Teya Iceland hf.

Financial Statements 2023

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Iceland

Reg. no. 440686-1259

Contents

The Board of Directors' and CEO's Report

The financial statements of Teya Iceland hf. for the year 2023 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), additional requirements in the Icelandic Act on Annual Accounts and Act on Financial Undertakings, where applicable.

Principle Activity

Teya Iceland hf. ("Teya" or the "Company") is a licensed financial institution, operating in the field of online and e-commerce payment solutions. Teya Iceland hf.'s main area of expertise is merchant card acquiring services. Teya Iceland hf. is a subsidiary of Teya Holdings Ltd., based in One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

Business Review

As in previous years, the Company has remained focused on automation, efficiency, and quality of operations in order to prepare the business for scaling. During the year the sales department of the Company was reorganised with an increased focus on customer profitability, and we are starting our growth journey in Europe via cross border acquiring through related parties of the Company. The average number of employees during the year was 69 and 62 at the end of year (2022: 80). Salaries and salary-related expenses amounted to ISK 832 million (2022: 1,063 million).

During the year Teya Iceland restructured both the Board and executive levels to align to both the Company and the Group's strategic direction to achieve further efficiency and growth.

The company has maintained a market share of acquiring services at around 30% with its renewed focus on driving profitability through both the existing customer base and efficiencies. Income in 2023 grew from increases in transaction payment volume and a repricing exercise. The acquiring merchants portfolio that offers unsecured lending to consumers has remained stable with a small decline in the total amount of loan value from 2022 to 2023.

The Company made a net operating income of ISK 2.6 billion for the year (2022 net operating income of ISK 1.5 billion). The profit for the year 2023 was ISK 820 million (2022 restated profit ISK 342 million), continuing its profitability growth. Operational improvements are expected to continue.

Following the end of the temporary permissions regime, the Company sold the UK merchant business to a wholly owned subsidiary, Teya Solutions Ltd. on the 31st December 2023. Additionally the debit card issuing business was successful migrated following the sale of the contract to Islandsbanki in 2022. The credit card issuing migration will continue in 2024.

Total assets amounted to ISK 20.5 billion (2022: ISK 15.7 billion) whereby the main movement is a reduction in bonds so as the Company could capitalise and fund Teya Solutions Ltd. Total equity increased to ISK 6.4 billion at year end (2022: 5.5 billion).

The total capital and CET1 ratios calculated on the basis set out in the Act on Financial Undertakings was 36.6% in 2023. The reduction from 50.9% in 2022 represents the increase in investment in the subsidiary (Teya Solutions Ltd) held at 100% risk weight and a greater level of off balance sheet credit exposure captured in the calculation related to delayed delivery merchants. The company’s capital adequacy is considerably higher than the risk appetite statement.. The Board of Directors proposes that no dividends will be paid to shareholders in 2024.

All liquidity and other regulatory metrics have remained above both risk appetite and regulatory limits throughout 2023.

Principal risks and uncertainties

All businesses are subject to risk and many individual risks are macro-economic or social and common across many businesses. The Company employs a Chief Risk Officer (CRO) whose function is to evaluate, monitor and mitigate risks to ensure the Company stays within its risk appetite. Through its internal risk management process, the Company's Board of Director has classified the key risks as those which could materially impact the Company's strategy, reputation, business, profitability or assets and these risks are listed below. This is not an exhaustive list of all potential risks; some risks may not currently be known and others which are currently considered immaterial, may become material to the Company in the future. Further details of the Company's key risks are disclosed in Note 26

Global economic and political risk

Global economic, political and other conditions including the Ukrainian conflict might adversely affect our merchants or trends in consumer spending, which could impact the demand for our services and our revenue and profitability. Whilst direct impacts of the conflict on the operational activities of the Teya Group are dement to be very low, the Group continues to monitor the situation closely on an ongoing basis

Commercial relationships

The Company is exposed to changes in relationships with customers and suppliers. It is a key task for operational management to maintain and develop relationships with both.

Strategic risk

Strategic risks are determined by Board decisions about the objectives and direction of the organisation, decisions that materially affect the business strategy, business model and therefore the successful execution of our business plan. To mitigate this risk the Board has established a thorough planning and decision-making process, where quarterly business and risk reviews are held, and performance is tracked through the quarterly performance report provided by the Company's Chief Executive Officer and Chief Finance Officer. As part of these reviews, matters reserved for their decision, such as significant acquisitions and disposals of assets, investments, capital projects, and treasury policies are discussed.

The risk of such events is primarily mitigated by operating in line with laws, rules and regulations, maintaining expertise in market trends and considering political risk. To mitigate this risk further the Board has established a robust planning and decision-making process, where quarterly business and risk reviews are held, and performance is tracked through the quarterly performance report provided by the Company's CEO.

The Board of Directors' and CEO's Report

While the risk of customer churn is mitigated through engaging with customers directly on their needs and concerns through a well-equipped Customer Relations function and through efforts to predict additional customer needs before they become an issue through considering market trends and potential capability gaps within Small and Medium Businesses (“SMBs”) that may be remediated with an additional value-adding service offering from Teya.

Regulatory, legal and compliance risk
The Company operates in a highly regulated environment across multiple jurisdictions where relevant regulatory requirements change at a fast pace, and in any such environment there is a risk that the Company´s operations may breach relevant regulatory requirements. To mitigate this risk, the Company, has adopted an internal control framework applying the three lines of defence model to oversee and monitor the business operations, and its risks. Providing the business with legal advice in addition to Compliance and Risk monitoring, and internal audit. The principal risks are listed below:

Credit risk, including default loss risk, chargeback and concentration risks
Credit risk is the risk of financial obligations made by Teya's counterparts or customers failing. The Board considers that default loss risk, chargeback and concentration risks are the key credit risks, as discussed below:

Default risk
This is the risk of any counterparty defaulting on its financial obligations towards Teya. |For lending, Teya works to minimise the exposure to losses as a result of defaults through continued use of customer assessment models to identify to potential default risk over the lifetime of the customer and through continuous use of the ECL model to map future expected default rates of the book. For merchant acquiring, Teya monitors merchants with negative balances specifically as well as the below connected chargeback risk that can lead to and or be related to default.

Chargeback risk
This is the risk of loss to Teya resulting from its merchants' inability or unwillingness to repay Teya for chargeback losses resulting from the merchant's card sales. Chargebacks are governed by card scheme rules and Teya as the merchant acquirer and principal member is liable to the card schemes for settlement. A Key type of chargeback risk is related to Delayed Delivery Merchants (DDM) where the merchant does not provide the goods and or services at the time of a transaction, where the merchant is fully liable for any chargeback, and this is considered a type of credit risk. For such merchants, there is a risk of non-performance by the merchant, and of cancellations with respect to the service purchased which create exposure to Teya under the card scheme rules.

Teya aims to minimise chargeback risk by increasing its understanding of when merchants deliver the goods and or services, and continuous improvement of merchant exposure monitoring.

Concentration risk
This is the risk of credit and liabilities being allocated unevenly to a single counterparty or a single sector. Single name concentration risk manifests itself as a single merchant which generates high revenue for the Company, moves his business suddenly resulting in an income gap for the Company. This risk also stems from possible credit exposure to a single merchant or customer which might defaults on obligations towards the Company. Sector based concentration risk stems from systematic risks that affects whole sectors. Manifestation of this risk can occur if external events such as a natural disaster, wars, economic downturn strikes an industry and effects a whole sector like tourism, banking, telecommunications etc. The Companies revenue generation from the sector might be in jeopardy or a credit event affection the sector resulting in defaults on obligations towards the Company. This same risk also materializes as a operational risk, where Teya's revenue might be heavily reliant on a single merchant or a single sector, resulting in income gap if this single counterparty or sector experiences downturn.

The Board of Directors' and CEO's Report

Liquidity risk including settlement risk
The Company operates in an environment where multiple parties participate in the end to end process of allowing card transaction to settle. Liquidity risk occurs if Teya does not have timely available funds to settle its obligations. This risk can stem from a mismatch in maturity of settlement cycles between Teya's counterparts such as banks, card schemes and financial institutions and Teya's obligation to settle with merchant. Teya might also experience a liquidity shortfall due to its counterparties failing its obligations, putting pressure on Teya's equity or other resources to cover unexpected shortfall in funding to meet its obligations.

Settlement risk
To service merchants optimally with regards to timely settlements, where increased risk of churn and or risk to earnings rises. Teya invests in technology with fail safes and shall seek to have back up settlement bank(s) and procedures in case a settlement bank is no-longer capable of servicing Teya or a process fails, e.g. due to insolvency of the settlement banking partner.

Teya manages its liquidity needs in a prudent manner through on-going automated monitoring of liquidity statistics and forecasting of the liquidity metrics to allow for proactive mitigating actions to be taken prior to any deviation from the risk appetite occurring.

Market risk including interest rate and foreign currencies

Risk of international operations, including movements in foreign currency exchange rates
Market risk is the risk of financial loss due to changes in valuation of currencies, assets or as a result of changes in interest rate.

The international operations of the Company are conducted in multiple currencies including USD, GBP, ISK and EUR. Merchants are offered payment services where they receive settlement of payment in other currency than the cardholder was charged, and Teya may receive another currency as settlement from the relevant card scheme. The mismatch of currencies through the business offering maintains an inherent market risk and currency imbalance risk.

Therefore, Teya has market risk due to possible changes in currency rates, while having a currency imbalance during settlement. Teya might also hold assets such as government bonds or deposits in banks for regulatory liquidity reasons, which both carry market risk and interest rate risk. Teya's loans and advances towards its customers also carry interest rate risk. However Teya maintains relatively low market exposure overall, and is implementing systems to further limit its risk long-term.

The Teya Group and Company continue to monitor these risks and take effective action to mitigate exposure, In addition the Teya Group maintains an effective Treasury function tasked with monitoring fluctuations in foreign currency exchange rates to minimise the Group's exposure to detrimental movements in exchange rates

Employee retention risk
Employee retention is the Company's ability to retain its employees. This risk is mitigated through strategic initiatives to drive employee retention, including fair compensation, career growth opportunities and building employee culture.

Additional Operational risks

The Company electronically receives, processes, stores and transmits client sensitive business information which is necessary to support our clients' transactions. The uninterrupted operation of information systems, as well as the confidentiality of both the customer and customer information that resides on these systems, is critical to our successful operations. The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company's definition of operational risk includes chargeback, fraud, legal, compliance, concentration, reputational risk and merchant settlement risk. Further details on the types of operational risks that the Company is exposed to are considered below:

Technology and operational resilience risk
The unavailability and or incorrect operation of systems or infrastructure needed to meet the Company's business requirements and continued business operations is a risk to the Company. Such includes the risk of loss due to malfunction or unintended actions of IT systems and telecommunication, and includes risk due to natural disasters, terrorism or vandalism.

Process risk related to core processes
The risk of internal (and or outsourced) key processes failing due to internal or external events, human or system errors. Including risk of unplanned business disruption to key processes from external events effacing people and or premises. Teya will incorporate automated processes to mitigates risks due to human or system errors.

Fraud risk
The risk of Teya’s counterparts, customers, or third party externals committing fraud upon Teya or Teya’s customers, resulting in financial and or reputational loss.

The Company faces potential liability for fraudulent electronic payment transactions initiated by merchants or other third parties. Examples of merchant fraud include:

a) When a merchant or other party knowingly accepts payment by a stolen or counterfeit credit or debit card, card number or other credentials:

b) Processing an invalid card; or

c) Intentionally failing to deliver the merchandise or services sold in an otherwise valid transaction

In the event a dispute between the cardholder and the merchant is not resolved in the merchant's favour, the merchant normally becomes liable for the transaction as it is charged back to the merchant, and the purchase price is credited or otherwise refunded to the cardholder with the Company collecting the amount back from the merchant, Fraudulent merchants may not be able or willing to repay the Company leading to Fraud loss. Failure to manage risks effectively and prevent fraud or there criminal activity could increase the company's chargebacks or other liabilities, which could have a materially advisers effect on our business. The company continues to work diligently to monitor potentially fraudulent transactions and increases in chargeback and takes action to minimise losses and liabilities.

Reputational risk
The risk of Teya's actions or associations damage its brand in a way that customers will move their business elsewhere. The business model is based on upselling value-added services to acquiring customers. This means that as a company, individual sales people and account managers, Teya is incentivised to invest in having an excellent reputation with its customers and external stakeholders.

To mitigate these additional operational risks, components such as system, process and people risks are reviewed regularly with management, and remediation plans to address new and emerging risks are established, where appropriate. Processes are in place to record risk events (breaches and errors) and to investigate root causes so that controls can be enhanced. Operational risks are also considered while applying the hiring strategy, which is designed to place the right people in the right roles to further build systems and controls.

Going Concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has resources to continue in business for the foreseeable future. These financial statements are therefore presented on a going concern basis.

As mentioned in the Board of Directors and CEO's report above, management projects that the Comany is on a path to maintain the balance that has been achieved. In 2023 the Compnay has increased profitability compared to 2022 through efficiency and growth. In addition, the Company has continued to invest in technology, infrastructure and teams to support future growth to achieve scale. The number of clients has increased and a continued increase in turnover is expected.

Teya‘s corporate & social responsibility

Teya has implemented a policy concerning social responsibility. The policy emphasises that the Company's work is to the benefit of society and its stakeholders and it contains a description of several of the matters outlined in Article 66 d. law in Act no. 3/2006.

Teya Iceland hf. has disclosed information on its green asset ratio (GAR) in accordance with the requirements of Regulation (EU) No. 2020/852 (the EU Taxonomy), transposed into Icelandic law with Act No. 25/2023, on disclosure on sustainability in the financial services and taxonomy for sustainable investment. Please see the ESG report on green asset ratios appended to the financial accounts.

Teya's policy with respect to social responsibility looks at the impact of its activities on its stakeholders, the environment and the United Nations' Global Goals for sustainable development. Teya focuses its impact primarily on 3 of the 17 UN Global Goals, namely 'Health and Well-being', 'Gender equality' and 'Responsible consumption and production'.

People & equality

Teya strives to recruit qualified people who have ambitions to achieve outstanding results in their work. Teya creates a safe and healthy work environment and equal opportunities for its employees. Teya does not and will not tolerate human rights violations, poor working conditions as well as illegal and unethical business practices in any aspect of the business. Teya's activities with regard to human resources are in full compliance with current laws, such as the law on occupational safety and health and general legislation on labour market matters.
We offered all employees to have health checks as well as ongoing preventive care, such as screenings and counselling services, performed by our healthcare provider.

The Board of Directors' and CEO's Report

Regular health checks can help employees take control of their health, detect potential health risks, and manage existing conditions. By providing access to preventive care, employees can work towards achieving optimal health and well-being. Other initiatives have also been done throughout the year; offering a healthy lunch every day, encourage people to exercise, to name a few. Overall, initiatives such as annual health checks, and promoting a healthy lifestyle, can promote a healthier workforce, which benefits both employees and the company in the long run.

At Teya, the aim is to promote the continuous professional development of employees in order to enable them to thrive in the workplace and support the Company to advance the financial technology industry for the good of our merchants and society. Equality is of paramount importance to Teya, and the Company believes that diversity is a key factor in the Company's success.
Gender equality refers to the equal rights, opportunities, and treatment of individuals regardless of their gender. It is about ensuring that everyone, regardless of their gender identity, has access to the same opportunities and benefits.

In the end of the year, there were 62 employees working, 45% were female and 55% were male. At the end of the year, the Company employed 5 key employees, 40% female and 60% male. The Board of Directors has five members and two alternate members. Gender distribution on the Board was 40% female and 60% male. Gender distribution of alternate members was 50% female and 50% male.

Teya promotes equal opportunities for men and women within the company by:

a) Encouraging active participation of all staff in decision-making.
b) Giving all employees a mandate to act and thus the opportunity to show initiative and independence in their work.
c) Paying comparable wages for comparable jobs.
d) Creating an environment that encourages men as well as women to exercise their right to maternity paternity leave.

The Company received the equal pay certification 2023 resulting in this achievement for 5 consecutive years. This recognition can serve as a positive reinforcement and encourages the Company to continue its efforts towards creating a more equitable and inclusive workplace. Acknowledging a company's progress in gender equality can also motivate other organizations to follow suit and take similar actions towards promoting gender equality in their own workplaces. By publicly recognising companies that prioritise gender equality, we can collectively work towards creating a culture of inclusion and diversity.

Environmental matters

It is Teya's policy and goal to minimize the environmental impact of its operations as much as possible and to constantly seek ways to improve the company's environmental performance. Teya encourages efficient use of resources in its value chain and thus promotes positive environmental impact and environmental protection. Teya also makes every effort to ensure that legal requirements and regulations concerning environmental issues are complied with.

Today, Teya is working to reduce its environmental impact through measures such as:
a) Reducing carbon emissions due to domestic and international travel as well as the purchase of supplies as much as possible.
b) Limiting waste pollution by eliminating all unnecessary consumption, limiting disposable items or items with a short lifespan, sorting and reusing as much as possible and selecting suppliers e.g., with regard to their ecological footprint.

In 2023 international travel and domestic consumption of gasoline remains minimal at less than 1% of other operating expenses. Additionally, many small steps have been taken to reduce various types of consumption, such as stopping purchases of products in disposable packaging.

Against corruption

Every aspect of Teya's operations is obliged to conduct its operations in an honest and ethical manner, as the integrity of its employees is crucial when it comes to maintaining the Company's trust and reputation. Teya is not legally required to implement and enforce corruption and bribery policies. Nevertheless, Teya considers itself obliged to work against the above-mentioned threat in the interest of social responsibility. Teya's main tools for combating corruption are good governance, policies, and actions of the company, which promote transparency in the Company's working methods and operations. The Company has established rules of procedure and ethics where, among other things, restrictions are placed on employees from receiving a salary from another company, sitting on another company's board, owning a qualifying holding in another company or receiving benefits for themselves from those who do business with another company without approval. All incidents where misconduct is suspected are reported to the authorities (e.g. unethical use of the Company's information, funds or other assets). Teya seeks to combat any kind of misconduct through preventive measures such as education about money laundering, security issues, etc. Teya uses a variety of electronic business controls to detect customer misconduct.

The policies in question are followed in Teya's operations, thus maintaining the values laid down therein. As part of the investment in automation across the Company, the firm expects to have additional data on these issues in the coming years.

Equity shareholding

According to the articles of association, the nominal value of Teya´s hf. equity at year end was ISK 483 million and there was a single shareholder as at year end, the same as at beginning of the year. The shareholder is as follows:

Teya Holdings Ltd. (Salt Pay Co. Ltd.)	100.00%

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Icelandic Act on Annual Accounts no. 3/2006, The Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and accounting estimates that are reasonable and prudent;
c) state whether applicable IFRS and Icelandic law has been followed, subject to any material departures disclosed and explained in the financial statements; and
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Icelandic Act on Annual Accounts no. 3/2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

According to the best knowledge of the Board of Directors and the CEO, the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and it is the opinion of the Board of Directors and the CEO that the financial statements give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2023, as well as its operating results and cash flows for the year 2023.

Furthermore, it is the opinion of the Board of Directors and CEO that the financial statements and the Statement by the Board of Directors and the CEO give a fair view of the performance and development of the Company's operations and its position as well as describing the principal risks and uncertainties faced

The Board approved 2024 Corporate Governance Statement has been appended to the financial statements.

The Board of Directors and CEOs of Teya Iceland hf. hereby confirm the financial statements of the Company for the year 2023 with their signatures.

Reykjavík, 27th of March 2024

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Independent Auditor's Report

To the Shareholders and the Board of Directors of Teya Iceland hf.

Opinion

We have audited the financial statements of Teya Iceland hf. for the year ended December 31, 2023 which comprise, the statement of profit and loss and comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Teya Iceland hf. as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements, as applicable, in the Act on Annual Accounts, Act on Financial Undertakings and rules on accounting for credit institutions.

Our opinion in this report on the financial statements is consistent with the content of the additional report that has been submitted to the audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

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 Financial Statements section of our report. We are independent of Teya Iceland hf. in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

Key Audit Matters	How the matter was addressed in our audit
Fee and commission income	
The company´s fee and commission income is a significant item and the largest single item in the company´s income statement. Fee and commission income consist of: •Acquiring services •Other income The fee and commission income is highly dependent on many of the company´s computer systems and internal controls. Income recognition is subject to contractual provision with customers. The component contains considerable complexity and large volume of transactions and hence we consider this as key audit matter.	In accordance with our risk assessment, we have reviewed the relevant procedures and internal controls related to fee and commission recognition, as well as selecting samples and performing analytical procedures. Among other things we have tested the reasonableness of key assumptions within customers contracts as well as testing the mathematical accuracy. We have reviewed data transfers and reconciliations between material subsystem for revenue recognition and the financial system. We have selected samples of non-automated journal entries and confirmed the accuracy of them with underlying data. We have also performed analytical procedures on material fee income.
The basis for income recognition and other accounting methods are set out in note 4.3	In addition, we have evaluated whether presentation and disclosures in the financial statements are in accordance with IFRS.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the report of board of directors, Statement of the Corporate Governance and Green Asset Ratio 2023.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding report of the board of directors as stated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements, as applicable, in the Act on Annual Accounts, Act on Financial Undertakings and rules on accounting for credit institutions, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing Teya Iceland hf'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 the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors and the audit committee are responsible for overseeing the Teya Iceland hf's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Teya Iceland hf.'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 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 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 Company to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors and the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Teya Iceland hf., Deloitte has provided the firm with permitted additional services such as review of interim financial statements and consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. Deloitte has confirmed in writing to the Audit Committee that we are independent of Teya Iceland hf.

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

Appointment of auditor

Deloitte was appointed auditor of Teya Iceland hf. in September 2021.

Kópavogur, 27 March 2024.

Deloitte ehf.

DocuSigned by:

Palina Arnadottir

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Palína Árnadóttir

State Authorized Public Accountant

The financial statements of Teya Iceland hf. for the year ended December 31, 2023 is electronically certificated by the auditor

Statement of profit and loss and Comprehensive Income

All amounts are in ISK thousand

Statement of Profit and Loss

	Notes	Dec 2023	Dec 2022
Net interest income			
Interest income		581,034	479,471
Interest expenses		(205,140)	(200,580)
	7	375,894	278,891
Net fee and commission income			
Fee and commission income	8	9,319,394	6,223,725
Fee and commission expenses		(7,296,076)	(5,526,678)
		2,023,318	697,047
Net gains from financial instruments and other income			
Net foreign exchange rate difference		(512,017)	(53,774)
Other income		732,187	534,694
		220,170	480,920
Net operating income		2,619,382	1,456,858
Operating expenses			
Salaries and salary related expenses	9	(832,073)	(1,063,153)
Other operating expenses		(1,009,046)	(1,038,854)
Depreciation		(251,164)	(141,836)
Share in loss of subsidiary		0	(3,095)
		(2,092,283)	(2,246,938)
Credit loss expense on financial assets	11, 14	(568,923)	(207,130)
Loss before income tax		(41,824)	(997,210)
Income tax	12	101,529	267,981
Profit / (Loss) for the year from continued operations		59,705	(729,229)
Discontinued operations			
Discontinued operation, net of tax	13	760,743	1,071,925
Profit for the year		820,448	342,696

The profit for the period and comprehensive income are the same across 2022 and 2023.

Statement of Financial Position

All amounts are in ISK thousand

	Notes	Dec 2023	Dec 2022
Assets			
Cash and cash equivalents		2,220,941	2,246,196
International payment card providers receivables		8,526,402	4,520,841
Colletaral for international payment card providers		446,473	194,420
Loans and advances to customers	14	1,152,794	1,499,410
Financial assets at fair value through profit or loss	16	1,855,201	4,384,900
Short term receivable from related parties	27	1,071,960	385,438
Investment in subsidiary	15	3,056,032	76,620
Inventories	17	82,975	30,288
Property, plant and equipment and intangible assets	18, 19	113,551	275,678
Right of Use Asset	19	131,996	212,758
Loan receivable from related parties	27	517,448	635,880
Deferred tax assets	12	836,408	925,065
Other assets	20	502,739	291,014
Total assets		20,514,920	15,678,508
Liabilities			
Settlement obligations		7,260,688	4,509,880
Short term payable to related parties	27	1,824,291	143,149
Loans payable to related parties	27	4,194,385	3,488,983
Borrowings	21	0	1,166,579
Lease liability	22	140,332	219,732
Other liabilities	23	736,599	658,502
Total liabilities		14,156,295	10,186,825
Equity			
Share capital		483,000	483,000
Share premium		3,737,528	3,737,528
Restricted equity accounts		321,595	234,080
Retained earnings		1,816,502	1,037,074
Total equity	25	6,358,625	5,491,682
Total equity and liabilities		20,514,920	15,678,507

Statement of Cash Flows

All amounts are in ISK thousand

Cash flows from operating activities	*Notes*	**Dec 2023**	**Dec 2022**
Profit for the year		820,448	342,696
Operating items not affecting cash flows:			
Profit on sale of property, plant and equipment		179	68,200
Impairment of financial assets	11	568,923	215,203
Depreciation	18, 19	251,164	141,836
Net foreign exchange rate difference		512,017	53,774
Net interest income	7	(375,894)	(278,891)
Share in loss of a subsidiary		0	3,095
Other items		46,494	132,582
Total operating activities		1,823,331	678,495
Purchased inventory		(52,687)	0
Changes in loans and advances to credit insititutions		0	178,590
Changes in loans and advances to customers		248,991	451,896
Change in international payment card providers receivables		(3,821,275)	(2,646,815)
Change in other assets		(810,005)	1,170,936
Change in settlement obligations and other liabilities		3,433,735	(1,319,376)
Change in other liabilities		78,097	(150,273)
Changes in operating assets and liabilities		(923,144)	(2,315,042)
Interest income received		581,034	479,471
Interest expenses paid		(97,818)	(104,305)
Cash flows to operating activities		1,383,402	(1,261,381)
Cash flows from investing activites			
Sold / (purchased) financial assets carried at fair value		2,529,698	(1,697,195)
Investment in subsidiary		(2,979,412)	0
Purchased property, plant and equipment	18, 19	(51,912)	(82,874)
Sale of property, plant and equipment	18, 19	600	0
Receivable / (Payable) on related party, change		(207,272)	(207,739)
Cash flows to investing activites		(708,298)	(1,446,008)
Cash flows from financing activities			
Repayments		(1,166,579)	(315,237)
Borrowings with related party, change		469,305	0
Repayments of lease liability		(46,066)	(49,204)
Cash flows from (to) financing activites		(743,340)	(364,441)
Net change in cash and cash equivalents		(68,235)	(3,071,830)
Cash and cash equivalents at the beginning of the year		2,246,196	5,080,681
Effects of exchange rate		42,980	237,344
Cash and cash equivalents at year end		2,220,941	2,246,195

Statement of Changes in Equity

All amounts are in ISK thousand

Changes in equity during 2022

	Share capital	Share premium	Other restricted equity accounts	Retained earnings	Total equity
Balance as at 1/1	483,000	3,737,528	96,498	699,378	5,016,404
Profit for the year	0	0	0	93,058	93,058
Share based scheme	0	0	132,582	0	132,582
Proposal to the statutory reserve fund	0	0	5,000	(5,000)	0
Prior year restatement	0	0	0	249,638	249,638
Balance as at 31/12	483,000	3,737,528	234,080	1,037,074	5,491,682

Changes in equity during 2023

	Share capital	Share premium	Other restricted equity accounts	Retained earnings	Total equity
Balance as at 1/1	483,000	3,737,528	234,080	1,037,074	5,491,683
Profit for the year	0	0	0	820,449	820,449
Share based scheme	0	0	46,493	0	46,493
Proposal to the statutory reserve fund	0	0	41,022	(41,022)	0
Balance as at 31/12	483,000	3,737,528	321,595	1,816,502	6,358,625

Other restricted equity accounts are specified as follows:

	2023	2022
Share based scheme	198,073	151,580
Statutory reserve	123,522	82,500
	321,595	234,080

Notes

All amounts are in ISK thousand, unless otherwise specified

1. Operation

Teya Iceland hf. ("the Company") is domiciled in Iceland and the address of its registered office is Katrínartúni 4, Reykjavík. The Company is a subsidiary of Teya Holdings Ltd., based in One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

The Company is a financial services technology company mainly providing card present and card not present acquiring solutions to merchants. The Company has a particular focus on SMEs and provides a suite of value added services such as POS lending and loyalty to merchants. The Company deploys its card present technology through Android-based terminals. The Company also sponsors issuing clients with access to card schemes. The Company deploys solutions through an in-person salesforce, online and through partners, and during the period served clients across Europe including in Iceland, the UK, Hungary, Czech Republic, Croatia, and Slovakia.

2. Material accounting policy information

2.1 Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Icelandic Act on Annual Accounts no. 3/2006, The Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003.

The same accounting policies, presentation and methods of computation are followed in these Financial Statements as were applied in the Financial Statements for the year ended 31 December 2022. Accounting methods have been applied consistently in all the periods published in the financial statements.

The financial statements were confirmed by the CEO and the Board of Directors on 25th of March 2024.

2.2 New accounting standards

The Company has adopted all international financial reporting standards, interpretations and amendments to standards that have been endorsed by the EU, and are relevant for the Company and are effective for the period that started on the 1 January 2023, including the new adoption of *Disclosure of Accounting Policies*—Amendments to IAS 1 and IFRS Practice Statements 2 and *Definition of Accounting Estimates*— Amendments to IAS 8. Adoption of new Standards has not had a material impact on the financial statements.

The Company has not adopted any international financial reporting standards, interpretations and amendments to standards that have been issued and take effect 1 January 2024 or later and are allowed to early adopt.

At the date of authorisation of these financial statements, the Company has not applied to the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IAS 21	Lack of Exchangeability
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2.3 Basis of preparation

The financial statements are prepared on a historical cost basis, with the exception of financial assets measured at fair value through profit or loss, share based payments in accordance with IFRS 2, and financial assets in accordance with IFRS 9.

2.4 Functional and presentation currency

The financial statements are presented in Icelandic Krona (ISK) which is the Company's functional currency. Amounts are presented in thousands, except when otherwise indicated. See further information in note 26.2.2.

2.5 Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has resources to continue in business for the foreseeable future. These financial statements are therefore presented on a going concern basis.

As mentioned in the Board of Directors and CEO's report above, management projects that the Group and the wider Teya Group is on track to continue improving the business. In 2023 the Company has increased profitability compared to 2022 through efficiency and growth. In addition, the Company has continued to invest in technology, infrastructure and teams to support future growth to achieve scale. The number of clients has increased and a continued increase in turnover is expected.

3. Use of significant estimates and judgements in applying accounting policies

The preparation of the financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. The accounting estimates and underlying assumptions are based on historical experience and estimates on parameters available and form the basis of decisions made on the carrying amount of assets and liabilities, not available by other means.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Following are the factors that are considered important and management need to provide judement when assessing these assets.

3.1 Impairment of financial assets

As at 31 December 2023, the Company has adopted IFRS 9 to calculate the expected credit losses for loans and advances to customers and merchant acquiring receivables. The methodology and assumptions used to assess future cash flows will be revised regularly to ensure any difference between estimated losses and actual losses is kept to a minimum.

For the expected credit losses for loans and advances to customers, the Company uses historical loss rates by age and product as the foundation and takes into consideration forecasted macroeconomic variables in Iceland, namely unemployment and inflation. Further disclosed under notes 11 and 14.

For the expected credit losses for merchant acquiring receivables, the Company uses historical loss rates by age and country as the foundation and takes into consideration forecasted macroeconomic variables in Iceland, namely economic growth (gross domestic product) and inflation. Further disclosed under notes 11 and 14.

Notes

All amounts are in ISK thousand, unless otherwise specified

Notes

All amounts are in ISK thousand, unless otherwise specified

4. Accounting policies

4.1 Foreign currencies

When preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising are recognised in profit or loss, unless exchange differences arising from holdings in foreign companies are classified as financial assets at fair value through other comprehensive income and hedges related to the asset, which are recognised in other comprehensive income as part of fair value adjustments of the shares. Further information on the exchange rates used can be found in note 26.2.2.

4.2 Interest income and expense

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset´s net carrying amount on initial recognition.

Interest expenses
Interest expenses are recognised in the statement of profit and loss using the effective interest method.

4.3 Fee and commission income

Fee and commission income
The Company provides various services to its clients which generates revenue, such as income from commission and services due to credit card transactions and other income. Fees earned from services that are provided over a certain period of time are recognised as the services are provided.

Acquiring
The main revenue streams from acquiring are:
- Seller's fee for transaction acquiring
- Rental fees for point of sale systems
- Credit and debit card transaction fees

Other income
The main revenue classified as other income:
- Account transaction revenue
- Lending settlement fees

Fee and commission expenses

Service fees are mainly interchange fees to domestic and international issuers and to international payment card providers.

All amounts are in ISK thousand, unless otherwise specified

4.4 Income tax

Deferred tax assets
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

4.5 Financial Instruments

4.5.1 General

Classification and measurement
Financial instruments are initially listed on the date of conversion that the Company becomes a party to the instrument. The classification of financial instruments determines how they are measured at initial recognition in the financial statements and how they should be measured after initial recognition. It is obligatory to reclassify financial instruments between classes if the objectives of the business model have changed from their original listing and if the Company's operations have changed significantly.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collec contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments c principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

All amounts are in ISK thousand, unless otherwise specified

4.5.2 Company's Financial Instruments

Cash and cash equivalents

Cash and cash equivalents consists of deposits with credit institutions and deposits that are available within three months.

Loans to customers and claims

Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method showing the book value, taking into consideration impairment losses. Interest on loans and receivables are recognised as interest income. Calculations are based on expected future cash flows, including the asset's contractual cash flow and all costs that are considered an integral part of effective interest. The amount includes transaction costs, all charges or deductions. Impairment is recognised in accordance with the three-step impairment model.

Financial assets at fair value through profit or loss

Investments in financial assets held in the form of shares, bonds and equity instruments are valued at fair value through profit and loss. Changes in the fair value of bonds and shares valued at fair value through profit and loss are recognised in net income from financial assets except transaction costs.

4.5.2 Company's Financial Instruments, cont.

Determination of fair value

The fair value of financial assets and financial liabilities listed in an active market is the same as their recorded prices. Valuation methods are applied to all financial instruments when calculating their fair value. Financial assets or financial liabilities are deemed to be listed on an active market if an official price is available from a stock exchange or other independent entity and the price reflects actual and regular market transactions between unrelated parties.

Assessment techniques may include the use of prices for recent transactions between unrelated parties, taking into account the value of other financial instruments similar to the instrument in question or based on discounted cash flows or other valuation models. When applying assessment methods, all factors that market participants would use in valuation are used, and methods are in accordance with accepted methods for pricing financial instruments. The Company regularly verifies its assessment methods and tests the methods using prices obtained in active market transactions with the same instrument, without any adjustments or changes, or based on market information.

Netting of financial assets and financial liabilities

The financial assets and financial liabilities are offset and the net amount shown in the balance sheet, if and only if, the Company has a legal right to offset the amounts and it either plans to settle the net basis or redeem the asset and settle the liability simultaneously.

4.6 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
Investment in subsidiaries are held at cost less accumulated impairment losses, if any.

All amounts are in ISK thousand, unless otherwise specified

4.7 Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication suffering impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Company's assessment of impairment of loans reflects expected loan losses based on future prospects. This will require a considerable assessment of how components affect expected credit losses. The expected credit loss reflects the present value of lack of funds due to default either for the next 12 months or over the expected lifetime of a financial instrument, from the time of default.

The assessment of loan losses is based on historical losses, taking into account the main economic variables that are expected to affect the collection of the loans. In general, the calculation is based on the probability of default and estimated loss given default.

Impairments of all credit loss for credit risk will be assessed on each reporting date in accordance with a new three-level impairment model for expected credit losses. The impairments shall either be calculated as a 12-month expected credit loss or as expected over the maturity depending on the stage of the loan.

Stage 1: No significant increase in credit risk. Loans where the credit risk has not increased significantly since the last valuation is classified as stage 1, where the impairment is based on a 12-month expected credit loss.

Stage 2: Significant increase in credit risk. Loans where the credit risk has increased substantially since initial listing is classified as stage 2 and the impairment is assessed based on the lifetime of the loan.

Stage 3: Loans where the borrower is in substantial arrears are classified as stage 3 and the impairment is assessed as expected credit loss over the lifetime of the loan.

Movements between stages depends on whether the instrument's credit risk on the reporting date has increased significantly compared to the initial recognition. For example:

- Significant financial difficulty of the borrower,
- A breach of contract, such as a default on instalments or on interest or principal payments,
- The Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a refinancing concession, that lender would not be consider,
- It becomes probable that the borrower will enter bankruptcy or undergo other financial reorganisation,
- The disappearance of an active market for that financial asset because of financial difficulties,
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of loans since the initial recognition of those assets, even if the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment of the status of the borrowers in the group or general national or local economic condition connected with the assets in the group.

Write-offs

Loans and receivables are written off, either partially or in full, when there are no realistic chances that these amounts are recovered.

All amounts are in ISK thousand, unless otherwise specified

4.8 Intangible assets

Assets are listed among intangible assets when economic benefits associated with the asset are likely to be utilised by the Company and the cost of the asset can be measured reliably. Intangible assets are recognised at their original cost less accumulated depreciation and impairment losses. Intangible assets are depreciated on a straight-line basis over the estimated utilisation period of the asset.

4.9 Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an operating asset is determined as the difference between the sales proceeds and the carrying amount of the asset. A gain is recognised in other income and a loss is recognised in other expenses.

4.10 Financial Liabilities

IFRS 9 classifies financial liabilities into two classes, at amortised cost or fair value through profit or loss. The Company's financial liabilities are mainly settlement obligations and other liabilities. Borrowings are initially recognised at fair value less attributable transaction costs. Financial liabilities are then measured at amortised cost using effective interest rates. Accrued interest is recognised as part of the carrying amount of the borrowing.

Liabilities
A liability is recognised when the Company has a legal or constructive obligation because of past events, when it is likely to be paid and can be assessed reliably. Liabilities are valued based on expected future cash flows, discounted by interest before taxes, as interest rates reflect market valuation on the time value of money at any given time and the risks associated with individual liabilities.

Financial guarantees
Financial guarantees are contracts binding the Company to repay a certain amount to the holder of a liability due to a loss he incurs when the debtor is unable to meet with his obligations on the due date in accordance with the terms of a debt instrument.

All amounts are in ISK thousand, unless otherwise specified

5. Leases

The Company leases office premises for own use. The maturity of the contract is as at 31 August 2026. However, if neither party explicitly terminates the contract it will automatically continue, with a one-year termination notice period established. Management has determined the lease term to be until 31 August 2026.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are subsequently depreciated (see note 19) using the straight-line method from the commencement date to the end of the lease term. Both right-of-use assets and lease liabilities have a separate line item in the statement of financial position. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company´s incremental borrowing rate since the interest rate implicit in leases cannot generally be determined. The interest rate for lease of office premises is 5.71%. The lease contract for office premises is CPI-index and therefore the lease liability is recalculated at each reporting date with a corresponding adjustment made to the carrying amount of the right-of-use asset. To some extent the lease payments for vehicles are determined based on usage. Such variable lease expensed are not recognised as part of the lease liability but expensed as incurred. Lease liabilities are measured at amortised cost using the effective interest method.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases such as IT equipment. The Company expenses the lease payments associated with these leases as incurred among other operating expenses.

6. *Large exposures*

According to the Act no. 161/2002 on Financial Undertakings, Large exposures are defined as the sum of all exposure values of the Company to a single counterparty, or to a group of connected counterparties, that accounts for 10% or more of its Tier 1 capital.

The Company’s internal rules stipulate that the maximum exposure toward a counterparty shall never exceed 25% of the Company´s Tier 1 capital. However when settling payments to merchants, the Company is often required to have significant amounts deposited with counterparty financial institutions. The Large Exposure limit applicable to counterparty financial institutions is up to 100% of the Company´s Tier 1 capital as the total Tier 1 capital is less than ISK 10 billion. The Company's exposure was within these limits in 2023.

The Company monitors the development of counterparty risk, both regarding financial undertakings and other parties.

Notes

All amounts are in ISK thousand, unless otherwise specified

7. Net interest income

Net interest income is specified as follows:

Interest income	2023	2022
Cash and cash equivalents	111,506	91,802
Loans and advances to customers	187,483	271,159
Other assets	282,045	116,510
	581,034	479,471
Interest expenses		
Borrowing	196,794	140,931
Other interest expenses	8,346	59,649
	205,140	200,580
Net interest income	375,894	278,891

8. Fee and commission income

Fee and commission income are specified as follows:

	2023	2022
Acquiring services	9,504,211	6,228,177
Issuing services	38	2,421,058
Other income	74,962	92,156
Discontinued operations	(259,817)	(2,517,665)
	9,319,394	6,223,725

All amounts are in ISK thousand, unless otherwise specified

9. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:

	2023	2022
Salaries	402,482	782,640
Severance costs	130,718	(4,080)
Pension fund contribution	121,601	136,412
Equity-settled share based payments	46,492	132,582
Salary related expenses	130,780	71,918
Discontinued operations	0	(56,319)
	832,073	1,063,153

Total severance costs paid to employees amount to ISK 83 million, the rest has been committed before year end and therefore accrued.

Number of employees:		
Average number of full time equivalent positions during the year	69	90
Full time equivalent positions at year end	62	80

9.1 Management salaries and benefits

Salaries and benefits to the CEO and Members of the Board of Directors are specified as follows:

	2023	2022
Reynir Finndal Grétarsson, CEO	2,800	48,311
Brian Jeffrey Gross, CEO	21,314	0
Jónína Gunnarsdóttir, CEO	60,263	33,668
Key employees (2023; 5 employees, 2022; 5 employees)	37,326	26,709
Auður Björg Jónsdóttir, Member of the Board	13,085	6,240
Gunnar Gunnarsson, Risk committee	397	960
Alternate Members of the Board	42,325	1,360
	177,510	117,248

All amounts are in ISK thousand, unless otherwise specified

9.2 Share-based payment arrangements

The ultimate parent company Teya Holdings Ltd. maintained a Group-wide stock option plan (the "Universal scheme") until 25 September 2023. The scheme provided awards to all Group employees, i.e. awards are granted to employees of each subsidiary of Teya Holdings Ltd. The awards take the form of an option to acquire a fixed number of shares in the ultimate parent company Teya Holdings Ltd. in return for a cash payment. Each employee share option converts into one ordinary share of Teya Holdings Ltd. on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised from the date of vesting to the date of their expiry only in the event of a liquidity event. Options are exercisable at a price stated on the date of the grant. The vesting period is five years with annual vesting cliffs. The only vesting conditions are service-related, i.e. related to employment. If the options remain unexercised after a period of ten years from the date of the grant, the options expire. Options are forfeited if the employee's employment is terminated before the options vest. Upon termination of the plan, new awards ceased to be granted but there was no impact on previously granted awards. Awards held at the date of plan termination remain in effect, unvested awards continue to vest over the remaining vesting period, and vested awards remain exercisable until the date of expiry.

The stock option plan is classified as equity-settled share-based payment. The grant-date fair value of the share-based payment is recognised as an expense among employee benefits (see note 10) in the statement of profit and loss, with a corresponding increase in equity, over the vesting period of the awards. The fair value of the employees share options was measured using the Black-Scholes formula. Following is key information related to the stock option plan as related to the employees of Teya Iceland hf.

Upon exercise, the employee purchases the shares directly from Teya Holdings Ltd. and makes a cash payment to Teya Holdings Ltd. in the amount of the exercise price. If Teya Iceland hf. incurs taxes or any other costs as a result of the employee exercise of options, Teya Holdings Ltd. will reimburse Teya Iceland hf. in full.

The Central Bank of Iceland's Financial Supervisory Authority (the "FSA") has reviewed the Universal scheme and has concluded option grants under the Universal scheme constitute fixed remuneration and therefore fall under Article 57 of Act No. 161/2002 on Financial Undertakings and Rules No. 388/2016. Options granted under the Universal scheme do not constitute bonuses because the options are granted to all employees as a fixed term of employment.

Teya Holdings Ltd. granted 136 options to employees of Teya Iceland hf. during the year ended 31 December 2023 (2022: 1,685 options). Options were granted on various dates, with the majority of grants occurring on 1 February 2022, the day that the initial grants were awarded to employees of Teya Iceland hf. after the equity-settled option plan was implemented.

Exercise price per share	$0.01 USD
Vesting period	5 years

All amounts are in ISK thousand, unless otherwise specified

9.2 Share-based payment arrangements, cont.

Inputs used in the measurement of the fair values at grant date of the equity-settled share-based program	2023	2022
Fair value at grant date	$ 1,942.34	$ 1,942.34
Share price at grant date	$ 1,942.35	$ 1,942.35
Exercise price	$ 0.01	$ 0.01
Expected volatility	48.3%	44.7%
Expected life (weighted-average)	6.89	6.44
Risk-free interest rate (based on government bonds)	4.10%	1.95%

Share price is determined based on the selling price of Teya Holdings Ltd. shares to external parties, and exercise price is established on the option grant. Teya Holdings Ltd. has relied on peer data to estimate volatility and has historical data available from the last 3 years to estimate an annual forfeiture rate of 18.9% (2022: 21.5%). The expected life is calculated based on a maximum option term of 10 years (2022: 10 years).

10. Auditors' fee

Auditors' fee is specified as follows:

	2023	2022
Audit of the financial statements	50,100	41,895
Review of interim financial statements	12,057	11,867
Other audit related services	2,139	1,865
	64,296	55,627

11. Credit loss expense on financial assets

	2023	2022
Impairment loss of merchant acquiring receivables for the year	471,297	156,597
Impairment loss of loans and advances for the year	97,626	50,533
Impairment loss of loans and receivables according to profit or loss	568,923	207,130

All amounts are in ISK thousand, unless otherwise specified

12. Income tax

12.1 Current tax income

Income tax income of ISK 101,5 million (2022: 268.0 million) is calculated and recognised in the income statement. No income tax is payable in 2024.

Reconciliation of effective tax rate:

	2023		2022	
	Amount	%	Amount	%
Loss before income tax	(41,824)		(997,210)	
Income tax rate	8,365	20.0%	199,442	20.0%
Non-deductible expenses	4	0.0%	(4)	(0.0%)
Other	0	0.0%	(619)	(0.1%)
Change in recognised deferred tax asset	93,160	222.7%	69,162	6.9%
Total income tax expense	101,529	242.8%	267,981	26.9%

12.2 Deferred income tax asset

Deferred income tax asset is specified as follows:

	2023	2022
Balance at 1.January	925,065	925,065
Current tax expense (income) for the year	101,529	267,981
Tax related to discontinued operation	(190,186)	(267,981)
Balance at 31.December	836,408	925,065

Deferred tax assets are specified as follows:

	2023	2022
Property, plant and equipment	(8,914)	3,290
Intangible assets	(1,117)	(10,684)
Asset on lease and lease contracts among loans	253	1,395
Valuation allowance	0	(104,256)
Foreign exchange difference	72,271	7,109
Loans and advances to customers	94,259	55,191
Carry forward loss	679,656	973,020
Balance at year end	836,408	925,065

The Company has a carry forward loss in the amount of ISK 3,398 million (2022: ISK 4,865 million). The majority of the deferred tax asset is due to losses carried forward. The utilisation of those is highly dependant on the ability of the Company to improve the profitability of the business. Based on the latest budgets the company will fully utilise the taxable losses within the required period which is 10 years. The oldest taxable loss arose in the year 2018 and can be utilised until year end 2028.

All amounts are in ISK thousand, unless otherwise specified

13. Discontinued operations

a) Sale of UK business

On the 31st December 2023, Teya Iceland hf. sold its UK business to Teya Solutions Ltd., a wholly owned subsidiary of Teya Iceland hf incorporated in the UK. Following Brexit and the end of the UK Temporary Permissions Regime on 30th December 2023, Teya Iceland was unable to be the acquirer processor for UK merchants and therefore sold this business to Teya Solutions Ltd. The UK business sold comprised, among others, agreements established with UK merchants, partnership agreements related to acquiring services, outstanding balances with UK merchants, and any cash held in relation to these merchant balances.

Total consideration payable to the Company amounted to ISK 231.7 million (£1.3 million) and the carrying amount of the net liabilities sold totalled ISK 42.3 million, with the difference of ISK 274.0 million recorded in the statement of profit and loss.

The results of this discontinued operation, which have been included in the profit (loss) for the year, were as follows:

	2023	2022
Fee and commission income	259,817	96,608
Fee and commission expenses	(30,190)	(3,705)
Other income	48,580	0
Credit loss expense on financial assets	(13,882)	(8,073)
Profit before tax	264,325	84,830
Tax expense	(52,865)	(16,966)
Profit after tax of discontinued operation	211,460	67,864
Gain on disposal of discontinued operation	274,055	0
Tax expense on gain	(54,811)	0
Gain on disposal of discontinued operation after tax	219,244	0
Net profit to discontinued operations	430,704	67,864

The cash flow information, which has been included in the cash flow statements, was as follows:

	2023	2022
Net cash inflow/(outflow) from operating activities	724,184	(225,616)
Net cash from investing activities	0	0
Net cash from financing activities	0	0
Net increase in cash generated by the discontinued operation	724,184	(225,616)

b) Sale of issuing services

During the year 2022 Teya Iceland hf. sold issuing services to Paymentology, which accepts the issuing agreement with Íslandsbanki. The final sales price of the issuing services is dependent on Paymentology operations in 2024.

	2023	2022
Fee and commission income	0	2,421,058
Fee and commission expenses	0	(1,680,231)
Salaries and salary related expenses	0	(56,319)
Other operating expenses	0	(94,708)
Profit before tax and gain of disposal	0	589,800
Gain on disposal of discontinued operations	412,549	665,276
Attributable tax expense	(82,510)	(251,015)
Net profit to discontinued operations	330,039	1,004,061

Notes

All amounts are in ISK thousand, unless otherwise specified

14. Loans and advances to customers

14.1 Loans and advances to customers

Loans and advances to customers are specified as follows at year end 2023:

	Individuals	Total
Loans and advances (Gross) - Stage 1	1,118,657	1,118,657
Loans and advances (Gross) - Stage 2	60,308	60,308
Loans and advances (Gross) - Stage 3	134,719	134,719
Total loans and advances (Gross)	1,313,684	1,313,684
Impairment - Stage 1	(12,470)	(12,470)
Impairment - Stage 2	(13,701)	(13,701)
Impairment - Stage 3	(134,719)	(134,719)
Total impairment	(160,890)	(160,890)
Book value	1,152,794	1,152,794
Impairment as a proportion of total loans and advances	12.2%	12.2%

Loans and advances to customers are specified as follows at year end 2022:

		Individuals	Total
Loans and advances (Gross) - Stage 1		1,492,512	1,492,512
Loans and advances (Gross) - Stage 2		15,264	15,264
Loans and advances (Gross) - Stage 3		66,005	66,005
Total loans and advances (Gross)		1,573,781	1,573,781
Impairment - Stage 1		(6,228)	(6,228)
Impairment - Stage 2		(2,138)	(2,138)
Impairment - Stage 3		(66,005)	(66,005)
Total impairment		(74,371)	(74,371)
Book value		1,499,410	1,499,410
Impairment as a proportion of total loans and advances	4.7%	0.0%	4.7%

All amounts are in ISK thousand, unless otherwise specified

14.2 Impairment of loans and receivables

Impairment on loans and receivables is specified as follows for 2023:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1. January 2023	6,228	2,138	66,005	74,371
Transfer between stages	(5,421)	(9,393)	14,814	0
Write-offs during the year	0	0	(51,543)	(51,543)
Recoveries	0	0	31,940	31,940
Impairment loss for the year	11,663	20,956	73,503	106,122
Balance at 31. December 2023	12,470	13,701	134,719	160,890

14.2 Impairment of loans and receivables, cont.

Impairment on loans and receivables is specified as follows for 2022:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1. January 2022	20,632	3,158	74,047	97,837
Transfer between stages	807	(6,448)	5,641	0
Write-offs during the year	0	0	(55,003)	(55,003)
Recoveries	0	0	23,796	23,796
Impairment loss for the year	(15,211)	5,428	17,524	7,741
Balance at 31. December 2022	6,228	2,138	66,005	74,372

15. Investment in subsidiary

The Company has one subsidiary, Teya Solutions Ltd (formerly Salt Pay UK Ltd), in which it holds 100% of its share capital since formation. Teya Solutions Ltd was incorporated in 2022 in the United Kingdom, which is also its principal place of business.

In connection with the sale of the UK business (Note 13), Teya Solutions Ltd owed Teya Iceland £1.3 million. As part of the same transaction, Teya Solutions Ltd also owed £11.4 million to other companies of the Teya Group. In order to optimise capital efficiency and improve the capital structure, the £11.4m outstanding balance was assigned to Teya Iceland hf, thus becoming the sole creditor of Teya Solutions. The Company then assigned the total £12.8 million (ISK 2,198 million) receivable to Teya Solutions in exchange for shares, increasing its investment in subsidiary.

During 2023, the Company also contributed ISK 781 million (£4.5m) into Teya Solutions Ltd (2022: ISK 76 million, £0.5m).

All amounts are in ISK thousand, unless otherwise specified

16. Financial instruments

16.1 Financial instruments classification

Financial assets and financial liabilities are classified as follows at year end 2023:

Financial assets	Amortised cost	Fair value through profit or loss	Total
Cash and cash equivalents	2,220,941	0	2,220,941
International payment card providers receivables	8,526,402	0	8,526,402
Collateral for international payment card providers	446,473	0	446,473
Loans and advances to customers	1,152,794	0	1,152,794
Short term receivable from related parties	1,071,960	0	1,071,960
Financial assets at fair value through profit or loss	0	1,855,201	1,855,201
Loan receivable from related parties	517,448	0	517,448
Other financial instruments	477,294	0	477,294
Total	14,413,312	1,855,201	16,268,513

Financial liabilities			
Settlement obligations	7,260,688	0	7,260,688
Short term payable to related parties	1,824,291	0	1,824,291
Loans payable to related parties	4,194,385	0	4,194,385
Other liabilities	736,599	0	736,599
Total	14,015,963	0	14,015,963

All amounts are in ISK thousand, unless otherwise specified

16.1 Financial instruments classification, cont.

Financial assets and financial liabilities are classified as follows at year end 2022:

Financial assets	Amortised cost	Fair value through profit or loss	Fair value through other compre-hensive income	Total
Cash and cash equivalents	2,246,196	0	0	2,246,196
International payment card providers receivables	4,520,841	0	0	4,520,841
Collateral for international payment card providers	194,420	0	0	194,420
Loans and advances to customers	1,499,410	0	0	1,499,410
Short term receivable from related parties	385,438	0	0	385,438
Financial assets at fair value through profit or loss	0	4,384,900	0	4,384,900
Loan receivable from related parties	635,880	0	0	635,880
Other financial assets	232,302	0	0	232,302
Total	9,714,487	4,384,900	0	14,099,387

Financial liabilities				
Settlement obligations	4,509,880	0	0	4,509,880
Short term payable to related parties	143,149	0	0	143,149
Loans payable to related parties	3,488,983	0	0	3,488,983
Borrowings	1,166,579	0	0	1,166,579
Other financial liabilities	777,801	0	0	777,801
Total	10,086,392	0	0	10,086,392

Financial assets which are held to maturity, loans and receivables, other financial assets and other financial liabilities, are measured at amortised cost using the effective interest method minus impairment. The only exception are short term investments which are held to fair value through profit and loss.

16.2 Fair value hierarchy

In the table below, financial instruments carried at fair value are categorised according to the method of measuring their fair value. The methods of measuring fair value are split into 3 levels which reflects the significance of inputs used in making the measurement. The levels are as follows:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs that are unobservable.

At year end, the Company reviews the categorisation based on original variables that affect the fair value measurement, to assess whether financial assets and liabilities measured at fair value need to be reclassified between levels.

All amounts are in ISK thousand, unless otherwise specified

16.2 Fair value hierarchy, cont.

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss ..	1,855,201	0	0	1,855,201
	1,855,201	0	0	1,855,201

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss ..	4,384,900	0	0	4,384,900
	4,384,900	0	0	4,384,900

Financial assets at fair value through profit and loss are specified as follows:

	31.12.2023	31.12.2022
Listed government bonds	1,855,201	4,384,900
	1,855,201	4,384,900

Forward foreign exchange trading agreements are made to protect the Company against currency exchange rate fluctuations in the companies assets in foreign currency.

16.3 Information on fair value of other financial instruments

The fair value of a financial instrument is the price that the Company would receive in a case of a sale of an asset or the amount to be paid as a payment of debt in the ordinary transactions between market participants on the settlement date.

The table below shows the fair value of financial instruments compared to book value.

	31.12.2023 Book value	31.12.2023 Fair value	31.12.2022 Book value	31.12.2022 Fair value
Cash and cash equivalents	2,220,941	2,220,941	2,246,196	2,246,196
International payment card providers receivables	8,526,402	8,526,402	4,520,841	4,520,841
Collateral for international payment card prov.	446,473	446,473	194,420	194,420
Loans and advances to customers	1,152,794	1,152,794	1,499,410	1,499,410
Short term receivable from related parties	1,071,960	1,071,960	385,438	385,438
Financial assets at fair value through profit or loss ..	1,855,201	1,855,201	4,384,900	4,384,900
Loan receivable from related parties	517,448	517,448	635,880	635,880
Other financial assets	477,294	477,294	232,302	232,302
	16,268,513	16,268,513	14,099,387	14,099,387
Settlement obligations	7,260,688	7,260,688	4,509,880	4,509,880
Short term payable to related parties	1,824,291	1,824,291	143,149	143,149
Loans payable to related parties	4,194,385	4,194,385	3,488,983	3,488,983
Borrowings	0	0	1,166,579	1,166,579
Other financial liabilities	736,599	736,599	777,801	777,801
	14,015,963	14,015,963	10,086,392	10,086,392

Credits and borrowings are subject to variable interest rates and there is a negligible difference between the book value and fair value.

Notes

All amounts are in ISK thousand, unless otherwise specified

17. Inventories

	31.12.2023	31.12.2022
Terminal inventory	82,975	30,288
	82,975	30,288

18. Intangible assets

	Software	Total
Cost		
1 January 2022	262,919	262,919
Additions during the year	2,932	2,932
Disposals during the year	(56,998)	(56,998)
31 December 2022	208,853	208,853
Disposals during the year	(174,179)	(174,179)
31 December 2023	34,674	34,674
Accumulated depreciation and impairment		
1 January 2022	181,581	181,581
Amortisation	24,016	24,016
Disposals during the year	(50,162)	(50,162)
31 December 2022	155,435	155,435
Amortisation	6,935	6,935
Amortisation catch up as re-based to 3 year life	1,298	1,298
Disposals during the year	(134,580)	(134,580)
31 December 2023	29,088	29,088
Book value at 31 December 2023	5,586	5,586
Book value at 31 December 2022	53,418	53,418

The estimated life cycle of software is 3 years. Previously this was 5 years but has now been aligned with the rest of the Teya group entities for consistency.

The Company's intangible assets consist of purchased software.

All amounts are in ISK thousand, unless otherwise specified

19. Property, plant and equipment

	Real estate	Right-of-use assets	Other	Total
Cost				
At 1 January 2022	151,067	214,683	599,875	965,625
Additions during the year	0	67,446	76,222	143,668
Disposals during the year	0	0	(9,791)	(9,791)
Reassessment	0	0	0	0
Disposals during the year	0	0	0	0
At 31 December 2022	151,067	282,129	666,306	1,099,502
Additions during the year	0	0	51,912	51,912
Disposals during the year	(133,580)	0	(488,580)	(622,160)
Reassessment	0	(42,858)	0	(42,858)
At 31 December 2023	17,487	239,271	229,638	486,396
Accumulated depreciation and impairment				
At 1 January 2022	139,126	14,165	410,000	563,291
Depreciation	315	55,206	54,484	110,005
Disposals during the year …	0	0	(8,812)	(8,812)
At 31 December 2022	139,441	69,371	455,672	664,484
Depreciation	315	60,351	53,757	114,423
Depreciation adjustment	0	(22,446)	11,889	(10,557)
Disposals during the year	(132,802)	0	(389,113)	(521,915)
At 31 December 2023	6,954	107,276	132,205	246,435
Book value at 31 December 2023	10,533	131,995	97,433	239,961
Book value at 31 December 2022	11,626	212,758	210,634	435,018
Depreciation rate	2%	3%	20% - 33%	

	31.12.2023	31.12.2022
Official valuation of real estate and land	37,100	36,890
Assessed property value for fire insurance	46,580	45,660
Insurance valuation for fixtures, office equipment and vehicles	409,843	504,410

20. Other assets

	31.12.2023	31.12.2022
Other receivables and assets	465,427	190,641
Claim on Associate	14,602	6,964
POS rental receivables	11,867	38,885
Prepaid expenses	10,843	54,524
	502,739	291,014

All amounts are in ISK thousand, unless otherwise specified

21. Borrowings

Unsecured borrowings at amortised cost are specified as follows:

	31.12.2023	31.12.2022
Loans payable with related parties in ISK	522,355	1,567,966
Loans payable with related parties in foreign currencies	3,672,030	1,921,017
Borrowings with loan institutions in ISK	0	1,166,579
	4,194,385	4,655,562

Repayments are specified in the following years:

Year 2024 / Year 2023	0	1,166,579
Year 2025 or later / Year 2024 or later	4,194,385	3,488,983
	4,194,385	4,655,562

Reconciliation of borrowing:

		Cash flow	Other changes		
	1.1.2023	Changes in the year	Accrued interest	Exchange rate differences	31.12.2023
Borrowings with credit institutions	1,166,579	(1,166,579)	0	0	0
Operating loan with related parties	3,488,983	854,347	0	(148,945)	4,194,385
Total borrowings	4,655,562	(312,232)	0	(148,945)	4,194,385

Reconciliation of borrowing:

		Cash flow	Other changes		
	1.1.2022	Changes in the year	Accrued interest	Exchange rate differences	31.12.2022
Borrowings with loan institutions	1,481,817	(315,238)	0	0	1,166,579
Operating loan with related parties	3,240,391	105,971	0	142,621	3,488,983
Total borrowings	4,722,208	(209,267)	0	142,621	4,655,562

Notes

All amounts are in ISK thousand, unless otherwise specified

22. Lease liabilities, lease expenses and income from sub-lease

Lease liabilities are specified as follows:

	Office premises
Carrying amount as at 1 January 2022	201,490
Increase due to additional contract and indexation of lease payments	67,446
Payments of lease liabilities during the year	(49,204)
Carrying amount as at 31 December 2022	219,732
Increase due to indexation of lease payments	9,195
Reassessment of lease liability	(42,529)
Payments of lease liabilities during the year	(46,066)
Carrying amount as at 31 December 2023	140,332

The maturity of lease liabilities are specified as follows at year-end:

	31.12.2023	31.12.2022
Year 2024 / 2023	49,884	54,987
Year 2025 / 2024	53,126	58,562
Year 2026 / 2025	37,322	62,368
Year 2027 / 2026	0	43,815
Total	140,332	219,732

All leases are denominated in ISK. Maturity analysis of lease payments, including estimated future interest payments, is specified in note 5. In 2023 interest expense in the amount of ISK 7.2 million was expensed due to lease.

	31.12.2023	31.12.2022
The maturity of lease liabilities are specified as follows at year-end:		
Year 2024 / 2023	57,017	66,936
Year 2025 / 2024	57,017	66,936
Year 2026 / 2025	38,011	66,936
Year 2027 / 2026	0	44,624
Undiscounted lease payments	152,045	245,432

All amounts are in ISK thousand, unless otherwise specified

22. Lease liabilities, lease expenses and income from sub-lease, cont.

Undiscounted lease payments analysed as:

Recoverable after 12 months	95,028	178,496
Recoverable within 12 months	57,017	66,936
	152,045	245,432

Net investment in the lease analysed as:

Recoverable after 12 months	90,448	164,745
Recoverable within 12 months	49,884	54,987
	140,332	219,732

During the year, the lease liability decreased due to the reassessment of the lease liability.

The Company is not exposed to foreign currency risk as a result of the lease arrangement, as the lease is denominated in CU.

23. Other current liabilities

	31.12.2023	31.12.2022
Accounts payable	162,007	150,946
Unpaid salaries and salary related expenses	80,128	113,287
Estimated unpaid costs	491,726	363,455
Other liabilities	2,738	30,814
	736,599	658,502

24. Prior year restatements

The financial statements for 2022 have been restated to correct the material financial impact of events not recognized in the corresponding accounting period. The net fee and commission income was understated in 2022 by ISK 250 million in the prior year and was restated accordingly. The adjustment also had an impact on the tax computation for prior year.
Further, the Statement of profit and loss and Comprehensive income and the Statement of cash flows have been re-presented to reflect the current year discontinued operations in the comparative period.

24.1 Unrecognised card-scheme credit notes

From January 2022 to December 2022 the Company did not have access to the credit notes for costs associated to a card-scheme and therefore did not record them properly in the prior year financial statements. This resulted in a decrease to fee and commission expense of ISK 67 million with a corresponding decrease to Settlement obligations. This adjustment also had an impact on the 2022 tax computation.

24.2 Sales organisation duplicate commissions

The acquiring platform processes whereby Teya Iceland calculates and pays related parties sales organisations commissions, resulted in duplication causing understated fees and commissions income in the prior year. The adjustment increased fee and commission income by ISK 183 million, with a corresponding decrease to Settlement obligations. 2022 retained earnings has been adjusted for the 2021 impact, increasing retained earnings ISK 34 million, decrease the deferred tax asset by ISK 9 million offset by a decrease in settlement obligations. This adjustment also had an impact on the 2022 tax computation.

Notes

All amounts are in ISK thousand, unless otherwise specified

24.3 Discontinued operations

As per note 13, Teya Iceland hf. sold its UK business to Teya Solutions Ltd, which qualified as a discontinued operation in 2023. As a result, the comparative period was re-presented to show the UK business as a discontinued operation in 2022 as well.

	As previously reported	Prior year adjustments	Discontinued operations	As restated
Fee and Commission income	6,137,687	182,646	(96,608)	6,223,725
Fee and Commission expenses	(5,597,375)	66,993	3,705	(5,526,678)
Credit loss expense on financial assets	(215,203)	0	8,073	(207,130)
Income tax	251,015	0	16,966	267,981
Discontinued operation, net of tax	1,004,061	0	67,864	1,071,925
Settlement obligations	4,802,920	(293,040)	0	4,509,880
Retained earnings	744,037	293,038	0	1,037,074

25. Equity

25.1 Capital management

The Company’s regulatory capital requirements are amongst other based on provisions laid out in the Act on Financial undertakings implementing the EU Capital Requirements Regulation (CRR) and implementation of the Capital Requirements Directives. CRR requiring the minimum CET 1 ratio to be greater than 8%, additionally the CB has maintained countercyclical and capital conservation buffers at a total of 4.5% to be included in the Company capital requirements, in addition to the idiosyncratic risks captured by the annual internal assessment of it capital requirements (ICAAP).

The Company's total equity exceeds the minimum requirement.

Total Supervisory Review and Evaluation Process (SREP) capital requirement is specified as follows:

	31.12.2023	31.12.2022
Credit risk	847,817	333,670
Market risk	102,006	50,937
Operational risk	254,878	278,748
Minimum regulatory capital requirement	1,204,701	663,355

	31.12.2023	31.12.2022
Total equity	6,358,625	5,198,645
Intangible assets	(5,586)	(53,418)
Deferred tax assets	(836,408)	(925,065)
Other Deductions	(1,855)	0
Own Funds	5,514,776	4,220,162
Total capital ratio	36.6%	50.9%

All amounts are in ISK thousand, unless otherwise specified

25.1 Capital management cont.

The Company's total equity exceeds the minimum legal requirement. If the calculation is based on an increased capital requirement, in addition to capital increases determined by the Central Bank of Iceland (CB), the total equity, used in calculating the total capital ratio, exceeds the regulatory requirement by ISK 3,632 million.

According to article 86 of Act 161/2002 on Financial Undertakings, the Company has maintained capital in accordance to previously mentioned act. The CB has maintained the countercyclical and capital conservation buffers at a total of 4.5%.

The Company makes an annual assessment of its capital requirement - ICAAP (Internal Capital Adequacy Assessment Process). Based on the most recent report submitted to the CB, the Company's equity based is sufficient to meet currently identified risks.

25.2 Equity

Equity is specified as follows:

	Shares	Proportion	Total amount
Total equity at year end	483,000,000	100%	483,000

According to the Company's articles of association, the nominal value of the Company's equity was ISK 483 million at year end. Each share bears one vote.

Notes

All amounts are in ISK thousand, unless otherwise specified

26. Risk management

In its day to day operations the Company faces various types of risks related to its business as a financial institution. Risk assessment is carried out in a formal and structured manner. Effective risk management goals are to identify significant risk, quantification of the risk exposure, take actions to limit risk and to uphold ongoing monitoring of risk. The four main risks are credit risk, market risk, operation risk and liquidity risk. The most significant of these risks are discussed below.

Risk assessment, especially the determination of risk exposure, together with actions directed at limiting exposure, such as by reasonable distribution of loans and investment in other assets, is one of financial Company´s main tasks. Many risk factors can have a negative effect on the Company´s operation. The Company´s Board of Directors policy is to continually monitor and manage the main risk factors that can affect the Company's equity and return. Annually the Company conducts an internal assessment of its main risk factors and liquidity, that is the ICAAP/ILAAP reports (Internal Capital and Liquidity Adequacy Assessment Process).

Execution of risk management and internal control is according to the Three lines Defence model, designed to support a strong risk awareness and effective risk management. The first line of Defence relates to day-to-day operations and consists of the Company's income and support departments. The second line of Defence is risk management and compliance. The third line of Defence is internal review.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and find acceptable balance between minimising risk on one hand and maximising the Company´s income on the other hand.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The CEO is responsible towards the Board of Directors for risk management and regulatory compliance.

The Company's Chief Risk Officer (CRO) is responsible for the risk management function and defines its daily tasks. The CRO is responsible for providing comprehensive information and advice on issues related to risk management within the Company which enable the Board of Directors, the CEO and other relevant senior management to understand the overall risk of the Company.

Business leaders and heads of functions within the first line are each responsible towards the CEO for the management of risk related to their functions.

The CRO is independent of and segregated from other business functions and reports directly to the CEO. CRO is a member of the senior committees of the Company and is authorized to share his opinion directly with the CEO or Board when necessary.

The CRO is hired by the CEO with the approval of the board and cannot be terminated and or suspended without the prior approval of the board.

26.1 Credit risk

Credit risk is defined as current or prospective risk to earnings and capital arising from an obligors potential failure to meet the terms of any contract with the Company or otherwise fail to perform as agreed. The Company has policies and procedures dedicated to monitoring credit risk.

The Company's main credit risk arises in relation to the granting of loans. The amount of credit risk in this regard is reflected in the book value of the assets in the balance sheet. In addition to the aforementioned credit risk, the Company is also exposed to credit risk in relation to cash and cash equivalents held with financial institutions and off-balance sheet items such as chargeback related exposures to Delayed Delivery Merchants and granted guarantees.

All amounts are in ISK thousand, unless otherwise specified

26.1 Credit risk cont.

In order to maintain and improve the quality of the Company's loan portfolio it is important to monitor the current loan portfolio on a regular basis and to ensure that all loan application are thoroughly reviewed, and rejected immediately if they do not fulfil lending requirements. However, it is not the Company's policy to grant solely loans with low risk exposure, but it is important that interests of granted loans reflect both the risk and cost related to the loans. This means that a thorough review of single customers, their financial standing and guarantees is a condition for granting a loan.

The Company has placed an emphasis on a well distributed loan portfolio and the quality of loans. This is carried out by a numerical analysis of the loan portfolio, assessment of estimated loss, probable risk exposure in the loan portfolio in terms of credit risk and single name concentration. The monitoring also includes the status of individual customer standing and case by case review, i.e. in relation to data collecting, loan granting, loan applications, documents preparation and registration of guarantees.

Maximum on balance sheet credit risk is specified as follows:	31.12.2023	31.12.2022
Cash and cash equivalents	2,220,941	2,246,196
International payment card providers receivables	8,526,402	4,520,841
Collateral for international payment card providers	446,473	194,420
Loans and advances to customers	1,152,794	1,499,410
Short term receivable from related parties	1,071,960	385,438
Financial assets at fair value through profit or loss	1,855,201	4,384,900
Loan receivable from related parties	517,448	635,880
Other assets	477,294	232,302
	16,268,513	14,099,387

The Company's maximum credit risk is the book value that is specified above plus any off balance sheet credit risk exposures. The Company is exposed to off balance sheet credit risk by delayed delivery merchants. Delayed delivery merchant exposure is measured by an merchant category code level and is accounted for in capital and liquidity regulatory reporting. As at 31 December 2023 delayed delivery merchant exposure was 11.2 billion ISK.

The Company's loans and advances to customers is spread over many borrowers, but in general there are no collateral against the loans.

All amounts are in ISK thousand, unless otherwise specified

26.2 Market risk

Market risk is the risk that price changes and market fluctuations will have an adverse effect on the Company's results and equity. The Company defines the main market risks as interest rate risk, currency risk and liquidity risk.

26.2.1 Interest rate risk

Interest rate risk is the risk of loss from fluctuations in future cash flows or fair value of financial instruments as market interest rates change over time.

The Company's interest rate risk can largely be attributed to the difference between interest-bearing assets and liabilities, while the majority of the Company's assets bear interest while the largest debt, debt to merchants, does not bear interest.

At year end there are no significant indexed assets or indexed liabilities on the Company's statement of financial position.

The main interest rate risk of the Company is loss of income due to poor returns on bank deposits and due to negative difference of interest income and finance cost in consumer lending.

The Company offers consumer loans, the policy is that only short term loans bear fixed interest. Loans granted long term are always with variable interest rate to reduce risk due to interest rate changes.

Discrepancies are between assets and liabilities whereas a large portion of assets are interest-bearing, but liabilities are not. This is primarily caused by a delay in settlement to merchants. The Company's interest rate risk is partly dependent on the frequency of settlement with merchants. By increasing the frequency of settlement, interest rate risk could be reduced, but at the same time the chargeback risk increases.

Sensitivity analysis

The Sensitivity analysis below shows the impact of a 25 and 50 point increase in interest rates on net interest-bearing assets and liabilities on operating results and equity at the reporting date. The sensitivity analysis covers the interest-bearing assets and liabilities that carry variable interest rates, assuming that all variables other than those under consideration are fixed. The sensitivity analysis takes into account the tax effects and therefore reflects the effects of the income statement and equity.

The effect on profit and equity will be the same as the changes in value of the financial instruments are never posted directly to equity. Positive amount equals to increase in profit and equity. Decrease in interest rate would have the same effect but in the opposite direction.

	31.12.2023		31.12.2022	
	25 pt.	50 pt.	25 pt.	50 pt.
Effect on profit and equity	(2.460)	(4.919)	10.439	20.879

Notes

All amounts are in ISK thousand, unless otherwise specified

26.2.2 Currency risk

Currency risk arises when financial instruments are not denominated in reporting currency which gives rise to the impact of changes in exchange rates on the income statement and balance sheet. This currency risk arises when there is imbalance between assets and liabilities in foreign currencies.

Majority of the assets and liabilities of the Company are in ISK, however the Company holds a considerable amount of foreign financial assets that can be attributed to the Company's overseas operations and collateral with the card schemes. As a result of increased foreign exchange transactions, foreign currency risk for the Company's services income has increased. By weakening of the Icelandic krona, against foreign currencies that the Company is trading, increase the Company's income from services. Hereinafter are specified the currencies of the Company which affect the operation of the Company. Information on the exchange rate and calculation of changes take into account the central rate.

	Year end exchange rate		Average exchange rate		Fluctuation
	31.12.2023	31.12.2022	2023	2022	2023
EUR	148.59	151.50	149.11	142.33	4.8%
GBP	172.41	170.81	171.41	166.90	2.7%
DKK	20.00	20.37	20.05	19.13	4.8%
NOK	13.51	14.41	13.07	14.09	-7.3%
SEK	13.70	13.62	12.98	13.39	-3.0%
USD	136.99	142.04	137.94	135.46	1.8%
JPY	0.95	1.08	0.98	1.03	-4.9%
CHF	161.29	153.85	153.28	141.83	8.1%
CAD	103.09	104.92	102.21	103.95	-1.7%
HUF	0.39	0.38	0.39	0.36	7.2%
CZK	6.25	6.28	6.23	5.80	7.5%

At year end 2023, total assets in foreign currencies amounted to ISK 9,581 million and total liabilities amounted to ISK 9,845 million. At year end 2022, total assets in foreign currencies amounted to ISK 5,410 million and total liabilities in foreign currencies amounted to ISK 5,445 million.

At 31 December 2023, the foreign currency balance percentage was -4.81% compared to -0.68% in the previous year. According to the Central Bank rules no. 950/2010 the total foreign currency balance of a financial institution shall not be positive nor negative in excess of a ratio of 15% of the Tier 1 equity.

If a foreign exchange adjustment exceeds the aforementioned limits immediate action is required in order to adjust the balance. The adjustment shall be carried within given limit no later than three business days.

Notes

All amounts are in ISK thousand, unless otherwise specified

26.2.2 Currency risk, cont.

Currency risk 31.12.2023	Assets	Liabilities	Net position
EUR	3,205,112	2,594,300	610,812
GBP	2,216,604	3,443,741	(1,227,137)
CHF	26,957	(89)	27,046
DKK	11,555	3,596	7,959
NOK	957	580	377
SEK	58,419	4,204	54,215
USD	2,228,925	1,988,494	240,431
CAD	(0)	463	(463)
JPY	0	2,103	(2,103)
AUD	0	48	(48)
HUF	1,081,495	1,010,906	70,589
CZK	751,828	787,480	(35,652)
PLN	3	1	2
RON	(121)	(40)	(81)
HRK	(381)	9,206	(9,587)
	9,581,355	9,844,993	(263,638)

Currency risk 31.12.2022	Assets	Liabilities	Net position
EUR	1,486,242	1,304,090	182,152
GBP	412,033	465,276	(53,243)
CHF	26,103	0	26,102
DKK	43,001	2,261	40,740
NOK	20,355	107	20,248
SEK	122,603	17,141	105,463
USD	2,089,428	2,208,321	(118,893)
CAD	51	4,499	(4,448)
JPY	53	2,393	(2,340)
AUD	0	51	(51)
HUF	591,428	1,049,081	(457,653)
CZK	458,103	377,658	80,445
PLN	3	1	2
RON	283	365	(82)
HRK	159,985	14,017	145,967
	5,409,671	5,445,261	(35,591)

All amounts are in ISK thousand, unless otherwise specified

26.2.2 Currency risk, cont.

Sensitivity

The following table indicates the Company's sensitivity to a 5% and 10% decrease in ISK against the relevant foreign currencies on the net profit and equity based on the balance of assets and liabilities at the reporting date. In the preceding table are the foreign assets and liabilities included in the sensitivity analysis. The sensitivity analysis is based on all other variables being fixed. The sensitivity analysis includes the foreign currencies with the most inherent currency risk. The sensitivity analysis takes taxation into account and thus reflects the net effect on the statement of profit or loss and total equity. The effect on net profit and total equity are the same, as the assessment changes of the underlying foreign currency denominated financial instruments are never recognised within total equity. Positive amount means an increase in net profit and total equity. The prospective increase in the ISK exchange rate would have the same effect although in the opposite direction.

Effect on operating results and equity:

	31.12.2023		31.12.2022	
	5%	10%	5%	10%
EUR	24,432	48,865	7,286	14,572
GBP	(49,085)	(98,171)	(2,130)	(4,259)
CHF	1,082	2,164	1,044	2,088
DKK	318	637	1,630	3,259
NOK	15	30	810	1,620
SEK	2,169	4,337	4,219	8,437
USD	9,617	19,234	(4,756)	(9,511)
CAD	(19)	(37)	(178)	(356)
JPY	(84)	(168)	(94)	(187)
AUD	(2)	(4)	(2)	(4)
HUF	2,824	5,647	(18,306)	(36,612)
CZK	(1,426)	(2,852)	3,218	6,436
PLN	0	0	0	0
RON	(3)	(6)	(3)	(7)
HRK	(383)	(767)	5,839	11,677
	(10,545)	(21,091)	(1,423)	(2,847)

Notes

All amounts are in ISK thousand, unless otherwise specified

26.3 Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company's definition of operational risk includes chargeback, fraud, legal, compliance, concentration, reputational risk and merchant settlement risk.

26.3.1 IT operational risk

The risk of loss due to a malfunction or unintended actions of IT systems and telecommunication. This includes risk due to natural disasters, terrorism or vandalism.

26.3.2 Risk related to core processes

The risk of loss resulting from the noncompliance with or inadequate or failed core processes. Including but not limited to risk due to human error or intentional misconduct and the risk of business disruption due to loss of key personal.

26.3.3 Chargeback risk

Risk that the Company faces where its customers are unable or unwilling to execute their commitment to repay any chargeback, and or is related to fraud (see below). Chargeback loss to the Company only materialises where the customer breaches his duty to pay. Exposure is measured subject to risk of delivery of the service and or goods to the cardholder. The Company monitors chargeback risk ratio´s and its customers.

26.3.4 Fraud risk

The risk of financial loss for both the Company and its customers from fraudulent conduct by merchants, card holders or other parties intended to result in financial gain.

26.3.5 Concentration risk

The Company's concentration risk stems from revenue and/or credit being vulnerable to a large single name exposures or sector-based exposure. Single name concentration risk manifests itself as a single merchant which generates high revenue for the Company, moves his business suddenly resulting in an income gap for the Company. This risk also stems from possible credit exposure to a single merchant or customer which might defaults on obligations towards the Company. Sector based concentration risk stems from systematic risks that affects whole sectors. Manifestation of this risk can occur if external events such as a natural disaster, wars, economic downturn strikes an industry and effects a whole sector like tourism, banking, telecommunications etc. The Companies revenue generation from the sector might be in jeopardy or a credit event affection the sector resulting in defaults on obligations towards the Company.

26.3.6 Legal risk

The risk to earnings or capital arising from uncertainty in the applicability or interpretation of contracts, laws or regulations, or the potential negative economic impact of new laws or regulations may have on the Company as well as expensive preventive measures it may entail.

26.3.7 Compliance risk

The risk to earnings or capital arising from failure to comply with applicable laws, regulations, rules, prescribed practices or ethical standards.

26.3.8 Reputational risk

The risk to earnings or capital arising from adverse perceptions of the Company by customers, counterparties, Card Schemes or regulators.

26.3.9 Merchant settlement risk

The risk to earnings or capital arising from the Company failing to make settlement with a merchant on the terms of a contract at the time of settlement.

All amounts are in ISK thousand, unless otherwise specified

26.4 Liquidity risk

Liquidity risk is the risk arising from the possible inability of the Company to meet its liabilities when they come due. The Company must always have sufficient capital in order to meet both predictable and unpredictable payment obligations. The Company has set rules regarding its liquidity balance and financing, aiming at ensuring and maintaining flexibility.

Liquidity risk is monitored and reports on liquidity ratio are prepared on a monthly basis. Liquidity ratio shows the ratio between assets and liabilities based on maturity date. The Company's liquidity risk is not significant due to the nature of the operations of acquiring transactions, and the Company does not take deposits.

The Company repaid the secured loan held with Íslandsbanki as it was no longer needed to secure funding for settlements in the short term.

Contractual cashflow of financial assets and liabilities is specified as follows:

Liabilities 31.12.2023	Less than 3 month	3 to 12 months	1-2 years	Later	Total
Non-interest bearing	9,821,578	0	0	0	9,821,578
Variable interest rate	0	0	0	4,194,385	4,194,385
Non-interest bearing	12,471	37,413	53,126	37,322	140,332
	9,834,049	37,413	53,126	4,231,707	14,156,295
Assets 31.12.2023					
Non-interest bearing	12,452,341	0	0	287,521	12,739,862
Variable interest rate	1,717,593	161,702	747,297	337,933	2,964,525
Fixed interest rate	24,133	389,869	143,968	6,156	564,126
	14,194,067	551,571	891,265	631,610	16,268,513
Net position 31.12.2023	4,360,018	514,158	838,139	(3,600,097)	2,112,218

Liabilities 31.12.2022	Less than 3 month	3 to 12 months	1-2 years	Later	Total
Non-interest bearing	5,430,830	0	0	0	5,430,830
Variable interest rate	4,655,562	0	0	0	4,655,562
Non-interest bearing	13,747	41,240	58,562	106,183	219,732
	10,100,139	41,240	58,562	106,183	10,306,124
Assets 31.12.2022					
Non-interest bearing	4,746,178	0	0	0	4,746,178
Variable interest rate	6,944,357	1,522,036	59,479	1,378	8,527,250
Fixed interest rate	47,763	281,375	328,895	167,927	825,960
	11,738,298	1,803,411	388,374	169,305	14,099,387
Net position 31.12.2022	1,638,159	1,762,171	329,812	63,122	3,793,263

Notes

27. Related party

Related parties are the parent company Teya Holdings Ltd., its subsidiaries, The board of directors of the company, CEO, directors, managing directors, close family members of the aforementioned parties and parties that have a significant influence as large shareholders in the Company. This definition is based on IAS 24.

Transactions with related parties other than those specified below are insignificant. Transactions with related parties have been conducted on an arm's length basis.

Information regarding salaries and benefits of key employees is included in note 9.

Related party transactions in 2023

	Interest income	Interest expenses	Other income	Other expenses	Short-term receivable	Loan receivable	Short-term payable	Loan payable
Teya Europe	4,187	107,322	0	2,883	43,670	0	0	4,194,385
Teya Services	0	0	249,831	91,678	4,639	0	161,853	0
Teya Hardware	0	0	0	0	51,939	0	0	0
Teya Czech R.	0	0	6,813	354,128	17,951	0	39,714	0
Teya Croatia d.o.o.	0	0	1,684	263,425	0	0	15,404	0
Teya Hungary Zrt.	0	0	21,909	870,336	6,097	0	14,555	0
Teya Solutions	219	0	274,055	0	239,888	517,448	1,371,239	0
Teya Slovakia	0	0	1,298	140,332	817	0	1,468	0
Teya Portugal	0	0	19,177	61,403	20,802	0	27,779	0
Teya Ireland	0	0	29	8,966	372	0	0	0
RMS Ltd.	0	0	27	498,553	48,580	0	14,292	0
Teya Holdings	10,365	0	0	0	0	0	0	0
Teya Italy	0	0	0	5,308	0	0	0	0
RMF Ltd	0	0	0	0	0	0	68,783	0
Paymentology	0	0	578,849	0	637,205	0	109,204	0
	14,771	107,322	1,153,672	2,297,012	1,071,960	517,448	1,824,291	4,194,385

Related party transactions in 2022

	Interest income	Interest expenses	Other income	Other expenses	Short-term receivable	Loan receivable	Short-term payable	Loan payable
Teya Europe	22,343	49,484	0	390	22,491	635,880	(6,963)	3,488,983
Teya Services	0	0	176,747	49,270	263,878	0	0	0
Teya Hardware	0	0	0	685	0	0	0	0
Teya Portugal	0	0	0	17,881	21,431	0	0	0
Teya Czech R.	0	0	0	184,449	17,408	0	0	0
Teya Croatia d.o.o.	0	0	0	108,195	2,052	0	0	0
Teya Hungary Zrt.	0	0	0	718,614	0	0	15,538	0
Teya Slovakia	0	0	0	88,368	0	0	31,300	0
Salis Unipessoal	0	0	0	24,810	0	0	7,211	0
Teya Ireland	0	0	0	74	0	0	804	0
RMS HoldCo	0	0	0	3,308	0	0	5,906	0
Teya Solutions	0	0	0	3,095	0	0	85,734	0
Switch	0	0	0	6,741	0	0	3,619	0
Paymentology	0	0	155,841	0	58,178	0	0	0
	22,343	49,484	332,588	1,205,880	385,438	635,880	143,149	3,488,983

Notes

28. Contingent liabilities

In 2017, Landsbankinn hf. initiated legal action against Teya, its former CEO from Borgun hf., the holding company Eignarhaldsfélagið Borgun slf., and BPS ehf. The case is related to the 2014 sale of shares in Teya (then Borgun hf.). Landsbankinn hf. is seeking to establish the defendants' liability for lost sale profits. On April 27, Teya was cleared of all claims by the district court, although Landsbankinn has filed an appeal with the National Court. Since the case is focused exclusively on the acknowledgment of liability, the potential financial impact remains undetermined.

EC-Clear ehf. sued Teya together with Valitor hf., Arion Banki hf., Íslandsbanki hf. and Landsbankinn hf. in 2021 for recognition of liability for damage that Kortaþjónustan hf. claimed was caused by competition law breaches. EC-Clear ehf. received the alleged claim of Kortaþjónustan hf. which has repeatedly initiated legal action against Teya together with Valitor hf., Arion Banki hf., Íslandsbanki hf. and Landsbankinn hf. for the payment of damages that the company claims have been caused by the aforementioned events. The case has been dismissed a number of times on procedural grounds, but the Court of Appeals has now determined that the matter shall proceed to a substantive hearing before the district court. Currently, EC-Clear is in the process of seeking court-appointed experts to reassess the potential damages. The total sum for which a claim is made pursuant to the subpoena is 922 m ISK (plus interest).

Lidl Magyarország Bt. has initiated legal proceedings against Teya, accusing the latter of unlawfully terminating a merchant agreement. The financial ramifications of this case for Teya are currently unclear, but the sum for which a claim is made pursuant to the subpoena is ISK 188 m ISK. Court hearings are currently ongoing, and the potential outcome is still undetermined.

29. Subsequent Events

Teya Iceland hf. issued 4,878,788 shares to Teya Europe Ltd. (Reg no. 12951319) at a nominal value of 1 ISK per share. This amounts to 1% of shareholding. The issuance was approved by the Teya Iceland hf. Board and executed on 29th February 2024.

30. Other matters

Onsite audit by the Financial Supervisory Authority of the Central Bank of Iceland
In 2023, the Central Bank of Iceland's Financial Supervisory Authority conducted an on-site review at Teya to evaluate its adherence to Act no. 140/2018, which pertains to combating money laundering and terrorist financing, along with the associated regulations. The audit's concluding findings pointed out certain deficiencies in Teya’s framework. The matter is currently being processed by the Financial Supervisory Authority.