

NICHOLAS FINANCIAL, INC.

CHARTER OF THE AUDIT COMMITTEE

1. **Purpose**

The purpose of the Company's Audit Committee ("Committee") of Nicholas Financial, Inc. ("Company") is:

1.1 **Assist the Board.** To assist the Board of Directors ("Board") with its responsibilities by:

(a) Overseeing the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company; and

(b) Monitoring:

(i) the Company's compliance with legal, risk management and regulatory requirements;

(ii) the independent auditors' qualifications and independence;

(iii) the Company's financial reporting process and independent auditors; and

(iv) the Company's systems of internal control with respect to the integrity of financial records, adherence to Company policies and compliance with legal and regulatory requirements.

1.2 **Prepare Reports.** To prepare any reports that Securities and Exchange Commission ("SEC") rules require be included in the Company's annual proxy statement; and

1.3 **Other Duties.** To perform any other duties described in this Charter.

The Company's management is ultimately responsible for preparing the Company's financial statements and its independent auditors are ultimately responsible for auditing those statements. In adopting this Charter, the Board acknowledges that the Committee members are not Company employees and are not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work or auditing standards. Each Committee member is entitled to rely on the integrity of those persons and organizations within and outside the Company that provide information to the Committee, and the accuracy and completeness of the financial and other information so provided absent actual knowledge to the contrary.

2. Composition

2.1 **Membership.** The Committee shall be comprised of not fewer than three members of the Board, as shall be determined from time to time by the Board. The Board will appoint Committee members annually (or as necessary to fill vacancies). Each member shall serve until his or her successor is duly elected and qualified or until his or her death, resignation or removal. The Board may remove any member of the Committee, with or without cause, by a majority vote of the Board.

2.2 **Committee Chair.** The Board shall designate the Committee Chair. In the absence of a Chair, the Committee members may designate the Chair by majority vote of the full Committee membership.

2.3 **Other Companies' Audit Committees.** No Committee member shall simultaneously serve on the audit committees of more than two other public companies, unless the Board determines that this simultaneous service would not impair his/her ability to effectively serve on the Committee, and the Board discloses this determination in the Company's annual proxy statement.

2.4 **Independence.** Each member shall qualify as "independent" under the criteria set forth in any applicable law, regulation and/or listing standard, including those of The Nasdaq Stock Market Inc. ("NASDAQ") and the Securities Exchange Commission ("SEC").

In addition, to serve as a member of the Committee, no person shall thereafter accept, directly or indirectly (other than in his or her capacity as a member of the Committee, the Board or any other Board committee), any consulting, advisory or other compensatory fee from the Company or its subsidiaries, except for fees associated with the receipt of fixed amounts of compensation under a retirement plan for prior service with the Company.

2.5 **Audit Committee Financial Expert.** The Board shall appoint at least one member to the Committee who is deemed an "audit committee financial expert" as that term is defined from time to time by the SEC and who demonstrates "financial sophistication" as set forth in NASDAQ Rule 5605(c)(2)(A).

2.6 **Financial Literacy.** All Committee members shall be financially literate, being able to read and understand fundamental financial statements.

2.7 **No Involvement with Past Financial Statements.** No Committee member shall have participated in the preparation of the Company's financial statements, or those of any current subsidiary, at any time during the previous three years.

2.8 **Subcommittees.** The Committee may, by resolution passed by a majority of its members, designate one or more subcommittees, each subcommittee to consist of one or more Committee members. Any such subcommittee to the extent provided in the Committee's resolutions and to the extent not limited by applicable law or listing standard, shall have and may exercise all the powers and authority of the Committee subject to the terms of its appointment. The Committee will name each subcommittee. Each subcommittee shall keep regular minutes of

its meetings and report them to the Committee when required. The Committee shall not delegate any power or authority required by law, regulation or NASDAQ or other applicable listing standards to be exercised by the Committee as a whole.

3. Meetings

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. The Committee secretary shall maintain minutes of meetings and activities of the Committee in accordance with applicable law and the Company's Articles, as may be amended and/or restated. Each regularly scheduled session shall conclude with an executive session of the Committee absent members of management and on those terms as the Committee may elect.

4. Responsibilities and Authority

The Audit Committee shall have the following responsibilities and authority:

4.1 **Engage Independent Auditors.** Annually, the Committee shall be directly responsible for the appointment, compensation, retention (subject to shareholder ratification, if that ratification is required) and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor shall audit the consolidated financial statements of the Company and the consolidated financial statements of selected subsidiaries for the fiscal year for which it is appointed and report directly to the Committee.

4.2 **Limits on Engagement.** Except as otherwise stated in this Charter, the firm serving as the Company's independent auditors may not be retained to provide non-audit related services to the Company or any of its subsidiaries. This also applies to non-audit related services received by the Company's subsidiaries from other accounting firms serving as their independent auditors. If non-audit related services for a project can reasonably be provided only by the independent auditors due to expertise that is exclusive to that firm or for any other reason that the Committee deems necessary, and provided that the engagement for such non-audit related services is in compliance with all applicable legal and regulatory requirements promulgated by the SEC and NASDAQ, the Committee must specifically approve such arrangements before the independent auditors may be engaged to provide such service. Notwithstanding the foregoing, the independent auditors for the Company are prohibited from providing the following non-audit services to the Company or any of its subsidiaries:

- (a) Bookkeeping or other services related to the accounting records or financial statements of the Company or any of its subsidiaries;
- (b) Financial information systems design and implementation;
- (c) Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

- (d) Actuarial services;
- (e) Internal audit outsourcing services;
- (f) Management functions or human resources;
- (g) Broker or dealer, investment advisor or investment banking services;
- (h) Legal services and expert services unrelated to the audit; and
- (i) Any other services that the Public Company Accounting Oversight Board (“PCAOB”) determines, by regulation, is impermissible.

The Committee must, with sole authority, pre-approve all terms and fees for audit services, audit-related services, tax services and other services to be performed for the Company by the independent auditors, subject to *de minimus* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, that is not considered part of the annual audit and, to the extent required by applicable law, any non-audit service.

4.3 **Review Performance of Non-Audit Services.** In connection with the Committee’s approval of non-audit services, the Committee shall consider whether the independent auditors’ performance of any non-audit services is compatible with the external auditors’ independence.

4.4 **Establish Hiring Policies.** The Committee shall establish clear hiring policies for employees or former employees of the Company’s independent auditors.

4.5 **Review Independent Auditor’s Work.** At least annually, and more often if required, the Committee shall meet with and obtain and review a formal written statement of the independent auditors to review the conduct and results of each audit and review of the Company’s financial statements, to discuss the matters in *PCAOB Auditing Standards No. 1301, Communications with Audit Committees*, and any other communications required to be discussed with the Committee pursuant to applicable laws and regulations

4.6 **Review Auditing Decisions.** Discuss with management and the independent auditors, and receive a report of the independent auditors, regarding the following:

- (a) conclusions and recommendations on the adequacy of the internal controls of the Company, together with the responses of management, including the status of previous audit recommendations;
- (b) reasoning in accepting or questioning sensitive accounting estimates by management;
- (c) reasoning in not recognizing material audit adjustments proposed by the independent auditors;

(d) judgments about the quality and appropriateness (not just the acceptability) of the Company's critical accounting principles used, including the degree of aggressiveness or conservatism in the application of such principles in its financial reporting;

(e) views as to the adequacy and clarity of disclosures in the Company's financial statements in relation to generally accepted accounting principles ("GAAP");

(f) views of how the use of generally acceptable alternatives to critical accounting and tax principles, disclosure practices and valuation policies, preferred by the independent auditors, would have affected the financial statements;

(g) conclusions regarding any serious disagreements, difficulties or disputes with management encountered during the course of the audit;

(h) any significant risks to which the Company is, or might be, exposed and the steps management has taken to minimize such risks;

(i) any significant changes to the audit plan;

(j) other matters related to the conduct of the audit required to be communicated to the Committee under generally accepted auditing standards;

(k) material written communications to the management of the Company such as any management letter or schedules of unrecognized audit adjustments; and

(l) non-audit services provided by the Company's independent accountants to the Company's affiliated investment advisor, if any, or any advisor affiliate that provides ongoing services to the Company, which services were not pre-approved by the Committee (and consideration by the Committee of whether the performance of such services is compatible with maintaining the independent accountant's independence).

4.7 **Evaluate Auditors.** After reviewing the foregoing report, the Committee shall evaluate the independent auditors' qualifications, performance and independence, which shall include the review and evaluation of the lead partner of the independent auditors. In making its evaluation, the Committee shall take into account the opinions of management. The Committee shall present its conclusions with respect to the independent auditors to the Board.

4.8 **Ensure Required Rotation.** The Committee shall ensure the regular rotation of the lead audit partner and concurring partner every five (5) years and consider whether it would be appropriate to implement a regular rotation of the independent auditors' firm.

4.9 **Meet With Auditors.** The Committee shall also meet periodically with the independent auditors in separate executive sessions to discuss any other matters or communications required under applicable laws, or which they or the Committee deem advisable or appropriate to discuss.

4.10 **Financial Statements.** The Committee shall review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditors, including the Company's disclosures under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's periodic reports filed with the SEC.

4.11 **Review Effect of Changes on Financials.** The Committee, as a whole or through its Chair, shall review the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of the financial reporting with management and the independent auditors prior to filing of the Company's Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q, or as soon as practicable if the communications cannot be made prior to its filing.

4.12 **Review Management Disclosures.** The Committee shall review disclosures made to the Committee by the Company's chief executive officer ("CEO") and chief financial officer during their certification process for Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

4.13 **Meet With Management Regarding Audit.** In connection with its review of the Company's financial statements, the Committee shall review and discuss not only with the independent auditors but also with management the matters relating to the conduct of the audit required to be discussed by *PCAOB Auditing Standards No. 1301*, as may be modified or supplemented.

4.14 **Review Audit Process.** The Committee shall review with the independent auditors any audit problems or difficulties and management's responses to them.

4.15 **Pass on Financial Statements.** Based on its review and discussions with management and the independent auditors, the Committee shall recommend to the Board whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of the Form 10-K).

4.16 **Review Press Releases on Financial Topics.** Although the Committee shall not be required to pre-approve or discuss in advance each earnings release or each instance in which the Company may provide earnings guidance, the Committee shall review and discuss press releases related to the Company's earnings, as well as financial information and earnings guidance provided to financial analysts and rating agencies.

4.17 **Review and Approval of Related-Party Transactions.** The Committee shall review and approve all transactions with related-parties (as defined by applicable rules and regulations of NASDAQ and the SEC).

4.18 **Review Internal Controls.** The Committee shall periodically review with management the adequacy of the Company's internal controls, including the Company's computerized information system controls and security. The Committee shall discuss with the independent auditors any significant matters regarding internal controls over financial reporting that have come to their attention during the conduct of the audit.

4.19 **Review Expenses.** The Committee shall consider and review directors', officers' and management's Company-funded expenses.

4.20 **Review Risk Management.** The Committee shall discuss generally the Company's policies with respect to risk assessment and risk management.

4.21 **Review Adherence to Corporate Policies.** Periodically, the Committee shall meet with the appropriate members of management to review adherence to corporate policies and review processes relating to training, monitoring and reporting of policy compliance. The Committee shall also periodically review the Company's policies and procedures regarding compliance with the Company's Employee Code of Business Conduct and the Company's Employee Conflicts-of-Interest Policy.

4.22 **Establish Complaint Procedures.** The Committee shall establish and oversee procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Company of complaints regarding questionable accounting or auditing matters and reviewing such complaints.

4.23 **Sponsor Educational Programs.** The Committee may cause on-going educational programs related to appropriate financial and accounting practices to be made available to Committee members.

4.24 **Report to Board.** The Committee shall communicate to the Board any issues with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of any internal audit function.

4.25 **Prepare SEC Mandated Report.** The Committee shall prepare the audit committee report required by SEC rules to be included in the Company's annual proxy statement.

4.26 **Report to Board Regarding Committee Activities.** The Committee shall report regularly to the Board concerning its activities.

4.27 **Perform a Self-Evaluation and Review of Charter.** The Committee shall conduct an annual performance evaluation of the Committee and an annual assessment of the adequacy of this Charter.

4.28 **Keep Minutes of Meetings.** The Committee shall ensure the minutes of each meeting be kept and filed with the minutes of the Company.

4.29 **Other Actions.** The Committee shall perform any other activities consistent with this Charter, the Company's Articles and governing law, as the Committee or the Board reasonably deems necessary.

5. Authority to Retain and Terminate Advisors

5.1 **Legal Counsel.** In the course of its duties, the Committee shall have the authority, at the Company's expense, to retain, replace and terminate independent legal counsel and other advisors, as it deems necessary to carry out its duties.

5.2 **Payment of Professionals.** The Committee shall determine the appropriate funding to be provided by the Company for payment of:

(a) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;

(b) compensation to any counsel or advisors employed by the Committee; and

(c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

6. Amendment

The Board may amend or repeal this Charter and any of its provisions.

7. Interpretations

All references in this Charter to a statute or regulation shall include any then-current amendments of the statute or regulation, any successor statute or regulation and, in the case of a statute, any rules and regulations promulgated in connection with that statute. The references to the CEO assume that he or she will also be the Company's Chairman of the Board. If different people hold these offices, all references to the CEO will be construed to mean the CEO and the Chairman individually. "President" shall be substituted for each reference in this to "CEO" if the office of CEO is vacant. References to Sections mean sections in this Charter.

Approved by the Audit Committee
Date: July 14, 2017

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