**	**0**	**0**	**0**	**207**	**207**
d)	Entry of additional paying-up of the capital	0	207	0	0	0	0	207	207
B. 2.	**Total comprehensive income for the period**	**0**	**0**	**-110,742**	**67,701**	**0**	**-109,737**	**-152,778**	**-152,778**
a)	Net profit or loss for the reporting period	0	0	0	0	0	-109,737	-109,737	-109,737
d)	Changes in reserves arising from valuation of investments at fair value	0	0	-111,651	67,701	0	0	-43,950	-43,950
e)	Changes in reserves arising from valuation of investments at fair value - associated companies	0	0	855	0	0	0	855	855
f)	Other components of the comprehensive income of the period	0	0	54	0	0	0	54	54
B. 3.	**Changes in equity**	**0**	**0**	**-2,881**	**0**	**118,615**	**-100,370**	**15,364**	**15,364**
a)	Distribution of the remaining part of the net profit of the comparative reporting period to other components of equity	0	0	-2,881	0	103,251	-100,370	0	0
f)	Profits/losses from derecognition of equity investments measured at fair value through other comprehensive income to retained earnings	0	0	0	0	15,364	0	15,364	15,364
C.	**Closing balance as at 31 Dec 2022**	**364,810**	**218,046**	**338,811**	**57,141**	**446,852**	**-109,737**	**1,315,923**	**1,315,923**

The disclosures and notes on pages 93 to 174 form an integral part of the financial statements.

17 DISCLOSURES AND NOTES

17.1 GENERAL DISCLOSURES

Controlling Company Profile

Kapitalska družba, d. d., is organised as a public limited company. The company is headquartered at Dunajska cesta 119 in Ljubljana, Slovenia. The sole shareholder of Kapitalska družba is the Republic of Slovenia. The Company's share capital amounts to EUR 364,809,523.15, and is divided into 874,235 registered no-par value ordinary shares. Each no-par value share shall account for the same proportion and corresponding amount in the share capital. The rights of the sole shareholder, i.e. the Republic of Slovenia, are exercised by the Government of the Republic of Slovenia.

The activities of Kapitalska družba d. d. are defined by law and by the Company's Articles of Association. On the basis of the Standard Classification of Activities, according to the Company's Articles of Association and entry in the Companies Register, the main activity performed by Kapitalska družba is pension funding and it also performs other activities related to asset management and services related to support to asset management: other financial intermediation, activities ancillary to pension funding, trade in own property, lease of own property, software supply and consultancy, data processing, network data services, other computer related activities, accounting and bookkeeping services, tax consultancy, market research and public opinion polling, business and other management consultancy, activities of holding companies, publishing of journals and periodicals, and other educational services.

Amendments to the Articles of Association and the Rules on Appointing the Management Board and the Supervisory Board of the controlling company

The Articles of Association and its amendments and supplements are adopted by the Annual General Meeting of Kapitalska družba, d. d., at the proposal of the Management Board and the Supervisory Board.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement. One of the Members is appointed Chairman of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or one of its Members may be dismissed early, solely for the reasons laid down in paragraph 2 of Article 268 of the Companies Act (ZGD-1). The breach of the Articles of Association of Kapitalska družba representing a severe dereliction of duties may constitute cause for dismissal.

The Company's Management Board is not authorised to issue or purchase treasury shares.

The Supervisory Board of Kapitalska družba, d. d. is appointed by the General Meeting of the Company. In compliance with Article 51(6) of ZSDH-1, the Supervisory Board is composed of six members. Three members of the Supervisory Board are appointed on the proposal of Slovenski državni holding, d. d. (Slovenian Sovereign Holding – SSH), two members on the proposal of the pensioners' organisations at the state level and one member on the proposal of trade union associations or confederations which are representative of the area of the country. If stakeholders do not formulate a proposal for the appointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of Shareholders. The candidates from among the representatives of SSH are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. The candidates from among the representatives of the pensioners are proposed by the pensioners' organisations and associations at the state level, which inform the Supervisory Board about the selection. The candidates from among the representatives of the trade unions are elected by the representatives (electors) of the representative government-level trade union associations or confederations, which inform the Supervisory Board about the selection. Any representative association or confederation has the number of representatives equal to the number of the representative trade unions it comprises. In addition to the representatives referred to in the previous sentence, the association or confederation elects another representative for every ten thousand members. The term of office of the Supervisory Board members is four years with the possibility of reappointment.

Subsidiaries data

Subsidiaries of Kapitalska družba, d. d., are shown in the table below.

in EUR 000

Subsidiary company name	Country	Equity share	Equity as at 31 Dec 2023	Net profit/loss for 2023
Modra zavarovalnica, d. d.	Slovenia	100.00%	349,582	22,742
Hotelske nepremičnine, d. o. o.	Slovenia	50.00%	13,015	221
FINAP, d. d. – in liquidation[17]	Slovenia	66.08%	-	-

The remaining 50% of the equity share of the company Hotelske nepremičnine, d. o. o., is owned by Modra zavarovalnica, d. d. In the separate statements of Kapitalska družba, d. d., the company Hotelske nepremičnine, d. o. o., is shown as a joint venture.

Kapitalska družba, d. d., consolidates Modra zavarovalnica d. d. and Hotelske nepremičnine, d. o. o., in the consolidated financial statements. The company FINAP, d. d. - in liquidation is not consolidated due to its insignificance.

Data on consolidation

Consolidation of accounting data takes place at Kapitalska družba, d. d., at the highest level. The consolidated Annual Report of the Kapitalska družba Group is published at https://www.kapitalska-druzba.si/o-kapitalski-druzbi/letna-porocila/.

Information on own shares

The Group does not have its own shares.

Employees

At the end of 2023, there were 128 employees in the Kapitalska družba Group, of which Kapitalska družba, d. d. had 62 employees, Modra zavarovalnica, d. d. had 66 employees. In 2023, the Group had an average of 122 employees. Companies Hotelske nepremičnine, d. o. o. and FINAP, d. d.- in liquidation have no employees.

17 Subsidiary company FINAP, storitve in posredovanje, d. d. - in liquidation was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register of the registration court.

17.2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis for preparation

The financial statements for 2023 have been prepared in accordance with the International Financial Reporting Standards (hereinafter: "IFRS"), as adopted by the EU, and the Companies Act.

The data in the financial statements are based on book-keeping documents and books of account kept in accordance with IFRS. The following general accounting assumptions have been observed in the preparation: going concern, systematic consistency and accrual basis. The following quality characteristics have been observed in the formulation of accounting policies: comprehensibility, suitability, reliability, and comparability.

Significant accounting judgements and estimates

The preparation of financial statements requires the managements to make certain estimates and assumptions that affect the reported amounts of assets and liabilities of the Group as well as the amounts of revenue and expenses.

The adequacy of the used assumptions and estimates is checked annually at the end of the financial year.

Significant judgements relate to:

- definition or recognition of insurance contracts,
- expected credit loss model for financial assets and
- classification and valuation of financial assets and fair value measurement of non-marketable financial and non-financial assets.

Definition or recognition of insurance contracts

We are talking about a definition or recognition of an insurance contract when the Company assumes a significant insurance risk from the policyholder, by agreeing to reimburse the policyholder for damage that the latter would suffer in a specific future event (the insured event). The definition of insurance risk is a matter of subjective judgement. We estimate that life insurance contracts, the purpose of which is to provide an annuity, carry a significant insurance risk. Consequently, we categorise them as insurance contracts. In the same manner, insurance contracts also include accident insurance contracts. Insurance contracts are valued in the financial statements in accordance with the general model prescribed by IFRS 17 (General Measurement Model - GMM). The guidelines are explained in the chapter "Insurance contracts that are liabilities".

Expected credit loss model for financial assets

IFRS 9 has also established the expected credit loss model meaning that an impairment is recognised even before the loss occurs. The expected credit loss model incorporates the historical data on the recoverability and the macroeconomic forecasts as well as other internal and external factors indicating the debtor's future solvency.

The basis for the formation of impairments is the data on the probability of default – PD, loss given default – LGD and exposure at default – EAD. Data are obtained from international statistics publications of the Moody's and S&P credit agencies (PD and LGD) as well as the internal IT system holding current data on EAD.

The standard defines three stages describing the credit quality of a financial asset. Upon recognising a financial asset classified as stage 1, the fund recognises the expected credit loss over a period of 12 months. Financial assets classified as stage 2 are assets whose credit risk in the period after recognition has increased and for which credit loss is calculated over their entire term. Stage 3 is represented by financial assets of non-creditworthy issuers, meaning that impairments are required for total expected losses.

Individual investments classified in stages based on international or internal ratings and days of default. We also carried out regular monitoring of portfolio investments in the form of an internal early warning system – EWS.

In order to determine the expected credit losses (ECL) based on forward-looking information, the Group calculates the correlation coefficients for a period of three years that we obtain based on international macroeconomic indicators for the following three years and the data on the default rate provided by S&P. Select macroeconomic indicators were selected for the calculation, i.e. those with the maximum statistical information value and are relevant for economic cycle forecasting. The Group observes the average historical PD value for the period longer than three years because it is difficult to explain deviations from average PD values over a longer time period.

We recognise a loss allowance for the ECL relating to financial assets measured at amortised cost or fair value through other comprehensive income.

Classification and valuation of financial assets and fair value measurement of non-marketable financial and non-financial assets

Investments at fair value are classified based on the fair value level pursuant to IFRS 13. The said standard defines a hierarchy for compliance and comparability purposes, whereby it classifies the inputs used for fair value valuation into three levels, i.e.:

- Level 1 inputs are quoted (unadjusted) market prices in active markets for the investments which the Company can access as at the measurement date;
- Level 2 inputs are inputs that are not quoted prices included in level 1 and which can be directly or indirectly observed; level 2 inputs include:
  - i. quoted prices for similar investments in active markets,
  - ii. quoted prices for identical or similar investments in non-active markets,
  - iii. inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
  - iv. inputs corroborated by market;
- Level 3 inputs are unobservable inputs.

The Group classifies investments into levels based on the characteristics of the input used to determine the fair value of investments and to assess whether the principal market is an active one.

For investments in alternative funds, the market value of the investment is not available, therefore, valuation based on market data is not possible. The value of the investment in the alternative fund is given by the manager of the alternative fund as the value of the fund unit or as the value of the payment to the fund which represents the best approximation of the market value. The evaluation is based on material non-public information. The Group has limited access to the data used by the alternative fund manager, so we do not carry out our own valuation, nor is it possible to do a sensitivity analysis. The alternative fund manager usually uses IPEV-compliant (International Private Equity and Venture Capital Valuation) valuation methods, such as discounted cash flows method or market multiples method. In accordance with the criteria for classifying investments in fair value hierarchies, the listed investments are classified in level 3.

At the level of the fair value hierarchy, the Group also classifies those debt security investments that are not measured at fair value in the statement of financial position. These are generally bonds at amortised cost that are measured at fair value by the Group for disclosure purposes. The same rules as for debt securities measured at fair value in the statement of financial position apply to these securities.

The estimates of asset fair value mainly depend on the current and expected macroeconomic situation in the EU and other relevant markets where the Group operates and that affect the future cash flow projection, the interest rates influencing the required return both on debt and equity capital, and the stock prices, which also influence the estimated fair value of the financial instruments.

Important judgements relate primarily to the impairment test. As at the date of statement of financial position, the management assesses whether there is objective evidence of the need of impairment of a non-financial asset or a group of non-financial assets.

The Group establishes the existence of impartial evidence for the need to impair a non-financial asset based on an assessment of signs of impairment from publicly available data and information from internal reporting on:

- a significant increase in the cash requirements to operate and maintain it,
- a significant deterioration of actual net cash flows or operating profit,
- a significant decrease in the planned net cash flows or operating profit or a significant increase in the planned loss,
- operating losses or net cash outflows from the asset, if the amounts for the period under consideration are combined with the projected amounts for the future.

The result of the assessment of signs of impairment is the recoverable amount of the non-financial asset, which is the greater of two items: its fair value less costs of disposal, or its value in use. Impairment of a non-financial asset is not required if the recoverable amount of the non-financial asset is higher than its carrying amount.

The assessments and estimates are also applied in determining the (useful) life of fixed assets and investment property, the basis for impairment of financial assets exposed to credit risk and the setting of value of non-current provisions.

Statement of compliance

The consolidated financial statements of Kapitalska družba, d. d., and all its subsidiaries (hereinafter: the Group) are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

In its financial statements, the Group has applied all IFRS standards and IFRIC interpretations that were mandatory for the 2023 financial year. It did not apply any standards or interpretations before their application became obligatory in 2023.

Foreign currency translation

The Group's financial statements are presented in euros (EUR). Assets and liabilities originally expressed in foreign currencies are re-translated into the domestic currency at the reference exchange rate of the ECB. Any differences arising from the translation of foreign currencies are recognised in the income statement. Non-monetary assets and liabilities, recognised at historical cost in foreign currency, are translated at the exchange rate applicable on the day of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currency are translated at the exchange rate effective on the day when the fair value was established.

Basic policies

The financial statements are prepared taking into account the assumption of a going concern.

The items in the separate financial statements are presented in the Euro, rounded to the nearest thousand (000 EUR), except where specifically stated otherwise.

The basics of consolidation

The consolidated financial statements comprise the financial statements of Kapitalska družba, d. d., and its subsidiaries on 31 December of each year. The financial statements of the subsidiaries are prepared for the same financial year as the financial statements of the parent company using uniform accounting policies. In case of inconsistency of accounting policies, appropriate corrections are made in the group financial statements.

All mutual balances and transactions, including unrealized gains arising from mutual balances and transactions, are completely eliminated.

All subsidiaries begin to be consolidated from the day when control is transferred to the Group, and consolidation of a subsidiary is abandoned when control of the subsidiary is transferred from the Group. If the Group loses control over a subsidiary during the year, the results of the subsidiary are included in the consolidated financial statements up to the date that control over the subsidiary still existed.

Intangible Assets

Intangible assets, acquired individually, are recognised at cost. Subsequent to initial recognition, the cost model is used. The useful life of an intangible asset is finite. When amortization of an intangible asset is calculated, it is recognized in the statement of profit or loss. Intangible assets, generated within the Group, except from development costs, are not capitalised. Costs represent expenses of the period in which they are incurred.

The carrying amount of an intangible asset is reviewed annually for impairment, if the asset has not been put to use, or more frequently when there are indications of impairment. A recognised intangible asset is impaired if its carrying amount exceeds its net recoverable amount. In the event of asset impairment, the carrying amount is decreased to the recoverable amount and the impairment expense is recognised directly in profit or loss.

The amortisation of intangible assets is accounted for by the Group under the straight-line basis over the estimated useful life of the assets. The estimated useful life of software applications is 3 to 5 years.

Asset	Depreciation rate in %
Software	20.00-30.33

Gains and losses on alienation or disposal of an item of intangible asset are determined as the difference between the selling price on disposal and the carrying amount of the asset and are recognized in the statement of profit or loss when the intangible asset is eliminated or disposed.

Property, plant and equipment

Buildings and equipment are carried at cost, less depreciation and impairment losses. Depreciation is accounted for by the Group under the straight-line basis over the estimated useful life of the assets:

Asset	Depreciation rate in %
Buildings	3.00-3.33
Equipment	16.67-30.33
Building parts	6.00

Every year the Group carries out an impairment test on property, plant and equipment. Impairment is made if the asset's estimated recoverable amount is less than its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The Group decreases the carrying amount of such assets to their recoverable amount. The decrease represents a loss due to impairment, which the Group recognises directly in its profit or loss.

Land, buildings or equipment are derecognised when the asset is sold or when the Group no longer expects economic benefits from the asset's continuing use. Gains and losses arising from derecognition of the asset are included in the profit or loss statement in the year in which the asset is eliminated from the books of account.

The residual value of the assets, their estimated useful lives and/or the depreciation method are revised and, if necessary, adjusted annually in the compilation of the annual financial statements.

An item of property, plant and equipment whose individual value as per supplier's invoice does not exceed EUR 500, may be expensed in the period in which they are incurred.

Maintenance costs and increase in fixed assets value

Maintenance costs relate mainly to buildings. Maintenance costs are the costs arising from the conclusion and performance of transactions required to maintain the conditions allowing the use and the achievement of the primary purpose of the building. Maintenance comprises all works according to the regulations on building of facilities and functioning of fire protection systems and other protection and rescue measures. Maintenance costs are recognised in profit or loss in the period in which they are incurred.

Criteria for deferral of maintenance costs and increase in fixed assets value

Maintenance costs include the costs of maintaining a fixed asset useful during its useful life. The increase in fixed asset comprises costs required to increase the future benefits of a fixed asset in comparison to past benefits.

Investment property

Investment property is property held with the intention of yielding rental income or capital appreciation, or both, but not for:

- use in the supply of goods or services or for administrative purposes or
- sales in the ordinary course of business.

Investment property is recognised as an asset when it is probable that future economic benefits associated with it will flow to the Company and its cost can be measured reliably.

Investment property that qualifies for recognition is initially measured at cost. The cost of investment property comprises the purchase price and all costs directly attributable to the acquisition. Such costs include costs of legal services, real estate transfer tax, and other transaction costs.

The Group values investment property using the cost model, less depreciation and impairment losses. The depreciation rate of investment property is between 3.00 and 3.33 percent annually and the estimated useful life is 33.33 or 30 years. The depreciation rate of parts of investment property is 6.00 percent annually and the estimated useful life is 16.67 years.

Every year an impairment test is carried out by the Group on investment property. Impairment is made if the investment property's estimated recoverable amount is less than its carrying amount. The Group reduces the carrying amount of such investment property to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The decrease means a loss due to impairment, which the Group recognises directly in its profit or loss.

Gains or losses arising on elimination or disposal of investment properly are determined as the difference between the net return on disposal and the carrying amount, and are recognised in the profit or loss.

The Group manages investment properties in individual locations under the cash-generating unit.

Financial assets

Classification and measurement of financial assets

The Group classifies financial assets based on:

a. the business model for financial asset management:
   - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows,
   - the asset is held within a business model whose objective is to collect contractual cash flows and sell financial assets,
   - the asset is held within a business model whose objective is to hold financial assets with the aim of trading them;

b. the characteristics of contractual cash flows of the financial asset.

The business model for obtaining contractual cash flows includes bonds and short-term securities intended for reducing the volatility of the entire portfolio that are upon acquisition expected not to be sold prior to the maturity date.

The business model aimed at holding assets with the purpose of obtaining contractual cash flows and selling investments comprises investments that are neither held for trading nor intended to reduce the volatility of the entire portfolio.

The business model intended for holding assets for trading encompasses investments that are at the time of acquisition identified as having been obtained in order to exploit price fluctuations in financial markets and create cash flows through the sale of assets.

Upon initial recognition, the Group measures financial assets at:

a. *amortised cost (AC),*

b. *fair value through other comprehensive income* (FVTOCI) or

c. *fair value through profit or loss* (FVTPL), namely:
   - financial assets held for trading (including derivatives),
   - financial assets mandatorily measurement through profit or loss – assets that do not pass the cash flow test *(SPPI; solely payments of principal and interest).*

For equity financial instruments that the Group does not own for the purpose of trading and that are managed in an active corporate manner due to the size of the ownership interest, the Group takes into account provisions of IFRS 9 5.7.5 and makes an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. This type of financial assets is measured according to the business model of holding financial assets with the purpose of obtaining contractual cash flows and selling financial assets and thus measures them at fair value through other comprehensive income.

Upon initial recognition, a financial asset (except for trade receivables) is measured by the Group at fair value; if a financial asset is not measured at fair value through profit or loss, the transaction costs that arise directly from the acquisition or issue of a financial instrument must be added.

The Group discloses investments in the equity of other companies that are of the same type and of the same issuer using the weighted average price method separately for each group of investments. Investments in purchased bonds that comprise investments in financial liabilities of other companies are stated according to the classification of investments as follows:

- financial assets measured at fair value are recorded through profit or loss using the weighted average price method,
- financial assets measured at amortised cost are stated at amortised cost,
- financial assets measured at fair value through other comprehensive income are disclosed using the FIFO method,
- loans are stated at amortised cost.

Debt instruments have to be measured at amortised cost if both of the following conditions are met:

- the financial instrument is held in the context of a business model intended for holding financial assets to collect the contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt financial instrument should be measured at fair value through other comprehensive income if it meets the following two conditions:

- the financial instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if:

- it is a debt instrument and is not classified in any of the above measurement categories, provided one of the conditions specified below is fulfilled:
  i. according to the business model, the financial instrument was upon initial recognition classified into the category at fair value through profit or loss,
  ii. the financial instrument did not pass the cash flow test;
- it is an equity instrument and is not classified in the category measured at fair value through other comprehensive income,
- doing so eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would namely arise from measuring assets or liabilities or recognising the gains and losses on them on different bases,
- it is a derivative.

Assessment of contractual cash flows

The Group classifies a debt instrument based on its contractual cash flow characteristics:

a. if the financial asset is held within a business model whose objective is achieved by receiving contractual cash flows,

b. or within a business model whose objective is achieved as with by collecting contractual cash flows and by selling financial assets.

The Group has to verify if the contractual cash flows from the financial asset are solely payments of principal and interest on the principal amount outstanding. For this purpose, the Group conducts the SPPI test.

A contractual cash flow feature does not affect the classification of a financial asset if it could have only a negligible effect on the contractual cash flows from the financial asset. To make this determination, the Group shall consider the potential effect of the contractual cash flow characteristics in a single reporting period and cumulatively over the entire duration of the financial instrument. If, in addition, a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis (in each reporting period or cumulatively) but that cash flow characteristic is not genuine, it does not affect the classification of a financial asset.

A contractual cash flow characteristic is not authentic if it affects the contractual cash flows from the instrument only in the case of an event that is extremely rare, highly unusual, and not highly probable.

Gains and losses on financial assets

A gain or a loss on a financial asset that is measured at fair value through profit or loss is recognised in profit or loss. Restatements of financial assets expressed in foreign currencies are also recognised in profit or loss.

Gain or a loss on debt instruments designated at fair value through other comprehensive income are recognised directly in equity as increases or decreases in the fair value reserve. Recalculation effects on debt instruments denominated in foreign currencies are recognised in profit or loss. Upon derecognition of a debt instrument measured at fair value through other comprehensive income, the gain or loss accumulated in the fair value reserve is recognised in profit or loss.

Profit or loss from financial investments in the equity of other companies that are distributed at fair value through other comprehensive income is recognised directly in equity as an increase or decrease in fair value reserves. Recalculation of financial investments in the equity of other companies denominated in foreign currencies is recognised directly in equity as an increase or decrease in fair value reserves. Upon derecognition of a financial investment in the equity of other companies, the profit or loss accumulated in fair value reserves is recognised under profit/loss brought forward.

For financial assets, carried at amortised cost, a gain or loss is recognised in profit or loss when such assets are revalued for impairment or derecognised. Recalculation effects on financial assets denominated in foreign currencies are also recognised in profit or loss.

Investments in equity instruments

Upon initial recognition, the Group may make an irrevocable election to present in other comprehensive income, in accordance with IFRS 9, subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is not held for trading and is also not contingent consideration of an acquirer in a business combination to which IFRS 3 applies. If the Group chooses to do so, it recognises dividends from that investment in profit or loss.

Investments in associated companies

An associated company is a company in which the parent company has a significant influence and which is neither a subsidiary nor a joint venture.

Kapitalska družba, d. d., consolidates the associated companies according to the equity method in the consolidated financial statements.

Investments in abandoned securities

Kapitalska družba, d. d. may not exercise the voting rights arising from dematerialised securities acquired in line with Article 48. a of the Book-Entry Securities Act (ZNVP-1) that represent, in accordance with the Act on Takeovers, the target company's securities as at the day of transfer in line with paragraph 2 of Article 48. b of the said act. Due to the above, investments in these companies are not consolidated.

Investments in securities from registry accounts

Pursuant to paragraph 5 of Article 48 of the Book-Entry Securities Act, as at 1 January 2022, the Company became the owner of the securities that the beneficiaries did not request to be transferred to their trading accounts with a member of the central securities depository by 31 December 2021. In accordance with and under the conditions referred to in Article 48. b of ZNVP-1, when establishing the share of voting rights of Kapitalska družba, d. d., and persons who, in compliance with the law governing takeovers, act in coordination with Kapitalska družba in the target company, the voting rights deriving from the shares of the target company, which Kapitalska družba acquired in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1, are not taken into account. Kapitalska družba, d. d., may also not exercise voting rights arising from the shares of target companies which it acquires in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1. Kapitalska družba, d. d., is entitled to exercise voting rights from all those dematerialised securities of companies acquired in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1, for which, taking into account the balance given on the date of transfer of the dematerialised securities to a special account of Kapitalska družba from the first paragraph of Article 48.a of ZNVP-1, the provisions of the Takeovers Act (ZPre-1) do not apply. Based on the above, investments in which Kapitalska družba is not allowed to exercise voting rights, are consequently not consolidated.

Changes in cash flows and derecognition of a financial asset

The Group derecognises a financial asset only when:

a. the contractual rights to the cash flows from the financial asset expire or
b. it transfers the financial asset as set out in IFRS 9 and the transfer qualifies for derecognition.

If a new agreement has been concluded on the contractual cash flows of a financial asset or these have changed in some other way and the renegotiation or changes do not lead to derecognition, the Group must recalculate the gross carrying amount of the financial asset and recognise the profit or loss from the change in the profit or loss.

The gross carrying amount of the financial asset is recalculated as the present value of renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate of the financial asset (or at the credit risk-adjusted effective interest rate for purchased or issued credit-impaired financial assets) or, when reasonable, at the modified effective interest rate.

The carrying amount of the modified financial asset is adjusted for all expenses and commissions that are amortised over the remaining period of the financial asset's life.

Measurement and classification of exposures into groups for the purpose of assessing credit losses

The Group shall, for the purpose of assessing credit losses subject to impairment requirements, be classified into one of the following groups by balance as at the reporting date:

- financial assets measured at amortised cost,
- debt financial assets measured at fair value through other comprehensive income,
- off-balance sheet exposures from assumed credit liabilities and financial guarantee contracts;

taking into account:

a. exposures where no significant increase in credit risk has yet occurred and for which value adjustments or provisions for credit losses are measured on the basis of expected credit losses over a 12-month period (stage 1),
b. exposures in which the credit risk has significantly increased in the period from initial recognition to the date for which the Group reports and for which value adjustments or provisions for credit losses are measured on the basis of expected credit losses over the entire duration period (stage 2),
c. exposures in the position of significantly decreased solvency and default for which valuation allowances or provisions for credit losses are measured on the basis of expected credit losses over the entire duration period (stage 3).

Stage 3 also includes financial assets purchased or originated upon initial recognition defined as unpaid exposures, i.e., *purchased or originated credit-impaired financial assets, POCI*. For financial assets recognised as such, the Group applies an individual approach in subsequent reporting periods, whereby interest is recognised only on the basis of payment. If this is not the exposure in question, the Group classifies the exposure in stage 1 at initial recognition.

In defining the increase in credit risk, the Company classifies operating liabilities into stages based on the number of days in default according to the recommendations of IFRS 9. A receivable is automatically classified in stage 2, when the payment is more than 30 days past due; a receivable is automatically classified in stage 3, when the payment is more than 90 days past due.

Upon subsequent measurement, the Group assesses whether the credit risk of exposure has increased significantly since initial recognition until the reporting date.

If the credit risk has not increased significantly or in the case of low credit risk exposure, the exposure remains classified in stage 1.

If the credit risk has increased significantly and the exposure has not yet been designated unpaid, the Group classifies it in stage 2.

The Group assesses significant increase in credit risk considering all reasonable and supportable information at the level of an exposure. A significant increase in credit risk can also be assessed by the Group at the exposure group level, but only when appropriate and demonstrable information (factors or indicators) cannot be obtained at the individual exposure level without excessive cost and effort, or cannot be assessed at the individual exposure level.

The assessment of a significant increase in credit risk is based on clearly defined quantitative and qualitative criteria, which may differ for individual exposure groups, i.e., relevant portfolios, portfolio groups, or portfolio parts.

The basic criteria considered by the Group for classification into stages is the credit rating or internal rating of a particular financial instrument. The internal rating is defined on the basis of an algorithm in the information system and is based on international credit ratings, or, if no international credit ratings are available, it is determined internally. The Group uses the Bloomberg Credit Rating as the primary source for determining the internal credit rating.

The Group regularly checks the international credit ratings of financial instruments with an investment credit rating and financial instruments with a non-investment credit rating during the period.

The Group must measure the expected losses on a debt financial instrument by using the approach that reflects the following:

- an unbiased and probability-weighted amount, determined by evaluating the range of possible outcomes,
- the time value of money and
- appropriate and demonstrable information about past events, current conditions and forecasts regarding future economic circumstances that are available without excessive cost and effort at the reporting date.

The Group classifies exposures by group according to the common characteristics of credit risk. Financial instruments are classified into the following segments upon initial recognition:

- government,
- companies and
- financial institutions.

If the Group were to obtain new relevant information or if the changed expectations about credit risk indicated that a permanent change was needed, exposures could be segmented differently.

For classification into stages 1, 2 and 3, the Group uses its own methodology for estimating expected credit losses, based on risk parameters:

- *exposure at default* (EAD),
- *probability of default* (PD) and
- *loss given default* (LGD).

The estimates of the risk parameters that the Group takes into account when assessing expected credit losses are based on past events, current conditions and forecasts regarding future economic circumstances.

In the event that the Group does not have sufficient data to provide reliable estimates of the risk parameters for calculating expected credit losses, it can use commercially available data (e.g. data from credit rating agencies) or a combination of own and external data.

If the Group does not have sufficient data for an individual investment or transaction, it can use:

- parameters of a controlling company,
- parameters of a comparable financial instrument,
- parameters of an individual country, if a unit of the central/regional/local level of the country, a public sector entity or a central bank is the issuer of the financial instrument.

The Group uses EAD risk parameters as derived from amortization plans (using contractual cash flows). EAD risk parameters are not adjusted for the impact of macroeconomic risk factors.

EAD risk parameter represents an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including the repayments of principal and interest. It is the expected credit exposure at a specific time.

The Group applies its own PD risk parameter for each segment (country, company, financial institutions) and for each credit rating.

For the calculation of PD risk parameters, the Group applies data obtained from the reports of the credit rating agency S&P, separately for governments, companies and financial institutions. Historical PD by individual rating (credit rating) is used for the calculation.

For exposures to central governments and central banks, financial institutions, regional governments or local governments, and to public sector entities, the Group uses Moody's issuer-weighted average recovery rates (LGD – country). For exposures to companies, the Group uses Moody's issuer-weighted average recovery rates (LGD – companies).

The Group perceived decreased credit risk and a temporary improvement of the macroeconomic environment, which, in line with the model it uses, decreased the probability of default (PD) and loss given default (LGD); which decreases expected credit losses.

In order to take economic cycles into account, the Group takes into account forecasts of future economic circumstances and a correction for the economic cycle when calculating the probability of default for the first three years for all classes of investments (government, corporate and financial institution bonds).

Fair value determination

Pursuant to IFRS 13, the Group determines fair value of investments as the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date. The measurement date is the date on which an investment is valued, which is the last day of the month. Fair value measurement in case of this type of transaction is based on the assumption that the transaction is executed on the principal market; in its absence, on the most advantageous market.

Upon investment acquisition, the Group determines one of the following as the principal market for that investment:

- stock exchange market (for equity and debt instruments and ETFs), or
- over-the-counter market or OTC[18] (applies to debt investments).

At the measurement date, the Group checks again the market that was defined as the principal market of that investment upon acquisition.

At the measurement date, the Group also verifies if the relevant market is active.

The assumption of an active market is fulfilled in the stock market if the average daily turnover of an individual financial investment on the stock exchange in the last 180 days up to the date of fair value measurement exceeded EUR 0.5 million, taking into account the number of trading days (in case of Ljubljana Stock Exchange the average daily turnover of EUR 0.1 million is taken into account, while this does not apply when determining the active market for investments owned by Modra zavarovalnica, d. d.). In the event of an active exchange, fair value is measured using the last known quoted price. In the event of less liquid exchange markets, fair value is measured using the most recent quoted price of not more than 90 days. In other cases, the fair value of an investment is determined using a valuation technique.

In case of an OTC market, the assumption of an active market is met if the CBBT[19] price was published for at least half of the trading days over the last 30 days up to the valuation date. In the event of an active OTC market, fair value is measured using the last known CBBT price. If the OTC market is less liquid, the last known CBBT price not older than 90 days is used for fair value measurement. If the CBBT price is not available, the BVAL price is used for fair value measurements[20], if available. In other cases, the fair value of an investment is determined using a valuation technique.

For bonds, a valuation model is used which includes benchmark against the current fair value of another instrument with similar main characteristics.

18 OTC (Over-The-Counter) market, transactions involving securities and agreed bilaterally between two parties outside the organised market.

19 Composite Bloomberg Bond Trader is Bloomberg's real-time data on individual bond prices. Bloomberg calculates the price of an individual bond based on a weighted average of prices (both indicative and undertaking) from a large number of quote providers.

20 Bloomberg Valuation Service is Bloomberg's data on the end-of-day value of an individual bond. Bloomberg calculates the value of the bond based on trade price data and binding quotes, with most BVAL prices determined using a model.

Commercial paper of Slovenian issuers for which no (active) market exists and which pass the SPPI test are valued at amortised cost, automatically considering the effective interest rate, and classified in the group of financial assets at amortised cost.

Value of shares can be estimated using the following valuation techniques: market based valuation approach, income approach and, in certain cases, asset approach. Valuation is based on the most recent information on a company's performance, which must not be older than 6 months from the fair value measurement date to which the value estimate will be applied. Market data and parameters used in the valuation process must include the most recent information and must be compliant with the date the estimated value will be applied to. If 6 months old information on the Company's performance cannot be obtained, or if the information does not suffice for valuation, the value can be exceptionally estimated by using older data, which however must not be older than 12 months. When applying the market approach, comparative companies should be selected taking into account their comparability in the context of industry, size, growth potential, the availability of historical data on operations and other possible elements affecting comparability of individual companies.

In measuring fair value, the Group uses the quoted price, net of adjustments, when an active market exists.

For valuation, the Group uses as unadjusted, quoted price exclusively the closing quote on stock exchange or closing CBBT or BVAL price.

Criteria for classification of investments based the level of the fair value hierarchy

Investments measured at fair value are classified into fair value levels in accordance with IFRS 13. This standard defines a hierarchy for compliance and comparability purposes, whereby it classifies the inputs used for fair value valuation into three levels, i.e.:

- level 1 inputs are quoted (unadjusted) market prices in active markets for the investments which the Group can access as at the measurement date;
- level 2 inputs are inputs that are not quoted prices included in level 1 and which can be directly or indirectly observed; level 2 inputs include the following:
  - quoted prices for similar investments in active markets,
  - quoted prices for identical or similar investments in less liquid markets,
  - inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
  - inputs corroborated by market;
- level 3 inputs are unobservable inputs:
  - BVAL price (the Bloomberg Valuation Service),
  - fair values obtained based on internal or external valuations taking into account level 3 inputs.

In line with IFRS 13, the fair value hierarchy also includes the investments that are not measured at fair value in the statement of financial position (normally measured at amortised cost) but for which the fair value is disclosed.

Investments are classified into levels based on the characteristics of the input used to determine fair value of investments and to assess whether the principal market is active.

Classification of equity investments

Table 19: Classification of equity investments if the stock market is the principal market (listed equity investments)

Level 1	Equity investments with fair value measured on the basis of the quoted prices in active markets
Level 2	Equity investments with fair value measured on the basis of the quoted prices in less liquid markets
	Equity investments for which quoted prices are not available and their fair value is measured using a valuation technique (taking into account level 2 inputs)
Level 3	Equity investments for which quoted prices are not available and their fair value is measured using a valuation technique (taking into account level 3 inputs) or based on the prices provided by third parties
	A stock market price older than 90 days can be used if the materiality criterion is not met

Table 20: Classification of unlisted equity investments

Level 1	–
Level 2	Equity instruments with fair value measured using a valuation technique (taking into account level 2 inputs)
Level 3	Equity investments at fair price, measured using a valuation technique (taking into account level 3 inputs) or based on the prices provided by third parties

Classification of debt investments

At the level of the fair value hierarchy, the debt security investments that are not measured at fair value in the statement of financial position are also classified. These normally include bonds at amortised cost measured by the Group at fair value for disclosure purposes. The same rules as for debt securities measured at fair value in the statement of financial position apply to these securities.

Table 21: Classification of target funds

Level 1	Target funds with fair value measured on the basis of quoted prices in active markets or on the basis of the published value of the asset unit, which is determined on the basis of market prices
Level 2	Target funds with fair value measured on the basis of quoted prices in less liquid markets
Level 3	Target funds for which the stock market price is not achievable and whose fair value is measured on the basis of the published asset unit value, which is not determined on the basis of market prices

Table 22: Classification of debt investments if the stock market is the principal market

Level 1	Debt investments with fair value measured on the basis of quoted prices in active markets
Level 2	Debt investments with fair value measured on the basis of the quoted prices in less liquid markets
	Debt securities measured using a valuation technique (taking into account level 2 inputs)
Level 3	Debt securities measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties
	A stock market price older than 90 days can be used if the materiality criterion is not met

Table 23: Classification of debt investments if the OTC market is the principal market

Level 1	Debt investments with fair value measured on the basis of CBBT price in active markets
Level 2	Debt investments with fair value measured on the basis of CBBT price in less liquid markets
	Debt investments with fair value measured on the basis of transaction price in less liquid markets
	Debt securities without a CBBT price in (in)active markets and for which the fair value is measured using a valuation technique (taking into account level 2 inputs)
Level 3	Debt securities without a CBBT price in (in)active markets and for which the fair value is measured at BVAL price, using a valuation technique (taking into account level 3 inputs) or prices provided by third parties

In exceptional cases, debt securities whose principal matures in the current year and for which there is no market price, CBBT price or BVAL price that would be less than 90 days old, are valued at the last known price and placed in level 3 of the value hierarchy.

Commercial paper of Slovenian issuers is valued at the amortized value model and are placed in level 2 of the value hierarchy.

Classification of loans and deposits

Bank deposits are disclosed at amortised cost in the statement of financial position unless they do not pass the SPPI test. In such case, they are classified in the category at fair value through profit or loss. Deposits with the maturity of up to 1 year are measured using the initial or contractual interest rate for the purposes of disclosing fair value and are categorised within Level 2. For the purposes of disclosing fair value of deposits with the maturity of over 1 year, their fair value is estimated using the reference yield curve and they are categorised within Level 2.

Non-current assets (disposal groups) held for sale

Non-current assets (disposal groups) held for sale are those whose carrying amount is justifiably expected to be settled predominantly through selling and not through further use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition, subject only to normal conditions for the sale of such assets (or disposal groups), and the sale must be highly probable (including, but not limited to, the sale being expected to be completed within one year after the asset or disposal group is classified).

When an asset is designated as held for sale or classified as a disposal group held for sale or when the asset is derecognised, depending on the order of the events, the asset is no longer amortised or depreciated. Such a non-current asset or disposal group classified as held for sale is measured at the lower of its carrying amount before classification and its fair value less costs to sell.

Operating receivables

Operating receivables are recognised in the amount of issued invoices decreased by potential value adjustments. Making allowances of receivables is a process of recognising an adjustment to their carrying amount due to expected credit losses; contractual increases or decreases of their carrying amount are not considered revaluation. It may be performed during or at the end of the financial year. The calculation of credit losses is described in the subchapter Measurement and classification of exposures into groups for the purpose of assessing credit losses.

Cash and cash equivalents

Upon initial recognition, cash and cash equivalents are recognised at the amount arising from the underlying document. Cash and cash equivalents comprise bank balances, call deposits and short-term deposits with a maturity of up to three months.

Equity

The company's sole shareholder is the Republic of Slovenia. Kapitalska družba has no treasury shares.

The total equity consists of: called-up capital, capital surplus, revenue reserves, retained net earnings or retained net loss from previous years, reserve from valuation at fair value and temporarily undistributed net profit or unsettled loss for the financial year.

The Company's share capital is made up entirely of ordinary shares. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary registered non-par value shares. Each no-par value share shall account for the same proportion and corresponding amount in the share capital.

Revenue reserves are recognised according to ZGD-1. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba cannot be distributed to the shareholders.

The costs directly related to the issue of new shares, net of tax effects, are charged to capital.

Reserves arising from valuation at fair value

Reserves from valuation at fair value arise from the effects of valuation of financial assets at fair value through other comprehensive income and actuarial gains and losses arising from severance pay upon retirement and from the change in the liability for the residual coverage of insurance contracts, which originates from the change in the discount curve. The amounts of reserves arising from valuation at fair value disclosed in the statement of financial position are adjusted for amounts of deferred tax.

Provisions

Provisions are recognised for current liabilities (legal or constructive) arising from past events when it is likely that an outflow of assets that generate economic benefits will be required to settle such an obligation, and when the amount of the liability can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required for the payment of the existing liability at the balance sheet date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by other parties, the reimbursement is recognised as a special asset, but only when it is virtually certain that reimbursement will be received. In this case the costs of provisions are decreased by expected reimbursement.

The Group establishes non-current provisions:

- when the guaranteed value of assets of the SODPZ, ZPJU, MZP and PPS fund exceeds the actual value of assets belonging to an individual insured person/member of, namely in the amount of the established deficit, i.e. the sum of differences between the guaranteed assets of the insured person/member and the actual value of the assets of the insured person/member,
- if a legal action is filed against a company in the Group or if a company estimates a claim is very probable and it is more likely than not that the Company will be unsuccessful in the claim,
- for termination benefits and jubilee awards, calculated on the basis of assumption on the expected employee fluctuation, years of service and expected years until retirement, taking into account individual and collective employment contracts as well as internal acts of the companies in the Group.

Provisions are derecognised when the options that led to the creation of the provisions have been used up, or there is no longer a need for them. Provisions can only be used for items of the type for which they were originally recognised.

Insurance contract liabilities

Manner of the transition to the IFRS 17

In valuation of insurance contracts for the KS MR, KS MR II and KPN products on the transition date, the full retrospective method is used for all contracts concluded from 1 January 2012 onwards. This means that all existing insurance contracts must be evaluated as if IFRS 17 were already in effect at the time of the conclusion of the insurance contract.

Due to the complexity of data collection and processing, the fair value approach is used for contracts in the KS PPS and PPS funds. More information is given in the section „Implementation of IFRS 17".

Definition of the insurance contract

An insurance contract occurs when the Company assumes a substantial insurance risk from the policyholder. In this case, only the recognition of the insurance risk and the assessment of its importance are inherently subjective. Life insurance contracts, the main purpose of which is to provide an annuity, carry a significant insurance risk. Consequently, we categorise them as insurance contracts.

Valuation of insurance contracts

At the time of implementation of IFRS 17, the Company has the following insurance products that fall under the scope of the standard. A general valuation model is used for all the abovementioned products.

Table 24: Products of Modra zavarovalnica in the context of IFRS 17

Insurance group	Product	Stage	Description
Life insurance (pensions)	KS MR	Payout	Old generation of pensions – no profit; closed for new contributions; the asset group is not clearly defined
	KS MR II	Payout	New generation of pensions – with profit; 90% participation in profit; the asset group is clearly defined
	PPS	Savings	After the accumulation phase, the insurance policy is transferred to KS PPS; guaranteed 1% return on assets; the asset group is clearly defined
	KS PPS	Payout	PPS payout phase; 100% participation in profit
Property insurance	KPN	/	Accident, monthly/annual premium

Aggregation levels

The process of determining the aggregation level can be formally divided into three groups:

- the portfolio level, where we define groups of contracts with similar risks that the insurance company manages together,
- the group level, where individual portfolios are divided into at least 3 groups based on the rate of return: onerous contracts, contracts unlikely to become onerous in the future and "other" contracts and
- the cohort level, as the IFRS 17 standard prohibits combining contracts that were issued more than one year apart, which is why the Company must divide the defined groups according to the issue date of the contracts.

At the insurance company, life insurance policies with active participation in profit are treated separately from contracts without participation in profit. KS PPS and PPS products are treated together, as one group of insurance contracts.

For property insurance, we used the type of insurance (LoB) in accordance to the Solvency 2 directive, taking into account the basic characteristics of the risk (risks covered, severity, period of validity of the policy, distribution of risk during the entire period of validity, etc.).

When determining the cohorts, the Company decided on the following approach:

- cohort date: insurance start date,
- cohort period: calendar year,
- possible other significant assumptions are taken into account (change in the technical interest rate),
- taking into account the analogy with the general principles in IAS 8, the treatment of cohorts represents the accounting policy choice.

Contractual boundaries

The contractual boundary represents a period after the end of which the insured person no longer has material rights and the Company no longer has any material obligations to provide services arising from the insurance contract, which is key to determining the valuation method and the cash flows which have to be part of the valuation.

The cash flow estimates in an individual scenario must include all cash flows within the contractual boundary of the existing contract and no other cash flows.

Cash flows fall within the contractual boundary of the insurance contract if they arise from material rights and obligations that exist during the reporting period, in which the Company can require the insured person to pay premiums or has a material obligation to provide contractually defined services to the insured person. A liability or asset related to an expected premium or an expected loss outside the contractual boundary of the insurance contract may not be recognised.

When the Company has to renew the contract (specified in the contract) or otherwise continue with the contract, it must assess which premiums and related cash flows arising from the renewed contract are within the contractual boundaries of the original contract.

In accordance with the requirements of the standard, the insurance company considers the following cash flows:

- premiums,
- payment of benefits and damage claims to the insured person,
- claims processing costs (policy management costs, claim processing costs, allocation of relevant overhead costs),
- administrative costs of policy management (policy management costs, allocation of relevant overheads),
- cash flows for the acquisition (acquisition costs, allocation of relevant overhead costs),
- payouts of investment components.

Recognition and measurement

Valuation approaches

For insurance contracts with the option of discretionary participation (KS PPS and KS MR II), the Company carried out an appropriateness test of the use of the VFA method (on the 2019 cohort), which showed that both the KS PPS fund and the KS MR II fund do not meet all the eligibility criteria for measurement with the mentioned method.

The Company therefore uses a general valuation model for all its products (GMM model).

Calculation of contractual service margin

Since the Company uses a general model to value its products, it is obliged to recognise the contractual service margin (CSM). IFRS 17 requires that an insurance company determines the CSM upon initial recognition of a group of insurance contracts and then adjusts it accordingly and recognises it in profit or loss between coverage periods.

Upon initial recognition, the contractual service margin (assuming the contract is not onerous[21]) represents a compensation amount for derecognition of any first-day "differences", which prevents the recognition of a first-day profit.

At the end of the reporting period, the contractual service margin represents the profit from a group of insurance contracts that the Company has not yet recognised in the profit or loss, as it relates to future services that the insurance company will provide under these contracts.

Calculation of the loss component

For an onerous contract or a group of onerous contracts, the Company recognises the first-day loss in the statement of profit or loss in the amount of the net outflow and thus forms liabilities for remaining coverage (LRC), which are actually a loss component (LC). CSM in this case is zero.

A contract or group of insurance contracts becomes onerous (or more onerous) upon subsequent measurement if, due to adverse changes, the realised cash flows from changes in the estimate of future service cash flows allocated to the group exceed the carrying amount of the contractual service margin (CSM). In this case, the Company recognises a loss in the profit in the amount of this surplus.

The initial amount of the loss is determined and adjusted by the insurance company for possible subsequent losses and for the elimination and release of losses during the entire period so that at the end of the coverage period of the group of contracts the loss component equals zero.

Methodologies for risk adjustment

Article 17.32 of IFRS 17 states that upon initial measurement of a group of insurance contracts, realised cash flows and contractual service margin (CSM) are taken into account. Realised cash flows include risk adjustment (RA) for non-financial risk with referring to Article 17.37 of IFRS, which prescribes the basic requirement for measuring the risk adjustment for non-financial risk.

Considering that the major part of the Company's portfolio consists of annuity products, longevity risk is the one that represents a significant part of non-financial risks. To assess the risk adjustment, the Company will use the confidence interval method analogous to the regulation brought about by the Solvency 2 directive. The Solvency 2 regime uses a confidence level of 99.5%, and the Company will choose a lower VaR for the purposes of IFRS 17, as it is not reasonable to expect that margins, which enable "almost certain" achievement of the contractual service margin (CSM), can be built into the product prices.

For risk adjustment, the insurance company chose a confidence level of 70%, which when calibrated from the standard formula means a shock size of 4.07%.

21 An insurance contract is onerous if, on the date of initial recognition, the sum of the realised cash flows allocated to the contract (risk-adjusted present value of future cash flows), all previously recognised cash flows for insurance acquisition and all cash flows from the contract equals the net cash outflow.

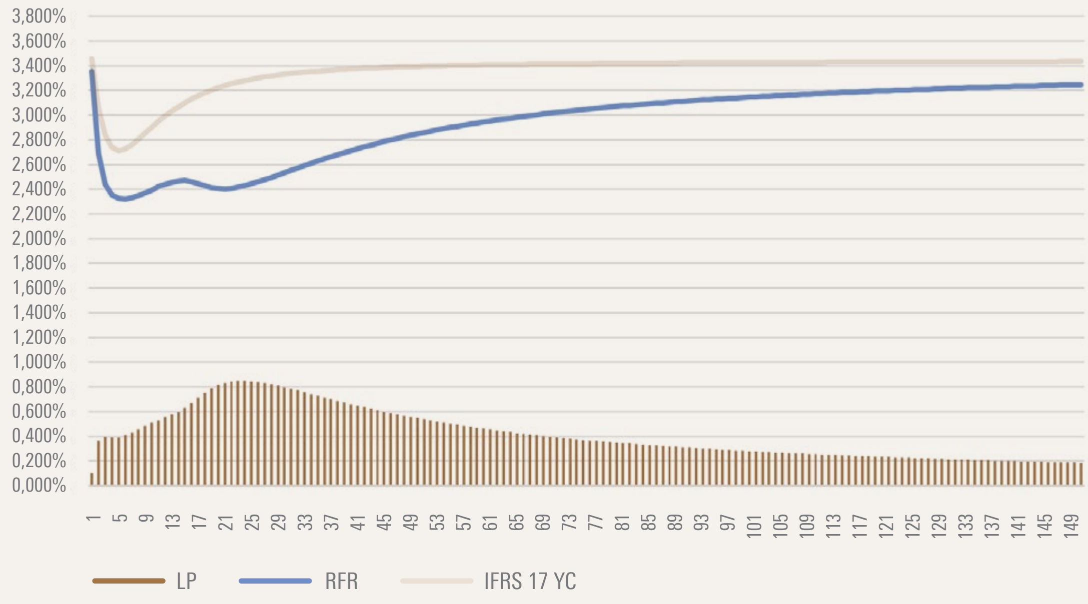
Discount rate

The valuation of non-current insurance liabilities and the resulting recognition of profit are largely sensitive to the discount rate. The IFRS 17 standard establishes general principles for determining discount rates, but does not detail instructions for their application.

Modra zavarovalnica's decision is to use a single methodology for deriving the risk-free discount curve for all portfolios, taking into account the illiquidity premium. A bottom-up approach is applied. The discount rate curve therefore consists of the risk-free interest rate and the illiquidity premium. The source for the risk-free interest rate is the RFR curve published by EIOPA (no volatility adjustment spot curve).

The illiquidity premium estimate is calculated from the difference between the RFR curve and the covered bond curve. The determined illiquidity premium is fully attributed to the risk-free discount curve, which results from the characteristics of insurance contracts of Modra zavarovalnica (high illiquidity, it is difficult for the insured person to cash out the contract early). The basis for calculating the return of an individual index is covered bonds issued in Euro and with a credit rating of BBG composite AAA. At the end of December 2023, the indices consisted of 435 bonds with these characteristics. Missing returns for maturities between 10 and 30 years are calculated using the Nelson Siegel Svensson model. The extrapolation of the MSRP 17 discount curve is done with the Smith Wilson model, taking into account the last liquid point (LLP) at 20 years and the ultimate forward rate (UFR), published on the EIOPA website.

Figure 3: Risk-free RFR curve, IFRS 17 discount curve and illiquidity premium as at 31 December 2023



Treatment of costs

In the framework of IFRS 17, the insurance company treats the costs related to the cost units KS PPS, KS MR, KS MR II and accidents. In doing so, to measure insurance contracts, it uses all costs related to the insurance contract or to the portfolio of insurance contracts (IFRS 17.33 - IFRS 17.35 and B 65 and B 66). In this sense, it is therefore necessary to take into account the costs associated with the acquisition, conclusion and implementation of these contracts, while the third group of costs does not enter into the calculation of the insurance result.

When classifying, we distinguish three types of costs:

1. Direct costs of policies (directly attributable), or costs that are directly related to policies (portfolio). This group includes:
   - direct costs of obtaining insurance,
   - administrative costs of policies (e.g. premium billing, policy changes),
   - claim management costs.
2. Indirect costs of policies (allocation of fixed and variable overheads), which are attributed to the policies or portfolio based on the keys. This group includes:
   - labour costs,
   - IT costs,
   - leases,
   - depreciation that can be directly attributed to the performance of insurance contracts.
3. Costs that are not directly related to policies (non-attributable). This group includes certain general costs that are not attributed to policies, such as:
   - costs of general marketing activities,
   - insurance development costs,
   - education and training costs,
   - costs of the management and supervisory board.

Subsequent measurement of insurance contracts

The sum of liabilities for residual coverage (LRC) and liabilities for claims incurred (LIC) constitutes the book value of the group of insurance contracts at the end of the reporting period; the residual coverage liability is equal to the sum of the expected future cash flows at fulfilment (which are related to future service) and the contractual service margin for that group of insurance contracts, and the incurred claims liability represents the cash flows related to past service.

In the current period, the insurance company recognizes:

- income and expenses from the change in the book value of the liability for the remaining coverage, namely:
  - insurance income from the reduction of the liability for the remaining coverage due to the services performed during this period,
  - income and expenses from the change in the book value of liabilities for incurred damages, namely,
  - financial revenue or expense from discounting (which includes the effect of the time value of money and financial risk).
- revenue and expenses from the change in the book value of liabilities for incurred damages, namely:
  - expenses from the increase in liabilities due to claims and expenses incurred during this period,
  - expenses for all subsequent changes in cash flows in fulfilment in relation to incurred claims and expenses,
  - financial revenue or expense from discounting (which includes the effect of the time value of money and financial risk).

In the statement of profit or loss or statement of comprehensive income, the insurance company recognizes changes in expected cash flows that relate to current or past service. These include:

- the effect of the time value of money and the effect of financial risk (the effect of a changed discount rate taking into account the same curve is recognized in the statement of profit or loss, and the effect of a change in the discount curve in the statement of comprehensive income),
- changes in estimates of expected cash flows at fulfilment, which relate to liabilities for already incurred claims and are recognized in the statement of profit or loss and
- experience adjustments for insurance expenses that are recognized in the statement of profit or loss.

Changes in expected cash flows related to future service are reflected in the change in the contractual service margin or in the loss component within the liabilities for remaining coverage. Such changes are:

- experience adjustments arising from premiums received in the period relating to future service,
- changes in the estimate of the present value of future cash flows for remaining coverage liabilities,
- changes in investment components,
- adjustment changes due to non-financial risk relating to future service.

The amount of contractual service margin, which represents the profit of a group of insurance contracts that has not yet been recognised in the statement of profit and loss because it relates to future service, is affected by changes in estimates of future cash flows at fulfilment, the effect of accrued interest, which is calculated using discount rates, which were determined at the initial recognition of the contract, the transfer of the contractual service margin to income (which in the case of annuity insurance is determined by the amount of the annuity in the period) and recognised new insurance contracts in the period.

Derecognition of insurance contracts

The recognition of an insurance contract is cancellated when the contract is terminated, whereby the contractual obligation expires, is fulfilled or cancelled; derecognition also occurs if the contract is transferred to a third party or if the terms of the contract change significantly, either by agreement between the parties or due to a change in regulations, and a new - amended contract is concluded on the basis of the eliminated contract upon fulfilment of certain conditions.

Operating liabilities

Operating liabilities comprise trade payables for acquired assets or services, and liabilities to employees, the state, and others. Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will result from their settlement and the amount at which the settlement will take place can be measured reliably.

Revenue

The Group recognises revenue from the transfer of the promised goods or services to the buyer, in an amount that reflects the expected consideration to which the a company in the Group will be entitled in exchange for these goods or services. The company in the Group considers the terms of the contract and all relevant facts and circumstances. The buyer is a customer who has concluded a contract with a company in the Group on the acquisition of goods or services that are the result of the its ordinary activities, in exchange for consideration.

Revenue is classified into the following categories:

1. Revenue from fees

The Group is entitled to the reimbursement of entry and exit fees, to the annual fee for the management of pension funds and to the costs of paying occupational pensions or annuities.

a. Entry fee

For the performance of its activity in accordance with the pension scheme, the Group charges an entry fee, meaning that the collected assets transferred into an individual pension fund are decreased by the amount of the entry fees and the fund manages the assets that comprise net premiums. The entry fee is calculated as a percentage of the paid premium as at the date of payment.

b. Management fee

The Group charges management fees to mutual pension funds, meaning that the monthly value of the assets of individual funds are reduced by the amount of management costs. The management fee of an individual fund is calculated as a percentage of the average annual net value of the fund's assets, determined as the arithmetic mean of the net value of the fund's assets on the conversion day of the current year.

c. Exit fees

In accordance with the pension scheme, the Group is entitled to exit fees, whereby the redemption value is reduced by the exit fees and the net value is paid to the individual who terminated the scheme. Exit fees are calculated in a percentage of the redemption value when the policy is paid.

d. Income from costs of occupational pensions

In accordance with the pension scheme, the Group receives income from the cost of paying occupational pensions or annuities, which is calculated as a percentage of the monthly amount.

2. Revenue from lease of investment property

The revenue from lease of investment property is recognised on a straight-line basis over the duration of individual lease contract.

3. Insurance services income

Income from insurance services includes expected changes in cash flows arising from the fulfillment of insurance contracts during the period and includes the release of annuities, attributable costs of claim payments and administrative costs.

Financial revenue

1. Interests

Interest income and expense on financial instruments measured at amortised cost and financial assets at fair value through other comprehensive income is recognised in profit or loss for all debt instruments using the effective interest method. Interest income on financial assets at fair value through profit or loss is recognised in profit or loss using the contractual interest rate. Interest on debt securities is disclosed in the Company's statement of financial position together with financial investments.

2. Dividends

Dividends are recognised in the statement of profit or loss when the Group obtains the right to payment.

3. Revenue from sale of investments

Revenue from the sale of financial assets (gains on the disposal of financial assets) is accounted for and recognised as at the trading day.

4. Revenue from revaluation investments

Investment revaluation gains relate to investments measured at fair value through profit or loss from increases in fair value or reversals of impairment.

Costs

Costs of materials and services

Costs of materials and services are classified by primary types and are recognised in the period in which they are incurred. The Group does not classify costs by functional type, because the entire Group represents a single functional type.

Employee benefits

Labour costs include gross wages and salaries payable to employees, gross wage and salary compensation charged to the enterprise, benefits in kind, gifts and gratuities to employees, termination benefits paid to employees, and all benefits charged to the payer in respect of the items listed above. The Group recognises these costs as current period expenses.

Expenses

Expenses are recognised if a decrease of economic benefits in the accounting period relates to a decrease of an asset or an increase of a debt, and this decrease can be measured reliably Expenses are thus recognised together with decrease of assets or increase of debts.

Insurance service expenses

Expenses from insurance services include expenses from claims with attributable costs of claim payments, expenses for net operating costs and other insurance expenses. Costs of obtaining insurance include labour costs or costs of employees (workers) directly involved in insurance acquisition. Administrative part of the attributable costs relates to the preparation, handling, administration, updating of insurance policies. Attributable administrative costs of policies include labour costs and other costs related to employees.

Financial expenses

Financial expenses comprise expenses for financing, mostly interest expenses. Financial expenses from revaluation arise in association with the impairment of investments. Expenses from the disposal of investments (losses on the disposal of investments) are accounted for and recognised on the trading day. Financial expenses also include expenses from recognised credit losses from financial assets.

Financial expenses are also recognised in the financial year to which they relate, in accordance with the law, as contributions payable by the Company to ZPIZ.

Taxes

1. Current tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the Group expects to pay or receive from the tax authorities. Current tax assets or liabilities are measured using the tax rates enacted at the date of the statement of financial position.

2. Deferred tax

Deferred income tax assets and liabilities are accounted for using the liability method in the statement of financial position. Only deferred tax assets and liabilities arising from temporary differences are recognised.

Deferred tax assets are also recognised for unused tax losses and unused tax credits, which are carried over to the following period if it is likely that there will be sufficient taxable profit available, against which unused tax losses and unused tax credits can be utilised.

On the date of the statement of financial position, deferred tax assets are revised and are impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. This takes into account the tax rates (and tax regulations) in force or close to adoption on the date of the statement of financial position.

Deferred tax is directly charged or credited to capital if the taxed items relate to the items recognised in capital.

Cash flow statement

The cash flow statement is compiled under the indirect method (Format II) from the data included in the statement of financial position as at 31 December 2023 and as at 31 December 2022, income statement data for the year 2023, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

Reporting by business areas

The Kapitalska družba Group does not have to report in accordance with IFRS 8 for the year 2023, because the parent company is not a company whose equity securities are listed.

Amendments to standards and interpretations

The International Accounting Standards Board (IASB) Standards or Interpretations effective for the first time for the year ending 31 December 2023

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023),
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023),
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 Income taxes: International Tax Reform - Pillar 2 Rules (issued on 23 May 2023),
- The adoption of new standards or clarifications, with the exception of IFRS 17, did not lead to significant changes in the Group's financial statements.

IASB standards and amendments effective from 1 January 2024 or later

- Amendments to IFRS 16 Leases: Liabilities from sale and lease–back (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024),
- Classification of liabilities as current or non-current (long-term) – Amendments to IAS 1 (initially issued on 23 January 2020 and subsequently amended as at 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024),
- Amendments to IAS 7 Statement of cash flows and IFRS 7 Financial instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023). – not yet adopted by the EU,
- Amendments to IAS 21 Lack of Exchangeability (issued on 15 August 2023) - not yet adopted by the EU.

Given that the aforementioned standards are not yet in force, the Group is still evaluating the potential impact of the aforementioned changes on the financial statements.

Amendments that have been published but rejected or deferred by the EU

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016) – not adopted by the EU,
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)– not yet adopted by the EU.

Given that the aforementioned standards are neither adopted nor in force, the Group is still evaluating the potential impact of the aforementioned changes on the financial statements.

Implementation of IFRS 17

On 1 January 2023, the subsidiary Modra zavarovalnica, d. d., started using the International Financial Reporting Standard 17, whereby it also recalculated or revalued the items of the financial statements for the year 2022.

Effect of the transition

Table 25: Impact of the transition on the IFRS 17 as at 1 January 2022

in EUR 000

Impact of the transition on the application of IFRS 17	Impact on accumulated other comprehensive income	Impact on retained net profit or loss	The combined effect on equity	Contractual service margin
Insurance contracts	-10,560	6,039	-4,521	15,090

The effect on the retained earnings is represented by the comprehensive income of insurance contracts before 1 January 2022, the elimination of provisions from the LAT test and the difference between liabilities from insurance contracts according to IFRS 17 and mathematical and technical reservations provisions according to IFRS 4.

Tax treatment of the results of guarantee funds

From 1 January 2023 for guarantee funds under management (KS MR, KS MR II and KS PPS), Modra zavarovalnica, d. d., applies, on the basis of the third paragraph of Article 61 of the ZDDPO-2, a special rate of corporate income tax (0%), as the guarantee funds in question are directly related to the activity of implementing the pension plan. Modra zavarovalnica, d. d. will prepare a tax return for each individual guarantee fund. In doing so, the insurance company will also properly recalculate the operating results for 2022 and fully include them in the tax calculation for 2023.

Redetermination of financial assets

On 1 January 2023, taking into account the provisions of IFRS 17.C29, Modra zavarovalnica d. d., re-assessed the financial assets business model, taking into account the provisions of IFRS 9. It examined the appropriateness of its classification into specific business models and came to different conclusions when applying IFRS 17.4.1.2. a) and IFRS 17.4.1.2.A(a) than on 1 January 2018, when it began applying IFRS 9.

On 1 January 2023, with the application of IFRS 17, material accounting non-compliances will arise, as there were different bases for measuring the insurance liabilities, which represent the central part of the Company's liabilities, and its assets.

Namely, in accordance with the provisions of IFRS 17, the Company decided to disclose the effects arising from changes in financial assumptions when measuring liabilities from insurance contracts in the statement of other comprehensive income.

The central source of accounting non-compliances were financial instruments that are measured at amortised cost and at fair value through profit or loss.

In accordance with IFRS 17.C29(a), the subject of redetermination were those assets that the Company owns in connection with insurance contracts. The Company estimated the share of investments subject to reclassification by simulating the impact of changes in financial assumptions on the value of assets and liabilities with the aim of reducing accounting non-compliances.

In accordance with IFRS 17.C31, the Company determined the assets prospectively, without restating prior periods. The effects of the reclassification were recognised in accordance with the provisions of IFRS 17.C28(d). The balances of investments that were subject to reclassification and its effects are presented in the table below. Cash resources are not taken into account in the table.

Table 26: Redetermination of the Company's financial assets by measurement method

in EUR 000

Measurement method	31 Dec 2022	1 January 2023
Fair value through profit or loss	257,428	216,011
Amortised cost	268,177	88,795
Fair value through other comprehensive income	113,093	311,978
equity investments	94,314	121,453
debt investments	18,779	190,525
Total	638,698	616,784

The difference in the amount of EUR 21,914 was recognized as a debit to the equity of the Group.

Risk Management

Risk management has proven to be a very important area, especially during an economic crisis, because with effective risk management, we can achieve a more stable and successful business in the long term. Therefore, risk management in the execution of activities to achieve the Group's goals is always crucial. The use of standard methodologies of risk management ensures the qualitative evaluation of all types of risk, a timely response and the reduction of risk exposure.

The Group observes legal regulations in the forefront while also regulating risk management through internal acts such as the Rules on risk management, which include in addition to individual risk description, also rules on regulation of the internal organization of risk management, risk management measures and methods, and procedures for controlling the implementation of individual risk management measures.

In its operations, the Group is exposed to financial, insurance, operational and strategic risks. Financial risks, described in more detail in section 17.3.3, include the important market risks (the risk of changes in securities prices, interest rate risk and currency risk) as well as credit and liquidity risk.

Risk of securities price change

Changes in the prices of securities, which are the result of various factors, largely affect the value of the equity investment portfolio in particular. The risk is managed by regular monitoring of the market situation and macroeconomic indicators that affect the movement in the general level of market prices and by maximum possible dispersion of investments to eliminate most of the non-systematic risk. The dispersal of a part of the Group's investments abroad decreased the dependence of the investment portfolio on the movement of prices on the Slovenian capital market.

The monitoring and measurement of risk is carried out on a weekly basis through the calculation of value at risk (VaR), namely at the level of the portfolio as a whole as well as separately for equity and debt securities. The beta indicator is also calculated for equity securities, as a measure of systematic risk. Fluctuations in the prices of securities are also continuously monitored.

Property price change risk

Changes in property prices, which are the result of various factors, largely affect the value of the Group's properties. The risk is managed by diversifying investments in properties and regularly monitoring the situation on the market of property rental activities.

Interest rate risk

By investing funds in debt investments, the Group exposes itself to the risk associated with changes in the value of investments and interest income due to changes in market interest rates. During periods of declining interest rates, assets are exposed to reinvestment risk. The internal committees monitor the fluctuation in interest rates and market forecasts and analysis on a weekly basis, on the basis of which they prepare investment recommendations. The exposure to interest rate risk is regularly measured by the modified duration indicator.

The Group reduces the risks arising from interest rates by restructuring the portfolio according to market conditions, by reducing the average duration of the debt portfolio, by allocating investments to the investment class according to amortized cost, by purchasing inflation-protected debt securities and by restructuring investments with a fixed interest rate in investments with a variable interest rate or vice versa according to the expected movement of market interest rates. The Group did not use derivative financial instruments to hedge against interest rate risk in 2023.

Risk of changes in foreign exchange rates

In managing a portion of its financial assets invested in foreign currencies, the Group is also exposed to the risk of changes in foreign exchange rates.

Currency risk is monitored and managed on a daily basis by currency matching of financial assets with legal and internal restrictions. The basis for measuring currency risk is monitoring and calculating the exposure of assets to individual currencies, whereby the currency of the underlying instrument in which the instrument is nominated is taken into account when calculating the currency risk, but not the currency of the securities that make up a particular instrument or investment fund.

Credit risk

Credit risk refers to debt investments and entails the possibility of investments being repaid only in part or not at all. Credit risk management is carried out by careful selection of business partners (analysis of counter parties before assuming a credit risk), by regular monitoring of company operations and by setting investment limits regarding permitted investment exposure. Credit risk is also managed by diversification of investments in terms of issuer, industry and geographical field and by ongoing monitoring of credit spreads and credit ratings of investments or investment issuers or contractual partners.

According to internal acts, the credit rating of the business partner is determined with the credit ratings of the agencies Standard&Poor‘s, Fitch and Moody‘s, as well as with our own analyses. The credit risk of foreign debt securities is generally managed by investing in foreign debt securities with a credit rating provided by a recognised credit rating agency higher than BBB–, and by adjusting the portfolio's credit rating structure to the internal restrictions adopted. The maximum permissible exposure to i. e. „high yield" debt securities is defined.

With regards to investments in deposits, debentures and certificates of deposits, an internal model for determination of limits of such investments in individual banks is developed. Internal limits by banks are updated regularly. Total exposure to individual bank is determined regularly and is in line with regulations.

Liquidity risk

Liquidity risk includes the risk related to the liquidity of the capital market or investment and the risk of solvency of the Group. Resources and investments are managed in such a way that the Group is able to fulfill all due liabilities at any time. A policy of regular management of liquidity is implemented in accordance with legal and implementing regulations.

Due to the low liquidity of the Slovenian capital market, liquidity risk is encountered in most investments in domestic equity and debt securities, with the highest posed by non-listed investments. By dispersing a portion of investments abroad, the Group is able to reduce liquidity risk by investing in more liquid securities. Moreover, liquidity risk is managed by daily monitoring of the inflows and outflows of assets and by precise matching of maturity of assets with liabilities.

Insurance risks

Insurance risks are risks related to the insurance coverages covered by the insurances. Insurance risks are the risks of loss or unfavourable changes in the value of insurance liabilities due to inadequate premiums and inadequate assumptions taken into account in the calculation of insurance liabilities.

Insurance risks are divided into life insurance risks, health insurance risks, which also includes accident insurance, and non-life insurance risks. The Group is primarily exposed to life insurance risks. The most important insurance risk is the longevity risk in the case of annuity payments. Longevity risk is the risk that a person will live longer than predicted based on the mortality tables used.

Due to its small volume the health insurance risk is not of material importance. The Group is not exposed to non-life insurance risk.

Operational risk

Operational risk is the risk of a loss due to inappropriate internal processes or incorrect action by people or defective functioning of systems within the Company or as a result of external events and actions. Operational risk also includes legal and documentary risk as well as the risks arising from trading procedures, settlement and valuation of assets and liabilities.

Operational risk is controlled through a system of authority, internal controls and by defining business processes and ensuring the suitable employee qualifications. In order to minimize operational risk, companies have established a system of recording loss events and regular monitoring of the implementation of measures adopted. The Internal Audit Department conducts regular audits of business processes and by making recommendations contributes to the improved internal controls and reduced risk.

Operational risks are mostly assessed as materially insignificant, except for some risks related to the operation of information systems and incorrect actions by people, which are assessed as materially low-risk (possible impact on total equity from 0.2% to 0.5%) and the risk of cyber-attacks, which is assessed as a material moderate risk (possible impact on total equity of 0.5% to 0.7%).

Strategic risk

Strategic risk is the risk of a loss owing to incorrect business decisions, inappropriate organisation and strategy and insufficient response to the changes in the business environment. Significant strategic risks include the risk of loss of reputation, the risk of competition and market position, as well as legislative, tax and political risks, resulting from the state's discretionary right to adopt decisions, and may lead to changes in the business and tax environment. These risks also affect the sales processes of companies in which the Group has investments, and the amount of liabilities to the pension budget and consequently the management of financial assets.

The Management Board, who is in charge of formulating appropriate organisation and strategies, must adopt all measures suitable for achieving the strategic goals as well as to preserve and strengthen the Group‘s reputation. An appropriate supervision system is provided for managing this risk, enabling monitoring of the implementation of business objectives defined in the business strategy. Good communication is ensured with all stakeholders and works in accordance with the contractual provisions. Strategic risks are also managed by regular monitoring and participation in the drafting of legal bases and by outsourcing external consultants (tax consultants, auditors, legal consultants, IT consultants, etc.).

Strategic risks are mostly assessed as materially insignificant, except for some risks related to the Company's organisation and strategy, which are assessed as materially low-risk (possible impact on total equity from 0.2% to 0.3%), and legislative, tax and political risk, which is assessed as a materially moderate (possible impact on total equity of 0.5% to 0.7%).

Risks related to investments where the Kapitalska družba Group holds a significant share

The Group devotes special attention to the management of risks, which arise from investments where it holds a significant share. Kapitalska družba for the first time adopted the Corporate Governance Code of the Group in March 2012, which includes the Group's governance policies and as such provides the basis for efficient management of the Group. The adopted Corporate Governance Code of the Group, which defines standards that are complied with and abided by all companies in the Group,[22] lays down new guidelines on risk management. Management and control of the Group is carried out by functional areas. Also adopted were the Guidelines on Subsidiary's Reporting to the Parent Company, which specifically define the reporting type and method as well as deadlines.

In December 2014, the Slovenian Sovereign Holding adopted and in May 2017, November 2019, June 2022, and December 2023, supplemented the Corporate Governance Code for Companies with State Capital Investment, which has been reasonably applied by Kapitalska družba d. d. and Modra zavarovalnica due to unification. Every year Kapitalska družba adopts at the general meetings of shareholders of companies the Voting Positions of Kapitalska družba. The purpose of these positions is to increase the efficiency and transparency of equity investment management and they form an element of reducing risks arising from equity investments.

22 The Corporate Governance Code of the Group does not include Finap, d. d. – in liquidation.

17.3 NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS

17.3.1 Notes to the Statement of Profit or Loss

All notes and disclosures to the 2022 financial statements apply to the adjusted financial statements.

Note No. 1

Net sales revenue

in EUR 000

	2023	2022
Sales of services	17	6
Income from asset management	20,023	18,018
Revenue from leases	2,863	3,007
Other sales revenue	0	4
Total	22,903	21,035

All sales revenue was generated on the domestic market.

Income from asset management

Income from asset management means income from the management fee, exit and entry fees of mutual pension funds managed by the Group, income from the management of the guarantee fund KS MR II, which primarily represent income from sharing the positive result of the fund (in 2022, the income of KS MR II includes only income from advance approval).

Revenue from leases

Revenue from leases refers to income from rentals of the Group's investment properties.

Note No. 2. 1

Insurance services income

in EUR 000

	2023	2022
Amounts related to the change liabilities for remaining coverage	8,577	7,653
release of expected expenses from claims and other expenses from insurance services	7,243	6,805
release of the non-financial risk adjustment for expired risks	4	4
amount of contractual service margin recognised in profit or loss upon transfer for insurance contract services	1,330	844
Reimbursement of insurance acquisition cash flows	204	228
Total	8,781	7,881

The release of expected expenses from claims and other expenses from insurance services includes the expected changes in cash flows arising from the fulfilment of insurance contracts during the period and includes the release of annuities, attributable costs of claims payments and administrative costs.

The non-financial risk adjustment for annuities covers longevity risk only and only applies to non-guaranteed annuity payments. The release of the risk adjustment in the period takes into account the release due to the fulfilment of contractual obligations (with unchanged expectations).

The release of the service margin represents the recognised revenues from insurance services rendered during the period.

Note No. 2. 2

Other operating revenue

in EUR 000

	2023	2022
Revenue from the elimination of non-current provisions	14,195	12
Other items	181	325
Total	**14,376**	**337**

In 2023, the Group eliminated provisions for failure to achieve the guaranteed return on funds managed by the Group in the amount of EUR 14,195 thousand (2022: EUR 12 thousand elimination of provisions for jubilee awards).

Other items mainly mean income from claims and income from previous years.

Note No. 3

Costs of materials and services

in EUR 000

	2023	2022
Cost of materials	-391	-407
Costs of energy	-172	-229
Write-off of small tools	-24	-18
Costs of office supplies and professional literature	-167	-141
Other costs of materials	-28	-19
Costs of services	-4,775	-4,473
Costs of transport services	-45	-43
Cost of services in relation to maintenance of business premises and fixed assets	-333	-293
Rental costs	-631	-547
Employees' work-related costs	-75	-56
Costs of payment transactions and bank services, and insurance premiums	-716	-1,002
Costs of intellectual and personal services	-584	-595
Costs of fairs, advertising and entertainment	-528	-280
Cost of services rendered by natural persons	-287	-308
Costs of other services	-1,576	-1,349
Total	**-5,166**	**-4,880**
Attributable insurance activity costs	-466	-403
Total without attributable insurance activity costs	**-4,700**	**-4,477**

Costs of materials were lower in 2023 compared to 2022 due to lower energy (electricity) prices.

The decrease in the cost of services in 2023 compared to 2022 is mainly due to lower costs for payment transactions and banking services as a result of the cost of refunds on transaction account balances in 2022, which did not exist in 2023.

Attributable costs of the insurance activities are included in the statement of profit or loss under the item Expenses from insurance services.

Audit fees

	2023	2022
Auditing of the annual report	-156	-143
Total	-156	-143

The cost of the audit in the 2023 financial year at the Group level was EUR 156 thousand including VAT (2022: EUR 143 thousand including VAT). The costs of auditing include the cost of auditing the separate annual reports of the parent and subsidiary companies, the consolidated annual report of the Group and funds under management (with the exception of SODPZ and MKPS) No amount has been paid to the auditor for other assurance, tax advisory or other non-audit services in the 2023 and 2022 financial years.

Note No. 4

Labour costs

in EUR 000

Labour costs	2023	2022
Payroll costs	-6,170	-5,548
Compensations for salaries/wages of employees	-74	-64
Costs of supplementary pension insurance of employees	-279	-261
Holiday allowance, reimbursements and other receipts of employees	-803	-588
Other employer's contributions on salaries, wage compensation, bonuses, reimbursements and other receipts of employees	-1,000	-900
Provisions for termination benefits upon retirement and jubilee benefits	-22	-27
Total	-8,348	-7,388
Attributable insurance activity costs	-590	-499
Total without attributable insurance activity costs	-7,758	-6,889

Attributable costs of the insurance activities are included in the statement of profit or loss under the item Expenses from insurance services.

Note No. 5

Write-downs in value

in EUR 000

	2023	2022
Amortisation/Depreciation	-2,128	-1,863
Amortisation of intangible fixed assets	-403	-277
Depreciation of buildings	-309	-306
Depreciation of equipment and spare parts	-579	-467
computers and its equipment	-129	-101
other equipment	-450	-366
Depreciation of investment property	-837	-813
commercial property	-514	-516
parking spots	-39	-39
parts of investment property	-284	-258
Revaluatory operating expenses	-1	-7
Revaluation operating expenses of fixed assets	-1	-7
Total	-2,129	-1,870

All costs of amortisation of intangible fixed assets relate to the amortisation of software and licences.

Depreciation of buildings costs refer to the depreciation of business premises owned and used by the Kapitalska družba Group.

Note No. 6. 1

Insurance service expenses

in EUR 000

	2023	2022
Already calculated claims (rents)	-7,207	-6,550
total calculated claims (rents)	-35,970	-33,244
calculated guaranteed claims (rents)	28,763	26,694
Actual attributable costs (administrative costs and costs of obtaining insurance)	-807	-743
Expenses of onerous insurance contracts	-1,133	-7,354
Change in loss of onerous insurance contracts	453	144
Total	-8,694	-14,503

Expenses from claims also include the attributable costs of claims payments.

Costs of obtaining insurance include labour costs and other costs of employees directly involved in insurance acquisition. Costs of obtaining insurance refer to KS PPS, KS MR II and accidents. Administrative expenses include that part of the attributable costs relating to the preparation, handling, administration, updating of insurance policies.

The expenses of onerous insurance contracts mainly represent the effect of changes in the expected outcome of guarantee funds, or the expected profit sharing.

Note No. 6. 2

Other operating expenses

in EUR 000

	2023	2022
Provisions	-58	-14,253
Other items	-2,255	-919
Total	-2,313	-15,172

In 2023, the Group formed provisions for severance pay upon retirement and jubilee awards in the amount of EUR 58 thousand (2022: EUR 63 thousand). In 2022, the Group formed provisions for failure to achieve the guaranteed return of mutual pension funds in the amount of EUR 14,190 thousand, which were not formed in 2023.

Other items in 2023 mostly include the indirect costs of KS MR II and payments by the manager for the payment of the difference up to the guaranteed return of mutual pension funds. In 2022 they mainly refer to payments by the manager for the payment of the difference up to the guaranteed return of mutual pension funds.

Note No. 7

Financial revenue

in EUR 000

	Note	2023	2022
Financial income from shares in associated and other companies	7. 1	109,506	72,223
Financial revenue from other investments and from loans	7. 2	18,807	11,188
Total	7	128,313	83,411

Each of the items is presented in more detail below.

Note No. 7. 1

Financial income from shares in associated and other companies

in EUR 000

	2023	2022
Dividends and shares in profits	38,513	36,032
Exchange rate gains	59	10,024
Revenue from valuation of investments at fair value through profit or loss	56,407	9,622
The effect of the correction of financial income from shares due to the recalculation of associated companies under the equity method	8,306	2,404
Revenue from realized gains from the sale of financial investments	6,198	1,811
investments valued through other comprehensive income	0	303
investments valued at fair value through profit or loss	6,198	1,504
investments valued at amortized cost	0	4
Revenue from acquisition of abandoned securities	14	10
Revenue from acquisition of securities from registry accounts	9	12,320
Total	109,506	72,223

Revenue from dividends and shares in company profits amounting to EUR 38,513 thousand (2022: EUR 36,032 thousand) include domestic and foreign dividends and dividends from shares in companies.

Revenue from the valuation of investments allocated at fair value through profit and loss in the amount of EUR 56,407 thousand (2022: EUR 9,622 thousand) is the result of positive returns on investments in the financial markets in 2023.

The net effect of the correction of financial income from shares due to the recalculation of associated companies under the equity method in 2023 amounts to EUR 8,306 thousand, and in 2022 it amounts to EUR 2,404 thousand and also includes the amount of impairment of certain associated companies according to the equity method in the amount of EUR 12,719 thousand based on the established impairment tests.

Revenue from acquisition of abandoned securities amounting to EUR 14 thousand (2022: EUR 10 thousand) is recognised in accordance with Article 48a of ZNVP-1, which stipulates that KDD shall credit all book-entry securities cancelled by the holders to a special account held by Kapitalska družba.

Revenues from acquisition of securities from registry accounts in the amount of EUR 9 thousand (2022: EUR 12,320 thousand) are recognised in accordance with paragraph 5 of Article 48.a of the Book-Entry Securities Act, on the basis of which as at 1 January 2022, the Company became the owner of the securities that the beneficiaries did not request to be transferred to their trading accounts with a member of the central securities depository by 31 January 2021.

Note No. 7. 2

Financial revenue from other investments and from loans

in EUR 000

	2023	2022
Interest income	16,479	10,629
Exchange rate gains	54	127
Revenue from valuation of investments at fair value through profit or loss	1,647	0
Revenue from sales and investment maturities	268	0
investments valued through other comprehensive income	153	0
investments valued at fair value through profit or loss	115	0
Revenue from decrease in credit losses	355	432
Revenue from decrease of credit losses of assets valued at amortized cost	84	415
Revenue from decrease of credit losses of assets valued through other comprehensive income	271	17
Other financial income	4	0
Total	18,807	11,188

Interest income

in EUR 000

	2023	2022
Deposits	474	338
at amortized cost	474	338
Bonds, commercial papers	12,515	6,953
at fair value through profit or loss	1,012	966
through other comprehensive income	9,631	1,802
at amortized cost	1,872	4,185
Other securities	3,490	3,338
at fair value through profit or loss	3,358	3,337
at amortized cost	132	1
Total	16,479	10,629

Note No. 8

Financial expenses

in EUR 000

	Note	2023	2022
Financial expenses due to impairment and write-down of investments	8. 1	-6,768	-113,356
Financial expenses from financial liabilities	8. 2	-65,010	-50,009
Financial expenses from operating liabilities	8. 3	-5	-3
Financial expenses from insurance contracts	8. 4	-5,145	-5,017
Total	8	-76,928	-168,385

Individual items are presented in more detail below.

Note No. 8. 1

Financial expenses due to impairment and write-off of other investments

in EUR 000

	2023	2022
Expenses from the sale of financial investments	-1,183	-10,119
at fair value through profit or loss	-457	-10,078
through other comprehensive income	-726	-41
Interest expenses	-7	-34
Expenses from revaluations of financial investments valued at fair value through profit or loss	-1,429	-101,894
Expenses from exchange differences	-3,702	-529
Expenses from credit losses	-444	-778
Other financial expenses	-3	-2
Total	-6,768	-113,356

Expenses from the sale of financial investments in the amount of EUR 1,183 thousand (2022: EUR 10,119 thousand) represent realized capital losses from the sale of financial investments.

The Group revalued financial investments, which are valued at fair value through profit or loss, in the amount of EUR 1,429 thousand, and in 2022 the Group revalued financial investments in the amount of EUR 101,894 thousand due to unfavourable trends on the financial markets.

Note No. 8. 2

Financial expenses from financial liabilities

in EUR 000

	2023	2022
Interest expenses	-10	-9
Expenses for the Pension and Disability Insurance Institute	-65,000	-50,000
Total	-65,010	-50,009

Kapitalska družba credited EUR 65 million to the Pension and Disability Insurance Institute in 2023 (2022: EUR 50 million). These transfers were stated under financial expenses from other financial liabilities in the income statement.

Note No. 8. 3

Financial expenses from operating liabilities

in EUR 000

	2023	2022
Other expenses	-5	-3

Other financial expenses from operating liabilities refer to smaller items.

Note No. 8. 4

Financial expenses from insurance contracts

in EUR 000

	2023	2022
Financial expenses from insurance contracts	-5,145	-5,017

Accrued interest at the locked-in rate (unwinding) covers the unwinding of the discount that arises due to the movement along the existing discount curve; this means the difference between the discounted value of the expected insurance liabilities at the reporting date and at the last day of the previous year.

Funding outcome

in EUR 000

	2023	2022
Financial revenue	128,313	83,411
Financial expenses	-76,928	-168,385
Net result from financing	51,385	-84,974

Note No. 9

Income tax

in EUR 000

	2023	2022
Profit or loss before tax	68,414	-88,908
Increases in retained earnings	77	82,977
Decreases in retained earnings	-6,438	24,853
Total	62,053	18,922
Expenses not recognised for tax	2,577	3,167
Provisioning	-53	9
Untaxed revenue	-37,789	-39,362
Tax relief	-747	-19
Tax losses	-3,481	0
Tax on dividends from abroad	81	0
Other	16,744	51,313
Total	39,385	34,030
Income tax	7,403	7,481
Tax on foreign dividends until agreement	81	0

In 2022, the item „Other“ shows the financial impact of the redistribution of investments into units of the target funds of Modra zavarovalnica, d. d., in the period 2018-2021, and in 2023, the impact from the implementation of IFRS17 and the sale of equity investments. The guarantee funds of Modra zavarovalnica are taxed at a rate of 0% in accordance with point 3 of Article 61 of the ZDDPO-2.

The Kapitalska družba Group does not prepare a consolidated tax balance sheet. In 2023, Kapitalska družba, d. d. had a liability for corporate income tax of EUR 618 thousand, and in 2022 it had no liability for tax losses. In 2023, Modra zavarovalnica, d. d., had a liability to pay corporate income tax in the amount of EUR 6,737 thousand, and EUR 7,352 thousand in 2022. Hotelske nepremičnine d. o. o., reported EUR 48 thousand in corporate income tax in 2023, and EUR 129 thousand in 2022.

In the opinion of the management board, the calculation of the tax liability is adequate and is made on the basis of the obtained opinions of tax consultants. It is however possible that the competent tax authorities would have a different position on certain issues, which could result in a difference between the tax liabilities disclosed in the consolidated financial statements and the amount assessed by the tax authorities.

Kapitalska družba d. d. credited EUR 65 million to the Pension and Disability Insurance Institute in 2023. These payments were stated under financial expenses from other financial liabilities in the income statement and as tax allowable expenses in the calculation of tax liability.

Harmonisation of the actual and the calculated corporate income tax expense taking into account the effective tax rate

in EUR 000

	2023	2022
Profit or loss before tax	68,414	-88,908
Increases from the transferred result	77	82,977
Decreases from the transferred result	-6,438	24,854
Total	62,053	18,922
Tax calculated at general tax rate	11,790	3,595
Change in tax based on:		
1. Revenue exempt from the tax base	6,807	6,660
Untaxed dividends received	6,795	6,616
Adjustment of revenue to the level recognised for tax purposes (decrease)	12	44
2. Expenses exempt from the tax base	386	384
Increase in expenses (unrecognised in previous periods)	2	6
Adjustment of expenses to the level recognised for tax purposes (decrease)	384	374
3. Tax reliefs used in current year	43	0
4. Utilisation of tax losses from previous years	662	0
Total income tax	7,403	7,481
Effective tax rate	/	/

Note No. 10

Deferred tax

in EUR 000

	Statement of financial position		Income statement	
	2023	2022	2023	2022
Deferred income tax - liabilities				
Revaluation of financial investments valued at fair value through other comprehensive income	66,002	42,874	-172	
Total deferred income tax liabilities	66,002	42,874	-172	-
Deferred income tax - receivables				
Loss brought forward to be used as tax allowance	25,751	15,980	9,773	-11,498
Value adjustment of investments	1,555	1,479	212	518
Provisions	51	51	0	4
Total deferred income tax assets	27,357	17,510	9,813	-10,976
Netting of assets and liabilities	1,555	1,511	-	-
Deferred income tax assets after netting	25,802	15,999	-	-
Deferred income tax liabilities after netting	64,447	41,363	-	-

Tax loss disclosure

in EUR 000

	2023	2022
Tax loss status as at 31 Dec of the reporting period	-547,677	-551,158
Tax loss that is not taken into account in the calculation of deferred taxes	-430,625	-467,051
Tax loss that is taken into account in the calculation of deferred taxes	-117,052	-84,107

No deferred tax assets were accrued for the tax loss amounting to EUR 430,625 thousand (2022: EUR 467,051 thousand), and deferred tax assets were accrued for the tax loss amounting to EUR 117,052 thousand (2022: EUR 84,107 thousand). Tax losses can be carried forward indefinitely.

Disclosure of changes in deferred tax recognised directly in equity

in EUR 000

Changes in deferred tax	2023	2022
Balance as at 1 Jan	42,874	75,618
Changes during the year	23,128	-16,978
Adjustment of deferred tax	0	-15,766
Balance as at 31 Dec	66,002	42,874

The change in deferred tax liabilities in 2023 in the amount of EUR 23,128 thousand is the result of the revaluation of investments valued at fair value through other comprehensive income.

17.3.2 Notes to the Statement of Financial Position

Note No. 11

Intangible assets and non-current deferred costs and accrued revenue

Table 27: Changes in intangible assets and non-current deferred costs and accrued revenue in 2023

in EUR 000

31 Dec 2023	Software and licences	Non-current accrued revenue and deferred costs	Total
Cost			
Cost as at 31 Dec 2022	5,126	65,029	70,155
Increases	339	65,000	65,339
Decreases	0	-65,029	-65,029
Cost as at 31 Dec 2023	5,465	65,000	70,465
Value adjustment			0
Value adjustment as at 31 Dec 2022	-3,745	0	-3,745
Additions, transfers	0	0	0
Disposals, write-offs	0	0	0
Amortisation/Depreciation	-403	0	-403
Value adjustment as at 31 Dec 2023	-4,148	0	-4,148
Carrying amount			0
Carrying amount as at 31 Dec 2022	1,381	65,029	66,410
Carrying amount as at 31 Dec 2023	1,317	65,000	66,317

Intangible assets have not been pledged as security.

The amount of non-current deferred costs and accrued revenue in the amount of EUR 65,000 thousand refers to the accrued liability to the Pension and Disability Insurance Institute, which is due in 2025.

Table 28: Changes in intangible assets and non-current deferred costs and accrued revenue in 2022

in EUR 000

31 Dec 2022	Software and licences	Non-current accrued revenue and deferred costs	Total
Cost			
Cost as at 31 Dec 2021	4,765	50,031	54,796
Increases	408	65,029	65,437
Decreases	-47	-50,031	-50,078
Cost as at 31 Dec 2022	5,126	65,029	70,155
Value adjustment			
Value adjustment as at 31 Dec 2021	-3,515	0	-3,515
Disposals, write-offs	47	0	47
Amortisation/Depreciation	-277	0	-277
Value adjustment as at 31 Dec 2022	-3,745	0	-3,745
Carrying amount			
Carrying amount as at 31 Dec 2021	1,250	50,031	51,281
Carrying amount as at 31 Dec 2022	1,381	65,029	66,410

Intangible assets have not been pledged as security.

The amount of non-current deferred costs and accrued revenue in the amount of EUR 65,000 thousand refers to the accrued liability to the Pension and Disability Insurance Institute, which is due in 2024, and the rest to the accrued liability for the payment of the variable remuneration of the management board, which will also be paid in 2024.

Note No. 12

Property, plant and equipment

Table 29: Changes in property, plant and equipment in 2023

in EUR 000

31 Dec 2023	Buildings	Other plant and equipment	Total
Cost			
Cost as at 31 Dec 2022	9,839	3,593	13,432
New purchases	0	916	916
Disposals	0	-89	-89
Cost as at 31 Dec 2023	9,839	4,420	14,259
Value adjustment			
Value adjustment as at 31 Dec 2022	-5,428	-2,815	-8,243
Disposals, write-offs	0	121	121
Amortisation/Depreciation	-309	-579	-888
Value adjustment as at 31 Dec 2023	-5,737	-3,273	-9,010
Carrying amount			
Carrying amount as at 31 Dec 2022	4,411	778	5,189
Carrying amount as at 31 Dec 2023	4,102	1,147	5,249

The items of property, plant and equipment have not been pledged as security.

Table 30: Changes in property, plant and equipment in 2022

in EUR 000

31 Dec 2022	Buildings	Other plant and equipment	Total
Cost			
Cost as at 31 Dec 2021	9,839	3,526	13,365
New purchases	0	185	185
Disposals	0	-118	-118
Cost as at 31 Dec 2022	9,839	3,593	13,432
Value adjustment			
Value adjustment as at 31 Dec 2021	-5,120	-2,460	-7,580
Disposals, write-offs	0	111	111
Amortisation/Depreciation	-308	-466	-774
Value adjustment as at 31 Dec 2022	-5,428	-2,815	-8,243
Carrying amount			
Carrying amount as at 31 Dec 2021	4,719	1,066	5,785
Carrying amount as at 31 Dec 2022	4,411	778	5,189

The items of property, plant and equipment have not been pledged as security.

Note No. 13

Investment property

Table 31: Changes in investment property in 2023

in EUR 000

31 Dec 2023	Land	Buildings	Total
Cost			
Cost as at 31 December 2022	3,669	29,720	33,389
Acquisitions	0	13	13
Other	0	-133	-133
Cost as at 31 Dec 2023	3,669	29,600	33,269
Value adjustment			
Value adjustment as at 31 Dec 2022	0	-8,508	-8,508
Amortisation/Depreciation	0	-837	-837
Value adjustment as at 31 Dec 2023	0	-9,345	-9,345
Carrying amount			
Carrying amount as at 31 Dec 2022	3,669	21,212	24,881
Carrying amount as at 31 Dec 2023	3,669	20,255	23,924

The Group did not did not impair investment property in 2023. The valuation of investment property as at 31 October 2021 was made by a certified appraiser.

Given that the fair value of investment property as at 31 October 2021 was estimated based on an external evaluation amounting to EUR 30,799 thousand, the management verified and estimated that the fair value of investment property as at 31 December 2023 does not significantly deviate from the fair value of investment property as at 31 October 2021. The fair value of the investment property of the hotel resort San Simon of the company Hotelske nepremičnine, d. o. o., was assessed by an authorised property valuer as at 30 November 2023. The Company verified that the estimated values of investment property could also be used as at 31 December 2023.

The investment property's fair value does not significantly deviate from its carrying amount as at 31 December 2023, with the exception of the Nebotičnik office building, whose fair value greatly exceeds its carrying amount. The fair value of the office building "Nebotičnik" investment property as at 31 October 2021 amounted to EUR 1,350 thousand, while the carrying amount as at 31 December 2023 equalled EUR 88 thousand.

The valuation of investment properties was carried out using the market comparisons method, the return-based method and the direct capitalisation method, which includes the following assumptions: a 7.62% capitalisation rate, the deduction for vacancy and recoverability is 5% for parking spaces and 8% for office premises.

The fair value of the investment property of the company Hotelske nepremičnine, d. o. o., is higher than the carrying amount as at 31 December 2023, so the management has not identified any signs of impairment.

Investment property is not pledged.

Table 32: Changes in investment property in 2022

in EUR 000

31 Dec 2022	Land	Buildings	Total
Cost			
Cost as at 31 Dec 2021	3,669	28,322	31,991
Acquisitions	0	1,398	1,398
Cost as at 31 Dec 2022	3,669	29,720	33,389
Value adjustment			
Value adjustment as at 31 Dec 2021	0	-7,695	-7,695
Amortisation/Depreciation	0	-813	-813
Value adjustment as at 31 Dec 2022	0	-8,508	-8,508
Carrying amount			
Carrying amount as at 31 Dec 2021	3,669	20,627	24,296
Carrying amount as at 31 Dec 2022	3,669	21,212	24,881

Investment property is not pledged.

Information about encumbrances

Pursuant to paragraph 5 of Article 48.a of ZNVP-1, Kapitalska družba, d. d., also acquired registry securities that were encumbered with a pledge, which has two legal bases: firstly, on the basis of a legal transaction with entry in the central register of book-entry securities, and secondly, on the basis of a seizure or entry of an enforcement order in the central register of book-entry securities, all in the amount of EUR 21 thousand.

The remaining assets owned by the Group are free from mortgages, pledges or other encumbrances. Fixed assets are not acquired for the purpose of trading.

Right to use

At the level of the Kapitalska družba Group, we do not have the right to use and no disclosures are required according to IFRS 16.

Note No. 14

Investments in associates

Investments in associates as at 31 December 2023 include:

in EUR 000

No.	Associate	Registered office	Equity stake (%)	Voting rights (%)	Equity as at 31 Dec 2023	Net profit/ loss for 2023
1.	Gospodarsko razstavišče, d. o. o.	Dunajska cesta 18, Ljubljana	29.51	29.51	21,112	6,123
2.	HIT, d .d.	Delpinova ulica 7a, Nova Gorica	20.32	20.32	67,046	8,397
3.	Loterija Slovenije, d. d.	Gerbičeva ulica 99, Ljubljana	25.00	25.00	21,112	6,123
4.	Sava, d. d.[23]	Dunajska cesta 152, Ljubljana	28.05	28.05	116,559	2,050
5.	Terme Čatež, d. d.	Čatež ob Savi, Topliška cesta 35, Brežice	23.82	23.79	96,598	2,082
6.	Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	24.79	24.79	50,371	6,276
7.	Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20.17	20.85	221,230	12,653

Kapitalska družba, d. d., consolidates all associated companies according to the equity method in the consolidated financial statements.

Cinkarna Celje, d. d. is an associated company of Modra zavarovalnica, d. d., which does not prepare consolidated financial statements.

The Kapitalska družba Group is not exposed due to ownership in associated companies:

- to the risk of providing financial resources for operations/capital adequacy of the associated company;
- the risk related to participation in covering contingent liabilities of the associated companies.

Kapitalska družba d. d. at the end of 2023, using company value estimates from external certified company value appraisers and internal value estimation models, taking into account the latest available data on the companies' operations from 2022, checked, assessed and evaluated their value as at 31 December 2023.

Table 33: Changes in the value of investments in associated companies

in EUR 000

	2023	2022
Carrying amount as at 1 Jan 2023	79,859	83,023
Changes	4,949	-3,164
Net effect of valuation of associates under the equity method	8,306	2,404
Attribution of net profit due to adjustment of associated companies under the equity method	8,306	15,123
Impairments	0	-12,719
Exclusion of dividends	-1,578	-6,423
Exclusion of revaluation surplus	-1,779	855
Carrying amount as at 31 Dec 2023	84,808	79,859

23 The data for capital and net profit of the company Sava, d. d. are unaudited.

Note No. 15

Assets held for sale

in EUR 000

	31 Dec 2023	31 Dec 2022
Assets held for sale	0	5,074
Total	0	5,074

There were no non-current assets held for sale as at 31 December 2023, and as at 31 December 2022 they included an equity investment held for sale of EUR 5,074 thousand, which is reclassified to investments in 2023 due to a business decision not to dispose of the investment.

Note No. 16

Investments, excluding loans

The Group classifies financial assets into one of the following groups according to IFRS 9: financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. In addition, financial assets are classified as non-current and current.

in EUR 000

	Non-current		Curren		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
At fair value through profit or loss	526,887	505,470	118,750	145,217	645,637	650,687
Debt instruments	504,854	467,440	118,750	145,217	623,604	612,657
Equity instruments	22,033	38,030	-	-	22,033	38,030
At amortized cost	73,225	213,828	8,658	27,814	81,883	241,642
Debt instruments	73,225	213,828	8,658	27,814	81,883	241,642
At fair value through other comprehensive income	872,149	562,227	43,619	8,211	915,768	570,438
Debt instruments	227,101	42,726	43,619	8,211	270,720	50,937
Equity instruments	645,048	519,501	-	-	645,048	519,501
Total	1,472,261	1,281,525	171,027	181,242	1,643,288	1,462,767

Changes in investments for 2023

in EUR 000

	Investments at fair value through profit or loss	Investments at amortized cost	Investments at fair value through other comprehensive income	Total
31 Dec 2022	650,687	241,642	570,438	1,462,767
Redistribution and revaluation as at 1 January 2023	-35,455	-179,381	192,178	-22,658
1 Jan 2023	615,232	62,261	762,616	1,440,109
Acquisitions	164,022	35,402	73,673	273,097
Disposal, maturity	-197,109	-17,717	-45,429	-260,255
Revaluation	63,492	1,937	124,908	190,337
31 Dec 2023	645,637	81,883	915,768	1,643,288

Changes in investments for 2022

in EUR 000

	Investments at fair value through profit or loss	Investments at amortized cost	Investments at fair value through other comprehensive income	Total
31 Dec 2021	747,673	188,716	689,337	1,625,726
Acquisitions	193,289	70,192	11,543	275,024
Disposal, maturity	-202,523	-21,529	-13,294	-237,346
Revaluation	-87,752	4,263	-117,148	-200,637
31 Dec 2022	650,687	241,642	570,438	1,462,767

Top ten investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 excluding abandoned securities and securities from registry accounts

The items in the table below are not rounded to the nearest thousand and are presented in the Euro.

in EUR

ISIN code	Value in EUR	Market/non-market
SI0031102120	390,224,450	Market
SI0031102153	82,968,621	Market
SI0031104290	24,739,721	Market
SI0031101346	22,499,502	Market
SI0021110513	22,016,764	Market
SI0031117813	17,662,103	Market
US5949181045	9,973,738	Market
US02079K1079	5,065,828	Market
US02079K3059	5,008,613	Market
DE0008430026	4,525,957	Market
Other	52,582,588	/
Total	637,267,885	

Top 10 largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 for abandoned securities

The items in the table below are not rounded to the nearest thousand and are presented in the Euro.

in EUR

ISIN code	Value in EUR	Market/non-market
SI0031117268	27,014	Non-market
SI0031113184	20,321	Non-market
SI0031107772	18,575	Non-market
SI0031105271	17,770	Non-market
SI0021111313	17,690	Market
SI0031102120	14,300	Market
SI0031107293	14,048	Non-market
SI0021113855	11,722	Market
SI0021113111	11,379	Non-market
SI0031114604	10,640	Non-market
Other	88,941	/
Total	252,400	

Top 10 largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 for abandoned securities from registry accounts

The items in the table below are not rounded to the nearest thousand and are presented in the Euro.

in EUR

ISIN code	Value in EUR	Market/non-market
SI0031102120	1,623,600	Market
SI0021111651	1,318,531	Market
SI0031102153	942,252	Market
SI0021113111	391,065	Non-market
SI0021113855	384,810	Market
SI0021111313	290,515	Market
SI0031101346	193,445	Market
SI0031114984	148,066	Non-market
SI0031116138	147,099	Non-market
SI0031117813	129,413	Market
Other	1,958,850	/
Total	7,527,646	

In 2023, the Group received dividends in the amount of EUR 33,540 thousand (2022: EUR 29,771 thousand) relating to investments measured at fair value through other comprehensive income. In 2023, the Group recorded a positive effect in the amount of EUR 5,421 thousand (2022: EUR -400 thousand) on the disposal of equity instruments, which are measured at fair value through other comprehensive income, which is recognized in profit or loss carried forward.

Overview of financial assets according to carrying amount and fair value as at 31 December 2023

in EUR 000

	Carrying amount	Fair value
Investments at fair value through profit or loss	645,637	645,637
Investments at amortized cost	81,883	81,340
Investments at fair value through other comprehensive income	915,768	915,768
Financial investments in loans granted	67,747	67,762
Cash	5,175	5,175
Total	1,716,210	1,715,682

Overview of financial assets according to carrying amount and fair value as at 31 December 2022

in EUR 000

Financial asset	Carrying amount	Fair value
Financial assets at fair value through profit or loss	655,762	655,762
Financial assets at amortised cost	241,642	214,077
Financial assets at fair value fair value through other comprehensive income	570,438	570,438
Financial investments in loans granted	39,028	38,832
Cash	15,059	15,059
Total	1,521,929	1,494,168

The above table includes assets held for sale as at 31 December 2022.

Investments by type of interest rate

in EUR 000

Investment	31 Dec 2023	31 Dec 2022
Debt investments	514,937	498,374
Fixed interest rate	511,524	497,786
Variable interest rate	3,413	588
Loans and deposits	67,748	39,028
Fixed interest rate	67,748	39,028
Cash and cash equivalents	5,175	15,059
Units of target funds	461,269	406,861
Total	1,049,129	959,322

Fair value hierarchy as at 31 December 2023

in EUR 000

Item	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	1,251,879	291,781	102,553	1,646,213
Investments valued at fair value through profit or loss	534,093	60,853	50,691	645,637
Equity instruments	17,109	4,923	5,247	27,279
Debt instruments	516,984	55,930	45,444	618,358
Financial investments at fair value through other comprehensive income	717,786	230,928	51,862	1,000,576
Equity instruments	459,757	218,238	51,862	729,857
Debt instruments	258,029	12,690	0	270,719
Financial assets measured at amortised cost with fair value disclosed	73,449	75,653	0	149,102
Debt instruments	73,449	75,653	0	149,102
Total	1,325,328	367,434	102,553	1,795,315

Fair value hierarchy as at 31 December 2022

in EUR 000

Item	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	1,012,089	205,548	88,421	1,306,058
Investments valued at fair value through profit or loss	534,851	75,724	45,187	655,762
Equity instruments	18,104	21,403	3,599	43,106
Debt instruments	516,747	54,321	41,588	612,656
Financial investments at fair value through other comprehensive income	477,238	129,824	43,234	650,296
Equity instruments	432,065	126,856	40,438	599,359
Debt instruments	45,173	2,968	2,796	50,937
Financial assets measured at amortised cost with fair value disclosed	194,282	56,624	2,003	252,909
Debt instruments	194,282	56,624	2,003	252,909
Total	1,206,371	262,172	90,424	1,558,967

Tangible investments were evaluated by external certified appraisers of companies and qualified persons.

Smaller intangible investments were evaluated by qualified persons based on the comparable companies method and the net asset value method.

Level 1

Level 1 includes investments owned by Kapitalska družba, d. d., and Modra zavarovalnica, d. d., where the fair value is determined entirely based on the quoted prices achieved on an active market. An active market is either a stock exchange (in case of equity and debt investments) or traders' market or OTC (in case of debt investments). In this sense, Level 1 comprises investments whose main market is the stock exchange and whose average daily trading volume in the 180 days prior to fair value measurement exceeded EUR 0.5 million, taking into account the number of trading days (in case of Ljubljana Stock Exchange the average daily turnover of EUR 0.1 million is taken into account, while this does not apply when determining the active market for investments owned by Modra zavarovalnica, d. d.). Level 1 also includes investments whose main market is the traders' market or OTC provided the CBBT (Composite Bloomberg Bond Trader) price was published for at least half of trading days in the 30 days preceding the valuation.

Level 2

Level 2 comprises investments to which the assumption of an active market does not apply, meaning the investments whose average daily trading volume on the stock exchange in the 180 days prior to fair value measurement was below EUR 0.5 million, taking into account the number of trading days (in case of Ljubljana Stock Exchange for investments owned by Kapitalska družba, d. d., the average daily turnover of less than EUR 0.1 million is taken into account, while this does not apply when determining the active market for investments owned by Modra zavarovalnica, d. d.), and the investments in the OTC market whose CBBT price was published less than half of trading days in the 30 days preceding the valuation.

This group also includes investments in target funds that do not meet the conditions of an active market.

Investments in commercial papers of Slovenian issuers are also included in level 2. Commercial paper prices are calculated from the theoretical (repayment) value of commercial paper, which is calculated based on the interest rate resulting from each purchase.

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies.

Level 3

Level 3 includes investments where the fair value is determined based on our own valuation models that take into account subjective variables that are not publicly available on the markets, debt securities whose fair value is determined by the BVAL price, and investments in securities whose prices are guaranteed by third parties.

Assessment of fair value of individual investments in level 3 of fair value for shares or business stakes was carried out applying return-based method of assessing the value of the Company, by applying the discounted cash flow method , and by applying the asset-based method of assessing the value of the company as well as by applying the net asset value method (adjusted carrying amounts).

The assessment of the fair value of certain shares is made on the basis of valuation models that take into account subjective variables not publicly available on markets. Certain data for valuation are obtained from the Bloomberg system and other financial sources, whereas in some cases an important source is the data and documents about the past and expected future performance provided by companies.

Gains on investments classified in Level 3 of the fair value hierarchy relate to dividends, coupons received and profits from the sale of investments.

The estimated fair value of the investment in the financial receivable is determined on the basis of the estimated fair value of the pledged assets by taking into account the nominal amount of the individual financial receivable. The assessment of the fair value of pledged assets was done by applying the return-based valuation method, by applying the discounted free cash flow method, and the valuation method based on market comparisons, and by applying the method of comparable listed companies.

Determination of the fair value of non-market investments as at 31 December 2023

Item	Non-market investment	Valuation method	Discount rate/yield capitalisation rates in %
Equity instruments	Elektro Ljubljana, d. d.	Discounted free cash flow method	6.46
Equity instruments	Elektro Celje, d. d.	Discounted free cash flow method	6.46
Equity instruments	Elektro Gorenjska, d. d.	Discounted free cash flow method	6.46
Equity instruments	Elektro Maribor, d. d.	Discounted free cash flow method	6.46
Equity instruments	Elektro Primorska, d. d.	Discounted free cash flow method	6.46
Equity instruments	HIT, d. d.	Discounted free cash flow method	11.40
Equity instruments	Terme Olimia, d. d.	Discounted free cash flow method	8.80
Equity instruments	Loterija Slovenije, d. d.	Discounted free cash flow method	10.70
Equity instruments	Sava, d. d.	Net asset value method	
Equity instruments	Gospodarsko razstavišče, d. o. o.	Discounted free cash flow method	9.20
Equity instruments	PS za avto, d. o. o.	Net asset value method	
Equity instruments	Sava turizem, d. d.	Discounted free cash flow method	8.60
Equity instruments	Casino Bled, d. d.	Fair value of consideration for prohibition of disposal	
Equity instruments	Casino Portorož, d. d.	Fair value of consideration for prohibition of disposal	
Equity instruments	TKI Hrastnik, d. d.	Discounted free cash flow method	13.00
Equity instruments	Plinhold, d. o. o.	Net asset value method	
Equity instruments	Delavska hranilnica, d. d.	Dividend discount model	11.20
Debt securities	Bond NOVAKR 1 7/8 01/27/25	Bloomberg BVAL	
Debt securities	Bond POSRSV 3 3/4 11/07/39	Bloomberg BVAL	
Units of target funds	ALFI PE	Quarterly publication of fund unit value	
Units of target funds	ALFI PE GROWTH SIS D.O.O.	Quarterly publication of fund unit value	
Investment in financial receivable	Sava ins. receivables	Estimation of the value of the principal collateral using the discounted free cash flow method	8.60
Units of target funds	SAGA VII COMBINED	Quarterly publication of fund unit value	
Units of target funds	CGO VII	Quarterly publication of fund unit value	
Units of target funds	MPEP III SCS 2018	Quarterly publication of fund unit value	
Units of target funds	ELEMENTS	Quarterly publication of fund unit value	
Units of target funds	AQUILA CAP. INFRAS. FUND	Quarterly publication of fund unit value	
Units of target funds	GENERALI AVF	Quarterly publication of fund unit value	
Units of target funds	ELEMENTS CO II	Quarterly publication of fund unit value	
Units of target funds	AMC CAPITAL IV S.C.SP.	Quarterly publication of fund unit value	
Units of target funds	ALFI RE	Quarterly publication of fund unit value	
Units of target funds	AMC V	Quarterly publication of fund unit value	
Units of target funds	TRIGAL RE	Quarterly publication of fund unit value	

As at 31 December 2023 the principal of the investment in financial receivable amounts to EUR 28,416 thousand.

Determination of the fair value of non-market investments as at 31 December 2022

Item	Non-market investment	Valuation method	Discount rate/yield capitalisation rates in %
Equity instruments	Elektro Ljubljana, d. d.	Discounted free cash flow method	5.59
Equity instruments	Elektro Celje, d. d.	Discounted free cash flow method	5.45
Equity instruments	Elektro Gorenjska, d. d.	Discounted free cash flow method	5.47
Equity instruments	Elektro Maribor, d. d.	Discounted free cash flow method	5.48
Equity instruments	Elektro Primorska, d. d.	Discounted free cash flow method	5.61
Equity instruments	HIT, d. d.	Discounted free cash flow method	12.48
Equity instruments	Terme Olimia, d. d.	Discounted free cash flow method	10.17
Equity instruments	Loterija Slovenije, d. d.	Discounted free cash flow method	13.5 and 12.9
Equity instruments	Sava, d. d.	Net asset value method	
Equity instruments	Gospodarsko razstavišče, d. o. o.	Discounted free cash flow method	10.20
Equity instruments	PS za avto, d. o. o.	Net asset value method	
Equity instruments	Sava turizem, d. d.	Discounted free cash flow method	12.48
Equity instruments	Casino Bled, d. d.	Fair value of consideration for prohibition of disposal	
Equity instruments	Casino Portorož, d. d.	Verification of signs of impairment	
Equity instruments	Delavska hranilnica, d. d.	Verification of signs of impairment	
Debt securities	Bond POSRSV 3 3/4 11/07/39	Bloomberg BVAL	
Units of target funds	ALFI PE	Quarterly publication of fund unit value	
Units of target funds	GENERALI GROWTH SIS D.O.O. K.D	Quarterly publication of fund unit value	
Investment in financial receivable	Sava ins. receivables	Estimated present value of the principal	3.4
Units of target funds	SAGA VII COMBINED	Quarterly publication of fund unit value	
Units of target funds	CGO VII	Quarterly publication of fund unit value	
Units of target funds	MPEP III SCS 2018	Quarterly publication of fund unit value	
Units of target funds	ELEMENTS	Quarterly publication of fund unit value	
Units of target funds	AQUILA CAP. INFRAS. FUND	Quarterly publication of fund unit value	
Units of target funds	GENERALI AVF	Quarterly publication of fund unit value	
Units of target funds	ELEMENTS CO II	Quarterly publication of fund unit value	
Units of target funds	AMC CAPITAL IV S.C.SP.	Quarterly publication of fund unit value	

As at 31 December 2022 the principal of the investment in financial receivable amounts to EUR 28,416 thousand.

Table 34: Changes in Level 3 investments in 2023

in EUR 000

Item	Equity instruments	Other debt instruments	Exchange traded funds (ETF)	Accounts receivable	Total
Balance as at 31 December 2022	44,037	3,147	14,824	28,416	90,424
Disposal, maturity	0	-2,003	-2,283	0	-4,286
Acquisitions	1	0	5,848	0	5,848
Revaluation	6,156	60	755	0	6,972
Reclassifications	1,668	1,926	0	0	3,594
Balance as at 31 Dec 2023	51,862	3,130	19,144	28,416	102,553

The reclassification in the category of Equity instruments in the amount of EUR 6,156 thousand mainly refers to the higher valuation of significant investments carried out by external certified appraisers of companies and qualified persons, and to the reclassification of associated companies using the equity method.

In the case of Accounts receivable, the receivable for accrued interest amounts to EUR 9,807 thousand which are recognized and disclosed in Note no. 18 Trade receivables (non-current).

Table 35: Changes in Level 3 investments in 2022

in EUR 000

Item	Equity instruments	Other debt instruments	Exchange traded funds (ETF)	Accounts receivable	Total
Balance as at 31 Dec 2021	64,477	3,723	11,016	22,427	101,644
Disposal, maturity	-602	0	-2,225	0	-2,827
Acquisitions	162	0	4,223	5,989	10,374
Revaluation	-7,870	-1,220	1,810	0	-7,280
Reclassifications	-12,130	643	0	0	-11,487
Balance as at 31 Dec 2022	44,037	3,147	14,824	28,416	90,424

The reclassification in the category Equity instruments totalling EUR -12,130 thousand refers to (EUR -11,543 thousand) the reclassification of the Equinox, d. d. shares which began to be listed on the regulated stock exchange market in 2022. The amount of reclassification in the same category in the amount of EUR -7,870 thousand mainly refers to the reclassification of associated companies using the equity method. Acquisitions in the category Accounts receivable totalling EUR 5,989 thousand refers to the already acquired financial receivable from Sava, d. d.

In the case of Accounts receivable, the receivable for accrued interest amounts to EUR 6,449 thousand which are recognized and disclosed in Note no. 18 Trade receivables (non-current).

Table 36: Transition between asset fair value hierarchy levels as at 31 December 2023

in EUR 000

Transition between hierarchy levels, portfolio as at 31 Dec 2023	From Level 1 to Level 2	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 2
Investments at fair value through profit or loss	8,399	16,747	0	0
Units of target funds	8,399	16,747	0	0
Investments at fair value through other comprehensive income	81,393	23,446	3,599	4
Equity instruments	81,393	23,446	1,673	4
Debt securities	0	0	1,926	0
Total	89,792	40,194	3,599	4

Transitions between levels of the fair value hierarchy were mainly due to changes in the average value of investment turnover on stock markets in the last six months of 2023.

Table 37: Transition between asset fair value hierarchy levels as at 31 December 2022

in EUR 000

Transition between hierarchy levels, portfolio as at 31 Dec 2022	From Level 1 to Level 2	From Level 2 to Level 3	From Level 3 to Level 2
Investments at fair value through profit or loss	23,864	643	0
Equity instruments	5,441	0	0
Debt instruments	18,423	643	0
Investments at fair value through other comprehensive income	2,073	0	17,233
Equity instruments	0	0	17,233
Debt instruments	2,073	0	0
Financial assets with fair value disclosed	3,342	0	0
Debt instruments	3,342	0	0
Total	29,279	643	17,233

Table 38: Effective interest rate by investment groups

	2023	2022
Investments at amortized cost	3.24%	2.02%
Financial investments at fair value through other comprehensive income	3.77%	2.71%

Financial assets disclosed in the table above comprise all debt financial instruments with effective interest rates.

Note No. 17

Loans to others

in EUR 000

	Non-current		Current		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Loans to others	59,949	36,218	7,798	2,810	67,747	39,028
Total	59,949	36,218	7,798	2,810	67,747	39,028

Note No. 18

Operating receivables

in EUR 000

	Non-current		Current		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Operating receivables due from local customers	0	0	4,465	3,337	4,465	3,337
Operating receivables due from others	280	248	10,999	10,871	11,279	11,119
Accrued revenue and deferred costs	0	0	68,953	67,800	68,953	67,800
Total	280	248	84,417	82,008	84,697	82,256

Non-current operating receivables due from others in the amount of EUR 280 thousand represent payments into the reserve fund for the maintenance of property (31 December 2022: EUR 248 thousand).

Current operating receivables due from others in the amount of EUR 10,999 thousand (31 December 2022: EUR 10,871 thousand) contain to the greatest extent recognised accrued interest from the investment in a financial receivable in the amount of EUR 9,807 thousand (31 December 2022: EUR 6,449 thousand). Operating receivables arising from accrued interest on an investment in a financial receivable are secured.

Accrued revenue and deferred costs in the amount of EUR 68,953 thousand (31 December 2022: EUR 67,800 thousand) mostly represent current deferred expenses from the payment to the Pension and Disability Insurance Institute of Slovenia for 2024 in the amount of EUR 65,000 thousand and current deferred tax assets from mutual pension funds for guarantee fund premiums, resulting from the last conversion in the period.

The Group has no formed credit losses from operating receivables. The Group's operating receivables are not subject to material risk.

Breakdown of operating trade receivables by maturity

in EUR 000

31 Dec 2023	Not due	30 days past due	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
4,465	4,450	9	3	0	2	1

in EUR 000

31 Dec 2022	Not due	30 days past due	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
3,337	3,333	1	0	0	1	2

Note No. 19

Cash and cash equivalents

in EUR 000

	31 Dec 2023	31 Dec 2022
Bank balances	5,175	13,259
Redeemable deposit	0	1,800
Total	5,175	15,059

Note No. 20

Capital

	31 Dec 2023	31 Dec 2022
Share capital (in EUR 000)	364,810	364,810
Ordinary shares (number)	874,235	874,235

The group has no own shares. The share capital of the Group of EUR 364,810 thousand is represented by 874,235 ordinary registered non-par value shares. Each no-par value share shall account for the same proportion and corresponding amount in the share capital.

Note No. 21

Capital surplus

in EUR 000

Capital surplus	
31 Dec 2022	218,046
Increase in capital surplus	755
31 Dec 2023	218,801

In 2023, the capital surplus increased by EUR 755 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2023, capital surplus totalled EUR 218,801 thousand.

in EUR 000

Capital surplus	
31 Dec 2021	217,839
Increase in capital surplus	207
31 Dec 2022	218,046

In 2022, the capital surplus increased by EUR 207 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2022, capital surplus totalled EUR 218,046 thousand.

Note No. 22

Changes in reserves arising from fair value valuation

in EUR 000

Changes in reserves arising from valuation at fair value and deferred taxes in equity	31 Dec 2023	31 Dec 2022
Gross reserves from valuation at fair value as at 1 January	438,826	501,142
Deferred tax status as at 1 January	42,874	59,268
Net fair value reserves as at 1 January	**395,952**	**441,874**
Deferred tax adjustment	0	16,351
Total deferred tax as at 1 January	42,874	75,619
Changes during the year – gross increase in reserves	119,996	0
Changes during the year – gross decrease in reserves	-21,729	-62,316
Gross reserves from valuation at fair value as at 31 December	**537,093**	**438,826**
Adjustments (criteria: 8%, 6 months)	-218,815	-171,468
Balance as at 31 December gross after adjustment	**318,278**	**267,358**
Deferred tax as at 31 December	**66,002**	**42,874**
Net fair value reserves as at 31 December	**471,091**	**395,952**

Note No. 23

Financial and operating liabilities

in EUR 000

	Non-current		Current		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Financial liabilities	65,000	65,006	0	0	**65,000**	**65,006**
Trade payables	1,319	1,282	624	844	**1,943**	**2,126**
Operating liabilities from advances	2	3	0	0	**2**	**3**
Liabilities to the state	0	0	65,401	65,425	**65,401**	**65,425**
Other operating liabilities	28	79	13,643	8,338	**13,671**	**8,417**
Insurance contract liabilities	336,630	273,676	0	0	**336,630**	**273,676**
Total	**402,979**	**340,046**	**79,668**	**74,607**	**482,647**	**414,653**

As at 31 December 2023, Kapitalska družba, d. d., discloses EUR 65,000 thousand (31 December 2022: EUR 65,000 thousand) of non-current financial liabilities, which relate to settling the liabilities of Kapitalska družba, d. d., to the Pension and Disability Insurance Institute for 2025 in accordance with Article 65 of ZIPRS2425.

Non-current operating liabilities to suppliers as at 31 December 2023 in the amount of EUR 1,319 thousand (31 December 2022: EUR 1,282 thousand) represent already calculated claims (rents) that were not paid out for various reasons.

Non-current operating liabilities from advances relate to security deposits received from lessees of business premises in the amount of EUR 2 thousand (31 December 2022: EUR 3 thousand).

Other non-current operating liabilities mean the obligation to pay the variable remuneration of the members of the management board in the amount of EUR 28 thousand (31 December 2022: EUR 79 thousand).

Current operating liabilities include trade payables amounting to EUR 624 thousand (31 December 2022: EUR 844 thousand), liabilities to the state of EUR 65,401 thousand (31 December 2022: EUR 65,425 thousand), of which the largest part, EUR 65,000 thousand, refers to payment obligation to the Pension and Disability Insurance Institute in 2024, other operating liabilities amounting to EUR 13,643 thousand (31 December 2022: EUR 8,338 thousand), of which the largest amount is attributable to deferred income of KS MR II from premiums received from the insured, who, based on an informative calculation, expressed their intention to take out insurance from 1 January 2024 in the amount of EUR 11,161 thousand (31 December 2022: EUR 7,159 thousand).

Maturity of financial and operating liabilities

in EUR 000

31 Dec 2023	Maturity up to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Financial liabilities	0	65,000	0	0	65,000
Trade payables	624	1,319	0	0	1,943
Operating liabilities from advances	0	0	0	2	2
Liabilities to the state	65,401	0	0	0	65,401
Other operating liabilities	13,643	28	0	0	13,671
Insurance contract liabilities	26,587	23,711	58,424	227,908	336,630
Total	106,255	90,058	58,424	227,910	482,647

Insurance contract liabilities

in EUR 000

Item	31 Dec 2023	31 Dec 2022
Present value of future cash flows	316,458	262,338
Risk adjustment	2,201	1,545
Contractual service margin	17,971	9793
Total liability for remaining coverage	336,630	273,676

Changes of liabilities from insurance contracts that are liabilities in 2023

in EUR 000

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	No loss component	Loss component		
Liabilities	265,838	7,838	0	273,676
Starting balance – net liabilities 1 January 2023	265,838	7,838	0	273,676
Changes in income statement or statement of other comprehensive income				
Insurance contracts income	-8,781	0	0	-8,781
Contracts for which the fair value approach was applied	-5,429	0	0	-5,429
Other contracts	-3,352	0	0	-3,352
Insurance contracts expenses				
Incurred claims (without investment component) and other insurance contracts expenses	0	-453	7,748	7,295
Changes in fulfilment cash flows related to incurred claims	0	0	0	0
Incurred claims	0	-453	7,748	7,295
Amortization of insurance acquisition costs	205	0	0	205
Changes relating to future service	0	1,194	0	1,194
Insurance operating costs	205	1,194	0	1,399
Total insurance contract expenses	205	741	7,748	8,694
Investment component excluded from income and expenses from insurance services	-28,824	0	28,824	0
Insurance result	-37,401	741	36,572	-88
Net financial revenue/expenses from insurance	16,309	33	0	16,342
Total changes in income statement and statement of other comprehensive income	-21,092	774	36,572	16,254
Cash flows				
Received premiums for issued insurance contracts	83,480	0	0	83,480
Incurred claims that have been paid and paid insurance services expenses	0	0	-36,572	-36,572
Insurance acquisition cash flows	-208	0	0	-208
Total cash flows	83,272	0	-36,572	46,700
Liabilities	328,018	8,612	0	336,630
Final balance - net liabilities 31 December 2023	328,018	8,612	0	336,630

Changes of liabilities from insurance contracts that are liabilities in 2022

in EUR 000

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	No loss component	Loss component		
Liabilities	298,878	608	0	299,486
Starting balance net liabilities 1 January 2022	**298,878**	**608**	**0**	**299,486**
Changes in income statement or statement of other comprehensive income				
Insurance contracts income	**-7,881**	**0**	**0**	**-7,881**
Contracts for which the fair value approach was applied	-6,069	0	0	-6,069
Other contracts	-1,812	0	0	-1,812
Insurance contracts expenses				
Incurred claims (without investment component) and other insurance contracts expenses	0	-144	7,056	6,912
Changes in fulfilment cash flows related to incurred claims	0	0	0	0
Incurred claims	**0**	**-144**	**7,056**	**6,912**
Amortization of insurance acquisition costs	228	0	0	228
Changes relating to future service	0	7,364	0	7,364
Insurance operating costs	**228**	**7,364**	**0**	**7,592**
Total insurance contract expenses	**228**	**7,219**	**7,056**	**14,503**
Investment component excluded from income and expenses from insurance services	-26,704	0	26,704	0
Insurance result	**-34,357**	**7,219**	**33,759**	**6,621**
Net financial revenue/expenses from insurance	-62,694	11	0	-62,683
Total changes in income statement and statement of other comprehensive income	**-97,051**	**7,230**	**33,759**	**-56,062**
Cash flows				
Received premiums for issued insurance contracts	64,182	0	0	64,182
Incurred claims that have been paid and paid insurance services expenses	0	0	-33,759	-33,759
Insurance acquisition cash flows	-171	0	0	-171
Total cash flows	**64,011**	**0**	**-33,759**	**30,252**
Liabilities	265,838	7,838	0	273,676
Final balance - net liabilities 31 December 2022	**265,838**	**7,838**	**0**	**273,676**

Changes in insurance contracts liabilities and contractual service margin in 2023

in EUR 000

	Present value of future cash flows	Non-financial risk premium	Contracts for which the fair value approach was applied	Other contracts	Total contractual service margin	Total
Liabilities	262,338	1,545	7,474	2,319	9,793	273,676
Starting balance – net liabilities 1 January 2023	**262,338**	**1,545**	**7,474**	**2,319**	**9,793**	**273,676**
Changes in income statement or statement of other comprehensive income						
Changes relating to future service	**-9,227**	**741**	**-7,470**	**16,748**	**9,278**	**792**
Changes in estimates that adjust the contractual service margin	5,923	377	-12,345	6,065	-6,280	20
Changes in estimates that do not adjust the contract service margin (losses/loss reversals on onerous contracts)	-4,356	193	4,876	0	4,876	713
Effects of contracts for which initial recognition was made during the period	-10,793	171	0	10,683	10,683	61
Changes relating to current service	**457**	**-7**	**0**	**-1,330**	**-1,330**	**-880**
Contractual service margin recognised in profit or loss that reflects the transfer of services	0	0	0	-1,330	-1,330	-1,330
Change in the adjustment for non-financial risk that does not relate to a future or past service	0	-7	0	0	0	-7
Experience adjustments	457	0	0	0	0	457
Changes relating to past service	**0**	**0**	**0**	**0**	**0**	**0**
Insurance result	**-8,770**	**734**	**-7,470**	**15,417**	**7,948**	**-89**
Net financial revenue/expenses from insurance	16,190	-79	-4	235	231	16,342
Total changes in income statement and statement of other comprehensive income	**7,421**	**656**	**-7,474**	**15,652**	**8,178**	**16,255**
Cash flows						
Received premiums for issued insurance contracts	83,480	0	0	0	0	83,480
Incurred claims that have been paid and paid insurance services expenses	-36,572	0	0	0	0	-36,572
Insurance acquisition cash flows	-208	0	0	0	0	-208
Total cash flows	**46,700**	**0**	**0**	**0**	**0**	**46,700**
Liabilities	316,458	2,200	0	17,971	17,971	336,629
Final balance– net liabilities 31 December 2023	**316,458**	**2,200**	**0**	**17,971**	**17,971**	**336,629**

Changes in insurance contracts liabilities and contractual service margin in 2022

in EUR 000

	Present value of future cash flows	Non-financial risk premium	Contractual service margin: Contracts for which the fair value approach was applied	Contractual service margin: Other contracts	Contractual service margin: Total contractual service margin	Total
Liabilities	282,186	2,209	12,489	2,601	15,090	299,485
Starting balance - net liabilities 1 January 2022	**282,186**	**2,209**	**12,489**	**2,601**	**15,090**	**299,485**
Changes in income statement or statement of other comprehensive income						
Changes relating to future service	**11,564**	**113**	**-4,304**	**-145**	**-4,449**	**7,228**
Changes in estimates that adjust the contractual service margin	22,315	14	-4,304	-18,146	-22,450	-121
Changes in estimates that do not adjust the contract service margin (losses/loss reversals on onerous contracts)	984	-3	0	6,332	6,332	7,313
Effects of contracts for which initial recognition was made during the period	-11,735	102	0	11,670	11,670	37
Changes relating to current service	**243**	**-6**	**-657**	**-187**	**-844**	**-607**
Contractual service margin recognised in profit or loss that relects the transfer of services	0	0	-657	-187	-844	-844
Change in the adjustment for non-financial risk that does not relate to a future or past service	0	-6	0	0	0	-6
Experience adjustments	243	0	0	0	0	243
Changes relating to past service	**0**	**0**	**0**	**0**	**0**	**0**
Insurance result	**11,808**	**107**	**-4,961**	**-332**	**-5,293**	**6,622**
Net financial revenue/expenses from insurance	-61,907	-772	-54	50	-4	-62,683
Total changes in income statement and statement of other comprehensive income	**-50,100**	**-664**	**-5,015**	**-282**	**-5,298**	**-56,061**
Cash flows						
Received premiums for issued insurance contracts	64,182	0	0	0	0	64,182
Incurred claims that have been paid and paid insurance services expenses	-33,759	0	0	0	0	-33,759
Insurance acquisition cash flows	-171	0	0	0	0	-171
Total cash flows	**30,252**	**0**	**0**	**0**	**0**	**30,252**
Liabilities	262,338	1,545	7,474	2,319	9,793	273,676
Final balance - net liabilities 31 December 2022	**262,338**	**1,545**	**7,474**	**2,319**	**9,793**	**273,676**

New contracts in 2023

in EUR 000

	Contracts issued	
	Profitable	Onerous
Insurance contracts		
Incurred claims and other insurance services expenses	69,647	54
Insurance acquisition cash flows	159	52
Present value of expected cash outflows	**69,806**	**106**
Present value of expected cash inflows	-80,657	-49
Adjustment for non-financial risk	168	3
Contractual service margin	10,683	0
Total at the initial recognition	**0**	**60**

New contracts in 2022

in EUR 000

	Contracts issued	
	Profitable	Onerous
Insurance contracts		
Incurred claims and other insurance services expenses	49,796	41
Insurance acquisition cash flows	151	49
Present value of expected cash outflows	**49,947**	**90**
Present value of expected cash inflows	-61,716	-56
Adjustment for non-financial risk	99	3
Contractual service margin	11,670	0
Total at the initial recognition	**0**	**37**

Estimated release of the contractual service margin by year as of 31 December 2023

in EUR 000

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	> 10 years	Total
Contractual service margin	1,823	1,628	1,446	1,280	1,105	4,205	6,484	17,971

Estimated release of the contractual service margin by year as of 31 December 2022

in EUR 000

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	> 10 years	Total
Contractual service margin	904	839	767	707	638	2,457	3,481	9,793

Estimated maturity of liabilities from insurance contracts by years as at 31 December 2023

in EUR 000

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Liabilities	34,236	30,532	27,484	24,977	22,770	293,475	433,474

Estimated maturity of liabilities from insurance contracts by years as at 31 December 2022

in EUR 000

	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Liabilities	31,818	27,890	24,523	22,014	19,945	244,407	370,597

Note No. 24

Current tax liabilities

in EUR 000

	31 Dec 2023	31 Dec 2022
Current income tax liabilities	2,516	4,543

As at 31 December 2023, current income tax liabilities includes the liability for current tax of Modra zavarovalnica, d. d, in the amount of EUR 1,898 thousand and Kapitalska družba, d. d, in the amount of EUR 618 thousand, and as at 31 December 2022, the current tax of Modra zavarovalnica, d. d, in the amount of EUR 4,519 thousand and Hotelske nepremičnine, d. o. o., in the amount of EUR 24 thousand.

Note No. 25

Provisions

in EUR 000

	Provisions for pensions and similar liabilities	Other provisions	Total
31 Dec 2022	601	19,439	20,040
Newly formed during the year	153	0	153
Utilisation	-17	0	-17
Reversal of provisions	-17	-14,195	-14,212
31 Dec 2023	720	5,244	5,964

in EUR 000

	Provisions for pensions and similar liabilities	Other provisions	Total
31 Dec 2021	587	5,250	5,837
Newly formed during the year	106	14,189	14,295
Utilisation	-14	0	-14
Reversal of provisions	-78	0	-78
31 Dec 2022	601	19,439	20,040

In 2023, the Kapitalska družba Group formed provisions for termination benefits upon retirement and jubilee benefits in the amount of EUR 153 thousand (31 December 2022: EUR 106 thousand), drew down for EUR 17 thousand (31 December 2022: EUR 14 thousand) and eliminated EUR 17 thousand (31 December 2022: EUR 78 thousand) of reservations. Thus, at the end of 2023, there were provisions for severance pay upon retirement and jubilee awards in the amount of EUR 720 thousand (31 December 2022: EUR 601 thousand).

In 2023, due to favourable conditions in the financial markets, the Group eliminated provisions for failure to achieve the guaranteed return on managed funds in the amount of EUR 14,195 thousand, and in 2022, the Group created provisions in the amount of EUR 14,189 thousand. Thus, at the end of 2023, there were provisions for failure to achieve the guaranteed return on managed funds for EUR 5,244 thousand (31 December 2022: EUR 19,439 thousand).

Capital Management – Solvency II

For the sake of long-term improvement on an operating level, the Group is constantly developing and upgrading the entire risk management system. Especially at Modra zavarovalnica, d. d., it is important to operate in accordance with the Solvency II directive, the strategic goal of which is to protect the insured's assets. In order to ensure long-term target capital adequacy, the Company regularly performs Own Risk and Solvency Assessment by way of which it determines the ongoing and expected capital requirements and defines the appropriate capital management measures.

The own assessment of risks and solvency carried out in 2023 shows that Modra zavarovalnica, d. d., has an adequate equity available to cover all the risks it assumes in its operations. In 2023, the Solvency Capital Requirement (SCR) ratio increased from the initial 294% to 309% compared to 2022. The main reason for the increase in the SCR ratio is the favourable market conditions, especially in the last quarter of 2023; i.e. in the growth of the value on the stock markets and the shift of the risk-free interest rate curve down, which resulted in an increase in liabilities on the one hand and a favourable impact on the valuation of debt securities on the other; at the same time, the higher capital adequacy was positively affected by the changed tax rate, according to which we calculate deferred taxes.

Table 39: Capital adequacy of Modra zavarovalnica, d. d, in accordance with the requirements of Solvency II

in EUR 000

Item	31 Dec 2023	31 Dec 2022
Total capital requirement	129,594	130,163
Adequate own funds available	400,253	383,156
Surplus (+)/ deficit(-) of available own funds	270,660	252,994
Eligible own funds to total capital need ratio	**309%**	**294%**

Annual data on the solvency position as at 31 December 2023 are presented in the Solvency report and financial position of Modra zavarovalnica, d. d., published on its website.

17.3.3 Risk management of financial assets

Important risks that the Group is exposed to, along with risk management measures and criteria, are detailed in chapter 17.2 *Accounting policies*. We estimate that the Group is exposed to credit, market (interest, currency, price) and liquidity risk with regard to financial assets. The presented tables include the Group's own assets and the assets of the guarantee funds (KS PPS, KS MR and KS MR II).

Credit risk

Credit risk refers to debt securities, money-market instruments and deposits and entails the possibility of investments being repaid only in part or not at all. The credit rating of investments and business partners is determined by taking into account the credit ratings of the agencies Standard & Poor's, Fitch and Mood's, and in-house analysis. The highest exposure equals the book value of financial instruments. Equity securities are exempt from the analysis because they do not carry direct credit risk.

Table 40: Net exposure of financial assets to credit risk, excluding any collaterals (security) as at 31 December 2023

in EUR 000

Internal credit risk	Method of measuring expected loss rate	Credit risk	Bonds	Deposits	Other	Total
Low-risk investments	12-month expected losses	AAA	29,559	0	26,315	55,874
		AA	87,771	0	33,697	121,468
		A	158,866	58,653	8,596	226,115
		BBB	115,925	1,301	16,360	133,586
Less safe investments	12-month / lifetime expected losses	BB	6,687	3,740	2,863	13,290
		B	3,258	4,054	0	7,312
		CCC	914	0	0	914
		no credit rating	129	0	28,486	28,615
Units of target funds			0	0	461,269	461,269
Total			403,109	67,748	577,586	1,048,443

Financial assets were classified into the stated groups based on the credit ratings. Secure investments include AAA to BBB rated investments, while less secure investments comprise investments with a credit rating from BB to CCC and investments without credit rating. Investments in ETF units do not have a rating and amount to EUR 461,269 thousand.

Table 41: Net exposure of financial assets to credit risk, excluding any collaterals (security) as at 31 December 2022

in EUR 000

Internal credit risk	Method of measuring expected loss rate	Credit risk	Bonds	Deposits	Other	Total
Low-risk investments	12-month expected losses	AAA	16,087	0	34,522	50,609
		AA	61,985	0	39,038	101,023
		A	123,959	31,186	26,718	181,863
		BBB	114,565	1,999	27,227	143,791
Less safe investments	12-month / lifetime expected losses	BB	21,700	5,843	4,877	32,420
		CCC	6,004	0	0	6,004
		no credit rating	129	0	36,224	36,353
Units of target funds			0	0	406,861	406,861
Total			344,429	39,028	575,467	958,924

Table 42: Loss allowance in 2023

in EUR 000

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 Dec 2022	95	203	586	884
Adjustment due to revaluation of investments	1	-143	309	167
Loss allowance as at 1 Jan 2023	96	60	895	1,051
Transfer from stage 1 to stage 2	-8	41	0	33
bonds	-8	41	0	33
Derecognition of financial assets in the period	-18	-16	-597	-631
bonds	-11	-16	-597	-624
deposits	-4	0	0	-4
other	-3	0	0	-3
Acquisition of financial assets in the period	20	7	0	27
bonds	18	0	0	18
deposits	0	7	0	7
other	2	0	0	2
Other changes	44	23	116	183
Loss allowance as at 31 Dec 2023	134	115	414	663

Table 43: Allowance for loss in 2022

in EUR 000

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 Dec 2021	195	342	0	537
Transfer from stage 1 to stage 2	-1	215	0	214
bonds	-1	215	0	214
Transfer from stage 1 to stage 3	-5	0	806	801
bonds	-5	0	806	801
Transfer from stage 2 to stage 1	15	-276	0	-261
bonds	15	-276	0	-261
Derecognition of financial assets in the period	-76	-29	0	-105
bonds	-11	-29	0	-40
deposits	-15	0	0	-15
other	-50	0	0	-50
Acquisition of financial assets in the period	30	0	0	30
bonds	13	0	0	13
deposits	13	0	0	13
other	4	0	0	4
Other changes	-63	-49	-220	-332
Loss allowance as at 31 Dec 2022	95	203	586	884

Table 44: Changes in the gross carrying amount and the allowance for loss in 2023

in EUR 000

Category	Gross carrying amount	Loss allowance
31 Dec 2022	331,491	884
Adjustment due to revaluation of investments	-5,008	167
1 January 2023	326,483	1,051
Transfer from stage 2 to stage 1	13	33
Derecognition of financial assets in the period	-49,434	-631
Acquisition of financial assets in the period	143,351	27
Other changes	7	183
31 Dec 2023	420,420	663

Table 45: Changes in the gross carrying amount and the allowance for loss in 2022

in EUR 000

Category	Gross carrying amount	Loss allowance
31 Dec 2021	295,698	537
Transfer from stage 1 to stage 2	-185	214
Transfer from stage 1 to stage 3	-931	801
Transfer from stage 2 to stage 1	-3	-261
Derecognition of financial assets in the period	-49,670	-105
Acquisition of financial assets in the period	91,267	30
Other changes	-4,685	-332
31 Dec 2022	331,491	884

Table 46: Geographical concentration of credit risk exposure of financial assets.

in EUR 000

Region	31 Dec 2023	31 Dec 2022
Slovenia	198,000	177,688
EU (excluding Slovenia)	311,666	314,417
USA	55,462	38,355
Other	22,046	21,603
Units of target funds	461,269	406,861
Total	1,048,443	958,924

Currency risk

Table 47: Currency composition of financial assets

in EUR 000

Currency	31 Dec 2023	31 Dec 2022
Assets denominated in EUR	1,577,945	1,417,516
Assets denominated in US dollars	212,078	171,798
Assets denominated in other currencies	10,994	12,473
Total	1,801,018	1,601,787

As at 31 December 2023, 87.6% of financial assets were denominated in Euro, 11.8% in US dollar, 0.6 % in other currencies. The currency structure of financial assets is presented considering the currency in which the underlying instrument is denominated. The currency risk increased due to higher exposure to investments in US dollars, whereby in the case of investments in investment fund units, the effect of changes in exchange rates of securities representing investments of investment funds is not taken into account.

Table 48: Currency risk of financial assets

in EUR 000

Change of the USD exchange rate by +/- 10%	31 Dec 2023	31 Dec 2022
Impact on statement of profit or loss	+/–17,456	+/–14,494
Effect on capital	+/- 3,752	+/- 2,643
Total	+/- 21,208	+/- 17,137

Interest rate risk

Interest rate risk is associated with debt investments that respond to changes in the level of market interest rates, including investments in bond investment funds (investments in equity investment funds are not included because they do not carry interest rate risk). These include investments, the income from which is linked to variable interest rates, and investments where interest income is linked to a fixed interest rate despite the fact their market value changes upon any fluctuation of the level of market interest rates. The exposure to interest rate risk is regularly measured by the modified duration indicator.

Table 49: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2023 – change of 100 basis points in interest rates

in EUR 000

Financial asset group	Interest rate change	Sensitivity of interest income	Effect on fair value	Total
Investments at fair value through profit or loss	+/- 1%	+/- 2,212	-/+ 11.281	-/+ 9.069
Financial investments at amortized cost	+/- 1%	+/- 0	-/+ 0	-/+ 0
Investments at fair value through other comprehensive income	+/- 1%	+/- 0	-/+ 13.826	-/+ 13.826
Total		+/- 2,212	-/+ 25.107	-/+ 22.895

Table 50: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2022 – change of 100 basis points in interest rates

in EUR 000

Financial asset group	Interest rate change	Sensitivity of interest income	Effect on fair value	Total
Investments at fair value through profit or loss	+/- 1%	+/- 1,141	-/+ 10.184	-/+ 9.043
Financial investments at amortized cost	+/- 1%	+/- 0	-/+ 0	-/+ 0
Investments at fair value through other comprehensive income	+/- 1%	+/- 0	-/+ 1.390	-/+ 1.390
Total		+/- 1,141	-/+ 11.574	-/+ 10.433

The calculation of the sensitivity of interest revenue was made by taking into account the investment subject to variable interest rate, whereas the impact on fair value was calculated by taking into account the investment subject to fixed interest rate, including investment in bond investment funds. If market interest rates had changed by 100 basis points, the value of the investment as at 31 December 2023 would have changed by EUR 22,895 thousand. Interest rate risk increased in 2023 due to higher exposure to investments that respond to changes in the level of market interest rates and due to an increase in the average duration of the debt investment portfolio.

Market risk

Market risk represents the possibility of the value of equity securities to change, including investments in equity investment funds, due to the changes in market indexes and market prices of specific equity instruments. For equity securities, beta indicator is calculated as a measure of systematic risk. The value-at-risk (VaR) indicator is also monitored.

Table 51: Market risk of the equity securities portfolio and investments in equity investment funds

in EUR 000

Change of the index by +/- 10%	31 Dec 2023	31 Dec 2022
Impact on statement of profit or loss	+/- 28,312	+/- 26,976
Impact on comprehensive income	+/- 21,012	+/- 21,257
Total	+/- 49,324	+/- 48,233

The table takes into account market equity investments, including investments in equity investment funds (investments in bond investment funds are not included). The impact on profit or loss arises from investments, valued at fair value through profit or loss, and the impact on comprehensive income arises from investments, valued at fair value through other comprehensive income. The risk is calculated using the beta indicator relative to the global stock index. Market risk increased in 2023 due to the higher value of the portfolio of equity securities portfolio and investments in equity investment funds.

Table 52: Overview of financial instruments according to marketability

in EUR 000

Financial instrument	31 Dec 2023	31 Dec 2022
Investments traded on the regulated market	1,554,229	1,376,796
Investments at fair value through profit or loss	577,115	592,552
Investments at amortized cost	75,457	192,694
Investments at fair value through other comprehensive income	901,657	591,551
Investments not traded on the regulated market	173,866	170,904
Investments at fair value through profit or loss	68,522	63,210
Investments at amortized cost	6,426	48,949
Investments at fair value through other comprehensive income	98,919	58,745
Cash and cash equivalents	5,175	15,059
Total	1,733,271	1,562,759

At the end of 2023, investments traded on regulated securities markets represented 90% of financial instruments (investments in securities and investments in financial receivables are taken into account) or 77% of all Group assets (this group also includes investments OTC investments or interbank market investments).

Liquidity risk

Liquidity risk represents the possibility of liabilities not being settled upon maturity. Risk is managed by daily monitoring of the inflows and outflows, and precise matching of maturity of assets and liabilities. As at 31 December 2023, the Group recorded a total of EUR 1,415,127 thousand of surplus of expected non-discounted cash inflows over outflows.

Table 53: Expected actual non-discounted cash flows as at 31 December 2023

in EUR 000

Item	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Investments	1,395,697	177,506	305,643	1,878,846
at fair value through profit or loss	574,518	12,772	41,281	628,571
at amortised cost	16,998	33,441	120,019	170,458
at fair value through other comprehensive income	804,181	131,293	144,344	1,079,817
Investment in financial receivable	28,416	0	0	28,416
Cash and cash equivalents	5,175	0	0	5,175
Operating receivables	84,417	280	0	84,697
Total assets	1,513,705	177,786	305,643	1,997,134
Operating liabilities	82,184	1,349	0	83,533
Financial liabilities	0	65,000	0	65,000
Annuity fund liabilities	34,236	105,764	293,475	433,474
Total liabilities	116,420	172,113	293,475	582,007
Difference (assets – liabilities)	1,397,285	5,673	12,169	1,415,127

Table 54: Expected actual non-discounted cash flows as at 31 December 2022

in EUR 000

Item	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Investments	1,221,642	183,215	230,864	1,635,721
at fair value through profit or loss	572,927	45,981	38,927	657,835
at amortised cost	30,280	103,337	180,730	314,347
at fair value through other comprehensive income	618,435	33,897	11,207	663,539
Investment in financial receivable	28,416	0	0	28,416
Cash and cash equivalents	15,059	0	0	15,059
Operating receivables	82,008	248	0	82,256
Total assets	1,318,709	183,463	230,864	1,733,036
Operating liabilities	79,150	1,364	0	80,514
Financial liabilities	0	65,006	0	65,006
Annuity fund liabilities	31,818	94,373	244,407	370,597
Total liabilities	110,968	160,743	244,407	516,117
Difference (assets – liabilities)	1,207,741	22,721	-13,543	1,216,919

Investments without maturity (shares, stakes and investment coupons) are shown in the item for a period of up to 1 year.

Potential assets and liabilities

Table 55: Potential assets and liabilities

in EUR 000

	31 Dec 2023	31 Dec 2022
Contingent liabilities	2,947	3,860
Contingent assets	7,674	0

The contingent liabilities relate to the commitment of Kapitalska družba, d. d., and Modra zavarovalnica d. d. to purchase ETF units.

As at 31 December 2023, Kapitalska družba, d. d., had a contingent receivable due from company Kompas Shop, d. d., in the amount of EUR 7,674 thousand, which is being claimed in a non-contentious procedure. As at 31 December 2022 the Group had no contingent assets.

17.4 OTHER DISCLOSURES

Data on groups of persons

The names of the members of the Management board and other bodies are listed in the introductory part of the Annual report in the chapter Presentation of the Kapitalska družba Group. In 2023, The Kapitalska družba Group, d. d. granted no prepayments or loans to members of its Management or Supervisory Boards, and neither did it assume any liabilities on their behalf.

Remuneration of the management board, the supervisory board and workers employed on the basis of individual employment contracts with Kapitalska družba, d. d.

In 2023, remunerations paid for carrying out the responsibilities and duties of members of the Management Board, Supervisory Board, and employees with executive employment contracts to which the tariff section of the collective agreement does not apply, amounted to EUR 957 thousand.

Receipts by category of beneficiaries are presented in the table below.

Table 56: Remuneration by category of beneficiaries of Kapitalska družba, d. d. in 2023

in EUR 000

Category of beneficiaries	Receipt amounts
Management Board members	358
Members of the Supervisory Board	112
Employees with executive employment contracts	487
Total	957

No advances, loans or collateral were approved to members of the Management Board, the Supervisory Board and employees with individual contracts by Kapitalska družba, d. d., in 2023.

Remuneration of Members of Management and Supervisory Boards of Kapitalska družba d. d.

Receipts of the members are regulated by ZSDH-1. Pursuant to Article 51 of the Companies Act (ZSDH-1), the same conditions and criteria as apply to the members of the Management Board of SDH, d. d., apply to the members of the Management Board of the Kapitalska družba, d. d. By mutatis mutandis application of Article 46 of the Companies Act (ZSDH-1), the receipts of the Management Board members are set by the Supervisory Board, without considering the provisions of the act governing the remuneration of supervisory body members of companies with majority ownership held by the Republic of Slovenia or self-governing local communities. The employment contracts made with the Management Board members are consistent with the said legal basis. The basic pay of the members of the Management Board is set by the Supervisory Board and is fixed for the entire term of the contract, and may be adjusted once a year at the proposal of the members of the Management Board, taking into account the change in the average gross salary paid in the Kapitalska družba Group, once the data on the average salary in the Kapitalska družba Group for the previous financial year are known, provided that the Supervisory Board agrees to the adjustment.[24] The basic pay of the members of the

24 This provision applies from the entry into force of the new contracts of employment of the members of the Management Board, i.e. from 4 January 2023 for Bakhtiar Djiel and from 9 February 2023 for Gregor Bajraktarević. Before that the basic pay of the Management Board was set as a multiple of 5 of the average gross salary paid in the Kapitalska družba Group in the previous business year, however, the basic pay of the Chairman of the Board calculated that shouldn't exceed 95% of the basic pay of the Chairman of the Board of SDH, d.d., as published, while the basic pay of members of the Management Board amounted to 95% of individual basic pay of the Chairman of the Board of Kapitalska družba, d.d. All bonuses were included in the basic pay. The basic pay is revised annually when data on the average salary in the Kapitalska družba Group in the previous financial year are published. The revised basic pay is applicable from 1 July of the current year. If the basic pay of the Chairman of the Management Board of the Slovenian Sovereign Holding, d.d., changed after the harmonisation was carried out, the basic pay of the Chairman and members of the Board of Kapitalska družba, d.d., was also adjusted each time, namely on the first day of the following month after the information on the changed basic pay of the Chairman of the Board of Slovenian Sovereign Holding, d.d., was publicly announced.

Management Board of Kapitalska družba, d. d. was calculated and paid in 2023 taking into account the above criteria. Pursuant to the contract, each member of the Management Board is entitled to attend training at home and abroad up to 15 days per year paid by Kapitalska družba, d. d. As specified in the adopted Business and Financial Plan of Kapitalska družba, d. d.

Table 57: Remuneration of members of the management board of Kapitalska družba, d. d, in 2023

in EUR

Name and surname	Fixed remuneration	Variable income	Benefits	Cost reimbursement	Insurance premiums (PDPZ)	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total gross	Total net	Deferred income
Bachtiar Djalil (Chairman of the Management Board)	163,855	13,463	92	2,176	2,904	-	-	-	-	2,150	**184,640**	**93,892**	12,836
Gregor Bajraktarević (Member of the Management Board)	153,026	12,799	85	2,653	2,904	-	-	-	-	2,150	**173,617**	**89,896**	12,213
Total	316,881	26,262	177	4,829	5,808	-	-	-	-	4,300	358,257	183,788	25,049

Fixed income of the members of the Management Board includes gross salary receipts. Variable income includes a performance bonus, which equals up to 30% of the annual basic gross salary for the business year, taking into account the performance criteria. The variable part of the income received by the Management Board refers to the second part of the bonus for business performance for 2020, both on the basis of a combination of quantitative and qualitative criteria. Fringe benefits include benefits from the collective casualty insurance as well as liability insurance of the members of the Management Board. Cost reimbursements include reimbursement of meal and travel and/or accommodation expense and/or per diems. Insurance premiums (PDPZ) represent payments of the voluntary supplementary pension insurance premium. Other payments include pay for annual leave. Deferred remuneration comprises the second part of the payment of variable remuneration for 2021, which will be paid in 2024.

Table 58: Remuneration of members of the supervisory board of Kapitalska družba, d. d, in 2023

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total gross	Total net
Janez Tomšič (Chairman of the Supervisory Board)	16,500	2,310	39	-	-	-	-	-	-	-	-	18,849	13,670
Boris Žnidarič (Deputy Chairman of the Supervisory Board from 1 January 2023 to 1 February 2023 and from 9 March to 31 December 2023; Chairman of the Accreditation Committee until 1 February 2023)	12,695	2,310	39	-	41	-	-	-	-	-	-	15,085	10,932
Ladislav Rožič (Member of the Supervisory Board; Member of the Accreditation Committee until 1 February 2023; Member of the Audit Committee until 1 February 2023; Member of the HR Committee until 1 February 2023)	13,944	2,310	39	-	-	-	-	-	-	-	-	16,293	11,811
Boštjan Leskovar (Member of the Supervisory Board; Chairman of the HR Committee, Member of the Accreditation Committee until 9 March 2023; Member of the Audit Committee until 9 March 2023)	16,500	4,598	39	-	516	-	-	-	-	-	-	21,653	15,709
Mirko Miklavčič (Member of the Supervisory Board; Member of the Audit Committee from 1 January 2023 to 1 February 2023 and from 9 March 2023 to 31 December 2023; Member of the HR Committee until 1 February 2023)	13,944	4,158	39	-	851	-	-	-	-	-	-	18,992	13,774
Andreja Cedilnik (Member of the Supervisory Board, Chairman of the Audit Committee, Member of the HR Committee)	16,500	4,818	39	-	123	-	-	-	-	-	-	21,480	15,583
Total	90,083	20,504	234	-	1,531	-	-	-	-	-	-	112,352	81,479

Fixed receipts of the Supervisory Board members include payments for the performance of duties of the Supervisory board (basic and extra pay for participation in the Supervisory board committees) and session fees for attending the meetings of the Supervisory board and its committees. Fringe benefits include benefits from the liability insurance of members of the Supervisory Board. Cost reimbursements include reimbursement of travel expenses.

Table 59: Remuneration of external members of committees of the Supervisory Board of Kapitalska družba, d. d., in 2023

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total Total gross	Total net
Mojca Verbič (External Member of the Audit Committee until 9 March 2023)	991	220	-	-	-	-	-	-	-	-	-	**1,211**	**881**
Natalija Stošicki (External Member of the Audit Committee)	3,600	1,848	-	-	224	-	-	-	-	-	-	**5,672**	**4,125**
Irena Prijović (External Member of the Accreditation Committee until 9 March 2023)	991	-	-	-	-	-	-	-	-	-	-	**991**	**721**
Alenka Stanič (External Member of the Accreditation Committee until 9 March 2023)	991	-	-	-	-	-	-	-	-	-	-	**991**	**721**
Gorazd Žmavc (External Member of the Accreditation Committee until 9 March 2023)	991	-	-	-	-	-	-	-	-	-	-	**991**	**721**
Total	**7,564**	**2,068**	**-**	**-**	**224**	**-**	**-**	**-**	**-**	**-**	**-**	**9,856**	**7,169**

Fixed income of the external members of the Supervisory Board committees consists of the remuneration for the performance of duties and attendance fees for the attendance at the Supervisory Board committees' meetings. Cost reimbursements include reimbursement of travel expenses.

Table 60: Remuneration of the members of the management and supervisory bodies of Kapitalska družba, d. d. from the performance of duties in the subsidiary Modra zavarovalnica, d. d., in 2023

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total Total gross	Total net
Bachtiar Djalil	16,633	3,355	35	-	-	-	-	-	-	-	-	20,023	14,528
Total	**16,633**	**3,355**	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,023**	**14,528**

Fixed income consists of the remuneration for the work performed and attendance fees at the meetings. Fringe benefits include benefits from the liability insurance of members of the Supervisory Board.

Activities of the Supervisory Board and committees of Kapitalska družba, d. d.

The Supervisory Board held nine meetings in 2023. All members of the Supervisory Board were present at all meetings.

The Audit Committee of the Supervisory Board held ten meetings. Its Members attended the meetings regularly; external member Natalija Stošicki was not able to attend one meeting for justifiable reasons.

The Accreditation Committee of the Supervisory Board was operational in 2023 until 9 March 2023, but no meetings were held during that period.

The HR Committee held two meetings. Its members attended the meetings regularly; Ladislav Rožič was not able to attend one meeting for justifiable reasons.

Remuneration of the management board, the supervisory bodies and workers employed on the basis of individual employment contracts with Modra zavarovalnica, d. d.

In 2023, total remuneration of the members of the Management Board, Supervisory Board of Modra zavarovalnica and workers with individual employment contracts for performing their function and to whom the tariff section of the collective agreement does not apply amounted to EUR 1,315 thousand.

In 2023, Modra zavarovalnica, d. d. granted no prepayments or loans to members of its Management or Supervisory Boards, and neither did it assume any liabilities on their behalf.

Table 61: Remuneration by categories of recipients of the company Modra zavarovalnica, d. d.,, in 2023

in EUR 000

Category of beneficiaries	Amount
Board members	569
Members of the Supervisory Board	113
Employees with executive employment contracts	633
Total	1,315

Remuneration of Members of Management and Supervisory Boards of Modra zavarovalnica, d. d.

Table 62: Remuneration of members of the management board of the subsidiary company Modra zavarovalnica, d. d., in the year 2023

in EUR

Name and surname	Fixed remunera-tion	Variable income	Benefits	Cost reim-bursement	Insurance premiums (PDPZ)	Com-mis-sions	Partici-pation in profit	Options	Other bonuses	Other additional payments	Total gross	Total net	Deferred income
Matej Golob Matzele (Chairman of the Management from 10 May 2023)	101,621	-	4,845	3,457	1,936	-	-	-	-	1,387	113,246	61,076	-
Matija Debelak (Member from 14 September 2021 to 16 April 2023; Chairman of the Management Board from 17 April to 9 May 2023, and from 10 May 2023 Member)	148,092	18,372	3,210	1,681	2,904	-	5,197	-	-	2,159	181,615	96,973	-
Boštjan Vovk (Member of the Board from 1 October 2022)	148,214	18,304	268	5,338	2,904	-	5,197	-	-	2,159	182,384	96,592	-
Borut Jamnik (Chairman of the Management Board from 29 August 2021 to 16 April 2023)	36,585	46,824	1,155	408	967	-	5,471	-	-	636	92,046	50,148	-
Total	434,512	83,500	9,478	10,884	8,711	-	15,865	-	-	6,341	569,291	304,789	-

Fixed income includes gross salary receipts. The variable part of the income means payment of variable income, namely payment of the second part from 2020 (Jamnik, Debelak, Vovk), the second part from 2021 (Jamnik), the first part from 2022 (Jamnik, Debelak, Vovk), and of the second part from 2022 (Jamnik). Fringe benefits include company cars and benefits arising from collective accident insurance as well as from collective insurance for specialist outpatient treatment, medical examinations as well as the life insurance benefit. Reimbursements of expenses include meal and/or travel allowances and/or other reimbursements of travel expenses (per diems, mileage expenses, costs of overnight stays, parking, taxi). Insurance premiums represent payments of the voluntary supplementary pension insurance premium. Participation in profit includes bonuses for company performance. Other payments include pay for annual leave.

Table 63: Remuneration of members of the supervisory board and external members of the supervisory board committees of the subsidiary Modra zavarovalnica, d. d., in the year 2023

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total Total gross	Total net
Branimir Štrukelj (Deputy Chairman of SB from 23 December 2022 to 22 December 2023; Chairman of the Supervisory Board from 23 December 2023)	12,801	3,080	35	-	-	-	-	-	-	-	-	15,916	11,541
Bojan Zupančič (Member from 9 December 2020; Member of SB AC from 16 December 2020)	14,151	5,060	35	-	-	-	-	-	-	-	-	19,246	13,963
Janez Prašnikar (Member from 9 June 2021; Chairman of SB AC from 9 June 2021)	15,565	5,225	35	-	605	-	-	-	-	-	-	21,430	15,552
Bachtiar Djalil (Member from 9 June 2021; Chairman of SB from 23 December 2022 to 22 December 2023; Deputy Chairman of SB from 23 December 2023)	16,633	3,355	35	-	-	-	-	-	-	-	-	20,023	14,528
Roman Jerman (Member from 9 December 2020)	11,321	3,355	35	-	77	-	-	-	-	-	-	14,788	10,721
Cvetko Marko (Member from 9 December 2020)	11,321	3,355	35	-	605	-	-	-	-	-	-	15,316	11,105
Dragan Martinović (external member of SB AC)	2,830	2,376	-	-	792	-	-	-	-	-	-	5,998	3,787
Total	84,622	25,806	210	-	2,079	-	-	-	-	-	-	112,717	81,196

Fixed receipts of the Supervisory Board members include payments for the performance of duties of the Supervisory board (basic and extra pay for participation in the Supervisory board committees) and session fees for attending the meetings of the Supervisory board and its committees. Expense reimbursements include reimbursement of travel expenses and educational/training expenses. Fringe benefits include the payment of an insurance premium for liability insurance.

Remuneration of the company's management bodies of Hotelske nepremičnine, d. o. o.

The company Hotelske nepremičnine, d. o. o., has no employees, both directors run the company on the basis of a management contract.

Table 64: Remuneration of the company's management bodies of Hotelske nepremičnine, d. o. o. in 2023

in EUR

Name and surname	Fixed remuneration	Variable income	Benefits	Cost reimbursement	Insurance premiums (PDPZ)	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total
Zoran Perše	10,719	-	-	495	-	-	-	-	-	-	11,214
Roman Jerman	10,719	-	-	1,252	-	-	-	-	-	-	11,971

Fixed remuneration means payment based on a management contract. Reimbursements of expenses are the costs of using one's own car for business trips.

Operations with related companies and customers

In 2023, Kapitalska družba Group made no significant transactions with its related parties that were concluded under other than normal market conditions.

Important events after the date of the statement of financial position

At the end of 2023, the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425) was adopted, pursuant to which Kapitalska družba, d. d., notwithstanding Article 52(3) of the ZSDH-1, is required to remit EUR 65 million to the ZPIZ each year in the years 2024 and 2025, no later than 29 September of the current year. Based on the aforementioned Act, in February 2024, Kapitalska družba, d. d. and ZPIZ concluded a contract on the coverage of Kapitalská družba, d. d.'s liabilities towards the Pension and Disability Insurance Institute of Slovenia in the years 2024 and 2025.

Subsidiary company FINAP, storitve in posredovanje, d. d. - in liquidation was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register.

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