

Rifco Reports Third Quarter Results 2017

Red Deer, Alberta, February 16, 2017; Rifco Inc. (TSXV: RFC) is pleased to announce its consolidated third quarter results for the period ended December 31, 2016.

Third Quarter Highlights

Finance Receivables increased to \$225.13M from \$221.60M in the preceding quarter
Originations increased by 19% to \$26.06M from \$21.98M in the comparable quarter
Average Interest Expense decreased to 4.51% from 4.55% in comparable quarter
Operating Expense Ratio improved to 4.34% from 4.68% in the comparable quarter
Shareholders' Equity increased to \$32.66M from \$28.97M in the comparable quarter
Unsecured Debentures of \$2.19M have been repaid in the last three quarters, a 19% reduction. (Average rate 8.25%)
The Company is reporting its 31st consecutive quarter of profitability
Net Fair Value per share increased to \$3.59 from \$3.53 in the preceding quarter
Delinquency Rate decreased to 4.97% from 5.86% in the comparable quarter
Credit Losses, including costs and net of recoveries decreased to \$2.96M from \$3.27M in the comparable quarter

Quarterly Results

Rifco Inc. (Rifco, Company) posted Originations of \$26.06M, a 19% increase from \$21.98M in the comparable quarter and a 10% increase from \$23.74M in the preceding quarter. Originations continue to grow period over period but are lower than projected.

The Finance Receivables increased by 2% at \$225.13M from \$221.60M in the preceding quarter, and a decrease of 2% from \$230.04M in the prior year. Increased Originations levels resulted in Finance Receivables growth in the current quarter.

The total financial revenue decreased by 9% to \$8.37M from \$9.20M from the comparable quarter, and reduced by 1% from \$8.46M in the preceding quarter.

The Net Portfolio Yield decreased in the period to 15.27% from 15.50% in the previous quarter and from 16.00% compared to same quarter in the prior year. Over the past year, the Company has originated an increasing percentage of Finance Receivables in its best performing credit tiers. Over time, the results of this strategy are expected to lead to reduced Delinquency Rates, Credit Loss Rates and Operating Expense Ratios and stabilization of Net Portfolio Yield.

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 Company is reporting its 31st 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 \$0.63M, a decrease of \$0.12M from the comparable quarter of \$0.75M and an increase of 9% from \$0.58M in the preceding quarter.

Rifco reported earnings per share (EPS) in the period of \$0.029, a decrease from \$0.035 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 \$5.00M to \$4.50M in the comparable quarter. The Modified Funds Flow from Operations of \$0.21 per share in the current quarter, is a decrease from \$0.23 per share in the comparable period and a decrease from \$0.22 per share in the prior period. EPS considers Provisions for Impairment and Losses which each affects the income statement, but not cash flow.



It's about time.

PRESS RELEASE

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 \$77.56M, compared to \$81.44M 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 \$3.59, compared to \$3.81 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 Average Interest Expense decreased to 4.51% compared to 4.55% in the comparable quarter and decreased from 4.64% in the preceding quarter. The Unsecured Debentures reduced from \$9.94M in the preceding quarter to \$9.60M in the current quarter, a 3% decrease. In the first three quarters the Company has reduced Unsecured Debentures by \$2.19M or 19%. The reduction in Unsecured Debentures will positively impact Average Interest Expense for ensuing quarters.

Credit Losses, including costs and net of recoveries, are \$2.96M, a decrease from \$3.27M in the comparable quarter.

The Delinquency Rate decreased to 4.97% from 5.86% in the comparable quarter and decreased by 0.15% from 5.12% in the preceding quarter.

The Company continues to focus on greater regional rebalancing of new originations which have been successful over the past year. Rifco's loans are currently distributed 61% (December 31, 2015 – 66%) in Western Canada and 39% (December 31, 2015 – 34%) in Eastern Canada.

In the quarter, the Company increased its Specific Provision for Impairment to \$1.17M for modified loans (loans for which the original terms of the contract have been changed) from \$0.68M 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 5.34% from 4.60% in the comparable quarter in the prior year and decreased from 5.44% in the preceding quarter. The year to date annualized Credit Loss Rate is 5.01% and the Company expects an Average (12 month rolling) Credit Loss Rate for the year of under 5.00%.

Operating Expenses decreased to \$2.38M from \$2.69M compared to the same quarter in the prior year. The Operating Expense Ratio decreased to 4.34% compared to 4.68% in the same quarter in the prior year.

Wages and benefits expense decreased to \$1.66M from \$1.80M, an 8% decrease compared to the same quarter in the comparable 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 \$85.01M in facility availability for deployment.

Rifco is working actively to roll out 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.



It's about time.

Third quarter comparative results

| Statements of Income | Three months ended December 31 | | Nine months ended De- cember 31 | |
|---|-----------------------------------|------------|------------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| (\$,000's, except per share and share count) | | | | |
| Financial revenue | | | | |
| Interest and other income | 8,369 | 9,199 | 25,254 | 28,656 |
| Financial expenses | | | | |
| Interest expenses | 2,220 | 2,426 | 6,839 | 7,475 |
| Net financial income before provision for impairment | 6,149 | 6,773 | 18,415 | 21,181 |
| Provision for impairment and credit losses | 2,863 | 3,056 | 8,218 | 9,016 |
| Net financial income before operating expenses | 3,286 | 3,717 | 10,197 | 12,165 |
| Operating expenses | 2,378 | 2,692 | 7,088 | 7,804 |
| Net income before taxes | 908 | 1,025 | 3,109 | 4,361 |
| Net income tax expense | 277 | 272 | 943 | 716 |
| Net income | 631 | 753 | 2,166 | 3,645 |
| Weighted average number of outstanding shares at period end | 21,574,657 | 21,347,483 | 21,501,937 | 21,331,228 |
| Fully diluted basis | 21,587,046 | 21,476,027 | 21,536,170 | 21,515,916 |
| Net earnings per common share | | | | |
| Basic | \$0.029 | \$0.035 | \$0.101 | \$0.171 |
| Diluted | \$0.029 | \$0.035 | \$0.101 | \$0.169 |

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 nine months reached \$75.80M. **Progress to target 69%**.

Achieve Finance Receivables between \$225M - \$240M

Finance Receivables for the first nine months are \$225.13M. **On target.**

Achieve financial revenue of between \$34M - \$36M

Revenue for the first nine months reached \$25.25M. **Progress to target 74%**.

Achieve Credit Loss Rate between 4.50% - 5.00%

Year to date annualized Credit Loss Rate of 5.01%. **Above target.**

Achieve earnings per share of \$0.175 - \$0.225

Earnings per share for the first nine months are \$0.101. **Progress to target 58%**.



It's about time.

PRESS RELEASE

Rifco, today, filed its quarterly financial statements and management discussion and analysis for the period ended December 31, 2016. The previously released financial statements and the related management's discussion and analysis can be viewed at www.sedar.com or at www.rifco.net.

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 23.17 million (fully diluted) shares.

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