

2019

Corporate Year in Review





The Corporate Year in Review provides information about the annual performance of Interac Corp. (Interac), and the role we play in the lives of Canadian consumers and businesses. Interac facilitates the secure exchange of money, identity and data in Canada. We are a Canadian company focused on delivering value to our stakeholders. Read on to learn more about how we drove success in 2019: with guidance from our Board, in the market with our partners, inside innovation labs, in collaboration with the industry, and in our communities alongside our employees.

Table of Contents

Message from the President & CEO.....	04	Business Highlights.....	26
Executive Team.....	05	Building the <i>Interac</i> Brand.....	28
Message from the Chair of the Board.....	06	Recognition and Awards.....	30
Board of Directors.....	07	Innovation in Action.....	32
Board Committees.....	09	2Keys Acquisition.....	34
Who We Are.....	10	Futureproofing Our Technology.....	36
Interac Reach.....	12	Managing Risk & Protecting Canadians.....	38
Strategy at a Glance.....	14	Spotlight: Fraud Risk Awareness & Education.....	40
Timeline of <i>Interac</i> Milestones.....	16	Connecting People & Community.....	42
Corporate Performance.....	18	Interac Values.....	44
Maintaining a Strong, Stable Interac.....	20	Commitment to Diversity & Inclusion.....	48
2019 Accomplishments.....	22	Learn More.....	51
Growing Our Products & Services.....	24		



Message from the President & CEO

2019 was a pivotal year for Interac. We experienced great evolution and change within our walls while operating in a rapidly and dynamically changing market. I am immensely proud of the results we achieved together as "one Interac" since our restructuring from two companies in 2018. These results will help futureproof our position as a trusted and reliable leader and keep us at the forefront of digital innovation in Canada.

We approached this year with the mindset that in order to meet the demands of the evolving digital landscape, we needed to invest in our capabilities by evolving our technology stack, designing and implementing products that solve new use cases in retail and commercial markets and change the way we work internally to create an efficient and high-performing culture. We are now a financial technology company at our core, having worked diligently over three decades to establish secure connections with players across the payments ecosystem and with almost all Canadians holding a bank account.

We see our role in Canada's emerging digital economy as the provider of ubiquitous low-cost information exchange platforms that help companies and Canadians transact with confidence. It is this attitude that drove much of our transformation this past year, with technology changes focused on increasing resiliency, reliability, availability and security. We successfully upgraded to a new consolidated infrastructure to achieve operational excellence and improved infrastructure and network availability. We have also focused on embedding risk management in all levels of the business

by building out a risk management framework and introducing management and Board risk committees and bolstering our teams.

By leveraging the enhanced technology infrastructure, we are actively separating our platforms from our products and services. Each of these distinct areas require a different management mindset. The platforms provide ease of access, low-cost throughput, scalability, resiliency and reach. Our market solutions leverage platforms to provide innovative features and specific functionality to improve the everyday life of Canadians and Canadian businesses. This approach will allow us to play a foundational role across a wide range of payments and related activities. It is an important strategic change to the way we operate, and it will inform our continued work with Payments Canada as well as other opportunities to enable Canada to take a leadership position in digital commerce through efficient shared-services platforms and services.

We have also successfully begun to move our focus beyond payments and toward a future with Interac as a digital value exchange in Canada. Our Innovation Labs & New Ventures was established for this reason, to look at future business opportunities that can strengthen our market capabilities and support the acceleration of our product commercialization. It is in this area that we celebrated a milestone this year: our acquisition of 2Keys Corporation. This is our first acquisition as Interac Corporation, and one that will enable us to develop comprehensive digital identity solutions for the Canadian marketplace. These solutions are important to our success in the evolving landscape; they have the potential to unlock future capabilities for Canadians in digital commerce, payments modernization, open banking and cybersecurity. We are also proud to have acquired MintCo., which will help fast-track the Interac eCommerce strategy and allow us to work closely with our partners to build

a seamless 'pay-by-bank' experience that brings financial institutions closer to their customers.

This much progress does not happen without a lot of hard work and resilience in the face of change, and for that I am humbled by, and grateful for, the dedication of our employees. As an organization we embarked on a cultural transformation journey to "one Interac", and while that road extends into 2020 and beyond, the results are beginning to be seen across the organization today. From the creation of a Diversity & Inclusion Council to the culture of leadership development and training, to our commitment to community engagement, and the culture feedback loop at every level of our organization, our employees are deeply committed and engaged in our mission.

I am excited by what the future holds for Interac, both within our walls and across Canada. It is my humble opinion that the need has never been greater for trusted, cooperative exchange platforms and related services. The next generation of digital identification, authentication, commerce and open data calls for providers who can play a central trusted role to connect disparate parties and their payment and related data together. This is the essence of Interac. I look forward to continuing our work with the Board and our shareholders to advance the way Canadians exchange value in the digital economy today, and in the future.

With thanks,



Mark O'Connell
President & Chief Executive Officer
Interac Corp.

Executive Team



Mark O'Connell
President &
Chief Executive Officer



Debbie Gamble
Chief Officer, Innovation Labs
& New Ventures



William Keliehor
Chief Commercial Officer



Kikelomo Lawal
Chief Legal Officer,
Ombudsman & Corporate
Secretary



Gerry McDonald
Chief Financial Officer



Terri O'Brien
Chief Risk Officer



Caroline Stephens
Chief Human
Resources Officer



Peter Sweers
Chief Technology &
Operations Officer

Message from the Chair of the Board

As a newly structured organization, Interac successfully delivered on its objectives and demonstrated the strength of its growth strategy in 2019.

It operationalized a new way of doing business in the Canadian marketplace that brought incremental value to its stakeholders. From my perspective as Chair of the Board, I witnessed a keen drive to succeed and winning attitude throughout the company.

The organization's commitment to success in a year of great change was also a testament to the governing practices in place and strengthened throughout the year. We continue to operate effectively, with the Independent Directors exercising their oversight for purposes of the Shared Services, the committees professionally addressing policy and associated items within their mandate, and the Board as a whole establishing appropriate checks and balances in the best interests of the business. We are fortunate to have expert Board members who bring appropriate oversight of the corporation, vast experience to strategic planning and provide sound counsel to the leadership team.

Working together in the past year, the Board and management team achieved critical success goals. Significant progress was made on the

Real Time Rail initiative, culminating in a signed letter of intent with Payments Canada that will see Interac as the provider for both utility and overlay services as Canada moves to a modern real-time payments system.

The Board was pleased to consult on, support and approve, the acquisition of 2Keys, the first acquisition in the history of Interac. The acquisition signaled to the market that Interac has the expertise and capabilities to deliver new services to Canadian consumers and businesses outside of payments. We also approved a second strategic acquisition: MintCo., a joint venture with Canadian banks that will enable new online consumer payment methods and give financial institutions the ability to maintain a direct relationship with cardholders at every stage of a transaction.

Interac operates a unique payments ecosystem, with financial institutions coming together to build products and services that leverage shared platforms and technology to equally benefit Canadians. In a time of global economic division and fragmentation of industry, Interac is a

champion for a uniquely Canadian way of driving shareholder value and protecting shareholder interests. Canada needs more champions like Interac.

On behalf of the Board of Directors, I would like to thank Chief Executive Officer, Mark O'Connell, and his executive team for their dedication. Together, the Board, executive management and employees remain united in their commitment to drive innovation and solidify their important role in the way Canadians exchange value for many years to come.

It has been a tremendous honour and privilege to lead the Board and be associated with the Interac team. I confidently leave the Board in the capable hands of its Directors and the Interac management team and will continue to follow with great interest and pride the many important achievements which lie ahead for Interac.



Michael Roach
Chair of the Board

Board of Directors



Michael Roach
Chair of the Board,
Independent Director



Sharon Haward-Laird
Vice Chair of the Board
Head, North American
Treasury & Payment
Solutions, Bank of Montreal



Sean Amato-Gauci
EVP, Cards, Payments & Banking,
Royal Bank of Canada



Ian Burns
CEO, Credit Union Central
Alberta Ltd.



David Clanachan
Independent Director



Gabrielle Cournoyer
VP, Cards & Payment Solutions,
National Bank of Canada



John Cowan
SVP, Enterprise Payments,
Canadian Imperial Bank of
Commerce



Patrice Dagenais
VP, Modernization of Payments,
Federation des caisses
Desjardins du Quebec



Mark O'Connell
President & CEO,
Interac Corp.



Kerry Peacock
EVP & COO, Shared Services,
Toronto-Dominion Bank



Anya Schnoor
EVP, Retail Products,
Bank of Nova Scotia



Angela Strange
Independent Director



Paul Vessey
Independent Director



Board Committees

Independent Committee

Paul Vessey (Committee Chair)
David Clanachan
Mark O’Connell
Michael Roach
Angela Strange
Lead Executive: Kikelomo Lawal

Finance & Audit Committee

Patrice Dagenais (Committee Chair)
Anya Schnoor
David Clanachan
Lead Executive: Gerry McDonald

Governance Committee

Michael Roach (Committee Chair)
Ian Burns
John Cowan
Lead Executive: Kikelomo Lawal

HR & Compensation Committee

Kerry Peacock (Committee Chair)
Angela Strange
Sean Amato-Gauci
Lead Executive: Caroline Stephens

Risk Committee

Paul Vessey (Committee Chair)
Gabrielle Cournoyer
Sharon Haward-Laird
Lead Executive: Terri O’Brien

Advisory Committee

Composition of this Committee reflects the broader client base and represents the interests of participants other than the eight financial institution nominee directors that have representation on the Board of Directors.
Lead Executive: Mark Sullivan

Who We Are

Convenient, Secure, Interoperable, Reliable and Efficient

Every day, we help Canadian consumers and businesses transact with confidence – whether it is to pay rent, get paid for freelance work, buy groceries at the point of sale, pay taxes online, or move money. Canadians moved \$427B across more than 6.7B transactions on the *Interac* network in 2019.

For 36 years, *Interac* customers have relied on us to drive rapid adoption and scale of new products and services in the value exchange economy. We offer more than the ability to access money; we are responsible for moving money securely between financial institutions, Canadian consumers and businesses. Our products and solutions operate on secure, interoperable, reliable and efficient shared platforms. We deliver value to our shareholders by leveraging shared, scalable technology platforms, investing in our business priorities and focusing on strategic growth that enhances our customers' relationships with their clients.

The payments landscape is changing rapidly, offering more options to customers than ever before. Merchants rely on *Interac* because our payment options are low-cost, secure, and based on good funds. From the gig economy entrepreneur to the small business owner to the large omnichannel retailer, *Interac* offers

merchants trusted payment options working alongside our acquiring and technology partners. As our business evolves, we are committed to maintaining low-cost solutions for Canadian merchants, and staying focused on providing our customers with convenient ways they can move their money anytime, anywhere. We will continue to invest in innovation for the future based on these same core principles.

Security is also central to *Interac* products, services and platforms. With state-of-the-art fraud monitoring, detection and response techniques, we are futureproofing Canada's security in payments and related digital information innovation. *Interac* has one of the lowest rates of fraud globally.

We prioritize collaboration with our varied stakeholders. Our shareholders value our business model, benefitting from our connecting role in the ecosystem. *Interac* is well positioned to accelerate the development of new technologies and services—such as digital identity and commercial real-time money movement—that have the power to grow and further connect the digital economy.

We are Canada's leading domestic payments provider, connected to nearly 300 financial institutions and payments processors and chosen 16 million times daily by Canadians.



Interac Reach

100+ collaborators across the industry, including

- ACT Canada
- ambiSHEous
- Association Québécoise des Dépanneurs en Alimentation
- Association Restauration Québec
- ATM Industry Association
- Bank of Canada
- Canadian Anti-Fraud Centre
- Canadian Bankers Association
- Canadian Council of Motor Transportation Administrators
- Canadian Federation of Independent Business
- Canadian Federation of Independent Grocers
- Canadian Urban Transit Association
- Conseil Québécois du Commerce de Détail
- Cineplex
- Collision Conference
- Communitech
- Diversio
- Elevate Tech Fest
- Identity North
- Information Technology Association of Canada
- MaRS
- Payments Canada Summit
- Restaurants Canada
- Retail Council of Canada
- The Knowledge Society
- The Upside Foundation of Canada
- Women in Payments

209,396 International Remittance transactions

15+ nonprofit organizations supported by Interac and its employees

57 participants connected to the *Interac* network

1.6M active terminals accepting *Interac* Debit

2.4M Cross Border Debit transactions

\$427B moved across the *Interac* network

6.1B *Interac* Debit transactions

763,195 unique places to pay using *Interac* Debit

29M Canadians connected to the *Interac* network through their debit cards

5 international payment network partners in China, Jamaica, Japan, Norway, United States

13 Board of Director members

1.5B impressions on *Interac* content across Canada

7+ speaking engagements outside of Ontario, as far as Australia, England and Turkey

41 shareholders

19M unique active users on the *Interac* e-Transfer platform

71K+ ABMs

Interac Debit on Mobile available on **3 OEM wallets**

Connected to nearly **300 financial institutions**

435 employees working in Toronto, Kitchener, Montreal and Ottawa

Strategy at a Glance

At Interac, we recognize the important role we play in the ecosystem by connecting our participants, their customers, shareholders, employees and the industry. The Board provides strategic oversight and guidance to management as Interac delivers solid business results and value for all our stakeholders. We continue to invest in long-term growth across our platforms, product solutions, partnerships and people.

The Board approved the Interac corporate strategy in 2018 and informed the business focus for the next three years. In 2019, we advanced this customer-focused strategy and delivered measurable results for our shareholders.

Key focus areas in 2020

- Maintain uptime of our network
- Enhance *Interac* commerce capabilities and go-to-market strategies
- Explore new strategic opportunities for long-term growth
- Continue digital ID leadership
- Improve fraud risk score and resiliency
- Launch *Interac* e-Transfer commercial capabilities
- Strengthen innovation and brand profile
- Continue culture transformation and strengthen employee feedback
- Increase our customer satisfaction
- Diversify existing products and features to drive ubiquity
- Champion Diversity & Inclusion and strengthen employee and community engagement
- Continue work with Payments Canada to deliver the Real Time Rail for Canada
- Maintain profit-aware operations and transaction volume growth



Looking Ahead

Vision

Enable Canadians to transact digitally with confidence

Mission

Provide shared platforms and deliver innovative schemes to facilitate the trusted exchange of payment and information between customers

Mandate

Operate secure, reliable and efficient shared platforms and schemes

Lead innovation that enhances value and relevance to customers

Ensure competitiveness in the global payments ecosystem by aligning to international standards to promote interoperability and efficiency

Strategy

Architect & execute transition to unified *Interac* digital platform for commercial success

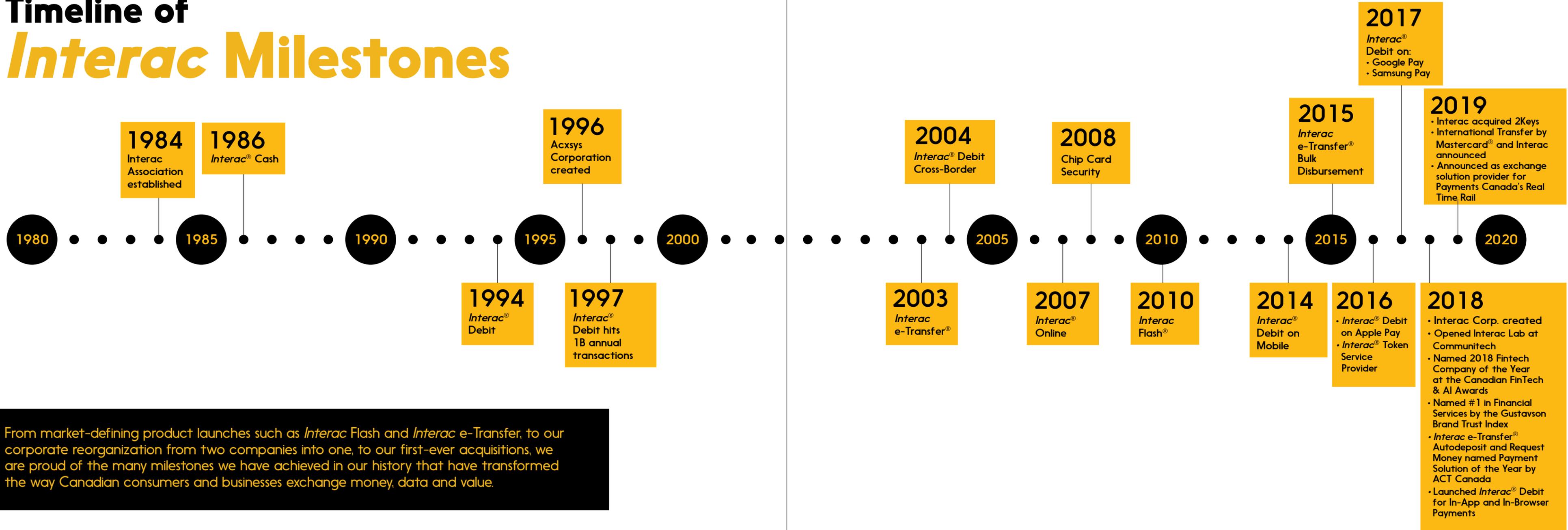
Separate platform and scheme businesses and grow reach

Build on leading position in Canadian payments through innovation and commercialization

Seek a leadership role in digital ID as a key enabler of growth

Aligned to Cultural Transformation

Timeline of *Interac* Milestones



From market-defining product launches such as *Interac* Flash and *Interac* e-Transfer, to our corporate reorganization from two companies into one, to our first-ever acquisitions, we are proud of the many milestones we have achieved in our history that have transformed the way Canadian consumers and businesses exchange money, data and value.

Corporate Performance

Interac met its financial targets for 2019.

Our financial mandate includes commitments to:

- Maintain an affordable pricing structure for merchants and the ecosystem;
- Continue to manage operating costs to drive value to shareholders;
- Earn profit to balance Interac operational costs and aspire to a self-funded model;
- Separate platform and scheme to prepare Interac for additional revenue streams.

"This year Interac balanced additional costs to the business to support the higher transaction volume with targeted investments that will prepare it for future growth, while maintaining our commitment to being Canada's low-cost domestic network. With the investments made in new business opportunities like Real Time Rail, digital ID and e-Commerce, Interac is poised to enter a new era of growth."

Gerry McDonald, Chief Financial Officer

2019 Revenue & Investment Highlights

Financial & Operational Reports

Transaction growth fueled revenues:

Interac e-Transfer transactions grew by 40% YOY from last year.

Interac Debit growth was largely driven by *Interac* Flash and *Interac* Debit on Mobile, which grew at 29.5% YOY from 2018.

Overall *Interac* revenue grew by 24% in 2019.

As part of this overall growth, *Interac* e-Transfer revenue grew by 17% over last year.

Interac Debit revenue grew by 32% over last year.

Fraud rates continued to decline:

Attempted fraud on *Interac* e-Transfer ▼ 30%
Net fraud losses on *Interac* e-Transfer ▼ 20%
Prevented \$98M in skimming-related fraud attempts

Interac continued to grow, increasing the employee base by 45%.

99.7% uptime in *Interac* e-Transfer service.

Investments

Interac invested in transit capabilities, *Interac* Debit for In-App and In-Browser, *Interac* e-Transfer technical releases and *Interac* e-Transfer Proximity SDK. We also invested in the resiliency of our infrastructure.

Interac made investments into preparations for designing the Real Time Rail with Payments Canada and *Interac* e-Transfer platform resiliency.

Interac completed two self-funded acquisitions: 2Keys and MintCo.

Interac invested in people with a 129% increase in Learning and Development programming.

The *Interac* real estate footprint expanded, opening a newly renovated floor and acquiring new office space in Toronto and Ottawa with the 2Keys acquisition.

Even with our high level of investment, *Interac* generated positive cash flow. This cash is available to fund further investments.

The Board acknowledged that Interac exceeded in achieving its objectives.

Maintaining a Strong, Stable Interac

Corporate governance at Interac is comprised of practices and principles that contribute to our trusted reputation in the financial services sector

This year marked the first full year of Interac operations after a restructure in 2018 brought together Interac Association and Acxsys Corporation. The new “one Interac” is a corporate entity with oversight and direction from shareholders representing 41 financial services entities including banks, credit unions, caisses populaires, payment processors and merchant communities.

To maintain the corporate stability that drives our business, Interac relies on a matrix of interconnected functions that address market needs and challenges. Our corporate governance policies, procedures and programs are reviewed annually to ensure they remain relevant and effective.

Interac Board of Directors

Representing a diverse range of experience in payments, financial services and technology, the Interac Board of Directors is comprised of 13 Directors including four Independent Directors. The Board is responsible for the stewardship of Interac and is required to supervise the management of the business and affairs of Interac in accordance with applicable regulations, by-laws and agreements.

Business Ethics

Interac uses a holistic approach to ensuring corporate-wide compliance with the organization's *Code of Business Conduct and Ethics* and other relevant policies and procedures. We believe

that good business ethics are essential to governance excellence and we expect everyone at Interac to be educated on and uphold the ethics and values of the organization.

Enterprise Compliance

The Board of Directors and management team at Interac play a critical role in not only promoting and maintaining the organization's ethical culture of integrity, but also in ensuring that it abides by all of its corporate obligations. In early 2019 Interac established an enterprise-wide compliance program in order to ensure that the organization would be able to deliver on its legal, regulatory, contractual and ethical obligations in an accurate and timely manner.

Governance Principles

- Responsibility and Accountability
- Independence
- Fair Treatment, Transparency and Integrity
- Strategic Value Creation
- Continuous Improvements



Photo by Portmanteau Media Inc.

2019 Governance Highlights

- Formalized the Investor Relations function
- Created a new whistleblower line for employees
- Launched the Interac Ombudsman's Office
- Hosted the first Annual General Meeting for shareholders with special guest, Col. Chris Hadfield (left)

Ombudsman's Office

New in 2019, the Ombudsman's Office provides conflict resolution and problem-solving services to external and internal parties. The Office is founded on the commitment to handle disputes fairly, respectfully, efficiently and transparently.

Industry and Government Engagement

We understand the challenges and opportunities facing domestic networks. We are strong and vocal champions of domestic networks and the role they play in protecting and preserving a healthy, competitive, cost effective payments environment. Interac can provide the foundations for networks in other parts of the world to be agile, innovative and competitive.

"Interac takes seriously its commitment to uphold the highest standards of governance and seeks to deliver true value to our shareholders. As an integral part of a growing payments ecosystem, Interac is committed to operating responsibly, with integrity and in good faith."

Kikelomo Lawal, Chief Legal Officer, Ombudsman & Corporate Secretary

2019

Accomplishments

 **45%**
growth of workforce

 **70** people spoke on
47 global stages

#1 most trusted Financial Services brand 

20 
pilot projects and proofs-of-concepts

100% 
Canadian Owned

Software-Based Pin on Cots launched

Launched
Diversity & Inclusion Council

450+ 
volunteer hours

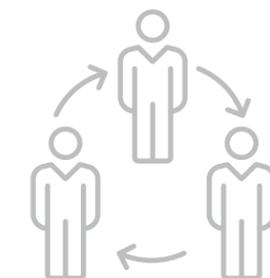
147.2% YOY growth on *Interac* e-Transfer Bulk Disbursement

Completed year **1 of 3** 
of the Cultural Transformation

15 
awards

19 issuers onboarded on 2 In-App OEM wallets 

 **485,655,736**
Interac e-Transfer Transactions

 **\$1.2M+**
invested in industry and community engagement

 **6,147,000,000**
Interac Debit transactions

23 new partners for *Interac* Debit on Google Pay and Apple Pay for In-App and In-Browser

Launched 
Employee Experience Monitor

International Transfer by Mastercard and *Interac* announced

Launched **\$427B**
Customer Experience Program dollars moved

 **2** Acquisitions
2Keys + MintCo

Prevented 
\$98M in skimming-related fraud attempts

30% decrease in attempted fraud on the *Interac* e-Transfer platform

 **99.97%**
Interac e-Transfer service uptime

Growing Our Products & Services

Interac moved to a product focused commercial model to develop wider services beyond core debit. This allows us to address emerging market needs, strengthen our offerings and deliver a better experience for our customers and their clients.

Software-Based Pin on Cots (SPoC)

This year Interac launched SPoC, a software-based approach in which a cardholder enters their PIN on a merchant-owned mobile device such as a phone or tablet. The cardholder's PIN is entered on a verified Acquirer application while their card is inserted into the merchant's Secure Card reader. This technology offers a flexible, secure and low-cost option to accept card payments for entrepreneurs, small businesses and new market segments.

International Remittances

Mastercard and Interac announced a collaboration to offer Canadians international money transfers. By leveraging Mastercard Send™, a push-payments service that powers cross border transactions, the *Interac* e-Transfer service platform enables customers to send money from Canada to international bank accounts, starting with Europe. National Bank will pilot the new solution for its personal banking clients in 2020.

Mobility & Transit

As Canadians are introduced to more digital experiences for their transportation needs and transit agencies continue to modernize fare collection infrastructure, Interac is focused on ensuring that consumers have the option to pay with debit whenever they want. Over the past year, Interac worked on advancing the technical capabilities and necessary regulatory changes to support electronic fare systems. This included work with Payments Canada to bring about the Rule E5 framework that will support the clearing and settlement of transit open payments and other delayed authorization transactions, which takes effect in 2020. Interac is continuing to work closely with transit authorities and other ecosystem partners to implement the upgrades needed for open payments with a goal of beginning pilots and in-market activities in 2020.

Interac Debit In-App and In-Browser

This product allows merchants to offer *Interac* Debit to their customers across all channels. Commercially launched in October 2018, *Interac* Debit for In-App and In-Browser payments onboarded additional issuers, merchants and acquirers in 2019. In the second half of the year the product experienced double digit growth in the number of transactions. It is now available to customers of 30+ issuers for use across quick service restaurants, food delivery, gas stations and transportation.

Money Movement

The *Interac* e-Transfer service growth was in part driven by micro and small business owners seeking digital solutions to more efficiently manage their business and cash flows, and large corporate customers using bulk disbursement capabilities. In 2020, Interac will build on the foundational *Interac* e-Transfer service to bring data-rich, real-time payments to business customers across various industries.

"2019 marked the beginning of our transformation to a product-led organization with priorities viewed through the lens of the customer. We are now structured in a way that enables rapid ideation and deployment to the market quickly and efficiently, which is an integral part of ensuring we're futureproofed against the rapidly changing payments market."

William Kelehor, Chief Commercial Officer

Peer-to-Peer Payments

This year we continued to enhance the *Interac* e-Transfer Proximity SDK, including custom notifications. Once commercialized, this product will give users the ability to request funds from another user in the vicinity. We demonstrated the product at the Collision Conference in 2019, showcasing the value of person-to-person payment experiences. Later in 2019, we showcased to consumers how QR codes can facilitate proximity payments in use cases like fundraising at events. By scanning a QR code with a mobile device, the user is directed to the *Interac* e-Transfer service platform where they can complete a donation transaction. The experience demonstrates the ease of transacting without exchanging personal information.

Client Experience

Interac launched a new Customer Experience Program (CXP) in 2019 to promote a listening and action-planning culture, ensuring we gain insights and transform client feedback into action. The program collects feedback at regular points throughout the year across three dimensions: satisfaction, quality of experience and performance relative to expectations. The 2019 CXP index provides a new baseline metric to define and track success in 2020 and beyond.



Business Highlights

- *Interac* Debit for In-App and In-Browser saw double digit growth in the second half of 2019
- Fourteen new Issuers offered *Interac* Debit for In-App and In-Browser on Google Pay and Apple Pay
- Nine new merchants accepted *Interac* Debit for In-App and In-Browser on Google Pay and Apple Pay
- Expanded acceptance of JCB cards on the *Interac* network
- Desjardins launched *Interac* Flash, expanding capabilities in QC
- motusbank launched *Interac* Debit, *Interac* Flash, *Interac* Cash and *Interac* e-Transfer
- Helped bring EMV and contactless payments to Jamaica's domestic debit network
- Announced International Transfer by Mastercard and *Interac*
- Finalized industry policies for the new *Interac* e-Transfer commercial product, retail payment and fraud mitigation capabilities for financial institutions to implement in 2020
- Completed technical readiness of two new Commercial payment products: *Interac* e-Transfer Bulk Payables & Receivables
- Acquired MintCo., a joint venture that operates a payment plug-in delivering a sign-up free, login-free, tokenized financial institution-centric payment experience

"...the [INTERAC] e-Transfer, email money transfer has been around for 15 years now, and is three times the size of Venmo, despite the Canadian market being one-tenth the size of the United States. We are integrated into 99.8 percent of every bank account in the country, and over these years have been integrated directly and deeply through the [INTERAC] e-Transfer exchange and overlay. And as you know, P2P and the use cases of push payments are one of the bastions of payments these days."

Mark O'Connell, President & CEO
from "A decade in the making, here comes Interac 2.0," PYMNTS.com



Building the *Interac* Brand

Uniquely Canadian thought leadership

Our interactive installation at the **Collision Conference** offered a space for attendees to learn about our role in the fintech industry. We participated in panels on the Money Conference and Corporate Innovation Summit stages, mentored startups, and hosted roundtables and networking events to bring the industry together to discuss fintech trends.

Interac was a partner of the Money Stage at **Elevate Tech Fest** and offered thought leadership on data, trust, digital ID and open banking. We challenged hackathon participants to solve a #TechforGood problem statement and brought together a wide array of stakeholders to discuss challenges and opportunities associated with open banking in Canada.

During the **holiday season**, we reminded Canadians to be equally thoughtful about the way they pay and the gifts they give. Our “buy it for them, do it for yourself” call-to-action showcased the confidence and control that comes from using the *Interac* services and your own money.

This message carried over into our partnership with the **Toronto Christmas Market**, where Interac and Moneris equipped small business vendors with *Interac* Flash-enabled devices. We also hosted a custom photo wall and an *Interac* e-Transfer pop-up shop with a variety of clever cards.

Introducing *Interac* Reports

We launched a dynamic new platform offering news, perspectives, spokespeople and media resources on the payments landscape in Canada.

Interac published 145+ articles on *Interac* Reports in 2019, attracting more than 2.1M page views.



Interac Thought Leadership

We amplified our industry expertise by highlighting Interac thought leadership.

Interac was highlighted in 430 positive broadcast, online and print stories in 2019, garnering more than 122M impressions.

Interac Media Reach

We showcased the strength of our brand through integrated campaigns.

Interac produced three mass brand campaigns, generating 1.37 billion views across Canada.



"Interac is if not the first, but the original homegrown fintech in Canada...Canadians are the highest per capita debit users in the world."

Mark O'Connell, President & CEO
from "Card-maggeddon" is coming: Why *Interac's* CEO believes card-swiping will soon be a thing of the past," Financial Post

Artistic rendering of the Interac space at Collision 2019, ASTOUND



Interac was named Canada's Most Trusted Brand in the Financial Services category by Gustavson Brand Trust Index for the fifth year in a row. This title is determined by a brand trust survey that evaluates responses from 7,200 Canadians and measures overall brand trust and three different dimensions of trust.

Recognition and Awards

Interac received 15 awards and recognitions, with accolades for our innovation in action, our people, governance, and our marketing and communications efforts.

- #1 Most Trusted Brand in Financial category, Gustavson Brand Trust Index; Top Ten in Canada's Most Trusted Brands
- #6 Most Reputable Company in Canada (2019 Canada RepTrack)
- 25 Most Influential Women in Payments - Kikelomo Lawal
- Best Engagement, Governance Professionals of Canada - Shortlisted
- Best Overall Governance for a Private Company, Corporate Secretary Magazine - Shortlisted
- Best Organic Reach Campaign, YouTube Works Award - Flash \$100
- Canada's Tech Titans Top 19 of 2019 - Peter Sweers
- Fintech Company of the Year, Canadian fintech and Ai Awards
- Small Law Department Leadership Award - Kikelomo Lawal, Canadian Lawyer InHouse 'Innovatio Awards'
- Investor or Financial Relations Campaign of the Year, ACE Awards
- Most Innovative Workplaces, Elevated Awards
- Top 50 Companies in Canada
- Top 50 Women in Canadian Fintech - Debbie Gamble
- 600+ internal recognitions awarded to Interac employees

Innovation in Action

Innovation Labs & New Ventures leverages its forward looking business vision to drive strategic innovation and merger-and-acquisition opportunities.

The Innovation Labs & New Ventures team looks beyond current marketplace realities to better understand the trends and technologies that will disrupt and extend our business.

From next generation digital payments, data and trust in the digital economy, open banking, blockchain and digital ID, Interac continues to innovate with the needs of Canadians in mind. This includes maintaining an active research agenda, testing, prototyping and piloting various initiatives, targeting new partners and market segments and potential acquisitions. We do this with an aim to commercialize the best ideas and offerings on a massive scale for all Canadians and businesses to access.

Interac is at the forefront of digital innovation in Canada, fostering collaboration, competition and diversity in the financial ecosystem. We continue to collaborate across the Canadian ecosystem driving partnerships in public and private sectors including alliances with regional fintech accelerators such as MaRS Discovery District and Communitech.

Key Milestones:

Trust and Identity in a Digital World – Interac successfully launched a number of digital ID proofs-of-concepts, including collaborating with the Ontario Centre of Excellence on the Small Business Innovation Challenge. We also released digital ID white papers and research showcasing the value Canadians place in their identity.

Open Banking – We identified our market position on Open Banking by submitting a response to the Department of Finance consultation. Interac was invited to be a key stakeholder at a number of forums to move the needle on consumer directed banking in Canada, including the Department of Finance's roundtables, the Senate Committee on Banking, Trade and Commerce, and more.

New technology and new sectors – Interac launched a blockchain-based incentive pilot in partnership with IBM and Alectra Utilities to incent customers to adopt climate-friendly behaviours. We used *Interac* e-Transfer to reward participating utility customers with real dollars they could spend or save at their discretion.

Interac Lab at Communitech – Rapid prototyping, tool-creation and proofs-of-concepts at the *Interac* Lab, an innovation outpost and accelerator in Kitchener, ON, accelerated the development of next-generation products, solutions and features. Collaboration within the fintech ecosystem enables us to address emerging opportunities around payments, open banking and digital ID.

New Ventures – Developing the Interac new ventures framework included target funnel, business modelling, due diligence and asset transaction management capabilities to enhance the company's competitiveness via new business opportunities. The acquisition of 2Keys, a national leader in cybersecurity and authentication for public and private sector organizations, augments the company's existing digital ID capabilities and sets the stage for strategic growth. This acquisition, alongside the organization's acquisition of Mint Co. commercial capabilities, demonstrates that Interac is thoughtfully seeking strategic opportunities for growth.

A photograph of Debbie Gamble, Chief Officer of Innovation Labs & New Ventures, speaking at a conference. She is wearing glasses and a dark blazer, holding a small device in her hand. The background is dark with a green logo partially visible.

"In a future where trust is paramount, our approach to technology, data and innovation requires a framework that assures authentic engagement that is inclusive and relevant. The viability of our digital world relies on the ability to ensure the authenticity and verifiability of assets, things, and people. For Interac, this means working with government and industry to deliver trusted value exchange solutions such as digital ID, which will enable the success of Canada's digital future."

Debbie Gamble, Chief Officer, Innovation Labs & New Ventures, speaking at Elevate Tech Fest

2Keys Acquisition

A catalyst for digital ID in Canada

The acquisition of Ottawa-based 2Keys in 2019 marked an exciting chapter in our growth story. 2Keys, a national leader in cyber security and authentication capabilities, has been supporting public and private sector entities in Canada for 22 years. 2Keys' extensive experience will play a critical role as Interac continues to enhance its payment platforms and supports new ways for Canadians to securely access and use their identity, data and money with confidence and convenience. The 2Keys acquisition ushered in a unique opportunity for Interac to build on our security and innovation principles and to create a comprehensive digital identity solution for the Canadian marketplace, government and industry. Since 2017, 2Keys and Interac have collaborated on projects and proofs-of-concepts for government stakeholders. Now, we tackle industry developments like payments modernization, cybersecurity, and open banking together.

What's next?

As a subsidiary of Interac, 2Keys will continue to serve its existing clients and maintain its core lines of business. Together, we will enter new industries in the Canadian marketplace by creating a secure, convenient way for Canadians to access their identity and money in both online and offline environments.

2Keys by the Numbers



**Founded in
1998**



**22 years
in business**



**40 million
users performing
four million identity
verifications per day**



**ISO
27001, 27017 and
27018 certifications**



**100
employees**



**Partner
with public and
private sectors**

Canadians value their identity and want convenience and security when it comes to managing their identity digitally.

Research Says...

83% of Canadians describe their identity as one of their most valuable assets.

52% of Canadians think it is more important to protect their identity online than their money.

77% of Canadians say they don't have enough control over the use of personal and financial information online and include authentication amongst the most important factors of trusted technology.

"We view digital identity and access capabilities as fundamental enablers of an interoperable digital ecosystem, as well as being a foundational part of a 'security-in-depth' approach to privacy, integrity, availability and confidentiality. Joining Interac means building upon our proven legacy and helping to bring forward a robust and secure digital identity ecosystem for Canada."

John Scott, CEO, 2Keys
(seen above, at right, with Mark O'Connell)



Futureproofing Our Technology

Interac technology and operations ensure shared, interoperable platforms maintain security, resiliency and stability to power the products and services used by our customers.

Interac kept Canada's largest payment infrastructure running smoothly with a broad array of participants and customers in 2019. We saw month-over-month growth for both transaction and provision volumes for the *Interac* Token Service Provider (TSP) and fulfilled a record 2,864,164 *Interac* e-Transfer transactions on November 1 with no incidents or outages reported.

Investing in our people

Technology & Operations teams began shifting to a full-stack model, bringing together development and infrastructure specialists in cross-functional designated teams to manage end-to-end design, delivery and operation of our technology. Embracing Agile methodologies enables us to build go-to-market assets proactively and quickly.

Preparing for future use cases

We are expanding technical capabilities of our platform and service to accommodate a variety of new use cases that will grow the reach and scale of Interac. We are continuing to modernize payments based on the principles of the *Interac* e-Transfer service platform: good funds, interoperability, ubiquity, real-time money transfer, and secure payments clearing and settlement through all financial institutions.

Enhancing resilience

In 2019, we invested in people, process and technology, including making major database and cloud upgrades, in order to maintain the level of *Interac* network reliability that Canadians expect and to prepare for continued scalability in the future. We also drove security-first culture in-house by working closely with our internal partners to ensure that risk controls, rules and countermeasures are deeply integrated into our platforms.

Embracing SDK and API

We've expanded our SDK and API capabilities to provide financial institutions with the ability to adopt multiple consolidated *Interac* solutions quickly and conveniently. Continued improvements to our release cycle have enabled new platform capabilities, including ISO-20022 based APIs, account-based payments and International Remittance account-to-account integration. This prepares us for real-time commercial payments and future opportunities.



"We are serious about our role in operating best-in-class platforms for our customers and for Canadians. We've made major shifts to advance our agility, resiliency and team alignment that have enabled us to accelerate innovation and prepare for the future of Canada's financial technology ecosystem."

Peter Sweers, Chief Technology & Operations Officer

Managing Risk & Protecting Canadians

The Interac risk framework is embedded in our business model to ensure effective operation of the organization to serve our customers and other stakeholders.

We continue to evolve our fraud and risk management solutions as consumer and business transactions take on new forms - from moving money, transferring data and protecting information online. The Enterprise Risk Management Team understands and helps define the risks Interac is willing to accept to achieve our strategic objectives.

Enterprise-wide collaboration ensures risk controls, fraud use cases, risk analytics and countermeasures are in lockstep with product launches and go-to-market strategies. The foundational Enterprise Risk Management frameworks enable us to maintain consistent line-of-sight into potential risk of all kinds including: strategic, financial, reputational, people, operational, legal, information technology and financial crimes.

The Enterprise-wide Risk Management Training educated employees on their responsibility in strengthening our risk culture. Our programs make it clear: risk management must be embedded into our day-to-day activities to ensure adequate risk mitigation and controls are in place to grow and build our business.

Preparing for the future

As the market evolves, we use emerging technologies to improve financial crimes analytics, detection, prevention processes and near real-time countermeasures. This, along with our expanded risk mandate and strategy, enables us to be better, faster and stronger than the competition - with risk management at our core.

Robust security, reliability and consumer protection standards are wholly compatible with innovation. Risk and fraud controls become increasingly important as Canadians explore an array of new financial payments services and technologies.

2019 Fraud Statistics

Interac protects customers and their clients from financial crimes and fraud through prevention, detection and mitigation strategies. We continue to enhance risk and fraud frameworks to surpass the expectations of evolving global risk standards and our industry.



Removed **6,708** malicious websites in 2019, a 55% increase from 2018



Realized a **\$40M** or **30%** decrease in fraud on Interac e-Transfer in 2019



Prevented **\$98M** in skimming-related fraud attempts

"With real-time payments comes the need for real-time security, prevention and detection capabilities, which we've built up over our history. Our real-time cyber and fraud capabilities help Canadians digitally transact with confidence across a variety of devices and platforms, including mobile devices. At the same time, we adhere to our core values that have been central to our history, including corporate responsibility, safety and soundness."

Terri O'Brien, Chief Risk Officer, testimony at the House of Commons Standing Committee on Public Safety and National Security (SECU)

Spotlight: Fraud Risk Awareness & Education

Interac has taken a leadership role in fraud prevention and education, including priority investments in programs during Fraud Prevention Month and Cybersecurity Awareness Month alongside our industry partners.

Our proprietary research found there is a need for continued education and promotion of security-aware activity by consumers:

- 71% of Canadians felt confident in their ability to detect a phishing scam, but when tested, 96% were unable to identify the safest action

Our supportive actions included:

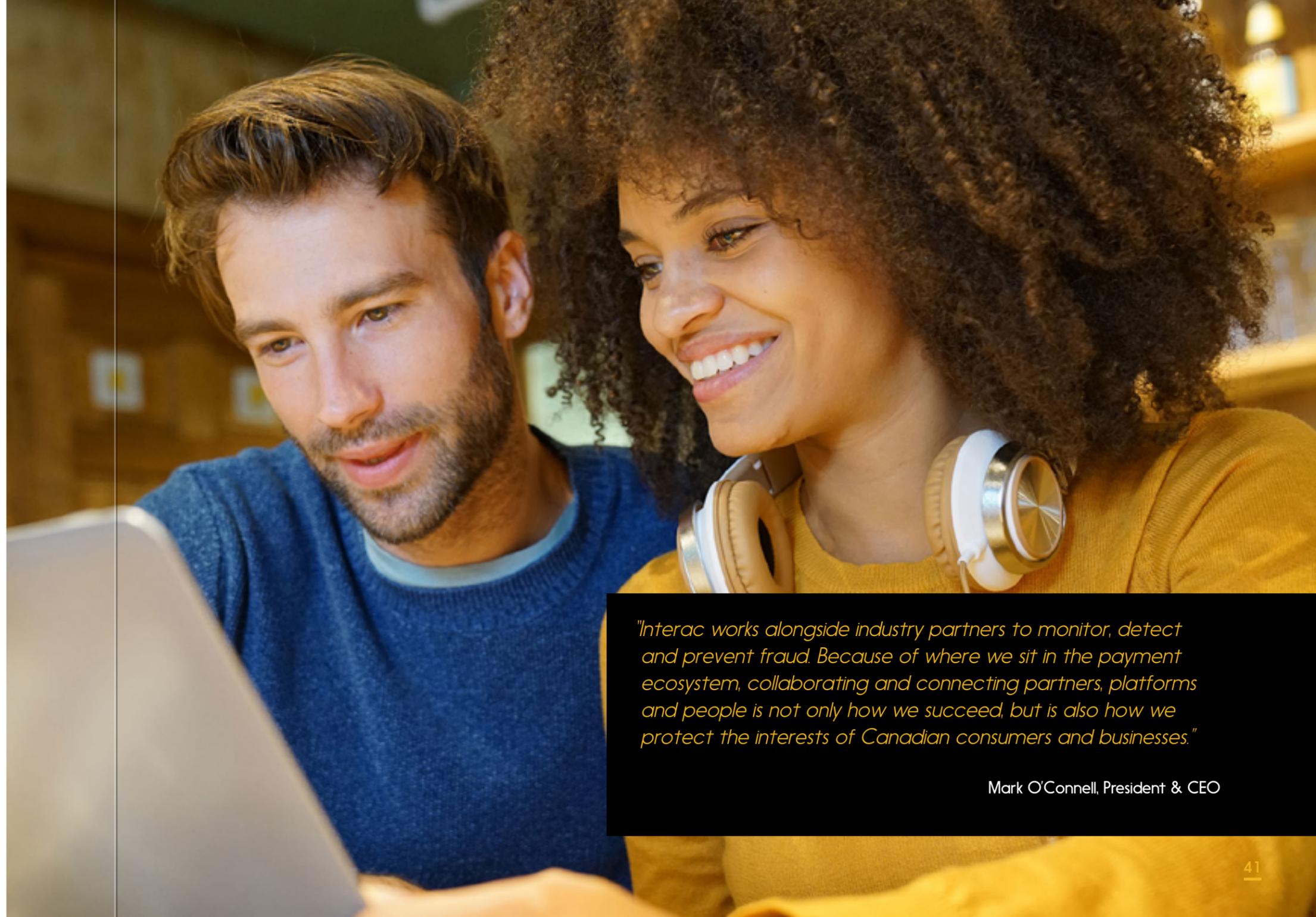
- Produced thought leadership content during Fraud Prevention Month and Cybersecurity Awareness Month
- Launched an integrated communications and marketing campaign to educate consumers about e-mail compromise

- Campaign content included the best ways to spot a scam, how to create secure passwords, how hackers can trick you on social media, and how our products, such as *Interac* e-Transfer Autodeposit, can help keep your money safe

- Connected 150+ experts at the Financial Crimes and Fraud Risk conference

- Collaborated with Bank of Canada, Toronto Police Service, Canadian Anti-Fraud Centre, Crime Stoppers, RCMP, Competition Bureau and more to help combat fraud

- Terri O'Brien, Chief Risk Officer at Interac, appeared before the House of Commons Standing Committee on Public Safety and National Security (SECU) as part of its hearings into cybersecurity in the financial sector as an economic security issue



"Interac works alongside industry partners to monitor, detect and prevent fraud. Because of where we sit in the payment ecosystem, collaborating and connecting partners, platforms and people is not only how we succeed, but is also how we protect the interests of Canadian consumers and businesses."

Mark O'Connell, President & CEO

Connecting People & Community

Interac is committed to being an employer of choice, a good corporate citizen and to championing an excellent workplace culture based on principles of responsibility, diversity and inclusion.

Transforming our culture to futureproof our business

We believe engaged employees are linked to a high-performing culture. We've made a three-year commitment to invest in employee engagement and upskilling in order to drive innovation and business success. This year we launched:

- The Barrett Model™ assessment to better understand employee perception of current and desired culture
- Monthly engagement pulse to measure Net Promoter Score®, engagement trends and prompt leaders to regularly discuss continuous improvements
- A Leadership Team Charter, created by the Interac Executive team
- Ongoing 360° leadership training for Executive team and people leaders
- Birkman Method assessment workshops to give teams tools to perform at the highest level

- More than half of our people leaders have completed culture and leadership training
- New tools to enhance strategic alignment across the company, including a new company-wide corporate newsletter
- Regular educational, networking and social programming

Continued investment in our rapidly growing workforce

We hired 100+ new staff members and also added 100 employees through the acquisition of 2Keys, representing an overall growth of 45% since 2018.

Interac employees are proud to encourage new talent to join the company - 26% of roles were filled by an employee-referred candidate in 2019.

We saw a 129% year over year increase in our learning and development spend, helping to ensure the organization remains at the forefront of payments innovation.

Focus on sustainability

Implemented a centralized waste management initiative that brought in a more comprehensive recycling and organics system and eliminated 472+ desk side waste bins.

Optimizing collaboration

Moved 94 team members onto a new floor in our building to accommodate our growth, and added new murals around our office space as a visual reminder of our strategy and values.

Expanding our footprint

Acquired two new regional offices in Toronto and Ottawa through the acquisition of 2Keys.

"After coming together in 2018 as Interac, we launched a cultural transformation journey to streamline the ways our teams work together to deliver our products and services, integrate capabilities across product verticals, and change the way we interact internally to sustain a new operating model."

Caroline Stephens, Chief Human Resources Officer

Interac Values

Collaboration
Genuine & proud
Innovative solutions
Resourcefulness & agility
Integrity, candor & respect
Stakeholder input & accountability

Interac gives back

At Interac, we believe in supporting organizations that are improving the communities where we live and work. We activated \$1.2M in support of community partners, our employees volunteered over 450 hours, and we supported more than 45 community partners across Canada:

Increasing financial and digital literacy

Interac supports ambiSHEous™, an organization that offers mentorship opportunities for girls in grades 7-10 to help them improve their understanding of financial literacy, and the Jr. Economic Club of Canada, which offers an annual digital financial literacy training Day on Bay for high school students.

Investing in the future of Canadians and Canadian technology

Interac is the Innovation Partner of The Upside Foundation of Canada, which enables early stage, high growth Canadian companies to donate equity to charity. We held a number of events in 2019 that gathered entrepreneurs and industry leaders together for panels and networking on innovation for social good and women in tech.

Building and investing in Canadian communities

Through our annual United Way week, Interac donated over \$90,000 through employee fundraising and corporate donations. Interac employees also took part in Habitat for Humanity's Women's Build, helping to build homes for 15 families in need.



To celebrate GivingTuesday, a global movement to give back to the causes you care about, Interac donated to Tech4SickKids, a SickKids Foundation fundraising challenge for the tech community.

Interac and The Upside Foundation of Canada also commissioned a survey to examine Canadians' attitudes toward corporate giving.

Research Says...

70% of Canadians are more likely to purchase from companies that give back

81% of Canadians believe all companies should give back

68% of Canadians would be more loyal to a brand that supports a charity or cause

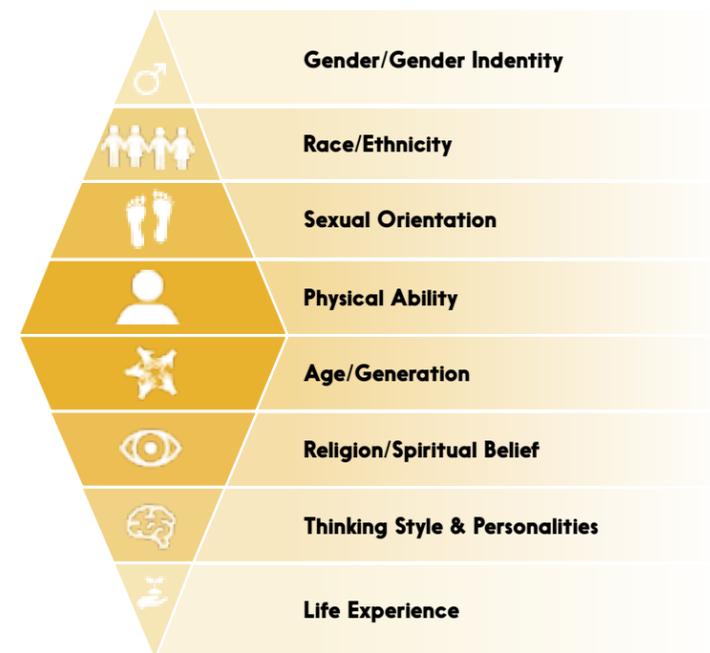


Commitment to Diversity & Inclusion

Interac embarked upon an ambitious Diversity and Inclusion (D&I) initiative to create an environment for diversity of thought and experience, where unique ideas, perspectives and voices are not only welcomed, but encouraged.

The Interac D&I Program recognizes eight dimensions of demographic and cognitive diversity, which are implemented through eight types of initiatives designed to embrace diversity as a strength, promote fair treatment, equal access to opportunities and organizational flexibility.

Executive champions representing the broader Interac team formed the Diversity & Inclusion Council. Feedback from an anonymous survey helped us better understand our strengths, opportunities and the perceptions of diversity and inclusion at Interac. These results also determined the first year of programming.



Creative hiring for diverse talent
We launched the **Interac Recruitment Challenge** at Elevate Tech Fest, inviting talent to submit creative job applications for a year-long rotational position. Interac was also proud to welcome a summer intern from the **Ready to Work program** at Holland Bloorview Kids Rehabilitation Hospital.

Employee Training
Interac implemented company-wide **Unconscious Bias Training**, which encouraged our staff to recognize their implicit biases and how these biases manifest themselves in our daily lives and hiring practices.

Diversity in our Business
As part of our commitment to increasing participation and leadership of women in tech, Interac created an interactive installation at the **#MovetheDial Summit**. More than 2,000 attendees were invited to participate in the installation, which created a vibrant data map of the interconnected identities.

Celebrating Diversity
Interac brought staff together to celebrate our team's diversity through internal events including **International Women's Day**, **Pride Week** and the **International Day of Pink** and sent a contingent of employees to the Inaugural **BFUTR Summit** hosted by **BPTN** (Black Professionals in Tech Network).



Learn More

Check out our website: interac.ca

Check out our newsroom: newsroom.interac.ca

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We welcome your feedback

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