



World Acceptance Corporation

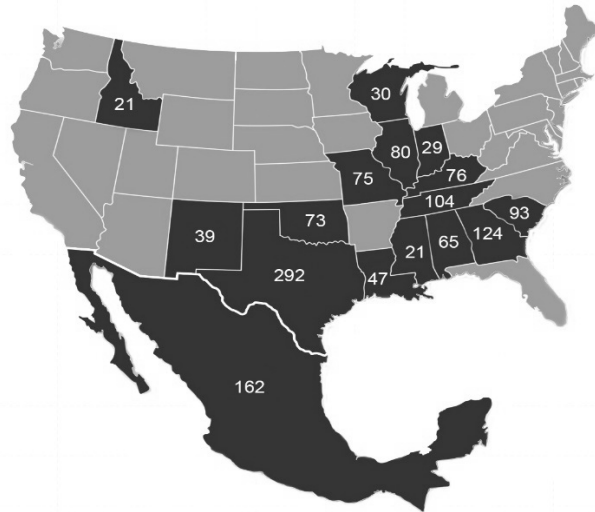
**2017 ANNUAL
REPORT**

COMPANY PROFILE

WORLD ACCEPTANCE CORPORATION, founded in 1962, is one of the largest small-loan consumer finance companies in the United States and Mexico. It offers short-term small loans, medium-term larger loans, related credit insurance products, ancillary products and services to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services to its customer base and to others.

World emphasizes quality customer service and the building of strong personal relationships with its customers. As a result, a substantial portion of the Company's business is repeat business from the renewal of loans to existing customers and the origination of new loans to former customers. During fiscal 2017, the Company loaned \$2.5 billion in the aggregate in 1.9 million transactions. As of March 31, 2017, World had approximately 900,000 customers. The Company's loans generally are under \$4,000 and have maturities of less than 42 months. World's average gross loan made in fiscal 2017 was \$1,165, and the average contractual maturity was approximately thirteen months.

As of July 1, 2017, World operated 1,331 offices in South Carolina, Georgia, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, Alabama, Wisconsin, Indiana, Mississippi, Idaho and Mexico.



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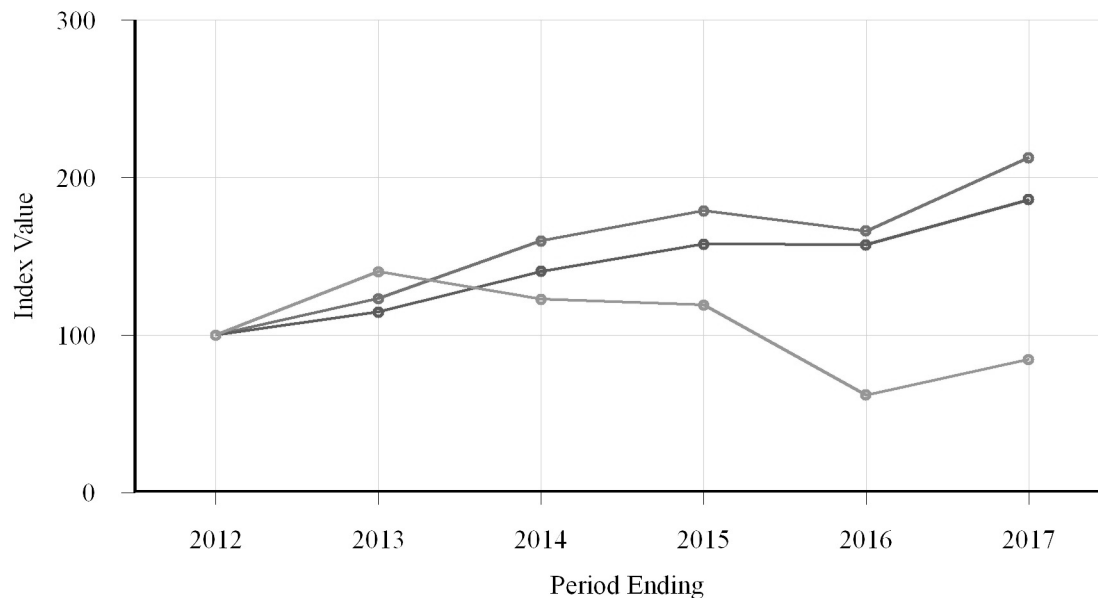
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TO OUR SHAREHOLDERS

(Dollars in thousands, except per share data)

	Years Ended March 31,		Change (%)
	2017	2016	
<u>Select Statement of Operations Data:</u>			
Total revenues	531,735	557,475	(4.6%)
Net income.....	73,600	87,395	(15.8%)
Diluted earnings per share.....	8.38	10.05	(16.6%)
<u>Selected Balance Sheet Data:</u>			
Gross loans receivable	1,059,804	1,066,964	(0.7%)
Total assets	800,589	806,219	(0.7%)
Total debt.....	295,136	374,685	(21.2%)
Total shareholders' equity	461,064	391,902	17.6%
<u>Selected Ratios:</u>			
Return on average assets.....	8.8%	10.0%	(12.0%)
Return on average shareholders' equity	17.8%	24.0%	(25.8%)
Shareholders' equity to assets	57.6%	48.6%	18.5%
<u>Statistical Data:</u>			
Number of customers at period end.....	909,930	896,808	1.5%
Number of loans made.....	1,851,520	1,905,149	(2.8%)
Number of offices	1,327	1,339	(1.0%)

**Comparison of Cumulative Total Return Between World Acceptance Corporation,
NASDAQ Composite Index and NASDAQ Financial Index**



—●— World Acceptance Corporation —●— NASDAQ Composite Index
—●— NASDAQ Financial Index

	3-31-12	3-31-13	3-31-14	3-31-15	3-31-16	3-31-17
World Acceptance Corporation	100.00	140.20	122.58	119.05	61.80	84.54
NASDAQ Composite Index	100.00	114.50	140.39	157.56	157.11	185.87
NASDAQ Financial Index	100.00	123.14	159.66	178.69	165.95	212.51

In this letter, I will talk about our results in fiscal year 2017; the value our company provides to our customers as well as the value we place on understanding our customers; and our strategy to maximize long-term per share profitability. We made steady progress this year, but have a lot more improvement planned.

Our performance in fiscal year 2017 shows strong improvements in growth on multiple metrics

Fiscal year 2017 was the first year of improved loan growth (reduced contraction) in six years. From fiscal year 2011 to fiscal year 2014, our loan growth declined each year, and was negative in 2015 and 2016. All the efforts put in by our management team and Associates to bring innovation and change to our company are now showing signs of paying off as we have managed to reverse this past trend. After shrinking our gross loans by 3.9% last fiscal year, we reduced our gross loans by only 0.7% this fiscal year.

In fiscal year 2017, we grew in both unique customers and accounts. We ended the fiscal year with 7,600 more unique customers than at the end of fiscal year 2016 (but still below fiscal year 2014 levels). This growth is the first time since before 2014 that we have not shrunk on these metrics.

We believe that the number of unique customers that we serve is a critical measure of future growth (since our underwriting criteria has not deteriorated) as this number directly leads to:

- **Growth in ledger**, as these customers improve their credit quality and so qualify for larger loans
- **Increase in referrals** through this customer base
- **Growth in products and services** as we can offer additional products (such as our tax prep services) to a larger customer base

We achieved same-store (meaning stores open both this year and last) account growth in our US business this fiscal year, again the first time in several years that we did not shrink on this metric.

Moreover, in the last two quarters of fiscal year 2017, key metrics have shown that we are improving our performance. In Q3 and Q4, we not only improved the number of new and returning customers, but our customers credit quality also improved (as determined by their credit score) versus the same quarters of a year earlier.

We are continuing our cautious strategy of lending smaller amounts to new customers. This explains the lack of ledger growth in spite of an expansion in the number of customers we serve.

We completed our largest acquisition in more than a decade. Given the regulatory difficulty of obtaining branch licenses in Georgia, which limits the ability to grow, this acquisition gives us branches in locations we could not otherwise obtain and thus a new customer base on which to expand.

Our tax preparation business grew significantly. We followed growth of 13% in tax preparations in fiscal year 2016 by further growth of more than 15% this fiscal year, making a total rate of 29% over two years. The total number of tax preps was a record high in the history of our company, in spite of an average price rise of 7.1%.

We ended the quarter with net charge-offs considerably lower as a percentage of average net loans versus the end of fiscal year 2016.

We are still weak, however, on certain key metrics and need to focus on improving them this fiscal year

We are starting the year with a lower dollar value of gross loans than in fiscal year 2017. Although our loan contraction was only 0.7%, it is still a contraction. Since the revenue and income, we receive correlates closely to the value of our gross loan portfolio, the reduced portfolio size is a headwind to matching our net income from fiscal year 2017.

Same-store gross loan growth in the US was down 2.4% from the start of the year. This is an improvement on fiscal year 2016, during which same-store loan growth was down 4.6%. We hope that our improved marketing (better creative materials, better customer identification and expanded use of digital channels) and focus on retaining our current customers will lead to positive same-store loan growth in the near future.

Refinancing for the full year as a percent of ledger is down slightly at 16.3% versus 16.5% in fiscal year 2016. Again, we hope that our improved analytics of customers eligible for refinancing and our new refinancing guidelines will lead to an increase in refinancing in fiscal year 2018, where the customer specifically requests and merits a refinance of their loan.

Our SG&A costs are a higher percent of revenue than a year ago. Therefore, reducing personnel costs this year is a priority for us – even as we intend to add branches and grow our loan portfolio, as well as expand our skills and coverage in IT and deepen the work of our Data Analytics department.

Our charge-offs for the year were also above fiscal year 2016 levels, but showed an improvement in the fourth quarter of this year versus a year ago. Accounts less than 60 days delinquent reduced in number in the fourth quarter, and this is usually a good indicator of future charge-offs. We continue, however, to see elevated net charge-offs and delinquencies compared to historical levels. We are strengthening our activities focused on the recovery of delinquent and charged-off accounts.

We intend to share more publicly the way we improve our customers' lives

We want to be the world-class lender of choice to the subprime market, offering our customers loans that meet their needs with dignity, compassion and pride. This is our focus every single day, and we are proud of it.

This fiscal year, we have become increasingly aware that we could do better at explaining to the public and all our Associates the value of our products to our customers. We receive countless testimonials from satisfied customers, and management have long shared these internally, albeit selectively. Now, we are sharing these on our website and in our marketing campaigns so all Associates and the general public, who do not have the same face-to-face customer interactions as field personnel, understand the positive impact of our products.

Most of our customers have only limited options for credit. When they need to repair their car so that they can still drive to work and maintain their employment, or purchase school supplies for their children, or pay high electricity bills in a hot summer, they do not have many choices. We are one of few companies that lend in this particular subprime space. We make lending decisions based on verification of income, debt to income ratio, and past credit history. Our traditional installment loan product has a fixed required monthly payment of an amount we have established the customer can afford, with no balloon payments at any time, and refinancing opportunities only when there is sufficient equity in the loan. We believe that this is an excellent product to offer our customers at their times of financial need, and you can expect us to share this viewpoint and the rationale behind it more widely in fiscal year 2018.

Understanding our customer better has been a key focus this fiscal year

In fiscal year 2017, we commissioned a third party to carry out a study of our current and potential customers so we could learn what they think of us and thus better meet their needs. We obtained the results of the study in the second quarter and were glad to learn that what our customers want is consistent with initiatives we have implemented or currently have in progress (such as online payments, modern branch locations, pay-by-phone).

Our Net Promoter Score, which is a measure of how likely our customers are to recommend us to others, is a very high 67.8. The commissioned report stated that this is higher than Apple (with the iPad) or Southwest Airlines. Net Promoter Scores are hard to change significantly in a short timeframe so we were particularly pleased to find that ours is so high. These results provide us with added confidence to build on our solid reputation and to further strengthen our brand.

We have also realized that many of our customers appreciate the opportunity to refinance their loans. In an effort to better meet our customers' needs, we have changed our refinance guidelines to allow our customers to refinance their loan upon request, if certain underwriting criteria are met. We know that our customers sometimes face further financial difficulty, or may simply have a situation where skipping a monthly payment is of value to them so they can use their funds elsewhere. We want to help make the management of their financial lives easier.

We continue to focus on providing the right products and services to the right customer at the right time through the right channel

We expanded our live checks program. This program has now launched in four states, and we expect to continue with this channel in those states, as well as offering it in additional states.

We have texting opt-ins now at the highest level in our company history, and continue to seek to increase it.

We completed the rollout of pay-by-phone as a payment option. Every branch in the company is now successfully taking payments in this manner, as well as in-person payment by debit card. In fact, our implementation of debit card payments has been a great success and is now our most-used form of payment. We expect to build up the payment channels offered to our customers in fiscal year 2018.

We completed the rollout of our first payment extension program and we now offer it in all our branches.

Our branches offer extended opening hours during the week and Saturdays, and we continue to monitor loan application and payment times to make certain we are open at times that meet customer demand.

We will, however, always operate under a “test and learn” environment, rolling out new initiatives first in a couple of branches (which allows us to improve our training manual based on their specific feedback), then to a district (ten branches), then a state, and then companywide. This certainly takes longer than a full-scale immediate implementation to all branches, but it ensures the implementation is smooth, consistent, easy for our branches, and achieves successful results.

We continue our migration to one single brand name to maximize brand value, name recognition and marketing spend. Currently, 1,061 out of our 1,169 US branches are under the World Finance name.

We have broadened the skills of our corporate departments to meet new marketplace needs

We need a leadership team that has the skills and capabilities to manage the company at a time when technology and data analytics have become critical to our business, as has multi-channel marketing and deep IT functionality. In fiscal year 2015, we brought in a head of Data Analytics to create a new department. In fiscal year 2016, we hired new heads of IT, Marketing and HR as well as experienced leaders for our Training Team and Project Management. They have all been strong contributors to the performance of our company.

This fiscal year, we have added a new Director of Recoveries, who has strong experience in this field, to help us better maximize the value of our charged-off and delinquent accounts through external vendors and our Internal Recovery Unit. Our IRU, which we launched this fiscal year, is already a profit center for the company, and, in parallel with its launch, we have seen branch-level collecting improve.

We have added a Director of Operational Performance, who is focused on improving the results of our weakest branches.

Our Human Resources department now has a focus on career development, succession planning, compensation analysis and personnel costs as well as Associate issue management.

Our Training Team now trains based on innovations that we are implementing in the field, and is creating online modules that can be taken on-demand as well as regular courses.

Our IT department is considerably larger than in prior years to better support our loan sales and servicing activities. We have reinforced IT security, help desk management, tax prep servicing, and management of our non-loan products (such as United Motor Club) for ease of sale in our branches. We are beginning the process of improving our loan origination system.

Our Marketing department now has expertise beyond direct mail and printed products. Not only did we improve our creative pieces significantly this year, but also now have solid digital expertise in marketing and are seeing our web presence improving. Furthermore, as we continue testing live (convenience) checks, we are improving our customer selection and product offering with each test. We shut down our print shop in fiscal year 2017, with the knowledge that through external printers we could print faster, in more colors, in higher quality and at lower cost. We now use third-party procurement for all our printing, warehousing and distribution of marketing materials. Three years ago, we only had an Investor Relations presentation online. In November 2014, we created

a customer-focused website, and have made it more user-friendly and easier to find through online search with each new iteration.

Our Data Analytics department has grown exponentially in number and scope of analyses, and has taken on responsibility for our work in recoveries, including management of the IRU, our collections centers in Georgia and Alabama, and our relationships with third parties.

In fact, there is not one department or area of the company's business that we have not strengthened this year.

We will manage growth such that we are measured, thoughtful and successful

In the past decade, our company regularly opened thirty to fifty branches per fiscal year. We have made the determination that this level of addition cannot be implemented with the excellence that we desire in all our activities. It is simply overwhelming to add that level of Associates, ensure they are all properly trained and making strong underwriting decisions, while at the same time expecting our leaders of each state to improve their existing branches. Furthermore, many of the locations that were opened were sub-optimally near existing branches that still had capacity for growth.

This fiscal year, we created a company watch-list of branches that were not at the operating performance level we desired. We focused on closing those that were losing money and that we believed had no clear line of sight to profitability, merging them with nearby branches so the remaining single unit could now benefit from economies of scale and become profitable. We opened far fewer branches than in years past. Since we allowed branch closures based on branch performance for the first time in our history, we also had many more closures. In fact, we ended the year with a net reduction in the number of our US branches. In fiscal 2018, we expect both fewer closures and to grow the net number of our branches again.

Using data analytics as well as local field knowledge, we have identified many potential sites in which to open new retail branches – many more than we believe we can open successfully in a twelve-month period. Therefore, we will focus in fiscal year 2018 on prioritizing the most optimal locations, ensuring that they are spread across our existing and new states such that no VPO has more openings than they can realistically manage. In fiscal year 2019, we will re-evaluate those good locations for which we did not have resources to open this year.

Our Mexico business continued to grow in fiscal year 2017, but we must remain vigilant about making certain we receive timely payments from large union customers and also ensuring compliance with applicable laws and regulations related to our operations in Mexico.

Our traditional installment loan business, Avance, is now back on a path of growth after disappointing results in fiscal year 2016, and its delinquencies have reduced below that year's levels. We have improved the efficiency of our Associates such that the account average per branch is at the highest level in the company's history.

Our VIVA business of loans to union members continued to grow in fiscal year 2017, although delinquencies have recently been slightly higher due to delayed payments from certain unions. We are now addressing our selection of unions to focus on those with the highest-quality reputations and on federal payrolls, and to avoid state government changes that can cause delays in payments. We have also added new collection methods in our VIVA business. However, our approach to unions will continue to evolve as appropriate to address matters related to the internal investigation discussed below.

We are conducting an internal investigation of our operations in Mexico, focusing on the legality under the U.S. Foreign Corrupt Practices Act and certain local laws of certain payments related to loans, the maintenance of the Company's books and records associated with such payments, and the treatment of compensation matters for certain employees. We promptly retained outside legal counsel and forensic accountants to lead the investigation upon receipt of an anonymous letter regarding compliance matters, and we have voluntarily contacted the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") to advise both agencies that an internal investigation is underway. We are committed to compliance with applicable laws and regulations, intend to cooperate fully with both the SEC and the DOJ, and are developing and executing a remediation plan to ensure compliance with applicable laws and regulations and to remediate the material weaknesses in our internal control over financial reporting.

The regulatory environment is still uncertain, but we continue to focus our attention on operationally improving our business.

With the new administration in place in February this year, there has been a lot of speculation on what may happen in terms of regulations regarding financial institutions. We are choosing to stay out of this debate. Our regulatory focus is and will continue to be on making sure that our policies and procedures are and remain fully compliant with all current state and federal legal and regulatory requirements. Our compliance department was further strengthened by our appointment of a new Director of Compliance.

We received a Civil Investigative Demand (“CID”) from the CFPB in March of 2014. In August of 2015, we received a NORA letter. The latter is a “Notice and Opportunity to Respond and Advise”, which explains that the CFPB’s Enforcement Office is considering taking legal action against the company. Since that time, twenty months ago, we have not had any material information from the CFPB. We cannot make any predictions as to when or what we may or may not hear, and thus are focusing all our efforts on improving our company rather than preparing for any one of a number of potential outcomes.

It is now more than one and a half years since we eliminated all field calls. We took this action as we deemed it prudent in the regulatory environment at that time, but this has also been a successful strategy from a business perspective. The rise in the dollar value of charge-offs is only marginally above the cost savings we have experienced through the elimination of field calls. We continue to believe the resulting reduction in personnel and mileage expenses, combined with the ability for great Associates to be promoted to branch manager without a required stage in collecting first, will increase the strength of our Associate base and further improve branch performance.

As noted above, we are conducting an internal investigation of our operations in Mexico. A conclusion cannot be drawn at this time as to the final results of the internal investigation or as to whether the SEC or the DOJ will open a proceeding to investigate the matter or, if a proceeding is opened, what potential remedies these agencies may seek. In addition, we cannot determine at this time the ultimate effect that the investigation or any remedial measures will have on our operations in Mexico. In the interim, however, we are focusing on completion of the investigation, while seeking to avoid disruption to our operations in Mexico and to ensure compliance with applicable laws and regulations.

We have created a solid position in funding, having improved the offering from our bank lending group

In the last quarter of fiscal year 2017, we renewed our revolving credit facility for two more years at a significantly higher level than what was outstanding. We had a new bank join our lending group at a considerable commitment level, while all of our current bankers remained in the group. We don’t expect to have any constraints on growth in the upcoming fiscal year with this credit level. We are particularly satisfied with this result, as we believe it is confirmation of the strength of our business. While we cannot be sure to what level we will need the funding, it is very important to us to have substantially more credit than we expect to use. Working under a constrained credit environment can have a negative effect on growth even when the limit is not reached. It also uses up an inordinate amount of management time in tracking growth levels and planning contingencies in case growth approaches the credit ceiling.

Our new credit agreement allows us to repurchase shares (with certain specific constraints). Given our extremely low debt to equity ratio (currently about 0.6:1) it makes more sense to buy back a portion of our shares to maximize shareholder value than use all of our extra cashflow (beyond investment needs) to reduce our credit usage.

In summary, we expect our work of improving and strengthening our company to keep us on our path of growth and optimization

We are pleased with our results this fiscal year. We continued the growth in our Mexico businesses. We made operational improvements in the US, above all in growing our unique customer base for the first time in four years and shrinking our gross loans much less than a year ago. Our US same-store growth in unique customers and accounts demonstrates that our improvements in marketing and underwriting processes are showing signs of success. The credit quality of our new customers has increased, as has the credit quality of our overall portfolio. The myriad of operating changes we continue to make to improve our business are showing positive results. The

To Our Shareholders

question “How can we do better?” is now something we ask ourselves every day and have fully ingrained into our corporate culture.

A tremendous amount of work has already gone into improving our company. Yet there is much, much more at work behind the scenes, which we will communicate as we implement new initiatives and changes. We will continue our focus on developing and rewarding our Associates as we are very well aware that the number one reason a customer comes to our company and stays a customer is because of the people who serve them.

We will continue building up our use of key support tools – such as data analytics, quality technology, systems that lead to efficiencies, compliance management and auditing, and process improvement – so that we progress in all areas of our business.

We also expect to increase the payment channels available to our customers and grow the net number of branches in fiscal year 2018.

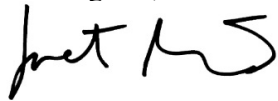
For fiscal year 2018, we have a strong focus on four additional areas:

- **Further strengthening our recoveries** – because we have seen great success with our new IRU and improved branch collections this fiscal year, but believe we can capture more through optimizing our activities and expanding this team.
- **Raising current customer loan sizes where warranted and desired** – because we have brought in many new customers at a more-cautious small loan size and want to be sure we offer them the product that meets their needs when they both improve their credit quality and desire it.
- **Generally expanding and improving our digital activities and presence** – because digital communication plays a key role in the lives of our younger customers (our web-based applicants are younger on average than our branch-based ones) and we need to be sure to continue to attract this market segment. With “Do Not Solicit” (by email, phone and mail) requests from potential customers so high, the web is a vital source of new customers. We also recognize that the exponential growth in the use of social media means we need the right strategy to interact with our current and potential customers through this channel.
- **We will continue to drill down into personnel costs in the field** to obtain the right balance between efficiency and effectiveness.

I am proud to work at World, and to be part of the World family, in a culture that demands a lot from its Associates but also offers a lot in return.

I would like to thank our shareholders, and indeed all our stakeholders, for their support of our company over many years. Every one of our Directors, leadership and every Associate who works at our company is truly grateful for this support that allows us to manage the company with excellence and take one more positive step forward every day.

Kind regards,



Janet Lewis Matricciani
Chief Executive Officer

Selected Consolidated Financial and Other Data

(Dollars in thousands, except per share amounts)

	Years Ended March 31,				
	2017	2016	2015	2014	2013
Statement of Operations Data:					
Interest and fee income	\$ 468,759	\$ 495,133	\$ 524,277	\$ 523,770	\$ 485,414
Insurance commissions and other income (1)	62,975	62,342	85,936	75,493	78,222
Total revenues	531,734	557,475	610,213	599,263	563,636
Provision for loan losses	128,572	123,598	118,830	126,575	114,323
General and administrative expenses	267,661	269,140	292,052	281,248	265,629
Interest expense	21,504	26,849	23,301	21,195	17,394
Total expenses	417,737	419,587	434,183	429,018	397,346
Income before income taxes	113,997	137,888	176,030	170,245	166,290
Income taxes	40,397	50,493	65,197	63,636	62,201
Net income	\$ 73,600	\$ 87,395	\$ 110,833	\$ 106,609	\$ 104,089
Net income per common share (basic)	\$ 8.45	\$ 10.12	\$ 12.12	\$ 9.80	\$ 8.18
Basic weighted average shares	8,706	8,636	9,146	10,877	12,728
Net income per common share (diluted)	\$ 8.38	\$ 10.05	\$ 11.90	\$ 9.60	\$ 8.00
Diluted weighted average shares	8,778	8,692	9,317	11,106	13,003
Balance Sheet Data (end of period):					
Loans receivable, net of unearned interest, insurance and fees	\$ 767,896	\$ 776,305	\$ 812,743	\$ 813,920	\$ 782,096
Allowance for loan losses	(72,195)	(69,566)	(70,438)	(63,255)	(59,981)
Loans receivable, net	695,701	706,739	742,305	750,665	722,115
Total assets	800,589	806,219	866,131	850,028	809,325
Long-term debt	295,136	374,685	501,150	505,500	400,250
Total debt	295,136	374,685	501,150	505,500	400,250
Shareholders' equity	461,064	391,902	315,568	307,355	366,396
Other Operating Data:					
As a percentage of average loans receivable, net:					
Provision for loan losses	16.1%	14.8%	13.9%	15.1%	14.6%
Net charge-offs	15.7%	14.8%	12.9%	14.7%	13.9%
Number of branches open at year-end	1,327	1,339	1,320	1,271	1,203

⁽¹⁾ We identified an immaterial error impacting fiscal 2016 net insurance income in our financial statements previously furnished as Exhibit 99.1 to our Form 8-K dated May 5, 2016. Fiscal 2016 net insurance income and total revenues in our previously furnished financial statements were understated by \$1,888,493, causing net income to be understated by \$1,209,698, and diluted weighted average shares outstanding to be understated by \$0.13. Amounts in the Consolidated Statement of Operations above have been revised to reflect the correct amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The Company's financial performance continues to be dependent in large part upon the growth in its outstanding loans receivable, the maintenance of loan quality and acceptable levels of operating expenses. Since March 31, 2015, gross loans receivable have decreased at a 2.29% annual compounded rate from \$1.11 billion to \$1.06 billion at March 31, 2017. The decrease over this period reflects the lower volume of loans generated through the Company's existing branches partially offset by the contribution of loans generated from new branches opened over the period. We believe that the lower volume of loans generated through the Company's existing branches is the result of increased competition in the small-loan consumer finance industry as well as the improving financial situation of our average customer's household due to lower gasoline prices and lower unemployment. During the two-year period beginning March 31, 2015, the Company has grown from 1,320 branches to 1,327 branches as of March 31, 2017. During fiscal 2018, the Company currently plans to open or acquire approximately 25 new branches in the United States and evaluate acquisitions as opportunities arise.

The Company offers an income tax return preparation and electronic filing program in all but a few of its U.S. branches. The Company prepared approximately 72,000, 63,000 and 56,000 returns in each of the fiscal years 2017, 2016 and 2015, respectively. Revenues from the Company's tax preparation business amounted to approximately \$14.7 million, a 23.3% increase over the \$11.9 million earned during fiscal 2016.

The following table sets forth certain information derived from the Company's consolidated statements of operations and balance sheets, as well as operating data and ratios, for the periods indicated:

	Years Ended March 31,		
	2017	2016	2015
	(Dollars in thousands)		
Average gross loans receivable ⁽¹⁾	\$ 1,100,700	\$ 1,147,956	\$ 1,174,391
Average net loans receivable ⁽²⁾	\$ 796,642	\$ 834,964	\$ 856,712
Expenses as a percentage of total revenues:			
Provision for loan losses	24.2%	22.2%	19.5%
General and administrative	50.3%	48.3%	47.9%
Total interest expense	4.0%	4.8%	3.8%
Operating margin ⁽³⁾	25.5%	29.6%	32.7%
Return on average assets	8.8%	10.1%	12.5%
Branches opened (merged) or acquired, net	(12)	19	49
Total branches (at period end)	1,327	1,339	1,320

(1) Average gross loans receivable have been determined by averaging month-end gross loans receivable over the indicated period.

(2) Average net loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.

(3) Operating margin is computed as total revenues less provision for loan losses and general and administrative expenses as a percentage of total revenues.

Comparison of Fiscal 2017 Versus Fiscal 2016

Net income was \$73.6 million during fiscal 2017, a 15.8% decrease from the \$87.4 million earned during fiscal 2016. Operating income (revenues less provision for loan losses and general and administrative expenses) decreased \$29.2 million due to a \$26.4 million decrease in interest and fee income and a \$5.0 million increase in provision expense offset by a \$1.5 million decrease in general and administrative expenses. Net income was also impacted by a \$10.1 million decrease in income tax expense and a \$5.3 million decrease in interest expense.

Total revenues decreased to \$531.7 million in fiscal 2017, a \$25.7 million, or 4.6%, decrease from the \$557.5 million in fiscal 2016. Revenues from the 1,258 branches open throughout both fiscal years decreased by 3.38%. At March 31, 2017, the Company had 1,327 branches in operation, a decrease of 12 branches from March 31, 2016. The decrease was the result of merging 44 branches into existing branches, partially offset by opening 18 new branches and acquiring 14 branches.

Interest and fee income during fiscal 2017 decreased by \$26.4 million, or 5.3%, from fiscal 2016. We experienced a 4.6% decrease in our average net loans receivable. Interest and fee income for the year was also negatively impacted by a decrease in loan volumes. However, origination volume improved throughout the year and increased when comparing the fourth quarter of 2017 to the fourth quarter of 2016. Revenues from our Mexican operations were negatively impacted by a fluctuation in the exchange rate year over year. The fluctuation in the exchange rate had a negative impact of approximately \$6.4 million on fiscal 2017's revenue compared to the prior year.

Insurance commissions and other income increased by \$0.6 million, or 1.0%, over the two fiscal years. Insurance commissions decreased by \$2.5 million, or 5.8%, when comparing the two fiscal years due to the decrease in loan volume in states where our insurance product is available to our customers. Other income increased by \$3.1 million, or 16.5%, when comparing the two fiscal years due mainly from an increase in tax return income of \$2.8 million.

The provision for loan losses during fiscal 2017 increased by \$5.0 million, or 4.0%, from the previous year. This increase resulted from an increase in the amount of loans charged off as well as an increase in the amount of loans that were fully reserved during the year. Net charge-offs for fiscal 2017 amounted to \$125.4 million, a 1.5% increase over the \$123.6 million charged off during fiscal 2016. We believe that the increase in charge-offs is the result of ceasing all in-person visits to delinquent borrowers in December 2015. Accounts that were 60 days or more past due were 5.5% and 4.7% on a recency basis, and were 7.8% and 7.1% on a contractual basis at March 31, 2017 and March 31, 2016, respectively. When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more past due were 6.9% at March 31, 2017 compared to 6.4% at March 31, 2016. During the fiscal 2017, the Company also had an increase in year-over-year loan loss ratios. Net charge-offs as a percentage of average net loans increased from 14.8% during fiscal 2016 to 15.7% during fiscal 2017. During fiscal 2017, the Company had a charge-off ratio of 15.7%, which is elevated compared to historical levels. From fiscal 2002 to fiscal 2006, the charge-offs as a percent of average loans ranged from 14.6% to 14.8%. In fiscal 2007, the Company experienced a temporary decline to 13.3%, which was attributed to a change in the bankruptcy law but returned to 14.5% in fiscal 2008. In fiscal 2009 the ratio increased to 16.7%, the highest in the Company's history as a result of the difficult economic environment and higher energy costs that our customers faced. The ratio steadily declined from 15.5% in fiscal 2010 to 13.9% in fiscal 2013 and increased to 14.7% in fiscal 2014.

General and administrative expenses during fiscal 2017 decreased by \$1.5 million, or 0.5%, over the previous fiscal year. Personnel expense only increased \$2.4 million despite the prior year benefiting from the release of \$11.4 million of expense previously accrued for long-term equity incentive awards. Other expense decreased due to \$1.2 million of expense related to a planned bond offering that was not completed being recorded in fiscal 2016 as well as a \$1.5 million decrease in mileage expense. Occupancy and equipment expense decreased due to a \$1.3 million loss taken as a result of the sale of the corporate jet in fiscal 2016. General and administrative expenses, when divided by average open branches, increased 0.4% when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues increased to 50.3% in fiscal 2017 from 48.3% in fiscal 2016.

Interest expense decreased by \$5.3 million, or 19.9%, during fiscal 2017, as compared to the previous fiscal year as a result of a 3.6% decrease in the effective rate and a decrease in average debt outstanding of 24.1%.

Income tax expense decreased \$10.1 million, or 20.0%, primarily from a decrease in pre-tax income. The effective tax rate decreased to 35.4% for fiscal 2017 compared to 36.6% for fiscal 2016. The decrease was primarily due to a reduction in state tax expense related to the Company's settlement with a state taxing authority during the current year.

Comparison of Fiscal 2016 Versus Fiscal 2015

Net income was \$87.4 million during fiscal 2016, a 21.1% decrease from the \$110.8 million earned during fiscal 2015. The decrease in net income was significantly impacted by a \$10.0 million after-tax gain realized during fiscal 2015 from the sale of previously charged-off accounts that was not repeated in fiscal 2016. Operating income (revenues less provision for loan losses and general and administrative expenses) excluding the impact of the charge-off sale decreased \$18.6 million due to a \$29.1 million decrease in interest and fee income and a \$4.8 million increase in provision expense offset by a \$22.9 million decrease in general and administrative expenses. Net income was also impacted by a \$14.7 million decrease in income tax expense and a \$3.5 million increase in interest expense.

Total revenues decreased to \$557.5 million in fiscal 2016, a \$52.7 million, or 8.6%, decrease from the \$610.2 million in fiscal 2015. Revenues from the 1,233 branches open throughout both fiscal years decreased by 6.9%. At March 31, 2016, the Company had 1,339 branches in operation, an increase of 19 branches from March 31, 2015.

Interest and fee income during fiscal 2016 decreased by \$29.1 million, or 5.6%, from fiscal 2015. We experienced a 3.3% decrease in our average net loans receivable less loans that are 60 days or more contractually past due when comparing two corresponding periods for our U.S. and traditional Mexican loans. The accrual of interest is discontinued when a loan becomes 60 days or more past the contractual due date and all unpaid accrued interest is reversed against interest income. Interest and fee income for the year was also negatively impacted by a continued decrease in volumes. Revenues from our Mexican operations were negatively impacted by a fluctuation in the exchange rate year over year. The fluctuation in the exchange rate had a negative impact of approximately \$8.9 million on fiscal 2016's revenue compared to the prior year. The percentage of loans outstanding that represent larger loans including sales finance loans has decreased from 40.5% at March 31, 2015 to 40.2% at March 31, 2016.

Insurance commissions and other income decreased by \$23.6 million, or 27.5%, over the two fiscal years. Insurance commissions decreased by \$4.5 million, or 9.4%, when comparing the two fiscal years due to the decrease in loan volume in states where our insurance product is available to our customers. Other income decreased by \$19.1 million, or 50.2%, when comparing the two fiscal years. This decrease resulted primarily from the inclusion of income from the sale of approximately \$16.0 million of charged off accounts that were sold in fiscal 2015. The Company also repurchased a portion of the accounts sold in fiscal 2015 during fiscal 2016, resulting in a \$1.6 million loss from the repurchase in fiscal 2016. Other income was also impacted by a decrease in World Class Buying Club ("WCBC") sales revenue of \$2.4 million and a decrease in revenue from our motor club product of \$1.2 million. The decreases were partially offset by an increase in tax preparation revenue of \$2.0 million and an increase in revenue from Paradata of \$1.0 million.

The provision for loan losses during fiscal 2016 increased by \$4.8 million, or 4.0%, from the previous year. This increase resulted from an increase in the amount of loans charged off offset by a decrease in the general reserve associated with slower growth during the current fiscal year. Net charge-offs for fiscal 2016 amounted to \$123.6 million, an 11.7% increase over the \$110.6 million charged off during fiscal 2015. We believe that the increase in charge-offs is the result of ceasing all in-person visits to delinquent borrowers in December 2015. Accounts that were 60 days or more past due were 4.7% and 4.3% on a recency basis, and were 7.1% and 7.0% on a contractual basis at March 31, 2016 and March 31, 2015. When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more past due were 6.4% at March 31, 2016 compared to 6.1% at March 31, 2015. During the fiscal 2016, the Company has also had an increase in year-over-year loan loss ratios. Net charge-offs as a percentage of average net loans increased from 12.9% during fiscal 2015 to 14.8% during fiscal 2016. The net charge-off ratio for fiscal 2015 benefited from a change in branch level incentives during the year. The change allows managers to continue collection efforts on accounts that are 91 days or more past due, without having their monthly bonus negatively impacted. As expected, this resulted in an increase in accounts 91 days or more past due and lower charge-offs during fiscal 2015. We estimate the net charge-off ratio would have been approximately 14.1% for fiscal 2015 excluding the impact of the change. Fiscal 2016's charge-off ratio of 14.8% and the estimated fiscal 2015 charge-off ratio of 14.1% are in line with historical levels. From fiscal 2002 to fiscal 2006, the charge-offs as a percent of average loans ranged from 14.6% to 14.8%. In fiscal 2007, the Company experienced a temporary decline to 13.3%, which was attributed to a change in the bankruptcy law but returned to 14.5% in fiscal 2008. In fiscal 2009 the ratio increased to 16.7%, the highest in the Company's history as a result of the difficult economic environment and higher energy costs that our customers faced. The ratio steadily declined from 15.5% in fiscal 2010 to 13.9% in fiscal 2013 and increased to 14.7% in fiscal 2014. The current year change-off rate did benefit from the sale of \$3.2 million of previously charged off accounts. We do not currently plan to continue the sale of charged-off accounts; however, we may consider selling charged off accounts again at some point in the future.

General and administrative expenses during fiscal 2016 decreased by \$22.9 million, or 7.8%, over the previous fiscal year. General and administrative expenses were impacted in the current period by the overall decrease in share based compensation as well as the release of expense previously accrued under the Group B performance based restricted stock awards. The Company determined that the earnings per share targets associated with the Group B stock awards were not achievable during the measurement period which ends on March 31, 2017. During the fourth quarter, the Compensation Committee of the Board of

Directors amended the awards allowing 25% of the Group B awards to vest for certain officers. The officers were required to forfeit their remaining Group B shares as a part of the amendment. The net release resulted in a decrease in personnel expense of approximately \$7.7 million. General and administrative expenses also decreased approximately \$1.2 million due to the reversal of long-term equity incentive accruals resulting from the resignation of a former Senior Vice President during the year. This was partially offset by the accrual of approximately \$400,000 of severance-related expenses. The Company also reversed approximately \$2.5 million for certain long-term equity incentive accruals related to the retirement of the former CEO on September 30, 2015. The Company recorded an additional \$1.2 million of expense related to a planned bond offering that was not completed and a \$1.3 million loss taken as a result of the sale of the corporate jet. General and administrative expenses, when divided by average open branches, decreased 11.0% when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues increased to 48.3% in fiscal 2016 from 47.9% in fiscal 2015.

Interest expense increased by \$3.5 million, or 15.2%, during fiscal 2016, as compared to the previous fiscal year as a result of a 31.6% increase in the effective rate, which was partially offset by a decrease in average debt outstanding of 12.0%.

Income tax expense decreased \$14.7 million, or 22.6%, primarily from a decrease in pre-tax income. The effective tax rate decreased to 36.6% for fiscal 2016 compared to 37.0% for fiscal 2015. The decrease was primarily due to a cumulative adjustment in deferred state tax expense related to the Company's change to an automated tax provision system in the current year.

Regulatory Matters

Internal Investigation

As disclosed in Part I, Item 3, "Legal Proceedings—Internal Investigation" above, the Company is conducting an internal investigation of its operations in Mexico, focusing on the legality under the FCPA and certain local laws of certain payments related to loans, the maintenance of the Company's books and records associated with such payments, and the treatment of compensation matters for certain employees.

The internal investigation continues to address whether and to what extent improper payments, which may violate the FCPA and other local laws, were made approximately between 2010 and 2017 by or on behalf of WAC de México SOFOM, a subsidiary of the Company, to government officials in Mexico relating to loans made to unionized employees. The Company has voluntarily contacted the SEC and the DOJ to advise both agencies that an internal investigation is underway and that the Company intends to cooperate with both agencies. A conclusion cannot be drawn at this time as to whether either agency will open a proceeding to investigate the matter or, if a proceeding is opened, what potential remedies these agencies may seek. In addition, although management will seek to avoid disruption to its operations in Mexico, the Company cannot determine at this time the ultimate effect that the investigation or any remedial measures will have on such operations.

If violations of the FCPA or other local laws occurred, the Company could be subject to fines, civil and criminal penalties, equitable remedies, including profit disgorgement and related interest, and injunctive relief. In addition, any disposition of these matters could adversely impact our ability to collect on outstanding loans and result in modifications to our business practices and compliance programs, including significant restructuring or curtailment of our operations in Mexico. Any disposition could also potentially require that a monitor be appointed to review future business practices with the goal of ensuring compliance with the FCPA and other applicable laws. The Company could also face fines, sanctions, and other penalties from authorities in Mexico, as well as third-party claims by shareholders and/or other stakeholders of the Company. In addition, disclosure of the investigation could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current clients and potential clients, to attract and retain employees, and to access the capital markets. If it is determined that a violation of the FCPA has occurred, such violation may give rise to an event of default under the Company's credit agreement if such violation were to have a material adverse effect on the Company's business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement resulted in the Company failing to satisfy any financial covenants. Additional potential FCPA violations or violations of other laws or regulations may be uncovered through the investigation. See Part I, Item 1A, "Risk Factors—We may be exposed to liabilities under the FCPA, and any determination that the Company or any of its subsidiaries has violated the FCPA could have a material adverse effect on our business and liquidity" and "—The terms of our debt limit how we conduct our business" in this Annual Report on Form 10-K for additional information.

CFPB Investigation

As previously disclosed, on March 12, 2014, the Company received a Civil Investigative Demand ("CID") from the Consumer Financial Protection Bureau (the "CFPB"). The stated purpose of the CID is to determine whether the Company has been or is "engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law" and "also to determine whether Bureau

action to obtain legal or equitable relief would be in the public interest.” The Company responded, within the deadlines specified in the CID, to broad requests for production of documents, answers to interrogatories and written reports related to loans made by the Company and numerous other aspects of the Company’s business.

Also as previously disclosed, on August 7, 2015, the Company received a letter from the CFPB’s Enforcement Office notifying the Company that, in accordance with the CFPB’s discretionary Notice and Opportunity to Respond and Advise (“NORA”) process, the staff of CFPB’s Enforcement Office is considering recommending that the CFPB take legal action against the Company (the “NORA Letter”). The NORA Letter states that the staff of the CFPB’s Enforcement Office expects to allege that the Company violated the Consumer Financial Protection Act of 2010, 12 U.S.C. §5536. The NORA Letter confirms that the Company has the opportunity to make a NORA submission, which is a written statement setting forth any reasons of law or policy why the Company believes the CFPB should not take legal action against it. The Company understands that a NORA Letter is intended to ensure that potential subjects of enforcement actions have the opportunity to present their positions to the CFPB before an enforcement action is recommended or commenced.

The Company has made NORA submissions to the CFPB’s Enforcement Office. The Company expects that there will continue to be additional requests or demands for information from the CFPB and ongoing interactions between the CFPB, the Company and Company counsel as part of the investigation. We are currently unable to predict the ultimate timing or outcome of the CFPB investigation. While the Company believes its marketing and lending practices are lawful, there can be no assurance that the CFPB’s ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of federal consumer financial protection laws that could lead to enforcement actions, proceedings or litigation and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to the Company’s business practices or operations that could have a material adverse effect on the Company’s business, financial condition or results of operations or eliminate altogether the Company’s ability to operate its business profitably or on terms substantially similar to those on which it currently operates. See “Business - Government Regulation - Federal legislation” for a further discussion of these matters and the federal regulations to which the Company’s operations are subject and “Risk Factors” for more information regarding these regulations and related risks.

CFPB Proposed Rulemaking Initiative

On June 2, 2016, the CFPB announced proposed rules under its unfair, deceptive and abusive acts and practices rulemaking authority relating to payday, vehicle title, and similar loans. The proposal would cover short-term loans with a contractual term of 45 days or less, as well as “longer-term loans” with a term of longer than 45 days with an all-in APR in excess of 36% in which the lender has either a non-purchase money security interest in the consumer’s vehicle or the right to collect repayment from the consumer’s bank account or paycheck. The CFPB’s “longer-term” credit proposals seek to address a concern that consumers suffer harm if lenders fail to reasonably underwrite loans but take a security interest in the consumer’s vehicle or access to repayment from a consumer’s account or wages. Although the Company does not make loans with terms of 45 days or less or obtain access to a customer’s bank account or paycheck for repayment of any of its loans, it does make some vehicle-secured loans with an APR within the scope of the proposal. The proposals would require a lender, as a condition of making a covered longer-term loan, to first make a good-faith reasonable determination that the consumer has the ability to repay the covered longer-term loan without reborrowing or defaulting. The proposals would require a lender to consider and verify the amount and timing of the consumer’s income, the consumer’s major financial obligations, and the consumer’s borrowing history prior to making a covered loan. Lenders would also be required to determine that a consumer is able to make all projected payments under the covered longer-term loan as those payments are due, while still fulfilling other major financial obligations and meeting living expenses. This ability to repay assessment would apply to both the initial longer-term loan and to any subsequent refinancing. In addition, the proposals would include a rebuttable presumption that customers seeking to refinance a covered longer-term loan lack an “ability to repay” if at the time of refinancing: (i) the borrower was delinquent by more than seven days or had recently been delinquent on an outstanding loan within the past 30 days; (ii) the borrower stated or indicated an inability to make a scheduled payment within the past 30 days; (iii) the refinancing would result in the first scheduled payment to be due in a longer period of time than between the time of refinancing the loan and the next regularly scheduled payment on the outstanding loan; or (iv) the refinancing would not provide the consumer a disbursement of funds or an amount that would not substantially exceed the amount of payment due on the outstanding loan within 30 days of refinancing. To overcome this presumption of inability to repay, the lender would have to verify an improvement in the borrower’s financial capacity to indicate an ability to repay the additional extension of credit. These proposals are subject to possible change before any final rules would be issued and implemented and we cannot predict what the ultimate rulemaking will provide. The Company does not believe that these proposals as currently described by the CFPB would have a material impact on the Company’s existing lending procedures, because the Company currently underwrites all its loans (including those secured by a vehicle title that would fall within the scope of these proposals) by reviewing the customer’s ability to repay based on the Company’s standards. However, there can be no assurance that these proposals for longer-term loans, if and when implemented in final rulemaking, would not require changes to the Company’s practices and procedures for such loans that could materially and adversely affect the Company’s ability to make such loans, the cost of making such loans, the Company’s ability to, or frequency with which it could, refinance

any such loans, and the profitability of such loans. Any final rulemaking also could have effects beyond those contemplated in the initial proposal that could further materially and adversely impact our business and operations.

The CFPB's outline of the proposed rulemaking initiative described above, the CFPB also stated that it expects to conduct separate rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. Though the timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's supervisory authority which, among other things, would subject the Company to reporting obligations to, and on-site compliance examinations by, the CFPB. See Part I, Item 1, "Business - Government Regulation - Federal legislation," for a further discussion of these matters and the federal regulations to which the Company's operations are subject and Part I, Item 1A, "Risk Factors," for more information regarding these regulatory and related risks.

Military Lending Act

In July 2015, the Department of Defense (the "DoD") amended its regulations implementing the Military Lending Act (the "MLA") by issuing final regulations (the "Final Rule"). Prior MLA regulations prohibited creditors from making payday loans, non-purchase money motor vehicle title loans with a term of less than 181 days, and refund anticipation loans to "covered borrowers," which includes members of the armed forces (i) on active duty; (ii) on active Guard and Reserve Duty; and (iii) their dependents if the APR exceeded 36%. The Company did not make any of the loans covered under the prior MLA regulations. However, the Final Rule expands the MLA and its 36% APR cap to cover a broader range of credit products. The Final Rule covers credit offered or extended to a "covered borrower" primarily for personal, family, or household purposes that is either subject to a finance charge or payable by a written agreement in more than four installments. The Final Rule mandates, among other things, that a creditor must provide both oral and written disclosures, including an all-inclusive APR referred to as the Military Annual Percentage Rate ("MAPR"), and must not require arbitration in agreements with "covered borrowers." Additionally, the Final Rule prohibits creditors from entering into any credit transactions with covered borrowers that use the title of a vehicle as security for the credit obligation. Creditors may elect to check a borrower's status as a "covered borrower" either in a database maintained by the DoD or through a nationwide consumer reporting agency before entering into a consumer credit transaction. Doing so provides a creditor with a legally conclusive determination as to the borrower's status and affords the creditor a safe harbor from liability as to the "covered borrower" determination. While the Final Rule became effective on October 1, 2015, the limitations in the Final Rule apply only to consumer credit transactions or accounts for consumer credit consummated or established on or after October 3, 2016. As such, effective September 1, 2016, the Company elected to no longer make loans to covered borrowers (active duty military personnel and their dependents) due to these new restrictions in the law. The Company believes the implementation of the Final Rule will not adversely affect its operations or financial condition.

New Mexico Rate Cap Bills

On December 15, 2016, a bill was pre-filed in the New Mexico State Senate, which, if enacted, would place a 36% rate cap on any contract for the extension of credit entered into after July 1, 2017. This initiative was tabled in early February 2015 by a legislative committee. If similar legislation is passed in any of the states in which we operate, it could materially and adversely affect, or in the worst case eliminate, the Company's lending practices, operations, profitability or prospects. The Company, through its state and federal trade associations, worked to oppose this legislation; however, it is uncertain whether these efforts will be successful in preventing the passage of similar legislation in the future. As discussed elsewhere in this report, the Company's operations are subject to extensive state and federal laws and regulations, and changes in those laws or regulations or their application could have a material adverse effect on the Company's business, results of operations, prospects or ability to continue operations in the jurisdictions affected by these changes. See Part I, Item 1, "Business - Government Regulation - State Legislation" and "- Federal Legislation," and Part I, Item 1A, "Risk Factors," for more information regarding this legislation and related risks.

Critical Accounting Policies

The Company's accounting and reporting policies are in accordance with GAAP and conform to general practices within the finance company industry. The significant accounting policies used in the preparation of the Consolidated Financial Statements are discussed in Note 1 to the Consolidated Financial Statements. Certain critical accounting policies involve significant judgment by the Company's management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues, and expenses. As a result, changes in these estimates and assumptions could significantly affect the Company's financial position and results of operations. The Company considers its policies regarding the allowance for loan losses, share-based compensation, and income taxes to be its most critical accounting policies due to the significant degree of management judgment involved.

Allowance for Loan Losses

The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses that take into consideration various assumptions and estimates with respect to its loan portfolio. The Company's assumptions and estimates may be affected in the future by changes in economic conditions, among other factors. For additional discussion concerning the allowance for loan losses, see "Credit Quality" below.

Share-Based Compensation

The Company measures compensation cost for share-based awards at fair value and recognizes compensation over the service period for awards expected to vest. The fair value of restricted stock is based on the number of shares granted and the quoted price of our common stock at the time of grant, and the fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate and expected life, changes to which can materially affect the fair value estimate. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period that the estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results, and future changes in estimates, may differ substantially from our current estimates.

Income Taxes

Management uses certain assumptions and estimates in determining income taxes payable or refundable, deferred income tax liabilities and assets for events recognized differently in its financial statements and income tax returns, and income tax expense. Determining these amounts requires analysis of certain transactions and interpretation of tax laws and regulations. Management exercises considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are re-evaluated on a periodic basis as regulatory and business factors change.

No assurance can be given that either the tax returns submitted by management or the income tax reported on the Consolidated Financial Statements will not be adjusted by either adverse rulings, changes in the tax code, or assessments made by the Internal Revenue Service or by state or foreign taxing authorities. The Company is subject to potential adverse adjustments, including but not limited to: an increase in the statutory federal or state income tax rates, the permanent non-deductibility of amounts currently considered deductible either now or in future periods, and the dependency on the generation of future taxable income in order to ultimately realize deferred income tax assets.

Under FASB ASC 740, the Company includes the current and deferred tax impact of its tax positions in the financial statements when it is more likely than not (likelihood of greater than 50%) that such positions will be sustained by taxing authorities, with full knowledge of relevant information, based on the technical merits of the tax position. While the Company supports its tax positions by unambiguous tax law, prior experience with the taxing authority, and analysis that considers all relevant facts, circumstances and regulations, management must still rely on assumptions and estimates to determine the overall likelihood of success and proper quantification of a given tax position.

Credit Quality

The Company's delinquency and net charge-off ratios reflect, among other factors, changes in the mix of loans in the portfolio, the quality of receivables, the success of collection efforts, bankruptcy trends and general economic conditions.

Delinquency is computed on the basis of the date of the last full contractual payment on a loan (known as the recency method) and on the basis of the amount past due in accordance with original payment terms of a loan (known as the contractual method). Upon refinancings, the contractual delinquency of a loan is measured based upon the terms of the new agreement, and is not impacted by the refinanced loan's classification as a new loan or modification of the existing loan. Management closely monitors portfolio delinquency using both methods to measure the quality of the Company's loan portfolio and the probability of credit losses.

Management's Discussion and Analysis

The following table classifies the gross loans receivable of the Company that were delinquent on a contractual basis for at least 61 days at March 31, 2017, 2016, and 2015:

	At March 31,		
	2017	2016	2015
	(Dollars in thousands)		
Contractual basis:			
61-90 days past due	\$ 25,824	\$ 27,082	\$ 26,028
91 days or more past due	56,809	48,495	51,133
Total	<u>\$ 82,633</u>	<u>\$ 75,577</u>	<u>\$ 77,161</u>
Percentage of period-end gross loans receivable	<u>7.8%</u>	<u>7.1%</u>	<u>7.0%</u>

When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more were 6.9% at March 31, 2017. Our payroll deduct loans in Mexico are installment loans to union members where we have an agreement with the union to deduct the loan payment from the member's payroll and remit it on the members behalf to the Company. The additional administrative process, which is unique to the payroll deduct product, often results in a higher level of contractual delinquencies. However, the historical net charge-offs to average net loans are lower than the overall Company ratio. The payroll deduct loans have increased from 54.0% of our Mexican portfolio at March 31, 2016 to 59.3% at March 31, 2017.

In fiscal 2017 approximately 79.7% of the Company's loans, based on accounts, were generated through refinancings of outstanding loans and the origination of new loans to previous customers. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. For fiscal 2017, 2016, and 2015, the percentages of the Company's loan originations that were refinancings of existing loans were 66.8%, 69.4%, and 71.5%, respectively. The Company's refinancing policies, while limited by state regulations, in all cases consider the customer's payment history and require that the customer has made multiple payments on the loan being considered for refinancing. A refinancing is considered a current refinancing if the customer is no more than 45 days delinquent on a contractual basis. Delinquent refinancings may be extended to customers who are more than 45 days past due on a contractual basis if the customer completes a new application and the manager believes that the customer's ability and intent to repay has improved. It is the Company's policy to not refinance delinquent loans in amounts greater than the original amounts financed. In all cases, a customer must complete a new application every two years. During fiscal 2017 and 2016, delinquent refinancings represented 1.2% and 1.4%, respectively, of the Company's total loan volume.

Charge-offs, as a percentage of loans made by category, are greatest on loans made to new borrowers and less on loans made to former borrowers and refinancings. As a percentage of total loans charged off, refinancings represent the greatest percentage due to the volume of loans made in this category. The following table depicts the charge-offs as a percent of loans made by category and as a percent of total charge-offs during fiscal 2017:

	Loan Volume by Category (by No. of Accounts)	Percent of Total Charge-offs (by No. of Accounts)	Charge-off as a Percent of Total Loans Made by Category (by No. of Accounts)
Refinancings	66.8%	68.1%	6.8%
Former borrowers	12.9%	8.9%	6.4%
New borrowers	20.3%	23.0%	12.9%
	<u>100.0%</u>	<u>100.0%</u>	

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to provide for losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors.

The Company uses a mathematical calculation to determine the initial allowance at the end of each reporting period. The calculation originated as management's estimate of future charge-offs and is used to allocate expenses to the branch level. There are two components when calculating the allowance for loan losses, which the Company refers to as the general reserve and the

Management's Discussion and Analysis

specific reserve. This calculation is a starting point and over time, and as needed, additional provisions have been added as determined by management to ensure the allowance is adequate.

The general reserve is 4.25% of the gross loan portfolio. The specific reserve generally represents 100% of all loans 91 days or more past due on a recency basis, including bankrupt accounts in that category. This methodology is based on historical data showing that the collection of loans 91 days or more past due and bankrupt loans is remote.

A process is then performed to determine the adequacy of the allowance for loan losses, as well as considering trends in current levels of delinquencies, charge-off levels, and economic trends (such as energy and food prices). The primary tool used is the movement model (on a contractual and recency basis) which considers the rolling twelve months of delinquency to determine expected charge-offs. The sum of expected charge-offs, determined from the movement model (on a contractual and recency basis) plus an amount related to delinquent refinancings are compared to the allowance resulting from the mathematical calculation to determine if any adjustments are required to make the allowance adequate. Management would also determine if any adjustments are needed if the consolidated annual provision for loan losses is less than total charge-offs. Management uses a precision level of 5% of the allowance for loan losses compared to the aforementioned movement model, when determining if any adjustments are needed.

The Company's policy is to charge off at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied and no changes have been made during the periods reported. The Company's delinquencies and net charge-off ratios were significantly impacted during fiscal 2015 by a change to the branch level incentive plan that became effective July 1, 2014. The change allows managers to continue collection efforts on accounts that are 91 days or more past due, without having their monthly bonus negatively impacted. As expected, this resulted in an increase in accounts 91 days or more past due and lower charge-offs during fiscal 2015. Also, we believe charge-offs during fiscal 2016 were negatively impacted by ceasing all in-person visits to delinquent borrowers in December 2015. The Company's historical annual charge-off rate for the past 10 years has ranged from 12.9% to 16.7% of net loans. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses.

To estimate the losses, the Company uses historical information for net charge-offs and average loan life. This method is based on the fact that many customers refinance their loans prior to the contractual maturity. Average contractual loan terms are approximately 13 months and the average loan life is approximately 8 months. The Company had an allowance for loan losses that approximated 7 months of average net charge-offs at March 31, 2017. Management believes that the allowance is sufficient to cover estimated losses for its existing loans based on historical charge-offs and average loan life.

A large percentage of loans that are charged off during any fiscal year are not on the Company's books at the beginning of the fiscal year. The Company believes that it is not appropriate to provide for losses on loans that have not been originated, that twelve months of net charge-offs are not needed in the allowance due to the average life of the loan portfolio being less than twelve months, and that the method employed is in accordance with GAAP.

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of period	\$ 69,565,804	\$ 70,437,988	\$ 63,254,940
Provision for loan losses	128,572,162	123,598,318	118,829,863
Loan losses	(141,878,119)	(141,758,366)	(126,093,332)
Recoveries	16,519,929	18,196,110	15,467,059
Translation adjustment	(584,884)	(908,246)	(1,020,542)
Balance at end of period	<u>\$ 72,194,892</u>	<u>\$ 69,565,804</u>	<u>\$ 70,437,988</u>
Allowance as a percentage of loans receivable, net of unearned and deferred fees	9.4%	9.0%	8.7%
Net charge-offs as a percentage of average net loans receivable ⁽¹⁾	15.7%	14.8%	12.9%

(1) Average net loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.

Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable follow seasonal trends. The Company's highest loan demand typically occurs from October through December, its third fiscal quarter. Loan demand has generally been the lowest and loan repayment highest from January to March, its fourth fiscal quarter. Loan volume and average balances typically remain relatively level during the remainder of the year. This seasonal trend affects quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned and the provision for loan losses recorded, as well as fluctuations in the Company's cash needs. Consequently, operating results for the Company's third fiscal quarter generally are significantly lower than in other quarters and operating results for its fourth fiscal quarter are significantly higher than in other quarters.

The following table sets forth, on a quarterly basis, certain items included in the Company's unaudited Consolidated Financial Statements and shows the number of branches open during fiscal years 2017 and 2016.

	At or for the Three Months Ended							
	2017				2016			
	June 30.	September 30.	December 31.	March 31.	June 30.	September 30.	December 31.	March 31.
	(Dollars in thousands)							
Total revenues	\$ 127,080	\$ 129,269	\$ 130,815	\$ 144,571	\$ 137,225	\$ 136,412	\$ 139,696	\$ 144,143
Provision for loan losses	\$ 32,014	\$ 35,871	\$ 39,985	\$ 20,702	\$ 26,228	\$ 37,557	\$ 35,441	\$ 24,373
General and administrative expenses	\$ 62,949	\$ 63,456	\$ 71,237	\$ 70,020	\$ 67,568	\$ 63,436	\$ 71,580	\$ 66,555
Net income	\$ 16,618	\$ 15,491	\$ 9,640	\$ 31,851	\$ 23,632	\$ 19,187	\$ 14,751	\$ 29,826
Gross loans receivable	\$1,087,502	\$ 1,095,577	\$ 1,165,009	\$1,059,804	\$1,150,669	\$ 1,162,836	\$ 1,219,209	\$1,066,964
Number of branches open	1,324	1,322	1,323	1,327	1,331	1,346	1,350	1,339

Recently Issued Accounting Pronouncements

See Part II, Item 8, Financial Statements and Supplementary Data and Note 1—Summary of Significant Accounting Policies in the Consolidated Financial Statements for the impact of new accounting pronouncements.

Liquidity and Capital Resources

The Company has financed and continues to finance its operations, acquisitions and branch expansion through a combination of cash flows from operations and borrowings from its institutional lenders. The Company has generally applied its cash flows from operations to fund its loan volume, fund acquisitions, repay long-term indebtedness and repurchase its common stock. As the Company's gross loans receivable decreased from \$1,112.3 million at March 31, 2014 to \$1,059.8 million at March 31, 2017, net cash provided by operating activities for fiscal years 2017, 2016 and 2015 was \$219.4 million, \$206.1 million and \$241.9 million, respectively.

The Company continues to believe stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our amended credit facility limits share repurchases to 50% of consolidated adjusted net income in any fiscal year commencing with the fiscal year ending March 31, 2017.

The Company plans to open or acquire approximately 25 branches in the United States during fiscal 2018. Expenditures by the Company to open and furnish new branches averaged approximately \$35,000 per branch during fiscal 2017. New branches have generally required \$100,000 to \$400,000 to fund outstanding loans receivable originated during their first 12 months of operation. During fiscal 2017 the Company opened 18 new branches and merged 44 branches into existing ones.

The Company acquired 14 branches during fiscal 2017. The Company believes that attractive opportunities to acquire new branches or receivables from its competitors or to acquire branches in communities not currently served by the Company will continue to become available as conditions in local economies and the financial circumstances of owners change.

The Company has a revolving credit facility with a syndicate of banks. The revolving credit facility provides for revolving borrowings of up to the lesser of (a) the aggregate commitments under the facility and (b) a borrowing base, and includes a \$550,000 letters of credit subfacility. At March 31, 2017, the aggregate commitments under the credit facility were \$370.0 million. The borrowing base limitation is equal to the product of (a) the Company's eligible finance receivables, less unearned finance charges, insurance premiums and insurance commissions, and (b) an advance rate percentage that ranges from 79% to 85% based on a collateral performance indicator, as more completely described below. Further, the administrative agent under the revolving credit facility has the right at any time, and from time to time in its permitted discretion (but without any obligation), to set aside reasonable reserves against the borrowing base in such amounts as it may deem appropriate, including, without limitation, reserves with respect to regulatory events or any increased operational, legal or regulatory risk. In May 2017, the credit facility was amended to, among other things, extend the term through June 15, 2019 and increase the aggregate commitments to \$480.0 million. For additional information on the May 2017 amendment to our credit facility, see Part II, Item 8, Footnote 18 "Subsequent Events" in the Notes to Consolidated Financial Statements for the year ended March 31, 2017.

Funds borrowed under the revolving credit facility bear interest at the LIBOR rate plus 4.0% per annum, with a minimum rate of 5.0%. For the year ended March 31, 2017, the effective interest rate, including the commitment fee, on borrowings under the revolving credit facility was 5.8%. The Company pays a commitment fee equal to 0.50% per annum of the daily unused portion of the commitments. On March 31, 2017, \$295.1 million was outstanding under this facility, and there was \$74.3 million of unused borrowing availability under the borrowing base limitations.

The Company's obligations under the revolving credit facility, together with treasury management and hedging obligations owing to any lender under the revolving credit facility or any affiliate of any such lender, are required to be guaranteed by each of the Company's wholly-owned domestic subsidiaries. The obligations of the Company and the subsidiary guarantors under the revolving credit facility, together with such treasury management and hedging obligations, are secured by a first-priority security interest in substantially all assets of the Company and the subsidiary guarantors.

The agreement governing the Company's revolving credit facility contains affirmative and negative covenants, including covenants that restrict the ability of the Company and its subsidiaries to, among other things, incur or guarantee indebtedness, incur liens, pay dividends and repurchase or redeem capital stock, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, redeem or prepay subordinated debt, amend subordinated debt documents, make changes in the nature of its business, and engage in transactions with affiliates. The agreement also contains financial covenants, including a minimum consolidated net worth of \$330.0 million plus 50% of the borrowers' consolidated net income for each fiscal year beginning with 2017, a minimum fixed charge coverage ratio of 2.5 to 1.0, a maximum ratio of total debt to consolidated adjusted net worth of 2.0 to 1.0, and a maximum ratio of subordinated debt to consolidated adjusted net worth of 1.0 to 1.0. The agreement allows the Company to incur subordinated debt that matures after the termination date for the revolving credit facility and that contains specified subordination terms, subject to limitations on amount imposed by the financial covenants under the agreement.

In addition, the agreement establishes a maximum specified level for the collateral performance indicator.

The collateral performance indicator is equal to the sum of (a) a three-month rolling average rate of receivables at least sixty days past due and (b) an eight-month rolling average net charge-off rate. The Company was in compliance with these covenants at March 31, 2017 and does not believe that these covenants will materially limit its business and expansion strategy.

The agreement contains events of default including, without limitation, nonpayment of principal, interest or other obligations, violation of covenants, misrepresentation, cross-default to other debt, bankruptcy and other insolvency events, judgments, certain ERISA events, actual or asserted invalidity of loan documentation, invalidity of subordination provisions of subordinated debt, certain changes of control of the Company, and the occurrence of certain regulatory events (including the entry of any stay, order, judgment, ruling or similar event related to the Company's or any of its subsidiaries' originating, holding, pledging, collecting or enforcing its eligible finance receivables that is material to the Company or any subsidiary) which remains unvacated, undischarged, unbonded or unstayed by appeal or otherwise for a period of 60 days from the date of its entry and is reasonably likely to cause a material adverse change. If it is determined that a violation of the FCPA has occurred, as described above in Part I, Item 3, "Legal Proceedings—Internal Investigation," such violation may give rise to an event of default under our credit agreement if such violation were to have a material adverse effect on our business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement resulted in the Company failing to satisfy any financial covenants.

The Company believes that cash flow from operations and borrowings under its revolving credit facility or other sources will be adequate to fund the expected cost of opening or acquiring new branches, including funding initial operating losses of new

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branches and funding loans receivable originated by those branches and the Company's other branches (for the next 12 months and for the foreseeable future beyond that). Except as otherwise discussed in this report including, but not limited to, any discussions in Part 1, Item 1A, "Risk Factors" (as supplemented by any subsequent disclosures in information the Company files with or furnishes to the SEC from time to time), management is not currently aware of any trends, demands, commitments, events or uncertainties that it believes will or could result in, or are or could be reasonably likely to result in, any material adverse effect on the Company's liquidity.

The following table summarizes the Company's contractual obligations by period (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations	\$ 312,967	\$ 14,757	\$ 298,211	\$ —	\$ —
Capital lease obligations	—	—	—	—	—
Operating lease obligations	48,172	23,883	22,053	2,028	208
Purchase obligations	—	—	—	—	—
Other long-term liabilities reflected on the balance sheet under GAAP	—	—	—	—	—
Total	\$ 361,139	\$ 38,640	\$ 320,264	\$ 2,028	\$ 208

Share Repurchase Program

On March 10, 2015, the Board of Directors authorized the Company to repurchase up to \$25.0 million of the Company's common stock. As of March 31, 2017, the Company had \$6.5 million in aggregate remaining repurchase capacity under the March 10, 2015 repurchase authorization. The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. Although the repurchase authorization above has no stated expiration date, the Company's stock repurchase program may be suspended or discontinued at any time.

The Company continues to believe stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our amended credit facility limits share repurchases to 50% of consolidated adjusted net income in any fiscal year commencing with the fiscal year ending March 31, 2017. Our first priority is to ensure we have enough capital to fund loan growth. To the extent we have excess capital, we may continue repurchasing stock, if appropriate and as authorized by our Board of Directors. As of March 31, 2017 our debt outstanding was \$295.1 million and our shareholders' equity was \$461.1 million resulting in a debt-to-equity ratio of 0.6:1.0. We will continue to monitor our debt-to-equity ratio and are committed to maintaining a debt level that will allow us to continue to execute our business objectives, while not putting undue stress on our consolidated balance sheet.

Inflation

The Company does not believe that inflation, within reasonably anticipated rates, will have a material adverse effect on its financial condition. Although inflation would increase the Company's operating costs in absolute terms, the Company expects that the same decrease in the value of money would result in an increase in the size of loans demanded by its customer base. It is reasonable to anticipate that such a change in customer preference would result in an increase in total loan receivables and an increase in absolute revenues to be generated from that larger amount of loans receivable. The Company believes that this increase in absolute revenues should offset any increase in operating costs. In addition, because the Company's loans have a relatively short contractual term and average life, it is unlikely that loans made at any given point in time will be repaid with significantly inflated dollars.

Legal Matters

From time to time the Company is involved in routine litigation relating to claims arising out of its operations in the normal course of business. See Part I, Item 3, "Legal Proceedings" and Note 16 to our audited Consolidated Financial Statements for further discussion of legal matters.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of March 31, 2017, the Company's financial instruments consisted of the following: cash and cash equivalents, loans receivable, and senior notes payable. Fair value approximates carrying value for all of these instruments. Loans receivable are originated at prevailing market rates and have an average life of approximately 8 months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's outstanding debt under its revolving credit facility was \$295.1 million at March 31, 2017. Interest on borrowings under this facility is based on the rate of LIBOR plus 4.0% with a minimum rate of 5.0%

Based on the outstanding balance at March 31, 2017, a change of 1% in the LIBOR interest rate would cause a change in interest expense of approximately \$2.9 million on an annual basis.

Foreign Currency Exchange Rate Risk

The Company has operated branches in Mexico since September 2005, where its local businesses utilize the Mexican peso as their functional currency. The consolidated financial statements of the Company are denominated in U.S. dollars and are, therefore, subject to fluctuation as the U.S. dollar and Mexican peso foreign exchange rates change. Revenues from our non-U.S. operations accounted for approximately 7.7% and 7.6% of total revenues during the twelve month periods ended March 31, 2017 and 2016, respectively. There have been, and there may continue to be, period-to-period fluctuations in the relative portions of our international revenues to total consolidated revenues.

Our international operations are subject to risks, including but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility when compared to the United States. Accordingly, our future consolidated financial position as well as our consolidated results of operations results could be adversely affected by changes in these or other factors. Foreign exchange rate fluctuations may adversely impact our financial position as the assets and liabilities of our foreign operations are translated into U.S. dollars in preparing our consolidated balance sheet. Our exposure to foreign exchange rate fluctuations arises in part from balances in our intercompany accounts included on our subsidiary balance sheets. These intercompany accounts are denominated in the functional currency of the foreign subsidiaries and are translated to U.S. dollars at each reporting period end. Additionally, foreign exchange rate fluctuations may impact our consolidated results from operations as exchange rate fluctuations will impact the amounts reported in our consolidated statement of income. The effect of foreign exchange rate fluctuations on our consolidated financial position is recognized within shareholders' equity through accumulated other comprehensive income (loss). The net translation adjustment for the twelve months ended March 31, 2017 was a loss of approximately \$4.8 million. The Company's foreign currency exchange rate exposures may change over time as business practices evolve and could have a material effect on the Company's financial results. The Company will continue to monitor and assess the effect of foreign currency fluctuations and may institute hedging strategies.

The Company performs a foreign exchange sensitivity analysis on a quarterly basis which assumes a hypothetical 10% increase and decrease in the value of the U.S. dollar relative to the Mexican peso. The foreign exchange risk sensitivity of both net loans receivable and consolidated net income is assessed using hypothetical scenarios and assumes that earnings in Mexican pesos are recognized evenly throughout a period. The actual results may differ from the results noted in the tables below particularly due to assumptions utilized or if events occur that were not included in the method used.

Management's Discussion and Analysis

The foreign exchange risk sensitivity of net loans denominated in Mexican pesos and translated into U.S. dollars, which were approximately \$54.6 million and \$51.3 million at March 31, 2017 and 2016, respectively, on the reported net loans receivable amount is summarized in the following table:

Foreign Exchange Sensitivity Analysis of Loans Receivable, Net of Unearned Amounts

Foreign exchange spot rate, U.S. Dollars to Mexican Pesos	As of March 31, 2017		
	(10)%	0%	10%
Loans receivable, net of unearned	\$ 762,930,657	\$ 767,895,481	\$ 773,963,626
% change from base amount	(0.65)%	—	0.79%
\$ change from base amount	\$ (4,964,824)	\$ —	\$ 6,068,145
	As of March 31, 2016		
Foreign exchange spot rate, U.S. Dollars to Mexican Pesos	(10)%	0%	10%
Loans receivable, net of unearned	\$ 771,643,968	\$ 776,305,180	\$ 782,002,237
% change from base amount	(0.60)%	—	0.73%
\$ change from base amount	\$ (4,661,212)	\$ —	\$ 5,697,057

The following table summarizes the results of the foreign exchange risk sensitivity analysis on reported net income as of the dates indicated below:

Foreign Exchange Sensitivity Analysis of Net Income

Foreign exchange spot rate, U.S. Dollars to Mexican Pesos	As of March 31, 2017		
	(10)%	0%	10%
Net Income	\$ 73,072,121	\$ 73,600,294	\$ 74,245,840
% change from base amount	(0.72)%	—	0.88%
\$ change from base amount	\$ (528,173)	\$ —	\$ 645,546
	As of March 31, 2016		
Foreign exchange spot rate, U.S. Dollars to Mexican Pesos	(10)%	0%	10%
Net Income	\$ 87,027,224	\$ 87,395,557	\$ 87,845,742
% change from base amount	(0.42)%	—	0.52%
\$ change from base amount	\$ (368,333)	\$ —	\$ 450,185

CONSOLIDATED BALANCE SHEETS

	March 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 15,200,410	12,377,024
Gross loans receivable	1,059,804,132	1,066,964,342
Less:		
Unearned interest, insurance and fees	(291,908,651)	(290,659,162)
Allowance for loan losses	(72,194,892)	(69,565,804)
Loans receivable, net	695,700,589	706,739,376
Property and equipment, net	24,184,207	25,296,913
Deferred income taxes, net	39,025,069	38,130,982
Other assets, net	13,797,098	14,636,573
Goodwill	6,067,220	6,121,458
Intangible assets, net	6,614,182	2,916,537
Total assets	<u>\$ 800,588,775</u>	<u>806,218,863</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Liabilities:		
Senior notes payable	295,136,200	374,685,000
Income taxes payable	12,519,417	8,258,642
Accounts payable and accrued expenses	31,869,581	31,373,640
Total liabilities	<u>339,525,198</u>	<u>414,317,282</u>
Shareholders' equity:		
Preferred stock, no par value Authorized 5,000,000, no shares issued or outstanding	—	—
Common stock, no par value Authorized 95,000,000 shares; issued and outstanding 8,782,949 and 8,812,250 shares at March 31, 2017 and March 31, 2016, respectively	—	—
Additional paid-in capital	144,241,105	138,835,064
Retained earnings	344,605,347	276,000,862
Accumulated other comprehensive loss	(27,782,875)	(22,934,345)
Total shareholders' equity	<u>461,063,577</u>	<u>391,901,581</u>
Commitments and contingencies		
Total liabilities and shareholders' equity	<u>\$ 800,588,775</u>	<u>806,218,863</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended March 31,		
	2017	2016	2015
Revenues:			
Interest and fee income	\$ 468,759,262	\$ 495,133,436	\$ 524,277,341
Insurance income, net and other income	62,975,462	62,342,271	85,935,535
Total revenues	<u>531,734,724</u>	<u>557,475,707</u>	<u>610,212,876</u>
Expenses:			
Provision for loan losses	<u>128,572,162</u>	<u>123,598,318</u>	<u>118,829,863</u>
General and administrative expenses:			
Personnel	171,958,682	169,573,039	192,419,147
Occupancy and equipment	42,437,711	44,460,905	41,716,893
Advertising	17,866,422	16,863,076	17,299,665
Amortization of intangible assets	489,836	528,747	723,071
Other	34,908,572	37,713,908	39,892,743
Total general and administrative expenses	<u>267,661,223</u>	<u>269,139,675</u>	<u>292,051,519</u>
Interest expense	<u>21,504,208</u>	<u>26,849,250</u>	<u>23,301,156</u>
Total expenses	<u>417,737,593</u>	<u>419,587,243</u>	<u>434,182,538</u>
Income before income taxes	113,997,131	137,888,464	176,030,338
Income taxes	40,396,837	50,492,907	65,196,880
Net income	<u>\$ 73,600,294</u>	<u>\$ 87,395,557</u>	<u>\$ 110,833,458</u>
Net income per common share:			
Basic	<u>\$ 8.45</u>	<u>\$ 10.12</u>	<u>\$ 12.12</u>
Diluted	<u>\$ 8.38</u>	<u>\$ 10.05</u>	<u>\$ 11.90</u>
Weighted average common shares outstanding:			
Basic	<u>8,705,658</u>	<u>8,636,269</u>	<u>9,146,003</u>
Diluted	<u>8,778,044</u>	<u>8,692,191</u>	<u>9,316,629</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income	\$ 73,600,294	87,395,557	110,833,458
Foreign currency translation adjustments	<u>(4,848,530)</u>	<u>(8,031,995)</u>	<u>(10,796,224)</u>
Comprehensive income	<u>\$ 68,751,764</u>	<u>79,363,562</u>	<u>100,037,234</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Total Shareholders' Equity
Balances at March 31, 2014	\$ 118,365,503	193,095,944	(4,106,126)	307,355,321
Proceeds from exercise of stock options (159,348 shares), including tax benefits of \$989,776	7,530,624	—	—	7,530,624
Common stock repurchases (1,432,058 shares)	—	(115,324,097)	—	(115,324,097)
Restricted common stock expense under stock option plan, net of cancellations (\$303,818)	7,834,825	—	—	7,834,825
Stock option expense	8,133,812	—	—	8,133,812
Other comprehensive loss	—	—	(10,796,224)	(10,796,224)
Net income	—	110,833,458	—	110,833,458
Balances at March 31, 2015	\$ 141,864,764	188,605,305	(14,902,350)	315,567,719
Proceeds from exercise of stock options (89,403 shares), including tax benefits of \$78,382	3,327,067	—	—	3,327,067
Restricted common stock expense under stock option plan, net of cancellations (\$2,289,017)	(10,322,230)	—	—	(10,322,230)
Stock option expense	3,965,463	—	—	3,965,463
Other comprehensive loss	—	—	(8,031,995)	(8,031,995)
Net income	—	87,395,557	—	87,395,557
Balances at March 31, 2016	\$ 138,835,064	276,000,862	(22,934,345)	391,901,581
Proceeds from exercise of stock options (32,702 shares), including tax expense of - \$565.162	595,343	—	—	595,343
Common stock repurchases (95,703 shares)	—	(4,995,809)	—	(4,995,809)
Restricted common stock expense under stock option plan, net of cancellations (\$284,221)	1,320,036	—	—	1,320,036
Stock option expense	3,490,662	—	—	3,490,662
Other comprehensive loss	—	—	(4,848,530)	(4,848,530)
Net income	—	73,600,294	—	73,600,294
Balances at March 31, 2017	\$ 144,241,105	344,605,347	(27,782,875)	461,063,577

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31,		
	2017	2016	2015
Cash flow from operating activities:			
Net income	\$ 73,600,294	87,395,557	110,833,458
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	489,836	528,747	723,071
Amortization of debt issuance costs	2,029,719	2,769,596	418,847
Provision for loan losses	128,572,162	123,598,318	118,829,863
Depreciation	6,918,525	6,503,561	6,538,638
Loss (gain) on sale of property and equipment	(29,583)	1,401,391	(42,506)
Deferred income tax benefit	(894,086)	(785,377)	(3,831,417)
Compensation related to stock option and restricted stock plans, net of taxes and adjustments	4,810,698	(6,356,767)	15,968,637
Gain on sale of finance receivables, net of buybacks	—	(1,474,182)	(16,027,999)
Change in accounts:			
Other assets, net	492,233	1,923,196	(1,060,038)
Income taxes payable	4,277,275	(9,945,544)	8,494,879
Accounts payable and accrued expenses	(904,326)	511,863	1,041,341
Net cash provided by operating activities	<u>219,362,747</u>	<u>206,070,359</u>	<u>241,886,774</u>
Cash flows from investing activities:			
Increase in loans receivable, net	(104,765,019)	(93,980,511)	(116,921,675)
Net assets acquired from branch acquisitions, primarily loans	(16,703,456)	(92,097)	(1,516,149)
Increase in intangible assets from acquisitions	(4,133,242)	(81,531)	(463,345)
Purchases of property and equipment	(6,813,582)	(8,654,804)	(8,586,963)
Proceeds from sale of property and equipment	801,797	889,946	399,306
Proceeds from sale of loan receivable, net of buybacks	—	26,218	18,880,496
Net cash used in investing activities	<u>(131,613,502)</u>	<u>(101,892,779)</u>	<u>(108,208,330)</u>
Cash flow from financing activities:			
Borrowings from senior notes payable	274,901,200	295,095,000	310,721,600
Payments on senior notes payable	(354,450,000)	(421,560,000)	(315,071,600)
Debt issuance costs associated with senior notes payable	(201,200)	(5,500,000)	(337,500)
Proceeds from exercise of stock options	1,160,505	3,248,685	6,540,848
Repurchase of common stock	(4,995,809)	—	(115,324,097)
Excess tax benefit (expense) from exercise of stock options	(565,162)	78,382	989,776
Net cash used in financing activities	<u>(84,150,466)</u>	<u>(128,637,933)</u>	<u>(112,480,973)</u>
Effects of foreign currency fluctuations on cash and cash equivalents	(775,393)	(1,501,558)	(2,428,219)
Net change in cash and cash equivalents	2,823,386	(25,961,911)	18,769,252
Cash and cash equivalents at beginning of year	12,377,024	38,338,935	19,569,683
Cash and cash equivalents at end of year	<u>\$ 15,200,410</u>	<u>12,377,024</u>	<u>38,338,935</u>
Supplemental Disclosures:			
Interest paid during the year	\$ 19,251,788	23,811,210	22,714,147
Income taxes paid during the year	\$ 38,042,020	62,530,594	61,027,849

See accompanying notes to Consolidated Financial Statements.

(1) **Summary of Significant Accounting Policies**

The Company's accounting and reporting policies are in accordance with U.S. generally accepted accounting principles ("GAAP") and conform to general practices within the finance company industry. The following is a description of the more significant of these policies used in preparing the Consolidated Financial Statements.

Nature of Operations

The Company is a small-loan consumer finance company headquartered in Greenville, South Carolina that offers short-term small loans, medium-term larger loans, related credit insurance products and ancillary products and services to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services to its customer base and to others.

As of March 31, 2017, the Company operated 1,169 branches in Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, and Wisconsin. Branches in the aforementioned states operate under one of the following names: Amicable Finance, Capitol Loans, Colonial Finance, Freeman Finance, General Credit, Local Loans, Midwestern Financial, Midwestern Loans, Personal Credit, People's Finance, World Acceptance, or World Finance. The Company also operated 158 branches in Mexico. Branches in Mexico operate under the name Préstamos Avance or Préstamos Viva. The Company is subject to numerous lending regulations that vary by jurisdiction.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of World Acceptance Corporation and its wholly-owned subsidiaries (the "Company"). Subsidiaries consist of operating entities in various states and Mexico, ParaData Financial Systems (a software company acquired during fiscal 1994), WAC Insurance Company, Ltd. (a captive reinsurance company established in fiscal 1994) and Servicios World Acceptance Corporation de Mexico (a service company established in fiscal 2006). All significant inter-company balances and transactions have been eliminated in consolidation.

The financial statements of the Company's foreign subsidiaries in Mexico are prepared using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars at the current exchange rate while income and expense are translated at an average exchange rate for the period. The resulting translation gains and losses are recognized as a component of equity in "Accumulated other comprehensive loss."

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant item subject to such estimates and assumptions that could materially change in the near term is the allowance for loan losses. Actual results could differ from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to current presentation. Such reclassifications had no impact on previously reported net income or shareholders' equity.

Business Segments

The Company reports operating segments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 280. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. FASB ASC Topic 280 requires that a public enterprise report a measure of segment profit or loss, certain specific revenue and expense items, segment assets, information about the way that the operating segments were determined and other items.

The Company has two reportable segments, which are the U.S. and Mexico operating segments. The other revenue generating activities of the Company, including the sale of insurance products, income tax preparation, and the automobile club, are done in the existing branch network in conjunction with or as a complement to the lending operations. There is no discrete financial information available for these activities and they do not meet the criteria under FASB ASC Topic 280 to be considered operating segments.

Notes to Consolidated Financial Statements

At March 31, 2017 and 2016, the Company's Mexico operations accounted for approximately 8.7% and 8.2% of total consolidated assets. Total revenues for the years ended March 31, 2017, 2016 and 2015 were \$40.9 million, \$42.2 million, \$52.4 million, respectively, which represented 7.7%, 7.6%, and 8.6% of consolidated revenues, respectively.

For additional financial information regarding the results of our two reportable segments for each of the last three fiscal years, refer to Note 17—Segments in Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less from the date of original issuance to be cash equivalents. As of March 31, 2017 and 2016 the Company had \$3.9 million and \$2.2 million in restricted cash associated with its captive insurance subsidiary that reinsures a portion of the credit insurance sold in connection with loans made by the Company.

Loans and Interest and Fee Income

The Company is licensed to originate consumer loans in the states of South Carolina, Georgia, Texas, Oklahoma, Louisiana, Tennessee, Illinois, Missouri, New Mexico, Kentucky, Alabama, Wisconsin, Indiana, Mississippi and Idaho. In addition, the Company also originates consumer loans in Mexico. During fiscal 2017, 2016 and 2015 the Company originated loans generally ranging up to \$4,000, with terms of 42 months or less. Experience indicates that a majority of the consumer loans are refinanced, and the Company accounts for the majority of the refinancings as a new loan. Generally a customer must make multiple payments in order to qualify for refinancing. Furthermore, the Company's lending policy has predetermined lending amounts so that in most cases a refinancing will result in advancing additional funds. The Company believes that the advancement of additional funds constitutes more than a minor modification to the terms of the existing loan if the present value of the cash flows under the terms of the new loan will be 10% or more of the present value of the remaining cash flows under the terms of the original loan.

Gross loans receivable at March 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Small loans (U.S.)	\$ 630,802,614	650,494,287
Large loans (U.S.)	312,458,275	312,642,395
Sales finance loans (U.S.)	54,247	1,414,177
Payroll deduct "Viva" loans (Mexico)	69,087,314	55,276,506
Traditional installment loans (Mexico)	47,401,682	47,136,977
Total gross loans	<u>\$ 1,059,804,132</u>	<u>1,066,964,342</u>

Fees received and direct costs incurred for the origination of loans are deferred and amortized to interest income over the contractual lives of the loans using the interest method. Unamortized amounts are recognized in income at the time that loans are refinanced or paid in full except for those refinancings that do not constitute a more than minor modification.

Loans are carried at the gross amount outstanding, reduced by unearned interest and insurance income, net of deferred origination fees and direct costs, and an allowance for loan losses. The Company recognizes interest and fee income using the interest method. Charges for late payments are credited to income when collected.

The Company generally offers its loans at the prevailing statutory rates for terms generally not to exceed 42 months. Management believes that the carrying value approximates the fair value of its loan portfolio.

Nonaccrual Policy

The accrual of interest is discontinued when a loan is 61 days or more past the contractual due date. When the interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. While a loan is on nonaccrual status, interest revenue is recognized only when a payment is received. Once a loan moves to nonaccrual status, it remains in nonaccrual status until it is paid out, charged off or refinanced.

Allowance for Loan Losses

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to provide for incurred losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable incurred losses of principal. When

establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors.

The Company uses a mathematical calculation to determine the initial allowance at the end of each reporting period. The calculation originated as management's estimate of future charge-offs and is used to allocate expenses to the branch level. There are two components when calculating the allowance for loan losses, which the Company refers to as the general reserve and the specific reserve. This calculation is a starting point and over time, and as needed, additional provisions have been added as determined by management to make the allowance adequate.

The general reserve is 4.25% of the gross loan portfolio. The specific reserve represents 100% of the gross loan balance of all loans 91 days or more days past due (151 days or more past due for payroll deduct loans) on a recency basis, including bankrupt accounts in that category. This methodology is based on historical data showing that the collection of loans 91 days or more past due and bankrupt accounts is remote.

A process is then performed to determine the adequacy of the allowance for loan losses, as well as considering trends in current levels of delinquencies, charge-off levels, and economic trends (such as energy and food prices). The primary tool used is the movement model (on a contractual and recency basis) which considers the rolling twelve months of delinquency to determine expected charge-offs. The sum of expected charge-offs, determined from the movement model (on a contractual and recency basis) plus the amount of delinquent refinancings are compared to the allowance resulting from the mathematical calculation to determine if any adjustments are needed to make the allowance adequate. Management would also determine if any adjustments are needed if the consolidated annual provision for loan losses is less than total charge-offs. Management uses a precision level of 5% of the allowance for loan losses compared to the aforementioned movement model, when determining if any adjustments are needed.

The Company's policy is to charge off loans at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied and no changes have been made during the periods reported. The Company's historical annual charge-off rate (net charge-offs as a percentage of average net loans receivable) for the past 10 years has ranged from 12.9% to 16.7% of net loans. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses.

FASB ASC Topic 310-30 prohibits carryover or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of this authoritative literature. The Company believes that loans acquired since the adoption of FASB ASC Topic 310-30 have not shown evidence of deterioration of credit quality since origination, and therefore, are not within the scope of FASB ASC Topic 310-30.

Impaired Loans

The Company defines impaired loans as bankrupt accounts and accounts 91 days or more past due (151 days or more past due for payroll deduct loans). In accordance with the Company's charge-off policy, once a loan is deemed uncollectible, 100% of the net investment is charged off, except in the case of a borrower who has filed for bankruptcy. As of March 31, 2017, bankrupt accounts that had not been charged off were approximately \$6.0 million. Bankrupt accounts 91 days or more past due are reserved at 100% of the gross loan balance. The Company also considers accounts 91 days or more past due (151 days or more past due for payroll deduct loans) as impaired, and the accounts are reserved at 100% of the gross loan balance.

Delinquency is the primary credit quality indicator used to determine the credit quality of the Company's receivables (additional requirements from ASC 310-10 are disclosed in Note 2).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded using the straight-line method over the estimated useful life of the related asset as follows: buildings, 25 to 40 years; furniture and fixtures, 5 to 10 years; equipment, 3 to 7 years; and vehicles, 3 years. Amortization of leasehold improvements is recorded using the straight-line method over the lesser of the estimated useful life of the asset or the term of the lease. Additions to premises and equipment and major replacements or improvements are added at cost. Maintenance, repairs, and minor replacements are charged to operating expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of operations.

Operating Leases

The Company's branch leases typically have a lease term of three to five years and contain lessee renewal options and cancellation clauses in the event of regulatory changes. The Company typically renews its leases for one or more option

periods. Accordingly, the Company amortizes its leasehold improvements over the shorter of their economic lives, which are generally five years, or the lease term that considers renewal periods that are reasonably assured.

Other Assets

Other assets include cash surrender value of life insurance policies, prepaid expenses, debt issuance costs and other deposits.

Intangible Assets and Goodwill

Intangible assets include the cost of acquiring existing customers ("customer lists"), and the fair value assigned to non-compete agreements. Customer lists are amortized on a straight line or accelerated basis over their estimated period of benefit, ranging from 2 to 23 years with a weighted average of approximately 11 years. Non-compete agreements are amortized on a straight line basis over the term of the agreement, ranging from 3 to 5 years with a weighted average of approximately 4.9 years.

Customer lists are allocated at a branch level and are evaluated for impairment at a branch level when a triggering event occurs, in accordance with FASB ASC Topic 360-10-05. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to a branch is less than \$100,000, and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates the fair value. The fair value of the customer lists is based on a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. In a business combination, the remaining excess of the purchase price over the fair value of the tangible assets, customer list, and non-compete agreements is allocated to goodwill. The branches the Company acquires are small, privately-owned branches, which do not have sufficient historical data to determine customer attrition. The Company believes that the customers acquired have the same characteristics and perform similarly to its customers. Therefore, the Company utilized the attrition patterns of its customers when developing the attrition of acquired customers. This method is re-evaluated periodically.

The Company evaluates goodwill annually for impairment in the fourth quarter of the fiscal year using the market value-based approach. The Company has two reporting units (U.S. and Mexico), and the Company has multiple components, the lowest level of which is individual branches. The Company's components are aggregated for impairment testing because they have similar economic characteristics.

Impairment of Long-Lived Assets

The Company assesses impairment of long-lived assets, including property and equipment and intangible assets, whenever changes or events indicate that the carrying amount may not be recoverable. The Company assesses impairment of these assets generally at the branch level based on the operating cash flows of the branch and the Company's plans for branch closings. The Company will write down such assets to fair value if, based on an analysis, the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets. The Company did not record any impairment charges for the fiscal year ended 2017, 2016, or 2015.

Fair Value of Financial Instruments

FASB ASC Topic 825 requires disclosures about the fair value of all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The Company's financial instruments for the periods reported consist of the following: cash and cash equivalents, loans receivable, and senior notes payable. Fair value approximates carrying value for all of these instruments.

Loans receivable are originated at prevailing market rates and have an average life of approximately 8 months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's revolving credit facility has a variable rate based on a margin over LIBOR and reprices with any changes in LIBOR.

Insurance Premiums and Commissions

Insurance premiums for credit life, accident and health, property and unemployment insurance written in connection with certain loans, net of refunds and applicable advance insurance commissions retained by the Company, are remitted monthly to an insurance company. All commissions are credited to unearned insurance commissions and recognized as income over the

life of the related insurance contracts. The Company recognizes insurance income using the Rule of 78s method for credit life (decreasing term), credit accident and health, unemployment insurance and the Pro Rata method for credit life (level term) and credit property.

Non-filing Insurance

Non-filing insurance premiums are charged on certain loans in lieu of recording and perfecting the Company's security interest in the assets pledged. The premiums and recoveries are remitted to a third party insurance company and are not reflected in the accompanying Consolidated Financial Statements (See Note 8). Claims paid by the third party insurance company result in a reduction to loan losses.

Certain losses related to such loans, which are not recoverable through life, accident and health, property, or unemployment insurance claims are reimbursed through non-filing insurance claims subject to policy limitations. Any remaining losses are charged to the allowance for loan losses.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment related to additional facts and circumstances occurs.

Earnings Per Share

Earnings per share ("EPS") are computed in accordance with FASB ASC Topic 260. Basic EPS includes no dilution and is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of the Company. Potential common stock included in the diluted EPS computation consists of stock options and restricted stock, which are computed using the treasury stock method. See Note 11 for the reconciliation of the numerators and denominators for basic and dilutive EPS calculations.

Stock-Based Compensation

FASB ASC Topic 718-10 requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. FASB ASC Topic 718-10 does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FASB ASC Topic 718-10. Under FASB ASC Topic 718-10, the way an award is classified will affect the measurement of compensation cost. Liability-classified awards are remeasured to fair value at each balance-sheet date until the award is settled. Equity-classified awards are measured at grant-date fair value, amortized over the subsequent vesting period, and are not subsequently remeasured. The fair value of non-vested stock awards for the purposes of recognizing stock-based compensation expense is the market price of the stock on the grant date. The fair value of options is estimated on the grant date using the Black-Scholes option pricing model (see Note 12).

At March 31, 2017, the Company had several share-based employee compensation plans, which are described more fully in Note 12. The Company uses the modified prospective transition method in accordance with FASB ASC Topic 718. Under this method of transition, compensation cost recognized during fiscal years 2015, 2016, and 2017 was based on the grant-date fair value estimated in accordance with the provisions of FASB ASC Topic 718. Since this compensation cost is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FASB ASC Topic 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company has elected to expense grants of awards with graded vesting on a straight-line basis over the requisite service period for each separately vesting portion of the award.

Share Repurchases

On March 10, 2015, the Board of Directors authorized the Company to repurchase up to \$25.0 million of the Company's common stock. As of March 31, 2017, the Company had \$6.5 million in aggregate remaining repurchase capacity under the March 10, 2015 repurchase authorization. The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. Although the repurchase authorization above has no stated expiration date, the Company's stock repurchase program may be suspended or discontinued at any time.

The Company continues to believe stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our amended credit facility limits share repurchases to 50% of consolidated adjusted net income in any fiscal year commencing with the fiscal year ending March 31, 2017. Our first priority is to ensure we have enough capital to fund loan growth. To the extent we have excess capital, we may continue repurchasing stock, if appropriate and as authorized by our Board of Directors. As of March 31, 2017 our debt outstanding was \$295.1 million and our shareholders' equity was \$461.1 million resulting in a debt-to-equity ratio of 0.6:1.0. We will continue to monitor our debt-to-equity ratio and are committed to maintaining a debt level that will allow us to continue to execute our business objectives, while not putting undue stress on our consolidated balance sheet.

Comprehensive Income

Total comprehensive income consists of net income and other comprehensive income (loss). The Company's other comprehensive income (loss) and accumulated other comprehensive income (loss) are comprised of foreign currency translation adjustments.

Concentration of Risk

The Company generally serves individuals with limited access to other sources of consumer credit, such as banks, credit unions, other consumer finance businesses and credit card lenders. During the year ended March 31, 2017, the Company operated in fifteen states in the United States as well as in Mexico. For the years ended March 31, 2017, 2016 and 2015, total revenue within the Company's four largest states (Texas, Tennessee, Georgia, South Carolina) accounted for approximately 53%, 53% and 54%, respectively, of the Company's total revenues.

The Company maintains amounts in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced losses in such accounts, which are maintained with large domestic banks. Management believes the Company's exposure to credit risk is minimal for these accounts.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs were approximately \$17.9 million, \$16.9 million and \$17.3 million for fiscal years 2017, 2016 and 2015, respectively.

Recently Adopted Accounting Standards

Accounting Changes

In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2017-03, which, among other things, requires entities to make certain disclosures regarding their adoption of ASUs No. 2014-09, No. 2016-02, and No. 2016-13. The Update directs entities to evaluate the ASUs in question that have not yet been adopted to determine the appropriate financial statement disclosures about the potential material effects of those ASUs on the financial statements when adopted. If an entity does not know or cannot reasonably estimate the impact that adoption of those ASUs is expected to have on the financial statements, then in addition to making a statement to that effect, that entity should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have when adopted. Additional qualitative disclosures may include a description of the effect of the accounting policies that the entity expects to apply, if determined, and a comparison to the entity's current accounting policies. An entity should also describe the status of its process to implement the new standards and the significant implementation matters yet to be addressed. ASU No. 2017-03 was adopted March 31, 2017 with no impact on our consolidated financial statements except for the addition of certain disclosures as required.

Disclosures about Short-Duration Contracts

In May 2015, the Financial Accounting Standards Board issued Accounting ASU No. 2015-09, which requires insurance entities to disclose for annual reporting periods the following information about the liability for unpaid claims and claim adjustment expenses:

1. Incurred and paid claims development information by accident year, on a net basis after risk mitigation through reinsurance, for the number of years for which claims incurred typically remain outstanding.
2. A reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for unpaid claims and claim adjustment expenses.
3. For each accident year presented of incurred claims development information, the total of incurred-but-not-reported liabilities plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses.
4. For each accident year presented of incurred claims development information, quantitative information about claim frequency (unless it is impracticable to do so) accompanied by a qualitative description of methodologies used for determining claim frequency information.
5. For all claims except health insurance claims, the average annual percentage payout of incurred claims by age (that is, history of claims duration) for the same number of accident years as presented in (3) and (4) above.

ASU No. 2015-09 was adopted March 31, 2017 with no impact on our consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board issued Accounting ASU No. 2015-03, which requires an entity to present debt issuance costs on the balance sheet as a direct deduction from the related debt liability as opposed to an asset. Amortization of the costs will continue to be reported as interest expense. In August 2015, the FASB issued ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting). ASU No. 2015-15 allows debt issuance costs related to line-of-credit agreements to be presented on the balance sheet as an asset. ASU No. 2015-03 and No. 2015-15 were adopted April 1, 2016 with no impact on our consolidated financial statements.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the Financial Accounting Standards Board issued ASU No. 2014-15, which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. ASU No. 2014-15 was adopted September 30, 2016 with no impact on our consolidated financial statements.

Recently Issued Accounting Standards to be Adopted

Scope of Modification Accounting

In May 2017, the Financial Accounting Standards Board issued ASU No. 2017-09, Scope of Modification Accounting. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. According to ASU No. 2017-09 an entity should account for the effects of a modification unless all the following are met:

1. The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified.
2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.
3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.

The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Simplifying the Test for Goodwill Impairment

In January 2017, the Financial Accounting Standards Board issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. ASU No. 2017-04 eliminates Step 2 from the goodwill impairment test. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU No. 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. The amendments in this Update are effective for public entities who are SEC filers for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Clarifying the Definition of a Business

In January 2017, the Financial Accounting Standards Board issued ASU No. 2017-01, Clarifying the Definition of a Business. Current GAAP does not specify the minimum inputs and processes required for a "set" of assets and activities to meet the definition of a business. That lack of clarity led to broad interpretations of the definition of a business. The amendments in this Update provide a more robust framework to use in determining when a set of assets and activities is a business. For public business entities the amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Restricted Cash

In November 2016, the Financial Accounting Standards Board issued ASU No. 2016-18, Restricted Cash. GAAP currently does not include specific guidance to address how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents, and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. For public business entities the amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the Financial Accounting Standards Board issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. The amendments in this Update eliminate the exception for an intra-entity transfer of an asset other than inventory. For public business entities the amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendment addresses the following eight specific cash flow issues with the objective of reducing the existing diversity in practice:

- Debt Prepayment or Debt Extinguishment Costs
- Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing
- Contingent Consideration Payments Made after a Business Combination

- Proceeds from the Settlement of Insurance Claims
- Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies
- Distributions Received from Equity Method Investees
- Beneficial Interests in Securitization Transactions
- Separately Identifiable Cash Flows and Application of the Predominance Principle

For public business entities the amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, Financial Instruments - Credit Losses. The amendment seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements. The adoption of this ASU could have a material impact on the provision for loan losses in the consolidated statements of operations and allowance for loan losses in the consolidated balance sheets.

Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing

In April 2016, the Financial Accounting Standards Board issued ASU No. 2016-10, Identifying Performance Obligations and Licensing. The amendments clarify the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in Topic 606. Public entities should apply the amendments for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein. Early application for public entities is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies the accounting for share-based payment transactions, income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendment in this ASU becomes effective on a modified retrospective transition for accounting in tax benefits recognized, retrospectively for accounting related to the presentation of employee taxes paid, prospective for accounting related to recognition of excess tax benefits, and either a prospective or retrospective method for accounting related to presentation of excess employee tax benefits for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. We have adopted the new standard effective April 1, 2017. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-08, Principal versus Agent Considerations, which clarifies the implementation of the guidance on principal versus agent considerations from ASU 2014-09, Revenue from Contracts with Customers. ASU 2016-08 does not change the core principle of the guidance in ASU 2014-09, but rather clarifies the distinction between principal versus agent considerations when implementing ASU 2014-09. As these are technical corrections and improvements only, we do not believe that this ASU will have a material effect on our consolidated financial statements.

Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842). The ASU will require lessees to recognize assets and liabilities on leases with terms greater than 12 months and to disclose information related to the amount, timing and uncertainty of cash flows arising from leases, including various qualitative and quantitative requirements. The amendments of this ASU become effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements. We expect the standard to have an impact on our assets and liabilities for the addition of right-of-use assets and lease liabilities, but we do not expect it to have a material impact to our results of operations or liquidity.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the Financial Accounting Standards Board issued ASU No. 2016-01, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Company beginning in its first quarter of 2019 and early adoption is not permitted. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, which supersedes the revenue recognition requirements Topic 605 (Revenue Recognition), and most industry-specific guidance. ASU No. 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU No. 2014-09, as amended by ASU 2015-14 and ASU 2016-20, is effective for fiscal years, and interim periods, beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. We are currently evaluating the overall impact the adoption of this guidance will have on our consolidated financial statements. We believe the adoption of this update will not have a material impact on our consolidated financial statements due to our interest and fees income not being in the scope of this update.

We reviewed all other newly issued accounting pronouncements and concluded that they are either not applicable to our business or are not expected to have a material effect on the consolidated financial statements as a result of future adoption.

(2) Allowance for Loan Losses and Credit Quality Indicators

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2017, 2016, and 2015:

	2017	2016	2015
Balance at beginning of period	\$ 69,565,804	70,437,988	63,254,940
Provision for loan losses	128,572,162	123,598,318	118,829,863
Loan losses	(141,878,119)	(141,758,366)	(126,093,332)
Recoveries	16,519,929	18,196,110	15,467,059
Translation adjustment	(584,884)	(908,246)	(1,020,542)
Balance at end of period	\$ 72,194,892	69,565,804	70,437,988

The following is a summary of loans individually and collectively evaluated for impairment for the period indicated:

March 31, 2017	Loans individually evaluated for impairment (impaired loans)	Loans collectively evaluated for impairment	Total
Gross loans in bankruptcy, excluding contractually delinquent	\$ 4,903,728	—	4,903,728
Gross loans contractually delinquent	54,310,791	—	54,310,791
Loans not contractually delinquent and not in bankruptcy	—	1,000,589,613	1,000,589,613
Gross loan balance	<u>59,214,519</u>	<u>1,000,589,613</u>	<u>1,059,804,132</u>
Unearned interest and fees	<u>(15,336,248)</u>	<u>(276,572,403)</u>	<u>(291,908,651)</u>
Net loans	43,878,271	724,017,210	767,895,481
Allowance for loan losses	<u>(39,182,951)</u>	<u>(33,011,941)</u>	<u>(72,194,892)</u>
Loans, net of allowance for loan losses	<u>\$ 4,695,320</u>	<u>691,005,269</u>	<u>695,700,589</u>

March 31, 2016	Loans individually evaluated for impairment (impaired loans)	Loans collectively evaluated for impairment	Total
Gross loans in bankruptcy, excluding contractually delinquent	\$ 4,560,322	—	4,560,322
Gross loans contractually delinquent	46,373,923	—	46,373,923
Loans not contractually delinquent and not in bankruptcy	—	1,016,030,097	1,016,030,097
Gross loan balance	50,934,245	1,016,030,097	1,066,964,342
Unearned interest and fees	<u>(12,726,898)</u>	<u>(277,932,264)</u>	<u>(290,659,162)</u>
Net loans	38,207,347	738,097,833	776,305,180
Allowance for loan losses	<u>(33,840,839)</u>	<u>(35,724,965)</u>	<u>(69,565,804)</u>
Loans, net of allowance for loan losses	<u>\$ 4,366,508</u>	<u>702,372,868</u>	<u>706,739,376</u>

The average net balance of impaired loans was \$42.2 million, \$41.2 million and \$36.3 million respectively, for the years ended March 31, 2017, 2016 and 2015. It is not practicable to compute the amount of interest earned on impaired loans nor is it practicable to compute the interest income recognized using the cash-basis method during the period such loans are impaired.

The following is an assessment of the credit quality for the fiscal years indicated:

	March 31, 2017	March 31, 2016
Credit risk		
Consumer loans- non-bankrupt accounts	\$ 1,053,769,654	1,061,436,900
Consumer loans- bankrupt accounts	6,034,478	5,527,442
Total gross loans	\$ 1,059,804,132	<u>1,066,964,342</u>
Consumer credit exposure		
Credit risk profile based on payment activity, performing	\$ 977,171,570	991,386,552
Contractual non-performing, 61 days or more delinquent ⁽¹⁾	82,632,562	75,577,790
Total gross loans	\$ 1,059,804,132	<u>1,066,964,342</u>
Credit risk profile based on customer type		
New borrower	\$ 168,656,845	141,980,629
Former borrower	108,100,688	111,608,375
Refinance	765,373,325	793,913,695
Delinquent refinance	17,673,274	19,461,643
Total gross loans	\$ 1,059,804,132	<u>1,066,964,342</u>
(1) Loans in non-accrual status		

The following is a summary of the past due receivables as of:

	March 31, 2017	March 31, 2016	March 31, 2015
Contractual basis:			
30-60 days past due	\$ 35,527,103	40,094,824	43,663,540
61-90 days past due	25,823,757	27,082,385	26,027,649
91 days or more past due	56,808,805	48,495,405	51,132,887
Total	\$ 118,159,665	<u>115,672,614</u>	<u>120,824,076</u>
Percentage of period-end gross loans receivable	11.1%	10.8%	10.9%

(3) Property and Equipment

Property and equipment consist of:

	March 31, 2017	March 31, 2016
Land	\$ 576,977	576,977
Building and leasehold improvements	21,410,067	20,790,360
Furniture and equipment	44,377,741	45,008,085
	66,364,785	66,375,422
Less accumulated depreciation and amortization	(42,180,578)	(41,078,509)
Total	\$ 24,184,207	<u>25,296,913</u>

Depreciation expense was approximately \$6.9 million, \$6.5 million and \$6.5 million for the years ended March 31, 2017, 2016 and 2015, respectively.

(4) **Intangible Assets**

The following table provides the gross carrying amount and related accumulated amortization of definite-lived intangible assets:

	March 31, 2017			March 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset
Cost of customer lists	\$ 26,678,992	(20,161,116)	6,517,876	\$ 22,615,749	(19,759,253)	2,856,496
Value assigned to non-compete agreements	8,424,644	(8,328,338)	96,306	8,354,643	(8,294,602)	60,041
Total	<u>\$ 35,103,636</u>	<u>(28,489,454)</u>	<u>6,614,182</u>	<u>\$ 30,970,392</u>	<u>(28,053,855)</u>	<u>2,916,537</u>

The estimated amortization expense for intangible assets for future years ended March 31 is as follows: \$2.4 million for 2018; \$2.4 million for 2019; \$0.4 million for 2020; \$0.3 million for 2021; \$0.3 million for 2022; and an aggregate of \$0.8 million for the years thereafter.

On February 28, 2017, the Company completed an acquisition of fourteen branches from Mathes Management Enterprises, Inc. As of March 31, 2017 the accounting related to this acquisition is preliminary. The final determination of the fair value of the customer lists and goodwill will be completed within the twelve month measurement period from the date of the acquisition as required by FASB ASC Topic 805-10-25. See Part II, Item 8, Footnote 13 "Acquisitions" for further discussion of the Company's acquisitions.

(5) **Goodwill**

The following summarizes the changes in the carrying amount of goodwill for the years ended March 31, 2017 and 2016:

	2017	2016
<i>Balance at beginning of year:</i>		
Goodwill	\$ 6,146,851	6,146,851
Accumulated goodwill impairment losses	<u>(25,393)</u>	<u>(25,393)</u>
Goodwill acquired during the year	\$ —	—
Impairment losses	<u>(54,238)</u>	<u>—</u>
<i>Balance at end of year:</i>		
Goodwill	\$ 6,146,851	6,146,851
Accumulated goodwill impairment losses	<u>(79,631)</u>	<u>(25,393)</u>
Total	<u>\$ 6,067,220</u>	<u>6,121,458</u>

The Company performed an annual impairment test during the fourth quarters of fiscal 2017 and 2016, and determined that none of the recorded goodwill was impaired. However, the Company did merge one branch during fiscal 2017 that had goodwill associated with it. The goodwill associated with that branch, which was immaterial on a consolidated level, was written off.

On February 28, 2017, the Company completed an acquisition of fourteen branches from Mathes Management Enterprises, Inc. As of March 31, 2017 the accounting related to this acquisition is preliminary. The final determination of the fair value of the customer lists and goodwill will be completed within the twelve month measurement period from the date of the acquisition as required by FASB ASC Topic 805-10-25. See Part II, Item 8, Footnote 13 "Acquisitions" for further discussion of the Company's acquisitions.

(6) **Notes Payable**

Senior Notes Payable Revolving Credit Facility

At March 31, 2017 the Company's notes payable consist of a \$370.0 million senior revolving credit facility with borrowings of \$295.1 million outstanding and \$0.6 million standby letters of credit related to workers compensation outstanding. To the extent that the letter of credit is drawn upon, the disbursement will be funded by the credit facility. There are no amounts due related to the letters of credit as of March 31, 2017, and they expire on December 31, 2017. The letters of credit are automatically extended for one year on the expiration date. Subject to a borrowing base formula, the Company may borrow at the rate of LIBOR plus 4.0% with a minimum of 5.0%. For the years ended March 31, 2017, 2016 and 2015 the Company's effective interest rate, including the commitment fee, was 5.8%, 5.6%, and 4.3% respectively, and the unused amount available under the revolver at March 31, 2017 was \$74.3 million. The revolving credit facility has a commitment fee of 0.50% per annum on the unused portion of the commitment. Borrowings under the revolving credit facility mature on June 15, 2018.

In May 2017, the credit facility was amended to, among other things, extend the term through June 15, 2019 and increase the aggregate commitments to \$480.0 million. For additional information on the May 2017 amendment to our credit facility, see Part II, Item 8, Footnote 18 "Subsequent Events" in the Notes to Consolidated Financial Statements for the year ended March 31, 2017.

Substantially all of the Company's assets, excluding the assets of the Company's Mexican subsidiaries, are pledged as collateral for borrowings under the revolving credit agreement.

Debt Covenants

The agreement governing the Company's revolving credit facility contains affirmative and negative covenants, including covenants that restrict the ability of the Company and its subsidiaries to, among other things, incur or guarantee indebtedness, incur liens, pay dividends and repurchase or redeem capital stock, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, redeem or prepay subordinated debt, amend subordinated debt documents, make changes in the nature of its business, and engage in transactions with affiliates. The agreement also contains financial covenants, including a minimum consolidated net worth of \$265.0 million, a minimum fixed charge coverage ratio of 2.5 to 1.0, a maximum ratio of total debt to consolidated adjusted net worth of 2.75 to 1.0, and a maximum ratio of subordinated debt to consolidated adjusted net worth of 1.0 to 1.0. The agreement allows the Company to incur subordinated debt that matures after the termination date for the revolving credit facility and that contains specified subordination terms, subject to limitations on amount imposed by the financial covenants under the agreement.

In addition, the agreement establishes a maximum specified level for the collateral performance indicator.

The collateral performance indicator is equal to the sum of (a) a three-month rolling average rate of receivables at least sixty days past due and (b) an eight-month rolling average net charge-off rate. The Company was in compliance with these covenants at March 31, 2017 and does not believe that these covenants will materially limit its business and expansion strategy.

The agreement contains events of default including, without limitation, nonpayment of principal, interest or other obligations, violation of covenants, misrepresentation, cross-default to other debt, bankruptcy and other insolvency events, judgments, certain ERISA events, actual or asserted invalidity of loan documentation, invalidity of subordination provisions of subordinated debt, certain changes of control of the Company, and the occurrence of certain regulatory events (including the entry of any stay, order, judgment, ruling or similar event related to the Company's or any of its subsidiaries' originating, holding, pledging, collecting or enforcing its eligible finance receivables that is material to the Company or any subsidiary) which remains unvacated, undischarged, unbonded or unstayed by appeal or otherwise for a period of 60 days from the date of its entry and is reasonably likely to cause a material adverse change. If it is determined that a violation of the FCPA has occurred, as described in Note 16, such violation may give rise to an event of default under the agreement if such violation were to have a material adverse effect on the Company's business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement resulted in the Company failing to satisfy any financial covenants.

Debt Maturities

As of March 31, 2017, the aggregate annual maturities of the notes payable for each of the five fiscal years subsequent to March 31, 2017 were as follows:

2018	\$	—
2019		295,136,200
2020		—
2021		—
2022		—
Total future debt payments	<u>\$</u>	<u>295,136,200</u>

(7) Insurance and Other Income

Insurance and other income for the years ending March 31, 2017, 2016 and 2015 consist of:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Insurance revenue	\$ 40,848,245	43,346,884	47,822,485
Tax return preparation revenue	14,695,633	11,920,669	9,896,378
Auto club membership revenue	2,515,282	2,516,634	3,671,192
World Class Buying Club revenue	136	1,410	2,438,314
Net gain (loss) on sale of loans receivable	—	(1,572,536)	16,027,999
Other	4,916,166	6,129,210	6,079,167
Insurance and other income	<u>\$ 62,975,462</u>	<u>62,342,271</u>	<u>85,935,535</u>

(8) Non-filing Insurance

The Company maintains non-filing insurance coverage with an unaffiliated insurance company. The following is a summary of the non-filing insurance activity for the years ended March 31, 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Insurance premiums written	\$ 5,673,653	6,197,928	6,804,275
Recoveries on claims paid	\$ 1,165,092	1,125,524	1,128,347
Claims paid	\$ 6,312,511	6,884,185	7,196,437

(9) Leases

The Company conducts most of its operations from leased facilities, except for its owned corporate office building. The Company's leases typically have a lease term of three to five years and contain lessee renewal options. A majority of the leases provide that the lessee pays property taxes, insurance and common area maintenance costs. It is expected that in the normal course of business, expiring leases will be renewed at the Company's option or replaced by other leases or acquisitions of other properties. All of the Company's leases are operating leases.

The future minimum lease payments under noncancelable operating leases as of March 31, 2017, are as follows:

2018	\$ 23,882,791
2019	14,987,827
2020	7,065,190
2021	1,427,826
2022	599,993
Thereafter	207,928
Total future minimum lease payments	<u>\$ 48,171,555</u>

Rental expense for cancelable and noncancelable operating leases for the years ended March 31, 2017, 2016 and 2015, was approximately \$26.9 million, \$27.1 million and \$26.0 million, respectively.

(10) Income Taxes

Income tax expense (benefit) consists of:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Year ended March 31, 2017			
U.S. Federal	\$ 34,930,677	(14,658)	34,916,019
State and local	3,215,621	25,852	3,241,473
Foreign	<u>3,144,625</u>	<u>(905,280)</u>	<u>2,239,345</u>
	<u>\$ 41,290,923</u>	<u>(894,086)</u>	<u>40,396,837</u>
Year ended March 31, 2016			
U.S. Federal	\$ 44,781,123	(839,117)	43,942,006
State and local	4,866,596	169,985	5,036,581
Foreign	<u>1,630,565</u>	<u>(116,245)</u>	<u>1,514,320</u>
	<u>\$ 51,278,284</u>	<u>(785,377)</u>	<u>50,492,907</u>
Year ended March 31, 2015			
U.S. Federal	\$ 61,284,205	(3,524,067)	57,760,138
State and local	6,112,487	(411,543)	5,700,944
Foreign	<u>1,631,605</u>	<u>104,193</u>	<u>1,735,798</u>
	<u>\$ 69,028,297</u>	<u>(3,831,417)</u>	<u>65,196,880</u>

Notes to Consolidated Financial Statements

Income tax expense was \$40,396,837, \$50,492,907 and \$65,196,880, for the years ended March 31, 2017, 2016 and 2015, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income from continuing operations as a result of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Expected income tax	\$ 39,898,996	48,260,962	61,610,618
Increase (reduction) in income taxes resulting from:			
State tax, net of federal benefit	2,106,957	3,273,778	3,705,614
Insurance income exclusion	—	—	(73,826)
Uncertain tax positions	(1,015,222)	1,624,865	1,914,990
State tax adjustment for amended returns	238,301	(370,659)	—
Foreign income adjustments	(332,023)	(257,873)	(1,453,438)
Other, net	(500,172)	(2,038,166)	(507,078)
	<u>\$ 40,396,837</u>	<u>50,492,907</u>	<u>65,196,880</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2017 and 2016 are presented below:

	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Allowance for loan losses	\$ 28,125,727	27,116,483
Unearned insurance commissions	12,419,811	12,840,362
Accrued expenses primarily related to employee benefits	15,849,041	13,743,022
Reserve for uncollectible interest	1,125,188	1,192,215
Other	—	259,822
	<u>57,519,767</u>	<u>55,151,904</u>
Gross deferred tax assets		
Less valuation allowance	(1,274)	(1,274)
Net deferred tax assets	<u>57,518,493</u>	<u>55,150,630</u>
Deferred tax liabilities:		
Fair value adjustment for loans receivable	(9,450,239)	(9,269,247)
Property and equipment	(3,560,296)	(2,945,625)
Intangible assets	(2,341,393)	(2,050,975)
Deferred net loan origination costs	(1,985,387)	(1,977,619)
Prepaid expenses	(977,906)	(776,182)
Other	(178,203)	—
Gross deferred tax liabilities	<u>(18,493,424)</u>	<u>(17,019,648)</u>
Deferred income taxes, net	<u>\$ 39,025,069</u>	<u>38,130,982</u>

The valuation allowance for deferred tax assets as of March 31, 2017, and 2016 was \$1,274. The valuation allowance against the total deferred tax assets as of March 31, 2017, and 2016 relates to the state of Colorado net operating losses in the amount of \$54,318 which expires in 2025. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income prior to the expiration of the deferred tax assets governed by the tax code. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the related temporary differences are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2017. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company is required to assess whether the earnings of the Company's Mexican foreign subsidiary will be permanently reinvested in the respective foreign jurisdiction or if previously untaxed foreign earnings of the Company will no longer be permanently reinvested and thus become taxable in the United States. If these earnings were ever repatriated to the United States, the Company would be required to accrue and pay taxes on the cumulative undistributed earnings. As of March 31, 2017, the Company has determined that approximately \$26.1 million of cumulative undistributed net earnings, as well as the future net earnings, of the Mexican foreign subsidiaries will be permanently reinvested. At March 31, 2017, there was an unrecognized taxable temporary difference in the amount of \$8.2 million related to investment in the Mexican subsidiaries.

As of March 31, 2017, 2016 and 2015, the Company had \$8.9 million, \$10.7 million and \$8.6 million of total gross unrecognized tax benefits including interest, respectively. Of these totals, approximately \$7.2 million, \$8.2 million and \$6.6 million, respectively, represents the amount of net unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31, 2017, 2016 and 2015 are presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unrecognized tax benefit balance beginning of year	\$ 9,395,413	7,621,327	5,810,712
Gross increases for tax positions of current year	(237,746)	783,265	2,209,048
Gross increases for tax positions of prior years	637,166	1,798,505	—
Settlements with tax authorities	(2,403,982)	—	—
Lapse of statute of limitations	(125,885)	(807,684)	(398,433)
Unrecognized tax benefit balance end of year	<u>\$ 7,264,966</u>	<u>9,395,413</u>	<u>7,621,327</u>

At March 31, 2017, approximately \$4.4 million of gross unrecognized tax benefits are expected to be resolved during the next 12 months through settlements with taxing authorities or the expiration of the statute of limitations. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of March 31, 2017 and 2016, the Company had \$1,641,916 and \$1,312,129 accrued for gross interest, respectively, of which \$658,891, \$599,136, and \$474,484 represented the current period expense for the periods ended March 31, 2017, 2016, and 2015.

The Company is subject to U.S. and Mexican income taxes, as well as various other state and local jurisdictions. With the exception of a few states, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013, although carryforward attributes that were generated prior to 2013 may still be adjusted upon examination by the taxing authorities if they either have been or will be used in a future period.

(11) **Earnings Per Share**

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS calculations:

For the year ended March 31, 2017			
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income available to common shareholders	\$ 73,600,294	8,705,658	\$ 8.45
Effect of dilutive securities options and restricted stock	—	72,386	
Diluted EPS			
Income available to common shareholders including dilutive securities	\$ 73,600,294	8,778,044	\$ 8.38
			For the year ended March 31, 2016
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income available to common shareholders	\$ 87,395,557	8,636,269	\$ 10.12
Effect of dilutive securities options and restricted stock	—	55,922	
Diluted EPS			
Income available to common shareholders including dilutive securities	\$ 87,395,557	8,692,191	\$ 10.05
			For the year ended March 31, 2015
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income available to common shareholders	\$ 110,833,458	9,146,003	\$ 12.12
Effect of dilutive securities options and restricted stock	—	170,626	
Diluted EPS			
Income available to common shareholders including dilutive securities	\$ 110,833,458	9,316,629	\$ 11.90

Options to purchase 733,053, 825,505 and 543,879 shares of common stock at various prices were outstanding during the years ended March 31, 2017, 2016 and 2015, respectively, but were not included in the computation of diluted EPS because the option exercise price was antidilutive.

(12) Benefit Plans

Retirement Plan

The Company provides a defined contribution employee benefit plan (401(k) plan) covering full-time employees, whereby employees can invest up to the maximum designated for that year. The Company matches 50% of each employee's contributions up to the first 6% of the employee's eligible compensation, providing a maximum employer contribution of 3% of compensation. The Company's expense under this plan was \$1,377,371, \$1,453,468 and \$1,470,600, for the years ended March 31, 2017, 2016 and 2015, respectively.

Supplemental Executive Retirement Plan

The Company has instituted a Supplemental Executive Retirement Plan ("SERP"), which is a non-qualified executive benefit plan in which the Company agrees to pay the executive additional benefits in the future, usually at retirement, in return for continued employment by the executive. The SERP is an unfunded plan, and as such, there are no specific assets set aside by the Company in connection with the establishment of the plan. The executive has no rights under the agreement beyond those of a general creditor of the Company. In May 2009 the Company instituted a second Supplemental Executive Retirement Plan to provide to one executive the same type of benefits as are in the original SERP but for which he would not have qualified due to age. This second SERP is also an unfunded plan with no specific assets set aside by the Company in connection with the plan. For the years ended March 31, 2017, 2016 and 2015, contributions of \$618,013, \$1,796,998 and \$642,710, respectively, were charged to expense related to the SERP. The unfunded liability was \$8,447,283, \$8,886,195 and \$7,516,249, as of March 31, 2017, 2016 and 2015, respectively.

For the three years presented, the unfunded liability was estimated using the following assumptions: an annual salary increase of 3.5% for all 3 years; a discount rate of 6.0% for all 3 years; and a retirement age of 65.

Executive Deferred Compensation Plan

The Company has an Executive Deferral Plan. Eligible executives and directors may elect to defer all or a portion of their incentive compensation to be paid under the Executive Deferral Plan. As of March 31, 2017 and 2016 no executive or director had deferred compensation under this plan.

Stock Option Plans

The Company has a 2002 Stock Option Plan, a 2005 Stock Option Plan, a 2008 Stock Option Plan, and a 2011 Stock Option Plan for the benefit of certain directors, officers, and key employees. Under these plans, a total of 4,100,000 shares of authorized common stock have been reserved for issuance pursuant to grants approved by the Compensation and Stock Option Committee of the Board of Directors. Stock options granted under these plans have a maximum duration of ten years, may be subject to certain vesting requirements, which are generally three to five years for officers, directors, and key employees, and are priced at the market value of the Company's common stock on the grant date of the option. At March 31, 2017 there were a total of 441,499 shares available for grant under the plans.

Stock-based compensation is recognized as provided under FASB ASC Topic 718-10 and FASB ASC Topic 505-50. FASB ASC Topic 718-10 requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense over the requisite service period (generally the vesting period) in the consolidated financial statements based on their grant date fair values. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. The Company has applied the Black-Scholes valuation model in determining the grant date fair value of the stock option awards. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on historical experience and future expectations.

Notes to Consolidated Financial Statements

The weighted-average fair value at the grant date for options issued during the years ended March 31, 2017, 2016 and 2015 was \$22.25, \$10.82 and \$34.50 per share, respectively. This fair value was estimated at grant date using the weighted-average assumptions listed below.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Dividend yield	0%	0%	0%
Expected volatility	48.90%	41.41%	44.62%
Average risk-free interest rate	1.20%	1.38%	1.77%
Expected life	5.0 years	5.0 years	6.1 years

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after the grant date. The risk-free rate reflects the interest rate at grant date on zero coupon U.S. governmental bonds having a remaining life similar to the expected option term.

Option activity for the year ended March 31, 2017 was as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding, beginning of year	950,651	\$ 67.20		
Granted	62,625	51.38		
Exercised	(33,702)	34.43		
Forfeited	(68,284)	64.72		
Expired	(43,149)	71.10		
Options outstanding, end of period	<u>868,141</u>	<u>\$ 67.33</u>	6.32	<u>\$ 2,952,869</u>
Options exercisable, end of period	<u>553,541</u>	<u>\$ 69.32</u>	<u>5.55</u>	<u>\$ 1,439,488</u>

The aggregate intrinsic value reflected in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on March 31, 2017 and the exercise price, multiplied by the number of in-the-money options) that would have been received by option holders had all option holders exercised their options as of March 31, 2017. This amount will change as the stock's market price changes. The total intrinsic value of options exercised during the periods ended March 31, 2017, 2016 and 2015 was as follows:

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$661,164	\$2,445,011	\$6,454,022

As of March 31, 2017, total unrecognized stock-based compensation expense related to non-vested stock options amounted to approximately \$5.2 million, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

Restricted Stock

During fiscal 2017, the Company granted 74,490 shares of restricted stock (which are equity classified), to certain executive officers, with a grant date weighted average fair value of \$51.15. One-third of these awards will vest on each anniversary of the grant date over the next three years.

During fiscal 2014 and 2013 the Company granted 8,590 and 70,800 Group A performance based restricted stock awards to certain officers. Group A awards vested on April 30, 2015 based on the Company's achievement of the following performance goals as of March 31, 2015:

EPS Target	Restricted Shares Eligible for Vesting (Percentage of Award)
\$10.29	100%
\$9.76	67%
\$9.26	33%
Below \$9.26	0%

During fiscal 2014 and 2013 the Company granted 56,660 and 443,700 Group B performance based restricted stock awards to certain officers. As of March 31, 2017 no Group B awards remain unforfeited and outstanding. Group B awards would have vested as follows, if the Company achieved the following performance goals during any successive trailing four quarters during the measurement period ending on March 31, 2017:

Trailing 4 quarter EPS Target	Restricted Shares Eligible for Vesting (Percentage of Award)
\$13.00	25%
\$14.50	25%
\$16.00	25%
\$18.00	25%

During fiscal 2016 the Company determined that the earnings per share targets associated with the Group B stock awards were not achievable during the measurement period which ended on March 31, 2017. Subsequently, the Compensation and Stock Option Committee of the Board of Directors amended the awards allowing 25% of the Group B awards to vest for certain officers. The officers were required to forfeit their remaining Group B shares as a part of the amendment. FASB Topic ASC 718 defines a grant modification as a change in any of the terms or conditions of a stock-based compensation award to include accelerated vesting. The Company determined that since the Group B awards would not have otherwise vested pre-modification, the accelerated vesting qualified as a Type III modification. During the year ended March 31, 2016, the Company released approximately \$9.7 million of compensation expense associated with the Group B awards, including \$2.9 million related to the Type III modification.

Compensation expense related to restricted stock is based on the number of shares expected to vest and the fair market value of the common stock on the grant date. The Company recognized compensation expense of \$1.6 million, a net reduction in compensation expense of \$8.0 million and compensation expense of \$8.1 million for the years ended March 31, 2017, 2016 and 2015, respectively, which is included as a component of general and administrative expenses in the Company's Consolidated Statements of Operations.

As of March 31, 2017, there was approximately \$3.3 million of unrecognized compensation cost related to unvested restricted stock awards, which is expected to be recognized over the next 2.3 years based on current estimates.

A summary of the status of the Company's restricted stock as of March 31, 2017 and changes during the year ended March 31, 2017, are presented below:

	Shares	Weighted Average Fair Value at Grant Date
Outstanding at March 31, 2016	93,550	\$ 40.92
Granted during the period	74,490	51.15
Vested during the period	(20,589)	28.29
Forfeited during the period	(36,090)	62.49
Outstanding at March 31, 2017	111,361	\$ 43.11

Total share-based compensation included as a component of net income during the years ended March 31, 2017, 2016 and 2015 was as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Share-based compensation related to equity classified units:			
Share-based compensation related to stock options	\$ 3,490,662	3,965,463	8,133,512
Share-based compensation related to restricted stock	<u>1,604,257</u>	<u>(8,033,213)</u>	<u>8,138,643</u>
Total share-based compensation related to equity classified awards	<u>\$ 5,094,919</u>	<u>(4,067,750)</u>	<u>16,272,155</u>

(13) Acquisitions

The Company evaluates each set of assets and activities it acquires to determine if the set meets the definition of a business according to FASB ASC Topic 805-10-55. Acquisitions meeting the definition of a business are accounted for as a business combination while all other acquisitions are accounted for as asset purchases.

The following table sets forth the acquisition activity of the Company for the years ended March 31, 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Number of branches acquired through business combinations	14	—	2
Number of asset purchases	—	1	3
Total acquisitions	<u>14</u>	<u>1</u>	<u>5</u>
Purchase price	\$ 20,836,699	173,628	1,979,494
Tangible assets:			
Loans receivable, net	16,617,242	92,097	1,512,149
Property and equipment	<u>86,214</u>	<u>—</u>	<u>4,000</u>
	<u>16,703,456</u>	<u>92,097</u>	<u>1,516,149</u>
Excess of purchase prices over carrying value of net tangible assets	<u>\$ 4,133,243</u>	<u>81,531</u>	<u>463,345</u>
Customer lists	\$ 4,063,243	76,531	284,014
Non-compete agreements	70,000	5,000	25,000
Goodwill	—	—	154,331

Acquisitions that are accounted for as business combinations typically result in one or more new branches. In such cases, the Company typically retains the existing employees and the branch location from the acquisition. The purchase price is allocated to the tangible assets and intangible assets acquired based upon their estimated fair market values at the acquisition date. The remainder is allocated to goodwill. During the year ended March 31, 2017 the Company acquired fourteen branches through one business combination, as described below.

Acquisitions that are accounted for as asset purchases are typically limited to acquisitions of loan portfolios. The purchase price is allocated to the tangible assets and intangible assets acquired based upon their estimated fair market values at the acquisition date. In an asset purchase, no goodwill is recorded. During the year ended March 31, 2017, the Company did not record any acquisitions as asset purchases.

The Company's acquisitions include tangible assets (generally loans and furniture and equipment) and intangible assets (generally non-compete agreements, customer lists, and goodwill), both of which are recorded at their fair values, which are estimated pursuant to the processes described below.

Acquired loans are valued at the net loan balance. Given the short-term nature of these loans, generally 8 months, and that these loans are priced at current rates, management believes the net loan balances approximate their fair value.

Furniture and equipment are valued at the specific purchase price as agreed to by both parties at the time of acquisition, which management believes approximates their fair values.

Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates the fair value.

Customer lists are valued with a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. Customer lists are allocated at a branch level and are evaluated for impairment at a branch level when a triggering event occurs in accordance with FASB ASC Topic 360-10-05. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to an office is less than \$100,000, and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

In a business combination, the remaining excess of the purchase price over the fair value of the tangible assets, customer lists, and non-compete agreements is allocated to goodwill.

On February 28, 2017, the Company completed an acquisition of fourteen branches from Mathes Management Enterprises, Inc. The acquisition is consistent with the Company's strategy of expansion in areas where demographic profiles and state regulations are attractive. All acquired branches are located in the state of Georgia. Based on its evaluation of the agreement consistent with the framework described above, the Company accounted for the acquisition as a business combination. In conjunction with the acquisition, the Company allocated the purchase price, tangible assets, and intangible assets among the acquired branches based on the fair values of their respective acquired assets. As of March 31, 2017 the accounting related to this acquisition is preliminary. The final determination of the fair value of the customer lists and goodwill will be completed within the twelve month measurement period from the date of the acquisition as required by FASB ASC Topic 805-10-25. The Company recorded no goodwill in its preliminary accounting for this acquisition.

The results of all acquisitions have been included in the Company's Consolidated Financial Statements since the respective acquisition date. The pro forma impact of these branches as though they had been acquired at the beginning of the periods presented would not have a material effect on the results of operations as reported.

(14) Fair Value

Fair Value Disclosures

The Company may carry certain financial instruments and derivative assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in market that are less active.
- Level 3 – Unobservable inputs for assets or liabilities reflecting the reporting entity's own assumptions.

The Company's financial instruments for the periods reported consist of the following: cash and cash equivalents, loans receivable, and senior notes payable. Fair value approximates carrying value for all of these instruments. Loans receivable are originated at prevailing market rates and have an average life of approximately 8 months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's revolving credit facility has a variable rate based on a margin over LIBOR and reprices with any changes in LIBOR. The Company also considered its creditworthiness in its determination of fair value.

Notes to Consolidated Financial Statements

The carrying amount and estimated fair values of the Company's financial instruments summarized by level are as follows:

	March 31, 2017		March 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
ASSETS				
Level 1 inputs				
Cash and cash equivalents	\$ 15,200,410	\$ 15,200,410	\$ 12,377,024	\$ 12,377,024
Level 3 inputs				
Loans receivable, net	695,700,589	695,700,589	706,739,376	706,739,376
LIABILITIES				
Level 3 inputs				
Senior notes payable	295,136,200	295,136,200	374,685,000	374,685,000

There were no significant assets or liabilities measured at fair value on a non-recurring basis as of March 31, 2017 and 2016.

(15) Quarterly Information (Unaudited)

The following sets forth selected quarterly operating data:

	2017				2016			
	First	Second	Third	Fourth	First	Second	Third	Fourth
(Dollars in thousands, except for earnings per share data)								
Total revenues	\$ 127,080	129,269	130,815	144,571	137,225	136,412	139,696	144,143
Provision for loan losses	32,014	35,871	39,985	20,702	26,228	37,557	35,441	24,373
General and administrative expenses	62,949	63,456	71,237	70,020	67,568	63,436	71,580	66,555
Interest expense	5,586	5,519	5,274	5,125	5,472	7,269	7,149	6,959
Income tax expense	9,913	8,932	4,679	16,873	14,325	8,963	10,775	16,430
Net income	<u>\$ 16,618</u>	<u>15,491</u>	<u>9,640</u>	<u>31,851</u>	<u>23,632</u>	<u>19,187</u>	<u>14,751</u>	<u>29,826</u>
Earnings per share:								
Basic	<u>\$ 1.91</u>	<u>1.78</u>	<u>1.11</u>	<u>3.67</u>	<u>2.75</u>	<u>2.23</u>	<u>1.70</u>	<u>3.44</u>
Diluted	<u>\$ 1.89</u>	<u>1.76</u>	<u>1.10</u>	<u>3.64</u>	<u>2.71</u>	<u>2.22</u>	<u>1.70</u>	<u>3.42</u>

The Company's highest loan demand occurs generally from October through December, its third fiscal quarter. Loan demand is generally lowest and loan repayment highest from January to March, its fourth fiscal quarter. Consequently, the Company experiences significant seasonal fluctuations in its operating results and cash needs. Operating results from the Company's third fiscal quarter are generally lower than in other quarters and operating results for its fourth fiscal quarter are generally higher than in other quarters.

(16) Litigation

Internal Investigation

The Company is conducting an internal investigation of its operations in Mexico, focusing on the legality under the FCPA and certain local laws of certain payments related to loans, the maintenance of the Company's books and records associated with such payments, and the treatment of compensation matters for certain employees.

The internal investigation continues to address whether and to what extent improper payments, which may violate the FCPA and other local laws, were made approximately between 2010 and 2017 by or on behalf of WAC de México SOFOM, a subsidiary of the Company, to government officials in Mexico relating to loans made to unionized employees. The Company has voluntarily contacted the SEC and the DOJ to advise both agencies that an internal investigation is underway and that the Company intends to cooperate with both agencies. A conclusion cannot be drawn at this time as to whether either agency will open a proceeding to investigate the matter or, if a proceeding is opened, what potential remedies these agencies may seek. In addition, although management will seek to avoid disruption to its operations in Mexico, the Company cannot determine at this time the ultimate effect that the investigation or any remedial measures will have on such operations.

If violations of the FCPA or other local laws occurred, the Company could be subject to fines, civil and criminal penalties, equitable remedies, including profit disgorgement and related interest, and injunctive relief. In addition, any disposition of these matters could adversely impact our ability to collect on outstanding loans and result in modifications to our business practices and compliance programs, including significant restructuring or curtailment of our operations in Mexico. Any disposition could also potentially require that a monitor be appointed to review future business practices with the goal of ensuring compliance with the FCPA and other applicable laws. The Company could also face fines, sanctions, and other penalties from authorities in Mexico, as well as third-party claims by shareholders and/or other stakeholders of the Company. In addition, disclosure of the investigation could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current clients and potential clients, to attract and retain employees, and to access the capital markets. If it is determined that a violation of the FCPA has occurred, such violation may give rise to an event of default under the Company's credit agreement if such violation were to have a material adverse effect on the Company's business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement resulted in the Company failing to satisfy any financial covenants. Additional potential FCPA violations or violations of other laws or regulations may be uncovered through the investigation.

In June 2017, we held discussions with the DOJ and SEC regarding the potential resolution of this matter. The discussions with the government are at an early stage, and the Company is currently unable to assess whether the government will accept voluntary settlement terms that would be acceptable to the Company.

In addition to the ultimate liability for disgorgement and related interest, the Company believes that it could be further liable for fines and penalties as part of any settlement. At this time, the Company is not able to reasonably estimate the amount of any fine or penalty that it may have to pay as a part of any possible settlement. Furthermore, the Company cannot currently assess the potential liability that might be incurred if a settlement is not reached and the government were to litigate the matter. As such, based on the information available at this time, any additional liability related to this matter is not reasonably estimable. The Company will continue to evaluate the amount of its liability pending final resolution of the investigation and any related settlement discussions with the government[; the amount of the actual liability for any fines, penalties, disgorgement, or interest that may be recorded in connection with a final settlement could be significantly higher than the liability accrued to date]. To be updated as appropriate pending any recognition of accruals.

CFPB Investigation

As previously disclosed, on March 12, 2014, the Company received a CID from the Consumer Financial Protection Bureau CFPB. The stated purpose of the CID is to determine whether the Company has been or is "engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law" and "also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest." The Company responded, within the deadlines specified in the CID, to broad requests for production of documents, answers to interrogatories and written reports related to loans made by the Company and numerous other aspects of the Company's business.

Also, as previously disclosed, on August 7, 2015, the Company received a letter from the CFPB's Enforcement Office notifying the Company that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the staff of CFPB's Enforcement Office is considering recommending that the CFPB take legal action against the

Company (the “NORA Letter”). The NORA Letter states that the staff of the CFPB’s Enforcement Office expects to allege that the Company violated the Consumer Financial Protection Act of 2010, 12 U.S.C. §5536. The NORA Letter confirms that the Company has the opportunity to make a NORA submission, which is a written statement setting forth any reasons of law or policy why the Company believes the CFPB should not take legal action against it. The Company understands that a NORA Letter is intended to ensure that potential subjects of enforcement actions have the opportunity to present their positions to the CFPB before an enforcement action is recommended or commenced.

The Company has made NORA submissions to the CFPB's Enforcement Office. The Company expects that there will continue to be additional requests or demands for information from the CFPB and ongoing interactions between the CFPB, the Company and Company counsel as part of the investigation. We are currently unable to predict the ultimate timing or outcome of the CFPB investigation. While the Company believes its marketing and lending practices are lawful, there can be no assurance that the CFPB's ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of federal consumer financial protection laws that could lead to enforcement actions, proceedings or litigation and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to the Company’s business practices or operations that could have a material adverse effect on the Company’s business, financial condition or results of operations or eliminate altogether the Company's ability to operate its business profitably or on terms substantially similar to those on which it currently operates. See Part I, Item 1, “Business-Government Regulation-Federal legislation,” for a further discussion of these matters and the federal regulations to which the Company’s operations are subject and Part I, Item 1A, “Risk Factors,” for more information regarding these regulations and related risks.

Shareholder Complaints

As previously disclosed, on April 22, 2014, a shareholder filed a putative class action complaint, *Edna Selan Epstein v. World Acceptance Corporation et al.*, in the United States District Court for the District of South Carolina (case number 6:14-cv-01606) (the “Edna Epstein Putative Class Action”), against the Company and certain of its current and former officers on behalf of all persons who purchased or otherwise acquired the Company’s common stock between April 25, 2013 and March 12, 2014. Two amended complaints have been filed by the plaintiffs, and several other motions have been filed in the proceedings. The complaint, as currently amended, alleges that (i) the Company made false and misleading statements in various SEC reports and other public statements in violation of federal securities laws preceding the Company’s disclosure in a Form 8-K filed March 13, 2014 that it had received the above-referenced CID from the CFPB, (ii) the Company’s loan growth and volume figures were inflated because of a weakness in the Company’s internal controls relating to its accounting treatment of certain small-dollar loan re-financings, and (iii) additional allegations regarding, among other things, the Company’s receipt of a Notice and Opportunity to Respond and Advise letter from the CFPB on August 7, 2015. The complaint seeks class certification for a class consisting of all persons who purchased or otherwise acquired the Company’s common stock between January 30, 2013 and August 10, 2015, unspecified monetary damages, costs and attorneys’ fees. The Company denied that the claims had any merit and opposed certification of the proposed class.

On June 7, 2017, during a court-ordered mediation, the parties reached an agreement in principle to settle the *Edna Epstein Putative Class Action*. The settlement will resolve the claims asserted against all defendants in the action. The terms agreed upon by the parties contemplate a settlement payment to the class of \$16 million, all of which will be funded by the Company’s directors and officers (D&O) liability insurance carriers. The settlement is subject to formal documentation and court approval. Neither the Company nor any of its present or former officers have admitted any wrongdoing or liability in connection with the settlement.

As previously disclosed, on July 15, 2015, a shareholder filed a putative derivative complaint, *Irwin J. Lipton, et al. v. McLean, et al.*, in the United States District Court for the District of South Carolina (case number 6:15-cv-02796-MGL) (the “Lipton Derivative Action”), on behalf of the Company against certain of our current and former officers and directors. On September 21, 2015, another shareholder filed a putative derivative complaint, *Paul Parshall, et al. v. McLean, et al.*, in the United States District Court for the District of South Carolina (case number 6:15-cv-03779-MGL) (the “Parshall Derivative Action”), asserting substantially similar claims on behalf of the Company against certain of our current and former officers and directors. On October 14, 2015, the Court entered an order consolidating the Lipton Derivative Action and the Parshall Derivative Action as *In re World Acceptance Corp. Derivative Litigation* (Lead Case No. 6:15-cv-02796-MGL). The plaintiffs subsequently filed an amended complaint, and the amended consolidated complaint alleges, among other things:

- (i) that the defendants breached their fiduciary duties by disseminating false and misleading information to the Company’s shareholders regarding the Company’s loan growth, loan renewals, allowances for loan losses, revenue sources, revenue growth, compliance with U.S. generally accepted accounting principles (“GAAP”), and the sufficiency of the Company’s internal controls and accounting procedures;
- (ii) that the defendants breached their fiduciary duties by failing to ensure that the Company maintained adequate internal controls;

- (iii) that the defendants breached their fiduciary duties by failing to exercise prudent oversight and supervision of the Company's officers and other employees to ensure conformity with all applicable laws and regulations;
- (iv) that the defendants were unjustly enriched as a result of the compensation they received while allegedly breaching their fiduciary duties owed to the Company;
- (v) that the defendants wasted corporate assets by paying excessive compensation to certain of the Company's executive officers, awarding self-interested stock options to certain of the Company's officers and directors, incurring legal liability and legal costs to defend the defendants' unlawful actions, and authorizing the repurchase of Company stock at artificially inflated prices;
- (vi) that certain of the defendants breached their fiduciary duty to the Company by selling shares of the Company's stock at artificially inflated prices while in the possession of material, nonpublic information regarding the Company's financial condition;
- (vii) that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 by making false and misleading statements regarding the Company's practices regarding loan renewals, loan modifications, and accounting for loans;
- (viii) that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 by failing to disclose alleged material facts in the Company's 2014 and 2015 proxy statements; and
- (ix) allegations similar to those made in connection with the Edna Epstein Putative Class Action described above.

The consolidated complaint seeks, among other things, unspecified monetary damages and an order directing the Company to take steps to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect the Company and its shareholders from future wrongdoing such as that described in the consolidated complaint. On February 28, 2017, the Court entered an order dismissing the derivative litigation. The plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Fourth Circuit on March 27, 2017.

On June 14, 2017, following mediation, the parties reached an agreement in principle to settle the derivative litigation. The settlement will resolve the claims asserted against all defendants in the action. The settlement provides that the Company will adopt certain corporate governance practices and pay plaintiffs' attorney's fees and expenses in an amount approved by the court not to exceed \$475,000, which fees and expenses will be funded by the Company's directors and officers (D&O) liability insurance carriers. The settlement is subject to formal documentation and court approval. Neither the Company nor any of its present or former directors and officers have admitted any wrongdoing or liability in connection with the settlement.

General

In addition, from time to time the Company is involved in routine litigation matters relating to claims arising out of its operations in the normal course of business, including matters in which damages in various amounts are claimed.

Estimating an amount or range of possible losses resulting from litigation, government actions and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, may involve fines, penalties or damages that are discretionary in amount, involve a large number of claimants or significant discretion by regulatory authorities, represent a change in regulatory policy or interpretation, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in a change in business practices. In addition, because most legal proceedings are resolved over extended periods of time, potential losses are subject to change due to, among other things, new developments, changes in legal strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. For these reasons, we are currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from, the matters described above. Based on information currently available, the Company does not believe that any reasonably possible losses arising from currently pending legal matters will be material to the Company's results of operations or financial conditions. However, in light of the inherent uncertainties involved in such matters, an adverse outcome in one or more of these matters could materially and adversely affect the Company's financial condition, results of operations or cash flows in any particular reporting period.

(17) Segments

The Company evaluates segment reporting in accordance with the FASB Accounting Standards Codification 280, Segment Reporting each reporting period, including evaluating the reporting package reviewed by the Chief Operation Decision Maker ("CODM"). The Company has concluded the Chief Executive Officer qualifies as the CODM.

Management believes there are four possible approaches to consider when determining the Company's operating segments: by nationality, by division, by business line, and by function. In all, these approaches present a total of 13 unique entity components. Of the 13 unique entity components, Management has determined that only the U.S. and Mexico components meet the tests in

Notes to Consolidated Financial Statements

ASC 280-10-50-1 to be classified as operating segments. The U.S. component is housed within the Nationality approach while the Mexico component is shared by the Nationality and Division approaches.

At March 31, 2017 only the U.S. operating segment meets one or more of the quantitative thresholds that trigger separately disclosed reporting. However, Management believes separately disclosed information about the Mexico operating segment would be useful to readers of the financial statements. Therefore, the Company has two reportable segments, which are the U.S. and Mexico components.

The following table presents operating results for the Company's two reportable segments:

	For the Year Ended March 31,		
	2017	2016	2015
Revenues:			
U.S.	\$ 490,821,420	515,300,873	557,818,594
Mexico	40,913,304	42,174,834	52,394,282
Consolidated revenues	<u>531,734,724</u>	<u>557,475,707</u>	<u>610,212,876</u>
Provision for loan losses:			
U.S.	\$ 119,095,712	114,427,629	107,223,759
Mexico	9,476,450	9,170,689	11,606,104
Consolidated provision for loan losses	<u>128,572,162</u>	<u>123,598,318</u>	<u>118,829,863</u>
General and administrative expenses: ⁽¹⁾			
U.S.	\$ 244,753,946	244,370,502	263,166,854
Mexico	22,907,277	24,769,173	28,884,665
Consolidated general and administrative expenses	<u>267,661,223</u>	<u>269,139,675</u>	<u>292,051,519</u>
Interest expense: ⁽²⁾			
U.S.	\$ 21,504,208	26,849,250	23,301,156
Mexico	—	—	—
Consolidated interest expense	<u>21,504,208</u>	<u>26,849,250</u>	<u>23,301,156</u>
Income tax expense:			
U.S.	\$ 38,157,492	48,978,587	63,461,082
Mexico	2,239,345	1,514,320	1,735,798
Consolidated income tax expense	<u>40,396,837</u>	<u>50,492,907</u>	<u>65,196,880</u>
Net income:			
U.S.	\$ 67,310,062	80,674,905	100,665,743
Mexico	6,290,232	6,720,652	10,167,715
Consolidated net income	<u>73,600,294</u>	<u>87,395,557</u>	<u>110,833,458</u>

(1) In accordance with transfer pricing agreements between the segments, the Mexico segment reimburses the U.S. segment for personnel-related and other administrative costs incurred by the U.S. for the benefit of Mexico. For fiscal years 2017, 2016, and 2015 these charges totaled \$0.4 million, \$2.7 million, and \$2.8 million, respectively.

(2) In accordance with the Company's revolving credit facility, substantially all of the Company's assets, excluding the Company's Mexico subsidiaries, are pledged as collateral. Any working capital contributions made by the U.S. to Mexico are treated as contributions of capital. Therefore, the Mexico segment incurs no interest expense.

Notes to Consolidated Financial Statements

The following table presents long-lived assets (other than financial instruments, long-term customer relationships of a financial institution, mortgage and other servicing rights, deferred policy acquisition costs, and deferred tax assets) for the Company's two reportable segments:

	March 31,	
	2017	2016
Total long-lived assets		
U.S.	\$ 20,724,777	21,300,123
Mexico	3,459,430	3,996,790
Consolidated total assets	<u>24,184,207</u>	<u>25,296,913</u>

The following table presents total assets for the Company's two reportable segments:

	March 31,	
	2017	2016
Total assets		
U.S.	\$ 730,985,558	739,870,383
Mexico	69,603,217	66,348,480
Consolidated total assets	<u>800,588,775</u>	<u>806,218,863</u>

(18) Subsequent Events

Eleventh Amendment to Amended and Restated Revolving Credit Facility

On May 8, 2017, the Company entered into an eleventh amendment (the "Eleventh Amendment") to the Amended and Restated Revolving Credit Agreement, originally dated as of September 17, 2010 (as cumulatively amended, the "Revolving Credit Agreement"), among the Company, the lenders named therein, and Wells Fargo Bank, National Association, as successor Administrative Agent and successor Collateral Agent.

The Eleventh Amendment amends the Revolving Credit Agreement to, among other things: (i) extend the maturity date under the Revolving Credit Agreement from June 15, 2018 to June 15, 2019; (ii) increase the commitments under the Revolving Credit Agreement from \$370.0 million to \$480.0 million; (iii) reduce the maximum permissible ratio of total debt to consolidated adjusted net worth from 2.75 to 1.0 to 2.0 to 1.0; (iv) further narrow the definition of "Eligible Finance Receivables;" (v) expand the circumstances under which the Company may make restricted payments by allowing for certain share repurchases in an aggregate amount of up to 50% of consolidated adjusted net income in any fiscal year, commencing with the fiscal year ending March 31, 2017; and (vi) restrict certain bulk purchases of finance receivables by the Company. In addition, pursuant to the Eleventh Amendment, Bank United, N.A. became a lender under the Revolving Credit Agreement.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
World Acceptance Corporation

We have audited the accompanying consolidated balance sheets of World Acceptance Corporation and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Acceptance Corporation and subsidiaries as of March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2017, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), World Acceptance Corporation and subsidiaries' internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated June 29, 2017 expressed an opinion that World Acceptance Corporation and subsidiaries had not maintained effective internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

RSM US LLP

RSM US LLP

Raleigh, North Carolina
June 29, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
World Acceptance Corporation and subsidiaries

We have audited World Acceptance Corporation and subsidiaries' internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. World Acceptance Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. There were control design gaps in the Company's accounts payable environment related to vendor management and payment processes in Mexico and in the Company's entity level control environment related to adherence to U.S. and foreign laws and regulations, including the FCPA, and corporate governance of the Mexico operations. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the March 31, 2017 consolidated financial statements, and this report does not affect our report dated June 29, 2017 on those consolidated financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, World Acceptance Corporation and subsidiaries has not maintained effective internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of World Acceptance Corporation and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2017 and our report dated June 29, 2017 expressed an unqualified opinion.

RSM US LLP

RSM US LLP

Raleigh, North Carolina
June 29, 2017

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a – 15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of internal control over financial reporting as of March 31, 2017. Our assessment was based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and board of directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, any assumptions regarding internal control over financial reporting in future periods based on an evaluation of effectiveness in a prior period are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on using the COSO criteria, we believe our internal control over financial reporting as of March 31, 2017 was not effective.

Our independent registered public accounting firm has audited the Consolidated Financial Statements included in this Annual Report and has issued an attestation report on the effectiveness of our internal control over financial reporting, as stated in their report.

/s/ Janet Lewis Matricciani

Janet Lewis Matricciani
Chief Executive Officer

/s/ John L. Calmes, Jr.

John L. Calmes, Jr.
Senior Vice President and Chief Financial Officer

BOARD OF DIRECTORS

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Private Investor

Darrell E. Whitaker
President and Chief Operating Officer
IMI Resort Holdings, Inc.

Scott J. Vassalluzzo
Managing Member
Prescott General Partners LLC

James R. Gilreath
Attorney
The Gilreath Law Firm, P.A.

Charles D. Way
Private Investor

Janet Lewis Matricciani
Chief Executive Officer
World Acceptance Corporation

CORPORATE OFFICERS

Janet Lewis Matricciani
Chief Executive Officer

John L. Calmes, Jr.
Senior Vice President, Chief Financial Officer and Treasurer

Tara E. Bullock
Senior Vice President, Secretary and General Counsel

D. Clinton Dyer
Executive Vice President, Branch Operations

Erik T. Brown
Senior Vice President, Central Division

Jackie C. Willyard
Senior Vice President, South Eastern Division

Jeff L. Tinney
Senior Vice President, Western Division

Ricardo Cavazos Saldaña
Senior Vice President, Mexico

Scott McIntyre
Vice President, Accounting, US

Chad Prashad
Vice President, Analytics

Stacey K. Estes
Vice President, Leasing Administration

A. Lindsay Caulder
Vice President, Human Resources

Jason E. Childers
Vice President, IT Strategic Solutions

Kristin M. Hand Dunn
Vice President, Marketing

Keith T. Littrell
Vice President, Tax and Assistant Secretary

J. Kevin Gross
President, ParaData Financial Systems

Melissa C. Ulrich
Vice President of Operations, Illinois

Stephen A. Bifano
Vice President of Operations, South Carolina

Charles David Minick
Vice President of Operations, Texas Caliente

Michael W. Henry
Vice President of Operation, New Mexico

Rodney D. Ernest
Vice President of Operations, Northeast Texas

Rudolph R. Cruz
Vice President of Operations, Northwest Texas

James W. Littlepage
Vice President of Operations, Tennessee

James Edward Cain
Vice President of Operations, Kentucky

Patrick Williams
Vice President of Operations, Louisiana and Mississippi

Scott H. Mozingo
Vice President of Operations, Georgia

Michael Imig
Vice President of Operations, Missouri

Rodney Owens
Vice President of Operations, Oklahoma

Jose Carreon
Vice President of Operations, Alabama

Willard James Pipkin, Jr.
Vice President of Operations, Wisconsin

Steven E. Holt
Vice President of Operations, Indiana

CORPORATE INFORMATION

Common Stock

World Acceptance Corporation's common stock trades on the Nasdaq Stock Market under the symbol: WRLD. As of June 26, 2017, there were 54 shareholders of record and the Company believes there are a significant number of persons or entities who hold their stock in nominee or "street" names through various brokerage firms. On this date, there were 8,815,550 shares of common stock outstanding.

The table below reflects the stock prices published by Nasdaq by quarter for the last two fiscal years. The last reported sales price on June 26, 2017 was \$74.89.

Market Price of Common Stock

Fiscal 2017		
<u>Quarter</u>	<u>High</u>	<u>Low</u>
First	\$ 46.24	\$ 32.40
Second	55.43	42.33
Third	68.69	43.50
Fourth	68.83	42.01

Fiscal 2016		
<u>Quarter</u>	<u>High</u>	<u>Low</u>
First	\$ 96.23	\$ 60.33
Second	62.67	25.30
Third	47.81	25.58
Fourth	41.13	26.87

The Company has never paid a dividend on its Common Stock. The Company presently intends to retain its earnings to finance the growth and development of its business and does not expect to pay cash dividends in the foreseeable future. The Company's debt agreements also contain certain limitations on the Company's ability to pay dividends.

Executive Offices

World Acceptance Corporation
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108 Frederick Street (29607)
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(864) 298-9800

Transfer Agent

American Stock Transfer & Trust Company
10150 Mallard Creek Drive, Suite 307
Charlotte, North Carolina 28262
(718) 921-8522

Legal Counsel

Womble Carlyle Sandridge & Rice, LLP
550 South Main Street Suite 400
Greenville, SC 29601

Independent Registered Public Accounting Firm

RSM US LLP
1201 Edwards Mill Road, Suite 300
Raleigh, North Carolina 27607

Annual Report

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to the Corporate Secretary at the executive offices of the Company. The Form 10-K also can be reviewed or downloaded from the Company's website: <http://www.loansbyworld.com>.

For Further Information

Janet Lewis Matricciani
Chief Executive Officer
World Acceptance
(864)298-9800

World Acceptance Corporation