2020 Corporate Year in Review

Powering Connections in Canada
Message from the President and CEO

Message from the Chair of the Board

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Strategy 2: Lay the Foundation for New Lines of Business

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People and Community

Diversity & Inclusion

Inside Our 2020 Corporate Year in Review
The year 2020 was certainly a year like no other. The COVID-19 pandemic stretched health care systems, disrupted economies, and upended businesses across the globe. It challenged humanity in unexpected ways. There is no question the impacts of this pandemic are far reaching, as are its lessons.

The continued acceleration of digital payments and our internal efforts yielded tremendous success for Interac this year. We saw record usage of Interac e-Transfer and more than half of Canadians (51 per cent) used Interac Debit in apps and websites more frequently during the pandemic.

We also continued our efforts to architect a future where Interac is a trusted digital value exchange in Canada. This year marked our first full year of operations alongside our subsidiary, Debit contactless Canada. Since acquiring the national security business of Interac in November 2019, we have continued to provide stable and modernize our technology to advance the interoperability of our platforms while also making investments to enable new lines of business in the future.

As consumers’ purchasing behaviour dramatically shifted to digital options, we expanded our digital solutions—from making Interac e-Transfer debit contacts and eCommerce payments more accessible to enhancing our Interac e-Transfer®—our solution providing Canadians more control and flexibility.

None of our successes this year would have been possible without the resilience and perseverance of our workforce. Throughout the challenges of 2020, the well-being of our employees remained our top priority. We expanded mental health resources for our employees and implemented programs to keep our employees connected during times of isolation. And as our remote work environment allowed the flexibility to support work from home, we did our part to assist and protect an increasingly digital world. That involved ensuring that our employees had the tools and support they needed to do their jobs and to support greater safety and well-being at the forefront of every business decision we made to ensure they had the support needed to keep our networks and services running.

Maintaining network stability and business continuity also meant thinking strategically about how to advance our strategy to support an increasingly digital world. That involved continuing our strategic initiatives and modernizing our technology to support our digital solutions as we continued our cultural transformation into the future.

A key focus of our cultural evolution this year was on ensuring that our network stability and awareness of the role we could play in a Canadian digital ID framework—the need for a robust national identity infrastructure—was at the forefront of every decision we made as the pandemic, as we disproportionately affected vulnerable populations, as well as the reality of systemic racism. That spurred meaningful—and much-needed reflection by our leadership; and employees on what it means to be anti-racist allies. At Interac, it means renewing our commitment to equality and empowerment an ongoing effort, but also crucial to demonstrating our role as an employer of choice and an excellent corporate citizen. This year, we launched a new Ecosystem and Empowerment Initiative to combat racism and discrimination within our walls and in our communities.

Although COVID-19 continues to present profound challenges and uncertainties, I am confident Interac has the right strategy, team, partnerships, and support in place to grow now and into the future. I thank and applaud our employees for their incredible contributions during this difficult year. I am also grateful to our Board and shareholders for their invaluable counsel and continued support. 2020 was indeed a year of many lessons, but one of the biggest was the immeasurable value of our team, our employees, for their incredible contributions during this difficult year. I am immensely confident that those efforts, bolstered by the continued acceleration of digital payments and the Consent Order for Interac marking the official end to its restructuring journey. This new chapter required to support Canadian consumers and businesses, 2020 also brought the expectation of the Consent Order for Interac meeting the official end to its restructuring journey. This new chapter signals the opportunity for further growth and diversification of product offerings for Canadians alongside a continued commitment to operate a low-cost business model.

Among the careful management decisions required to support Canadian consumers and businesses, 2020 also brought the expectation of the Consent Order for Interac meeting the official end to its restructuring journey. This new chapter signals the opportunity for further growth and diversification of product offerings for Canadians alongside a continued commitment to operate a low-cost business model.

In a year that demanded quick and strategic decision-making by executive management and the Board, we were pleased to consult on and support operational changes that enabled more control and flexibility for consumers and greater clarity for our financial institution partners. Working collaboratively with leadership, we further achieved critical success goals by creating an Innovation Community and completing a pivotal strategy work related to the mid-term and long-term journey of Interac to future-proof the business.

The results of those decisions reflect the careful, sound, and strategic path paved by the Interac executive leadership team to respond to the pandemic, support customers and employees, provide value to shareholders, and ultimately solidify the company’s role as a trusted and reliable leader at the forefront of digital innovation in Canada.

On behalf of the Board of Directors, I would like to extend a thank-you to Chief Executive, Mark O’Connell, and his leadership team for their dedication and hard work throughout this challenging year and am looking ahead at our continued efforts to empower Canadians to transact digitally with confidence.

Thank you.

Mark O’Connell, President and Chief Executive Officer

To describe 2020 as a year requiring strength and resilience is an enormous understatement. Not all businesses could manage in the face of such uncertainty, and I was impressed to see Interac display both during what was an extraordinary year in Canada and beyond.

The business and social implications of COVID-19 presented immense hardship, but guided by its purpose and long-term strategy, Interac successfully navigated a challenging year and delivered for its customers, employees, partners, and shareholders. The organization’s commitment to success and its long-term growth strategy in a period of unexpected change was also a testament to existing governance practices that were further strengthened throughout the year.

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Overview of Interac and Corporate Governance

One of Canada’s most trusted financial services brands.
Who We Are

Interac Corp. empowers Canadians to transact digitally with confidence by providing payment and value exchange services rooted in security, reliability, and efficiency.

As a leader in digital security and authentication alongside our subsidiary, 2Keys Corporation, security is the core of everything we do. 2Keys Corporation is a national leader in research, policy, operations, and technology for digital identity and cyber security. Our state-of-the-art privacy, fraud mitigation, and governance expertise ensure we help keep Canadians safe and secure when transacting with Interac.

We deliver value to our shareholders by leveraging shared, scalable technology platforms, investing in our business priorities and driving strategic growth that enhances our customers’ relationships with their clients. We have strong relationships with partners across the payment ecosystem, from financial institutions, tech giants and fintechs to payment solutions providers and merchants. Because of where we sit in the payment ecosystem, collaborating and connecting with partners, platforms and people is how we succeed.

To maintain our leadership in the payments landscape, we are focused on:

• Operating secure, reliable and efficient shared platforms and solutions
• Leading innovation that enhances value and relevance to customers
• Competing globally at industry standards
Canadians choose Interac products and solutions an average of 18 million times a day to pay and exchange money. In 2020, $489B was moved across more than 6.5B transactions on the Interac network.

**Our Products and Solutions**

**Interac Debit** enables consumers to make payments for everyday purchases using funds directly from their bank account, operating on a good funds model. The merchant has real-time access to funds with no risk of chargebacks and acceptance is a lower cost compared to other networks. Since the first debit card was introduced in 1994, the debit solution has evolved to include a number of offerings, including eCommerce.

- **Cross-Border** enables Canadians to use their debit card at two million retailers in the United States
- **Cash withdrawals** are available anywhere in Canada from Automated Banking Machines (ABMs) displaying the Interac logo
- **Contactless payments** enable customers to transact using a debit card or OEM (original equipment manufacturer) mobile wallet designed to make everyday purchases quick, secure and convenient for customers
- **ECommerce payments** enable customers to pay with their own funds online or in their mobile apps

**Interac e-Transfer** is a digital money transfer service to instantly send, request and receive money securely in Canada. First launched in 2003, the service has grown to be an essential and ubiquitous service for Canadians.

- **Autodeposit and Request Money** features were launched in 2017, which enhanced the user experience and opened new use cases for small and micro businesses.
- **Interac e-Transfer Bulk** allows businesses to manage payments to and from multiple recipients quickly and safely.
- **International remittances** are available through collaborations with Mastercard and Western Union.

Interac has business capabilities to meet the demands of the modern payments ecosystem and real-time needs of the market. We have world-class security, privacy, fraud mitigation and governance capabilities, and we help keep Canadian customers safe and secure 24/7/365 when transacting online.
Interac appointed Paul Vessey as the new Chair of the Board in 2020. Paul served as an Independent Director on the Interac Board since 2018 and brings 40 years of experience in the financial industry, including Chief Operating Officer at Visa USA Inc. His experience leading a global payments technology company has been a dynamic force as Interac solidifies its leadership role in the way Canadians exchange value.

Corporation Secretary

A brand new Innovation Board Committee was created in 2020 to examine the future of Interac and the role we can play in payments modernization. This committee helps the Interac Board of Directors provide strategic insight into how Interac prioritizes initiatives such as digital ID in Canada and the creation of an Open Banking payments system.
A Well-Governed Interac

Corporate governance at Interac is comprised of practices and principles that contribute to our trusted reputation in the financial services sector. To maintain the corporate stability that drives our business, Interac relies on a matrix of interconnected functions that address market needs and challenges, while ensuring our shareholders and participants are informed and governed effectively. Our corporate governance policies, procedures and programs are reviewed annually to ensure they remain relevant and effective.

Corporate Governance Framework:
• Implementing effective policies, programs, and mechanisms
• Working in collaboration with our Board of Directors and Management to ensure the company operates ethically and responsibly
• Maintaining open lines of communication
• Providing comprehensive reporting to clients and shareholders
• Buttressing all the above with corporate programs and initiatives that elevate the corporate profile

Our Board of Directors is comprised of 13 leaders in the financial, technology, and payments space, including four Independent Directors. Each member plays a vital role in the management and oversight of Interac products, services, and operations to ensure all decisions are made in accordance with applicable regulations, by-laws and agreements.

Shareholder Relations:
As Interac Corp. is not publicly traded, Shareholder Relations is focused on timely transparent communication and active shareholder engagement.

Our shareholders played a critical role on projects in 2020 that open new doors for Interac, including the acquisition of 2Keys Corporation, a national leader in research, policy, operations and technology for digital identity and cyber security, and MintCo, an organization started by six of the largest Canadian financial institutions with the aim of creating a simplified account-based eCommerce platform.

In early-2020, Interac held its second Annual General Meeting with special guest Masai Ujiri.

If you want to stand out, and you want to make an example for the youth, and for the future of whatever we’re doing, you have to push the envelope.

— Masai Ujiri
Good business ethics are essential to governance excellence. Interac has adopted a values-based ethics and compliance program that uses resources efficiently and closely aligns with our corporate culture. Interac employees know what the rules and policies are, and understand why they exist. With the pivot to a remote workforce, employee resources and a refreshed training module were made available online.

A Culture of Good Ethics and Compliance

In 2020, we also formalized the policies and procedures of the Ombudsman’s Office of Interac Corp. A Terms of Reference was created in 2020 to set out our mandate, model, guiding principles, jurisdiction, scope of responsibilities, complaint-handling process and records management protocols. The Ombudsman’s Office represents another avenue for escalations and concerns when all other methods have been exhausted.

Expiration of the Consent Order

2020 brought the expiration of the Consent Order, issued by the Competition Tribunal in 1984, that required Interac to run on a not-for-profit basis, setting fees only to recover costs directly associated with running the business. The Consent Order was amended in 2013, enabling us to restructure in 2018, while still maintaining a cost-recovery model for shared services. The expiration of the Consent Order marks the official end of our restructuring journey. This new chapter for Interac allows us to grow and diversify our product offerings for Canadians while continuing our commitment as a low-cost solution for merchants.

Winner of 2020 Best in Corporate Governance (Canada) Award

Presented by the World Finance Magazine

World Finance Magazine recognizes organizations from across the globe that represent best-in-class corporate governance, exemplary regulatory compliance, and investor relations.
Strategy and Corporate Performance

Interac plays an important role in the Canadian payments ecosystem, connecting our participants to their customers across Canada. The Interac Board of Directors provides strategic oversight and guidance to management to help Interac deliver business results and value for all stakeholders.
The COVID-19 pandemic impacted the lives of all Canadians in 2020. We were forced to change where and how we work, and to reevaluate our priorities – both at work and at home.

We took extensive measures to build a resilient remote work culture where our employees felt motivated and productive. We ensured employees were kept up to date on changing policies, and instituted a work-from-home allowance to help them upgrade their workspace to promote comfort and efficiency. Interac also prioritized the mental health needs of our employees by expanding mental health benefits and instituting regular ‘Quiet Hours’ to allow staff to work without interruption as well as manage household demands.

While COVID-19 has been difficult for everyone, it has been especially difficult for Canadians struggling in our communities. We worked closely with governments and our partners to distribute emergency funds to Canadians in need of support. The province of Alberta distributed a one-time COVID-19 relief payment via the Interac e-Transfer service for those self-isolating and unable to work at the beginning of the pandemic. The Canadian Hospitality Worker Relief Fund also used the Interac e-Transfer platform to disburse funds to grant recipients in the hospitality industry. Businesses across the country also showed their resilience by pivoting in response to government restrictions and changing consumer behaviours. As a result, many quickly shifted to digital payment tools such as Interac e-transfer. We expanded our digital offerings for small businesses, supported small businesses through internal engagement initiatives and through our association partners, and focused our marketing efforts on encouraging Canadians to shop local.

The shift to digital payment solutions throughout the COVID-19 pandemic illustrated the essential role Interac plays in Canada’s economy, as evidenced by the record transaction numbers for digital solutions like Interac e-transfer. This year, the Bank of Canada deemed Interac e-transfer a Prominent Payment System, further underscoring the importance of our network in Canada’s economic stability.
In a year of unprecedented uncertainty and change, Interac met its financial targets for the 2020 fiscal year. Careful financial management of our operations created a stable, resilient Interac, which enabled us to provide the uninterrupted service required of a business embedded in the day-to-day lives of Canadian consumers and businesses.

Every year, our financial mandate includes commitments to:
- Maintain an affordable pricing structure for merchants
- Scrutinize operating costs to drive value to shareholders
- Earn profit to cover Interac operational costs, with an eye to moving toward a self-funded model
- Separate platform and scheme to prepare Interac for additional revenue streams

The Interac Board acknowledged Interac exceeded expectations despite the unexpected effects of COVID-19 on Canadian purchase behaviours and activity.

**Corporate Performance**

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**Our Performance Indicators**

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**Our Highlights**

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**2020 Snapshot**

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**Our Highlights**

- YoY growth of Interac e-Transfer transactions
- Consolidated growth in 2020
- Revenue growth: Revenue drivers:
  - Covid-19 Implications on Interac

**NetForg in Interac Transactions**

- 45%: YoY growth of Interac e-Transfer transactions
- 21%: Consolidated growth in 2020
- 45%: YoY growth of Interac e-Transfer transactions

**Revenue**

- YoY growth of Interac e-Transfer transactions
- Consolidated growth in 2020

**Fraud Rates**

- 5.7%: Decrease in fraud EFT and Debit transactions due to generally increased volumes of non-merchant services
- 2.3%: YoY decrease in Interac Debit transactions

**_network Availability**

- 100%: Availability of the Interac e-Transfer platform during a year when Canadians needed it

**Operational Efficiency**

- Integrated digital financial operations with Hyperledger and Visa<br>  - Integrated secure and efficient connectivity and efficient fraud monitoring
- Integrated patentable security technology
Digital Transaction Growth in Canada

COVID-19 changed the way Canadians transact, accelerating the shift to digital payments and driving Interac transaction growth.

5.8 billion total Interac Debit Transactions

11.8% YoY growth of Interac Debit contactless

3.29 million Interac Debit transactions in apps and on websites

64.3% YoY growth of Interac Debit for online transactions

45% YoY growth of Interac e-Transfer transactions

145% YoY growth of Interac e-Transfer Bulk

Key moment: March 12-15 2020
Interac Debit Chip and PIN transaction size increased 33% at grocery and drug stores.

Key moment: August 2020
Contactless transactions up 85% in restaurants and other eating places compared to April 2020.

Key moment: June 2020
Avg. value of Interac Debit transactions in apps at restaurants/food establishments increased more than 10% compared to before the pandemic.

Key moment: March 2020
Sharp increase in volumes as individuals shifted towards online shopping for industries such as gambling/lottery and food delivery.

Key moment: March-May 2020
Businesses received 35% more Interac e-Transfer transactions than originally forecasted.

Key moment: August 2020
Interac e-Transfer Bulk transactions reach record volumes.
2020 Business Highlights

Through the careful management of our technology, products and business operations, Interac realized a number of successes that enabled a strong fiscal year despite the uncertainty of COVID-19.

• Renewed important vendor contracts to help us further enhance our network’s resiliency, availability and security

• Modernized fraud data environments and processes to improve automation, security and resiliency

• Hit a record of almost 70 million Interac e-Transfer transactions in October 2020, the last month of our fiscal year

• Launched the new Integrated Operations Centre to provide in-house support to customers

2021 Key Focus Areas

The pace of digital acceleration has never been greater. Our transaction data has been a key indicator of the state of the economy based on Canadians’ behaviours spending and moving money. We are accelerating our roadmaps in 2021, focusing on people, products and solutions, and technology.

Technology

• Continue culture transformation and strengthen employee feedback

• Improve fraud risk score and resiliency

• Maintain profit-aware operations and transaction volume growth

• Access pilot viable eCommerce solution supporting one-off, recurring and subscription-based payments

• Support Interac Debit contactless transaction innovation

People

• Continue Diversity & Inclusion work and strengthen employee and community engagement

• Improve trust score and resiliency

• Maintain uptake of our network

2020 Corporate Year in Review

OVERVIEW OF CORPORATE PERFORMANCE

The pace of digital acceleration has never been greater. Our transaction data has been a key indicator of the state of the economy based on Canadians’ behaviours spending and moving money. We are accelerating our roadmaps in 2021, focusing on people, products and solutions, and technology.

Technology

• Supported the increase in Interac Debit contactless real-time payments using ISO20022 format, providing ultra-enhanced security and rapid transfer of funds

• Designed digital ID capabilities and developed a proof of concept on emerging digital ID technologies, sponsored and funded by the Canadian Federal Government

• Enacted business continuity planning in response to the COVID-19 pandemic, pulling together a dedicated team to closely monitor public health recommendations, make changes to company and employee policies, and ensure we were prepared for future scenarios

• Designed digital ID capabilities and developed proofs-of-concept on emerging digital ID technologies, sponsored and funded by the Canadian Federal Government

Business Operations

• Enacted business continuity planning in response to the COVID-19 pandemic, pulling together a dedicated team to closely monitor public health recommendations, make changes to company and employee policies, and ensure we were prepared for future scenarios

• Completed a successful financial analysis and reforecasting to respond to COVID impact

• Rolled out new digital platforms across the organization, including Workday, Bucketlist, and Concur, to enhance employee efficiency and recognition

• Completed behavioural incentivization program with Heart & Stroke Foundation, reaching almost 100% of anticipated enrolments

• Engaged in meaningful consultations with Payments Canada on our Real-Time Rail

Product and Solutions

• Developed a proof-of-concept on emerging digital ID technologies, sponsored and funded by the Canadian Federal Government

• Participated in the first Federal Government Consultation on Open Banking

• Completed a successful financial analysis and reforecasting to respond to COVID Impact

• Supported Interac Debit contactless transaction innovation

• Evolve our strategic roadmap to sustain long-term growth

• Continue work with Payments Canada to build a modern payments ecosystem

• Elevate our leadership in digital ID and launch the Interac digital ID service
Our Strategy

1. Pave the Way for Rapid Commercialization Through a Unified Interac Digital Platform
2. Lay the Foundation for New Lines of Business
3. Build on Our Leading Position in Canadian Payments
4. Seek a Leadership Role in Digital ID
Seamless service through a global pandemic

Interac products are chosen by Canadians around 13 million times per day to pay for goods and exchange money, making the availability of our products and services integral to the functioning of the country’s economy. Through effective business continuity planning, the entire Interac team shifted to a work-from-home model in March 2020, maintaining service quality and security even as Interac e-Transfer reached an historical single day high on May 1, 2020, with over 3.75 million transactions. To enable that seamless service, Interac swiftly shifted its operations to a fully digital environment. Our technical teams met all planned business obligations and made significant strides modernizing and unifying our networks to ensure we continued to provide best-in-class resilience, availability and security. Interac reduced the planned downtime of our networks, achieved 100% availability for Interac e-Transfer, and launched the new Integrated Operations Centre to provide ongoing application support to customers.

A unified team drives results

Alongside to the lifestyle changes brought on by the pandemic, Interac teams also embraced organizational shifts designed to drive internal agility, collaboration and productivity. Employees embraced these changes, reflected by the record employee engagement scores and feedback Interac received in 2020. Key stakeholders from across the company came together in cross-functional and full-stack teams, resulting in significant progress on our digital transformation journey to improve our payments platforms’ resiliency, reliability, availability and security and maintain our leading position as Canada’s #1 trusted financial services brand. Adjusting the organizational structure of our technology groups has been critical to achieving these targets, including bringing separate development and infrastructure operations and platform engineering functions to better enable go-to-market delivery and support. This cross-functional alignment and agility offers us the flexibility to deliver strategic initiatives, and improving time to market. Interac also made strides integrating with 2Keys Corporation following the acquisition of the security leader in November 2019, resulting in significant progress on our digital ID platform development.

Best-in-class security

To enable instantaneous, higher-value payments, it’s critical that we continue to protect the financial system from prevention that Canadian consumers have come to expect from Interac. Recent investments and organizational shifts have kept us ahead of the curve – while Canadian fraud attempts increased in 2020, Interac saw our lowest fraud rates since 2013. Interac embedded security and risk management more deeply into our infrastructure operations and platform engineering functions to better enable go-to-market delivery and operational excellence, and enhanced our capabilities through the new Integrated Operations Centre.

On October 1, 2020, Interac e-Transfer hit a record 3.9 million transactions in a single day with zero outages or incidents reported.

Since restructuring in 2018, Interac Corp. has focused on using our technology and operations to strengthen our network and become a part of the Canadian payments ecosystem. We continue to consolidate our infrastructure, modernize and enhance our networks, and advance the interoperability of our platforms to meet the omni-channel demands of the evolving digital landscape. Internally, adapting the way we work and embracing flexibility has been critical to the operation of Interac – and that mindset became a great asset in 2020.
While operational excellence and consistent delivery of our ubiquitous network capabilities to clients continues to be at the core of our business, Interac is evolving our suite of innovative solutions and value-added services. Our technology modernization journey has enabled Interac to enter new areas of product and service expertise, and an ongoing stream of technical advancements and new releases will continue to ensure our ability to grow our reach.

Lay the Foundation for New Lines of Business

In 2020, Interac continued to invest in new technology, processes and talent needed to support our rapidly expanding slate of products and services. To support our growing technology mandate, Interac completed multiple contract renewals with key vendors, which contribute to improved network availability, and we increased the operational capacity of our payments platforms to prepare for continued scalability of our products and services. We also continued to modernize our fraud data environments to increase automation, bolster security and prepare for future use cases and advanced cybersecurity tools to speed up fraud investigations and incident response.

Effective futureproofing is also dependent on a highly skilled workforce. In 2020, we grew our technical team by 14%, acquiring top talent, including seasoned experts with broad payments and industry experience to fill the roles of VP, Platform Engineering & Transformation and VP, Infrastructure Operations. Meanwhile, we continued to invest in upskilling our existing staff to the latest software delivery methodologies and made organizational changes to ensure employees were placed in roles where they would drive the most value. We also embraced new, but proven, technologies and processes, and tapped into the external market for thought leadership and disruptive thinkers to inform innovation.

Software advancements accelerate go-to-market

We continued to accelerate time to market for our products and services, rolling out quarterly major releases and multiple minor software releases in 2020 that enabled production readiness for future real-time payment processing and to support the sustained growth of Interac e-Transfer. Our teams created this efficiency by automating our software deployment pipeline and infrastructure provisioning for our applications, allowing our teams to focus on value-added capabilities. We also accelerated the adoption of cloud-ready platforms for non-production environments used for product development and data analytics, reducing our lead time for provisioning new environments from months to days.

Using modern API, Interac enabled the first Canadian real-time payment in ISO20022 format in December 2020, providing ultra-enhanced security and rapid transfer of funds.

Supporting new lines of business

Interac is focused on multiple new frontiers that our company is uniquely positioned to contribute to, including digital ID, transit payments and the new Canadian Real-Time Rail—each of which underscores our goal of helping Canadians transact digitally with confidence.

• Through 2020, Interac continued to partner with Payments Canada to build a partnership for the design and delivery of Canada’s new Real-Time Rail (RTR), which will allow Canadians to initiate payments and receive irrevocable funds in seconds, 24/7/365.

• To advance our digital ID work, we worked closely with 2Keys to design and implement a cloud-ready platform architecture using domain-based microservices, which will enable scalable, cost-effective and highly secure credential management applications of the future.

• Interac entered a production-ready state for our Debit transit payments pilot by completing two major build releases and a robust security assessment.
Build on Leading Position in Canadian Payments

Interac products and solutions are offered through secure, interoperable, reliable and efficient platforms that enable us to not only move money, but also move related digital information and value between our customers. As a result, millions of Canadians depend on Interac solutions every day – a reliance that was spotlighted in response to the economic impacts of the COVID-19 pandemic.

To ensure we meet the evolving needs of our stakeholders, partners, and Canadian consumers and businesses, we will continue to build on our leading position in Canadian payments to achieve success today and into the future.

Money Movement

Interac e-transfer maintained its position as a leading peer-to-peer money movement platform. As Canadians increasingly used e-transfer to move money, they required new and improved payment options to increase the speed, simplicity, and security of their exchanges.

Continued investments in the modernization, security, and resiliency of our e-transfer platform will enable us to deliver on future needs. We have already seen tremendous growth and closed the year with 756.4M total transactions – a 45% increase over the previous year.

Interac successfully grew the footprint of Autodeposit and Request Money features, further enabling new use cases for small and micro businesses. Autodeposit transactions accounted for 42% of total transaction volume and 60%, helping limit consumer exposure to risky sites and scams. Those achievements help position Interac well to maintain a low-risk posture and expand the rollout of contactless checkouts. To help support this more consistent experience for consumers, we engaged our partners to explore the increase of contactless transaction volumes for commercial use.

While the majority (73%) of requests made through Request Money were made by retail customers, the number of requests made by commercial customers increased by 70% over the previous year.

Our international payment offerings expanded as National Bank officially became the first bank to offer International Transfer by Mastercard® and Interac, which leverages both Mastercard Send and the Interac e-transfer platform to enable Canadians to send money to bank accounts in other countries.

2020 was a landmark year for low fraud losses as a percentage of dollar volume. Interac prevented $73.1 million in fraud losses for Interac e-transfer and closed the year below two basis points – meaning, for every $100 spent, less than $0.02 is lost to fraud – the lowest rate observed since 2013. We also increased the number of successful phishing detections by 65%, helping limit consumer exposure to risky sites and scams. Those achievements help position Interac well to maintain a low-risk posture and expand the rollout of contactless checkouts. To help support this more consistent experience for consumers, we engaged our partners to explore the increase of contactless transaction volumes for commercial use.

Despite the challenges of business closures and restrictions, Interac debit transaction volumes for 2020 were 11.8% higher than 2019 and accounted for 56.1% of total debit transactions, which declined alongside the lockdown.

In the midst of restrictions, contactless transactions were a key driver of Interac debit volume recovery as consumer preference trended towards contactless checkout. To help support this move to less contact, we engaged our partners to explore the increase of contactless transaction limits and expanded the rollout of contactless payments. Walmart began enabling contactless functionality in stores for card and mobile and Shopify enabled contactless functionality in stores for e-commerce.

Even as debit volumes recovered when restrictions lifted, they remained lower than pre-pandemic levels, indicating a shift to e-commerce channels.

Our e-commerce solutions experienced significant growth in 2020. Our online transaction volumes grew by 64.5% over 2019. Interac for apps and websites, a relatively new product in 2020, experienced double-digit monthly growth due to the demand for online food delivery. We worked with financial institutions and merchants to bring the option of in-app and in-browser payments to more Canadians. A total of 29 merchants were brought onto the service in 2020, including McDonald’s, Jack Astor’s, and Cineplex to enable in-app and in-browser payments to more Canadians. A total of 29 merchants were brought onto the service in 2020, including McDonald’s, Jack Astor’s, and Cineplex to enable

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Innovating for the future
To ensure we continue to build on our position at the forefront of payments and the evolving digital economy, Interac approaches innovation through methodologies and frameworks that lead to strategic foresight. While we can’t predict the future, we can be best prepared for it. Evaluating different perspectives and possible outcomes (scenario) allows us to make better decisions to prepare for what’s to come. At the ever-evolving payments and technology landscapes, present opportunities beyond just Interac, we are now collaborating with our Board to explore future market scenarios with the intent of providing insights that will help Interac and key stakeholders better prepare for a range of strategic opportunities.

In 2020, we explored emerging technologies and trends that will help Canadians continue to transact digitally, safely, conveniently and in real time. From next-generation digital payments, open banking, blockchain and digital ID, we innovate with the technologies like blockchain to engage Canadians in promoting well-being for people and the planet. We partnered with the Heart and Stroke Foundation to incentivize Canadians to enrol in a program designed to help them manage their blood pressure, showcasing the ability for Interac and its partners to meaningfully engage Canadians and demonstrate new and innovative ways that Interac and its partners can provide value back to Canadians.

Open Banking
Ecosystem collaboration is critical for a highly complex and nuanced system like open banking, which hinges not only on consumer adoption but broad stakeholder participation and a hosted and secure network that facilitates confidence. We conducted consumer-focused qualitative and quantitative research, built key alliances, and leveraged memberships across the industry to gather critical market intelligence to inform what an open banking framework in Canada could look like. Through our stakeholder engagements, Interac was elected to the FDX Board of Directors for North America and Co-Chair for Canada. We also completed a proof of concept demonstrating how consumers could manage their blood pressure, a program designed to help them manage their blood pressure, showcasing the ability for Interac and its partners to meaningfully engage Canadians and demonstrate new and innovative ways that Interac and its partners can provide value back to Canadians.

Beyond Payments
We continued to explore emerging technologies like blockchain to engage Canadians in promoting well-being for people and the planet. We partnered with the Heart and Stroke Foundation to incentivize Canadians to enrol in a program designed to help them manage their blood pressure, showcasing the ability for Interac and its partners to meaningfully engage Canadians and demonstrate new and innovative ways that Interac and its partners can provide value back to Canadians.

Here for Canadians During Challenging Times
We also provided support to industry associations to continue their important advocacy work on behalf of small businesses and retailers during the pandemic.

• Interac Fraud Prevention Index drew responses from over 2,200 Canadians on their comfort level and ability to spot fraudulent attempts. Results found that six in 10 Canadians are more worried about fraud today than they were before, highlighting the need for improved fraud literacy. To educate Canadians, Interac collaborated with law enforcement authorities across Canada to release tips on spotting fraud and reporting suspicious activity, and provided education through the year on transacting online safely.

• WelcomeBack Advocacy: Small businesses play a crucial role in strengthening our communities and many had to close their doors as a result of the pandemic. As businesses began to safely reopen under different dimensions and safety measures, Interac highlighted our support for local businesses through a social media campaign, encouraging Canadians to share their favourite local business signs using the hashtag #WelcomeBack.

Fraud Prevention Awareness
Our Interac Fraud Prevention Index, in partnership with one of Canada’s 50 Best Executives (2019) by Digital Finance Institute, and one of Canada’s Best Executives by The Globe and Mail (2020).
The importance of a digital identity framework was highlighted during the COVID-19 pandemic as experiences and transactions moved online, emphasizing the need for a future where key services like health care are easily, securely and safely accessible online and identity is verified.

Raising awareness of the Interac role in digital identity

The foundational technology, capabilities and experiences behind the Interac brand put us in a unique position to enable digital ID across a range of use cases, devices and platforms for the benefit of both the public and private sectors. To do this effectively, trust and governance need to be established as fundamental components of the ecosystem. We focused our efforts in 2020 on sharing our expertise and capabilities with governments and key stakeholders in the market:

• Responded to numerous procurement and consultation opportunities launched by governments across Canada to provide information about our vision for an interoperable digital ID network.

• Spoke at numerous industry events and conferences, such as the Conference Board of Canada.

• Continued to advocate for standardization and interoperability through Board, Co-Chair, and Working Group memberships within various industry associations and standards bodies (DIACC, CIO Strategy Council, Kantara Initiative).

• Launched a national survey assessing the opinions of Canadians on their identity needs since the onset of the pandemic.

• Delivered four new white papers exploring use cases for digital ID in sectors including alcohol and cannabis, lottery and gaming, health care and/or travel, additional white papers and public awareness efforts will continue into 2021.

We also contributed to the production of Canada’s first national digital ID standard recognized by the Standards Council of Canada. That work is critically important as it sets out the early standards for using digital ID to connect people and communities across the country on a repeatable, scalable and trusted basis. We also contribute to the Canadian Forum for Digital Infrastructure Resilience, demonstrating our commitment to trusted digital outcomes for all Canadians, now and in the future.
Expanding our Capabilities with 2Keys Corporation, an Interac Company

Our acquisition of 2Keys Corporation on November 1, 2019, marked an exciting chapter in our growth story, ushering in a unique opportunity for Interac to create a comprehensive digital identity solution for the Canadian marketplace, government, and industry. In addition to raising awareness about Interac’s role in digital identity, we continued to build on our capabilities in 2020 and demonstrate those capabilities to key stakeholders in the ecosystem.

Implementing digital ID and building trust is a shared challenge, making partnerships between public and private sector organizations essential for success. We continued to strengthen key relationships in 2020 within public and private sectors to position Interac as a trusted partner for the enablement of a Pan-Canadian digital identity network. The network will enable Canadians to utilize their most commonly used documents (e.g., driver’s licence, digital ID) to verify their identity and access arrange of services with convenience and confidence.

The digital ID team collaborated with the governments of British Columbia and Ontario to deliver a proof of concept demonstrating how a provincially issued credential could be utilized in a mobile wallet to access federal, provincial and private sector digital services. We also produced a digital wallet prototype for the federal government that demonstrated a completely digital experience for new Canadians immigrating to Canada, and were selected alongside other organizations to deliver a proof of concept demonstrating an interoperable digital wallet and credential management capabilities relating to birth certificates for Innovation, Science and Economic Development Canada. These projects demonstrate our ability and desire to support emerging digital identity technologies and their relationship to a digital identity ecosystem.

100% Canadian
20+ years of experience
Over 40M users of 2Keys services
1M+ logins per day

Inside 2Keys
National leader in research, policy, process, operations and technology for Digital Identity, Access and Cyber Security in Canada

As Canada’s #1 Trusted Financial Services brand*, Canadians already use and trust Interac millions of times each day when it comes to accessing and moving their money.

*2020 Gustavsson Brand Trust Index
People and Community

Our networks run reliably because of our employees and we put their safety and well-being at the forefront of every business decision made during the pandemic. We introduced measures to ensure employees felt engaged and supported as they navigated the newfound balance between work and home life.
During a year of unprecedented events, we were inspired to look inward and find new ways to outwardly support our communities, customers, and our cultural transformation journey. While we upheld our commitments to being an employer of choice and home to an excellent workplace culture, we also focused on ensuring empathy and support consistently underpinned those commitments to reflect our new realities.

New investments to support our growing workforce

COVID-19 accelerated professional and organizational shifts of Interac and introduced our team to new ways of working. As a result, we shifted our priorities and invested in initiatives that prioritized employee support and stability. To measure progress, we regularly surveyed our staff to better understand how they were managing remote work and adapted our policies to best support them. The launch of Bucketlist, our new rewards platform, fostered a strong and resilient remote work culture, ensuring employees felt supported and valued. Deploying Workday, a best-in-class HRMS system, streamlined internal processes for employees, created greater efficiencies digitally, and will augment meaningful employee development opportunities, leadership capability and transparency.

As we introduced these new initiatives, our team grew, too. Our total number of employees increased by 35%, which included employees of Interac subsidiary 2Keys, acquired by Interac in November 2019.

Supporting our employees through COVID-19

Interac quickly acted to maintain business continuity, safety and security while shifting to remote working. Our cultural transformation, because of our employees and what we put their safety and well-being at the forefront of every business decision made during the pandemic.

We introduced measures to ensure employees felt engaged and supported as they navigated the new realities of balancing work and home life. We invested in new programs that focused on health and well-being. These programs were well received and appreciated by our employees, which was reflected through the doubling of our Monthly Engagement Pulse Net Promoter Score® during critical points of the pandemic.

Building and maintaining a high performance culture and leadership capability for Interac: This year – the second of a three-year cultural transformation journey – we focused on engaging and uplifting employees to drive innovation and business success by maintaining practices like:

- Repeated Barrett Model™ assessments throughout the year to better understand employee perceptions of current and desired culture – our October assessment results positively revealed 91% of employees believe Interac is committed to culture and 100% believe people leaders are making a positive impact.

- Monthly engagement pulses to measure Net Promoter Score® (NPS), engagement trends, and prompt leaders to regularly discuss continuous improvements – Interac successfully exceeded its 2020 average NPS goal

- Birkman Method™ assessments and workshops to help teams better understand themselves and their colleagues’ working styles, building a stronger, more collaborative and high-performing work environment. These assessments, as well as Success Factors, are also included as part of the recruitment process to better understand IT; increase new hire retention outcomes and better balance critical attributes that meet the needs of our team and our customers, and our cultural transformation.

- Regular educational networking and social programming, shifting to virtual after the pandemic hit.

- Leadership curriculums to continuously increase leadership capability, including effective people management, dealing with change, and contributing to high performance teams.

- A constantly evolving, public health and safety plan, and robust voluntary return-to-work plan for staff who faced difficulties working from home and co-creating support material for those employees.
Interac gives back

2020 starkly highlighted the importance of community, togetherness and standing up for one another – all principles Interac proudly champions. In times uncharacteristically more challenging than we’re accustomed to, we ramped up support to our community partners, investing more than $1M this year.

Interac is committed to supporting the next generation of tech innovators. In 2020, we brought on interns through The Knowledge Society accelerator program and our Interac Lab at Communitech, helping to expand their knowledge of emerging technologies and the future of payments in Canada. We also worked with Holland Bloorview through their Ready to Work program which connects people living with disabilities with early work opportunities.

Interac supports the Junior Economic Club of Canada’s Mindfulness and Money program, which helps young people explore their relationship with finance and builds their confidence to make positive financial decisions.

Building and investing in Canadian communities

We reimaged our annual United Way Campaign to focus on diversity and raised more than $95,000 for the United Way and its agencies that support marginalized communities. Interac also partnered with ACCESS employment, a United Way agency, where 50+ Interac staff mentored new Canadian women looking for employment opportunities in the fintech space.
Diversity & Inclusion

I believe that by truly embracing diversity and practicing inclusion, we build a stronger, more relevant company.

Mark O’Connell, President and CEO, Interac Corp.
As a woman of colour who was born and raised in Jamaica, my gender, religion, and ethnicity have heavily influenced my life experience. Very often, societal expectations and cultural norms create barriers and limitations for women in their careers. Women are expected to sacrifice their aspirations to meet childcare and domestic demands. I feel fortunate that here at Interac we have women of influence who have overcome many obstacles and succeeded in their careers. They have shown what could be possible beyond my identity as a wife and mother.

Over the past two years, the D&I Program has increased people’s awareness and consciousness in many ways through diversity education and dialogue. We hosted a variety of events and launched new programs to enhance understanding of our employees’ experiences. That included launching our employee profile series during Pride Month to build awareness on growing up and working as part of the LGBT2Q+ community.

We also hosted a company-wide International Women’s Day celebration and organized a month-long educational and social media campaign in recognition of Black History Month.
2020 Key Highlights for Interac

And throughout rapid market growth and a changing Canadian economy, we remained resilient, committed to our communities, and invested in our partners and future market innovation.

**People**

- **35%** workforce growth in 2020 (including 2Keys acquisition)
- Completed year 2 of 3 of cultural transformation journey
- Maintained business continuity by keeping our networks secure and reliable
- Launched new digital platforms to improve workplace efficiency and staff recognition
- **450+** employees transitioned to work from home
- **15+** virtual events to keep Interac employees connected

**Community**

- **$115,000** invested in organizations and businesses that support Black professionals
- **#1** most trusted financial services brand in Canada
- Supported small businesses, merchants and Canadian innovation through community partnerships and support of local campaigns
- Launched Equity and Empowerment Initiative in response to anti-Black racism
- **$1M+** invested in industry and community engagement
- **30+** industry events participated in

**Market**

- Elected to Financial Data Exchange Board of Directors for North America and Co-Chair for Canada
- Co-developed National Standard for digital ID accredited by Standards Council of Canada
- **1450+** featured media stories related to our products, services, innovation
- **4** FIs launched Interac e-Transfer Bulk Payables and 2 FIs launched Interac e-Transfer Bulk Receivables
- **11** pilot projects and proofs-of-concept delivered
- Interac e-Transfer designated a Prominent Payment System by Bank of Canada

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