



*World Acceptance Corporation*

2015

ANNUAL REPORT

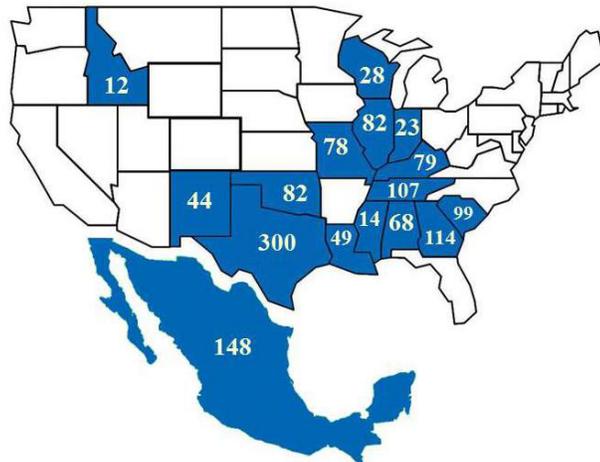
## COMPANY PROFILE

**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 2015, the Company loaned \$2.7 billion in the aggregate in 2.0 million transactions. As of March 31, 2015, World had approximately 942,000 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 2015 was \$1,209, and the average contractual maturity was approximately thirteen months.

The Company also markets computer software and related services to financial services companies through its ParaData Financial Systems subsidiary. The ParaData system is currently used in 1,986 consumer loan offices, including the Company's branch offices, and ParaData services over 102 customers.

As of June 1, 2015, World operated 1,327 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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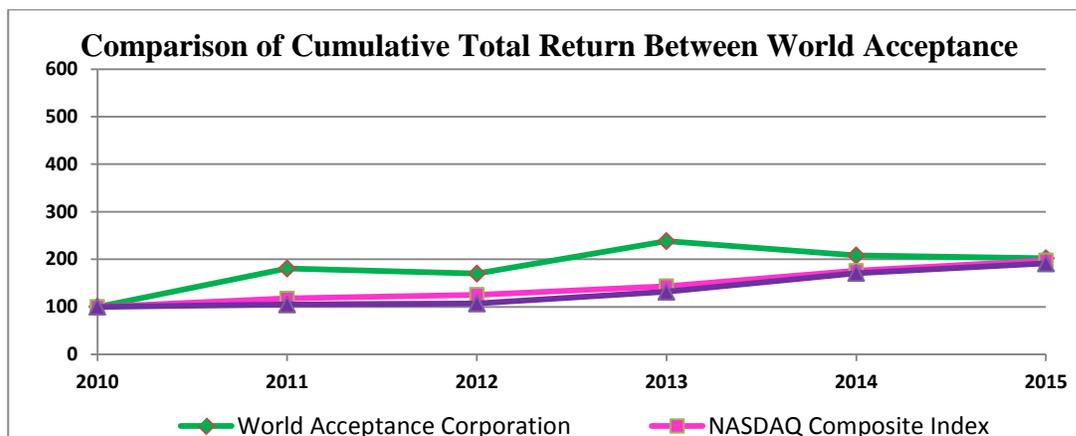
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## TO OUR SHAREHOLDERS

(Dollars in thousands, except per share data)

| <b>Selected Statement of Operations Data:</b> | Years Ended March 31, |           | <b>Change</b> |
|---|-----------------------|-----------|---------------|
|   | <b>2015</b>           | 2014      |               |
| Total revenues .....                          | \$ <b>610,213</b>     | 599,263   | 1.8%          |
| Net income .....                              | <b>110,833</b>        | 106,608   | 4.0%          |
| Diluted earnings per share.....               | <b>11.90</b>          | 9.60      | 24.0%         |
| <b>Selected Balance Sheet Data:</b>           |                       |           |               |
| Gross loans receivable.....                   | \$ <b>1,110,145</b>   | 1,112,307 | (0.2)%        |
| Total assets .....                            | <b>866,131</b>        | 850,028   | 1.9 %         |
| Total debt .....                              | <b>501,150</b>        | 505,500   | (0.9)%        |
| Total shareholders' equity.....               | <b>315,568</b>        | 307,355   | 2.7%          |
| <b>Selected Ratios:</b>                       |                       |           |               |
| Return on average assets .....                | <b>12.5%</b>          | 12.3%     | 1.6%          |
| Return on average shareholders' equity .....  | <b>36.5%</b>          | 36.2%     | 0.8%          |
| Shareholders' equity to assets .....          | <b>36.4%</b>          | 36.2%     | 0.8%          |
| <b>Statistical Data:</b>                      |                       |           |               |
| Number of customers at period end.....        | <b>942,113</b>        | 956,252   | (1.5)%        |
| Number of loans made .....                    | <b>1,982,209</b>      | 2,220,346 | (10.7)%       |
| Number of offices.....                        | <b>1,320</b>          | 1,271     | 3.9%          |

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



|                              | <u>3-31-10</u> | <u>3-31-11</u> | <u>3-31-12</u> | <u>3-31-13</u> | <u>3-31-14</u> | <u>3-31-15</u> |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| World Acceptance Corporation | 100.00         | 180.71         | 169.76         | 238.00         | 208.09         | 202.11         |
| NASDAQ Composite Index       | 100.00         | 117.52         | 125.37         | 143.55         | 176.01         | 197.54         |
| NASDAQ Financial Index       | 100.00         | 104.95         | 107.01         | 131.77         | 170.85         | 191.21         |

## To Our Shareholders

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Fiscal 2015 was another successful year for World Acceptance Corporation. While many challenges and uncertainties continue to face the Company, a great deal has been accomplished during the past twelve months. We enhanced our Company web page, making it more customer focused. We developed an on-line channel for potential borrowers to begin the application process. We introduced texting as a means of communicating with current customers with friendly payment reminders, as well as, their borrowing availability should they wish to refinance an existing loan. Our manager incentive program was revised to better align the branch goals and objectives with our corporate goals. Our data analytics department has progressed to the point that we are beginning to leverage copious amounts of data to improve how we attract potential customers and identify key strengths and weaknesses in our branch operations. We completed the first formal sale of previously charged-off accounts. We purchased a "Governance, Risk and Compliance" software package to better monitor the inter relationships of these very important components of our operations. We continued the rewrite of our on-line ParaData software to make it more efficient and flexible for both the Company and the many external users of this data processing solution. We are proud of these and many other accomplishments.

However, during Fiscal 2015, the trend of declining loan growth continued. While the decision to no longer solicit low dollar renewals had a negative impact on our loan volume, yields and balances, this change to Company policy has now been in place for over a year and the impact going forward should be minimal. Overall, our financial performance was mixed, with small increases in revenue and net earnings, a significant decrease in net charge-offs (offset by a corresponding increase in non-performing loans), an increase in our expense to revenue ratio and, due primarily to our aggressive share repurchase program, an excellent increase in earnings per share.

The following table shows certain key metrics for the Company over the past five years:

|                              | <u>Fiscal<br/>2015</u> | <u>Fiscal<br/>2014</u> | <u>Fiscal<br/>2013</u> | <u>Fiscal<br/>2012</u> | <u>Fiscal<br/>2011</u> |
|------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Loan Growth                  | (0.2)%                 | 4.2%                   | 9.7%                   | 11.2%                  | 13.6%                  |
| Revenue Growth               | 1.8%                   | 6.3%                   | 8.2%                   | 9.6%                   | 11.7%                  |
| Net Earnings Growth          | 4.0%                   | 2.4%                   | 3.4%                   | 10.4%                  | 23.9%                  |
| EPS Growth                   | 24.0%                  | 19.9%                  | 20.8%                  | 17.7%                  | 26.5%                  |
| Contractual delinquency-60+  | 7.0%                   | 5.3%                   | 4.4%                   | 4.0%                   | 3.8%                   |
| Net charge-offs to net loans | 12.9%                  | 14.7%                  | 13.9%                  | 14.0%                  | 14.3%                  |
| G&A Expenses to Revenue      | 47.9%                  | 46.9%                  | 47.1%                  | 46.3%                  | 46.6%                  |

The Company's decision, many years ago, to utilize any available excess cash flow for the repurchase of the Company's outstanding common shares has proven to be a tremendous benefit to shareholders. Since 1996, the Company has repurchased 18,051,030 shares at an aggregate cost of \$840,189,399. The \$115.3 million used to repurchase 1.4 million shares in fiscal 2015 was a continuation of that philosophy.

|                            | <u>Fiscal<br/>2015</u> | <u>Fiscal<br/>2014</u> | <u>Fiscal<br/>2013</u> | <u>Fiscal<br/>2012</u> | <u>Fiscal<br/>2011</u> |
|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Shares Repurchased (000's) | 1,432                  | 2,092                  | 2,570                  | 2,181                  | 1,298                  |
| Dollars Committed (000's)  | \$ 115,324             | \$ 190,537             | \$ 183,046             | \$ 139,800             | \$ 53,343              |

## To Our Shareholders

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The Company's ability to generate excess cash flow from operations and its relatively low level of balance sheet leverage has made the continuation of the share repurchase program possible.

|  | <u>Fiscal</u><br><u>2015</u> | <u>Fiscal</u><br><u>2014</u> | <u>Fiscal</u><br><u>2013</u> | <u>Fiscal</u><br><u>2012</u> | <u>Fiscal</u><br><u>2011</u> |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Net cash flow prior to changes<br>in debt and share repurchases<br>(000's) | \$138,443                    | \$93,231                     | \$62,903                     | \$52,538                     | \$42,828                     |
| Debt to equity at fiscal<br>year end                                       | 158.8%                       | 164.5%                       | 109.2%                       | 66.7%                        | 42.8%                        |

At the end of fiscal 2015, the Company still had a conservative 1.6 to 1 debt to equity ratio. Additionally, it had approximately \$178.9 million in availability under its revolving credit facility, subject to certain loan covenants and restrictions. However, as a result of the recent reduction in our overall loan facility and the remaining regulatory uncertainty surrounding the ongoing CFPB investigation, the Company will suspend its share repurchase activity in the near term to decrease financial leverage to provide for the maximum balance sheet flexibility possible. This decision does not represent a change in Company philosophy regarding the long term enhancement of shareholder value.

The biggest issue that we must continue to address is attracting new customers into our offices, while insuring that the customer experience remains exceptional. Gross loans receivable amounted to \$1,110.1 million at March 31, 2015, a decrease 0.2% from the \$1,112.3 million outstanding at the end of fiscal 2014. At the end of the fiscal year, the Company had open loan relationships with approximately 942,000 customers. This is compared to 956,000 customers at March 31, 2014. The number of loans made during fiscal 2015 declined by 10.7% compared to the prior year. This represented a decrease of 6.4% in loans to new customers, a decrease of 0.5% in loans to former customers and a decrease of 13.1% in refinancing of existing loans to current customers. As previously mentioned, the change in policy regarding the solicitation of low dollar renewals had an impact on this category of loan volume; however, this impact has already leveled off as expected as the anniversary of this change took place at the end of the current fiscal year. Additionally, we believe that the new initiatives that we have put into place will begin to gain traction as we move forward into fiscal 2016.

Our office network grew by forty-nine net new branches in fiscal 2015, resulting in a total of 1,320 offices in fifteen states and Mexico at March 31, 2015. Sixty-nine new offices were opened and two were acquired during the fiscal year, but the decision was made to close and merge twenty-two non-performing offices that appeared unlikely to reach the size to achieve sustained profitability. This will accrue approximately \$1.8 million in reduced costs without having a significant impact on overall revenue. We entered Idaho in October of 2014, and are very pleased with the progress being made in all of our new states.

The Company experienced an improvement in our net charge-offs after seeing an increase Fiscal 2014. Our net charge-offs as a percentage of average net loans decreased from 16.7% in fiscal 2009, the highest level in the Company's history, to 15.5% in fiscal 2010. Since then, our charge-off ratios declined to 14.3% in fiscal 2011, 14.0% in fiscal 2012 and 13.9% in fiscal 2013. In fiscal 2014, this ratio increased to 14.7%, however, they decreased to 12.9% in Fiscal 2015. The net charge-off ratio benefited from the change in branch level incentives mentioned above, which lead to accounts being held longer opposed to charged-off. We estimate the net charge-off ratio would have been approximately 14.1% for the year excluding the impact of this change. We would expect this ratio to continue to improve going forward as the mix in our loan portfolio continues to shift to an increasing percentage of larger, better performing loans. The net charge-off ratio will also benefit from the continued sale of previously charged-off receivables, which will be reflected as recoveries going forward.

## *To Our Shareholders*

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Control over our operating expense to revenue ratio will always be a very high priority for all levels of management of your Company. This objective becomes more difficult in periods of declining revenue growth rates; our G&A expense to revenue ratio increased in fiscal 2015 to 47.9% from 46.9% during the previous fiscal year. While G&A expense increased overall, we did experience a slight decrease in G&A expense per branch. We will remain focused on this area and believe that we can continue the long-term trend of decreasing this ratio.

We opened our first office in Mexico almost ten years ago. At the end of fiscal 2015, this subsidiary had 148 offices, 141,655 accounts, and \$94.3 million in gross loans outstanding, representing 11.2%, 15.0% and 8.5% of the consolidated totals, respectively. Gross loans outstanding increased by 12.6% on a year over basis in pesos; however, due to the devaluation of the peso to the US dollar, our loan balance as reflected in the balance sheet decreased by 3.4%. While the demand for the traditional branch based installment loan continues to be weaker than expected, we are very pleased with the success we are experiencing in the payroll-deductible, union employee loans, which grew by 33.8% during fiscal 2015. We remain very optimistic that the profit from this subsidiary should have a meaningful impact on our consolidated net earnings in the near future.

The regulatory and legislative risk to our Company continues to provide the greatest uncertainty that we face today. We were very disappointed that the investigation of our business practices by the CFPB was not resolved during the fiscal year. After a year from receiving the initial CID, the Company received a follow-up CID in March of this year. A great amount of additional detailed information was requested and has been submitted, but we are not expecting to come to any resolution of this investigation in the near term. We have been informed by our attorneys that this is typical of the CID process. I still believe that this Company is in compliance with all laws and regulations, as they exist in their present form; we constantly strive to operate in an ethical manner. Additionally, I do not believe that the CFPB wishes to eliminate the availability of credit to a large segment of the population. Therefore, I am optimistic that this Company and this industry have an excellent future with growing demand for our products and services.

As previously announced, I am retiring from the Company on September 30, 2015. I am extremely grateful for the opportunities which I have been given over the last 26 years. I have truly enjoyed working with the many talented and dedicated people who have given so much to make World the successful company that it is and has been. I am confident that Janet and the senior management team will continue to provide excellent shareholder returns well into the future.

On behalf of the directors, management and all of our more than 4,600 dedicated and loyal employees, many of whom are shareholders, we thank you for your support and continued interest in World Acceptance Corporation.

Sincerely,

A handwritten signature in black ink, appearing to read "A. A. McLean III". The signature is fluid and includes a stylized flourish at the end.

A. A. McLean III  
Chairman and  
Chief Executive Officer

## To Our Shareholders

(Dollars in thousands, except per share amounts)

(Amounts in Thousands, except # of Branches)

|  | <b>Years Ended March 31,</b> |            |            |            |            |
|--|------------------------------|------------|------------|------------|------------|
|  | <b>2015</b>                  | 2014       | 2013       | 2012       | 2011       |
| <b>Statement of Operations Data:</b>                           |                              |            |            |            |            |
| Interest and fee income  | <b>\$ 524,277</b>            | \$ 523,770 | \$ 485,414 | \$ 447,189 | \$ 408,254 |
| Insurance commissions and other income                         | <b>85,936</b>                | 75,493     | 78,222     | 73,681     | 66,851     |
| Total revenues   | <b>610,213</b>               | 599,263    | 563,636    | 520,870    | 475,105    |
| Provision for loan losses                                      | <b>118,830</b>               | 126,575    | 114,323    | 105,706    | 95,908     |
| General and administrative expenses                            | <b>292,052</b>               | 281,248    | 265,629    | 241,392    | 221,175    |
| Interest expense   | <b>23,301</b>                | 21,195     | 17,394     | 13,899     | 14,773     |
| Total expenses   | <b>434,183</b>               | 429,019    | 397,345    | 360,997    | 331,856    |
| Income before income taxes                                     | <b>176,030</b>               | 170,244    | 166,291    | 159,873    | 143,249    |
| Income taxes   | <b>65,197</b>                | 63,636     | 62,201     | 59,179     | 52,000     |
| Net income   | <b>\$ 110,833</b>            | \$ 106,608 | \$ 104,090 | \$ 100,694 | \$ 91,249  |
| Net income per common share (diluted)                          | <b>\$ 11.90</b>              | \$ 9.60    | \$ 8.00    | \$ 6.59    | \$ 5.63    |
| Diluted weighted average shares                                | <b>9,317</b>                 | 11,106     | 13,003     | 15,289     | 16,210     |
| <b>Balance Sheet Data (end of period):</b>                     |                              |            |            |            |            |
| Loans receivable, net of unearned interest, insurance and fees | <b>\$ 812,743</b>            | \$ 813,920 | \$ 782,096 | \$ 715,085 | \$ 646,072 |
| Allowance for loan losses                                      | <b>(70,438)</b>              | (63,255)   | (59,981)   | (54,507)   | (48,355)   |
| Loans receivable, net  | <b>742,305</b>               | 750,665    | 722,115    | 660,578    | 597,717    |
| Total assets   | <b>866,131</b>               | 850,028    | 809,325    | 735,003    | 666,397    |
| Total debt   | <b>501,150</b>               | 505,500    | 400,250    | 279,250    | 187,430    |
| Shareholders' equity   | <b>315,568</b>               | 307,355    | 366,396    | 418,875    | 442,575    |
| <b>Other Operating Data:</b>                                   |                              |            |            |            |            |
| As a percentage of average loans receivable, net:              |                              |            |            |            |            |
| Provision for loan losses                                      | <b>13.9%</b>                 | 15.1%      | 14.6%      | 14.9%      | 15.1%      |
| Net charge-offs  | <b>12.9%</b>                 | 14.7%      | 13.9%      | 14.0%      | 14.3%      |
| Number of branches open at year-end                            | <b>1,320</b>                 | 1,271      | 1,203      | 1,137      | 1,067      |

# 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, 2010, gross loans receivable have increased at a 7.6% annual compounded rate from \$770.3 million to \$1.1 billion at March 31, 2015. The increase over this period reflects both the higher volume of loans generated through the Company's existing branches and the contribution of loans generated from new branches opened or acquired over the period. During this same five-year period, the Company has grown from 990 branches to 1,320 branches as of March 31, 2015. During fiscal 2016, the Company currently plans to open approximately 30 new branches in the United States, open 10 new branches in Mexico and also evaluate acquisitions as opportunities arise.

The Company's ParaData Financial Systems subsidiary provides data processing systems to 102 separate finance companies, including the Company, and currently supports over 1,986 individual branches in 44 states and Mexico. ParaData's revenue is highly dependent upon its ability to attract new customers, which often requires substantial lead time, and as a result its revenue may fluctuate from year to year. Its net revenues from system sales and support amounted to \$2.1 million, \$2.4 million and \$2.1 million in fiscal 2015, 2014 and 2013, respectively. ParaData's net revenue to the Company will continue to fluctuate on a year to year basis. ParaData continues to provide data processing support for the Company's in-house integrated computer system at a substantially reduced cost to the Company.

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 56,000, 55,000 and 53,000 returns in each of the fiscal years 2015, 2014 and 2013, respectively. Revenues from the Company's tax preparation business amounted to approximately \$9.9 million, a 8.5% increase over the \$9.1 million earned during fiscal 2014.

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,  |              |              |
|---|------------------------|--------------|--------------|
|   | <u>2015</u>            | <u>2014</u>  | <u>2013</u>  |
|   | (Dollars in thousands) |              |              |
| Average gross loans receivable <sup>(1)</sup> | \$ 1,174,391           | \$ 1,151,713 | \$ 1,072,500 |
| Average net loans receivable <sup>(2)</sup>   | \$ 856,712             | \$ 836,961   | \$ 782,212   |
| Expenses as a percentage of total revenues:   |                        |              |              |
| Provision for loan losses                     | 19.5%                  | 21.2%        | 20.3%        |
| General and administrative                    | 47.9%                  | 46.9%        | 47.1%        |
| Total interest expense                        | 3.8%                   | 3.5%         | 3.1%         |
| Operating margin <sup>(3)</sup>               | 32.7%                  | 31.9%        | 32.6%        |
| Return on average assets                      | 12.5%                  | 12.3%        | 13.0%        |
| Branches opened and acquired, net             | 49                     | 68           | 66           |
| Total branches (at period end)                | 1,320                  | 1,271        | 1,203        |

(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 2015 Versus Fiscal 2014

Net income was \$110.8 million during fiscal 2015, a 4.0% increase over the \$106.6 million earned during fiscal 2014. The increase in net income was largely due to a \$10.0 million after-tax gain realized during the year from the sale of previously charged-off accounts. Operating income (revenues less provision for loan losses and general and administrative expenses) excluding the impact of the charge-off sale

## *Management's Discussion and Analysis*

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decreased \$7.6 million. Net income was also impacted by a \$2.1 million and \$1.6 million increase in interest expense and income tax expense, respectively.

Total revenues increased to \$610.2 million in fiscal 2015, a \$10.9 million, or 1.8%, increase over the \$599.3 million in fiscal 2014. Revenues from the 1,179 branches open throughout both fiscal years increased by 0.8%. At March 31, 2015, the Company had 1,320 branches in operation, an increase of 49 branches from March 31, 2014.

Interest and fee income during fiscal 2015 increased by \$0.5 million, or 0.1%, over fiscal 2014. This increase resulted from an increase of \$19.8 million, or 2.4%, in average net loans receivable between the two fiscal years. The revenue increase was partially offset by a reduction in loan volume in the year, which resulted from the implementation of a system change that ensured customers were not encouraged to refinance existing loans where the proceeds from the transaction were less than 10% of the loan being refinanced. The increase was also partially offset by a shift in the portfolio mix to larger loans and an increase in the amount of accounts 60 days or more past due, which are no longer accruing revenue. The percentage of loans outstanding that represent larger loans has increased from 39.2% at March 31, 2014 to 40.5% at March 31, 2015.

Insurance commissions and other income increased by \$10.4 million, or 13.8%, over the two fiscal years. Insurance commissions decreased by \$2.6 million, or 5.1%, when comparing the two fiscal periods due to the decrease in loan volume mentioned above. Other income increased by \$13.0 million, or 51.8%, when comparing the two fiscal periods. This increase resulted primarily from the sale of approximately \$16.0 million of charged off accounts, partially offset by a decrease in the sales of World Class Buying Club ("WCBC") of \$1.4 million, a decrease in the sales of motor club of \$915,000, and decreased revenue from ParaData of \$309,000. As disclosed in our second quarter, the Company has decided to wind down the WCBC product. As of March 31, 2015, the Company is no longer financing the purchase of products through the program. The Company will continue to service all outstanding retail installment sales contracts. The WCBC product contributed \$2.4 million to other income during the year and \$3.9 million for the year ended March 31, 2014. The WCBC loans contributed \$2.0 million to interest and fees and resulted in net charge-offs of \$3.2 million for the year ended March 31, 2015 and \$2.3 million and \$4.1 million, respectively, for the year ended March 31, 2014.

The provision for loan losses during fiscal 2015 decreased by \$7.7 million, or 6.1%, from the previous year. This decrease resulted from a decrease in the amount of loans charged off and a decrease in the general reserve associated with slower growth during the current fiscal year partially offset by an increase in accounts 90 days or more past due. Net charge-offs for fiscal 2015 amounted to \$110.6 million, a 10.1% decrease over the \$123.0 million charged off during fiscal 2014. Accounts that were 60 days or more past due were 4.3% and 3.0% on a recency basis, and were 7.0% and 5.3% on a contractual basis at March 31, 2015 and March 31, 2014. The increase in accounts contractually delinquent was primarily due to the change in branch level incentives discussed in the second quarter. When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more past due were 6.1% at March 31, 2015. During the current fiscal year, the Company has also had a decrease in year-over-year loan loss ratios. Net charge-offs as a percentage of average net loans decreased from 14.7% during fiscal 2014 to 12.9% during fiscal 2015. The net charge-off ratio benefited from the change in branch level incentives mentioned above. We estimate the net charge-off ratio would have been approximately 14.1% for the year excluding the impact of the change. The prior year charge-off ratio of 14.7% and the estimated current year 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.

General and administrative expenses during fiscal 2015 increased by \$10.8 million, or 3.8%, over the previous fiscal year. Of the total increase, approximately \$5.0 million related to personnel expense, the majority of which was attributable to the year-over-year increase in our branch network, normal merit increases to employees, increased health insurance costs, and incentive costs. General and administrative expenses, when divided by average open branches, decreased slightly when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues increased to 47.9% in fiscal 2015 from 46.9% in fiscal 2014, respectively.

Interest expense increased by \$2.1 million, or 9.9%, during fiscal 2015, as compared to the previous fiscal year as a result of an increase in average debt outstanding of 12.0%.

Income tax expense increased \$1.6 million, or 2.5%, primarily from an increase in pre-tax income. The effective tax rate decreased to 37.0% for fiscal 2015 compared to 37.4% for fiscal 2014. The decrease was primarily due the reduction of state taxes resulting from a change in the corporate structure.

### **Comparison of Fiscal 2014 Versus Fiscal 2013**

Net income was \$106.6 million during fiscal 2014, a 2.4% increase over the \$104.1 million earned during fiscal 2013. This increase resulted primarily from an increase in operating income (revenues less provision for loan losses and general and administrative expenses) of \$7.8 million, or 4.2%, partially offset by a \$3.8 million and a \$1.4 million increase in interest expense and income tax expense, respectively.

Total revenues increased to \$599.3 million in fiscal 2014, a \$35.6 million, or 6.3%, increase over the \$563.6 million in fiscal 2013. Revenues from the 1,131 branches open throughout both fiscal years increased by 3.7%. At March 31, 2014, the Company had 1,271 branches in operation, an increase of 68 branches from March 31, 2013.

Interest and fee income during fiscal 2014 increased by \$38.4 million, or 7.9%, over fiscal 2013. This increase resulted from an increase of \$54.7 million, or 7.0%, in average net loans receivable between the two fiscal years. The increase in average loans receivable was attributable to the Company's internal growth and an increase in the average loan balance, which increased from \$1,115 to \$1,163. The increase in income was less than expected given the increased fees in Texas and Georgia due to the law changes in these two states. The revenue increase was offset by a reduction in loan volume in the year which resulted from the implementation of a system change that ensured customers were not encouraged to refinance existing loans where the proceeds from the transaction were less than 10% of the loan being refinanced. The increase was also offset by a shift in the portfolio mix to larger loans. The percentage of loans outstanding that represent larger loans has increased from 33.1% at March 31, 2013 to 38.0% at March 31, 2014.

Insurance commissions and other income decreased by \$2.7 million, or 3.5%, over the two fiscal years. Insurance commissions decreased by \$1.0 million, or 1.9%, when comparing the two fiscal periods. Insurance commissions in Tennessee decreased by approximately \$890,000, primarily due to the state of Tennessee's change in its maximum loan size for alternative rate loans from \$1,000 to \$2,000. Lenders in Tennessee are not permitted to offer insurance products with alternative rate loans. Other income decreased by \$1.8 million, or 6.6%, when comparing the two fiscal periods. This decrease resulted primarily from a decrease in the sales of motor club of \$908,000, and a decrease in the sales of WCBC of

## *Management's Discussion and Analysis*

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\$880,000, partially offset by increased revenue from the Company's tax preparation business of \$422,000 and ParaData of \$230,000.

The provision for loan losses during fiscal 2014 increased by \$12.3 million, or 10.7%, from the previous year. This increase resulted from an increase in the amount of loans charged off and an increase in the general reserve associated with the increase in the gross loans when comparing the two periods. Net charge-offs for fiscal 2014 amounted to \$123.0 million, a 12.8% increase over the \$109.0 million charged off during fiscal 2013. Accounts that were 60 days or more past due were 3.0% and 2.7% on a recency basis, and were 5.3% and 4.4% on a contractual basis at both March 31, 2014 and March 31, 2013. When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more were 4.8% at March 31, 2014. During the current fiscal year, the Company has also had an increase in year-over-year loan loss ratios. Annualized net charge-offs as a percentage of average net loans increased from 13.9% during fiscal 2013 to 14.7% during fiscal 2014. The prior year charge-off ratio of 13.9% and the current year charge-off ratio of 14.7% 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 14.3% in fiscal 2012.

General and administrative expenses during fiscal 2014 increased by \$15.6 million, or 5.9%, over the previous fiscal year. Of the total increase, approximately \$9.4 million related to personnel expense, the majority of which was attributable to the year-over-year increase in our branch network, normal merit increases to employees, increased health insurance costs, and incentive costs, including stock compensation expense, which increased approximately \$6.5 million. Increases in personnel expense were offset by the reversal of \$2.9 million of compensation expense related to the resignation and retirement of executive officers during the current fiscal year. General and administrative expenses, when divided by average open branches, decreased slightly when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues decreased to 46.9% in fiscal 2014 from 47.1% in fiscal 2013, respectively.

Interest expense increased by \$3.8 million, or 21.9%, during fiscal 2014, as compared to the previous fiscal year as a result of an increase in average debt outstanding of 26.6%.

Income tax expense increased \$1.4 million, or 2.3%, primarily from an increase in pre-tax income. The effective tax rate remained relatively consistent at 37.4% for both fiscal 2014 and 2013.

### **Regulatory Matters**

#### *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.

Subsequent to the March 2014 CID, the Company has received and responded to, and is actively in the process of responding to, additional broad requests and demands for information from the CFPB and 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 March 26, 2015, the CFPB announced that it was considering proposing 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 annualized percentage rate of interest ("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. We believe the CFPB's "longer-term" credit proposals seek to address a concern that consumers suffer harm if lenders fail to 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 Company currently estimates that the amount of such vehicle-secured loans in its loan portfolio as of March 31, 2015 are approximately 13% of its total number of loans and approximately 20% of its portfolio by gross loan volume. 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 lenders to verify income, "major financial obligations" and borrowing history. Lenders would also be required 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 the borrower: (i) was delinquent or had recently been delinquent on an outstanding loan; (ii) stated or indicated an inability to make a scheduled payment or that the loan was causing financial distress; (iii) is allowed to skip a payment or pays a smaller amount than a payment that would have been due on the loan, unless the refinancing provides a substantial amount of cash to the consumer; or (iv) is in default on the outstanding loan. To overcome this presumption of inability to repay, the lender would have to verify a change in the borrower's circumstances to indicate an ability to repay the additional extension of credit. These proposals are subject to several procedural requirements and 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.

As part of 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.

#### *New Mexico Rate Cap Bills*

On February 4, 2015, Members of the New Mexico House Regulatory and Public Affairs subcommittee tabled measures that would have led to the introduction of House Bill 36 and House Bill 24, which were to propose a 36% rate cap on all financial lending products. The Company, through its state and federal trade associations, is working in opposition to this pending legislation; however, it is uncertain whether these efforts will be successful in preventing the passage of the legislation. 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 U.S. generally accepted accounting principles 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.

## *Management's Discussion and Analysis*

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### *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 the 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 by the U.S. Tax Court, changes in the tax code, or assessments made by the Internal Revenue Service 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.

## Management's Discussion and Analysis

### 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.

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, 2015, 2014, and 2013:

|   | At March 31,           |                  |                  |
|---|------------------------|------------------|------------------|
|   | 2015                   | 2014             | 2013             |
|   | (Dollars in thousands) |                  |                  |
| Contractual basis:                              |                        |                  |                  |
| 61-90 days past due                             | \$ 26,028              | \$ 30,607        | \$ 22,773        |
| 91 days or more past due                        | 51,133                 | 28,663           | 23,941           |
| Total   | <u>\$ 77,161</u>       | <u>\$ 59,270</u> | <u>\$ 46,714</u> |
| Percentage of period-end gross loans receivable | <u>7.0%</u>            | <u>5.3%</u>      | <u>4.4%</u>      |

When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more were 6.1% at March 31, 2015. 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 37.9% of our Mexican portfolio at March 31, 2014 to 44.8% at March 31, 2015.

In fiscal 2015 approximately 83.1% of the Company's loans 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 2015, 2014, and 2013, the percentages of the Company's loan originations that were refinancings of existing loans were 71.5%, 73.5%, and 75.3%, 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 2015 and 2014, delinquent refinancings represented 1.6% and 1.5%, respectively, of the Company's total loan volume.

## Management's Discussion and Analysis

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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 2015:

|                  | Loan Volume<br>by Category | Percent of<br>Total Charge-offs | Charge-off as a Percent of<br>Total |
|------------------|----------------------------|---------------------------------|-------------------------------------|
| Refinancing      | 71.5%                      | 69.4%                           | 5.5%                                |
| Former borrowers | 11.6%                      | 7.2%                            | 4.3%                                |
| New borrowers    | 16.9%                      | 23.4%                           | 13.1%                               |
|                  | <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 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 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 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 the year 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

## Management's Discussion and Analysis

past due and lower charge-offs during the year. 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 8 months of average net charge-offs at March 31, 2015. 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 generally accepted accounting principles.

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2015, 2014, and 2013:

|  | 2015          | 2014          | 2013          |
|--|---------------|---------------|---------------|
| Balance at beginning of period   | \$ 63,254,940 | \$ 59,980,842 | 54,507,299    |
| Provision for loan losses  | 118,829,863   | 126,575,392   | 114,322,525   |
| Loan losses  | (126,093,332) | (137,307,358) | (121,514,261) |
| Recoveries   | 15,467,059    | 14,287,889    | 12,471,699    |
| Translation adjustment   | (1,020,542)   | (281,825)     | 193,580       |
| Balance at end of period   | \$ 70,437,988 | \$ 63,254,940 | 59,980,842    |
| Allowance as a percentage of loans receivable, net of unearned and deferred fees | 8.7%          | 7.8%          | 7.7%          |
| Net charge-offs as a percentage of average loans receivable <sup>(1)</sup>       | 12.9%         | 14.7%         | 13.9%         |

(1) Average 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 2015 and 2014.

|                                     | At or for the Three Months Ended |               |              |              |             |               |              |             |
|-------------------------------------|----------------------------------|---------------|--------------|--------------|-------------|---------------|--------------|-------------|
|                                     | 2015                             |               |              |              | 2014        |               |              |             |
|                                     | June 30,                         | September 30, | December 31, | March 31,    | June 30,    | September 30, | December 31, | March 31,   |
|                                     | (Dollars in thousands)           |               |              |              |             |               |              |             |
| Total revenues                      | \$ 145,926                       | \$ 148,185    | \$ 148,704   | \$ 167,398   | \$ 140,315  | \$ 145,046    | \$ 155,198   | \$ 158,704  |
| Provision for loan losses           | \$ 30,893                        | \$ 36,161     | \$ 38,293    | \$ 13,483    | \$ 28,703   | \$ 38,188     | \$ 41,116    | \$ 18,569   |
| General and administrative expenses | \$ 73,325                        | \$ 71,677     | \$ 75,639    | \$ 71,410    | \$ 70,287   | \$ 67,070     | \$ 72,003    | \$ 71,887   |
| Net income                          | \$ 22,556                        | \$ 21,274     | \$ 18,489    | \$ 48,515    | \$ 23,112   | \$ 21,565     | \$ 22,954    | \$ 38,977   |
| Gross loans receivable              | \$1,164,368                      | \$1,194,040   | \$1,262,618  | \$ 1,110,145 | \$1,125,261 | \$1,163,238   | \$1,264,058  | \$1,112,307 |
| Number of branches open             | 1,271                            | 1,293         | 1,314        | 1,320        | 1,210       | 1,230         | 1,248        | 1,271       |

### **Recently Issued Accounting Pronouncements**

See Part II, Item 8, Financial Statements and Supplementary Data. Note 1- Summary of Significant Accounting Policies 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 increasing loan volume, fund acquisitions, repay long-term indebtedness, and repurchase its common stock. As the Company's gross loans receivable increased from \$770.3 million at March 31, 2010 to \$1.1 billion at March 31, 2015, net cash provided by operating activities for fiscal years 2015, 2014 and 2013 was \$241.9 million, \$246.0 million and \$232.0 million, respectively. The Company's primary ongoing cash requirements relate to the funding of new branches and acquisitions, the overall growth of loans outstanding, the repayment of long-term indebtedness and the repurchase of its common stock. As of March 31, 2015, approximately 18.1 million shares have been repurchased since 1996 for an aggregate purchase price of approximately \$849.2 million. During fiscal 2015 the Company repurchased 1.4 million shares for \$115.3 million. On March 10, 2015, the Board of Directors authorized the Company to repurchase up to \$25.0 million of the Company's common stock. This repurchase authorization follows, and is in addition to, similar repurchase authorizations of \$25.0 million announced on February 19, 2015 and \$25.0 million announced on July 23, 2014. After taking into account all shares repurchased through May 29, 2015 (including pending repurchase orders subject to settlement), the Company has \$11.5 million in aggregate remaining repurchase capacity under all of the company's outstanding repurchase authorizations. The Company believes 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. In addition, the Company currently plans to open approximately 30 branches in the United States, 10 branches in Mexico, and evaluate acquisition opportunities in fiscal 2016. Expenditures by the Company to open and furnish new branches generally averaged approximately \$30,000 per branch during fiscal 2015. New branches have also required

from \$100,000 to \$400,000 to fund outstanding loans receivable originated during their first 12 months of operation.

The Company acquired two branches and three loan portfolios from competitors in three states in five separate transactions during fiscal 2015. Gross loans receivable purchased in these transactions were approximately \$2.0 million in the aggregate at the dates of purchase. 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 currently has a \$680.0 million revolving credit facility with a syndicate of banks. The revolving credit facility provides for revolving borrowings of up to the lesser of (1) the aggregate commitments under the facility and (2) a borrowing base, and includes a \$1.5 million letter of credit subfacility. The current aggregate commitments of \$680.0 million will be reduced to \$630.0 million on June 15, 2015 and the facility will mature on June 15, 2016. 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. On March 31, 2015, \$501.2 million was outstanding under this facility, and there was \$81.6 million of unused borrowing availability under the borrowing base limitations. The Company also has \$96.6 million that may become available under the revolving credit facility if it grows the net eligible finance receivables.

Borrowings under the Company's revolving credit facility bear interest at a per annum rate equal to 4.0% or, if greater, 3.0% plus one-month LIBOR. The revolving credit facility requires payment of a commitment fee equal to 0.40% per annum of the average daily unused portion of the aggregate commitments under the facility unless the average daily unused portion equals or exceeds 55% of the aggregate commitments, in which case the commitment fee increases to 0.50% per annum. During the twelve months ended, March 31, 2015, the effective interest rate, including the commitment fee, on borrowings under the revolving credit facility was 4.3%. Amounts applied to repay borrowings under the revolving credit facility may be reborrowed, subject to the terms of the facility. If at any time total credit utilization under the revolving credit facility exceeds the borrowing base limitation, the Company must immediately repay outstanding revolving loans under the facility in an amount equal to such excess.

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 (including, without limitation, accounts receivable, equipment, inventory and other goods, intellectual property, contract rights and other general intangibles, cash, deposit accounts, equity interests in subsidiaries and joint ventures, investment property, documents and instruments, and proceeds of the foregoing), but excluding interests in real property.

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 3.25 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 (1) a three-month rolling average rate of receivables at least sixty days past due and (2) an eight-month rolling average net charge-off rate. The Company was in compliance with these covenants at March 31, 2015 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, and certain changes of control of the Company.

As previously disclosed, the Company entered into an additional amendment to the revolving credit facility as of May 8, 2015 that would have made certain additional changes to the revolving credit facility conditioned upon consummation of the Company's proposed private offering of \$250 million in aggregate principal amount of senior notes due 2020 on or before June 1, 2015. However, based on the Company's decision to postpone the proposed offering, the changes to the revolving credit agreement described in this amendment never became effective.

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

|                             | <u>Fiscal Year Ended March 31,</u> |             |             |             |             |                    |              |
|-----------------------------|------------------------------------|-------------|-------------|-------------|-------------|--------------------|--------------|
|                             | <u>2016</u>                        | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>There after</u> | <u>Total</u> |
| Maturities of notes payable | —                                  | 501,150     | —           | —           | —           | —                  | 501,150      |
| Interest payments           | 20,046                             | 4,176       | —           | —           | —           | —                  | 24,222       |
| Minimum lease payments      | 23,387                             | 15,605      | 7,832       | 2,507       | 1,006       | 119                | 50,456       |
| Total                       | 43,433                             | 520,931     | 7,832       | 2,507       | 1,006       | 119                | 575,828      |

The Company believes that cash flow from operations and borrowings under its revolving credit facility will be adequate for the next twelve months, and for the foreseeable future thereafter, to fund the expected cost of opening or acquiring new branches, including funding initial operating losses of new branches and funding loans receivable originated by those branches and the Company's other branches. Except as otherwise discussed in this report, including in Part I, Item 1A, "Risk Factors," 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. From time to time, the Company has needed and obtained, and expects that it will continue to need on a recurring basis, either on an increase in the borrowing limits under its revolving credit facility or additional sources of financing. The Company has successfully obtained such additional capacity in the past and anticipates that it will be able to do so in the future as the need arises; however, there can be no assurance that this additional funding will be available (or available on reasonable terms) if and when needed. See Part I, Item 1A, "Risk Factors," for a further discussion of risks and contingencies that could affect our business, financial condition and liquidity.

## **Share Repurchase Program**

The Company's historical long-term profitability has demonstrated over many years our ability to grow our loan portfolio (the Company's only earning asset) and generate excess cash flow. We have and intend to continue to use our cash flow and excess capital to repurchase shares, assuming that the repurchased shares are accretive to earnings per share, which should provide better returns for shareholders in the future. We prefer share repurchases to dividends for several reasons. First, repurchasing shares should increase the value of the remaining shares. Second, repurchasing shares as opposed to dividends provides shareholders the option to defer taxes by electing to not sell any of their holdings. Finally, repurchasing shares provides shareholders with maximum flexibility to increase, maintain or decrease their ownership depending on their view of the value of the Company's shares, whereas a dividend does not provide this flexibility.

Since 1996, the Company has repurchased approximately 18.1 million shares for an aggregate purchase price of approximately \$849.2 million. As of March 31, 2015 our debt outstanding was \$501.2 million and our shareholders' equity was \$315.6 million resulting in a debt-to-equity ratio of 1.6:1.0. Our first priority is to ensure we have enough capital to fund loan growth. To the extent we have excess capital and capacity under the terms of our debt agreements we intend to continue repurchasing stock, as authorized by our Board of Directors, which is consistent with our past practice. 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 on our business objectives, while not putting undue stress on our balance sheet.

Historically, management has filed a Form 8-K with the Securities and Exchange Commission to announce any new authorization the Board of Directors has given regarding stock repurchases. Management plans to continue to make filings with the Securities and Exchange Commission or otherwise publicly announce future stock repurchase authorizations. When we have Board authorization to repurchase shares, we have historically repurchased shares in the open market and in accordance with applicable regulations regarding company repurchase programs and our own self-imposed trading policies. Subject to the guidelines and conditions described above, we anticipate that we will continue to repurchase shares.

## **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, 2015, 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 \$501.2 million at March 31, 2015. Interest on borrowings under this facility is based on the greater of 4% or one month LIBOR plus 3.0%.

Based on the outstanding balance at March 31, 2015, a change of 1% in the LIBOR interest rate would cause a change in interest expense of approximately \$0.9 million on an annual basis.

### *Foreign Currency Exchange Rate Risk*

In September 2005 the Company began opening branches in Mexico, 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 8.6% and 8.4% of total revenues during the twelve month periods ended March 31, 2015 and 2014, 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, 2015 was a loss of approximately \$10.8 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.

The foreign exchange risk sensitivity of net loans denominated in Mexican pesos and translated into U.S. dollars, which were approximately \$56.4 million and \$58.0 million at March 31, 2015 and 2014, respectively, on the reported net loans receivable amount is summarized in the following table:

| <b>Foreign Exchange Sensitivity Analysis of Loans Receivable, Net of Unearned Amounts</b> |                             |                |                |
|---|-----------------------------|----------------|----------------|
|   | <b>As of March 31, 2015</b> |                |                |
| <b>Foreign exchange spot rate, US Dollars to Mexican Pesos</b>                            | <b>(10) %</b>               | <b>0%</b>      | <b>10%</b>     |
| Loans receivable, net of unearned   | \$ 807,613,770              | \$ 812,742,678 | \$ 819,011,335 |
| % change from base amount   | (0.63) %                    | —              | 0.77%          |
| \$ change from base amount  | \$ (5,128,908)              | \$ —           | \$ 6,268,657   |
|   | <b>As of March 31, 2014</b> |                |                |
| <b>Foreign exchange spot rate, US Dollars to Mexican Pesos</b>                            | <b>(10)%</b>                | <b>0%</b>      | <b>10%</b>     |
| Loans receivable, net of unearned   | \$ 808,644,606              | \$ 813,919,815 | \$ 820,367,273 |
| % change from base amount   | (0.65)%                     | —              | 0.79%          |
| \$ change from base amount  | \$ (5,275,209)              | \$ —           | \$ 6,447,458   |

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

| <b>Foreign Exchange Sensitivity Analysis of Net Income</b>     |                             |                |                |
|--|-----------------------------|----------------|----------------|
|  | <b>As of March 31, 2015</b> |                |                |
| <b>Foreign exchange spot rate, US Dollars to Mexican Pesos</b> | <b>(10) %</b>               | <b>0%</b>      | <b>10%</b>     |
| Net Income   | \$ 110,113,519              | \$ 110,833,458 | \$ 111,713,385 |
| % change from base amount                                      | (0.65) %                    | —              | 0.79%          |
| \$ change from base amount                                     | \$ (719,939)                | \$ —           | \$ 879,927     |
|  | <b>As of March 31, 2014</b> |                |                |
| <b>Foreign exchange spot rate, US Dollars to Mexican Pesos</b> | <b>(10)%</b>                | <b>0%</b>      | <b>10%</b>     |
| Net Income   | \$ 105,929,508              | \$ 106,607,932 | \$ 107,437,115 |
| % change from base amount                                      | (0.64)%                     | —              | 0.78%          |
| \$ change from base amount                                     | \$ (678,424)                | \$ —           | \$ 829,183     |

## CONSOLIDATED BALANCE SHEETS

|  | March 31,             |                    |
|--|-----------------------|--------------------|
|  | <u>2015</u>           | <u>2014</u>        |
| <b>ASSETS</b>  |                       |                    |
| Cash and cash equivalents  | \$ 38,338,935         | 19,569,683         |
| Gross loans receivable   | 1,110,145,082         | 1,112,307,335      |
| Less:  |                       |                    |
| Unearned interest, insurance and fees  | (297,402,404)         | (298,387,520)      |
| Allowance for loan losses  | (70,437,988)          | (63,254,940)       |
| Loans receivable, net  | <u>742,304,690</u>    | <u>750,664,875</u> |
| Property and equipment, net  | 25,906,507            | 24,826,238         |
| Deferred income taxes, net   | 37,345,605            | 33,514,189         |
| Other assets, net  | 12,749,771            | 11,707,639         |
| Goodwill   | 6,121,458             | 5,967,127          |
| Intangible assets, net   | <u>3,363,753</u>      | <u>3,777,810</u>   |
| Total assets   | <u>\$ 866,130,719</u> | <u>850,027,561</u> |
| <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>  |                       |                    |
| Liabilities:   |                       |                    |
| Senior notes payable   | 501,150,000           | 505,500,000        |
| Income taxes payable   | 18,204,186            | 9,521,285          |
| Accounts payable and accrued expenses  | <u>31,208,814</u>     | <u>27,650,955</u>  |
| Total liabilities  | <u>550,563,000</u>    | <u>542,672,240</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 8,969,948 and 10,262,384 shares at March 31, 2015 and March 31, 2014, respectively | —                     | —                  |
| Additional paid-in capital   | 141,864,764           | 118,365,503        |
| Retained earnings  | 188,605,305           | 193,095,944        |
| Accumulated other comprehensive loss   | <u>(14,902,350)</u>   | <u>(4,106,126)</u> |
| Total shareholders' equity   | <u>315,567,719</u>    | <u>307,355,321</u> |
| Commitments and contingencies  |                       |                    |
| Total liabilities and shareholders' equity   | <u>\$ 866,130,719</u> | <u>850,027,561</u> |

See accompanying notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

|   | Years Ended March 31, |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | <u>2015</u>           | <u>2014</u>           | <u>2013</u>           |
| Revenues:                                   |                       |                       |                       |
| Interest and fee income                     | \$ 524,277,341        | \$ 523,770,049        | \$ 485,413,704        |
| Insurance commissions, net and other income | 85,935,535            | 75,493,350            | 78,222,382            |
| Total revenues                              | <u>610,212,876</u>    | <u>599,263,399</u>    | <u>563,636,086</u>    |
| Expenses:                                   |                       |                       |                       |
| Provision for loan losses                   | <u>118,829,863</u>    | <u>126,575,392</u>    | <u>114,322,525</u>    |
| General and administrative expenses:        |                       |                       |                       |
| Personnel                                   | 192,419,147           | 187,444,744           | 178,009,856           |
| Occupancy and equipment                     | 41,716,893            | 38,879,460            | 36,278,134            |
| Advertising                                 | 17,299,665            | 16,062,076            | 14,849,980            |
| Amortization of intangible assets           | 723,071               | 1,057,620             | 1,365,473             |
| Other                                       | 39,892,742            | 37,804,532            | 35,125,324            |
| Total general and administrative expenses   | <u>292,051,518</u>    | <u>281,248,432</u>    | <u>265,628,767</u>    |
| Interest expense                            | <u>23,301,156</u>     | <u>21,195,370</u>     | <u>17,393,963</u>     |
| Total expenses                              | <u>434,182,537</u>    | <u>429,019,194</u>    | <u>397,345,255</u>    |
| Income before income taxes                  | 176,030,339           | 170,244,205           | 166,290,831           |
| Income taxes                                | 65,196,881            | 63,636,273            | 62,201,083            |
| Net income                                  | <u>\$ 110,833,458</u> | <u>\$ 106,607,932</u> | <u>\$ 104,089,748</u> |
| Net income per common share:                |                       |                       |                       |
| Basic                                       | <u>\$ 12.12</u>       | <u>\$ 9.80</u>        | <u>\$ 8.18</u>        |
| Diluted                                     | <u>\$ 11.90</u>       | <u>\$ 9.60</u>        | <u>\$ 8.00</u>        |
| Weighted average common shares outstanding: |                       |                       |                       |
| Basic                                       | <u>9,146,003</u>      | <u>10,876,557</u>     | <u>12,728,360</u>     |
| Diluted                                     | <u>9,316,629</u>      | <u>11,105,710</u>     | <u>13,003,136</u>     |

See accompanying notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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|  | Years Ended March 31,        |                    |                    |
|--|------------------------------|--------------------|--------------------|
|  | <u>2015</u>                  | <u>2014</u>        | <u>2013</u>        |
| Net income                               | \$ <b>110,833,458</b>        | 106,607,932        | 104,089,748        |
| Foreign currency translation adjustments | <b>(10,796,224)</b>          | (3,687,809)        | 2,318,117          |
| Comprehensive income                     | <u>\$ <b>100,037,234</b></u> | <u>102,920,123</u> | <u>106,407,865</u> |

See accompanying notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

|  | Additional<br>Paid-in Capital | Retained<br>Earnings      | Accumulated<br>Other<br>Comprehensive<br>Income (loss), net | Total<br>Shareholders'<br>Equity |
|--|-------------------------------|---------------------------|---|----------------------------------|
| Balances at March 31, 2012   | \$ 65,630,753                 | 355,980,694               | (2,736,434)   | 418,875,013                      |
| Proceeds from exercise of stock options<br>(332,665 shares), including tax benefits of<br>\$3,049,108        | 12,993,709                    | —                         | —   | 12,993,709                       |
| Common stock repurchases (2,569,597 shares)  | —                             | (183,045,655)             | —   | (183,045,655)                    |
| Restricted common stock expense under stock<br>option plan, net of cancellations (\$976,282)                 | 3,842,674                     | —                         | —   | 3,842,674                        |
| Stock option expense   | 7,322,653                     | —                         | —   | 7,322,653                        |
| Other comprehensive income   | —                             | —                         | 2,318,117   | 2,318,117                        |
| Net income   | —                             | 104,089,748               | —   | 104,089,748                      |
| Balances at March 31, 2013   | <u>\$ 89,789,789</u>          | <u>277,024,787</u>        | <u>(418,317)</u>  | <u>366,396,259</u>               |
| Proceeds from exercise of stock options<br>(265,365 shares), including tax benefits of<br>\$2,867,621        | 13,662,510                    | —                         | —   | 13,662,510                       |
| Common stock repurchases (2,091,699 shares)  | —                             | (190,536,775)             | —   | (190,536,775)                    |
| Restricted common stock expense under stock<br>option plan, net of cancellations (\$792,073)                 | 5,234,480                     | —                         | —   | 5,234,480                        |
| Stock option expense   | 9,678,724                     | —                         | —   | 9,678,724                        |
| Other comprehensive loss   | —                             | —                         | (3,687,809)   | (3,687,809)                      |
| Net income   | —                             | 106,607,932               | —   | 106,607,932                      |
| Balances at March 31, 2014   | <u>\$ 118,365,503</u>         | <u>193,095,944</u>        | <u>(4,106,126)</u>  | <u>307,355,321</u>               |
| <b>Proceeds from exercise of stock options<br/>(159,348 shares), including tax benefits of<br/>\$989,776</b> | <b>7,530,624</b>              | <b>—</b>                  | <b>—</b>  | <b>7,530,624</b>                 |
| <b>Common stock repurchases (1,432,058<br/>shares)</b>   | <b>—</b>                      | <b>(115,324,097)</b>      | <b>—</b>  | <b>(115,324,097)</b>             |
| <b>Restricted common stock expense under<br/>stock option plan, net of cancellations<br/>(\$303,818)</b>     | <b>7,834,825</b>              | <b>—</b>                  | <b>—</b>  | <b>7,834,825</b>                 |
| <b>Stock option expense</b>  | <b>8,133,812</b>              | <b>—</b>                  | <b>—</b>  | <b>8,133,812</b>                 |
| <b>Other comprehensive loss</b>  | <b>—</b>                      | <b>—</b>                  | <b>(10,796,224)</b>   | <b>(10,796,224)</b>              |
| <b>Net income</b>  | <b>—</b>                      | <b>110,833,458</b>        | <b>—</b>  | <b>110,833,458</b>               |
| <b>Balances at March 31, 2015</b>  | <b><u>\$ 141,864,764</u></b>  | <b><u>188,605,305</u></b> | <b><u>(14,902,350)</u></b>                                  | <b><u>315,567,719</u></b>        |

See accompanying notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOW

|   | Years Ended March 31, |                      |                      |
|---|-----------------------|----------------------|----------------------|
|   | 2015                  | 2014                 | 2013                 |
| Cash flow from operating activities:                                  |                       |                      |                      |
| Net income  | \$ 110,833,45         | 106,607,932          | 104,089,748          |
| Adjustments to reconcile net income to net cash provided by operating |                       |                      |                      |
| Amortization of intangible assets                                     | 723,071               | 1,057,620            | 1,365,473            |
| Amortization of loan costs and discounts                              | 418,847               | 373,441              | 612,021              |
| Provision for loan losses   | 118,829,863           | 126,575,392          | 114,322,525          |
| Depreciation  | 6,538,638             | 6,282,255            | 6,442,292            |
| Deferred income tax benefit   | (3,831,417)           | (4,098,193)          | (10,941,998)         |
| Compensation related to stock option and restricted stock plans       | 15,968,637            | 14,913,204           | 11,165,327           |
| Net gain on sale of loans receivable                                  | (16,027,999)          | —                    | —                    |
| Change in operating assets and liabilities:                           |                       |                      |                      |
| Other assets, net   | (1,060,037)           | (360,471)            | (811,921)            |
| Income taxes payable  | 8,494,879             | (4,420,347)          | 2,413,396            |
| Accounts payable and accrued expenses                                 | 1,041,341             | (967,249)            | 3,387,226            |
| Net cash provided by operating activities                             | <u>241,929,281</u>    | <u>245,963,584</u>   | <u>232,044,089</u>   |
| Cash flows from investing activities:                                 |                       |                      |                      |
| Increase in loans receivable, net                                     | (116,921,675)         | (157,149,864)        | (171,985,755)        |
| Net assets acquired from branch acquisitions, primarily loans         | (1,516,149)           | (774,549)            | (1,951,646)          |
| Increase in intangible assets from acquisitions                       | (463,345)             | (281,436)            | (716,169)            |
| Purchases of property and equipment                                   | (8,629,469)           | (7,432,535)          | (6,910,955)          |
| Proceeds from sale of property and equipment                          | 399,306               | 48,476               | 26,659               |
| Proceeds from sale of loan receivable                                 | 18,880,496            | —                    | —                    |
| Net cash used in investing activities                                 | <u>(108,250,836)</u>  | <u>(165,589,908)</u> | <u>(181,537,866)</u> |
| Cash flow from financing activities:                                  |                       |                      |                      |
| Borrowings from senior notes payable                                  | 310,721,600           | 425,640,000          | 443,515,466          |
| Payments on senior notes payable                                      | (315,071,600)         | (320,390,000)        | (272,515,466)        |
| Payments on junior subordinated note payable                          | —                     | —                    | (50,000,000)         |
| Loan cost associated with senior notes payable                        | (337,500)             | (204,000)            | (985,000)            |
| Proceeds from exercise of stock options                               | 6,540,847             | 10,794,889           | 9,944,601            |
| Repurchase of common stock  | (115,324,097)         | (190,536,775)        | (183,045,655)        |
| Excess tax benefit from exercise of stock options                     | 989,776               | 2,867,621            | 3,049,108            |
| Net cash used in financing activities                                 | <u>(112,480,974)</u>  | <u>(71,828,265)</u>  | <u>(50,036,946)</u>  |
| Effects of foreign currency fluctuations on cash                      | (2,428,219)           | (601,093)            | 387,912              |
| Net change in cash and cash equivalents                               | 18,769,252            | 7,944,318            | 857,189              |
| Cash and cash equivalents at beginning of year                        | 19,569,683            | 11,625,365           | 10,768,176           |
| Cash and cash equivalents at end of year                              | <u>\$ 38,338,935</u>  | <u>19,569,683</u>    | <u>11,625,365</u>    |
| Supplemental Disclosures:   |                       |                      |                      |
| Interest paid during the period                                       | \$ 22,714,147         | 19,922,148           | 16,028,399           |
| Income taxes paid during the period                                   | \$ 61,027,849         | 67,404,899           | 66,921,031           |

See accompanying notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **(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.

The Company also markets computer software and related services to financial services companies through its ParaData Financial Systems ("ParaData") subsidiary.

As of March 31, 2015, the Company operated 1,172 branches in Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, and Wisconsin. The Company also operated 148 branches in Mexico. 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 (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)/income."

#### *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.

## ***Notes to Consolidated Financial Statements***

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### ***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 one reportable segment, which is the consumer finance company. The other revenue generating activities of the Company, including the sale of insurance products, income tax preparation, world class buying club and the automobile club, are done in the existing branch network in conjunction with or as a complement to the lending operation. There is no discrete financial information available for these activities and they do not meet the criteria under FASB ASC Topic 280 to be reported separately.

The Company's three US divisions (Southern, Central, and Western) meet the aggregation criteria under FASB ASC Topic 280.

At March 31, 2015 and 2014, the Company's Mexico operations accounted for approximately 2.6% and 2.1% of total consolidated assets. Total revenues for the years ended March 31, 2015, 2014 and 2013 were \$52.4 million, \$50.6 million, \$41.1 million, which represented 8.6%, 8.4%, and 7.3% of consolidated revenues. Although, the Company's Mexico operations is an operating segment under FASB ASC Topic 280, it does not meet the criteria to require separate disclosure.

ParaData provides data processing systems to 102 separate finance companies, including the Company. At March 31, 2015 and 2014, ParaData had total assets of \$0.2 million and \$1.3 million, which represented less than 1% of total consolidated assets at each fiscal year end. Total net revenues (system sales and support) for ParaData for the years ended March 31, 2015, 2014 and 2013 were \$2.1 million, \$2.4 million and \$2.1 million, respectively, which represented less than 1% of consolidated revenue for each year. Although ParaData is an operating segment under FASB ASC Topic 280, it does not meet the criteria to require separate disclosure.

### ***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, 2015 and 2014 the Company had \$1.1 million and \$0.7 million in restricted cash associated with 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 Georgia, South Carolina, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, Alabama, Wisconsin, Indiana, Idaho and Mississippi. In addition, the Company also originates consumer loans in Mexico. During fiscal 2015, 2014 and 2013 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

## Notes to Consolidated Financial Statements

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, 2015 and 2014 consisted of the following:

|                     | 2015                 | 2014                 |
|---------------------|----------------------|----------------------|
| Small loans         | 661,635,284          | 676,760,815          |
| Large loans         | 439,279,986          | 422,771,805          |
| Sales finance loans | 9,229,812            | 12,774,715           |
| Total gross loans   | <u>1,110,145,082</u> | <u>1,112,307,335</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.

In connection with the preparation of the consolidated financial statements for the year ended March 31, 2015, the Company has reclassified certain loan origination costs from personnel and other expenses to present them as a reduction to interest and fee income in compliance with Accounting Standards Codification 310-20, *Nonrefundable Fees and Other Costs*. The Company has historically deferred these costs in compliance with the standard, but inappropriately only recorded the net difference between the deferral of costs on loans originated during a period and the amortization of deferred costs for the same period within the statement of operations.

The Company evaluated the materiality of the reclassifications in accordance with SEC Staff Accounting Bulletin No. 99, *Materiality*, SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*, and Accounting Standards Codification 250, *Accounting for Changes and Error Corrections*, and concluded that the reclassifications, individually and in the aggregate, were immaterial to all prior periods impacted. While the adjustments were immaterial, the Company has elected to revise its previously reported revenue and expenses as shown in the following table:

|                         | Year Ended March 31, |             | Year Ended March 31, |             |
|-------------------------|----------------------|-------------|----------------------|-------------|
|                         | As                   | As Revised  | As                   | As Revised  |
| Interest and fee income | 542,155,900          | 523,770,049 | 505,495,331          | 485,413,704 |
| Personnel expense       | 202,794,384          | 187,444,744 | 194,422,717          | 178,009,856 |
| Other expense           | 40,840,744           | 37,804,532  | 38,794,090           | 35,125,324  |

The corrections have no impact on the Company's consolidated balance sheets, net income, consolidated statements of comprehensive income, consolidated statements of shareholders' equity, consolidated statements of cash flows, or earnings per share.

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

## *Notes to Consolidated Financial Statements*

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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 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 60 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 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 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 90 or more days 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 90 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 for the past 10 years has ranged from

## ***Notes to Consolidated Financial Statements***

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12.9% to 16.7% of net loans. The Company's delinquencies and net charge-off ratios were significantly impacted during the year 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 90 days or more past due, without having their monthly bonus negatively impacted. As expected, this resulted in an increase in accounts 90 days or more past due and lower charge-offs during the year. 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 90 days or more past due. 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, 2015, bankrupt accounts that had not been charged off were approximately \$6.0 million. Bankrupt accounts 90 days or more past due are reserved at 100% of the gross loan balance. The Company also considers accounts 90 days or more past due 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: building, 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 5 to 20 years with a weighted average of approximately 16 years. Non-compete agreements are amortized on a straight line basis over the term of the agreement, ranging from 2 to 7 years with a weighted average of approximately 5 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 360-10-5. 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 one reporting unit, the consumer finance company, 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. As of March 31, 2015, the Company had 92 branches with recorded goodwill.

***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 2015, 2014, or 2013.

## *Notes to Consolidated Financial Statements*

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### *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 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, 2015, 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 2013, 2014, and 2015 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***

The Company's Board of Directors approved a stock repurchase program which authorizes us to repurchase common shares in the open market or in privately negotiated transactions at price levels we deem attractive. On March 10, 2015, the Board of Directors authorized the Company to repurchase up to \$25.0 million of the Company's common stock. This repurchase authorization follows, and is in addition to, similar repurchase authorizations of \$25.0 million announced on February 19, 2015 and \$25.0 million announced on July 23, 2014. After taking into account all shares repurchased through May 29, 2015, the Company has \$11.5 million in aggregate remaining repurchase capacity under all of the Company's outstanding repurchase authorizations. 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 authorizations above have no stated expiration date, the Company's stock repurchase program may be suspended or discontinued at any time.

## ***Notes to Consolidated Financial Statements***

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### ***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, 2015, the Company operated in fifteen states in the United States as well as in Mexico. For the years ended March 31, 2015, 2014 and 2013, total revenue within the Company's four largest states (Texas, Georgia, Tennessee, S. Carolina) accounted for approximately 54%, 58% and 56%, 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 \$17.3 million, \$16.1 million and \$14.8 million for fiscal years 2015, 2014 and 2013, respectively.

### ***Accounting Standards to be Adopted***

#### ***Revenue from Contracts with Customers***

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("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. The guidance allows for either a "full retrospective" adoption or a "modified retrospective" adoption; however, early adoption is not permitted. We are currently evaluating the impact the adoption of this guidance will have 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 Accounting Standards Update ("ASU") 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 2014-15 is effective for annual and interim periods beginning after December 15, 2016 with early adoption permitted. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

## Notes to Consolidated Financial Statements

### Simplifying the Presentation of Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 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. ASU 2015-03 is effective for annual and interim periods beginning after December 15, 2015 with early adoption permitted. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

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, 2015, 2014, and 2013:

|                                | <u>2015</u>          | <u>2014</u>       | <u>2013</u>       |
|--------------------------------|----------------------|-------------------|-------------------|
| Balance at beginning of period | \$ 63,254,940        | 59,980,842        | 54,507,299        |
| Provision for loan losses      | 118,829,863          | 126,575,392       | 114,322,525       |
| Loan losses                    | (126,093,332)        | (137,307,358)     | (121,514,261)     |
| Recoveries                     | 15,467,059           | 14,287,889        | 12,471,699        |
| Translation adjustment         | (1,020,542)          | (281,825)         | 193,580           |
| Balance at end of period       | <u>\$ 70,437,988</u> | <u>63,254,940</u> | <u>59,980,842</u> |

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

| March 31, 2015  | <u>Loans<br/>individually<br/>evaluated for<br/>impairment<br/>(impaired<br/>loans)</u> | <u>Loans<br/>collectively<br/>evaluated for<br/>impairment</u> | <u>Total</u>         |
|---|---|--|----------------------|
| Gross loans in bankruptcy, excluding contractually delinquent | \$ 4,821,691  | —  | 4,821,691            |
| Gross loans contractually delinquent                          | 48,262,853  | —  | 48,262,853           |
| Loans not contractually delinquent and not in bankruptcy      | —   | 1,057,060,538  | 1,057,060,538        |
| Gross loan balance  | <u>53,084,544</u>   | <u>1,057,060,538</u>   | <u>1,110,145,082</u> |
| Unearned interest and fees                                    | (13,115,117)  | (284,287,287)  | (297,402,404)        |
| Net loans   | <u>39,969,427</u>   | <u>772,773,251</u>   | <u>812,742,678</u>   |
| Allowance for loan losses                                     | (35,352,658)  | (35,085,330)   | (70,437,988)         |
| Loans, net of allowance for loan losses                       | <u>\$ 4,616,769</u>   | <u>737,687,921</u>   | <u>742,304,690</u>   |



## Notes to Consolidated Financial Statements

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

|   | <b>March 31,<br/>2015</b> | March 31,<br>2014    |
|---|---------------------------|----------------------|
| <b>Credit risk</b>  |                           |                      |
| Consumer loans- non-bankrupt accounts                                 | \$ 1,104,179,016          | 1,106,428,510        |
| Consumer loans- bankrupt accounts                                     | 5,966,066                 | 5,878,825            |
| Total gross loans   | <u>\$ 1,110,145,082</u>   | <u>1,112,307,335</u> |
| <b>Consumer credit exposure</b>                                       |                           |                      |
| Credit risk profile based on payment activity, performing             | \$ 1,032,984,546          | 1,053,037,073        |
| Contractual non-performing, 60 days or more delinquent <sup>(1)</sup> | 77,160,536                | 59,270,262           |
| Total gross loans   | <u>\$ 1,110,145,082</u>   | <u>1,112,307,335</u> |
| Delinquent refinance  | <u>\$ 23,957,779</u>      | <u>22,907,734</u>    |
| <b>Credit risk profile based on customer type</b>                     |                           |                      |
| New borrower  | \$ 146,376,318            | 151,025,603          |
| Former borrower   | 110,149,558               | 102,514,264          |
| Refinance   | 829,661,427               | 835,859,734          |
| Delinquent refinance  | 23,957,779                | 22,907,734           |
| Total gross loans   | <u>\$ 1,110,145,082</u>   | <u>1,112,307,335</u> |
| (1) Loans in nonaccrual status  |                           |                      |

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

|   | <b>March 31,<br/>2015</b> | March 31,<br>2014 | March 31,<br>2013 |
|---|---------------------------|-------------------|-------------------|
| <b>Contractual basis:</b>                       |                           |                   |                   |
| 30-60 days past due                             | \$ 43,663,540             | 37,713,414        | 37,674,267        |
| 61-90 days past due                             | 26,027,649                | 30,607,515        | 22,773,063        |
| 91 days or more past due                        | 51,132,887                | 28,662,747        | 23,941,210        |
| Total   | <u>\$ 120,824,076</u>     | <u>96,983,676</u> | <u>84,388,540</u> |
| Percentage of period-end gross loans receivable | <b>10.9%</b>              | 8.7%              | 7.9%              |

## Notes to Consolidated Financial Statements

### (3) Property and Equipment

Property and equipment consist of:

|  | March 31,<br>2015    | March 31,<br>2014   |
|--|----------------------|---------------------|
| Land   | \$ 576,977           | 250,443             |
| Building and leasehold improvements            | 20,361,536           | 19,083,381          |
| Furniture and equipment                        | 43,901,426           | 41,422,708          |
|  | <u>64,839,939</u>    | <u>60,756,532</u>   |
| Less accumulated depreciation and amortization | <u>(38,933,432)</u>  | <u>(35,930,294)</u> |
| Total  | <u>\$ 25,906,507</u> | <u>24,826,238</u>   |

Depreciation expense was approximately \$6.5 million, \$6.3 million and \$6.4 million for the years ended March 31, 2015, 2014 and 2013, respectively.

### (4) Intangible Assets

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

|  | March 31, 2015              |                             |                            | March 31, 2014              |                             |                            |
|--|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|
|  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Intangible<br>Asset | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Intangible<br>Asset |
| Cost of customer lists                   | \$ 22,539,218               | (19,282,316)                | 3,256,902                  | \$ 22,255,204               | (18,630,930)                | 3,624,274                  |
| Value assigned to non-compete agreements | 8,349,643                   | (8,242,792)                 | 106,851                    | 8,324,643                   | (8,171,107)                 | 153,536                    |
| Total                                    | <u>\$ 30,888,861</u>        | <u>(27,525,108)</u>         | <u>3,363,753</u>           | <u>\$ 30,579,847</u>        | <u>(26,802,037)</u>         | <u>3,777,810</u>           |

The estimated amortization expense for intangible assets for future years ended March 31 is as follows: \$0.5 million for 2016; \$0.4 million for 2017; \$0.4 million for 2018; \$0.3 million for 2019; \$0.3 million for 2020; and an aggregate of \$1.3 million for the years thereafter.

### (5) Goodwill

The following summarizes the changes in the carrying amount of goodwill for the year ended March 31, 2015 and 2014:

|  | 2015                | 2014             |
|--|---------------------|------------------|
| <i>Balance at beginning of year:</i>   |                     |                  |
| Goodwill                               | \$ 5,992,520        | 5,921,681        |
| Accumulated goodwill impairment losses | <u>(25,393)</u>     | <u>(25,393)</u>  |
| Goodwill acquired during the year      | <u>\$ 154,331</u>   | <u>70,839</u>    |
| Impairment losses                      | <u>—</u>            | <u>—</u>         |
| <i>Balance at end of year:</i>         |                     |                  |
| Goodwill                               | \$ 6,146,851        | 5,992,520        |
| Accumulated goodwill impairment losses | <u>(25,393)</u>     | <u>(25,393)</u>  |
| Total                                  | <u>\$ 6,121,458</u> | <u>5,967,127</u> |

## *Notes to Consolidated Financial Statements*

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The Company performed an annual impairment test during the fourth quarter of fiscal 2015 and 2014, and determined that none of the recorded goodwill was impaired.

### **(6) Notes Payable**

#### ***Senior Notes Payable \$680,000,000 Revolving Credit Facility***

The Company's notes payable consist of a \$680.0 million senior notes payable revolving credit facility with borrowings of \$501.2 million outstanding on the borrowing facility and \$750,000 standby letters of credit related to workers compensation is outstanding at March 31, 2015. 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 letter of credit as of March 31, 2015, and it expires on December 31, 2015. As amended the base credit facility will reduce from \$680.0 million to \$630 million on June 15, 2015. Subject to a borrowing base formula based on eligible loans receivable, the Company may borrow at the rate of LIBOR plus 3.0% with a minimum of 4.0%. At March 31, 2015 and March 31, 2014, the Company's effective interest rate, including the commitment fee, was 4.3% and 4.4%, respectively, and the unused amount available under the revolver at March 31, 2015 was \$81.5 million. The Company also had \$96.6 million that may become available under the revolving credit facility if it grows the net eligible finance receivables. The revolving credit facility has a commitment fee of 0.40% per annum on the unused portion of the commitment. The Company pays interest on a monthly basis. Borrowings under the revolving credit facility mature on June 15, 2016.

#### ***Junior Subordinated Note Payable***

On September 17, 2010, the Company entered into a \$75.0 million Junior Subordinated Note Payable with Wells Fargo Preferred Capital, Inc. ("Wells Fargo") providing for a non-revolving line of credit. Wells Fargo is also a lender under the Revolving Credit Agreement. The Company repaid the junior subordinated note in May 2012.

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

#### ***Debt Covenants***

The Company's revolving credit agreement contains a number of financial covenants, including minimum net worth and fixed charge coverage requirements. The credit agreement also contains certain other covenants, including covenants that impose limitations on the Company with respect to (i) declaring or paying dividends or making distributions on or acquiring common or preferred stock or warrants or options; (ii) redeeming or purchasing or prepaying principal or interest on subordinated debt; (iii) incurring additional indebtedness; and (iv) entering into a merger, consolidation or sale of substantial assets or subsidiaries. The Company was in compliance with these covenants at March 31, 2015 and does not believe that these covenants will materially limit its business and expansion strategy.

## Notes to Consolidated Financial Statements

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### Debt Maturities

As of March 31, 2015, the aggregate annual maturities of the notes payable for each of the fiscal years subsequent to March 31, 2015 were as follows:

|                            |    |                    |
|----------------------------|----|--------------------|
| 2016                       | \$ | —                  |
| 2017                       |    | 501,150,000        |
| 2018                       |    | —                  |
| 2019                       |    | —                  |
| 2020                       |    | —                  |
| Total future debt payments | \$ | <u>501,150,000</u> |

### (7) Insurance Commissions and Other Income

Insurance commissions and other income for the years ending March 31, 2015, 2014 and 2013 consist of:

|  | <u>2015</u>          | <u>2014</u>       | <u>2013</u>       |
|--|----------------------|-------------------|-------------------|
| Insurance commissions                  | \$ 47,822,485        | 50,379,798        | 51,345,424        |
| Tax return preparation revenue         | 9,896,378            | 9,118,639         | 8,696,976         |
| Auto club membership revenue           | 3,671,192            | 4,585,904         | 5,493,653         |
| World Class Buying Club revenue        | 2,438,314            | 3,881,915         | 4,761,257         |
| Net gain on sale of loans receivable   | 16,027,999           | —                 | —                 |
| Other                                  | 6,079,167            | 7,527,094         | 7,925,072         |
| Insurance commissions and other income | <u>\$ 85,935,535</u> | <u>75,493,350</u> | <u>78,222,382</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, 2015, 2014 and 2013:

|                            | <u>2015</u>  | <u>2014</u> | <u>2013</u> |
|----------------------------|--------------|-------------|-------------|
| Insurance premiums written | \$ 6,804,275 | 7,241,274   | 7,361,547   |
| Recoveries on claims paid  | \$ 1,128,347 | 1,086,381   | 1,005,757   |
| Claims paid                | \$ 7,196,437 | 7,501,154   | 7,576,902   |

### (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.

## Notes to Consolidated Financial Statements

The future minimum lease payments under noncancelable operating leases as of March 31, 2015, are as follows:

|                                     |                      |
|-------------------------------------|----------------------|
| 2016                                | \$ 23,387,035        |
| 2017                                | 15,604,656           |
| 2018                                | 7,832,098            |
| 2019                                | 2,507,233            |
| 2020                                | 1,005,752            |
| Thereafter                          | 119,045              |
| Total future minimum lease payments | <u>\$ 50,455,819</u> |

Mexico commitments of approximately \$56.7 million (MXN) were translated at the spot rate of \$15.23.

Rental expense for cancelable and noncancelable operating leases for the years ended March 31, 2015, 2014 and 2013, was approximately \$26.0 million, \$23.9 million and \$21.9 million, respectively.

### (10) Income Taxes

Income tax expense (benefit) consists of:

|                                  | <u>Current</u>       | <u>Deferred</u>     | <u>Total</u>      |
|----------------------------------|----------------------|---------------------|-------------------|
| <b>Year ended March 31, 2015</b> |                      |                     |                   |
| U.S. Federal                     | \$ 61,284,206        | (3,524,067)         | 57,760,139        |
| State and local                  | 6,112,487            | (411,543)           | 5,700,944         |
| Foreign                          | 1,631,605            | 104,193             | 1,735,798         |
|                                  | <u>\$ 69,028,298</u> | <u>(3,831,417)</u>  | <u>65,196,881</u> |
| <br>Year ended March 31, 2014    |                      |                     |                   |
| U.S. Federal                     | \$ 59,218,428        | (3,513,833)         | 55,704,595        |
| State and local                  | 6,679,439            | (428,210)           | 6,251,229         |
| Foreign                          | 1,836,599            | (156,150)           | 1,680,449         |
|                                  | <u>\$ 67,734,466</u> | <u>(4,098,193)</u>  | <u>63,636,273</u> |
| <br>Year ended March 31, 2013    |                      |                     |                   |
| U.S. Federal                     | \$ 63,140,638        | (8,792,012)         | 54,348,626        |
| State and local                  | 8,372,748            | (857,958)           | 7,514,790         |
| Foreign                          | 1,629,695            | (1,292,028)         | 337,667           |
|                                  | <u>\$ 73,143,081</u> | <u>(10,941,998)</u> | <u>62,201,083</u> |

## Notes to Consolidated Financial Statements

Income tax expense was \$65,196,881, \$63,636,273 and \$62,201,083, for the years ended March 31, 2015, 2014 and 2013, 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>2015</u>                 | <u>2014</u>       | <u>2013</u>       |
|--|-----------------------------|-------------------|-------------------|
| Expected income tax                                  | <b>\$ 61,610,619</b>        | 59,585,472        | 58,201,791        |
| Increase (reduction) in income taxes resulting from: |                             |                   |                   |
| State tax, net of federal benefit                    | <b>3,705,614</b>            | 4,063,299         | 4,884,614         |
| Insurance income exclusion                           | <b>(73,826)</b>             | (86,189)          | (123,289)         |
| Uncertain tax positions                              | <b>1,914,990</b>            | 3,001,452         | 283,084           |
| State tax adjustment for amended returns             | —                           | (1,937,724)       | —                 |
| Foreign income adjustments                           | <b>(1,453,438)</b>          | (1,487,116)       | (961,771)         |
| Other, net   | <b>(507,078)</b>            | 497,079           | (83,346)          |
|  | <b><u>\$ 65,196,881</u></b> | <u>63,636,273</u> | <u>62,201,083</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, 2015 and 2014 are presented below:

|   | <u>2015</u>                 | <u>2014</u>         |
|---|-----------------------------|---------------------|
| Deferred tax assets:                                    |                             |                     |
| Allowance for doubtful accounts                         | <b>\$ 27,337,684</b>        | 24,701,417          |
| Unearned insurance commissions                          | <b>12,814,428</b>           | 13,042,940          |
| Accrued expenses primarily related to employee benefits | <b>15,787,850</b>           | 11,176,823          |
| Reserve for uncollectible interest                      | <b>1,103,603</b>            | 2,147,953           |
| Convertible notes                                       | <b>75,628</b>               | 226,938             |
| Other   | <b>915,468</b>              | 551,312             |
|   | <b><u>58,034,661</u></b>    | <u>51,847,383</u>   |
| Gross deferred tax assets                               | <b>58,034,661</b>           | 51,847,383          |
| Less valuation allowance                                | <b>(1,274)</b>              | (1,274)             |
| Net deferred tax assets                                 | <b><u>58,033,387</u></b>    | <u>51,846,109</u>   |
| Deferred tax liabilities:                               |                             |                     |
| Fair value adjustment for loans                         | <b>(12,186,719)</b>         | (10,409,728)        |
| Property and equipment                                  | <b>(4,079,130)</b>          | (4,072,587)         |
| Intangible assets                                       | <b>(1,842,004)</b>          | (1,636,414)         |
| Deferred net loan origination fees                      | <b>(1,851,672)</b>          | (1,652,645)         |
| Prepaid expenses  | <b>(728,257)</b>            | (560,546)           |
| Gross deferred tax liabilities                          | <b><u>(20,687,782)</u></b>  | <u>(18,331,920)</u> |
| Deferred income taxes, net                              | <b><u>\$ 37,345,605</u></b> | <u>33,514,189</u>   |

## Notes to Consolidated Financial Statements

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The valuation allowance for deferred tax assets as of March 31, 2015 and 2014 was \$1,274. The valuation allowance against the total deferred tax assets as of March 31, 2015 and 2014 relates to state net operating losses. 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, 2015. 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, 2015, the Company has determined that approximately \$23.5 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, 2015, there was an unrecognized deferred tax liability in the amount of \$20.6 million related to investment in the Mexican subsidiaries.

As of March 31, 2015 and 2014, the Company had \$8.6 million and \$6.4 million of total gross unrecognized tax benefits including interest, respectively. Of these totals, approximately \$6.6 million and \$4.6 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 is as follows:

|   |                     |
|---|---------------------|
| Unrecognized tax benefits balance at March 31, 2014 | \$ 5,810,712        |
| Gross increases for tax positions of current year   | 2,209,048           |
| Gross increases for tax positions of prior years    | —                   |
| Federal and state tax settlements                   | —                   |
| Lapse of statute of limitations                     | (398,433)           |
| Unrecognized tax benefits balance at March 31, 2015 | <u>\$ 7,621,327</u> |

At March 31, 2015, 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, 2015 and 2014, the Company had \$940,805 and \$614,279 accrued for gross interest, respectively, of which \$474,484, \$379,417, and \$240,609 represented the current period expense for the periods ended March 31, 2015, 2014, and 2013.

The Company is subject to U.S. and Mexican income taxes, as well as various other state and local jurisdictions. With few exceptions, 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 2011, although carryforward attributes that were generated prior to 2011 may still be adjusted upon examination by the taxing authorities if they either have been or will be used in a future period.



## Notes to Consolidated Financial Statements

These errors resulted from the inclusion of restricted stock as outstanding in the basic weighted average common shares outstanding, as well as the inclusion of performance based restricted stock that had not met the necessary performance conditions as of the end of the reporting period as dilutive in the calculation of weighted average diluted shares outstanding.

The Company evaluated the materiality of these errors in accordance with SEC Staff Accounting Bulletin No. 99, *Materiality*, SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*, and Accounting Standards Codification 250, *Accounting for Changes and Error Corrections*, and concluded that these errors, individually and in the aggregate, were immaterial to all prior periods impacted. While the adjustments were immaterial, the Company has elected to revise its previously reported basic and diluted earnings per share as shown in the following table:

|   | Year Ended March 31,<br>2014 |             | Year Ended March 31,<br>2013 |             |
|---|------------------------------|-------------|------------------------------|-------------|
|   | As<br>Reported               | As Revised  | As<br>Reported               | As Revised  |
| Net income (numerator)                                      | 106,607,932                  | 106,607,932 | 104,089,748                  | 104,089,748 |
| Basic:  |                              |             |                              |             |
| Weighted average common shares outstanding<br>(denominator) | 11,391,706                   | 10,876,557  | 12,940,007                   | 12,728,360  |
| Diluted:  |                              |             |                              |             |
| Weighted average common shares outstanding                  | 11,391,706                   | 10,876,557  | 12,940,007                   | 12,728,360  |
| Dilutive potential restricted stock and stock options       | 349,599                      | 229,153     | 274,264                      | 274,776     |
| Weighted average common shares outstanding<br>(denominator) | 11,741,305                   | 11,105,710  | 13,214,271                   | 13,003,136  |
| Net income per common share:                                |                              |             |                              |             |
| Basic   | 9.36                         | 9.80        | 8.04                         | 8.18        |
| Diluted   | 9.08                         | 9.60        | 7.88                         | 8.00        |

The corrections have no impact on the Company's consolidated balance sheets, net income, consolidated statement of comprehensive income, consolidated statements of shareholders equity, or consolidated statements of cash flows.

### (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 makes a matching contribution equal to 50% of the employees' contributions for the first 6% of gross pay. The Company's expense under this plan was \$1,470,600, \$1,483,712 and \$1,432,170, for the years ended March 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, contributions of \$642,710, \$909,466 and \$1,022,979, respectively, were charged to expense related to the SERP. The expense for the year ended March 31, 2014 was offset by the reversal of \$904,138 of expense accrued for two executives who resigned during the year. The unfunded liability was \$7,516,249, \$7,186,076 and \$7,470,918, as of March 31, 2015, 2014 and 2013, 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, 2015 and 2014, no executive 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 10 years, may be subject to certain vesting requirements, which are generally five years for officers, directors, and key employees, and are priced at the market value of the Company's common stock on the date of grant of the option. At March 31, 2015, there were a total of 209,178 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.

The weighted-average fair value at the grant date for options issued during the years ended March 31, 2015, 2014 and 2013 was \$34.50, \$43.80 and \$36.06 per share, respectively. This fair value was estimated at grant date using the weighted-average assumptions listed below.

|                                 | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---------------------------------|-------------|-------------|-------------|
| Dividend yield                  | 0%          | 0%          | 0%          |
| Expected volatility             | 44.62%      | 53.91%      | 56.15%      |
| Average risk-free interest rate | 1.77%       | 1.51%       | 0.80%       |
| Expected life                   | 6.1 years   | 5.4 years   | 5.6 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, 2015 was as follows:

|  | Shares    | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|--|-----------|--|---|---------------------------------|
| Options outstanding, beginning of year | 1,096,000 | \$ 63.79                                 |   |                                 |
| Granted                                | 193,525   | 76.57                                    |   |                                 |
| Exercised                              | (159,348) | 41.05                                    |   |                                 |
| Forfeited                              | (39,532)  | 69.20                                    |   |                                 |
| Expired                                | (6,878)   | 75.82                                    |   |                                 |
| Options outstanding, end of period     | 1,083,767 | \$ 69.15                                 | 7.43  | \$ 8,303,057                    |
| Options exercisable, end of period     | 340,883   | \$ 58.01                                 | 5.88  | \$ 5,871,954                    |

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, 2015 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, 2015. This amount will change as the stock's market price changes. The total intrinsic value of options exercised during the periods ended March 31, 2015, 2014 and 2013 was as follows:

| 2015        | 2014         | 2013         |
|-------------|--------------|--------------|
| \$6,454,022 | \$13,844,546 | \$14,049,751 |

As of March 31, 2015, total unrecognized stock-based compensation expense related to non-vested stock options amounted to approximately \$18.0 million, which is expected to be recognized over a weighted-average period of approximately 3.3 years.

***Restricted Stock***

During Fiscal 2014 and 2013 the Company granted 8,590 and 70,800 Group A performance based restricted stock awards to certain officers. As of March 31, 2015, 60,390 remain unforfeited. 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<br>(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, 2014, 373,360 remain unforfeited. Group B awards will vest as follows, if the Company achieves 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<br>(Percentage of Award) |
|-------------------------------|---|
| \$13.00                       | 25%   |
| \$14.50                       | 25%   |
| \$16.00                       | 25%   |
| \$18.00                       | 25%   |

## Notes to Consolidated Financial Statements

On November 7, 2011, the Company granted 15,077 shares of restricted stock (which are equity classified), with a grant date fair value of \$67.70 per share, to certain executive officers. One-third of the restricted stock vested immediately, one-third vested on November 7, 2012, and 3,249 net of forfeits vested on November 7, 2013, respectively. On that same date, the Company granted an additional 24,200 shares of restricted stock (which are equity classified), with a grant date fair value of \$67.70 per share, to certain officers. One-third of the restricted stock vested on November 7, 2012, and one-third of the restricted stock vested on November 7, 2013 and one-third of the restricted stock vested on November 7, 2014, respectively. On that same date, the Company granted an additional 11,139 shares of restricted stock (which are equity classified), with a grant date fair value of \$67.70 per share, to certain executive officers. The remaining unforfeited 7,275 shares vested on April 30, 2014 based on the Company's compounded annual EPS growth according to the following schedule:

| Vesting Percentage | Compounded Annual EPS Growth |
|--------------------|------------------------------|
| 100%               | 15% or higher                |
| 67%                | 12% - 14.99%                 |
| 33%                | 10% - 11.99%                 |
| 0%                 | Below 10%                    |

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 approximately \$8.1 million, \$6.0 million and \$4.8 million of compensation expense for the years ended March 31, 2015, 2014 and 2013, respectively, which is included as a component of general and administrative expenses in the Company's Consolidated Statements of Operations.

As of March 31, 2015, there was approximately \$8.8 million of unrecognized compensation cost related to unvested performance-based restricted stock awards, which is expected to be recognized over the next 1.6 years based on current estimates. In addition there was approximately \$6.7 million of unrecognized compensation cost related to unvested performance-based restricted stock awards, which are not expected to vest based on current estimates. If these estimates change the \$6.7 million could be expensed, accordingly, in future periods.

A summary of the status of the Company's restricted stock as of March 31, 2015, and changes during the year ended March 31, 2015, are presented below:

|                               | Shares   | Weighted Average<br>Fair |
|-------------------------------|----------|--------------------------|
| Outstanding at March 31, 2014 | 461,959  | \$ 76.49                 |
| Granted during the period     | —        | —                        |
| Vested during the period      | (12,615) | 67.70                    |
| Forfeited during the period   | (15,594) | 73.84                    |
| Outstanding at March 31, 2015 | 433,750  | \$ 76.84                 |

Total share-based compensation included as a component of net income during the years ended March 31, 2015, 2014 and 2013 was as follows:

|  | 2015          | 2014       | 2013       |
|--|---------------|------------|------------|
| Share-based compensation related to equity classified units: |               |            |            |
| Share-based compensation related to stock options            | \$ 8,133,812  | 9,678,724  | 7,322,653  |
| Share-based compensation related to restricted stock         | 8,138,643     | 6,026,553  | 4,818,956  |
| Total share-based compensation related to equity classified  | \$ 16,272,455 | 15,705,277 | 12,141,609 |

**(13) Acquisitions**

The Company evaluates each acquisition to determine if the acquired enterprise meets the definition of a business. Those acquired enterprises that meet the definition of a business are accounted for as a business combination under FASB ASC Topic 805-10 and all other acquisitions are accounted for as asset purchases. All acquisitions have been from independent third parties.

The following table sets forth the acquisition activity of the Company for the years ended March 31, 2015, 2014, and 2013 years:

|   | <u>2015</u>              | <u>2014</u>    | <u>2013</u>    |
|---|--------------------------|----------------|----------------|
| Number of business combinations                               | <u>2</u>                 | <u>1</u>       | <u>3</u>       |
| Number of asset purchases                                     | <u>3</u>                 | <u>6</u>       | <u>9</u>       |
| Total acquisitions  | <u>5</u>                 | <u>7</u>       | <u>12</u>      |
| Purchase price  | <b>\$ 1,979,494</b>      | 1,055,986      | 2,649,000      |
| Tangible assets:  |                          |                |                |
| Loans receivable, net   | <b>1,512,149</b>         | 773,049        | 1,925,000      |
| Property and equipment  | <u>4,000</u>             | <u>1,500</u>   | <u>8,000</u>   |
|   | <b>1,516,149</b>         | 774,549        | 1,933,000      |
| Excess of purchase prices over carrying value of net tangible | <b><u>\$ 463,345</u></b> | <u>281,437</u> | <u>716,000</u> |
| Customer lists  | <b>\$ 284,014</b>        | 175,000        | 451,000        |
| Non-compete agreements  | <b>25,000</b>            | 35,000         | 60,000         |
| Goodwill  | <b>154,331</b>           | 70,839         | 205,000        |

When the acquisition results in a new branch, the Company records the transaction as a business combination, since the branch acquired will continue to generate loans. The Company typically retains the existing employees and the branch location. The purchase price is allocated to the estimated fair value of the tangible assets acquired and to the estimated fair value of the identified intangible assets acquired (generally non-compete agreements and customer lists). The remainder is allocated to goodwill. During the year ended March 31, 2015, two acquisitions were recorded as business combinations.

When the acquisition is of a portfolio of loans only, the Company records the transaction as an asset purchase. In an asset purchase, no goodwill is recorded. The purchase price is allocated to the estimated fair value of the tangible and intangible assets acquired. During the year ended March 31, 2015, there were three acquisitions recorded as asset acquisitions.

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 eight 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.

**(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.

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

|                           | March 31, 2015 |                      | March 31, 2014 |                      |
|---------------------------|----------------|----------------------|----------------|----------------------|
|                           | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| <b>ASSETS</b>             |                |                      |                |                      |
| Level 1 inputs            |                |                      |                |                      |
| Cash and cash equivalents | \$ 38,338,935  | \$ 38,338,935        | \$ 19,569,683  | \$ 19,569,683        |
| Level 3 inputs            |                |                      |                |                      |
| Loans receivable, net     | 742,304,690    | 742,304,690          | 750,664,875    | 750,664,875          |
| <b>LIABILITIES</b>        |                |                      |                |                      |
| Level 3 inputs            |                |                      |                |                      |
| Senior notes payable      | 501,150,000    | 501,150,000          | 505,500,000    | 505,500,000          |

There were no significant assets or liabilities measured at fair value on a non-recurring basis as of March 31, 2015 and 2014.

**(15) Quarterly Information (Unaudited)**

The following sets forth selected quarterly operating data:

|   | 2015   |         |         |         | 2014    |         |         |         |
|---|--|---------|---------|---------|---------|---------|---------|---------|
|   | First  | Second  | Third   | Fourth  | First   | Second  | Third   | Fourth  |
|   | (Dollars in thousands, except for earnings per share data) |         |         |         |         |         |         |         |
| Total revenues  | \$145,926  | 148,185 | 148,704 | 167,398 | 140,315 | 145,046 | 155,198 | 158,704 |
| Provision for loan<br>General and<br>administrative expense | 30,893   | 36,161  | 38,293  | 13,483  | 28,703  | 38,188  | 41,116  | 18,569  |
| Interest expense  | 73,325   | 71,677  | 75,639  | 71,410  | 70,287  | 67,070  | 72,003  | 71,887  |
| Income tax expense  | 5,564  | 6,026   | 6,038   | 5,673   | 4,676   | 5,281   | 5,546   | 5,692   |
| Net income  | 13,588   | 13,047  | 10,245  | 28,317  | 13,537  | 12,942  | 13,579  | 23,579  |
|   | \$ 22,556  | 21,274  | 18,489  | 48,515  | 23,112  | 21,565  | 22,954  | 38,977  |
| Earnings per share:   |  |         |         |         |         |         |         |         |
| Basic   | \$ 2.36  | 2.34    | 2.04    | 5.45    | 2.02    | 1.95    | 2.14    | 3.80    |
| Diluted   | \$ 2.32  | 2.30    | 2.01    | 5.34    | 1.98    | 1.91    | 2.10    | 3.73    |

Total revenues and General and administrative expenses have been revised in compliance with Accounting Standards Codification 310-20, *Nonrefundable Fees and Other Costs* as described in Note 1.

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**

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. Subsequent to the March 2014 CID, the Company has received and responded to, and is actively in the process of responding to, additional broad requests and demands for information from the CFPB and 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.

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), 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. The complaint alleges that 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. The complaint seeks class certification, unspecified monetary damages, costs and attorneys' fees. The Company believes the complaint is without merit. On June 25, 2014, the Company filed a motion to dismiss the complaint. On August 12, 2014, lead plaintiff Operating Engineers Construction Industry and Miscellaneous Pension Fund filed an amended complaint. The amended complaint contains similar allegations to the original complaint, but expands the class period and includes additional allegations that 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. The Company filed a motion to dismiss the amended complaint on September 16, 2014. On October 21, 2014, the Plaintiff filed a response in opposition to the Company's motion to dismiss the amended complaint. The Company filed a reply brief in support of its motion to dismiss on November 17, 2014. On May 18, 2015, the Court issued an order denying the Company's motion to dismiss. On May 28, 2015, the Court granted the Company's consent motion for an extension of time for the Company to answer the amended complaint to until July 1, 2015. On May 28, 2015, the Company filed a motion asking the Court to certify its May 18, 2015 order for immediate appeal to the United States Court of Appeals for the Fourth Circuit, pursuant to 28 U.S.C. Section 1292(b), and to stay proceedings pending the resolution of that appeal, on grounds that the Court's decision involves a controlling question of law over which there is substantial ground for difference of opinion and an immediate appeal may materially advance the ultimate termination of the litigation. In the event that this motion is disallowed, or if the Court's decision is not reversed on appeal, then the Company intends to answer the complaint, denying all liability, and to defend the action vigorously.

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.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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The Board of Directors  
World Acceptance Corporation:

We have audited the accompanying consolidated balance sheet of World Acceptance Corporation and subsidiaries (the Company) as of March 31, 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG  
Greenville, South Carolina  
June 12, 2014

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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The Board of Directors  
World Acceptance Corporation:

We have audited the accompanying consolidated balance sheet of World Acceptance Corporation and subsidiaries as of March 31, 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended. 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 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 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 audit provides 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, 2015, and the results of their operations and their cash flows for the year then ended 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's and subsidiaries' internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control -- integrated framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992, and our report dated June 1, 2015 expressed an unqualified opinion on the effectiveness of World Acceptance Corporation's internal control over financial reporting.



Raleigh, North Carolina  
June 1, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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The Board of Directors  
World Acceptance Corporation:

We have audited World Acceptance Corporation and subsidiaries' internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. 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.

In our opinion, World Acceptance Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of World Acceptance Corporation and subsidiaries as of March 31, 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended, and our report dated June 1, 2015 expressed an unqualified opinion.



Raleigh, North Carolina  
June 1, 2015

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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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, 2015. Our assessment was based on criteria established in the *Internal Control – Integrated Framework (1992)* 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, 2015 was 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.



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A. A. McLean III  
Chairman and Chief Executive Officer



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

## BOARD OF DIRECTORS

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Ken R. Bramlett Jr.  
*Private Investor*

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

A. Alexander McLean III  
*Chairman of the Board and Chief Executive Officer*  
*World Acceptance Corporation*

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

Charles D. Way  
*Private Investor*

Scott J. Vassalluzzo  
*Managing Member*  
*Prescott Associates, LP*

Janet Lewis Matricciani  
*Chief Operating Officer*  
*World Acceptance Corporation*

## COMPANY OFFICERS

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A. Alexander McLean III  
*Chairman of the Board and Chief Executive Officer*

Janet Lewis Matricciani  
*Chief Operating Officer*

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

D. Clinton Dyer  
*Senior Vice President, Central Division*

Jeff L. Tinney  
*Senior Vice President, Western Division*

Francisco Javier Sauza Del Pozo  
*Senior Vice President, Mexico*

James J. Rosenauer  
*President, ParaData Financial Systems*

Tara E. Trantham  
*Vice President, Secretary and General Counsel*

Marilyn Messer  
*Senior Vice President, Human Resources*

Brent R. Cooler  
*Vice President, Internal Audit*

Robyn D. Yarborough  
*Vice President, Corporate Compliance*

Stacey K. Estes  
*Vice President, Lease Administration*

Yvette Drake  
*Vice President, Director of Marketing*

Keith T. Littrell  
*Vice President, Tax and Assistant Secretary*

Willie A. Green  
*Vice President, External Affairs and Government Relation*

Chad Prashad  
*Vice President, Analytics*

Scott McIntyre  
*Vice President, Accounting, US*

Scott H. Mozingo  
*Vice President of Operations, Georgia*

Stephen A. Bifano  
*Vice President of Operations, Illinois*

David Purscelley  
*Vice President of Operations, New Mexico*

Charles David Minick  
*Vice President of Operations, Texas Caliente*

Rodney D. Ernest  
*Vice President of Operations, Northeast Texas*

Rudolph R. Cruz  
*Vice President of Operations, Northwest Texas*

James E. Creagor  
*Vice President of Operations, Southeast Texas*

Jackie C. Willyard  
*Vice President of Operations, Kentucky*

James W. Littlepage  
*Vice President of Operations, Tennessee*

D. Scott Phillips  
*Vice President of Operations, South Carolina*

Erik T. Brown  
*Vice President of Operations, Missouri*

Rodney Owens  
*Vice President of Operations, Oklahoma*

Anthony B. Seney  
*Vice President of Operations, Louisiana*

Henry R. Blalock  
*Vice President of Operations, Alabama*

Willard James Pipkin  
*Vice President of Operations, Wisconsin*

Patricia M. Keane  
*Vice President of Operations, Mississippi*

*Steve Molina*  
*Assistant Vice President of Operations, Idaho*

Fidencio Reyna  
*Vice President of Operations, Mexico*

Ricardo Cavazos  
*Managing Vice President of Operations, Mexico*

## CORPORATE INFORMATION

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### Common Stock

World Acceptance Corporation's common stock trades on The Nasdaq Stock Market under the symbol: WRLD. As of June 24, 2015, there were 61 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 8,992,518 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 sale price on June 19, 2015 was \$80.60.

### Market Price of Common Stock

| Fiscal 2015    |             |            |
|----------------|-------------|------------|
| <u>Quarter</u> | <u>High</u> | <u>Low</u> |
| First          | \$ 83.22    | \$ 71.63   |
| Second         | 86.58       | 67.45      |
| Third          | 81.33       | 63.25      |
| Fourth         | 94.96       | 70.50      |

| Fiscal 2014    |             |            |
|----------------|-------------|------------|
| <u>Quarter</u> | <u>High</u> | <u>Low</u> |
| First          | \$ 94.99    | \$ 79.55   |
| Second         | 90.70       | 75.13      |
| Third          | 107.98      | 84.22      |
| Fourth         | 103.62      | 71.58      |

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  
Post Office Box 6429 (29606)  
108 Frederick Street (29607)  
Greenville, South Carolina  
(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

Robinson, Bradshaw, & Hinson, P.A.  
1900 Independence Center  
101 North Tryon Street  
Charlotte, North Carolina 28246

### Independent Registered Public Accounting Firm

McGladrey 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.worldacceptance.com>.

### For Further Information

A. Alexander McLean III  
Chief Executive Officer  
World Acceptance Corporation  
(864) 298-9800

