



NICHOLAS

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NASDAQ: NICK
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Nicholas Financial Reports 2nd Quarter Results

October 31, 2013 – Clearwater, Florida - Nicholas Financial, Inc. (NASDAQ: NICK) announced that for the three months ended September 30, 2013 net earnings decreased 16% to \$4,317,000 as compared to \$5,150,000 for the three months ended September 30, 2012. Per share diluted net earnings decreased 17% to \$0.35 as compared to \$0.42 for the three months ended September 30, 2012. Revenue increased 1% to \$20,949,000 for the three months ended September 30, 2013 as compared to \$20,705,000 for the three months ended September 30, 2012.

For the six months ended September 30, 2013 net earnings decreased 5% to \$10,017,000 as compared to \$10,558,000 for the six months ended September 30, 2012. Per share diluted net earnings decreased 6% to \$0.82 as compared to \$0.87 for the six months ended September 30, 2012. Revenue increased 1% to \$41,425,000 for the six months ended September 30, 2013 as compared to \$41,133,000 for the six months ended September 30, 2012.

“Our results for the three months ended September 30, 2013 were adversely affected by a non-cash charge related to the change in fair value of interest rate swap agreements, an increase in operating expenses as a percentage of finance receivables, net, and an increase in the net charge-off rate” stated Peter L. Vosotas, Chairman and CEO. “We continue to develop additional markets and expect to open between 1-3 new branch locations during the remainder of our current fiscal year, which ends March 31, 2014.”

Nicholas Financial, Inc. is one of the largest publically traded specialty consumer finance companies in North America. The Company operates branch locations in both the Southeastern and the Midwestern states. The Company has approximately 12,200,000 shares of common stock outstanding. For an index of Nicholas Financial, Inc. news releases and public filings please visit our web site at www.nicholasfinancial.com.

Except for the historical information contained herein, the matters discussed in this news release include forward-looking statements that involve risks and uncertainties including general economic conditions, access to bank financing, and other risks detailed from time to time in the Company’s filings and reports with the Securities and Exchange Commission including the Company’s Annual Report on Form 10-K for the year ended March 31, 2013. Such statements are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to Company management. Actual events or results may differ materially. All forward looking statements and cautionary statements included in this document are made as of the date hereby based on information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward looking statement or cautionary statement.

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Nicholas Financial, Inc.**Condensed Consolidated Statements of Income**

(Unaudited, Dollars in Thousands, Except Share and Per Share Amounts)

	Three months ended September 30,		Six months ended September 30,	
	2013	2012	2013	2012
Revenue:				
Interest and fee income on finance receivables	\$ 20,943	\$ 20,696	\$ 41,413	\$ 41,114
Sales	6	9	12	19
	20,949	20,705	41,425	41,133
Expenses:				
Operating	8,080	7,330	16,077	14,465
Provision for credit losses	3,973	3,262	6,615	6,365
Interest expense	1,443	1,250	2,848	2,442
Change in fair value of interest rate swap agreements	250	474	(583)	683
	13,746	12,316	24,957	23,955
Operating income before income taxes	7,203	8,389	16,468	17,178
Income tax expense	2,886	3,238	6,451	6,620
Net income	\$ 4,317	\$ 5,150	\$ 10,017	\$ 10,558
Earnings per share:				
Basic	\$ 0.36	\$ 0.43	\$ 0.83	\$ 0.88
Diluted	\$ 0.35	\$ 0.42	\$ 0.82	\$ 0.87
Weighted average shares	12,092,000	11,964,000	12,079,000	11,956,000
Weighted average shares and assumed dilution	12,315,000	12,182,000	12,274,000	12,189,000

Condensed Consolidated Balance Sheets

(Unaudited, In Thousands)

	September 30,	March 31,
	2013	2013
Cash	\$ 4,474	\$ 2,798
Finance receivables, net	260,494	249,826
Other assets	11,634	11,211
Total assets	\$276,602	\$263,835
Line of credit	\$131,000	\$125,500
Other liabilities	10,855	11,370
Total liabilities	141,855	136,870
Shareholders' equity	134,747	126,965
Total liabilities and shareholders' equity	\$276,602	\$263,835

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	Three months ended September 30,		Six months ended September 30,	
	2013	2012	2013	2012
Portfolio Summary				
Average finance receivables, net of unearned interest (1)	\$290,071,860	\$282,424,703	\$287,854,928	\$281,087,493
Average indebtedness (2)	\$125,880,390	\$109,000,000	\$127,067,884	\$109,875,000
Interest and fee income on finance receivables (3)*	\$ 20,943,161	\$ 20,696,241	\$ 41,412,533	\$ 41,114,198
Interest expense	1,442,898	1,250,231	2,847,804	2,442,371
Net interest and fee income on finance receivables*	\$ 19,500,263	\$ 19,446,010	\$ 38,564,729	\$ 38,671,827
Weighted average contractual rate (4)	23.30%	23.48%	23.14%	23.64%
Average cost of borrowed funds (2)	4.58%	4.59%	4.48%	4.45%
Gross portfolio yield (5)*	28.88%	29.31%	28.77%	29.25%
Interest expense as a percentage of average finance receivables, net of unearned interest	1.99%	1.77%	1.98%	1.74%
Provision for credit losses as a percentage of average finance receivables, net of unearned interest*	5.48%	4.62%	4.60%	4.53%
Net portfolio yield (5)*	21.41%	22.92%	22.19%	22.98%
Marketing, salaries, employee benefits, depreciation and administrative expenses as a percentage of average finance receivables, net of unearned interest (6)	11.07%	10.31%	11.10%	10.20%
Pre-tax yield as a percentage of average finance receivables, net of unearned interest (7)*	10.34%	12.61%	11.09%	12.78%
Write-off to liquidation (8)	8.19%	7.54%	7.05%	6.25%
Net charge-off percentage (9)	7.10%	6.39%	6.13%	5.23%

Note: All three and six month key performance indicators expressed as percentages have been annualized.

- (1) Average finance receivables, net of unearned interest, represents the average of gross finance receivables, less unearned interest throughout the period.
- (2) Average indebtedness represents the average outstanding borrowings under the Line. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.
- (3) Interest and fee income on finance receivables does not include revenue generated by Nicholas Data Services, Inc., (“NDS”) the wholly-owned software subsidiary of Nicholas Financial, Inc.
- (4) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all automobile finance installment contracts purchased and direct consumer loans originated during the period.
- (5) Gross portfolio yield represents interest and fee income on finance receivables as a percentage of average finance receivables, net of unearned interest. Net portfolio yield represents interest and fee income on finance receivables minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.
- (6) Administrative expenses included in the calculation above are net of administrative expenses associated with NDS which approximated \$48,000 and \$50,000 during the three-month periods ended September 30, 2013 and 2012 and \$103,000 and \$117,000 during the six-month periods ended September 30, 2013 and 2012, respectively.
- (7) Pre-tax yield represents net portfolio yield minus administrative expenses as a percentage of average finance receivables, net of unearned interest.
- (8) Write-off to liquidation percentage is defined as net charge-offs divided by liquidation. Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances and ending receivable balance.
- (9) Net charge-off percentage represents net charge-offs divided by average finance receivables, net of unearned interest, outstanding during the period.

* The amounts for the three and six months periods ended September 30, 2012 have been revised as discussed in Note 2 to the consolidated financial statements.

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The following tables present certain information regarding the delinquency rates experienced by the Company with respect to automobile finance installment contracts (“Contracts”) and direct consumer loans (“Direct Loans”):

<u>Contracts</u>	<u>Gross Balance Outstanding</u>	<u>Delinquencies</u>			<u>Total</u>
		<u>31 – 60 days</u>	<u>61 – 90 days</u>	<u>90 + days</u>	
September 30, 2013	\$400,057,098	\$15,756,362 3.94%	\$ 3,239,528 0.81%	\$ 3,767,037 0.94%	\$22,762,927 5.69%
September 30, 2012	\$388,783,924	\$15,310,139 3.94%	\$ 3,879,087 1.00%	\$ 1,739,015 0.44%	\$20,928,241 5.38%

<u>Direct Loans</u>	<u>Gross Balance Outstanding</u>	<u>Delinquencies</u>			<u>Total</u>
		<u>31 – 60 days</u>	<u>61 – 90 days</u>	<u>90 + days</u>	
September 30, 2013	\$ 10,623,932	\$ 104,983 0.99%	\$ 37,604 0.35%	\$ 30,877 0.29%	\$ 173,464 1.63%
September 30, 2012	\$ 8,075,902	\$ 94,770 1.17%	\$ 6,822 0.08%	\$ 11,024 0.14%	\$ 112,616 1.39%

The following table presents selected information on Contracts purchased by the Company, net of unearned interest:

<u>Contracts</u>	<u>Three months ended September 30,</u>		<u>Six months ended September 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Purchases	\$41,958,515	\$39,244,000	\$83,841,229	\$76,475,932
Weighted APR	23.05%	23.31%	22.93%	23.48%
Average discount	8.51%	8.14%	8.43%	8.57%
Weighted average term (months)	52	49	52	49
Average loan	\$ 10,685	\$ 10,352	\$ 10,664	\$ 10,136
Number of contracts	3,927	3,791	7,862	7,545

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