Rifco Reports First Quarter Results 2017

Red Deer, Alberta. August 11, 2016; Rifco Inc. (TSXV: RFC) is pleased to announce its consolidated first quarter results for the period ended June 30, 2016.

First Quarter Highlights

- Originations increased by 29% over prior quarter
- Credit Losses reduced by $1.05M, a 30% reduction over the prior quarter
- Delinquency Rate reduced to 5.03% from 5.64% over the prior quarter
- Quarterly Annualized Credit Loss Rate reduced to 4.50% from 6.32% over the prior quarter
- Finance Receivable shrinkage stabilized over the prior quarter.
- Geographic regional rebalancing continues with 63% of loans in Western Canada and 37% in Eastern Canada compare to 68% and 32% respectively one year ago.

Quarterly Results

The Company posted Originations of $26.00M, a 29% increase from $20.11M in the preceding quarter and a 17% increase from $22.30M in the comparable quarter. The increased Originations were affected by growing new dealer enrollment and dealer graduations within Rifco's FF500 club dealer loyalty program.

The Finance Receivables remained comparable at $222.78M from $223.22M in the preceding quarter, and a decrease of 8% from $241.42M from the comparable quarter. The increased Originations has resulted in Finance Receivables stabilization in the current quarter.

The Company is reporting its 29th consecutive quarter of profitability. The retention of these profits has reduced the Company's leverage ratios to record lows. Reducing leverage normally implies improving Company safety and strength.

The Company is reporting Net Income of $0.95M, a decrease of $1.05M from the comparable quarter of $2.00M and an increase of 6% from $0.90M in the preceding quarter. The Net Income in the preceding quarter was positively impacted by a decrease in Provision for Impairment. In the current quarter, a reducing Credit Loss Rate positively impacted the Net Income.

Net Income in the comparable quarter was positively impacted by a deferred tax recovery of $0.52M and without the one-time adjustment the reported Net Income would have been $1.48M, as compared to $0.95M in the current quarter.

Rifco reported earnings per share (EPS) in the period of $0.045, a decrease from $0.094 from the prior year.

Modified Funds Flow from Operations represents implicit cash value to shareholders on a periodic basis. Modified Funds Flow from Operations decreased from $5.85M to $4.42M in the quarter. The Modified Funds Flow from Operations of $0.21 per share in the current quarter, is a decrease from $0.27 per share in the comparable period. EPS considers Provisions for Impairment and Losses which each affects the income statement, but not cash flow.

Since June 30, 2015, the Company has been reporting its Net Fair Value (NFV). This measure represents the estimated net worth of the Company by identifying value as reflected by the cash flow streams over the full life of the assets. The NFV is calculated by subtracting the fair value of all liabilities from the fair value of all assets. The NFV of the Company at quarter end is $75.09M, compared to $89.31M at the end of the comparable quarter. When divided by the ending number of common shares, the Net Fair Value Per Share (NFVPS) is calculated at $3.48, compared to $4.18 in the comparable quarter. NFV is net of anticipated management and servicing expenses of Finance Receivables, Provision for Impairment, prepayment expenses, borrowing expenses, and fees to securitize.

The total financial revenue decreased by 15% to $8.43M from $9.92M from the comparable quarter as a result of a decrease in Finance Receivables and Net Portfolio Yield in the period.

It's about time.

Over the last few quarters, the Company has originated an increasing percentage of Finance Receivables in its best performing credit tiers. As a result, the Net Portfolio Yield has decreased to 15.36% from 16.40% from the comparable quarter and a decrease from 15.64% in the preceding quarter. Over time, the results of this strategy are expected to lead to reduced Delinquency Rates, Credit Loss Rates and Operating Expense Ratios.

The lending environment in the non-prime auto sector remains competitive. Rifco's main competitors continue to price risk aggressively. The Company believes that some of the pricing witnessed may be unprofitable and ultimately unsustainable. Rifco management believes that its Credit Model will continue to produce sustainable loan performance results over normal economic cycles.

The Average Interest Expense increased slightly to 4.69% compared to 4.60% in the comparable quarter. The Unsecured Debentures reduced from $11.79 in the preceding quarter to $10.82M in the current quarter, a 9% decrease. The reduction in Unsecured Debentures may positively impact Average Interest Expense for ensuing quarters.

Credit Losses, including costs and net of recoveries, are $2.50M, an increase from $2.26M in the comparable quarter and a reduction of 30% from $3.55M in the preceding quarter. The reducing Credit Losses has positively impacted Net Income, financial ratios and covenants.

The Delinquency Rate decreased to 5.03% from 5.17% in the comparable quarter and decreased 0.61% from 5.64% in the preceding quarter. The Delinquency Rate is currently higher than the Company's typical seasonal ranges of between 3.00% and 4.00%.

Management has observed improving trends in early stage Delinquency (11-30 days past due). A reduction in early stage Delinquency may continue to be a leading indicator of a future reduction in the reported Delinquency (over 30 days past due) and the future Credit Loss Rate. At quarter end, the Company saw a 23% reduction in loans reported as 11-30 days past due compared to the same quarter in the prior year.

Management conducted detailed reviews of its credit underwriting processes and made adjustments to reflect the increased employment risk in Alberta. Loans granted after December 31, 2104 were granted reflecting credit underwriting in the current environment.

The total outstanding balance of Alberta Finance Receivables granted prior to Dec 31, 2014 is currently $45.87M, representing 21% of the total Finance Receivables. The Delinquency Rate on this vintage of loans is 7.56% which is a reduction from the peak of 8.56% at December 31, 2015 when the outstanding balance of this vintage was at $64.78M and represented 28% of total Finance Receivables. At March 31, 2015 the Alberta loans of this vintage was $104.76M and represented 42% of total Finance Receivables. The national Delinquency Rate currently at 5.03% is a meaningful reduction from 5.64% in the prior quarter. The improvement is slightly muted by the impact of the regional effect of the higher delinquency on this vintage of loans. The impact of the credit performance of this vintage of Alberta Finance Receivables will continue to diminish over time.

In the quarter, the Company increased its Specific Provision for Impairment to $0.84M for modified loans (loans for which the original terms of the contract have been changed) from $0.42M in the comparable quarter in the prior year. Loans that have been modified but are not in arrears, are deemed impaired until the borrowers' ability to maintain the modified contractual repayment has been re-established. The Company has modified loans that regularly meet a re-establishment standard. Re-established modified loans may be subject to a Specific Provision for Impairment in the future if they become Delinquent.

The Average (12 month rolling) Credit Loss Rate increased to 5.39% from 4.07% in the comparable quarter in the prior year. The quarterly annualized Credit Loss Rate is 4.50% which is a significant decrease from 6.32% in the preceding quarter.

Operating Expenses decreased to $2.46M from $2.59M compared to the same quarter in the prior year and an increase from $2.39M in the prior quarter. The Operating Expense Ratio increased to 4.47% compared to 4.28% in the same quarter in the prior year.

Rifco is in regular contact with all of its funders and remains optimistic regarding the availability of increasing amounts of Bank Borrowing and Securitized Facilities as needed. The Company currently has $95.36M in facility availability for deployment.

Rifco is working actively to develop new initiatives that it expects to positively affect loan Originations in the coming year while maintaining the Company's focus on loan credit quality and preserve Net Portfolio Yields.

The Company's management is focused on returning its credit performance to previous levels. Predictable credit performance is imperative to achieving the Company's long term vision of $500M in annual loan Originations.

Rifco Quarterly Comparative Results

Statements of income	**June 30, 2016**	**June 30, 2015**
($, 000's, except per share and share count)		
Financial revenue		
Interest and fee income	8,429	9,921
Financial expenses		
Interest expenses	2,351	2,580
Net financial income before provision for impairment	6,078	7,341
Provision for impairment and credit losses	2,273	2,670
Net financial income before operating expenses	3,805	4,671
Operating expenses	2,455	2,588
Income before taxes	1,350	2,083
Income tax expense	399	81
Net income	**951**	**2,002**
Weighted average number of outstanding shares at period end	21,357,098	21,298,363
Fully Diluted Basis	21,407,616	21,512,924
Net earnings per common share basic	$0.045	$0.094
diluted	$0.044	$0.093

Revenue for the first three months reached $8.43M. **Progress to target 24%.**

Achieve Credit Loss Rate between 4.50% - 5.00%

Year to date annualized Credit Loss Rate of 4.50%. **On target.**

Achieve earnings per share of $0.175 - $0.225

Earnings per share for the first three months of $0.045. **Progress to target 26%.**

It's about time.

Key Period-to-Date Performance Measurement

Please note the Company results as reported against the specific objectives released with the 2016 Annual Report.

Achieve Loan Originations between $110M - $130M
Loan Originations for the first three months reached $26.00M. **Progress to target 24%.**

Achieve Finance Receivables between $225M - $240M
Finance Receivables for the first three months are $222.78M. **Trending to target.**

Achieve revenue of between $34M - $36M
Revenue for the first three months reached $8.43M. **Progress to target 24%.**

Achieve Credit Loss Rate between 4.50% - 5.00%
Year to date annualized Credit Loss Rate of 4.50%. **On target.**

Achieve earnings per share of $0.175 - $0.225
Earnings per share for the first three months of $0.045. **Progress to target 26%.**

Rifco's Annual Shareholders meeting will be held on September 7, 2016 at 3:00PM at the Radisson Hotel, 6500 - 67th Street, Red Deer, Alberta. We look forward to meeting with our shareholders and interested parties to detail the 2016 results and share our vision for the future.

About Rifco

Rifco Inc. operates through its wholly owned subsidiary Rifco National Auto Finance Corporation in order to provide automobile loans through its dealership network across Canada.

Rifco National Auto Finance provides consumers with financing options on new and used vehicles. Rifco specializes in building long-term partnerships with dealers by investing time in personalized services through dedicated account representatives. Rifco's quick credit decisions, common sense lending, and expedited funding processes give its dealers better financing options and more closed deals. Rifco's most successful partnerships result in Fast Forward 500 Club status for its loyal dealerships.

Rifco is committed to continuing growth. Key strategies for achieving this growth include the expansion of its automobile dealer base and excellence in credit and collections processes.

The common shares of Rifco Inc. are traded on the TSX Venture Exchange under the symbol "RFC". There are 21.57 million shares (basic) outstanding and 22.80 million (fully diluted) shares.

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It's about time.