

Nicholas Financial, Inc.

25th
ANNIVERSARY
1985 - 2010



2010 Annual Report

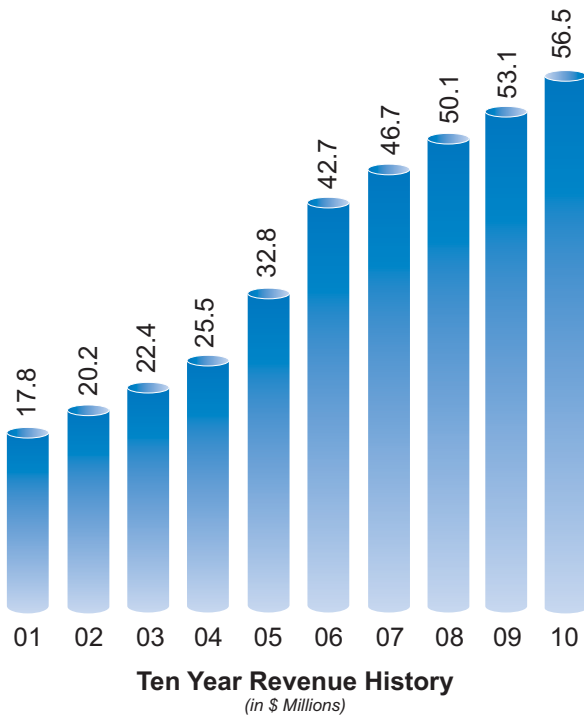
www.NicholasFinancial.com

A NASDAQ traded company



From the President	1
Form 10-K Annual Report	Insert
NFI Shareholder Information.....	Inside Back Cover

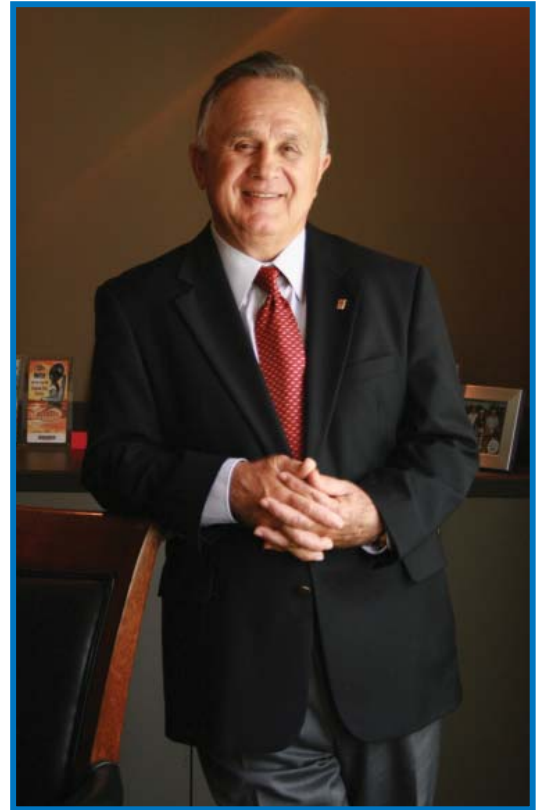
Nicholas Financial, Inc. is a specialty finance company that purchases installment sales contracts from some 1,500 automobile dealers in the Southeast and Midwest. The Company conducts its automobile finance business through 52 branch offices in 12 states. Nicholas Financial also offers direct consumer loans and finances extended warranties, roadside assistance plans, as well as credit life, accident & health insurance to its borrowers. The Company's stock has been publicly traded since 1987. It is listed on the NASDAQ-GS Global Select Market under the symbol NICK. The NASDAQ Global Select Market includes companies whose financial and liquidity requirements are higher than those of any other market.



The Story **BEHIND THE COVER** . . .

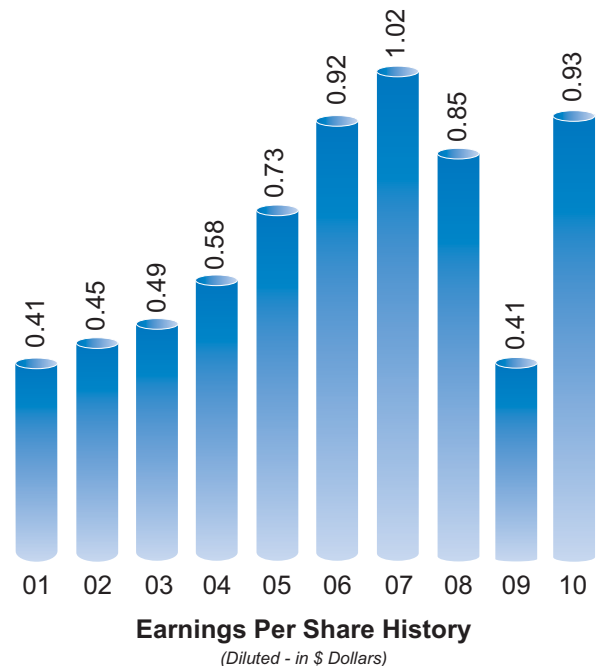
This year marks Nicholas Financial's 25th anniversary in business and its 23rd year as a public company. The Company operates 52 branch offices in 12 states and has reported record Revenues for 20 consecutive years...

This year marked our 25th year in business and our 23rd year as a publicly traded company. Today Nicholas Financial has more than 270 employees working out of 52 branch offices in 12 states. Last year we added four new branch offices and increased our workforce. As of March 31, 2010 we had \$325 million in gross receivables outstanding. I could not have dreamt this would be possible back when the Company was founded in 1985. During fiscal 2010, we added new branch locations, increased our revenues, reduced our credit losses and grew our profits. We also increased our bank credit line and brought in an additional world class lender, Wells Fargo Bank. During this period our common stock rose over 200%, from a closing price of \$2.38 on March 31, 2009 to \$7.57 on March 31, 2010. By virtually every measure we had a great year.



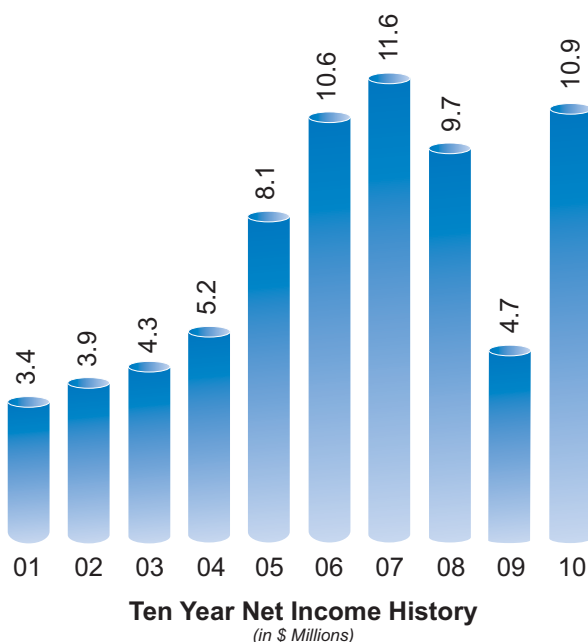
*Peter L. Vosotas
Chairman, CEO & President*

Our Company achieved outstanding financial results by reporting its 20th consecutive year of record revenues. Net income increased 130% to \$10,865,000 as compared to \$4,718,000. Earnings per share increased 127% to \$0.93 as compared to \$0.41. Revenue for the year increased 6% to \$56,472,000 as compared to \$53,102,000. Shareholders' equity grew 15% from \$85,018,000 to \$97,437,000. These results were primarily driven by an increase in revenues, a reduction in the charge off rate and a reduction in the cost of borrowed funds. Our Company achieved



record revenues and increased income during every quarter of the past fiscal year.

On November 10, 2009, the Company announced a 10% stock dividend payable in the form of 1 share for every 10 shares of common stock owned by our shareholders on December 7, 2009, to shareholders of record as of the close of business on November 20, 2009. Our capital position and continued confidence in our growth and earnings capability played a large part in our decision to implement a stock dividend, which we believe will enhance our market liquidity. Since this event our stock price has risen over 30% and in my estimation is still underpriced.



During the past fiscal year, we added four new locations to our branch office network. Newly opened offices in Antioch, Tennessee and Gastonia, North Carolina are the Company's second locations in the Nashville and Charlotte metropolitan markets, respectively. In addition, our presence in two new markets was established with the opening of offices in Akron, Ohio and Grand Rapids, Michigan. With the addition of these new branches, the Company now operates 52 branches in 12 states. We will continue to evaluate additional markets for future branch locations, and subject to market conditions, we may open several new branch locations during the coming year. By the time you read this report, we will have opened two additional branch offices, our fifth branch office in the Atlanta area and a new location in Fort Wayne, Indiana.

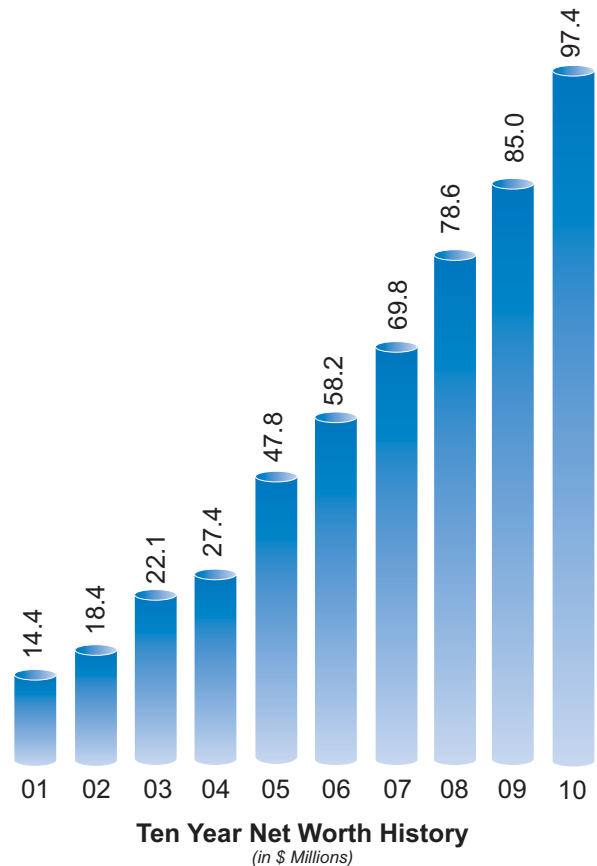
In January of 2010, we announced an increase in our revolving credit line from \$115 million to \$140 million. Our creditors led by Bank of America include 1st Horizon Bank, Capital One Bank, Harris Bank and a new addition, Wells Fargo Bank. Many of our competitors found it difficult to borrow from any bank this past year. In 1994, we executed our first \$4 million dollar credit line with Bank of America. Since that

time we have executed numerous amendments to increase the size of our credit line and have grown the Company’s retained earnings and equity to \$97 million as of March 31, 2010. Our extremely low leverage ratio of debt to equity and our historical operating performance has allowed us to be in an enviable position in this environment as a client to our lenders.

For many years I have made the same statement regarding our accomplishments: “Our consistent financial performance hasn’t happened by accident. It is the result of many people working very hard over a long period of time. The automobiles of our employees are usually the first to arrive in the parking lot each morning and invariably the last to drive away at night.” To the credit of our employees, this statement rings as true today as when it was first written. We, like all companies, have a challenge to find good, hardworking, and qualified people. When we do, we try our best to keep those who work hard and produce results. We reward our employees with decent benefits, including performance-based bonuses and strong career opportunities. Our ability to mold and retain a veteran team is one of the primary reasons for our success. Some of our senior managers, accounting staff and data

processing staff have been with the Company since its inception in the late 1980’s.

We look forward with optimism toward the coming year. Any company that can say, “Our potential market is over 250 billion dollars a year and growing”, should be excited about its business prospects. Our intention is to continue our strategy of controlled growth by increasing our existing branch loan portfolio and building new branch offices. We intend to continue growing our company



organically. However, we will stay alert to possible acquisition opportunities that may come to our attention.

The independent members of our Board of Directors have always diligently embraced their fiduciary responsibilities. They take their responsibilities to heart. We are fortunate to have been able to attract these talented individuals. Charlie Neal, Scott Fink and Stephen Bragin are terrific board members. They have taken the time to know our business and to give us excellent business guidance.

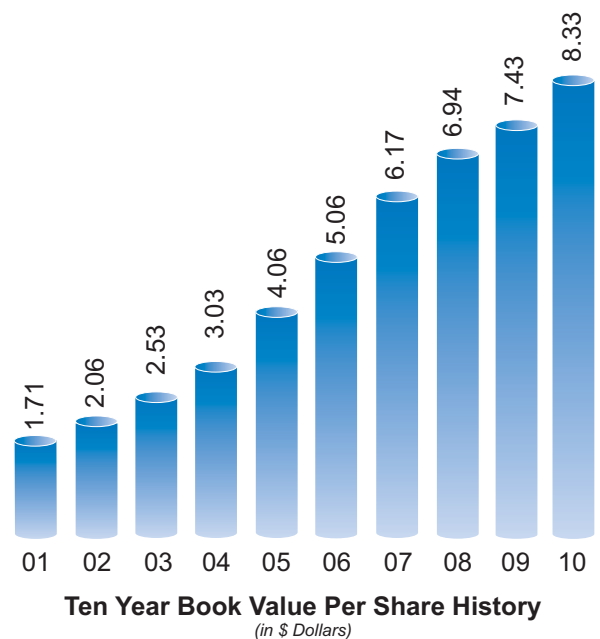
We are very proud of all our employees whose dedication, talent and loyalty have made Nicholas an important force in automobile financing. We are grateful for the support of our customers, bankers, vendors and shareholders. We remain determined to increase the value of our publicly traded stock. We are convinced that our shareholders will be rewarded if we continue to build the net worth of our Company each year as we have done for the past 20 consecutive years.

To all of you who have invested in Nicholas, we wish to thank you for having continued faith in our Company. On behalf of our Board of Directors and our employees, we thank you for the confidence that you have entrusted in us.

Peter L. Vosotas

Chairman, CEO & President

June, 2010





Corporate Offices:

Nicholas Financial, Inc.
2454 McMullen Booth Road
Clearwater, Florida 33759

Directors:

Peter L. Vosotas
Chairman, CEO & President

Stephen Bragin
Audit Committee Member
Compensation Committee Member
Former Owner, Florida Produce Co.

Scott Fink
Audit Committee Member
Compensation Committee Member
Owner,
Multiple Franchise Auto Dealerships

Ralph T. Finkenbrink
Senior Vice President & CFO
Corporate Secretary

Alton R. "Charlie" Neal
Audit Committee Chairman
Compensation Committee Member
Former Partner,
Johnson, Blakely, Pope, Bokor,
Ruppel & Burns

Independent Auditors:

Dixon Hughes
Atlanta, Georgia

General Counsel:

Foley & Lardner
Chicago, Illinois

Transfer Agent & Registrar:

Computershare Investor Services
Vancouver, BC, Canada V6C 3B9

Stock Information:

Listed on the NASDAQ Global Select
Market System
Trading Symbol: NICK

Corporate Officers:

Ralph T. Finkenbrink
Senior Vice President & CFO

Douglas W. Marohn
Senior Vice President Branch Operations

Peter L. Vosotas
CEO & President

Notice To Shareholders:

The Company will supply to any owner of Common Stock, upon written request to the Company at the above address and without charge, a copy of the Annual Report on Form 10-K for the year ended March 31, 2010, which has been filed with the Securities and Exchange Commission.

The Annual Report and Form 10-K are also available on the Company's internet website at:

www.nicholasfinancial.com

The Annual Meeting is on August 11, 2010 at 10:00 am, at the Innisbrook Resort Island Course Club House in Palm Harbor, FL:

Innisbrook Resort & Golf Club
36750 U.S. Highway 19 North
Palm Harbor, FL 34684
(800) 456-2000



NICHOLAS FINANCIAL, INC.

2454 McMullen Booth Road
Building C
Clearwater, Florida 33759 USA
Telephone - (727) 726-0763
Fax - (727) 726-2140
www.NicholasFinancial.com