

# PRESS RELEASE

## RIFCO has Record Setting Second Quarter

Red Deer, Alberta. Nov 18th, 2010; RIFCO Inc. (TSXV: RFC) announced its financial results for the second quarter ending September 30, 2010. The Company is pleased to report in the quarter, record revenue, record auto loan originations, record managed assets, record cash reserve releases, record book value per share and the lowest interest cost on securitized loans in the history of the Company. RIFCO's first six months of the year represent its highest net income in the Company's history.

Net income in the first half of the year reached \$1.02M and is a 410% increase over the same period in the prior year. The annualized year-to-date ROE is over 22% with EPS for the current period of \$0.05.

Net income for the quarter is \$599,593, a 1,628% increase from the \$34,699 reported in Q2 of the prior year. This has resulted in EPS of \$0.03 in the quarter up from \$0.00 in the comparable quarter. Revenue in the quarter grew to \$4,412,686, a 60.0% increase from \$2,758,476 reported in Q2 of the prior year. The Q2 revenue was also a 19.4% increase over the revenue of \$3,696,908 reported in the prior quarter. Loan originations in the second quarter increased to \$10.56M from \$9.19M in the prior quarter, an increase of 15.0%, and an increase of 66.7% from the \$6.34M in the prior year. The increase in loan originations resulted in managed finance receivables growth to \$63.48M from \$53.18M in the prior year, a 19.4% growth rate.

In the quarter, operating expenses increased by 18.7% over the prior quarter. RIFCO is in the midst of substantial growth. Plans are underway to handle much higher loan origination growth rates. The Company has increased its sales force in order to fulfill requests, by dealers, for RIFCO financing. New staff has been added in all departments. Premise renovations are now complete and a new phone system is about to be implemented. At this point, the Company is staffed for future growth. RIFCO's employees in all departments will be required to continue their exceptional level of performance in order to support the expected growth in assets under management.

The Company's revenues are, in part, affected by the volume of loans originated and the loan securitization levels required to support this growth. In the quarter, loans securitized were \$9.48M compared to \$6.47M in Q2 of the prior year. This represents a 46.5% increase in loans securitized. Due to the improved pricing on the securitization facilities, the Company enjoyed a 63.3% increase in securitization revenue. Due to the improved discount rates (interest cost) now being received, the Company experienced higher profit levels on securitized loans compared to those in prior quarters.

- The average cost of borrowing reduced in the quarter to 7.25% from 7.87% in the same quarter of the prior year. The average cost of borrowing will continue to decline as older (higher rate) securitization tranches are repaid and replaced by newer (lower rate) securitization tranches. Securitization tranche interest rates are fixed for the life of the tranche.
- The average portfolio yield has increased to 20.01% in Q2 from the average portfolio yield in the prior year of 19.86%.

RIFCO has been granting non-traditional loans in the automotive sector since 2002 and has granted over \$162M in loans. The Company had predicted that its underwriting and operational systems would hold up throughout all economic cycles. The economic environment over the past 24 months has acted as a real life "stress test" for these credit assumptions. While granting and collecting loans in this period has been more challenging than prior years, the credit adjudication model has proven to be sound. RIFCO is now experiencing improvements in all key metrics. Measures below are of Managed receivables:

- Delinquent accounts over 30 days decreased to 3.77% from 5.76% in Q2 of the prior year. This is a significant reduction and is a positive indication of potential reductions to follow in loan losses.
- The average loan loss rate (12 month rolling), which includes losses on assets held in securitization trusts at the end of the period, decreased to 5.68% from 5.73% in the prior quarter. This is the same as the 5.68% in Q2 of the prior year.



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- The quarterly periodic annualized loss rate was reduced in Q2 to 5.24%. This is a drop from 5.39% in the same period of the prior year.
- In September 2010, the Company announced the 5<sup>th</sup> annual renewal of its funding facility with Securcor Trust. The renewal terms and rates were substantially improved over the prior year's terms. It was determined that based on portfolio credit performance that the cash reserve ratios were excessive. As part of the renewal, the ratios were reduced which resulted in a one-time cash release of approximately \$800K.

To fund the acquisition of a growing level of finance receivables, the Company uses borrowings under its senior credit facilities (\$9.5M) and subordinated debentures (\$6.5M). Most of the Company's finance receivables are ultimately securitized through one of three available loan securitization facilities. Facility limits total \$70M and currently have 65% in remaining authorized capacity. RIFCO is well positioned to meet this year's \$50M loan origination target. RIFCO has the confidence of its lending partners.

It also remains RIFCO's strategy to pursue increased availability of senior credit facilities in order to grow the Company's overall level of on-book loan receivables. The senior credit facility is currently the lowest cost funds for the Company. Increased on-book (non-securitized) receivables will lead to increased consistency of revenue, less volatility of earnings and reduced interest costs.

RIFCO remains steadfast in originating only loans that it believes can achieve acceptable profit margins. As margins are affected by funding rates and by expected credit performance, RIFCO adjusts targeted origination levels, credit requirements, and lending rates while maintaining market continuity.

### Financial Highlights:

- ◆ Net Income in Q2 increased to \$600K from net profit of \$35K (YOY)
- ◆ Revenue in Q2 increased to \$4.41M from \$2.76M (YOY)
- ◆ Managed Loans increased 19.4% to \$63.48M (YOY)
- ◆ Cash releases increased 225% from securitization holdback accounts to \$3.66M from \$1.13M (YOY)
- ◆ Loan Originations in Q2 increased 66.7% to \$10.56M (YOY)
- ◆ Loans Securitized increased 46.5% to \$9.48M from \$6.47M (YOY)
- ◆ Securitization revenue increased 63.2% to \$3.87M from \$2.37M (YOY)
- ◆ EPS was \$0.03 up from \$0.00 (YOY)
- ◆ Book value per share has increased to \$0.517 from \$0.455 (YOY)
- ◆ Operating Expense Ratio increased by .12% to 5.33% (YOY)
- ◆ Operating Expenses were \$824K a 19.7% increase (YOY)
- ◆ Funding Costs decreased to 7.07% from 7.26% (YOY)
- ◆ Average Cost of Borrowing decreased to 7.25% from 7.87% (YOY)
- ◆ Delinquency Ratio decreased by 1.99% to 3.77% (YOY)
- ◆ Average Loan Loss Rate (rolling 12 month) is the same at 5.68% (YOY)
  
- ◆ Revenue increased by 19.4% to \$4.41M over the prior quarter
- ◆ EPS was up to \$0.03 from \$0.02 in the prior quarter
- ◆ Managed Loans increased 7.4% over the prior quarter
- ◆ Net Income increased to \$600K from \$416K in the prior quarter
- ◆ Loan Originations increased 15% over the prior quarter
- ◆ Operating Expense Ratio increased to 5.33% from 4.77% in the prior quarter
- ◆ Operating Expenses increased by 18.7% over the prior quarter
- ◆ Delinquency Ratio decreased to 3.77% from 4.47% in the prior quarter
- ◆ Average Loan Loss Rate (rolling 12 month) decreased to 5.68% from 5.73% in the prior quarter

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As is RIFCO's custom, please note the Q2 progress report against RIFCO's specific objectives for 2011 as published in the 2010 annual report to the shareholders.

**1 Achieve record loan originations of over \$50 million**

Loan originations in the first two quarters totalled \$19.75M.

**2 Achieve record managed assets of over \$75 million**

Managed financed receivables in the first two quarters grew to \$63.48M.

**3 Achieve record revenue of over \$14 million**

Revenue in the first two quarters totalled \$8.11M.

**4 Achieve an annualized write offs rate below 5.5%**

Year-to-date annualized credit loss rate currently stands at 5.15%.

**5 Achieve record net income of over \$1.5 million**

Net income in the first two quarters totalled \$1.02M.

### About RIFCO

RIFCO is one of Canada's fastest growing automotive finance companies. Non-traditional auto loans are indirectly originated through a growing network of selected new and used vehicle dealers operating in all provinces except Saskatchewan and Quebec.

**The common shares of RIFCO INC. are traded on the TSX Venture Exchange under the symbol "RFC". There are 19.25 million shares (basic) outstanding and 20.93 million (fully diluted) shares.**

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