KAPITALSKA DRUŽBA

2024 CONSOLIDATED ANNUAL REPORT

Kapitalska družba, d. d.

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LIST OF USED ABBREVIATIONS

AC	Amortised cost
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ISA	Insurance Supervision Agency
GDP	Gross domestic product
BVAL	Bloomberg Valuation Service
CBBT	Composite Bloomberg Bond Trader
CRP	Central population register
CSRD	Corporate Sustainability Reporting Directive
VAT	Value-added tax
DMA	Double Materiality Assessment
DORA	Digital Operational Resilience Act
EAD	Exposure at Default
ECB	European Central Bank
ESS	Economic and Social Council
EU	European Union
EUR	Euro
ESG	Environment, Social, and Governance
ESRS	European Sustainability Reporting Standards
EWS	Early Warning System
FED	Federal Reserve
FIFO	First In First Out
FSC certificate	Forest Stewardship Council certification
FURS	Financial Administration of the Republic of Slovenia
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GAP	Gap analysis
G20	The symbol of the international intergovernmental forum of the Group of 20 largest world economies
G2G	A standardized method of data exchange between individual back-end information systems within the Financial Administration of the Republic of Slovenia and public administration bodies of the Financial Administration of the Republic of Slovenia
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IRO	Impacts, Risks and Opportunities
JN	Public tender
KDD	Centralna klirinško depotna družba, d. o. o.
TBE	Tick-borne encephalitis
KKUDD	Corporate Governance Code for State-owned Enterprises

LGD	Loss Given Default
MDDSZ	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MKPS	Life-Cycle Pension Fund (MKPS)
IAS	International Accounting Standards
MSCI	Morgan Stanley Capital International Index
IFRS	International Financial Reporting 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)
OdSUND	Ordinance on the strategy for the governance of the State's assets (Official Gazette of the Republic of Slovenia, No 59/2024)
IASB	International Accounting Standards Board
IFRIC	The International Financial Reporting Interpretations Committee
OTC	Over The Counter Market
OVP	Abandoned securities
PD	Probability of Default
PDPZ	Voluntary supplementary pension insurance
POCI	Purchased or Originated Credit-Impaired
ROA	Return On Assets
ROE	Return on Equity
RS	Republic of Slovenia
RVP	Securities from registry accounts
SBI TOP	Central Slovenian stock market index
SDG	Sustainable Development Goals
SSH	Slovenian Sovereign Holding, d. d.
SODPZ	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
SPPI	Solely Payments of Principal and Interest
SURS	Statistical Office of the Republic of Slovenia
IMAD	Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development
UOMRS	International Accounting Standards Board
USD	U.S. dollar
VaR	Value at Risk
WGI	Worldwide Governance Indicators
ZDUS	Association of Pensioners' Societies of Slovenia
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, No. 42- 2006, as amended and supplemented)
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, as amended and supplemented)
ZIPRS2526	Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2025 and 2026 (Official Gazette of the Republic of Slovenia no. 104/2024)
ZNS	Slovenian Directors' Association
ZNVP-1	Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 75- 2015, as amended and supplemented)

ZODPol	Organisation and Work of the Police Act (Official Gazette of the Republic of Slovenia, No. 15- 2013, as amended and supplemented)
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 as amended and supplemented)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 96/2012 as amended and supplemented;)
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, as amended and supplemented)
ZPre-1	Takeovers Act (Official Gazette of the Republic of Slovenia, No. 79- 2006, as amended and supplemented)
ZSDH-1	Slovenian State Holding Act (Official Gazette of the Republic of Slovenia, No. 25-2014, as amended and supplemented)
ZUJIK	Exercising of the Public Interest in Culture Act (Official Gazette of the Republic of Slovenia, No. 96- 2002, as amended and supplemented)
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93- 2015, as amended and supplemented)
ZZVZZ-T	Act Amending Health Care and Health Insurance Act (Official Gazette of the Republic of Slovenia, No. 78/2023)

GROWTH.

INTRODUCTION
TO THE ANNUAL REPORT

1

PRESENTATION OF THE KAPITALSKA DRUŽBA GROUP

Kapitalska družba Group consists of the controlling company Kapitalska družba, d. d. (hereinafter referred to as Kapitalska družba), and two subsidiaries, Modra zavarovalnica, d. d. (hereinafter referred to as Modra zavarovalnica) and Hotelske nepremičnine, d. o. o. (hereinafter referred to as Hotelske nepremičnine). The subsidiaries report to the parent company in accordance with the Corporate Governance Code of the Kapitalska družba Group (hereinafter: the Group Code), which also defines reporting guidelines that determine the content, deadlines and methods of reporting by the subsidiary to the parent company in the Group. Associates of Kapitalska družba are listed in Note 14 - the accounting part of the report.

1.1 KAPITALSKA DRUŽBA, D. D.

1.1.1 Company

Company name:	Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.
Registered office:	Dunajska cesta 119, Ljubljana
Registration number:	5986010000
VAT ID:	SI59093927

1.1.2 Ownership Structure and Equity

As at 31 December 2024, 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.

1.1.3 Activities of the company

The main activity of Kapitalska družba 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 also performs other activities related to asset management and services related to support to asset management.

The activities of Kapitalska družba are defined by law and by the Company's Articles of Association. According to its Articles of Association, Kapitalska družba 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 2024, Kapitalska družba 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 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 the Slovenian Sovereign Holding Act (ZSDH-1). One of the Members is appointed as Chairman of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment.

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

1.1.4.2 Supervisory Board

In 2024, the Supervisory Board of Kapitalska družba operated in the following composition:

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

The procedure for appointing the Supervisory Board of Kapitalska družba is described in Chapter 17.1 *General disclosures* under *Amendments to the Articles of Association and the Rules on Appointing the Management Board and the Supervisory Board of the controlling company.*

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 adopted an internal 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, 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 the bodies. The Diversity Policy aims to achieve greater diversity in the composition of the Management Board and the Supervisory Board, which contributes to the effectiveness of both bodies and has 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 implementing the diversity policy is also followed by the sole shareholder and other stakeholders, the latter especially in formulating proposals for members of the supervisory board, as the interest composition of the supervisory board is legally defined based on the provision of the sixth paragraph of Article 51 of the ZSDH-1. 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

With the Act amending the Companies Act (ZGD-1M), which entered into force as at 18 December 2024, Kapitalska družba ceased to be classified as a public interest entity. Based on Article 44 of the ZGD-1M, the provisions of Article 55 of the law, which regulate the classification and reclassification of companies, shall begin to apply for the business year starting in 2024. Regardless of the above, in 2024, Kapitalska družba does not meet the criterion regarding the average number of employees according to the provisions of Article 70.c of the Companies Act (ZGD-1), which was in force until 17 December 2024 (i.e. the average number of employees in the business year as at the balance sheet cut-off date is not greater than 500), therefore it is not among those obliged to prepare a statement on non-financial operations according to the previously valid text of the act.

1.2 MODRA ZAVAROVALNICA, D. D.

1.2.1 Company

Name:	Modra zavarovalnica, d. d.
Registered office:	Dunajska cesta 119, Ljubljana
Registration number:	6031226000
VAT ID:	SI21026912

1.2.2 Ownership Structure and Equity

As at 31 December 2024, the sole shareholder of Modra zavarovalnica is Kapitalska družba.

The Company's share capital amounts to EUR 152,200,000, and is divided into 152,200,000 registered no-par value ordinary 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 performs activities within the group of life insurance products pursuant to the Insurance Act (Zzavar-1) and the decision issued by the Insurance Supervision Agency allowing the company to perform insurance transactions in the following insurance segments:

- accident insurance – Article 7, paragraph 2, item 1 of ZZavar-1,
- life insurance – Article 7, paragraph 2, item 19 of ZZavar-1.

The activities of Modra zavarovalnica are defined by law and the company's Articles of Association. According to the Articles of Association and in line with its purpose, Modra zavarovalnica 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 Board comprises three members. In 2024, Modra zavarovalnica was run by the Management composed of:

- Matej Golob Matzele, Chairman of the Management Board
- Matija Debelak, Member of the Board
- Boštjan Vovk, Member of the Board

The Management Board runs the company in its best interest, 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 Board 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 2024, the Management Board 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.

1.2.4.2 Supervisory Board

In 2024, the Supervisory Board comprised the following members:

- Branimir Štrukelj, Chairman of the Board until 22 December 2024 and Deputy Chairman from 23 December 2024
- Bachtiar Djalil, Deputy Chairman until 22 December 2024 and Chairman of the Board from 23 December 2024
- Bojan Zupančič, Member until 9 December 2024
- Janez Prašnikar, Member
- Roman Jerman, Member until 9 December 2024
- Marko Cvetko, Member
- Irena Ilešič Čujovič, Member from 9 December 2024
- Goranka Volf, Member from 9 December 2024

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 right at the general meeting in 2024 was exercised by Kapitalska družba, 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 office:	Dunajska cesta 119, Ljubljana
Registration number:	8290130000
VAT ID:	SI86977334

1.3.2 Ownership Structure and Equity

Kapitalska družba and Modra zavarovalnica established the company Hotelske nepremičnine on 2 October 2018. As at 31 Deceber 2024, 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 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 The company's management

In 2024, the following directors led Hotelske nepremičnine:

- Zoran Perše, Director
- Roman Jerman, Director

2

STATEMENT BY THE MANAGEMENT BOARD OF THE CONTROLLING COMPANY

The year 2024 was very successful for the Kapitalska družba Group: capital increased by EUR 204.2 million and is approaching EUR 1.7 billion. Total assets of the Group exceeded EUR 2.3 billion. The Group created many opportunities from numerous challenges and achieved a result of EUR 57.3 million and a total comprehensive income of EUR 187.3 million. This number would have amounted to EUR 272.8 million without the ZPIZ transfer and the decrease of deferred tax assets.

The Kapitalska družba Group (hereinafter: the Group) is a strong and robust building block of the Slovenian pension system: in the Republic of Slovenia, it is the largest provider of supplementary pension insurance and the largest payer of supplementary pensions or pension annuities. Over 366,000 policyholders or members are saving in its mutual pension funds, and the total assets have surpassed EUR 2.6 billion. In 2024, total supplementary pension insurance premium paid in reached EUR 219 million. Since its establishment, the Group has been setting standards for quality management of pension funds, which once again proves how important its role is in the stability of the pension system. The largest subsidiary, Modra zavarovalnica, is a modern insurance company that offers affordable insurance and other financial solutions for increasing the social security of individuals at all stages of life. It enables its savers to save for a better quality of life after retirement.

As a demographic reserve fund, Kapitalska družba makes regular contributions to the public pension system, thus helping to cover the cost of pensions paid by ZPIZ. Also in 2024, it transferred EUR 65 million to ZPIZ. By sustainably implementing its commitments, it contributes to the reliability of the Slovenian pension system.

The strong business performance is attributable to the employees in the Group and the favourable conditions in the financial markets. An inclusive and goal-oriented organizational culture is increasingly infused with comprehensive aspects of sustainable business practices day by day. This means supporting responsible business practices, expanding connectivity, promoting integrity and responsible business practices, and empowering employees. This is how the Group lives its core values: safety, professionalism, accountability, honesty, teamwork and customer focus. The Group's values build stakeholder trust and enable the achievement of ambitious goals. Meeting the expectations of stakeholders requires a constant transformation of the business model.

By sustainably implementing its commitments, the Group contributes to the reliability of the Slovenian pension system. The mission of the Group is to support the sustainable development of the long-lived Slovenian society; therefore, all efforts are directed towards the well-being and stability of the pension system in Slovenia. As one of the strongest financial institutions in the country, Kapitalska družba Group is ready for new challenges. 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 CONTROLLING COMPANY'S SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE AUDITED CONSOLIDATED ANNUAL REPORT OF THE KAPITALSKA DRUŽBA GROUP FOR 2024

Pursuant to Article 282 of the ZGD-1, the Supervisory Board of Kapitalska družba d.d. 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 d.d. 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 d.d., while two members are appointed on the basis of a proposal by national-level federations and organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. The same conditions and criteria that apply to members of the supervisory board of SDH d.d. (hereinafter: SDH) apply to the members of the Supervisory Board of Kapitalska družba d.d. (hereinafter: Kapitalska družba). Members of Kapitalska družba's Supervisory Board serve a four-year term of office, and may be reappointed.

The Supervisory Board functioned in the following composition in 2024:Janez Tomšič (chair), Dr Boris Žnidarič (deputy-chair), Andreja Cedilnik, Boštjan Leskovar, Mirko Miklavčič and Ladislav Rožič. 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's management board, Janez Tomšič issued a statement of recusal in accordance with the fourth paragraph of Article 59 of the ZSDH-1 alongside the disclosures cited in his statement of independence.

The Supervisory Board met at seven sessions during the 2024 financial year as follows: six regular sessions and one correspondence session.

The Kapitalska Družba Group comprises the parent company (Kapitalska družba) and two subsidiaries (Modra zavarovalnica d.d. and Hotelske nepremičnine d.o.o.). A review of the important matters discussed by the Supervisory Board in 2024 is presented below:

- particular attention in the monitoring of Kapitalska družba's operations in 2024 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 2023 financial year;
- approval of Kapitalska družba's business-financial plan for the 2025 financial year;
- the Supervisory Board was continually briefed on the operations of the subsidiary Modra zavarovalnica d.d.;
- 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 Investments) was presented and discussed in detail on a quarterly basis at sessions of the Supervisory Board. With regard to those investments, the Supervisory Board was briefed on the voting positions of the Management Board prior to each general meeting. It was also briefed on the bases for voting at general meetings during the current year. 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 the individual transaction exceeded the value set out in the relevant Supervisory Board resolution. The range of transactions requiring the consent of the Supervisory Board was updated in 2024. Among such decisions in 2024, the Supervisory Board gave its consent to the extension of the loan rescheduling agreement with Sava d.d. and to an agreement on the repayment of liabilities, which brought to a conclusion the multi-year financing of the aforementioned company. At its 243rd session of 19 December 2024, the Supervisory Board gave its approval to the Company's revised asset management strategy;
- at its 237th session of 14 March 2024, the Supervisory Board adopted the Succession Policy of Kapitalska družba, which is a document drafted jointly by the Management Board and Supervisory Board. The Succession Policy relates to the senior management and the heads of organisational units. The aim of the Succession Policy is to put in place effective and timely measures for the purpose of internal succession in order to ensure the continuity of management, to preserve and develop knowledge for the Company's future, and to promote the individual growth and development of employees. At its 240th session of 18 July 2024, the Supervisory Board gave its approval to amendments to the Rules on the Internal Organisation of Kapitalska družba. The amendments relate to the reorganisation of two organisational units in the area of accounting, controlling and settlement, and the reorganisation of the IT department as a division. At its 242nd session of 7 November 2024, the Supervisory Board gave its approval to Kapitalska družba's business-financial plan for the 2025 financial year. At its 238th session of 16 May 2024, it adopted a decision regarding the variable remuneration of the Management Board and formulated a revision to the methodology for calculating variable remuneration based on the performance and effectiveness of the work of Kapitalska družba's Management Board, which it adopted in 2023;
- the Supervisory Board periodically monitored the work of the Internal Audit Department (it discussed the report on the department's work for 2023, the half-yearly report of the department for the period of January to June 2024, and the department's annual work programme for 2025 and the strategic work plan for the period 2025 to 2029), and gave its consent to the setting of remuneration for the head of the Internal Audit Department. An external assessment of the quality of internal auditing was carried out at the Company in 2024. The Supervisory Board was then briefed on the report on the quality of internal auditing at its 243rd session of 19 December 2024. At the same session it was briefed on the

entry into force of the Global Internal Audit Standards in January 2025. Those standards served as the basis for the Internal Audit Department's revised charter, to which the Supervisory Board gave its approval;

- the Supervisory Board carried out a self-assessment of the effectiveness of its work. In assessing its effectiveness, the Supervisory Board relied on the self-assessment matrix published in the Manual for Assessing the Effectiveness of Supervisory Boards, adopted by the Slovenian Directors' Association. Based on the self-assessment the Supervisory Board conducted analysis at its 239th session of 20 June 2024, in which it determined that there has been notable progress in several areas and that additional measures are not required. Special attention was given to the training of Supervisory Board members, who were briefed on legislative and other major developments.

The audit committee and the HR committee acted as advisory bodies to the Supervisory Board in 2024. At its 243rd session of 19 December 2024, the Supervisory Board adopted the rules of procedure of the HR committee. The Supervisory Board finds that the cooperation between the Supervisory Board and its committees, the Management Board and the Company's departments was effective, correct and professional.

Work of the Supervisory Board's audit committee

The audit committee of Kapitalska družba's Supervisory Board functioned in the following four-member composition in 2024: Andreja Cedilnik (chair), Boštjan Leskovar, Mirko Miklavčič, and Natalija Stošicki (external member). The members of the audit committee are appointed from the members of the Supervisory Board until the end of their term of office on the aforementioned body, unless otherwise decided in a resolution of the Supervisory Board. The term of office of the independent expert (external member) is not tied to the term of office of Supervisory Board members, and they may be replaced by the Supervisory Board at any time. The audit committee met at nine regular sessions.

The audit committee is a permanent working body of the Supervisory Board, and throughout the financial year it closely monitors the performance 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 powers, and 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 subsidiaries and the SODPZ under Kapitalska družba's management, and it also performed additional tasks under the authorisation of the Supervisory Board. It was briefed on the performance of individual investments of significant value. It also monitored the work of the Internal Audit Department. Based on the results of the report on the external assessment of the quality of internal auditing carried out by an external assessor, the audit committee tasked the Internal Audit Department with drafting a plan for the implementation of recommendations. In addition the audit committee was briefed on the draft text of the Internal Audit Department's revised charter, and proposed that the Supervisory Board give its approval to the adoption of that document. The audit committee was periodically briefed on activities in the area of sustainable operations. In 2024 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 HR committee

The Supervisory Board's HR committee functioned in the following composition in 2024: Boštjan Leskovar (chair), Ladislav Rožič and Andreja Cedilnik. 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 three sessions. The main tasks of the HR committee were as follows in 2024: support for the Supervisory Board in the adoption of the Succession Policy of Kapitalska družba in the part relating to the succession of Management Board members; the formulation of a proposal for setting the variable remuneration of members of the Company's Management Board for 2023; the formulation of proposed qualitative objectives for the payment of variable remuneration to the Management Board for 2025; and the formulation of the proposed rules of procedure of the HR committee of Kapitalska družba's Supervisory Board, which the latter later adopted. In addition the HR committee conducted a self-assessment of its work in 2023 and analysed the results thereof. The HR committee regularly briefed the Supervisory Board on its work and findings during the latter's sessions.

The remuneration of members of the Supervisory Board and the external members of its committees is disclosed in the consolidated annual report in Tables 38 and 39.

Assessment of the work of the Management Board and Supervisory Board

On the basis of the above-described continual monitoring and supervision of the operations and management of Kapitalska družba and group companies during the 2024 financial year, and based on a review of the consolidated annual report of the Kapitalska Družba Group for 2024 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. In the Supervisory Board's assessment, the Management Board prepared materials in a timely manner, which facilitated high-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 2024. During the adoption of the annual report, the Supervisory Board also reviewed the content of the Company's corporate governance statement, which is an integral part of the annual report, and assessed that the aforementioned statement exhaustively explains the Company's corporate governance framework, including deviations from the provisions of the reference code, which are appropriately explained and are largely the result of the Company's specific legal organisational form. In conclusion the Supervisory Board finds that Kapitalska družba once again achieved its dual mission in 2024: the effective provision of occupational insurance and the provision of supplementary funding for the public pension and disability insurance system.

b) Supervisory Board's position on 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 2024, 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 present a true and fair picture, in all material respects, of the consolidated financial position of Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d. (the Company) and its subsidiaries (collectively the Group) as at 31 December 2024, 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) Resolution on the approval of the consolidated annual report for 2024

The audited consolidated annual report of the Kapitalska Družba Group for 2024 was discussed by the audit committee at its 111th session of 12 June 2025, and by the Supervisory Board at its 247th session of 19 June 2025. The audit committee assessed the annual report as appropriate, and proposed that the Supervisory Board approve the annual report.Pursuant to Article 282 of the ZGD-1, the Supervisory Board hereby approves the consolidated annual report of the Kapitalska Družba Group for 2024.

Janez Tomšič
Chair of the Supervisory Board

Ljubljana, 19 June 2025

STABILITY.

BUSINESS
REPORT

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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 as the parent company is also taken into account in the insurance group, in which Modra zavarovalnica and Hotelske nepremičnine are the subsidiaries. Kapitalska družba provides IT services to its subsidiaries.

4.1 REPORTING ON 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, the Group strives to create a working environment in which mutual trust, respect and cooperation in the attainment of the Group's goals is promoted. A great deal of attention is given to knowledge and education, as the Group understands that only through intensive investment in development can it respond quickly and effectively to the demands of a competitive market.

At the end of 2024, Kapitalska družba Group employed 122 people. 57 of them were working in Kapitalska družba and 65 in Modra zavarovalnica. The company Hotelske nepremičnine has no employees; both directors, who manage the company on the basis of a management contract, are employed by Kapitalska družba and Modra zavarovalnica.

Table 1: The number of employees in the Kapitalska družba Group by level of education

Education level	Number of employees as at 31 Dec 2024	Number of employees as at 31 Dec 2023
Level 8 (8/1, 8/2)	22	23
Level 7	53	54
Level 6 (6/1, 6/2)	29	31
Level 5	17	18
Level 4	1	2
Total	122	128

5 BUSINESS ENVIRONMENT

5.1 MACROECONOMIC OPERATING FRAMEWORK

5.1.1 Gross domestic product, inflation and unemployment

Despite higher interest rates achieved after the intensive tightening of monetary policies by major central banks in 2022 and 2023, the global economy again demonstrated a high degree of resilience at the global level in 2024, but with greater differences between countries. The decline in inflation rates continued in 2024, so the largest central banks, with the exception of Japan, began to lower their interest rates. In the US and also in Europe, the labour market remained robust. The year 2024 was also important on the political stage, as elections were held in a large number of countries.

The global economy grew at a 3.2% growth rate in 2024[1]. Economic growth surprised positively, especially in the US, while it was weak in Europe and negative in some countries, including Germany. Despite a slightly higher unemployment rate in the US and a brief scare in the summer months regarding the labour market, economic growth in the US was 2.8%. The largest contribution to this was made by household consumption, supported by real wage growth. Economic activity in Europe has been lower than economic activity in the US over the past two decades, and amounted to 0.7% in 2024. The reasons highlighted by Mario Draghi in his Competition Report published in September 2024 are lower productivity and lack of innovation, excessive bureaucracy and regulation, and changed external circumstances that supported economic growth in Europe after the end of the Cold War. These changes are reflected in the decline of free trade, rising energy prices, and in the area of defence and geopolitical stability (the disappearance of the so-called peace dividend).

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.

In the fight against inflation, the European Central Bank (ECB) was more successful than the US Federal Reserve System. Core inflation, which excludes food and energy price increases, gradually decreased in the US from 3.9% in December 2023 to 3.2% in December 2024, and in the euro area from 3.4% to 2.7%. The greatest concern for the euro area countries is service inflation, which remained at 4.0% at the end of 2024.

Both the OECD and the IMF expect the inflation rate to continue to moderate and fall to central bank target levels in 2026. In its forecast made in March, the OECD reports that inflation in G20 countries will decrease from 5.3% in 2024 to 3.8% in 2025, and in Euro area countries from 2.3% to 2.2%.

Unemployment remains at historically low levels in the USA and also in Europe. Financial analysts describe the robustness of the labour market in the US, where the unemployment rate was 4.0% at the end of 2024, and in the euro area countries, where it was 6.4% at the end of 2024.

1 OECD estimates, March 2025 and IMF, January 2025.

In Slovenia, economic activity growth was 1.6% in 2024[2]. This was positively contributed to by final household and government consumption, while negatively contributed to by a decline in gross fixed investment and foreign trade. The unemployment rate stood at 3.5% at the end of 2024 and increased by 0.1 percentage points compared to the previous year. The annual inflation rate has decreased from 4.2% to 1.9% in 2024 and is lower than the average level in the Euro area. The largest contributors to annual inflation in Slovenia were food and soft drinks prices and price increases in the restaurants and hotels group[3].

In their forecasts for 2025, the OECD and IMF predict global economic growth of 3.1% and 3.3%, respectively, and weak growth of 1.3% and 1.0% in the euro area countries. In their forecasts, they warn of risks associated with potential geopolitical tensions, fluctuations in commodity prices (especially energy), uncertainty in trade policy, a halt in the trend of decreasing inflation rates, and potential financial turmoil due to the high indebtedness of individual countries and companies, especially in the real estate sector, as well as risks associated with the high valuation of financial assets. The OECD also warns of the risk arising from the growing role of the non-bank financial sector, which is less regulated than the banking sector. Both institutions emphasize the importance of structural reforms to increase long-term economic growth, especially in the areas of innovation, digitalization and productivity gains.

The table below shows the macroeconomic aggregates (gross domestic product, inflation and unemployment rate) for Slovenia and major world countries or regions for 2024.

Table 2: Gross domestic product, inflation and unemployment rate

2024	Annual inflation rate, in %	Annual GDP growth, in %	Unemployment rate, in %
Slovenia	1.90	1.6	3.5
Germany	2.50	-0.2	6.0
Euro area	2.40	0.9	6.4
USA	3.00	2.8	4.0
China	0.10	5.0	5.1

Source: Bloomberg (31 January 2025), IMAD, SURS (27 February 2025).

5.1.2 Interest rates

In 2024, most central banks in developed countries, with the exception of the Bank of Japan, began to lower interest rates. The ECB lowered key interest rates four times in 2024, the deposit rate by a total of 1.0 percentage points and the interest rate on the main refinancing operations by 1.35 percentage points. At its December 2024 meeting, it lowered the deposit interest rate by 25 basis points to 3.0%. The Federal Reserve began cutting interest rates a few months later than the ECB and has cut interest rates three times, by a total of 1.0 percentage points. At its meeting in December, it lowered the key interest rate by 25 basis points to a range of 4.25% to 4.50%.

In 2024, inflation rates decreased in the US and also in Europe, but their levels at the end of 2024 were still higher than the central banks' target values.

2 SURS assessment.
3 SURS data.

Table 3: Basic interest rates of major central banks

	The level of the basic interest rate as at 31 Dec 2024
Euro area	3.0% (deposits interest rate) 3.15% (main refinancing interest rate)
USA	4.25%–4.5%
UK	4.75%
Japan	0.25%
Canada	3.25%
China	3.6% (5-year interest rate)

Source: Bloomberg (29 January 2025).

5.2 TRENDS ON FINANCIAL MARKETS

In 2024, equity prices increased significantly, and debt financial instruments also recorded positive returns. The prices of precious metals have also increased sharply.

The six-month Euribor fell from 3.86% at the beginning of the year to 2.56% at the end of 2024, reaching the level of December 2022.

The yield of government bonds, measured by the price movement of a basket of government bonds in the euro area, amounted to +1.8% in 2024 and was lower than the average yield of corporate bonds issued in euros (+4.6%) due to the longer average maturity of these investments and the reduction of credit spreads. In the bond market, the steepness of the yield curve increased in 2024. As central bank interest rates have decreased, yields to maturity on shorter-term bonds have decreased or prices have increased, while yields to maturity on long-term bonds have increased or prices have decreased. The yield to maturity of the 10year German government bond started 2024 at 2.07%, flirted with 2.7% in May, 2.0% in early December, and ended the year at 2.37%.

The Global Stock Index MSCI World (MSCI Daily TR Gross World) gained 27.4% in euro currency, with the US markets, which represent more than 60% of the total global stock market, contributing the most to the return. The return of US stocks within the global stock market, to which a handful of high-tech companies contributed the most, was more than 30%. The election of a new US president in November brought some additional momentum to the stock markets, while the change in sentiment in the financial markets in the second half of December caused a minor decline in the value of both stock and bond markets.

The index of Slovenian shares of the first listing, together with the dividend yield, achieved a high 42.1% growth in value and was one of the most profitable stock markets in 2024.

Due to weak demand from China, raw material prices did not change significantly in 2024, but precious metals prices increased sharply. Gold has gained as much as 36% in value, measured in euro terms, due to concerns about countries' fiscal policies and increased demand from some central banks.

Table 4: The returns of the most important financial markets

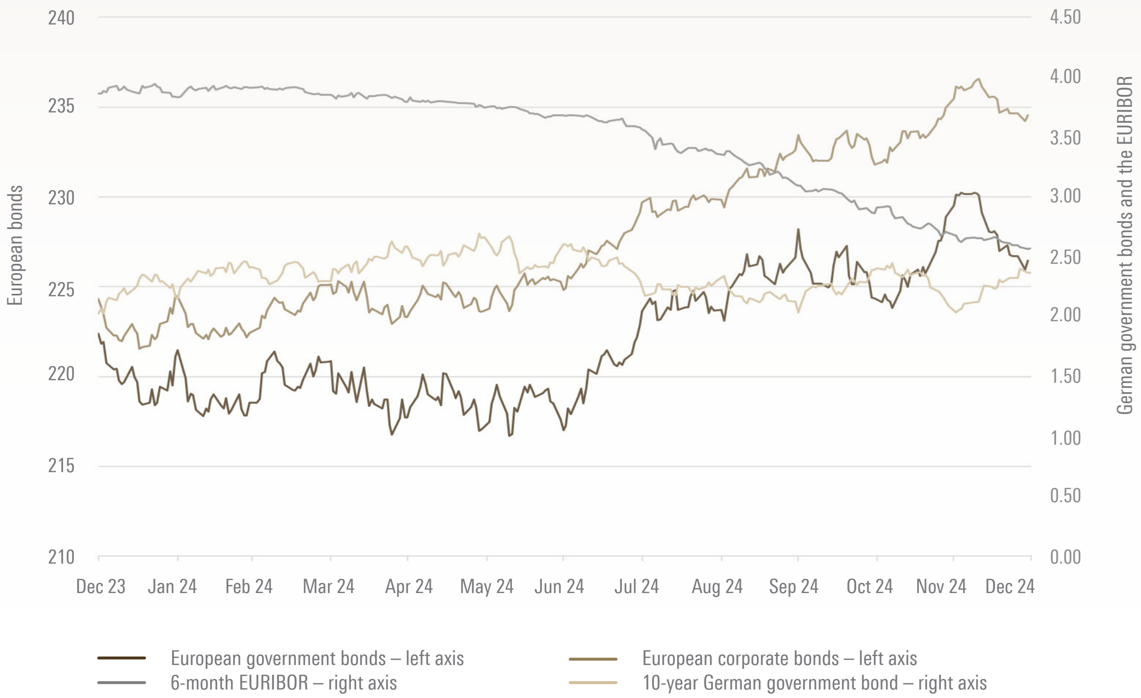
	Returns in 2024, measured in EUR, including dividend yield, in %
Stock indexes	
SBITOP – Slovenia	42.1
DAX – Germany	18.9
Dow Jones – USA	22.9
NIKKEI 225 – Japan	15.7
MSCI World TR – global	27.4
Bond indexes	
IBOXX EUR Sovereigns TR index – government EUR bonds	1.76
IBOXX EUR Corporates TR Index – corporate EUR bonds	4.56
Exchange rate and raw materials	
EUR/USD	-6.9
Crude petroleum – BRENT	-2.4
Gold	36.0

Source: Bloomberg (29 January 2025).

Figure 1: Changes of the Slovenian stock index SBI TOP and some foreign stock indices in 2024, in Euro (index: 31 December 2023 = 100)

Source: Bloomberg (29 January 2025).

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 2024



Source: Bloomberg (29 January 2025).

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2024 MANAGEMENT OF THE KAPITALSKA DRUŽBA GROUP

The Kapitalska družba Group consists of the controlling company (Kapitalska družba) and two subsidiaries (Modra zavarovalnica and Hotelske nepremičnine).

6.1 MANAGEMENT OF KAPITALSKA DRUŽBA'S OWN ASSETS

Kapitalska družba classifies its financial investments into four groups, namely:

- Equity investments,
- Abandoned securities[4],
- Securities from registry accounts[5] and
- Portfolio investments

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

Table 5: Financial assets of Kapitalska družba, d. d.

	31 Dec 2024		31 Dec 2023	
Investment type	**Value (in EUR 000)**	**Share (in %)**	**Value (in EUR 000)**	**Share (in %)**
Equity investments	930,572	62.5	780,006	61.3
strategic investments[6]	201,341	13.5	196,599	15.4
important investments	654,785	44.0	500,250	39.4
portfolio investments	74,446	5.0	83,157	6.5
Abandoned securities	228	0.0	255	0.0
Securities from registry accounts	8,544	0.6	7,736	0.6
Portfolio investments	548,493	36.9	485,298	38.1
Portfolio equity investments	17,865	1.2	17,131	1.3
Portfolio debt investments[7]	528,458	35.5	437,842	34.5
Cash and cash equivalents	2,170	0.2	1,909	0.1
Investment in financial receivable	0	0.0	28,416	2.2
Total financial assets	1,487,837	100.0	1,273,295	100.0

4 Abandoned securities acquired under Article 48a of ZNVP-1.
5 Securities from registry accounts acquired under Article 48a of ZNVP-1.
6 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
7 Portfolio debt investments also include units of target funds.

6.1.1 Management of equity investments

Equity investments of Kapitalska družba are domestic equity investments, namely investments in shares and business interests of companies, which Kapitalska družba mostly acquired in the procedures of corporate ownership transformation.

The total number of these investments as at the last day of 2024 was 36, comprising 27 investments in stock corporations and 9 investments in limited liability companies.

The value of these investments as at 31 December 2024 amounted to EUR 930,572 thousand and increased by EUR 150,566 thousand compared to the previous year.

Kapitalska družba classifies equity investments into strategic, important and portfolio investments. As at 31 December 2023, they are classified in accordance with the Ordinance on the strategy for the governance of the State's capital assets (OdSUKND), which was adopted by the National Assembly of the Republic of Slovenia in July 2015. The classification of investments as of 31 December 2024 is based on the new Ordinance on the Strategy for the governance of State's Assets (OdSUND), which was adopted by the National Assembly in July 2024, thus changing the status of certain capital investments.

Table 6: Classification of equity investments of Kapitalska družba d. d., in accordance with the Ordinance on the strategy for the governance of the State's assets

	31 Dec 2024			31 Dec 2023		
Investment type	No. of investments	Value (in EUR 000)	Share in capital investment portfolio (in %)	Number of investments	Value (in EUR 000)	Share in capital investment portfolio (In %)
Strategic investments	9	201,341	21.6	10	196,599	25.2
Important investments	5	654,785	70.4	6	500,250	64.1
Portfolio investments	22	74,446	8.0	22	83,157	10.7
Total capital investment	36	930,572	100.0	38	780,006	100.0

6.1.2 Abandoned securities and securities from registry accounts

Book-Entry Securities Act (ZNVP-1), which was adopted on 25 September 2015, stipulated in its transitional and final provisions that the Central Securities Depository 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. 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.

The transfer of securities from a joint dedicated account for transfer to Kapitalska družba to a special account of Kapitalska družba 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 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 to a special account of Kapitalska družba.

As of 1 January 2022, Kapitalska družba thus became the legal holder of these securities, entitling it to exercise all rights attaching to the securities so acquired. As of that date, the former holders lost all rights under these securities. Kapitalska družba acquired shares 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 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, 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 the aforementioned securities amounted to EUR 10,506 in 2024 and is recognized in the profit or loss statement as financial revenue from shares.

As at 31 December 2024, Kapitalska družba holds investments in abandoned securities and securities from registry accounts acquired based on the Article 48a of ZNVP-1 in 115 issuers. These investments are divided into two portfolios (some of the investments are in both portfolios), 77 in abandoned securities and 100 in securities from registry accounts, of which 4 investments are in liquidation and 9 investments are in bankruptcy. The total value of both portfolios as at 31 December 2024 was EUR 8,772 thousand.

6.1.3 Sales and de-registrations 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 2024, Kapitalska družba, for its assets, published three public invitations to make offers for the purchase of shares and business shares, namely for the sale of shares acquired under Article 48.a of ZNVP-1, for the sale of shares of the company Komet Metlika, d. d., for the sale of shares in the company Center Cvetličarna, d. o. o., and a joint public solicitation of bids with Slovenian Sovereign Holding (hereinafter: SSH) in two lots (joint investments in the ownership of SSH or RS and Kapitalska družba and investments owned by Kapitalska družba).

In the 2024 financial year, Kapitalska družba was entitled to a purchase price or compensation in the amount of EUR 5,851,410.90 from sales, squeeze-outs, takeovers and liquidations..

In total, Kapitalska družba disposed of 30 investments from its own assets, OVP and RVP portfolios, of which one was a merger of the parent company with a subsidiary (M1, d. d.), one sale (Center Cvetličarna, d. o. o.), two exclusions of shareholders (CVS Mobile, d. d., and Elma TT, d. d.), one acceptance of a takeover bid (Nama, d. d., Ljubljana), two payments upon liquidation (Union hotels Collection, d. d. – in liquidation and Vipa Holding, d. d. – in liquidation) and six de-registrations from the register (Finap, d. d. – in liquidation, Delo Prodaja, d. d., Meja Šentjur, d. d., Gardenia Ars Florae, d. d. – in bankruptcy and Pomorska družba, d. d.). For one of the disposed investments, Kapitalska družba received a compensation, for which a court procedure is under-way to examine the appropriate payment (Kompas Shop, d. d.).

6.1.4 Acquisitions of companies

Kapitalska družba did not receive any offers from sellers to purchase shares or interests in 2024.

In 2024, Kapitalska družba made two investment purchases, the first by exchanging shares of the company Komet Metlika, d. d., for shares of the company Tekstil, d. d., and the second by recapitalizing the company Sava, d. d.

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

In the period from 1 January 2024 to 31 December 2024, Kapitalska družba 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, 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. Therefore, it applied its own Corporate Governance Code of Kapitalska družba from 2009 to December 2014. This code set out the policy and procedures for the exercise of Kapitalska družba's management rights in companies in which it had an ownership interest. In December 2014, following the adoption of the Code, Kapitalska družba also started to apply the Code in a reasonable way, due to unification with the SSH. The text of the Code currently in force is published on the website of the Slovenian Sovereign Holding.

In addition to the Code, Kapitalska družba has also taken into account its own Guidelines for Voting Positions at General Meetings in 2024 when managing its capital (equity) investments. Kapitalska družba, 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.

With regard to the remuneration of the members of the Supervisory Boards and Management Boards, Kapitalska družba, reasonably complied 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).

The company acted in accordance with the adopted Code at all general meetings attended by its representatives in 2024. Disclosures of the activities of Kapitalska družba at general meetings of companies are published on the website of Kapitalska družba.

6.1.6 Attendance at general meetings of companies

In 2024, Kapitalska družba was entitled to attend 148 general meetings of shareholders or members of companies in its name and on behalf of the pension fund under management. Representatives of Kapitalska družba independently exercised their voting rights at 21 general meetings. They also attended seven general meetings where Kapitalska družba did not exercise its voting rights. In accordance with Article 53 of the ZSDH-1, voting rights were exercised by SSH on behalf of and for the account of Kapitalska družba at 34 general meetings, while at three general meetings, SSH did not exercise voting rights, as the shares were not eligible for voting. Employees of the Kapitalska družba were authorized to participate and exercise all shareholder rights, except for the exercise of voting rights. Kapitalska družba did not attend the 78 general meetings in respect of the investment in abandoned securities and securities from registry accounts, as there were no business reasons in the interest of Kapitalska družba in addition to the insignificant share in the capital. Five general meetings were cancelled before the start of the meeting.

Table 7: Attendance at general meetings of companies in 2024

Form of attendance	Number of the general meetings
Attendance and voting by employees of Kapitalska družba	21
Participation of Kapitalska družba without voting rights	7
Attendance of employees of Kapitalska družba, voting by SSH	34
Participation of employees of Kapitalska družba without voting rights of SSH	3
Total	65

6.1.7 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 exercises voting rights and conducts sales procedures in the case of joint investments.

ZSDH-1 defined the maximum annual liability of Kapitalska družba for the provision of ZPIZ funds. Namely, Kapitalska družba, 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, primarily for the purpose of indexing pensions, or a proportionally lower amount, if the amount for indexation of pensions is lower. Kapitalska družba, based on the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425), regardless of the third paragraph of Article 52 ZSDH-1, had to transfer EUR 65 million to ZPIZ in 2024.

SSH manages investments in accordance with ZSDH-1, OdSUND, investment management policy, corporate governance code and based on the annual investment management plan. The adopted OdSUND also contains the so-called 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.

6.1.8 Management of portfolio investments

In managing its portfolio investments, Kapitalska družba 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 (top-down approach) are made based on a proposal from the portfolio management investment committee, which meets at least twice a year. The benchmark equity portfolio index represents an index of a globally diversified share portfolio, while the benchmark securities portfolio indices (government and corporate) are indices of diversified European government and corporate bonds issued in the euro currency.

The total value of portfolio managed investments increased by EUR 63.2 million in 2024 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 equity investment funds, the value of which grew the most in 2024. With interest rates falling in 2024, the share of cash remained at similar levels to 2023, while the share of investments in treasury bills, bonds and bond investment funds increased.

The five largest portfolio-managed investments as at 31 December 2024 are an equity index fund that tracks the US S&P 500 index (SPY US), an equity index fund that tracks the US Technology sector index (XLK US), index funds that track the MSCI World stock index (IWDA LN and SMSWLD GY), and an equity index fund that tracks the emerging markets stock index (IEMG US). The five largest bond investments as at 31 December 2024 are two bonds of the Republic of Slovenia, two bonds of the Kingdom of Spain and a bond of the Republic of France. The five largest investments among stocks are investments in the shares of Novo Nordisk A/S, Cie de Saint Gobain, ABB Ltd, Astrazeneca Plc and Unicredit SPA.

Table 8: Composition of portfolio-managed financial investments

	31 Dec 2024		31 Dec 2023	
Investment type	**Value (in EUR 000)**	**Share (in %)**	**Value (in EUR 000)**	**Share (in %)**
Investment funds	444,234	81.0	355,912	73.3
Bonds	70,271	12.8	76,059	15.7
Shares	17,865	3.3	17,131	3.5
Investment in financial receivable	0	0.0	28,416	5.9
Treasury bills	13,953	2.5	5,871	1.2
Cash	2,170	0.4	1,909	0.4
Total portfolio managed financial investments	548,493	100.0	485,298	100.0

6.1.9 Investment property

In 2024, 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 2024, all business premises were leased except for one storage space in the Nebotičnik business facility and one parking space in the Bežigrajski dvor business facility.

6.2 MUTUAL PENSION FUND MANAGEMENT

The Group manages four mutual pension funds or cycle pension funds, which are administered and reported as separate assets owned by the policyholders or members of each fund[8]:

- 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 supplementary pension insurance in Slovenia. At the end of December 2024, more than 366 thousand individuals saved in its mutual pension funds and the assets collected totalled over EUR 2.6 billion. Total supplementary pension insurance premium paid in, excluding asset transfers between the sub-funds, reached EUR 219 million in 2024.

Table 9: Data on mutual pension funds managed by the Kapitalska družba Group

31 Dec 2024 Fund	No. of insured persons or members[9]	Number of employers or premium payers[10]	Assets under management (in EUR mio)
SODPZ	50,883	428	1,013.4
KPSJU	262,705	1,877	1,225.7
MKPS	40,712	490	435.2
PPS	12,061	-	10.9
Total	366,361	2,795	2,685.2

6.2.1 Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia

Kapitalska družba has been, based on the Pension and Disability Insurance Act (ZPIZ-1), 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.

SODPZ comprises the assets financed by the funds collected through the payment of occupational pension insurance contributions, 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 on behalf and for the account of the insured members and other beneficiaries.

8 More information about the management of mutual pension funds are available in the annual reports of individual funds.
9 Some insured persons or members may be included in multiple funds.
10 Some employers or payers may have concluded pension plan funding contracts in multiple funds.

Occupational insurance is implemented in accordance with 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.

Based on the pension plan, Kapitalska družba is entitled to reimbursement of entry and exit fees, the annual management fee of the SODPZ and the costs of occupational pensions payout. Entry fees, which are calculated as a percentage of the paid-in amount, amounted to 2.0%. Exit fees, which are calculated as a percentage of the paid-out amount, amounted to 0.5%. Exit fees are not charged when transferring to supplementary insurance and in the case of purchasing additional pension period. The costs of paying occupational pensions amounted to 0.5% of the monthly amount of the occupational pension. The annual management fee, taking into account the net asset value of SODPZ, amounted to 0.85% of the average annual net asset value of SODPZ. 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 hired public employees are automatically enrolled in a sub-fund that matches their age, unless they choose otherwise. Meanwhile, members who were saving in the fund with guaranteed returns when it was merged at the beginning of 2017 can decide based on their age whether to switch to a more higher risk investment policy.

As the manager of KPSJU based on the KPSJU Rules, Modra zavarovalnica is entitled to an entry fee and management fee. Entry fees, which are calculated as a percentage of the paid-in premium, amounted to 0.5% in 2024. The annual fee for the management of the KPSJU fund amounts to 0.5% of the average net asset value 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 manager of MKPS based on the detailed MKPS Management Rules, Modra zavarovalnica is entitled to entry fees and management fees. Entry fees are calculated as a percentage of the paid in premium upon its payment and are remitted to the manager's account; in 2024, 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 is entitled to an annual fee for the management of PPS, which amounted to 1% of the average annual net asset value in 2024, and to exit fees charged as a percentage of the surrender value of assets paid out to heirs.

6.3 MANAGEMENT OF MODRA ZAVAROVALNICA'S OWN ASSETS

The financial assets of Modra zavarovalnica include the financial assets of the guarantee funds[11] and Modra zavarovalnica's own financial assets from the following items of the statement of financial position of Modra zavarovalnica[12]:

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

At the end of December 2024, financial assets of Modra zavarovalnica amounted to EUR 401.5 million. The largest share is taken up by the portfolio of debt security investments, which is followed by the portfolio of non-portfolio equity investments and portfolio equity investments.

11 The guarantee funds are presented in more detail in section 6.4 Management of guarantee funds for the disbursement of pension annuities.
12 More information about the management of Modra zavarovalnica's financial assets is described in the company's annual report.

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

in EUR 000

Assets	31 Dec 2024	31 Dec 2023
Portfolio equity investments	53,991	50,439
Non-portfolio equity investments	81,037	60,732
Portfolio debt security investments	263,379	240,502
Cash	3,090	1,620
Total	401,497	353,293

6.3.1 Portfolio equity investments

Table 11: Portfolio equity investments

in EUR 000

Assets	31 Dec 2024	31 Dec 2023
Foreign stocks	53,991	50,439

At the end of 2024, the portfolio was most exposed to the IT sector, followed by finance and durable consumer goods. The entire portfolio was invested in foreign stocks, with more than half of the portfolio invested in equities of US issuers and slightly less than 30% 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 2024, 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 81.0 million at the end of 2024.

6.3.3 Portfolio debt security investments

Table 12: Portfolio debt security investments

in EUR 000

Assets	31 Dec 2024	31 Dec 2023
Bonds	185,182	121,388
Government bonds	95,630	61,100
Corporate bonds	89,552	60,288
Treasury bills	22,787	61,201
Commercial paper	999	690
Deposit and investment receivables	646	3,646
Units of target funds	53,765	53,577
Total	263,379	240,502

The value of the government bond portfolio amounted to EUR 95.6 million at the end of 2024. The portfolio comprises mostly government bonds of countries within the euro area. Most bonds are denominated in euros, and a smaller share in US dollars. The largest share of government bonds is represented by bonds from Slovenia, Italy, Spain and France. The average maturity of the government bond portfolio is 7.4 years and the average rating is A. Most bonds have a fixed coupon interest rate.

At the end of 2024, the value of the corporate bond portfolio amounted to EUR 89.6 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 telecommunications. The average maturity of the government bond portfolio was 3.9 years, with the average rating being BBB.

At the end of 2024, the value of target fund units reached EUR 53.8 million; of the mentioned amount, EUR 27.6 million are related to target funds that invest exclusively in debt securities.

The value of treasury bills portfolio amounted to EUR 22.8 million. The portfolio comprises German, Italian, Spanish, Belgian and French treasury bills.

6.4 MANAGEMENT OF GUARANTEE FUNDS FOR THE DISBURSEMENT OF PENSION ANNUITIES

Modra zavarovalnica is the largest payer of supplementary pensions/pension annuities in the Republic of Slovenia, and in 2024 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 ZZavar-1, KS MR II and KS PPS funds are registered as ring-fenced funds.

In 2024, Modra zavarovalnica paid a sum of EUR 42.1 million for supplementary pensions to 52,378 insured persons. Pension annuity deriving from supplementary pension insurance ("Modra Renta" and "Modra Renta II" annuities) was received by 42,862 insured persons, while 9,516 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 guarantee funds for the year 2024

Guarantee fund	No. of annuity recipients at the at the end of 2024	Assets under management (in EUR million)	Expenses for annuities (in EUR million)
KS MR	6,774	6.4	1.2
KS MR II	36,088	326.8	34.0
KS PPS	9,516	97.0	6.9
Total	52,378	430.2	42.1

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 2024, the fund's assets amounted to EUR 6.4 million. The biggest share of these assets is represented by bonds, which account for 80% of total assets.

At the end of 2024, 34% of KS MR's assets were invested the Republic of Slovenia, and 66% of the assets were invested 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:

Table 14: Number of new members and amount of payments in KS MR II in 2024

Pension fund	No. of new members/ persons insured	Surrender value of assets (in EUR million)
MKPS	737	12.6
KPSJU	4,471	47.4
Pension funds by other managers	1,220	31.5
Total	6,428	91.5

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 65 years, and 60% 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 insurance company earmarks at least 90% of its positive underwriting result of the previous accounting period for profits. At least 50% of this shall be attributed to the insured person each year, no later than the end of April of the current year, in accordance with the technical bases used at that time for calculating the pension annuity and in the form of an increase in the pension annuity. In this respect, EUR 5,508,535 was earmarked for an increase in annuities in 2024. In April, the insured received the payment of the increased annuity, and the settlement for the period from January to March 2024 was also paid.

As at 31 December 2024, the fund's assets amounted to EUR 326.8 million. The largest portion of assets is represented by bonds with 53% and advances with 28% of all fund assets.

At the end of 2024, 36% of KS MR's assets were invested the Republic of Slovenia, and 64% of the assets were invested 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. There was no increase in pension annuities in 2024.

In 2024, the right to a pension annuity was acquired by 1,200 insured persons aged 60 or more who paid in a total of EUR 2.2 million into the KS PPS for their supplementary pensions.

As at 31 December 2024, the fund's assets amounted to EUR 97.0 million. The largest portion of assets is represented by bonds with 64% and shares with 22% of total assets.

At the end of 2024, 45% of all KS PPS assets were invested in domestic issuers, and 55% in investments of foreign issuers.

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

Hotelske nepremičnine was founded in October 2018 by Kapitalska družba and Modra zavarovalnica. The company's main activities are operating its own real estate and leasing and operating its own or leased real estate.

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

San Simon Resort is located in Izola Bay, where you can still see the remnants of an ancient Roman port. San Simon Resort's accommodations include the Haliaetum and Mirta hotels, the Korala, Palma, Sirena, and Perla annexes, as well as summer cottages. Hotel Haliaetum features an indoor pool with heated water, while Hotel Mirta offers a Wellness & Spa center. The resort also has two restaurants, a bistro and a beach bar, and two halls suitable for organizing larger events such as weddings, receptions, dance and music events, etc.

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

Since 2019, the renovation of the Haliaetum Hotel has been carried out, including a swimming pool, restaurant, reception with lobby, beach bistro, outdoor slide, and a complete renovation of the Sirena, Korala, Palma, and Perla annexes.

7

RISK MANAGEMENT

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

8

IMPORTANT BUSINESS EVENTS AFTER THE END OF YEAR 2024

The new Occupational insurance pension scheme applies from 1 January 2025. The amendments and supplements relate to the newly determined share of the net value of SODPZ assets up to which unallocated solidarity reserves are formed, which is valid for a transitional period of one year. This share increased by 0.2 percentage points and now amounts to 0.8% of the net value of SODPZ assets. The second paragraph of Article 51 of the Occupational insurance pension scheme has also been amended, which now stipulates that the compulsory health contribution is deducted from the monthly amount of the occupational pension. Based on the amended provision, the compulsory health contribution is deducted from the gross amount of the occupational pension.

There was a change in the composition of the Kapitalska družba's Supervisory Board, namely on 16 February 2025, the term of office of Supervisory Board member Ladislav Rožič ended due to his death. The Supervisory Board will operate with five members until a new member is appointed.

On 14 January 2025, the Insurance Supervision Agency published the Notice on the main supervisory innovations and priorities in 2025. Among the most important topics, it highlights: the Digital Operational Resilience Act (DORA), amendments and supplements to implementing regulations, prevention of money laundering and terrorist financing, attribution of profits to annuity policyholders, sustainability issues, oversight of insurance product distribution, and the directive on establishing a framework for the recovery and resolution of insurers and reinsurers undertakings (IRRD).

In January 2025, the European Parliament regulation on digital operational resilience for the financial sector entered into force. Modra zavarovalnica has aligned its operational resilience management processes with the provisions of the regulation. The key changes relate to the management system for operational risks, handling of security incidents (including classification and reporting), and managing risks associated with third parties that collaborate with the insurance company in the field of information and communication technology.

In the first months of this year, major changes occurred in financial markets due to measures taken by the US administration. Among the most exposed measures was the announcement of the introduction of tariffs on so called Liberation Day as at 2 April 2025. The introduction of tariffs, their expected level and retaliatory measures caused greater volatility in the market, which subsided after the introduced exceptions, the freezing of the introduced tariffs and the announced bilateral trade agreements.

The value of the global stock index decreased, but mainly as a result of falls in US stock prices and the decline in the value of the US dollar. In Germany, the easing of the debt covenants was voted through and a significant new investment package was announced, including the creation of an infrastructure fund and increased defence spending, which resulted in a much smaller decline in stock prices across Europe. The value of the Ljubljana Stock Exchange index, despite the downward correction, remained well above the level at the beginning of 2025. The yield to maturity of government bonds in the US and Europe has also increased. The changes in the US debt market are believed to be the biggest reason for the 90-day freeze on the announced introduction of tariffs.

9

EXPECTED DEVELOPMENT OF KAPITALSKA DRUŽBA GROUP IN 2025

Kapitalska družba Group represents an important pillar of the stability of the Slovenian pension system by managing its own assets for the purpose of providing funds to the pension budget and by managing pension funds. The Group is also the largest provider of voluntary supplementary pension insurance in Slovenia.

Due to geopolitical tensions and rapid technological development, the year 2025 will be particularly challenging, as it is impossible to predict the actions of European and other global leaders. Nevertheless, a rapid and effective response to external circumstances will certainly be required. Despite uncertain business conditions, the Group will continue to fulfil its mission in 2025 by providing additional funds for the public pension system and implementing supplementary pension insurance. In 2025, a payment into the public pension system of EUR 81.5 million is planned.

In 2025, Modra zavarovalnica's strategic activities will be oriented to the field of sustainability and focused on ensuring data quality, developing new products, achieving returns for customers, increasing sales, and professional growth of employees. The fundamental goal of the insurance company's renewed strategy is successful and safe management that ensures above-average results for savers in pension funds, suitable annuities at the time of retirement, an appropriate result for the owner, and satisfied employees.

In dealing with an extremely challenging external environment, the Kapitalska družba Group will focus on implementing its mission and on important stakeholders. The strategic, long-term perspective of sustainably responsible business operations ensures a positive social impact and the creation of long-term value for the company's stakeholders, especially ZPIZ, insured persons and their employers and employees.

The Group will continue its preparations for sustainability reporting in 2025. Within this framework, it will follow changes in European regulations and current guidelines in the field of sustainability. As a socially responsible and sustainability-oriented group, it will focus on achieving business excellence. By agilely responding to changes in an extremely risky external environment, it will continue to contribute to the strengthening and modernization of the Slovenian pension system. This framework also includes measures for the digitalization of business and paperless environment, as well as new forms of communication. Even more attention will be paid to the field of cyber security.

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. In the area of implementing supplementary pension insurance, efforts will be directed towards greater adaptation of insurance and pension annuities to the needs of individuals. In this way, the Group will adapt to regulatory, economic and demographic changes and contribute to a long-term sustainable pension system.

10

SUSTAINABLE BUSINESS PRACTICES

The mission of the Kapitalska družba Group is to provide additional funds for the public pension system and implement supplementary pension insurance. Therefore, sustainable and viable operations, in which major challenges and new business opportunities are perceived, are built into the very mission of the Group.

At the Kapitalska družba Group, understanding environmental, societal and governance (ESG) issues goes hand in hand with an approach to reducing negative impacts, optimizing positive effects, and improving risk management and exploiting opportunities in all areas of business, with the aim of considering and using the most relevant information for decision-making. 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. Mainstreaming sustainability supports the core business of the Group and ensures the fulfilment of its values, demonstrating responsibility in decision-making, and the involvement of important stakeholders. The Group does 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 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.

With the aim of integrating sustainable practices throughout the organization, from management goals to business operations, an ESG project was established and came to life intensively in 2024. The project covers the implementation of sustainable regulations with a focus on areas such as climate change, social impact, responsible investment, human rights and governance. This approach includes assessing impacts, risks and opportunities, engaging stakeholders and implementing sustainability issues throughout the Group's operations.

The following presents the activities that the Group, as a sustainably oriented and socially responsible organization, carried out in 2024.

10.1 RESPONSIBILITY TO THE BROADER SOCIAL COMMUNITY

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

Pension fund committees are structured to include key stakeholders (representatives of the government, employers, and representative trade unions). This ensures direct communication and exchange of views, as well as ongoing information to stakeholders about the operations of pension funds.

Modra zavarovalnica actively supports organizations aimed at young people and has been participating in a financial literacy project for many years. It also targets young people with the campaign 'Invest in Yourself' (slov. "Vlagaj vase"), which aims to raise awareness about the importance of saving for the future

10.2 RESPONSIBILITY TOWARDS EMPLOYEES

10.2.1 Concern for employee training and education

Employees are the key asset of the company, and skilled and motivated employees contribute the most to its successful operations. In the Kapitalska družba Group, while consistently respecting the legislation, a working environment is created that ensures the dignity and integrity of each employee and encourages mutual trust and cooperation in achieving business goals.

Existing work areas and the development of new business functions at the Group 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 company's development tasks. In 2024, employees received additional trainings by attending live lectures, workshops and seminars, as well as received internal trainings, which are regularly conducted for all employees. The Kapitalska družba Group encourages 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 Hybrid Working Method

The Group also offers a hybrid work model, which has proven to be a desirable and effective way of working, with all legal and technical conditions established for working from home. The hybrid work model also helps reduce the Group's carbon footprint and relieve environmental pressure. With a flexible work schedule and the provision of a hybrid work model, including the option to work from home, easier balancing of professional and personal life is ensured. Business processes and business activities that require physical presence are carried out at the Group's business premises.

10.2.3 Caring for a safe and healthy working environment

The Kapitalska družba Group actively ensures a safe, flexible and healthy working environment, taking into account all regulations in the field of occupational health and safety. It regularly carries 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.

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. Therefore systematic targeted activities and measures to maintain and strengthen the physical and mental health of employees are regularly implemented. A decisive impact on the health and well-being of employees is improving the organization of work and the working environment and promoting the personal development of employees. Employees participate in activities for health protection and enhancement, including the option of organized recreational activities.

Another important aspect of ensuring and enhancing the future social security of employees is also the collective supplementary pension insurance, which the Group provides to all employees on equal terms by paying monthly premiums into the Life-Cycle Pension Fund (MKPS) operated by Modra zavarovalnica. Among employees, this is considered one of the most valued forms of motivation. The vast majority of employees are also included in voluntary collective health insurance and collective accident insurance. With the aforementioned insurances and measures to ensure a healthy and stimulating environment, the Group comprehensively ensures the well-being of employees and the continuous development of favourable working conditions.

10.2.4 Family friendly company

The Kapitalska družba Group is aware of the importance and benefits of an active, family-friendly policy in the company. Balancing career development and family life has become part of the organizational culture of the Group, which is often a challenge today, as business and private life are increasingly intertwined. Kapitalska družba and Modra zavarovalnica are holders of the full Family Friendly Company certificate, which enables employees in the Group to effectively balance professional and family life. Kapitalska družba also received an award for spreading the culture of a family-friendly company in Slovenia.

With the measures taken, the Group wants to ensure short-term and long-term positive effects on the lives of employees. Many measures have been taken within the framework of the Family Friendly Company certificate, 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 2024 was carried out in accordance with the Decree on green public procurement. Kapitalska družba has 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, the Decree on green public procurement is largely taken into account, not only in procurement but also in record-keeping procedures. Accordingly, tender conditions for the procurement of goods have been formulated in a way 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. Ordering environmentally friendly products is primarily considered in the procurement of sanitary materials and paper (FSC certificate). The introduction of electronic business with the aim of fully implementing paperless business contributes to the reduction of paper, increases the optimization of business processes and reduces the carbon footprint. With the introduction of a document system, the digitalization of operations will continue.

10.4 COOPERATION WITH STAKEHOLDERS

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

The Group strives to maintain constructive relationships with all these stakeholders, based on professionalism, flexibility, punctuality and transparency. Stakeholders are involved in the Group's operations at various levels, including in the supervisory boards of Kapitalska družba and Modra zavarovalnica, and in the boards of pension funds.

The 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 as well as by introducing electronic business. It strives to establish mutually beneficial relationships based on a high level of trust with stakeholders, partners and suppliers. In 2024, stakeholder consultations were carried out for the first time with the most important stakeholders and their opinions were included in determining the most important sustainability topics.

10.5 SOCIALLY RESPONSIBLE INVESTING ACTIVITIES

In managing its assets, the 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.

For investments in shares or debt securities of companies and financial institutions, Kapitalska družba 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. When investing in government debt securities, Kapitalska družba takes into account, from a sustainability perspective, the level of governance of the issuing country, as expressed by the Worldwide Governance Indicators (WGI). The sustainability aspect is taken into account in the case of purchases of financial investments, provided that an external source is available to Kapitalska družba 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.

In 2022, Modra zavarovalnica published for the first time an assessment of the carbon footprint of funds and their impact on the increase in average temperature, which it updates annually (Izjava o upoštevanju trajnostnih načel Modre zavarovalnice). When making its assessment, it takes into account data in publicly available verified databases, which unfortunately do not provide data for all of its investments. It is expected that the quality and accessibility of data on the sustainable performance of investment portfolios will improve over time, as more and more companies are committed to publicly disclosing data. In the management of its own assets and funds under management, Modra zavarovalnica has already identified industry sectors it avoids.

10.6 CORPORATE INTEGRITY AND WHISTLEBLOWER PROTECTION

By adopting the Corporate Integrity Plan in July 2021, Kapitalska družba 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 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, Kapitalska družba - 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 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.

By identifying corporate integrity risks specific to the company's business, 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, the company demonstrates zero tolerance for corruption and illegal and unethical conduct by its employees, the company's management and members of the Supervisory Board.

Kapitalska družba has also upgraded its operations as a socially responsible company by signing the Commitment to Respect Human Rights in Business operations.

To maintain and strengthen integrity, Modra zavarovalnica has also adopted internal rules that regulate procurement procedures, conflicts of interest, receiving gifts, managing inside information, lobbying contacts, protecting business secrets, and managing staff. It has also established a system for internal reporting, reporting of irregularities, and protection of whistleblowers to safeguard whistleblowing.

10.7 IMPLEMENTATION OF THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Kapitalska družba perceives both great challenges and new business opportunities in sustainable business practices. As a responsible financial institution, it is committed to promoting sustainable business and creating long-term value for stakeholders. The company is aware that its actions have an impact on the environment, society and the economy, so it wants to manage these impacts in a responsible and transparent manner. It prioritizes the eight United Nations goals throughout its operations: SDG 7, SDG 13, SDG 3, SDG 4, SDG 5, SDG 8, SDG 17 and SDG 16, which are described below.

Table 15: Demonstration of the implementation of the United Nations (main) Sustainable Development Goals (SDGs)

Environmental Aspect (E – Environment) – Pollution Prevention and Control

ESG activities	Comment
Carbon footprint	In 2024, the carbon footprint in scope 1 and 2 was measured for the third time.
Digitalization and paperless operations	Conditions established for a gradual transition to paperless environment.
Compliance with the Green Procurement Decree	Ordering environmentally friendly products. Using paper made from responsibly sourced wood fibres.
Consistent separation of waste	Waste collection and separation by raising employee awareness.
Energy consumption	Taking into account the Decree on green public procurement, a contract has been concluded for the supply of electricity produced 100% from renewable sources.

Social aspect (S – Social) – Accountability towards stakeholders, those liable for payment, insured persons, employees and the wider environment

ESG Activities	Comment
Responsible attitude towards the Broader Social Community	Kapitalska družba operates as a demographic fund and co-finances the public pension system. The Group is the largest provider of supplementary pension insurance and the largest payer of pension annuities of the second pension pillar, which is its important contribution to the pillar's strengthening and further development.
Responsible attitude towards external stakeholders and insured persons	Cultivating good relations with partner institutions: trade unions, the Association of Pensioners' Societies (ZDUS), those liable for payment, insured and professional pensioners, and the Slovenian Directors' Association - ZNS. Ensuring professionalism, efficiency and transparency and establishing interactive communication channels. In 2024, stakeholder consultations were carried out for the first time. Stakeholder views were taken into account in determining the sustainability-relevant topics.

Responsible attitude towards employees	Adapting to the various needs and career expectations of employees and in this way enable the holistic development of their skills. The prevailing form of permanent employment ensures high employee security. Dialogue with employees is carried out through the Workers' Council and the Company's trade union, as well as quarterly meetings with all employees. Activities within the framework of the full "Family Friendly Company" certificate. "Open Doors Day" for employees' children. Maintaining contact with retired colleagues.
	Flexible working hours and the possibility of remore working (hybrid working method).
Designing current and future financial security.	Equal treatment and equal opportunities regardless of gender and other personal circumstances. Compliance with the Collective Agreement for Insurance. Stimulating and fair remuneration regardless of gender. Adoption of the "Diversity Policy for the Management and the Supervisory Board of Kapitalska družba, d. d..
	Inclusion of all employees in supplementary pension insurance and payment of the highest tax-deductible premium.
Diversity and equal opportunities	Promoting lifelong learning, functional and holistic education, knowledge sharing among employees and intergenerational cooperation. Pre-planned training tailored to the requirements of individual jobs, the specific areas of knowledge required by each employee, and the development tasks set.
Safety and health of employees	A wide range of occupational health and safety measures. Promoting a healthy and sustainable lifestyle and implementing activities and measures to maintain and strengthen the physical and mental health of employees through the "Workplace Health Promotion Plan." Emphasis on good interpersonal relationships, which have a decisive influence on the health and well-being of employees.
	Regular preventive medical examinations with a wide range of tests and the possibility of additional examinations.
	Implementing measures to strengthen health, including organized recreation for employees and organizing trainings about a healthy lifestyle.
	Inclusion of employees in collective supplementary healthcare insurance. Free vaccination of employees against influenza and tick-borne encephalitis (TBE).

Management aspect (G – Governance) – Business compliance and integrity

ESG activities	Comment
High standards of corporate governance	The management of Kapitalska družba 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. Adoption of the Corporate Integrity Plan. Identification of specific corporate integrity risks for the company's operations, definition of measures to mitigate these risks and appointment of a corporate integrity officer. Zero tolerance for corruption and illegal and unethical behaviour by employees, company management and members of the supervisory board. Accession to the Agreement on cooperation in the organization of the International Fraud Awareness Week in 2021, 2022, 2023 and 2024, whereby the company participates in the exchange of good practices and awareness-raising of all stakeholders with the common goal of all signatories to reduce corruption, financial crime and fraud in the Republic of Slovenia. Kapitalska družba has also been participating for many years as a sponsor of the corporate governance conference of the Slovenian Directors' Association.
Effective 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	The Kapitalska družba Group operates in accordance with its values. Creativity and innovation of employees to solve challenges related to sustainable development.

11

REPORT ON RELATIONS WITH SUBSIDIARIES

In 2024, there were no transactions between Kapitalska družba, Modra zavarovalnica and Hotelske nepremičnine under unusual market conditions.

Leases of business premises

Modra zavarovalnica is a tenant of business premises owned by Kapitalska družba. The lease was signed in 2024 and runs until September 2029.

Provision of services in the field of information technology

Modra zavarovalnica and Hotelske nepremičnine use system infrastructure (servers, communication equipment, printing devices, system software, disk capacities, etc.) owned by Kapitalska družba. In addition, Kapitalska družba 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 has a contract with Modra zavarovalnica on the financing of the pension plan for collective supplementary pension insurance implemented by the open-ended Life-Cycle Pension Fund (MKPS).

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INDICATORS[13]

	31 Dec 2024	31 Dec 2023
		in EUR 000
a) Equity financing ratio		
The indicator is calculated as the ratio between the equity balance and the balance of all liabilities.		
Numerator:		
Equity	1,655,624	1,451,433
Denominator:		
Liabilities	2,313,562	2,007,007
Equity financing ratio	0.72	0.72
b) Operating efficiency ratio		
Operating efficiency ratio indicator is calculated as the ratio between generated operating revenues and expenses.		
Numerator:		
Operating revenues	36,401	46,060
Denominator:		
Operating expenses	31,229	25,594
Operating efficiency ratio:	1.17	1.80
C) Net return on equity		
The indicator shows net profit per unit of equity or ROE (Return On Equity) and is calculated as the ratio between annual profit and average equity balance.		
Numerator:		
Net profit or loss for the period	57,302	76,326
Denominator:		
Average equity	1,553,529	1,383,678
Net return on equity ratio (ROE)	3.69%	5.52%
d) Net return on equity before ZPIZ transfer		
The indicator shows net profit per unit of equity or ROE (Return On Equity) before the ZPIZ transfer and is calculated as the ratio between annual profit and the average equity balance before the ZPIZ transfer.		
Numerator:		
Net profit or loss for the period before the ZPIZ transfer	122,302	141,326
Denominator:		
Average equity before ZPIZ transfer	1,618,529	1,441,178
Return on equity (ROE) before ZPIZ transfer	7.56%	9.81%

13 Indicators are not audited.

	31 Dec 2024	31 Dec 2023
		v 000 EUR
e) Total comprehensive return on equity		
The indicator is calculated as the ratio between the total comprehensive income of the financial year and the average equity for the year.		
Numerator:		
Total comprehensive income/(loss) for the year	187,321	151,250
Denominator:		
Average equity	1,553,529	1,383,678
Total comprehensive return on equity	12.06%	10.93%
f) Total comprehensive return on equity before ZPIZ transfer		
The indicator is calculated as the ratio between the total comprehensive income of the financial year and the average equity for the year before ZPIZ transfer		
Numerator:		
Total comprehensive income for the financial year before ZPIZ transfer	252,321	216,250
Denominator:		
Average equity before ZPIZ transfer	1,618,529	1,441,178
Total comprehensive return on equity before ZPIZ transfer	15.59%	15.01%

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CORPORATE GOVERNANCE STATEMENT

Pursuant to the sixth paragraph of Article 70 of the Companies Act (ZGD-1) and point 3.6 of the Corporate Governance Code for State-owned Companies, Kapitalska družba hereby declares the corporate governance statement for the period from 1 January 2024 to 31 December 2024.

I. Kapitalska družba, as a public limited company in which the Republic of Slovenia is a 100% shareholder, voluntarily complies with the Corporate Governance Code for State-owned Companies (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 stakeholder. In addition, Kapitalska družba follows the valid Recommendations and expectations of Slovenian Sovereign Holding.

Kapitalska družba provides a declaration of compliance with the Code adopted by SSH and valid in 2024. 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 SDH - Key SSH Asset Management Documents http://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja.

Management and Supervisory Board of Kapitalska družba 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 3.3 of the Code: The SOE shall set clear strategic objectives for its business and development, which must be long-term and sustainable.

Explanation: Given the specific purpose of its establishment and the envisaged transformation into a demographic fund, and taking into account the Ordinance on the Strategy for the governance of State Assets in the performance of its activities, Kapitalska družba is primarily responsible for fulfilling the legal obligation to provide funds to the ZPIZ and for the management of the SODPZ.

Article 3.4 of the Code: The Executive Management of a large and medium-sized enterprise with state capital assets shall formulate and approve their Corporate Governance Policy as a separate document which should contain at least the following elements:

- **a description of all principal governance policies of the company, which reflect the company's objectives, values, and obligations towards the wider social environment;**
- **the indication of which corporate governance code has been adopted by the company as its reference code, and if or to what extent this code is applied;**
- **a precise identification of stakeholder groups and relevant stakeholders, and a policy for communicating and engaging with each stakeholder group (owners, creditors, suppliers, customers, employees, the media, analysts, government authorities, local and wider community, etc.);**
- **the process for informing subsidiaries, shareholders or company members of the Group's strategy, goals and governance standards;**
- **the policy on transactions between the company and its related companies, including their members of the management and supervisory bodies;**

- **a commitment by the Supervisory Board to establish a system for identifying conflicts of interest and dependencies among members of the management body and supervisory body, which includes actions proposed for instances when changes in circumstances materially affect their relationship with the company;**
- **the commitment that the Supervisory Board will assess its own effectiveness and, based on this, adopt measures to improve its efficiency;**
- **an intention to create any committees of Supervisory Board and a definition of their roles;**
- **a clear system for the allocation of responsibilities and powers between members of the company's management and supervisory bodies;**
- **definition of the company's communication policy, which includes high-quality standards for the creation and disclosure of accounting, financial, and nonfinancial information. The communication policy can be a separate document. In such a case, the Corporate Governance Policy of the company refers to it in an appropriate manner;**
- **safeguarding the interests of employees in the company by defining the manner, content, and standards of employee operations and ensuring an adequate level of ethical conduct in the company, including the prevention of discrimination;**
- **areas of operation where the company adopts measures to respect human rights and equal opportunities.**

Explanation: Kapitalska družba in which SSH does not exercise a dominant influence, has not yet adopted the Corporate Governance Policy as an independent document in 2024. Regardless of that, Kapitalska družba materially respects all essential guidelines of the provision in question regarding the management of the company.

Article 6.7 of the Code: The President of the Supervisory Biard shall coordinate the Board's activities, ensure that timely and regular convening of meetings, lead the meetings, and represent the Supervisory Board in relations with other stakeholders. Each decision communicated by the President of the Supervisory Board to Executive Management, or third parties shall be preliminary dealt with by the Supervisory Board, or the Audit Committee and a relevant resolution in its regard shall be adopted. This includes signing contracts with members of Executive Management, external auditors, or external experts, where the President of the Supervisory Board represents the company.

Subsection 6.7.2 of the Code: The President of the Supervisory Board should not serve as the President of the Audit Committee. If a Nomination Committee is formed, the President of the Supervisory Board shall be a member or the President of that committee.

Explanation: The company partially complies with the provision of subsection 6.7.2 of the Code, namely it complies with the wording of the first sentence regarding the chairman of the audit committee. The composition of the Human Resources Committee deviates from the recommendation of the Code, as the Chairman of the Supervisory Board is not a member of this committee, because when the current composition of the Human Resources Committee was appointed in 2023, the provision of the second sentence of this subsection was not yet an integral part of the text of the Code.

Article 6.10: The Supervisory Board shall prepare the Competence Profile for Supervisory Board members. Such Competence Profile shall reflect the Board's overall composition and be published on the company's web site. This profile shall define at least the necessary professional backgrounds and may also include additional competencies. The Board should periodically review and update this profile, especially prior to any expected appointments or alterations in the Supervisory Board's composition.

Explanation: Kapitalska družba applies the aforementioned provision mutatis mutandis, 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. 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 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 6.17 of the Code: If the General Meeting elects Supervisory Board members based on the Supervisory Board's proposal, the Board, in justifying its nomination, shall include information required by law and details about the candidate's memberships in other companies' management or supervisory bodies. The Supervisory Board shall also disclose any circumstances which might lead to a conflict of interest for the member, considering, among others, the circumstances listed in Annex 1 of CGCSOE. In its justification for nominating a candidate, the Supervisory Board must clearly disclose whether the individual meets the independence criteria set forth in CGCSOE and confirm that the candidate selection process adhered to the procedures outlined within CGCSOE.

Subsection 6.17.1 of the Code: In the justification for its (voting) proposal, the Supervisory Board shall also include the description of the competency profile of a Supervisory Board member and details about the candidate which enable the shareholders to assess how well the candidate meets the desired profile.

Explanation: The Company does not fully comply with the above provisions of article 6.17 and sub-section 6.17.1 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, as explained in the previous explanation under article 6.10 of the Code.

Article 6.20 of the Code: All public companies with state capital assets and large non-public companies with states capital assets with more than one shareholder or company member and where SSH exercises less than the majority of all voting rights, should establish a Nomination Committee (permanent or temporary) as a special committee of the Supervisory Board. This committee should ensure appropriate mechanisms for the evaluation and selection of candidates for members of the Supervisory Board, and adequately address/manage any conflicts of interest which the Supervisory Board may have in preparing proposals for its composition. The Nomination Committee shall carry out the candidate selection procedures and propose a selection of candidates to the Supervisory Board. In other companies where the Nomination Committee is not required, the Supervisory Board itself may, if necessary, carry out the procedures for evaluating and selecting candidates for its members. In one-person companies, the Supervisory Boards shall not create voting proposals for members of the company's Supervisory Board, even if the terms of the members are expiring. In these companies, the founder shall make the appointment decision.

Subsection 6.20.8 of the Code: Immediately following the announcement of the General Meeting that will vote on new members of the Supervisory Board of the SOE based on the Board's recommendation, the President or Secretary of the Supervisory Board shall promptly invite nominees to submit their applications to the SSH Nomination Committee for accreditation and nomination. The SSH Nomination Committee may also invite nominees to submit their application for accreditation and nomination. This recommendation shall not apply if the SSH's candidate proposal was the only recruitment channel and the candidates have already been nominated by the SSH Nomination Committee.

Explanation: Kapitalska družba does not fully comply with the recommendations from subsection 6.20.8 of the Code, since the general meeting of Kapitalska družba 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 articles of association, the candidates for SSH representatives 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 6.23 of the Code: The company should take out Directors and Officers (D&O) liability insurance for the members of the Supervisory Board to protect the company's interests. The insurance should cover an extent that ensures the maximum possible compensation for any costs the company may incur due to events caused by the actions of the Supervisory Board members.

Explanation: Kapitalska družba did not implement the recommendations from this point in 2024 due to the unclear tax treatment of premium payments and due to changes in personal income tax legislation that were underway. In December 2024, amendments to the Personal Income Tax Act were adopted, which defined the bases for calculating the taxable benefits of group liability insurance for management or members of supervisory bodies. Therefore, in 2025, Kapitalska družba will carry out the procedure for concluding a contract for liability insurance for members of management and supervisory bodies of companies from the Kapitalska družba Group.

Article 7.7 of the Code: At least in large companies, a culture of talent recognition and skill development should be actively fostered not only at the second level but also throughout the deeper layers of the organization. Individual employee development plans should define career directions and identify critical competencies needed for current and future success of the organization. Executive Management shall be responsible for motivating employees, fostering a sense of responsibility among the employees and reinforcing desired behaviours. The remuneration system should be based on knowledge, performance, education, and the complexity of work.

Explanation: 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. In 2024, Kapitalska družba adopted a succession policy in the form of a single document for the company's management and leadership personnel, which will be intended to identify, record and train potential candidates within its employees who may be suitable candidates to take over management and leadership positions in the company (key personnel).

Article 7.9 of the Code: Executive Management should articulate the company's mission and vision, providing a clear explanation of how the company generates long-term value for its owners, how it contributes to stakeholders, and how it benefits the broader society and the environment. Executive Management shall formulate a comprehensive long-term business strategy by considering the company's fundamental objectives, the purpose of its establishment, and its vision. This strategy should describe methods and ways of involving stakeholders in realizing the company's vision. A section of the company's business report should also be dedicated to reporting on the realization of the company's vision.

Subsection 7.9.2: The company's strategy should include relevant principles from the National Action Plan of the Republic of Slovenia for the respect of human rights in business. Based on a thorough review of operations, Executive Management should define goals and implementation measures to ensure respect for human rights across the company's entire operation.

Subsection 7.9.3: Based on the formulated long-term strategy of the company, Executive Management shall prepare an annual business plan for the company.

Explanation: Kapitalska družba partially complies with the aforementioned provision of the Code and its subsection 7.9.2 and 7.9.3, 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 8.7 of the Code: SOEs shall establish a financial calendar prior to the onset of the new financial year, or no later than January of the current financial year. This calendar shall detail the projected dates for significant company announcements throughout the year, including shareholder meetings, dates for dividend distributions, and the release of annual and interim reports. The financial calendar shall be published and accessible to the public on web site of the company. The company shall design the financial calendar to meet the key expectations of SSH regarding reporting deadlines, particularly concerning the assessment of business performance in the current year and plans for the coming year.

Explanation: The Company cannot comply with this provision of the Code due to the specifics provided for Kapitalska družba 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).

In addition to the above, Kapitalska družba is not a company managed by SSH, but rather by the Government of the Republic of Slovenia. Considering the above, it participates in the preparation and aligns the Annual Capital Investment Governance Plan of the Republic of Slovenia with the Ministry of Finance.

The requirement from the third indent of Article 3.6.1 of the Code: Description of the company's business compliance and integrity system in accordance with the KKUDD and the SSH Recommendations and Expectations:

The company has adopted a Corporate Integrity Plan, which identifies risks in the area of corruption and unethical and illegal activities, and has appointed a Corporate Integrity Officer. It also has a system in place to prevent, detect and investigate fraud and other harmful practices, as well as to protect whistleblowers. In 2023, after becoming subject to the Whistleblower Protection Act, this system includes all legal requirements regarding whistleblower protection, internal reporting channels for fraud, violations and other harmful conduct, and the appointment of a confidant for receiving and processing internal reports.

In the design and implementation of corporate integrity activities Kapitalska družba 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 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.

By identifying corporate integrity risks specific to the company's business, 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, the company demonstrates zero tolerance for corruption and illegal and unethical conduct by its employees, the company's management and members of the Supervisory Board.

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

Explanation: Kapitalska družba 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.

Controls carried out in the Accounting and Controlling Sector (until 31 July 2024 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:

- accuracy, reliability and completeness of accounting records,
- recording business events and preparing financial statements and reports in accordance with applicable legislation,
- reliable system for business and decision support,
- true and fair financial reporting.

The financial statements of Kapitalska družba 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 2024 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.

There are certain operational risks in the implementation of financial reporting, primarily in connection with employees, which are mostly assessed as materially insignificant risks or some as materially weak risks. They are managed through measures such as regular training, knowledge transfer between employees, ensuring replacements and successions of key personnel, and appropriate information flow. The risk of compliance with external regulations is also assessed as a low risk, which is also adequately managed by ongoing monitoring of legal and regulatory provisions and, if necessary, by obtaining appropriate explanations regarding unclear regulations from the legislator or external consultants.

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

Explanation: The sole shareholder of Kapitalska družba 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

Explanation: Kapitalska družba does not have any securities that would grant special control rights.

V. Restrictions on voting rights

Explanation: The sole shareholder of Kapitalska družba 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

Explanation: 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 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 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 tender. 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 at the proposal of the Management Board and the Supervisory Board.

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

Explanation: 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

Explanation: 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 submitted in writing, accompanied 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. 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 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 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

Explanation: The governance and management of Kapitalska družba 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 2024 is provided in the Report of the Supervisory Board. In 2024, the Supervisory Board of Kapitalska družba 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 2024, two Supervisory Board committees operated (Audit and Human Resources Committees), whose work is presented in the Supervisory Board Report.

The Audit Committee of the Supervisory Board of Kapitalska družba operated in 2024 in the following composition: 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 them at any time.

Human Resources (HR) Committee of the Supervisory Board of Kapitalska družba operated in 2024 in the following composition: 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 tender for the period of four years. In 2024, Kapitalska družba 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 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.

The Management Board 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 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 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 and comply with the non-competition clause.

In 2024, 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 ZGD-1 and ZSDH-1.

Table 16: Management's composition in the financial year 2024

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	/
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	/

Table 17: Composition of the Supervisory Board and committees in financial year 2024

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	20 October 2025	Representative of capital	7/7	M	RS	1979	BSc (Law)	corporate governance, real estate management, commercial law	Yes	No	SID, d. d.	/	/	/
Boris Žnidaršič	Deputy	1 February 2015	1 February 2027	Representative of pensioners	7/7	M	RS	1948	Sc.D.	Master of Laws and PhD in Social Sciences, qualified university teacher	Yes	No	Krka, d. d.,	/	/	/
Ladislav Rožič	Member	31 January 2011	1 February 2027	Representative of the trade unions	5/7	M	RS	1957	MSc (Science)	finance, corporate governance	Yes	No	/	HR	Member	3/3
Mirko Miklavčič	Member	2 February 2019	1 February 2027	Representative of pensioners	7/7	M	RS	1947	BSc in labour relations	finance, corporate governance, insurance	Yes	No	/	Audit	Member	9/9
Boštjan Leskovar	Member	21 October 2021	20 October 2025	Representative of capital	7/7	M	RS	1973	MSc (Science)	finance, governance systems, corporate governance	Yes	No	/	HR Audit	Chairman Member	3/3 9/9
Andreja Cedilnik	Member	31 August 2022	31 August 2026	Representative of capital	7/7	F	RS	1974	BSc (Economics)	finance, accounting, controlling, corporate governance	Yes	No	/	Audit HR	Chairman Member	9/9 3/3

Table 18: External members of Supervisory Board committees in the financial year of 2024

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
Natalija Stošicki	Audit	7/9	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 has a diversity policy 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. 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 contributes to the effectiveness of both bodies and has 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 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.

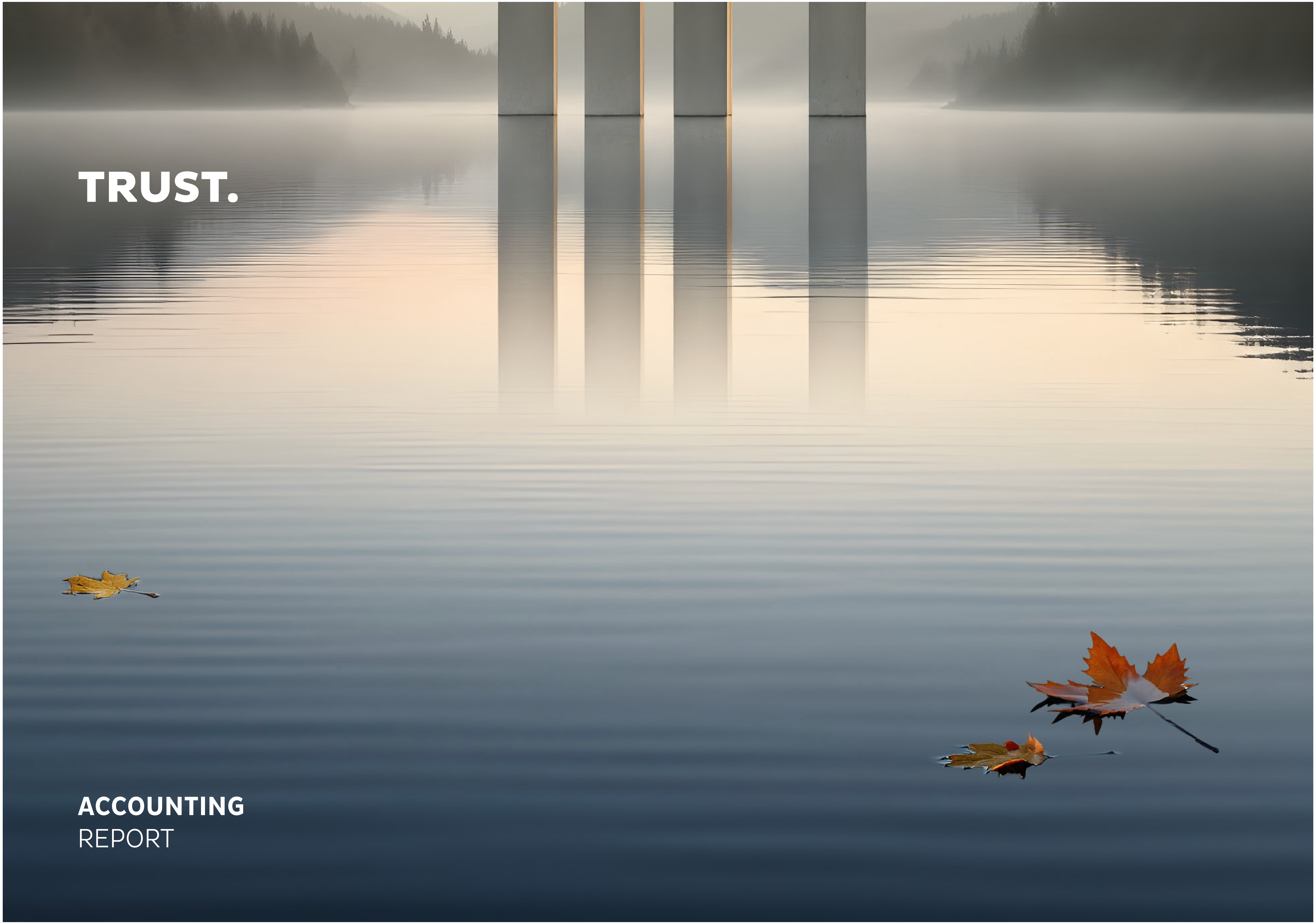
Gregor BAJRAKTAREVIĆ

Member of the Management Board

Bachtiar DJALIL

Chairman of the Management Board

Ljubljana, 28 May 2025



TRUST.

ACCOUNTING
REPORT

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. hereby confirms the Group's consolidated financial statements for the year ending 31 December 2024 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 consolidated 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 view of the Group's financial assets and operating results for 2024.

The Management Board is also responsible for appropriate accounting, the adoption of adequate measures for protection of property and other assets, and confirms that the consolidated financial statements, together with notes, have been prepared on the basis of the going concern assumption of the Group and in line with the applicable legislation and the International Financial Reporting Standards as adopted by the European Union.

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 Management Board is not aware of any circumstances which could lead to any material liabilities in this regard.

Gregor BAJRAKTAREVIĆ
Member of the Management Board

Bachtiar DJALIL
Chairman of the Management Board

Ljubljana, 28 May 2025

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AUDITOR'S REPORT

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Independent Auditor's Report

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

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 2024, 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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows 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). 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.

Independence

We are independent of the Group and Company in accordance with the 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.

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Translation note:

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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.

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 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 light of the knowledge and understanding of the Group and the Company 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 the Group's and the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Translation note:

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 and the Company'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 and the Company'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 and the Company 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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.

Translation note:

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

Refer to the original

signed Slovenian version

Primož Kovačič, Certified auditor

May 28, 2025

Ljubljana, Slovenia

Translation note:

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16

CONSOLIDATED FINANCIAL STATEMENTS
FOR 2024

16.1 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in EUR 000

Item	Note	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023
1. Net sales revenue	1	24,398	22,903
2. a) Insurance services income	2. 1	9,942	8,781
2. b) Other operating revenues	2. 2	2,061	14,376
Total operating revenue		36,401	46,060
3. Costs of materials and services	3	-5,162	-4,700
4. Labour costs	4	-8,594	-7,758
5. Write-downs in value	5	-1,983	-2,129
6. a) Insurance services expenses	6. 1	-14,215	-8,694
6. b) Other operating expenses	6. 2	-1,275	-2,313
Total cost and expenses		-31,229	-25,594
Results from operating activities		5,172	20,466
7. Financial revenue	7.		
b) Financial revenue from shares in associates	7. 1	12,302	8,306
c) Financial revenue from shares in other companies	7. 1	124,954	101,200
d) Financial revenue from other investments and from loans	7. 2	21,317	18,807
Total financial revenue		158,573	128,313
8. Financial expenses	8		
b) Financial expenses due to impairment and write-down of other investments	8. 1	-3,532	-6,768
c) Financial expenses from financial liabilities	8. 2	-65,010	-65,010
d) Financial insurance contract expenses	8. 3	-8,534	-5,145
e) Financial expenses from operating liabilities		0	-5
Total financial expenses		-77,076	-76,928
Profit/loss before tax		86,669	71,851
9. Corporate income tax	9	-8,756	-5,338
10. Deferred tax	10	-20,611	9,813
11. Net profit or loss for the period		57,302	76,326

The disclosures and notes to the financial statements form an integral part of the financial statements.

16.2 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR 000

	1 Jan – 31 Dec 2024	1 Jan – 31 Dec 2023
Profit or loss for the year	57,302	76,326
Other comprehensive income for the financial year	130,019	74,924
Items not to be reclassified subsequently to profit or loss	132,478	76,619
Actuarial gains/losses within defined employee benefits plans	12	-44
Gains/losses in relation to changes in fair value of investments in equity instruments, measured at fair value through other comprehensive income	154,082	101,045
Related net gains/losses recognised in revaluation surplus relating to investments in equity of associates and joint ventures accounted for using the equity method	-656	-1,779
Tax on items subsequently not to be reclassified to profit or loss	-20,960	-22,603
Items that may be reclassified subsequently to profit or loss	-2,459	-1,695
Gains/losses in relation to investments in debt instruments, measured at fair value through other comprehensive income	-1,079	9,971
Net financial income/expenses from insurance contracts	-1,286	-11,197
Tax on items that may be reclassified subsequently to profit or loss	-94	-469
Total comprehensive income for the year	187,321	151,250

The disclosures and notes to the financial statements form an integral part of the financial statements.

16.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR 000

Item	Note	31 Dec 2024	31 Dec 2023
ASSETS			
A. Non-current assets			
I. Intangible assets and non-current deferred costs and accrued revenue	11	66,396	66,317
II. Property, plant and equipment	12	4,664	5,249
III. Investment property	13	23,145	23,924
IV. Long-term financial investments			
1. Long-term financial investments, except loans			
b. Shares and interests in associates	14	98,375	84,808
c. Other shares and interests	15	1,368,175	1,128,350
d. Other long-term financial investments	15	458,097	343,911
Total long-term financial investments, excluding loans		1,924,647	1,557,069
2. Long-term loans	16	91,688	59,949
Total long-term financial investments		2,016,335	1,617,018
V. Non-current operating receivables	17	1,347	280
VI. Deferred tax assets	10	5,321	25,802
Total non-current assets		2,117,208	1,738,590
B. Current assets			
III. Short-term financial investments			
1. Short-term financial investments, excluding loans	15	90,799	171,027
2. Short-term loans	16	3,444	7,798
Total short-term financial investments		94,243	178,825
IV. Current operating receivables			
2. Current trade receivables		4,101	4,465
3. Current operating receivables due from others		2,472	10,999
4. Other current operating receivables		85,885	68,953
Total current operating receivables	17	92,458	84,417
V. Cash and cash equivalents	18	9,653	5,175
Total current assets		196,354	268,417
Total assets		2,313,562	2,007,007

in EUR 000

Item	Note	31 Dec 2024	31 Dec 2023
EQUITY AND LIABILITIES			
A. Equity			
I. Called-up capital	19	364,810	364,810
II. Capital surplus	20	218,905	218,801
V. Reserves arising from valuation at fair value	21	600,832	471,091
VI. Retained earnings		413,775	320,405
VII. Net profit or loss for the year		57,302	76,326
Total equity		1,655,624	1,451,433
B. Provisions			
I. Provisions for pensions and similar obligations		759	720
II. Other provisions		3,509	5,244
Total provisions	24	4,268	5,964
C. Non-current liabilities			
I. Non-current financial liabilities		65,000	65,000
II. Non-current insurance contracts, which are liabilities		401,766	336,630
III. Other non-current liabilities		1,545	1,349
Total non-current liabilities	22	468,311	402,979
IV. Deferred tax liabilities	10	85,535	64,447
Total non-current liabilities		553,846	467,426
D. Current liabilities			
II. Current financial liabilities	22	81,483	65,000
III. Current operating liabilities			
2. Current trade payables		744	624
5. Current liabilities to the state		492	401
7. Other current operating liabilities		14,707	13,643
Total current operating liabilities	22	15,943	14,668
IV. Current tax liabilities	23	2,398	2,516
Total current liabilities		99,824	82,184
Total equity and liabilities		2,313,562	2,007,007

The disclosures and notes to the financial statements form an integral part of the financial statements.

16.4 CONSOLIDATED CASH-FLOW STATEMENT

in EUR 000

	1 Jan – 31 Dec 2024	1 Jan – 31 Dec 2023
A. Cash flows from operating activities		
a) Net profit or loss and adjustments		
Net profit or loss	57,302	76,326
Tax adjustment	29,367	-4,475
Adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, and depreciation of investment property	2,370	2,501
Adjustments for financial income	-146,271	-120,007
Adjustments for financial expenses	77,076	76,928
Adjustments for share of profit or loss of associates and jointly controlled entities	-12,302	-8,306
Adjustments for profit/loss on sale of property, plant and equipment	0	13
Operating profit before changes in net current assets and taxes	7,542	22,980
b) Changes in net current assets and provisions		
Opening less closing operating receivables	-9,108	-2,441
Opening less closing assets (disposal groups) held for sale	0	5,074
Closing less opening operating liabilities	1,157	3,034
Closing less opening operating provisions	-1,696	-14,076
Cash generated from operating activities	-9,647	-8,409
c) Net cash (disbursements) from operating activities	-2,105	14,571
B. Cash flows from investing activities		
a) Net receipts from investing activities		
Receipts from interest	13,410	7,989
Receipts from dividends	47,168	41,570
Receipts from disposal of property, plant and equipment	16	15
Receipts from decrease of long-term financial investments	131,809	49,754
Receipts from decrease of short-term financial investments	300,567	236,960
Total receipts from investing activities	492,970	336,288
b) Cash disbursements from investing activities		
Disbursements to acquire intangible assets	-393	-396
Disbursements to acquire property, plant and equipment	-130	-453
Disbursements to acquire investment property	-74	-291
Disbursements to acquire long-term financial investments	-369,067	-121,820
Disbursements to acquire short-term financial investments	-51,827	-173,537
c) Total cash disbursements for investing activities	-421,491	-296,497
Cash from investing activities	71,479	39,791

	v 000 EUR	
	1 Jan – 31 Dec 2024	**1 Jan – 31 Dec 2023**
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Cash receipts from paid-in capital	104	754
Total cash receipts from financing activities	104	754
b) Cash disbursements for financing activities		
Cash disbursements for repayment of current financial liabilities	-65,000	-65,000
Total cash disbursements for financing activities	-65,000	-65,000
c) Cash from financing activities	-64,986	-64,246
D. Closing balance of cash		
a) Net cash flow for the period	4,478	-9,884
b) Opening balance of cash	5,175	15,059
c) Total closing balance of cash	9,653	5,175

The disclosures and notes to the financial statements 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	Retained earnings	Net profit or loss for the current period	Majority equity interest	Total
	Notes	19	20	21					
A. 1.	**Balance as at 1 January 2024**	**364,810**	**218,801**	**425,147**	**45,944**	**320,405**	**76,326**	**1,451,433**	**1,451,433**
B. 1.	**Changes in equity – transactions with owners**	**0**	**104**	**0**	**0**	**0**	**0**	**104**	**104**
d)	Entry of additional paying-up of the capital	0	104	0	0	0	0	104	104
B. 2.	**Total comprehensive income for the period**	**0**	**0**	**131,305**	**-1,286**	**0**	**57,302**	**187,321**	**187,321**
a)	Net profit or loss for the reporting period	0	0	0	0	0	57,302	57,302	57,302
d)	Changes in reserves arising from valuation of financial investments at fair value	0	0	131,949	-1,286	0	0	130,663	130,663
e)	Changes in reserves arising from valuation at fair value - associates	0	0	-656	0	0	0	-656	-656
f)	Other components of the comprehensive income for the period	0	0	12	0	0	0	12	12
B. 3.	**Changes in equity**	**0**	**0**	**-278**	**0**	**93,370**	**-76,326**	**16,766**	**16,766**
a)	Distribution of the remaining part of the net profit of the comparative reporting period to other components of equity	0	0	-278	0	76,660	-76,326	56	56
f)	Profits/losses from derecognition of equity investments measured at fair value through other comprehensive income to retained earnings	0	0	0	0	16,710	0	16,710	16,710
C.	**Closing balance as at 31 December 2024**	**364,810**	**218,905**	**556,174**	**44,658**	**413,775**	**57,302**	**1,655,624**	**1,655,624**

The disclosures and notes to the financial statements form an integral part of the financial statements.

in EUR 000

		Share capital	Capital surplus	Reserves arising from valuation at fair value: Financial investments	Reserves arising from valuation at fair value: Insurance contracts	Retained earnings	Net profit or loss for the current period	Majority equity interest	Total
	Notes	19	20	21					
A. 1.	**Balance as at 31 December 2022**	364,810	218,046	338,811	57,141	446,852	-109,737	1,315,923	1,315,923
a)	Retroactive adjustments due to the transition to IFRS 9 (business model adjustments)	0	0	0	0	-21,914	0	-21,914	-21,914
A. 2.	**Balance as at 1 January 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 financial investments at fair value	0	0	87,944	-11,197	0	0	76,747	76,747
e)	Changes in reserves arising from valuation at fair value - associates	0	0	-1,779	0	0	0	-1,779	-1,779
f)	Other components of the comprehensive income for 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 December 2023**	364,810	218,801	425,147	45,944	320,405	76,326	1,451,433	1,451,433

The disclosures and notes to the financial statements form an integral part of the financial statements.

17

NOTES AND DISCLOSURES
TO THE FINANCIAL STATEMENTS

17.1 GENERAL DISCLOSURES

Controlling Company Profile

Kapitalska družba is organised as a public limited company. The company is headquartered at Dunajska cesta 119 in Ljubljana, Slovenia. The sole shareholder 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 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. 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 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 tender. 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 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 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 re-appointment.

Subsidiaries

The subsidiaries of Kapitalska družba are shown in the table below.

in EUR 000

Name of subsidiary	Country	Equity share	Equity as at 31 Dec 2024	Net result in 2024
Modra zavarovalnica, d. d.	Slovenia	100.00%	397,539	19,979
Hotelske nepremičnine, d. o. o.	Slovenia	50.00%	12,580	564

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

As the parent company, Kapitalska družba consolidates Modra zavarovalnica and Hotelske nepremičnine.

Kapitalska družba owned a 66.08% stake in the company FINAP, storitve in posredovanje, d. d. – in liquidation, which it acquired on the basis of Article 48a of the ZVNP-1. The company was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register of the registration court. FINAP, storitve in posredovanje d. d. – in liquidation was not consolidated in the group financial statements by Kapitalska družba.

Data on consolidation

The consolidation of accounting data takes place at Kapitalska družba as the highest level. The consolidated Annual Report of the Kapitalska družba Group will be published at https://www.kapitalska-druzba.si/o-kapitalski-druzbi/letna-porocila/.

Data on the ownership shares

The Group does not hold any treasury shares.

Employee data

At the end of 2024, the Kapitalska družba Group had 122 employees, of which 57 were employed at Kapitalska družba and 65 at Modra zavarovalnica. In 2024, the Group had an average of 124.32 employees. The company Hotelske nepremičnine has no employees.

17.2 IMPORTANT INFORMATION ON ACCOUNTING POLICIES

Basis for preparation of financial statements

The financial statements for 2024 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 two underlying accounting assumptions were considered in the course of preparing the financial statements: going concern and accrual. The following quality characteristics have been observed in the formulation of accounting policies: comprehensibility, suitability, reliability, and comparability.

The financial statements are prepared under the assumption of a going concern.

Unless stated otherwise, all amounts in the financial statements and notes thereto are expressed in EUR thousand.

Comparative information

Compared to the presentation of the financial statements for the year ended 31 December 2023, the presentation of the current liabilities of Kapitalska družba to ZPIZ has changed. In the previous year's presentation, it was included in the "Current operating liabilities" section in the statement of financial position, but in this year's presentation it is included in the line item "Current financial liabilities".

The presentation of comparative data was also adjusted to these changes.

in EUR 000

	Old presentation	New presentation	Change
Statement of financial position			
II. Current financial liabilities	0	65,000	65,000
III. Current operating liabilities	65,401	401	-65,000

The accounting policy for recognizing liabilities to ZPIZ is disclosed in section 17.2 *Important Information on Accounting Policies in Financial liabilities*.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kapitalska družba and its subsidiaries as at 31 December of each year. The financial statements of subsidiaries are prepared for the same financial year as the financial statements of the parent company using uniform accounting policies. In the event of inconsistencies in accounting policies, appropriate adjustments are made in the consolidated financial statements.

All intercompany balances and transactions, including unrealized gains arising from intercompany balances and transactions, are eliminated in full.

All subsidiaries are consolidated from the date control is transferred to the Group, and consolidation ceases when control over the subsidiary is transferred out of the Group. If the Group loses control over a subsidiary during the year, the subsidiary's results are included in the consolidated financial statements up to the date when control was still maintained.

Statement of compliance

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

In its financial statements, the Group applied all IFRSs and IFRICs required in 2024. It did not apply any standard or interpretation before its application became obligatory in 2024.

Foreign currency translation

The financial statements of the Group are presented in the Euro (EUR), which is the functional and reporting currency of the company. Assets and liabilities originally expressed in foreign currencies are re-translated into the domestic currency at the reference exchange rate of the ECB. Foreign currency transactions are initially recognised in the functional currency, translated at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing on the date of the statement of financial position. 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.

Intangible Assets

Intangible assets are initially recognized at cost, and the cost model is used for subsequent measurement. The useful life of an individual intangible asset is finite, and amortization is recognized in the profit or loss statement. 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.

Asset	Depreciation rate in %
Software	20.00-30.33

The amortisation of intangible assets is accounted for under the straight-line basis over the estimated useful life of the assets, which is three or five years for software.

Gains or losses arising on elimination or disposal of an intangible asset are recognized in the profit or loss statement when the fixed 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 under the straight-line basis over the estimated useful life of the assets:

Asset	Depreciation rate in %
Buildings	3.00-3.33
Equipment	16.67-50.00
Building parts	6.00

Every year an impairment test is carried out on property, plant and equipment. Impairment is made if the asset's estimated recoverable amount is less than its carrying amount. The Group reduces the carrying amount of such assets to their recoverable amount and recognizes the loss in the profit or loss statement.

Land, buildings or equipment are derecognised when the relevant 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 of derecognition of the individual asset.

The residual value of the assets, their estimated useful lives and/or the amortisation or depreciation method are revised and, if necessary, changed upon the compilation of the financial statements.

An item of property, plant and equipment whose individual value 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 execution 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 distinction between maintenance costs and increase in fixed assets value

Maintenance costs include the costs of maintaining a fixed asset useful during its useful life and represent ongoing maintenance and repairs. Investments in existing fixed assets that increase future economic benefits increase the value of fixed assets.

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 Group and its cost can be measured reliably.

Investment properties that meet the conditions for recognition are initially measured at cost and the cost model is used for subsequent measurement. 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, the Group carries out an impairment test out 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 and recognizes a loss due to impairment in the profit or loss statement.

Gains and losses from the disposal or elimination of investment property are recognized in the profit or loss statement.

Investment properties at individual locations represent individual cash-generating units.

Financial assets

Classification and measurement of financial assets

The Group classifies financial assets based on the business model for managing them and the contractual cash flow characteristics of the financial asset. After initial recognition, they are measured by:

a. amortised cost (AC),

b. fair value through other comprehensive income (FVOCI) or

c. fair value through profit or loss (FVTPL).

For equity 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 makes an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. It therefore measures such financial assets at fair value through other comprehensive income and only recognizes dividends from these investments in the profit or loss statement.

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 are stated according to the classification of investments as follows:

- financial assets measured at fair value through profit or loss using the weighted average price method,
- financial assets measured at amortised cost 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.

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 collecting contractual cash flows or

b. within a business model whose objective is achieved by collecting contractual cash flows as well as 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 carries out the SPPI test *(Solely Payments of Principal and Interest).*

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. Translations of financial assets expressed in foreign currencies are also recognised in profit or loss.

Gain or a loss on debt instruments measured at fair value through other comprehensive income are recognised directly in equity as increases or decreases in the fair value reserve. Translation effects on debt instruments denominated in foreign currencies are recognised in profit or loss. Upon derecognition of a debt instrument, the profit or loss accumulated in the reserves arising from fair value measurement is recognized in the profit or loss statement.

Profit or loss from financial investments in the equity of other companies that are measured at fair value through other comprehensive income is recognised directly in equity as an increase or decrease in fair value reserves, including the translation of investments denominated in foreign currencies. Upon derecognition of a financial investment, the profit or loss accumulated in fair value reserves is recognised in retained earnings.

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

Investments in associated companies

An associated company is a company in which the parent company has a significant influence.

In its consolidated financial statements, Kapitalska družba consolidates its associates using the equity method.

Investments in abandoned securities

Kapitalska družba 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.a of ZNVP-1, 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 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 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 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.

Modification of 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 a financial asset and the transfer meets the conditions for derecognition.

If a new agreement has been concluded on the contractual cash flows of a financial asset or these have been modified 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 modification gain or loss in the profit or loss.

Measurement and grouping of exposures into groups for credit loss assessment

The requirements for estimating credit losses apply to:

- 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 value adjustments or provisions for credit losses are measured on the basis of expected credit losses over the entire duration period (stage 3).

Stage 3 includes purchased or originated credit-impaired financial assets (POCI). All other exposures are classified in stage 1 at initial recognition.

In defining the increase in credit risk, the Group classifies operating receivables into stages based on the number of days past due. 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 vary for individual exposure groups, i.e., relevant portfolios, groups of portfolios, or elements of portfolios.

The basic criterion 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.

In the accounting period, the Group regularly checks the international ratings of investment grade financial instruments and financial instruments with non-investment grade rating.

The Group measures 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 groups according to common credit risk characteristics into the following segments:

- government,
- companies and
- financial institutions.

For classification into stages, 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.

In cases where the Group does not have sufficient data about a particular investment or transaction, it may 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, it uses 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, it uses Moody's issuer-weighted average recovery rates (LGD – companies).

The Group has experienced an increase in credit risk and a deterioration in the macroeconomic environment, which has led to an increase in probabilities of default (PD) according to the model used, while losses given default (LGD) for government bonds and banks have slightly decreased.

In order to take economic cycles into account, it 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).

Determining fair value of financial investments

The fair value of financial investments is the price that would be received for the sale of an asset or paid for a transfer of a liability in an ordinary transaction between market participants at the measurement date. Fair value measurement in case of this type of transaction is based on the assumption that the transaction is executed on the principal market or in the absence of the same 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[14] (applies to debt investments).

On the date of measurement of the fair value of the financial investment, the Group re-examines the principal market identified at the time of purchase and determines whether the market for the financial investment is active.

In case of stock exchange market, the assumption of active market is fulfilled if the average amount of individual investment traded in a day over the last 180 days from the date of fair value measurement exceeds EUR 0.5 million by taking into account the number of trading days (for the Ljubljana Stock Exchange, an average daily turnover of more than EUR 0.1 million is taken into account for investments owned by Kapitalska družba, while this does not apply when determining an active market for investments owned by Modra zavarovalnica). If the stock exchange market is active, the last known listed price is used for fair value measurement. If the stock market is less liquid, the last known listed price not older than 90 days is used for fair value measurement. 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[15] price was published for at least half of the trading days over the last 30 days up to the valuation date. If the OTC market is active, the last known CBBT price is used for fair value measurement. 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, if available, is used for[16] fair value measurements. 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.

Treasury and commercial bills of Slovenian issuers for which no (active) market exists and which pass the SPPI test are measured at amortised cost, considering the effective interest rate.

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

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

15 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 as undertaking) from a large number of quote providers.

16 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.

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 six 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 unadjusted quoted price, when an active market exists.

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

Criteria for classification of financial investments into levels of the fair value hierarchy

Financial investments measured at fair value are classified into fair value levels based on the inputs and assumptions used in measuring fair value, namely:

- 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.

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

Classification of Equity Investments

Table 19: Classification of equity investments when 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 quoted 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 with fair value measured using a valuation technique (taking into account level 3 inputs) or based on the prices provided by third parties

Classification of Debt Investments

Debt security investments that are not measured at fair value in the statement of financial position are also classified into the levels of the fair value hierarchy. 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 financial 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 quoted price older than 90 days can be used if the materiality criterion is not met

Table 23: Classification of debt financial 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 classified in level 3 of the value hierarchy.

Commercial papers of Slovenian issuers which are measured at the amortized value model, are classified 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. 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 classified 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 classified 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 and decreased by potential impairments. The calculation of impairments is described in the subchapter *Measurement and grouping of exposures for credit loss assessment*.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, call deposits and short-term deposits with contractual maturity of up to three months.

Equity

The total equity consists of called-up capital, capital reserves, profit reserves, retained earnings, reserves arising from fair value valuation, and net profit or loss for the period.

The share capital of Kapitalska družba in the amount of EUR 364,810 thousand is made up entirely of ordinary shares. It is divided into 874,235 ordinary registered no-par value shares, each of which has an equal share and corresponding amount in the share capital.

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

Profit reserves are designed 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, net financial insurance contract income/expenses and actuarial gains and losses arising from severance pay upon retirement. In the statement of financial position, the amounts of these reserves are adjusted for the amount 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 recorded as a provision is the best estimate of expenses required to settle existing liabilities on the date of the statement of financial position. When the time value of money over time is significant, provisions are determined on the basis of a discounted cash-flow using a discount rate (before taxes) which reflects the value of money over time and, where appropriate, includes potential risks associated with an individual liability. If provisions are made on the basis of a discounted cash-flow, an increase in the net present value is recognised over the years as financial expenses.

Where some or all of the expenditure required to settle a provision can be 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 member, namely in the amount of the established deficit, i.e. the sum of differences between the guaranteed assets of the insured member and the actual value of the assets of the insured member,
- if a legal action is filed against a company in the Group or when the Group 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 upon retirement 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 the internal regulations of companies in the Group.

Provisions for jubilee rewards and termination benefits upon retirement are made at the value of the estimated future payments for termination benefits and jubilee rewards discounted at the reporting date. The projected unit method is used in the calculation.

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

Definition of the insurance contract

An insurance contract occurs when the Company assumes a substantial insurance risk from the policyholder. In this case, the recognition of the insurance risk itself 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, they are categorised as insurance contracts.

Valuation of insurance contracts

A general valuation model is used for all insurance products under IFRS 17.

Table 24: Products of Modra zavarovalnica, d. d. 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; is the 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 groups of contracts are defined 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 insurance company must divide the defined groups according to the issue date of the contracts.

In 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, the insurance company 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 insurance 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 insurance 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 insurance 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 insurance 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

The insurance company uses a general valuation model for all its products (GMM model).

Calculation of the contractual service margin

Since the insurance company uses a general model to value its products, it is obliged to recognise the contractual service margin (CSM) upon initial recognition of a group of insurance contracts, which it later releases in profit or loss during the coverage periods.

Upon initial recognition, the contractual service margin (assuming the contract is not onerous[17]) 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 insurance 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 loss component

For an onerous contract or a group of onerous contracts, the insurance 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.

17 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.

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 insurance 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 insurance 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 insurance company uses the confidence interval method analogous to the regulation brought about by the Solvency II directive. The Solvency II regime uses a confidence level of 99.5%, and the insurance company chose 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%.

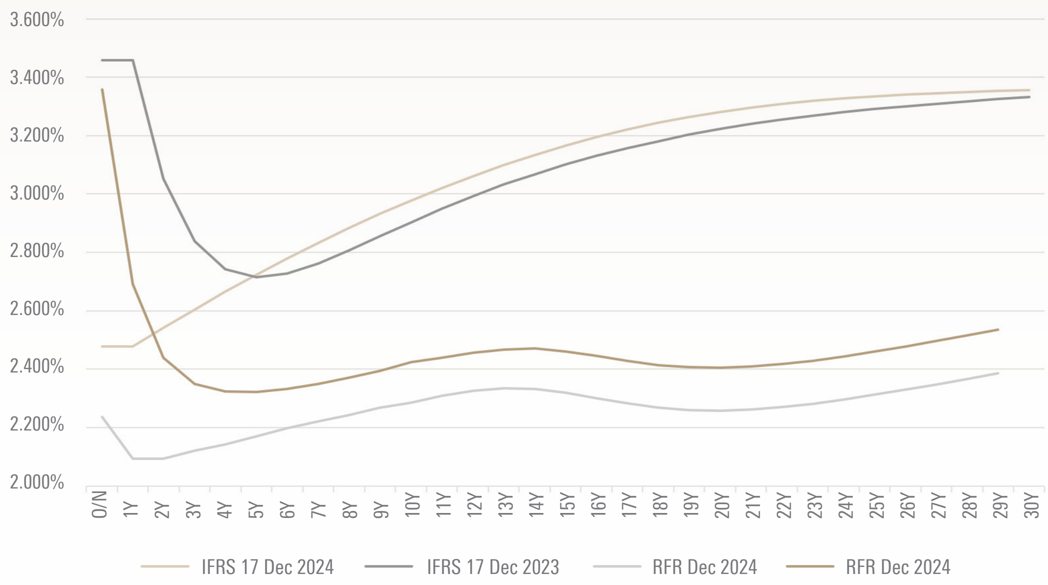
Discount rate

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 (risk free rate) 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 each index is covered bonds issued in EUR and with a BBG composite AAA credit rating. There were 493 bonds at the end of December 2024 with these characteristics. Missing returns for yields between 10 and 30 years are calculated with the Nelson-Siegel-Svensson model. The extrapolation of the IFRS 17 discount curve is done using the Smith Wilson model, taking into account the last liquid point (LLP) at 20 years and the UFR (ultimate forward rate) published on the EIOPA website.

Figure 3: Risk-free RFR curve, IFRS 17 discount curve and illiquidity premium as at 31 December 2024 and 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. 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.

The insurance company distinguishes three types of costs in its classification:

1. Directly attributable policy costs, or costs that are directly related to the policies (portfolio). This group includes:
   - direct acquisition costs,
   - 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.

The insurance company recognizes in the current period:

- 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,
  - 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 profit or loss statement 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 (where the effect of the revised discount rate using the same yield curve is recognized in the income statement, while the effect of the shift in the discount curve is recognized in the statement of comprehensive income),
- changes in estimates of expected cash flows at fulfilment, which relate to liabilities for already incurred claims and recognised in the income statement and
- experience adjustments for insurance expenses recognized in the income statement.

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, by agreement between the parties or due to a change in regulations, and a new – amended contract is concluded on the basis of the terminated contract upon fulfilment of certain conditions.

Operating liabilities

Operating liabilities comprise trade payables for acquired assets or services, and liabilities to employees, the state, etc. 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.

Financial liabilities

Obligation to pay ZPIZ

ZSDH-1 defines the maximum annual liability of Kapitalska družba for the provision of ZPIZ funds. Namely, Kapitalska družba, 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, primarily for the purposes of indexing pensions, or a proportionally lower amount, if the amount for indexation of pensions is lower. Notwithstanding the third paragraph of Article 52 of the ZSDH-1, on the basis of the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2025 and 2026 (ZIPRS2526), Kapitalska družba must transfer each year to ZPIZ - in the years 2025 and 2026 - an amount that equals 50 percent of the total comprehensive income, as derived from the audited financial statements for the previous financial year, but not less than EUR 65 million. The obligation to pay ZPIZ is recognized as a financial liability, namely for 2025 as a short-term financial liability in the amount of 50 percent of total comprehensive income in 2024, and for 2026 as a long-term financial liability in the amount of EUR 65 million. At the same time, current and non-current deferred costs and accrued revenue are recognized in the same amount.

Notwithstanding the third paragraph of Article 52 of the ZSDH-1, Kapitalska družba was required to transfer EUR 65 million to ZPIZ in 2024 based on the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425) (2023: EUR 65 million based on the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2023 and 2024). The ZPIZ transfer is recognized in the statement of profit or loss as a financial expense in the year to which it relates.

Revenue

The Group recognises revenue in an amount that reflects the expected consideration to which the Group will be entitled in exchange for the promised goods or services. The Group considers the terms of the contract and all relevant facts and circumstances.

The Group’s key revenue streams are as follows:

1. Revenues from fees

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

a. Entry fee

The Group charges entry fee for the performance of its activities in accordance with individual pension plans. This means that the assets collected and transferred to an individual pension fund are reduced by the amount of the entry fee and the fund manages the assets attributable to the net premium. The entry fees are charged in the percentage of the premium at the time of the payment.

b. Management fee

The Group charges management fees to mutual pension funds, meaning that the monthly value of the assets of individual funds is reduced by the amount of management costs. The management fee is calculated as a percentage of the average value of the fund's net 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 fee

In accordance with individual pension plans, 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 paying out occupational pensions or annuities

In accordance with individual pension plans, the Group is entitled to income from costs of paying out occupational pensions or annuities, which is calculated as a percentage of the monthly amount.

2. Revenue from lease payments

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

Insurance service income encompasses expected changes in cash flows resulting from the fulfilment of insurance contracts during the period. This includes the release of annuities, costs attributable to claim payments, and administrative expenses.

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 statement 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 statement 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. In the event of any commission refunds by the managers of ETFs in the company's portfolio or in the event of receiving the so-called adjustment premiums, these are recognised as income similar to dividends.

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 of financial investments

Investment revaluation gains relate to financial 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

Insurance service expenses include expenses from claims with attributable costs of claims payments, expenses for net operating expenses and other insurance expenses. Acquisition costs include labour costs and other costs of employees directly involved in insurance acquisition. Administrative part of the attributable costs relates to the preparation, handling, administration, updating of insurance policies. Attributable policy administrative costs include labour costs and other employee costs.

Financial expenses

Financial expenses comprise expenses for financing, mostly interest expenses. Financial expenses from revaluation arise in association with the revaluation and impairment of financial investments. Expenses from the disposal of financial investments (losses on the disposal of investments) are accounted for and recognised on the trading day. Financial expenses also include expenses arising from recognized credit losses on financial assets and the effect of the time value of money when measuring insurance contracts that are liabilities (unwinding of the discount resulting from movements in the existing discount curve).

Financial expenses also include payments that Kapitalska družba makes to the ZPIZ in accordance with the legislation, namely in the financial year to which they relate (Chapter 17.2 *Important information on Accounting Policies in Financial liabilities*).

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 to the tax authorities or receive from them. 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.

A deferred tax asset is recognised also for unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available, against which the 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 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. Tax rates (and tax legislation) enacted or close to enactment at the date of the statement of financial position are used.

Deferred tax assets and liabilities may be offset if, and only if, the Group has a legal right to offset the assessed tax assets and liabilities and these assets and liabilities relate to the income tax attributable to the same tax jurisdiction.

Deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

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 on the first and last days of the financial year, profit or loss statement data, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the use of certain estimates and assumptions by management that affect the value of the group's assets and liabilities and the amount of revenue and expenses.

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

Significant judgements and estimates relate to:

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

Definition or recognition of insurance contracts

A part of important judgements relate to the definition or recognition of insurance contracts, which we are talking about when the insurance company assumes a significant insurance risk from the insurance policy holder upon their conclusion, by agreeing to compensate the policy holder for the damage that he would have suffered in certain future event (insured event). The definition of insurance risk is a matter of subjective judgement. The Management estimates that life insurance contracts, the purpose of which is to provide an annuity, carry a significant insurance risk. Consequently, they are recognised as insurance contracts. In the same manner, insurance contracts also include accident insurance contracts. Accounting policies are detailed in the sub-chapter *Insurance contract liabilities*.

Expected credit loss model for financial assets

For assessment of credit losses, the Group uses 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.

For the purposes of impairment, all financial assets are classified into three stages or phases that describe the credit quality of the financial asset (subsection *Measurement and grouping of exposures for credit loss assessment)*.

The Group classifies individual financial assets into stages based on international or internal credit ratings and the number of days overdue. In addition, investments in portfolios are regularly monitored with 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 it obtains 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 important 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.

Fair value measurement of non-marketable financial and non-financial assets

Financial assets

The Group classifies investments in the fair value hierarchy as described in the Note Criteria for classification of financial investments into the levels of the fair value hierarchy. Management pays particular attention to assessing the fair value of investments in the second and third levels of the fair value hierarchy. The second level mainly includes equity instruments (31 December 2024: EUR 171,110 thousand or 31 December 2023: EUR 223,161 thousand) and units of target funds (31 December 2024: EUR 50,798 thousand or 31 December 2023: EUR 52,757 thousand), while the third level includes equity instruments (31 December 2024: EUR 70,062 thousand or 31 December 2023: EUR 51,862 thousand).

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.

The entire fair value hierarchy of financial assets and the valuation methods and discount rates or capitalization rates used in the valuation of individual equity instruments are disclosed in Note 15. g) *Fair value hierarchy.*

For investments in target funds where the main market is not a regulated market, the source of fair value may be information on the value of the unit or net asset value of the share of assets sent or published by the target fund manager. In the event that additional payments (for example, capital calls) or payouts (for example, distributions) have occurred in the period from the last receipt or publication of the value of the unit or the net asset value of the share to the valuation date and the latest new value of the unit or the net asset value of the share was not shown in the notification of the target fund manager for these payments, the new value of the unit or the net asset value of the share shall be determined by adjusting the obtained or last published value of the unit or the net asset value of the share for additional payments and payouts.

Non-financial assets

As at the date of statement of financial position, the management assesses whether there is objective evidence that a non-financial asset or a group of non-financial assets should be impaired.

The Group establishes the existence of impartial evidence of impairment for 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 impairment test in 2024 and 2023 showed that no impairment of non-financial assets was required. The key assumptions used in estimating the fair value of investment property are disclosed in the financial section of Note 13. *Investment property*.

Reporting by segments

The Kapitalska družba Group does not report in accordance with IFRS 8 for 2024 and 2023, as the securities of the parent company are not listed on the stock exchange.

Amendments to standards and interpretations

Standards or interpretations of the International Accounting Standards Board (IASB), which were approved by the EU and implemented by the Kapitalska družba Group

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (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 – Amendments to IAS 1** (originally 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 and effective for annual periods beginning on or after 1 January 2024).

The changes did not have a significant impact on the Group's financial statements.

IASB standards or interpretations that were approved by the EU and not early implemented by Kapitalska družba Group

- **Amendments to IAS 21 Lack of Exchangeability** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).

The Group estimates that the change will not have a significant impact on its consolidated financial statements.

IASB standards or interpretations not yet approved by the EU

- **Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7** (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). On 30 May 2024, the IASB issued interpretations to IFRS 9 and IFRS 7 for:
  a. clarification of the date of recognition and derecognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled through an electronic funds transfer system,
  b. clarifying and adding further guidance for assessing whether a financial asset meets the SPPI criterio (Solely Payments of Principal and Interest),
  c. adding new disclosures for certain instruments with contractual terms that may modify cash flows (such as certain instruments with features related to the achievement of environmental, social and governance (ESG) objectives) and
  d. updating disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).
- **IFRS 18 – Presentation and Disclosure in Financial Statements** (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB issued IFRS 18, a new standard on presentation and disclosure in financial statements, with a focus on updates to the profit or loss statement. The key new concepts introduced in IFRS 18 relate to:
  - structure of profit or loss statement,
  - the required disclosures in the financial statements for certain performance measures that are reported outside the entity's financial statements (that is, performance measures determined by management) and
  - enhanced principles on aggregation and disaggregation that apply to primary (basic) financial statements and disclosures in general.

IFRS 18 will replace IAS 1; many other existing principles in IAS 1 are retained with limited changes. IFRS 18 will not affect the recognition or measurement of items in financial statements, but it may change what a company reports as its "operating profit or loss." IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

- **Annual Improvements to IFRS Accounting Standards** (issued in July 2024 and effective from 1 January 2026).
- **Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7** (issued on 18 December 2024 and effective from and including 1 January 2026).
- **IFRS 19 – Subsidiaries without Public Accountability: Disclosures** (issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

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

Risk Management

Risk management has proven to be a very important area, especially in times of economic crisis, as effective risk management enables more stable and successful operations in the long term. Therefore, risk management is of key importance in carrying out activities to achieve the Group's objectives. 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, internal risk management organisation, measures and methods used to mitigate the risks, as well as procedures of control and responses to individual risks.

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 *Risk management of financial assets*, 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 securities prices, which are the result of various factors, largely affect the value of the equity investment portfolio. 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 investments abroad decreases the dependence of the Group's portfolio of investments 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), both at the level of the entire portfolio and separately for equity and debt securities. The beta indicator is also calculated for equity securities, as a measure of systematic risk. Fluctuations in securities prices are also monitored on an ongoing basis.

Interest rate risk

The very nature of investments in debt instruments exposes the Group to the risk associated with changes in the value of investments and interest income due to changes in market interest rates. During periods of falling interest rates, assets are exposed to reinvestment risk. Internal committees monitor the fluctuation in interest rates and market forecasts and analysis on a weekly basis, providing investment recommendations on this basis. The exposure to interest rate risk is regularly measured by the modified duration indicator.

The Group endeavours to minimise risks arising from interest rates by restructuring the portfolio based on market conditions, by reducing the average maturity of the debt portfolio, by classifying investments in the group of investments at amortised cost, by purchasing inflation-protected debt securities and by classifying fixed-interest rate investments into investment subject to variable interest rate or vice versa based on expected movements in market interest rates. The Group did not use derivatives to hedge against interest rate risk in 2024.

Currency risk

In managing a portion of financial assets invested in foreign currencies, the Group is also exposed to the risk of changes in exchange rates. Currency risk is monitored and managed on a daily basis.

The basis for measuring currency risk is the monitoring and calculation of exposure to individual currencies by taking into account the currency in which the underlying instrument is denominated initially, and also monitoring changes in the exchange rates 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 through careful selection of business partners (counterparty analysis before assuming credit risk), through ongoing monitoring of companies' operations, and by setting investment limits regarding permitted investment exposure. Credit risk is also managed by diversification of investments by issuers, sectors and geographical areas, and by ongoing monitoring of credit spreads and credit ratings of investments or investment issuers or contractual partners. According to internal acts, the business partners' and assets' credit rating is determined by ratings assigned by Standard & Poor's, Fitch and Moody's, and in-house 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 permitted exposure to so-called "high yield" debt securities is determined.

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

To identify and monitor credit risk, the Group has adopted the Methodology for classifying, measuring and estimating the value of credit losses of financial instruments (subsection *Measurement and grouping of exposures for credit loss assessment).*

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 meet all maturing obligations at any time. A policy of regular management of liquidity is implemented in accordance with legal and regulatory requirements.

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

Insurance risks

Insurance risk is the risk 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 technical provisions.

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 the 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 Group 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 managed through a system of authority, internal controls and by defining business processes and ensuring the suitable employee qualifications. In order to minimise operational risk, a system of recording loss events and regular monitoring of the implementation of measures adopted has been adopted. The Internal Audit Department conducts regular audits of business processes and by making recommendations contributes to the improved internal controls and risk mitigation.

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, as well as 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, 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 influence the processes involved in the sale of companies where the Group holds interests, 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 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 (hereinafter: the Group Code), which includes the Group's governance policies and as such provides the basis for efficient management of the Group. The adopted Group Code, which defines standards that are complied with and abided by all companies in the Group, lays down new guidelines on risk management. Corporate governance of the Group is carried out by functional areas. The Group Code precisely defines the types and methods of reporting by subsidiaries and their deadlines.

In December 2014, SSH adopted and later amended several times the Corporate Governance Code for Companies with State Capital Investment, which is also used by Kapitalska družba and Modra zavarovalnica in order to standardize its operations. Every year, Kapitalska družba also updates the basis for Kapitalska družba's voting at general meetings of companies. 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.

17.3 NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS

17.3.1 Notes to the Statement of Profit or Loss

1. Net sales revenue

in EUR 000

	2024	2023
Income from asset management	21,147	20,023
management fee	18,119	16,582
entry fee	2,334	2,077
exit fee	34	34
income from costs of paying out occupational pensions	32	26
other	628	1,304
Revenue from lease payments	3,233	2,863
Other income	18	17
Total	24,398	22,903

Income from asset management is income from the management of mutual pension funds managed by the Group. Other income from asset management is income from the management of the KS MR II fund, which mainly relates to income from the distribution of the fund's positive result, and to a lesser extent to income from the approval of advances.

2.1 Insurance services income

in EUR 000

	2024	2023
Amounts related to the change of liabilities for remaining coverage	9,627	8,577
release of expected expenses from claims and other expenses from insurance services	7,209	7,243
release of the non-financial risk adjustment for expired risks	3	4
amount of contractual service margin recognised in profit or loss upon transfer for insurance contract services	2,415	1,330
Reimbursement of insurance acquisiton cash flows	315	204
Total	9,942	8,781

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 and costs attributable to claim payments.

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.

2.2 Other operating revenue

in EUR 000

	2024	2023
Release of non-current provisions for failure to achieve the guaranteed fund return	1,735	14,195
Other operating revenue	326	181
Total	2,061	14,376

In 2024, Kapitalska družba received EUR 147 thousand in additional cash compensation in connection with the minority shareholder exclusion process in 2022. The remaining part of other operating revenue mainly relates to income from compensation received in the amount of EUR 78 thousand.

3. Costs of materials and services

in EUR 000

	2024	2023
Costs of materials	-362	-391
Energy	-160	-172
Small inventory	-17	-24
Office equipment and specialised literature	-162	-167
Other	-23	-28
Costs of services	-5,357	-4,775
Transport services	-46	-45
Services in relation to maintenance of business premises and fixed assets	-819	-678
Rents	-735	-631
Employees' work-related costs	-100	-75
Payment transactions and bank services, and insurance premiums	-810	-716
Intellectual and personal services	-619	-584
Fairs, advertising and entertainment	-542	-528
Services rendered by individuals	-265	-287
Other services	-1,421	-1,231
Total	-5,719	-5,166
Attributable insurance activity costs	-557	-466
Total excluding attributable insurance activity costs	-5,162	-4,700

Costs of material decreased in 2024 compared to 2023, mainly due to lower energy prices (electricity), while costs of services increased mainly due to higher maintenance costs for business premises and fixed assets, as well as higher costs of intellectual services.

a) Costs of audit

In 2024, the costs of auditing the annual reports of companies in the Group amounted to EUR 117 thousand including VAT (2023: EUR 118 thousand including VAT). For other assurance services in the financial years 2024 and 2023, the Group paid EUR 38 thousand to the auditor, and for the provision of other non-audit services an amount of EUR 7 thousand including VAT in 2024 for the presentation on sustainability reporting (2023: EUR 0). The Group did not pay any amount to the auditor for tax advisory services in the financial years 2024 and 2023.

4. Labour costs

in EUR 000

Labour costs	2024	2023
Payroll costs	-6,842	-6,170
Compensations for salaries/wages	-109	-74
Supplementary pension insurance	-299	-279
Holiday allowance, reimbursements and other receipts	-847	-803
Employer's contributions on salaries, wage compensation, bonuses, reimbursements and other receipts	-1,121	-1,000
Provisions for termination benefits upon retirement and jubilee benefits	-90	-22
Total	-9,307	-8,348
Attributable insurance activity costs	-713	-590
Total excluding attributable insurance activity costs	-8,594	-7,758

5. Write-downs in value

in EUR 000

	2024	2023
Amortisation/Depreciation	-1,983	-2,128
Amortisation of intangible fixed assets	-405	-403
Depreciation of buildings	-307	-309
Depreciation of equipment and spare parts	-417	-579
Computers and its equipment	-121	-129
Other equipment	-296	-450
Depreciation of investment property	-854	-837
Commercial property	-515	-514
Parking spots	-39	-39
Parts of investment property	-300	-284
Revaluatory operating expenses	0	-1
Revaluation operating expenses of fixed assets	0	-1
Total	-1,983	-2,129

Amortisation of intangible fixed assets relates to the amortisation of software and licences.

Depreciation of buildings refers to the depreciation of commercial property owned and used by the Kapitalska družba Group.

6.1. Insurance services expenses

in EUR 000

	2024	2023
Calculated claims (rents)	-8,058	-7,207
entire calculated claims (rents)	-39,837	-35,970
accrued guaranteed claims (rents)	31,779	28,763
Actual attributable costs (administrative costs and acquisition costs)	-1,008	-807
Expenses of onerous insurance contracts	-6,012	-1,133
Change in loss of onerous insurance contracts	863	453
Total	-14,215	-8,694

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

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

Expenses of onerous insurance contracts represent the effect of higher expected costs and changes in the expected outcome of the guarantee funds or expected profit sharing.

Change in loss of onerous insurance contracts refers to the claims payments from these contracts.

6.2 Other operating expenses

Other operating expenses in 2024 and 2023 largely include indirect costs of KS MR II and payments made by the fund manager to settle the difference to the guaranteed return of mutual pension funds.

7. Financial revenue

in EUR 000

	Note	2024	2023
Financial income from shares in associated and other companies	7. 1	137,256	109,506
Financial revenue from other investments and from loans	7. 2	21,317	18,807
Total		158,573	128,313

7. 1 Financial income from shares in associates and other companies

in EUR 000

	2024	2023
Dividends and shares in profits	47,426	38,513
Exchange differences revenue	7,543	59
Revenue from valuation of investments measured at fair value through profit or loss	63,393	56,407
Attributable gains/(losses) from investments in associates accounted for using the equity method	12,302	8,306
Realized gains revenue from the disposal of financial investments measured at fair value through profit or loss	6,581	6,198
Revenue from acquisition of abandoned securities	11	14
Revenue from acquisition of securities from registry accounts	0	9
Total	137,256	109,506

Revenue from dividends and shares in companies' profits amounting to EUR 47,426 thousand (2023: EUR 38,513 thousand) include domestic and foreign dividends and dividends from shares in companies.

Revenue from the valuation of investments measured at fair value through profit or loss in the amount of EUR 63,393 thousand (2023: EUR 56,407 thousand) is the result of positive trends in the financial markets in 2024.

In 2024, the net effect from investments in associates, accounted for using the equity method amounts to EUR 12,302 thousand (2023: EUR 8,306 thousand).

Revenue from acquisition of abandoned securities amounting to EUR 11 thousand (2023: EUR 14 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.

In 2023, revenues from acquisition of securities from registry accounts in the amount of EUR 9 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, Kapitalska družba 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.

7.2 Financial revenue from other investments and from loans

in EUR 000

	2024	2023
Interest revenue	18,518	16,479
thereof interest income calculated using the effective interest method	13,548	11,814
Revenue from valuation of investments measured at fair value through profit or loss	1,037	1,647
Revenue from sales	1,600	268
financial investments measured at fair value through other comprehensive income	1,078	153
financial investments measured at fair value through profit or loss	522	115
Revenue from decrease in credit losses	149	355
financial investments measured at amortized cost	36	84
financial investments measured at fair value through other comprehensive income	113	271
Exchange differences revenue	0	54
Other financial income	13	4
Total	21,317	18,807

a) Interest income

in EUR 000

	2024	2023
Deposits	137	178
at amortised cost (using effective interest method)	137	178
Bonds, commercial papers	15,320	12,516
at fair value through profit or loss	1,963	1,012
at fair value through other comprehensive income	10,735	9,632
at amortized cost	2,622	1,872
Other financial investments	3,061	3,785
at fair value through profit or loss	2,390	3,358
at amortized cost	671	427
thereof using effective interest method	54	132
Total	18,518	16,479

8. Financial expenses

in EUR 000

	Note	2024	2023
Financial expenses due to impairment and write-down of investments	8. 1	-3,532	-6,768
Financial expenses from financial liabilities	8. 2	-65,010	-65,010
Financial insurance contract expenses	8. 3	-8,534	-5,145
Financial expenses from operating liabilities		0	-5
Total		-77,076	-76,928

8. 1 Financial expenses due to impairment and write-down of other investments

in EUR 000

	2024	2023
Expenses from valuation of financial investments measured at fair value through profit or loss	-2,310	-1,429
Expenses from disposals	-874	-1,183
financial investments measured at fair value through profit or loss	-874	-457
financial investments measured at fair value through other comprehensive income	0	-726
Expenses from exchange differences	-150	-3,702
Expenses from credit losses	-184	-444
financial investments measured at fair value through other comprehensive income	-172	-413
financial investments measured at amortized cost	-12	-31
Interest expenses	-11	-7
thereof interest income calculated using the effective interest method	-3	-7
Other financial expenses	-3	-3
Total	-3,532	-6,768

8. 2 Financial expenses from financial liabilities

in EUR 000

	2024	2023
Interest expenses	-10	-10
Expenses for ZPIZ	-65,000	-65,000
Total	-65,010	-65,010

The company transferred EUR 65 million to ZPIZ in both years presented.

8. 3 Financial insurance contract expenses

in EUR 000

	2024	2023
Accrued interest at the locked-in rate (unwinding)	-8,472	-5,112
Other insurance contract expenses	-62	-33
Total	**-8,534**	**-5,145**

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; in other words, the difference between the discounted value of the expected insurance liabilities at the reporting date and at the last day of the previous year.

a) Result from financing

in EUR 000

	2024	2023
Financial revenue	158,573	128,313
Financial expenses	-77,076	-76,928
Net result from financing	**81,497**	**51,385**

9. Income tax

in EUR 000

	2024	2023
Profit or loss for the period before tax	88,683	68,414
Increases in retained earnings	2,874	77
Decreases in retained earnings	-1,461	-6,438
Total	**90,096**	**62,053**
Expenses not recognised for tax	3,054	2,577
Provisioning	-32	-53
Untaxed revenue	-53,822	-37,789
Tax relief	-513	-747
Tax losses	-10,605	-3,481
Tax on dividends from abroad	104	81
Other	11,937	16,744
Total	**40,219**	**39,385**
Income tax	**8,756**	**7,403**
Tax on dividends from abroad up to an agreement	93	81

In both years presented, the impact from the introduction of IFRS17 and the sale of equity investments is shown under the item Other. In accordance with point 3 of Article 61 of the ZDDPO-2, the guarantee funds of Modra zavarovalnica are taxed at a rate of 0%.

The Management Board believes that the calculation of tax liability is appropriate and is based on the opinions obtained from tax advisers. It is however possible that the competent tax authorities adopt a different position on certain issues, which could result in a difference between the tax liabilities disclosed in the consolidated financial statements of the companies and the amount assessed by the tax authority.

a) *Reconciliation of the actual and the calculated corporate income tax expense taking into account the effective tax rate*

in EUR 000

	2024	2023
Profit or loss before tax	88,683	68,414
Increases in retained earnings	2,874	77
Decreases in retained earnings	-1,461	-6,438
Total	**90,096**	**62,053**
Tax calculated at general tax rate	19,820	11,790
Change in tax based on:		
1. Revenue exempt from the tax base	**11,730**	**7,080**
Untaxed dividends received	11,928	7,215
Adjustment of revenue to the level recognised for tax purposes (decrease)	-198	-135
2. Expenses exempt from the tax base	**672**	**506**
Increase in expenses (unrecognised in previous periods)	91	104
Adjustment of expenses to the level recognised for tax purposes (decrease)	581	402
3. Tax reliefs used in current year	**208**	**310**
4. Utilisation of tax losses from previous years	**2,333**	**662**
5. Other tax effects	**2,626**	**7,684**
Total corporate income tax in the income statement	**8,756**	**7,403**
Effective tax rate	-	-

10. Deferred tax

in EUR 000

	Statement of financial position		Statement of profit or loss	
	2024	2023	2024	2023
Deferred income tax liabilities				
Revaluation of financial investments measured at fair value through other comprehensive income	86,862	66,002	0	-172
Total deferred income tax liabilities	**86,862**	**66,002**	**0**	**-172**
Deferred income tax assets				
Loss brought forward to be used as tax allowance	5,274	25,751	-20,478	9,773
Value adjustments for received unpaid dividends	1	0	1	0
Value adjustment of investments	1,327	1,555	-129	212
Provisions	46	51	-5	0
Total deferred income tax assets	**6,648**	**27,357**	**-20,611**	**9,813**
Netting of assets and liabilities	**1,327**	**1,555**	-	-
Deferred income tax assets after netting	**5,321**	**25,802**	-	-
Deferred income tax liabilities after netting	**85,535**	**64,447**	-	-

In November 2024, amendments to the Corporate Income Tax Act were adopted, which, among other things, limited the carry-forward of tax losses to subsequent tax periods to only five years.

Previously, the carryforward of tax losses was not limited in time. As a result, when preparing the financial statements for 2024, Kapitalska družba estimated the amount of tax losses that it is expected to be able to use in the next five years and reduced deferred tax assets from tax losses by EUR 20,478 thousand. The deferred tax asset relating to this item as of 31 December 2024 amounts to EUR 5,274 thousand (31 December 2023; EUR 25,751 thousand), and the unused tax loss is EUR 537,072 thousand (31 December 2023: EUR 547,677 thousand).

Modra zavarovalnica and Hotelske nepremičnine do not report tax losses as at 31 December 2024 and as at 31 December 2023.

a) Changes in deferred tax recognised directly in equity

in EUR 000

Changes in deferred tax	2024	2023
Balance as at 1 Jan	66,002	42,874
Changes during the year	20,860	23,128
Balance as at 31 Dec	86,862	66,002

The change in deferred tax liabilities is a result of the revaluation of financial investments measured at fair value through other comprehensive income.

17.3.2 Notes to the Statement of Financial Position

11. Intangible assets and non-current deferred costs and accrued revenue

in EUR 000

	2024			2023		
	Software and licences	Non-current accrued revenue and deferred costs	Total	Software and licences	Non-current accrued revenue and deferred costs	Total
Cost						
Cost as at 1 Jan	5,464	65,000	70,464	5,125	65,029	70,154
Additions	436	65,047	65,483	339	65,000	65,339
Disposals	-82	-65,000	-65,082	0	-65,029	-65,029
Cost as at 31 Dec	5,818	65,047	70,865	5,464	65,000	70,464
Value adjustment						
Value adjustment as at 1 Jan	4,147	0	4,147	3,744	0	3,744
Disposals	-83	0	-83	0	0	0
Amortisation/Depreciation *(Note 5)*	405	0	405	403	0	403
Value adjustment as at 31 Dec	4,469	0	4,469	4,147	0	4,147
Carrying amount						
Carrying amount as at 1 Jan	1,317	65,000	66,317	1,381	65,029	66,410
Carrying amount as at 31 Dec	1,349	65,047	66,396	1,317	65,000	66,317

Intangible assets have not been pledged as security.

Non-current deferred costs and accrued revenue as of 31 December 2024 in the amount of EUR 65,000 thousand relate to the accrued liability to ZPIZ, which matures in 2026 (31 December 2023: EUR 65,000 thousand, which matures in 2025).

12. Property, plant and equipment

in EUR 000

	2024			2023		
	Buildings	Other plant and equipment	Total	Buildings	Other plant and equipment	Total
Cost						
Cost as at 1 Jan	9,839	4,420	14,259	9,839	3,593	13,432
Additions	15	125	140	0	916	916
Disposals	0	-39	-39	0	-89	-89
Cost as at 31 Dec	9,854	4,506	14,360	9,839	4,420	14,259
Value adjustment						
Value adjustment as at 1 Jan	5,737	3,273	9,010	5,428	2,815	8,243
Disposals	0	-39	-39	0	-121	-121
Amortisation/Depreciation *(Note 5)*	308	417	725	309	579	888
Value adjustment as at 31 Dec	6,045	3,651	9,696	5,737	3,273	9,010
Carrying amount						
Carrying amount as at 1 Jan	4,102	1,147	5,249	4,411	778	5,189
Carrying amount as at 31 Dec	3,809	855	4,664	4,102	1,147	5,249

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

13. Investment property

in EUR 000

	2024			2023		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
Cost as at 1 Jan	3,669	29,600	33,269	3,669	29,720	33,389
Additions	0	75	75	0	13	13
Other	0	0	0	0	-133	-133
Cost as at 31 Dec	3,669	29,675	33,344	3,669	29,600	33,269
Value adjustment						
Value adjustment as at 1 Jan	0	9,345	9,345	0	-8,508	-8,508
Amortisation/Depreciation *(Note 5)*	0	854	854	0	-837	-837
Value adjustment as at 31 Dec	0	10,199	10,199	0	-9,345	-9,345
Carrying amount						
Carrying amount as at 1 Jan	3,669	20,255	23,924	3,669	21,212	24,881
Carrying amount as at 31 Dec	3,669	19,476	23,145	3,669	20,255	23,924

The Group did not impair any investment property in 2024.

As at 30 September 2024 and 31 October 2024, the value of investment properties was assessed by certified property valuers and amounts to EUR 33,539 thousand. The Group estimates that values of investment property could also be used as at 31 December 2024. The fair value of each individual investment property exceeds its carrying amount, therefore no impairment is required. As at 31 December 2024, the total estimated value of investment properties exceeds their carrying amount by EUR 10,394 thousand.

The valuation of investment properties of Kapitalska družba as at 30 September 2024 was carried out using the market comparison method for the valuation of parking spaces and using the income-based valuation method using the income capitalization method for the valuation of business premises. The following assumptions were used:

	Capitalisation rate (in %)	Deduction for vacancy (in %)	Deduction for recoverability (in %)
Commercial service premises	7.78	5.00	0.50
Office spaces	8.08	7.50	1.00

The valuation of the investment properties of Hotelske nepremičnine as at 31 October 2024 was carried out using the market comparison method for the valuation of land and garages and using the income-based valuation method with the discounted free cash flow method (discount rate 6.69%) for the valuation of hotel properties.

Investment property is not pledged.

Rental income from investment property and costs related to investment property

in EUR 000

	2024	2023
Rental income from investment property (Note 1)	3,233	2,863
Costs related to investment property	889	883

14. Investments in associates

Investments in associates as at 31 December 2024 include:

in EUR 000

Associate	Registered office	Equity stake (%)	Voting rights (%)	Equity as at 31 Dec 2024[18]	Net profit/loss for 2024[19]
Gospodarsko razstavišče, d. o. o.	Dunajska cesta 18, Ljubljana	29.51	29.51	17,554	58
HIT, d. d.	Delpinova ulica 7a, Nova Gorica	20.32	33.33	71,613	7,876
Loterija Slovenije, d. d.	Gerbičeva ulica 99, Ljubljana	25.00	25.00	22,520	7,570
Sava, d. d.	Dunajska cesta 152, Ljubljana	29.05	29.05	162,524	7,670
Terme Čatež, d. d.	Čatež ob Savi, Topliška cesta 35, Brežice	23.82	23.79	99,789	2,496
Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	24.79	24.79	53,701	6,020
Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20.17	20.94	211,036	23,087

18 Data for the equity of Gospodarsko razstavišče, d. o. o., Sava, d. d. and Terme Olimia, d. d. are unaudited.
19 Data for the net profit or loss of Gospodarsko razstavišče, d. o. o., Sava, d. d. in Terme Olimia, d. d. are unaudited.

Kapitalska družba consolidates all associated companies in its consolidated financial statements using the equity method.

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

Due to its ownership in subsidiaries, the Kapitalska družba Group is not exposed to the risk of providing financial resources for the operations/capital adequacy of these associates or the risk of participating in covering their potential liabilities.

At the end of 2024, the Group used valuations from external certified appraisers and internal valuation models, along with the latest available company performance data, to verify, assess, and evaluate their value as at 31 December 2024.

a) Changes in investments in associates

in EUR 000

	2024	2023
Carrying amount as at 1 Jan	84,808	79,859
Changes	2,377	4,949
Net effect of valuation of associates using the equity method	12,357	8,306
Net profit attribution due to adjustment of associates under the equity method	*12,357*	*8,306*
Disposals of dividends	-9,324	-1,578
Disposals in revaluation surplus	-656	-1,779
Conversion of a financial receivable	11,190	0
Carrying amount as at 31 Dec	98,375	84,808

In 2024, Kapitalska družba increased the capital of the company Sava, d. d., in the amount of EUR 11,190 thousand through a partial conversion of a financial receivable.

15. Financial investments, excluding loans

in EUR 000

	Non-current		Current		Total	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Financial investments measured at fair value through profit or loss	**660,146**	**526,887**	**59,109**	**118,750**	**719,255**	**645,637**
Equity instruments	24,777	22,033	0	0	24,777	22,033
Debt instruments	86,801	43,585	59,109	118,750	145,910	162,335
Units of target funds	548,568	461,269	0	0	548,568	461,269
Financial investments measured at fair value through other comprehensive income	**1,092,751**	**872,149**	**24,896**	**43,619**	**1,117,647**	**915,768**
Equity instruments	794,831	645,048	0	0	794,831	645,048
Debt instruments	297,920	227,101	24,896	43,619	322,816	270,720
Financial investments measured at amortized cost	**73,375**	**73,225**	**6,794**	**8,658**	**80,169**	**81,883**
Debt instruments	73,375	73,225	6,794	8,658	80,169	81,883
Total	**1,826,272**	**1,472,261**	**90,799**	**171,027**	**1,917,071**	**1,643,288**

a) Changes in financial investments, excluding loans

in EUR 000

	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortized cost	Total
1 Jan 2024	645,637	915,768	81,883	1,643,288
Acquisitions	290,743	135,940	7,635	434,318
Disposals	-131,162	-54,755	-310	-186,227
Maturity and interest payments	-163,498	-49,569	-11,630	-224,697
Revaluation and other changes	77,535	170,264	2,591	250,390
31 Dec 2024	719,255	1,117,647	80,169	1,917,071

in EUR 000

	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortized cost	Total
31 Dec 2022	650,687	570,438	241,642	1,462,767
Redistribution and revaluation as at 1 Jan 2023	-35,455	192,178	-179,381	-22,658
1 Jan 2023	615,232	762,616	62,261	1,440,109
Acquisitions	164,021	73,673	35,402	273,096
Disposals	-68,767	-18,450	-312	-87,529
Maturity and interest payments	-128,342	-26,979	-17,405	-172,726
Revaluation and other changes	63,492	124,907	1,937	190,336
31 Dec 2023	645,637	915,768	81,883	1,643,288

Other changes include accrued interest, exchange rate differences and changes in expected credit losses.

b) Top ten investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2024 excluding abandoned securities and securities from registry accounts

ISIN code	Value in EUR
SI0031102120	491,245,460
SI0031102153	110,450,655
SI0021110513	31,452,520
SI0031104290	28,687,042
SI0031101346	27,863,160
SI0031117813	19,007,787

ISIN code	Value in EUR
US5949181045	6,834,718
US02079K3059	6,310,911
DE0008430026	5,877,349
DE0008404005	5,080,603
Other	53,359,224
Total	786,169,429

c) Top ten largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2024 for abandoned securities

ISIN code	Value in EUR
SI0031107293	36,892
SI0031107772	29,666
SI0031114984	28,583
SI0031102120	18,070
SI0031114455	16,266
SI0031114604	13,819
SI0031117268	11,088
SI0031113184	9,312
SI0031105271	8,535
SI0021111651	7,898
Other	47,481
Total	227,610

d) Top ten largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2024 for abandoned securities from registry accounts

ISIN code	Value in EUR
SI0031102120	2,051,640
SI0021111651	1,538,919
SI0031102153	1,273,860
SI0031114984	424,813
SI0031107293	290,807
SI0031105495	278,322
SI0031101346	239,560
SI0031107947	208,800
SI0031107665	171,180
SI0031117813	139,273
Other	1,816,380
Total	8,433,554

In 2024, the Group received dividends relating to investments measured at fair value through other comprehensive income in the amount of EUR 34,566 thousand (2023: EUR 33,540 thousand). In 2024, upon derecognition of equity instruments measured at fair value through other comprehensive income, the Group realized a positive effect of EUR 16,632 thousand (2023: EUR 5,421 thousand), which is recognized in retained earnings.

e) Overview of financial assets and cash and cash equivalents according to carrying amount and fair value

in EUR 000

31 Dec 2024	Carrying amount	Fair value
Financial investments measured at fair value through profit or loss	719,255	719,255
Financial investments measured at fair value through other comprehensive income	1,117,647	1,117,647
Financial investments measured at amortized cost	80,169	79,688
Loans and deposits	95,132	95,135
Cash and cash equivalents	9,653	9,653
Total	2,021,856	2,021,378

in EUR 000

31 Dec 2023	Carrying amount	Fair value
Financial investments measured at fair value through profit or loss	645,637	645,637
Financial investments measured at fair value through other comprehensive income	915,768	915,768
Financial investments measured at amortized cost	81,883	81,340
Loans and deposits	67,747	67,762
Cash and cash equivalents	5,175	5,175
Total	1,716,210	1,715,682

f) Investments by type of interest rate

in EUR 000

Investment	31 Dec 2024	31 Dec 2023
Debt instruments	**548,895**	**514,938**
fixed interest rate	547,586	511,525
variable interest rate	1,309	3,413
Loans and deposits	**95,132**	**67,747**
fixed interest rate	95,132	67,747

g) *Fair value hierarchy*

in EUR 000

31 Dec 2024	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	1,600,995	240,638	93,644	1,935,277
Financial investments measured at fair value through profit or loss	628,870	66,803	23,582	719,255
Equity instruments	17,764	7,013	0	24,777
Debt instruments	133,422	8,992	3,496	145,910
Units of target funds	477,684	50,798	20,086	548,568
Financial investments measured at fair value through other comprehensive income	972,125	173,835	70,062	1,216,022
Equity instruments	659,047	164,097	70,062	893,206
Debt instruments	313,078	9,738	0	322,816
Financial investments measured at amortised cost with fair value disclosed	72,802	100,943	1,078	174,823
Debt instruments	72,802	5,808	1,078	79,688
Loans and deposits	0	95,135	0	95,135
Total	1,673,797	341,581	94,722	2,110,100

in EUR 000

31 Dec 2023	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	1,251,879	291,781	102,553	1,646,213
Financial investments measured at fair value through profit or loss	534,093	60,853	50,691	645,637
Equity instruments	17,109	4,923	0	22,032
Debt instruments	127,617	3,173	31,546	162,334
Units of target funds	389,367	52,757	19,145	461,269
Financial investments measured 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 investments measured at amortised cost with fair value disclosed	73,449	75,653	0	149,102
Debt instruments	73,449	7,891	0	81,340
Loans and deposits	0	67,762	0	67,762
Total	1,325,328	367,434	102,553	1,795,315

The fair value 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.

Material investments were valued by external certified appraisers of companies and qualified persons.

Investments with smaller values were valued by qualified persons based on the comparable companies method and the net asset value method.

Assessment of fair value of individual investments in level 3 of fair value hierarchy 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 (in 2023 also with dividend discount model), 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 that the Group received from individual companies.

As of 31 December 2023, the Group reports an investment in a financial receivable with a principal amount of EUR 28,416 thousand, and its fair value is determined on the basis of the estimated fair value of the principal collateral using the return-based valuation method using the discounted free cash flow method.

Gains on investments classified in Level 3 of the fair value hierarchy relate to dividends, coupons received and profits from the sale of investments.

31 Dec 2024	Non-market investment	Valuation technique	Discount rate/ yield capitalisation rates in %
Equity instruments	Elektro Ljubljana, d. d.	Discounted free cash flow method	5.58
Equity instruments	Elektro Celje, d. d.	Discounted free cash flow method	8.14
Equity instruments	Elektro Gorenjska, d. d.	Discounted free cash flow method	8.14
Equity instruments	Elektro Maribor, d. d.	Discounted free cash flow method	8.14
Equity instruments	Elektro Primorska, d. d.	Discounted free cash flow method	8.14
Equity instruments	HIT, d. d.	Discounted free cash flow method	12.19
Equity instruments	Terme Olimia, d. d.	Discounted free cash flow method	8.9
Equity instruments	Loterija Slovenije, d. d.	Discounted free cash flow method	10.4
Equity instruments	Sava, d. d.	Net asset value method	
Equity instruments	Gospodarsko razstavišče, d. o. o.	Discounted free cash flow method	8.4
Equity instruments	PS za avto, d. o. o.	Net asset value method	
Equity instruments	Sava turizem, d. d.	Discounted free cash flow method	7.9 and 7.3
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	10.9
Equity instruments	Plinhold, d. o. o.	Net asset value method	
Equity instruments	Talum, d. d.	Discounted free cash flow method	12.0 and 12.1
Equity instruments	Delavska hranilnica	Dividend discount model	11.20
Debt securities	SIJ8 Bond	Bloomberg BVAL	
Debt securities	KFWP ECP 0 13/01/25	Cost	
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	
Units of target funds	ACP I	Quarterly publication of fund unit value	

31 Dec 2024	Non-market investment	Valuation technique	Discount rate/ yield capitalisation rates in %
Units of target funds	ALFI	Quarterly publication of fund unit value	
Units of target funds	ALFI II	Quarterly publication of fund unit value	
Units of target funds	ALFI PD	Quarterly publication of fund unit value	
Units of target funds	INVL STAFF II	Quarterly publication of fund unit value	
Units of target funds	ADVANCE CP I	Quarterly publication of fund unit value	
Units of target funds	ALFI RE	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	AMC V	Quarterly publication of fund unit value	
Units of target funds	AQUILA CAP. INFRAS. FUND	Quarterly publication of fund unit value	
Units of target funds	CGO VII	Quarterly publication of fund unit value	
Units of target funds	ELEMENTS	Quarterly publication of fund unit value	
Units of target funds	ELEMENTS CO II	Quarterly publication of fund unit value	
Units of target funds	Generali AVF	Quarterly publication of fund unit value	
Units of target funds	MPEP III SCS 2018	Quarterly publication of fund unit value	
Units of target funds	SAGA VII COMBINED	Quarterly publication of fund unit value	
Units of target funds	SGF III	Quarterly publication of fund unit value	
Units of target funds	TRIGAL RE	Quarterly publication of fund unit value	

31 Dec 2023	Non-market investment	Valuation technique	Discount rate/ yield capitalisation rates in %
Equity instruments	Elektro Ljubljana, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Celje, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Gorenjska, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Maribor, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Primorska, d. d.	Dividend discount model	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

31 Dec 2023	Non-market investment	Valuation technique	Discount rate/ yield capitalisation rates in %
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	

h) Changes in investments in level 3

in EUR 000

	Equity instruments	Debt securities	Units of target funds	Loans and deposits	Total
Balance as at 1 Jan 2024	51,862	3,130	19,144	28,416	102,552
Disposals	-155	0	-4,598	0	-4,753
Maturity	0	-1,927	0	-28,416	-30,343
Acquisitions	11,191	3,491	3,757	0	18,439
Revaluation	5,741	5	1,783	0	7,529
Reclassifications	1,423	-125	0	0	1,298
Balance as at 31 Dec 2024	70,062	4,574	20,086	0	94,722

The acquisition of equity instruments in the amount of EUR 11,190 thousand relates to the increase in the investment in an associated company upon conversion of the investment in a financial receivable into an equity interest. The revaluation of Equity instruments in the amount of EUR 5,741 thousand relates mainly to the higher valuation of material investments which was carried out by external authorized company appraisers and professionally qualified persons and to the revaluation of associated companies using the equity method.

	Equity instruments	Debt securities	Units of target funds	Investment in financial receivable	in EUR 000 Total
Balance as at 1 Jan 2023	44,037	3,147	14,824	28,416	90,424
Disposals, Maturity	0	-2,003	-2,283	0	-4,286
Acquisitions	1	0	5,848	0	5,849
Revaluation	6,156	60	756	0	6,972
Reclassifications	1,668	1,926	0	0	3,594
Balance as at 31 Dec 2023	51,862	3,130	19,145	28,416	102,553

The revaluation of Equity instruments in the amount of EUR 6,156 thousand relates mainly to the higher valuation of material investments which was carried out by external authorized company appraisers and professionally qualified persons and to the revaluation of associated companies using the equity method.

In the case of an investment in a financial receivable, the receivable for accrued interest amounts to EUR 9,807 *(Note 17)*. The financial receivable, including accrued interest, was partially repaid in 2024 and partially converted into an equity interest *(Note 14)*.

i) Transition between levels of the fair value hierarchy of investments

in EUR 000

31 Dec 2024	From Level 1 to Level 2	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 2
Financial investments measured at fair value through profit or loss	2,197	4,707	0	1,341
Equity instruments	0	30	0	0
Debt securities	0	0	0	1,341
Units of target funds	2,197	4,677	0	0
Financial investments measured at fair value through other comprehensive income	27,971	117,079	1,426	4
Equity instruments	27,971	115,907	1,426	4
Debt securities	0	1,172	0	0
Financial assets measured at amortised cost with fair value disclosed	0	0	1,078	0
Debt securities	0	0	1,078	0
Total	30,168	121,786	2,504	1,345

in EUR 000

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
Financial investments measured at fair value through profit or loss	8,399	16,747	0	0
Units of target funds	8,399	16,747	0	0
Financial investments measured 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 of assets in 2024 and 2023 were made mainly due to changes in the average value of investment turnover on stock markets.

j) *Effective interest rate by investment groups*

	2024	2023
Financial investments measured at amortized cost	3.35%	3.24%
Financial investments measured at fair value through other comprehensive income	3.51%	3.77%

Financial assets disclosed in the table above comprise all debt financial instruments with effective interest rates.

16. Loans and deposits

in EUR 000

	Non-current		Current		Total	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Deposits	91,688	59,949	3,444	7,798	95,132	67,747
Total	**91,688**	**59,949**	**3,444**	**7,798**	**95,132**	**67,747**

17. Operating receivables

in EUR 000

	Non-current		Current		Total	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Operating receivables due from domestic customers	0	0	4,101	4,465	4,101	4,465
Operating receivables due from others	1,347	280	2,472	10,999	3,819	11,279
Accrued revenue and deferred costs	0	0	85,885	68,953	85,885	68,953
Total	**1,347**	**280**	**92,458**	**84,417**	**93,805**	**84,697**

The largest part of operating receivables is represented by accrued revenue and deferred costs, which as at 31 December 2024, in the amount of EUR 81,482 thousand, relate to current deferred expenses from the ZPIZ transfer for 2025 (31 December 2023: EUR 65,000 thousand for 2024), while the remaining part is represented by current deferred receivables due from mutual pension funds for guarantee fund premiums arising from the last conversion in the period.

As at 31 December 2024, operating receivables due from others in the amount of EUR 1,286 thousand relate to receivables from the sale of financial investments, of which EUR 1,029 thousand are recognized as long-term receivables and EUR 257 thousand as short-term receivables (31 December 2023: EUR 0). As at 31 December 2023, current operating receivables from others also include accrued interest from an investment in a secured financial receivable in the amount of EUR 9,807 thousand. Other operating receivables due from others relate primarily to payments into the reserve fund and receivables from securities transactions.

The majority of operating receivables due from domestic customers are receivables from mutual pension funds from services provided by the group as a fund manager (31 December 2024: EUR 1,800 thousand and 31 December 2023: EUR 1,622 thousand).

As at 31 December 2024 and 31 December 2023, the Group had no credit losses from operating receivables. The Group's operating receivables are not subject to material risk.

a) Breakdown of operating trade receivables by maturity

in EUR 000

	Total	Non due	Due				
			Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 do 180 days	From 181 to 365 days
31 Dec 2024	4,101	4,099	2	0	0	0	0
31 Dec 2023	4,465	4,450	9	3	0	2	1

18. Cash and cash equivalents

in EUR 000

	31 Dec 2024	31 Dec 2023
Bank balances	8,053	5,175
Cash assets on demand	1,600	0
Total	9,653	5,175

19. Equity

	31 Dec 2024	31 Dec 2023
Share capital (in EUR 000)	364,810	364,810
Ordinary shares (number)	874,235	874,235

The share capital of the parent company in the amount of EUR 364,810 thousand is represented by 874,235 ordinary registered non-par value shares, each with an equal share and corresponding amount in the share capital. Kapitalska družba has no treasury shares.

20. Capital reserves

in EUR 000

Capital reserves	2024	2023
As at 1 Jan	218,801	218,046
Increase in capital reserves	104	755
Balance as 31 Dec	218,905	218,801

In 2024, the capital reserves increased by EUR 104 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act (2023: EUR 755 thousand).

21. Changes in fair value reserves

in EUR 000

Changes in fair value reserves and deferred taxes in equity	2024	2023
Gross fair value reserves as at 1 Jan	537,093	438,826
Deferred taxes	66,002	42,874
Net fair value reserves as at 1 Jan	471,091	395,952
Changes during the year – gross increase in reserves	167,531	119,996
Changes during the year – gross decrease in reserves	-16,930	-21,729
Gross fair value reserves as at 31 Dec	687,694	537,093
Adjustments (criteria: 8%, 6 months)	-280,671	-218,825
Balance as at 31 Dec, gross after adjustment	395,833	318,278
Deferred tax as at 31 Dec	86,862	66,002
Net fair value reserves as at 31 Dec	600,832	471,091

22. Financial and operating liabilities and insurance contract liabilities

in EUR 000

	Non-current		Current		Total	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Financial liabilities	65,000	65,000	81,483	65,000	146,483	130,000
Trade payables	1,437	1,319	744	624	2,181	1,943
Operating liabilities from advances	3	2	0	0	3	2
Liabilities to the state	0	0	492	401	492	401
Other operating liabilities	105	28	14,707	13,643	14,812	13,671
Insurance contract liabilities	401,766	336,630	0	0	401,766	336,630
Total	468,311	402,979	97,426	79,668	565,737	482,647

Financial liabilities in the amount of EUR 146,482 thousand (31 Dec 2023: EUR 130,000 thousand) are the Kapitalska družba's obligation for ZPIZ transfer in accordance with ZIPRS2526 (31 Dec 2023: ZIPRS2425), namely a non-current financial liability in the amount of EUR 65,000 thousand for the transfer in 2026 (31 Dec 2023: EUR 65,000 thousand for the transfer in 2025) and a current financial liability in the amount of EUR 81,482 thousand for the transfer in 2025 (31 Dec 2023: EUR 65,000 thousand for the transfer in 2024).

Non-current trade payables as at 31 December 2024 in the amount of EUR 1,437 thousand (31 December 2023: EUR 1,319 thousand) largely represent already calculated claims (rents) that have not been paid for various reasons.

Current operating receivables consist of trade payables, liabilities to the state and other operating liabilities. The latter mainly relate to deferred revenues 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 2025 in the amount of EUR 12,927 thousand (31 December 2023: EUR 11,161 thousand).

a) Maturity structure of financial and operating liabilities

in EUR 000

31 Dec 2024	Up to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Financial liabilities	81,483	65,000	0	0	146,483
Operating liabilities	15,943	1,543	0	2	17,488
Trade payables	744	1,437	0	0	2,181
Operating liabilities from advances	0	1	0	2	3
Liabilities to the state	492	0	0	0	492
Other operating liabilities	14,707	105	0	0	14,812
Insurance contract liabilities	34,725	30,388	73,312	263,341	401,766
Total	132,151	96,931	73,312	263,343	565,737

in EUR 000

31 Dec 2023	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
Operating liabilities	79,668	1,347	0	2	81,017
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

b) Non-current insurance contracts liabilities

in EUR 000

Item	31 Dec 2024	31 Dec 2023
Present value of future cash flows	372,944	316,458
Risk adjustment	2,396	2,201
Contractual Service Margin	26,426	17,971
Total liability for remaining coverage	401,766	336,630

c) *Changes in insurance contracts liabilities*

in EUR 000

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	No loss component	Loss component		
Liabilities	328,018	8,612	0	336,630
Starting balance – net liabilities 1 Jan 2024	**328,018**	**8,612**	**0**	**336,630**
Changes in income statement or statement of other comprehensive income				
Insurance contracts income	**-9,943**	**0**	**0**	**-9,943**
Contracts for which the fair value approach was applied	-5,248	0	0	-5,248
Other contracts	-4,695	0	0	-4,695
Insurance contracts expenses				
Incurred claims (without investment component) and other insurance contracts expenses	0	-862	8,214	7,352
Changes in fulfilment cash flows related to incurred claims	0	0	0	0
Incurred claims	**0**	**-862**	**8,214**	**7,352**
Amortization of insurance acquisition costs	315	0	0	315
Changes relating to future service	0	6,549	0	6,549
Insurance operating costs	**315**	**6,549**	**0**	**6,864**
Total insurance contract expenses	**315**	**5,687**	**8,214**	**14,216**
Investment component excluded from income and expenses from insurance services	-32,316	0	32,316	0
Insurance result	**-41,944**	**5,687**	**40,530**	**4,273**
Net financial revenue/expenses from insurance	9,758	63	0	9,821
Total changes in income statement and statement of other comprehensive income	**-32,186**	**5,750**	**40,530**	**14,094**
Cash flows				
Received premiums for issued insurance contracts	91,821	0	0	91,821
Incurred claims that have been paid and paid insurance services expenses	0	0	-40,530	-40,530
Insurance acquisition cash flows	-249	0	0	-249
Total cash flows	**91,572**	**0**	**-40,530**	**51,042**
Liabilities	387,404	14,362	0	401,766
Final balance - net liabilities 31 Dec 2024	**387,404**	**14,362**	**0**	**401,766**

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 Jan 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 Dec 2023	**328,018**	**8,612**	**0**	**336,630**

d) Changes in insurance contracts liabilities and contractual service margin

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	316,459	2,200	0	17,971	17,971	336,630
Starting balance – net liabilities 1 Jan 2024	316,459	2,200	0	17,971	17,971	336,630
Changes in income statement or statement of other comprehensive income						
Changes relating to future service	-3,743	145	0	10,147	10,147	6,549
Changes in estimates that adjust the contractual service margin	1,066	-14	0	-568	-568	484
Changes in estimates that do not adjust the contract service margin (losses/loss reversals on onerous contracts)	5,976	-33	0	0	0	5,943
Effects of contracts for which initial recognition was made during the period	-10,785	192	0	10,715	10,715	122
Changes relating to current service	147	-8	0	-2,415	-2,415	-2,276
Contractual service margin recognised in profit or loss that reflects the transfer of services	0	0	0	-2,415	-2,415	-2,415
Change in the adjustment for non-financial risk that does not relate to a future or past service	0	-8	0	0	0	-8
Experience adjustments	147	0	0	0	0	147
Changes relating to past service	0	0	0	0	0	0
Insurance result	-3,596	137	0	7,732	7,732	4,273
Net financial revenue/expenses from insurance	9,039	59	0	723	723	9,821
Total changes in income statement and statement of other comprehensive income	5,443	196	0	8,455	8,455	14,094
Cash flows						
Received premiums for issued insurance contracts	91,821	0	0	0	0	91,821
Incurred claims that have been paid and paid insurance services expenses	-40,530	0	0	0	0	-40,530
Insurance acquisition cash flows	-249	0	0	0	0	-249
Total cash flows	51,042	0	0	0	0	51,042
Liabilities	372,944	2,396	0	26,426	26,426	401,766
Final balance – net liabilities 31 Dec 2024	372,944	2,396	0	26,426	26,426	401,766

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 Jan 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 Dec 2023	**316,458**	**2,200**	**0**	**17,971**	**17,971**	**336,629**

e) New contracts

in EUR 000

2024	Contracts issued	
	Profitable	Onerous
Insurance contracts		
Incurred claims and other insurance services expenses	78,014	97
Insurance acquisition cash flows	186	73
Present value of expected cash outflows	**78,200**	**170**
Present value of expected cash inflows	-89,102	-52
Adjustment for Non-Financial Risk	188	5
Contractual Service Margin	10,715	0
Total at the initial recognition	**0**	**122**

in EUR 000

2023	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**

f) Estimated release of the contractual service margin by year

in EUR 000

	Up to 1 year	1 up to 2 years	2 up to 3 years	3 up to 4 years	From 4 to 5 years	From 5 to 10 years	More than 10 years	Total
31 Dec 2024	2,616	2,304	2,056	1,820	1,578	6,246	9,806	**26,426**
31 Dec 2023	1,823	1,628	1,446	1,280	1,105	4,205	6,484	**17,971**

g) Expected maturity of insurance contracts liabilities by year

in EUR 000

	Up to 1 year	1 up to 2 years	2 up to 3 years	3 up to 4 years	From 4 to 5 years	More than 5 years	Total
31 Dec 2024	37,832	33,969	30,960	28,454	26,037	343,787	**501,039**
31 Dec 2023	34,236	30,532	27,484	24,977	22,770	293,475	**433,474**

23. Current tax liabilities

in EUR 000

	31 Dec 2024	31 Dec 2023
Current income tax liabilities	2,398	2,516

As at 31 December 2024, the current income tax liability includes the current tax liability of Kapitalska družba in the amount of EUR 1,636 thousand, Modra zavarovalnica in the amount of EUR 658 thousand and Hotelske nepremičnine in the amount of EUR 104 thousand. As at 31 December 2023, the current income tax liability includes the current tax liability of Modra zavarovalnica in the amount of EUR 1,898 thousand and Kapitalska družba in the amount of EUR 618 thousand.

24. Provisions

in EUR 000

	Provisions for pensions and similar liabilities	Other provisions	Total
Balance as at 1 Jan 2024	720	5,244	5,964
Newly set aside during the year	106	0	106
Utilisation	-67	0	-67
Reversal	0	-1,735	-1,735
Balance as at 31 Dec 2024	759	3,509	4,268

in EUR 000

	Provisions for pensions and similar liabilities	Other provisions	Total
Balance as at 1 Jan 2023	601	19,439	20,040
Newly set aside during the year	153	0	153
Utilisation	-17	0	-17
Reversal	-17	-14,195	-14,212
Balance as at 31 Dec 2023	720	5,244	5,964

In 2024, the Kapitalska družba Group additionally formed provisions for benefits upon retirement and jubilee benefits for EUR 106 thousand, mostly through the statement of profit or loss (2023: EUR 153 thousand additionally formed).

Due to favourable conditions on financial markets in 2024, the Group eliminated provisions for failure to achieve the guaranteed fund return under management in the amount of EUR 1,735 thousand (31 December 2023: EUR 14,195 thousand). Thus, at the end of 2024, the balance of provisions for failure to achieve the guaranteed fund return under management and legal disputes amounts to EUR 3,509 thousand (31 Dec 2023: EUR 5,244 thousand).

a) Capital Management – Solvency II

Due to the long-term improvement in operations, the Group continuously develops and enhances its entire risk management system. It is particularly important for Modra zavarovalnica to operate in accordance with the requirements of Solvency II, the strategic goal of which is to protect the insured members' assets. In order to ensure long-term target capital adequacy, Modra zavarovalnica 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.

Its own risk and solvency assessment, conducted in 2024, shows that Modra zavarovalnica has sufficient capital to cover all risks it assumes in its operations. In 2024, the SCR ratio (Solvency Capital Requirement) increased from an initial 309% to 324% compared to 2023. The main reason for the increase in the SCR ratio is favourable market conditions throughout 2024. The positive impact on the SCR ratio was due to the growth in stock markets and the downward shift of the risk-free interest rate curve, particularly in its shorter segment, which resulted in an increase in liabilities on one hand and a favourable impact on the valuation of debt securities on the other.

b) Capital adequacy of Modra zavarovalnica pursuant to the requirements of Solvency II

in EUR 000

Item	31 Dec 2024	31 Dec 2023
Total capital requirement	134,333	129,594
Available eligible own funds	435,167	400,253
Surplus (+)/deficit (-) of available own funds	300,834	270,660
Eligible own funds to total capital need ratio	324%	309%

As at 31 December 2024 and 31 December 2023, annual solvency reports are presented in the Solvency Report and Financial Position of Modra zavarovalnica, 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 *Important information on Accounting policies*. The Group estimates that the financial assets are exposed to credit, market (interest rate, currency, price) and liquidity risk. The presented tables include own assets of the Group and the assets of the guarantee funds (KS PPS, KS MR and KS MR II).

a) 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 25: Net exposure of financial assets to credit risk without considering potential collateral (security)

in EUR 000

31 Dec 2024 Internal rating	Method of measuring expected loss rate	Credit rating	Bonds	Deposits	Other	Total
Secure investments	12-month expected losses	AAA	30,292	0	7,735	38,027
		AA	122,827	0	28,060	150,887
		A	210,913	91,688	1,585	304,186
		BBB	118,157	0	25,931	144,088
Less secure investments	12-month / lifetime expected losses	BB	5,904	3,444	0	9,348
		B	4,672	0	0	4,672
		CCC	1,944	0	0	1,944
		No credit rating	0	0	4	4
Units of target funds					548,568	548,568
Total			494,709	95,132	611,883	1,201,724

in EUR 000

31 Dec 2023 Internal rating	Method of measuring expected loss rate	Credit rating	Bonds	Deposits	Other	Total
Secure 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 secure 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					461,269	461,269
Total			403,109	67,748	577,586	1,048,443

Table 26: Changes in loss allowance

in EUR 000

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 Jan 2024	134	115	414	663
Transfer between stages	-3	14	0	11
Transfer from stage 1 to stage 2	-3	47	0	44
bonds	-3	47	0	44
Transfer from stage 2 to stage 3	0	-33	0	-33
bonds	0	-33	0	-33
Derecognition of financial assets in the period	-55	-79	-31	-165
bonds	-43	-70	-31	-144
deposits	-9	-9	0	-18
other	-3	0	0	-3
Acquisition of financial assets in the period	73	0	0	73
bonds	67	0	0	67
deposits	6	0	0	6
Other changes	29	0	85	114
Loss allowance as at 31 Dec 2024	178	50	468	696

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 27: Changes in gross carrying amount and loss allowance

in EUR 000

	Gross carrying amount	Loss allowance
1 Jan 2024	420,420	663
Transfer between stages	-644	11
Transfer from stage 1 to stage 2	0	44
Transfer from stage 2 to stage 3	-644	-33
Derecognition of financial assets in the period	-119,591	-165
Acquisition of financial assets in the period	200,040	73
Other changes	182	114
31 Dec 2024	500,407	696

in EUR 000

	Gross carrying amount	Loss allowance
31 Dec 2022	331,491	884
Adjustment due to revaluation of investments	-5,008	167
1 Jan 2023	326,483	1,051
Transfer from stage 1 to stage 2	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 28: Geographical concentration of credit risk exposure of financial assets.

in EUR 000

Region	31 Dec 2024	31 Dec 2023
Slovenia	209,532	198,000
EU (excluding Slovenia)	375,290	311,666
USA	42,012	55,462
Other	26,322	22,046
Units of target funds	548,568	461,269
Total	1,201,724	1,048,443

b) Currency risk

Table 29: Currency composition of financial assets

in EUR 000

Currency of the financial asset	31 Dec 2024	in %	31 Dec 2023	in %
EUR	1,843,519	86.9	1,577,945	87.6
USD	264,971	12.5	212,078	11.8
Other currencies	11,741	0.6	10,994	0.6
Total	2,120,231	100.0	1,801,018	100.0

Table 30: Currency risk of financial assets

in EUR 000

Change of the USD exchange rate by +/- 10%	31 Dec 2024	31 Dec 2023
Impact on statement of profit or loss	+/- 22,914	+/- 17,456
Impact on other other comprehensive income	+/- 3,583	+/- 3,752
Total	+/- 26,497	+/- 21,208

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.

c) 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 but 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 31: Analysis of investment sensitivity to changes in market interest rates – change in interest rates by 100 basis points

in EUR 000

31 Dec 2024	Interest rate change	Sensitivity of interest income	Effect on fair value	Total
Financial investments measured at fair value through profit or loss	+/- 1%	+/- 2,126	-/+ 15,601	-/+ 13,475
Financial investments measured at amortized cost	+/- 1%	+/- 0	-/+ 0	-/+ 0
Financial investments measured at fair value through other comprehensive income	+/- 1%	+/- 0	-/+ 19,991	-/+ 19,991
Total		+/- 2,126	-/+ 35,592	-/+ 33,466

in EUR 000

31 Dec 2023	Interest rate change	Sensitivity of interest income	Effect on fair value	Total
Financial investments measured at fair value through profit or loss	+/- 1%	+/- 2,212	-/+ 11,281	-/+ 9,069
Financial investments measured at amortized cost	+/- 1%	+/- 0	-/+ 0	-/+ 0
Financial investments measured at fair value through other comprehensive income	+/- 1%	+/- 0	-/+ 13,826	-/+ 13,826
Total		+/- 2,212	-/+ 25,107	-/+ 22,895

The calculation of the interest revenue sensitivity was made by taking into account the investments subject to variable interest rate, whereas the impact on fair value was calculated by taking into account the investments subject to fixed interest rate, including investments in bond investment funds. If market interest rates had changed by 100 basis points, the value of the investments as at 31 December 2024 would have changed by EUR 33,466 thousand (31 Dec 2023: EUR 22,895 thousand). Interest rate risk increased in 2024 due to higher exposure to investments sensitive to changes in market interest rates and due to an increase in the average duration of the debt investment portfolio.

d) 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 32: Market risk of the equity securities portfolio and investments in equity investment funds

in EUR 000

Change by +/- 10%	31 Dec 2024		31 Dec 2023	
	Index change	Portfolio change	Index change	Portfolio change
Impact on statement of profit or loss	+/- 31,972	+/- 32,955	+/- 28,312	+/- 29,137
Impact on other other comprehensive income	+/- 5,548	+/- 81,431	+/- 21,012	+/- 65,612
Total	+/- 37,520	+/- 114,386	+/- 49,324	+/- 94,749

The impact assessment 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, measured at fair value through profit or loss, and the impact on other comprehensive income arises from investments, measured through other comprehensive income. Index risk is calculated using the beta indicator relative to the global stock index, while portfolio risk takes into account a +/- 10% change in market investment prices. The market risk relative to the change in the index decreased in 2024 due to the lower value of the beta indicator, mainly of domestic market equity investments, while the market risk, taking into account only the change in investment prices, increased due to the higher value of the equity portfolio.

Table 33: Overview of financial instruments according to marketability

in EUR 000

Financial instrument	31 Dec 2024	31 Dec 2023
Financial investments traded on the regulated market	1,858,118	1,554,229
Financial investments measured at fair value through profit or loss	670,495	577,115
Financial investments measured at amortized cost	76,245	75,457
Financial investments measured at fair value through other comprehensive income	1,111,379	901,657
Financial investments not traded on the regulated market	157,327	173,866
Financial investments measured at fair value through profit or loss	48,759	68,522
Financial investments measured at amortized cost	3,925	6,426
Financial investments measured at fair value through other comprehensive income	104,643	98,919
Cash and cash equivalents	9,653	5,175
Total	2,025,098	1,733,271

As at 31 December 2024, investments traded on regulated securities markets comprised 92% of financial instruments or 80% of the group's total assets (this group also includes OTC investments or interbank market investments).

e) 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 by precise matching of maturity of assets with liabilities. As at 31 December 2024, the Group recorded a total of EUR 1,676,533 thousand (31 December 2023: EUR 1,393,115 thousand) of surplus of expected non-discounted cash inflows over outflows.

Table 34: Expected actual non-discounted cash flows

in EUR 000

31 Dec 2024	Up to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Investments in securities	101,846	223,030	442,915	1,472,513	2,240,304
Financial investments measured at fair value through profit or loss	61,474	45,644	59,785	573,345	740,249
Financial investments measured at amortized cost	8,478	29,784	157,977	0	196,239
Financial investments measured at fair value through other comprehensive income	31,894	147,601	225,153	899,168	1,303,816
Cash and cash equivalents	9,653	0	0	0	9,653
Operating receivables	92,458	1,347	0	0	93,805
Total assets	203,957	224,377	442,915	1,472,513	2,343,762
Operating liabilities	18,341	1,545	0	0	19,886
Financial liabilities	81,483	65,000	0	0	146,483
Annuity fund liabilities	37,832	119,421	343,787	0	501,040
Total operating and financial liabilities	137,656	185,966	343,787	0	667,409
Difference	66,301	38,411	99,128	1,472,513	1,676,353

in EUR 000

31 Dec 2023	Up to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Investments in securities	155,617	177,506	305,643	1,218,068	1,856,834
Financial investments measured at fair value through profit or loss	92,269	12,772	41,281	482,249	628,571
Financial investments measured at amortized cost	16,998	33,441	120,019	0	170,458
Financial investments measured at fair value through other comprehensive income	46,350	131,293	144,344	735,819	1,057,805
Investment in financial receivable	28,416	0	0	0	28,416
Cash and cash equivalents	5,175	0	0	0	5,175
Operating receivables	84,417	280	0	0	84,697
Total assets	273,625	177,786	305,643	1,218,068	1,975,122
Operating liabilities	17,184	1,349	0	0	18,533
Financial liabilities	65,000	65,000	0	0	130,000
Annuity fund liabilities	34,236	105,764	293,475	0	433,474
Total operating and financial liabilities	116,420	172,113	293,475	0	582,007
Difference	157,205	5,673	12,169	1,218,068	1,393,115

The No Maturity column includes stocks, shares, and investment coupons. Compared to the presentation for the year ended 31 December 2023, their presentation has changed, namely, in the previous year's presentation these items were included in the Less than one year column, but in this year's presentation they are presented in a separate column. The presentation of comparative data was also adjusted to these changes.

f) Contingent assets and liabilities

Table 35: Contingent assets and liabilities

in EUR 000

	31 Dec 2024	31 Dec 2023
Contingent assets	7,674	7,674
Contingent liabilities	3,312	2,947

As at 31 December 2024, Kapitalska družba 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 (31 December 2023: EUR 7,674 thousand).

The contingent liabilities relate to the commitment of Kapitalska družba and Modra zavarovalnica to purchase units of target funds.

17.4 OTHER DISCLOSURES

Remuneration of the members of the Management Board, Supervisory Board and employees with executive employment contracts of Kapitalska družba, d. d.

In 2024, 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 1,091 thousand.

The names of the members of the Management Board and other bodies are listed in the introductory part of the Annual Report under section Presentation of the Kapitalska družba Group. In 2024, Kapitalska družba Group granted no prepayments or loans to members of its Management or Supervisory Boards, and neither did it assume any liabilities on their behalf.

Table 36: 2024 Remuneration of Kapitalska družba, d. d. by category of beneficiaries

in EUR

Category of beneficiaries	Receipt amounts
Management Board members	405,517
Members of the Supervisory Board	109,519
Employees with executive employment contracts	576,193
Total	1,091,229

In 2024, no advances, loans or collateral were approved by Kapitalska družba to members of the Management Board, the Supervisory Board and employees with executive employment contracts.

Remuneration of Members of Management and Supervisory Boards of Kapitalska družba, d. d.

Remuneration of the members is regulated by ZSDH-1. Pursuant to fifth paragraph of Article 51 of ZSDH-1, the same conditions and criteria as apply to the members of the Management Board of SDH apply to the members of the Management Board of the Kapitalska družba. By mutatis mutandis application of Article 46 of 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 salary of the members of the management board was determined by the supervisory board and is fixed for the entire duration of the contract, whereby, 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, it may be adjusted once a year, after the data on the average salary in the Kapitalska družba Group for the previous business year are known, provided that the supervisory board agrees to the adjustment. The basic pay of the members of the Management Board of Kapitalska družba was calculated and paid in 2024 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, as specified in the adopted Business and Financial Plan of Kapitalska družba.

Table 37: Remuneration of members of the Management Board of Kapitalska družba in 2024

in EUR

Name and surname	Fixed remuneration	Variable income	Benefits	Cost reimbursement	Insurance premiums (PDPZ)	Other additional payments	Total gross	Deferred income
Bachtiar Djalil (Chairman of the Management Board)	166,547	33,851	46	2,168	2,904	2,300	**207,816**	21,015
Gregor Bajraktarević (Member of the Management Board)	158,116	31,838	-	2,543	2,904	2,300	**197,701**	19,625
Total	324,663	65,689	46	4,711	5,808	4,600	405,517	40,640

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 by the Management Board relates to the first part of the performance-based remuneration for 2023 and to the second part of the performance-based remuneration for 2021, both on the basis of a combination of quantitative and qualitative criteria. Benefits include benefits from the collective accident insurance. 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 holiday allowance. Deferred remuneration comprises the second part of the payment of variable remuneration for 2023, which will be paid in 2026.

Table 38: Remuneration of members of the Supervisory Board of Kapitalska družba, d. d., in 2024

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Cost reimbursement	Total gross
Janez Tomšič (Chairman of the Supervisory Board)	16,500	1,870	-	**18,370**
Boris Žnidarič (Deputy chairman)	12,100	1,870	41	**14,011**
Ladislav Rožič (Member of the Supervisory Board; Member of the HR Committee)	13,750	1,980	-	**15,730**
Boštjan Leskovar (Member of the Supervisory Board; Chairman of the HR Committee, Member of the Audit Committee)	16,500	4,596	516	**21,612**
Mirko Miklavčič (Member of the Supervisory Board; Member of the Audit Committee)	13,750	3,850	1,041	**18,641**
Andreja Cedilnik (Member of the Supervisory Board, Chairman of the Audit Committee, Member of the HR Committee)	16,500	4,510	145	**21,155**
Total	89,100	18,676	1,743	109,519

Fixed remuneration 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 39: Remuneration of the external members of the Supervisory Board's committees of Kapitalska družba in 2024

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Cost reimbursement	Total gross
Natalija Stošicki (External Member of the Audit Committee)	3,600	1,540	168	**5,308**

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 40: Remuneration of the members of the management and supervisory bodies of Kapitalska družba d. d., arising from the performance of duties in the subsidiary Modra zavarovalnica d. d., in 2024

in EUR

Name and surname	Fixed remuneration - remuneration for the work performed	Fixed remuneration - attendance fees	Total gross
Bachtiar Djalil	11,596	1,650	13,246

Fixed income consists of the remuneration for the work performed and attendance fees at the meetings.

Activities of the Supervisory Board and committees of Kapitalska družba

The Supervisory Board held seven meetings in 2024. Its members attended the meetings regularly; Ladislav Rožič was not able to attend two meeting for justifiable reasons.

The Audit Committee of the Supervisory Board held nine meetings. Its Members attended the meetings regularly; external member Natalija Stošicki was not able to attend two meetings for justifiable reasons.

The HR Committee held three meetings. All members attended all sessions.

Remuneration of the Management Board, Supervisory Board and employees with executive employment contracts of Modra zavarovalnica, d. d.

In 2023, total remuneration of the members of the Management Board, Supervisory Board of Modra zavarovalnica and employees with executive employment contracts for performing their function and to whom the tariff section of the collective agreement does not apply amounted to EUR 1,615.

In 2024, Modra zavarovalnica, granted no prepayments or loans to members of its Management or Supervisory Boards, and neither did it assume any liabilities on their behalf.

Table 41: Remuneration by category of beneficiaries of Modra zavarovalnica, d. d., in 2024

in EUR

Category of beneficiaries	Amount
Management Board members	599,682
Members of the Supervisory Board	92,935
Employees with executive employment contracts	922,694
Total	1,615,311

Remuneration of members of Management and Supervisory Boards of Modra zavarovalnica, d. d.

Table 42: Remuneration of members of the Management Board of Modra zavarovalnica, d. d., in 2024

in EUR

Name and Surname	Fixed remuneration	Variable income	Benefits	Cost reimbursement	Insurance premiums (PDPZ)	Other additional payments	Total gross	Deferred income
Matej Golob Matzele (Chairman of the Management Board)	158,460	12,703	10,447	8,555	2,916	2,427	195,508	12,703
Matija Debelak (Member)	150,537	32,575	7,371	1,660	2,916	2,427	197,486	30,578
Boštjan Vovk (Member)	150,537	32,558	323	8,781	2,916	2,427	197,542	30,603
Borut Jamnik (Chairman of the Management Board from 29 August 2021 until 16 April 2023)	-	9,146	-	-	-	-	9,146	-
Total	459,534	86,982	18,141	18,996	8,748	7,281	599,682	73,884

Fixed income includes gross salary receipts. Variable remuneration includes the payment of variable remuneration, namely the regular payment of the second part from 2021 (Debelak, Vovk) and the first part from 2023 (Golob Matzele, Debelak, Vovk), while Borut Jamnik was paid the entire variable remuneration for 2023. 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). 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. Insurance premiums represent payments of the voluntary supplementary pension insurance premium.

Table 43: Remuneration of members of the Supervisory Board and external members of the Supervisory Board committees of Modra zavarovalnica, d. d., in 2024

in EUR

Name and Surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Cost reimbursement	Total gross
Branimir Štrukelj (Chairman of the Supervisory Board until 22 December 2024 and Deputy Chairman of the Supervisory Board from 23 December 2024)	15,574	1,375	-	**16,949**
Bojan Zupančič (Member of Supervisory Board until 9 December 2024)	12,255	2,475	-	**14,730**
Janez Prašnikar (Member of the Supervisory Board)	14,369	2,970	330	**17,669**
Bachtiar Djalil (Deputy Chairman of the Supervisory Board until 22 December 2024 and Chairman of the Supervisory Board from 23 December 2024)	11,596	1,650	-	**13,246**
Roman Jerman (Member of the Supervisory Board until 9 December 2024)	9,804	1,375	43	**11,222**
Marko Cvetko (Member of the Supervisory Board)	10,450	1,375	336	**12,161**
Goranka Volf (Member of the Supervisory Board from 9 December 2024)	645	275	16	**936**
Irena Ilešič Čujovič (Member of the Supervisory Board from 9 December 2024)	743	275	-	**1,018**
Dragan Martinović (External member of the Supervisory Board's audit committee)	1,320	2,613	1,071	**5,004**
Total	78,049	13,090	1,796	92,935

Fixed remuneration includes attendance fees for meetings of the Supervisory Board and its Audit Committee. Compensation includes the monthly remuneration for performing the function of member of the Supervisory Board and member of the Supervisory Board's Audit Committee. Expense reimbursements include reimbursement of travel expenses and educational/training expenses.

Remuneration of the management bodies of the company Hotelske nepremičnine, d. o. o.

The company Hotelske nepremičnine has no employees, and both directors manage the company based on a management contract.

Table 44: Remuneration of the management bodies of the company Hotelske nepremičnine, d. o. o. in 2024

in EUR

Name and Surname	Fixed remuneration	Cost reimbursement	Total
Zoran Perše	10,988	99	**11,087**
Roman Jerman	10,971	715	**11,686**

Fixed remuneration means payment based on a management contract. Reimbursements of expenses are the costs of using your own car for business travel.

Transactions with related companies and parties

In 2024, the Kapitalska družba Group didn't make any significant transactions with its related parties, that would not be concluded under normal market conditions.

Information about encumbrances

Pursuant to paragraph 5 of Article 48.a of ZNVP-1, Kapitalska družba 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 22 thousand.

The remaining assets owned by Kapitalska družba are free from mortgages, pledges or other encumbrances.

Fixed assets are not under finance lease not have they been acquired for the purpose of trading.

Important events after the date of the statement of financial position

From the end of 2024 until the date of approval of the financial statements for publication, the Group had no business events that could have a significant impact on its financial statements for 2024.

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