NICHOLAS FINANCIAL INC
Form 10QSB
November 13, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934 FOR THE PERIOD ENDED SEPTEMBER 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________ to _________.

Commission file number: 0-26680

NICHOLAS FINANCIAL, INC.
(Exact name of registrant as specified in its Charter)

British Columbia, Canada	8736-3354
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2454 McMullen Booth Road, Building C Clearwater, Florida	33759
(Address of Principal Executive Offices)	(Zip Code)

(727) 726-0763
(Registrant's telephone number, Including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____.

As of October 31st, 2003 there were 5,061,088 shares of common stock outstanding.

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Part I. Item 1

Nicholas Financial, Inc.
Condensed Consolidated Balance Sheet
(Unaudited)

	September 30, 2003
Assets	
Cash	$ 1,984,453
Finance receivables, net	92,122,665
Accounts receivable	13,526

Prepaid expenses and other assets	864,339
Property and equipment, net	511,989
Deferred income taxes	3,005,123
Total assets	$98,502,095
Liabilities	
Line of credit	$65,010,238
Drafts payable	521,974
Notes payable - related party	991,530
Accounts payable	3,742,609
Dividends payable	253,354
Derivatives	1,932,077
Income taxes payable	735,007
Deferred revenues	999,732
Total liabilities	74,186,521
Shareholders' equity	
Preferred stock, no par: 5,000,000 shares authorized;none issued and outstanding	-
Common stock, no par: 50,000,000 shares authorized; 5,061,088 shares issued and outstanding	4,570,041
Other comprehensive loss	(1,202,718)
Retained earnings	20,948,251
	24,315,574
Total liabilities and shareholders' equity	$98,502,095

See accompanying notes.

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Nicholas Financial, Inc.
Condensed Consolidated Statements of Income
(Unaudited)

	Three months ended September 30, 2003	Three months ended September 30, 2002	Six months ended September 30, 2003	Six months ended September 30, 2002
Revenue:				
Interest income on finance receivables	$6,074,327	$5,492,139	$12,062,800	$10,725,488
Sales	70,750	92,939	142,308	175,315
	6,145,077	5,585,078	12,205,108	10,900,803
Expenses:				
Cost of sales	11,615	25,652	28,689	42,820
Marketing	220,591	155,860	431,823	309,341
Administrative	2,481,856	2,114,689	4,797,733	4,096,548
Provision for credit losses	404,156	582,138	984,155	1,129,204
Depreciation	62,500	42,000	132,218	79,000

Interest expense	968,310	967,632	1,955,638	1,931,695
	4,149,028	3,887,971	8,330,256	7,588,608
Operating income before income taxes	1,996,049	1,697,107	3,874,852	3,312,195
Income tax expense:				
Current	616,493	508,509	2,208,600	1,081,758
Deferred	130,664	132,442	(748,615)	161,117
	747,157	640,951	1,459,985	1,242,875
Net Income	$1,248,892	$1,056,156	$2,414,867	$2,069,320
Earnings per share - basic	$0.25	$0.21	$0.48	$0.41
Earnings per share - diluted	$0.23	$0.20	$0.45	$0.39

See accompanying notes.

Nicholas Financial, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended September 30, 2003	2002
Operating activities		
Net income	$ 2,414,867	$ 2,069,320
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	132,218	79,000
Provision for credit losses	984,155	1,129,204
Deferred income taxes	(836,391)	161,117
Changes in operating assets and liabilities:		
Accounts receivable	2,702	(4,604)
Prepaid expenses and other assets	(227,066)	(323,055)
Accounts payable	671,733	(291,170)
Drafts payable	(142,546)	(121,320)
Income taxes payable	629,132	(110,116)
Deferred revenues	82,843	255,781
Net cash provided by operating activities	3,711,647	2,844,157
Investing activities		
Purchase and origination of finance contracts	(34,313,256)	(31,145,587)
Principal payments received	27,384,548	24,565,321
Purchase of property and		

equipment, net of disposals	(176,611)	(118,151)
Net cash used in investing activities	(7,105,319)	(6,698,417)
Financing activities		
Issuance of notes payable - related party	182,920	107,094
Net proceeds from line of credit	4,850,000	4,260,000
Payment of dividend	(253,354)	-
Sale of common stock	117,348	34,130
Net cash provided by financing activities	4,896,914	4,401,224
Net increase in cash	1,503,242	546,964
Cash, beginning of period	481,211	51,239
Cash, end of period	$ 1,984,453	$ 598,203

See accompanying notes.

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Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

September 30, 2003

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Nicholas Financial, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB pursuant to the Securities and Exchange Act of 1934, as amended in Article 10 of Regulation SB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending March 31, 2004. For further information, refer to the condensed consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2003.

2. Revenue Recognition

Interest income on finance receivables is recognized using the interest method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 60 days or more or the collateral is repossessed, whichever is earlier.

The Company attributes all of its dealer discount and a portion of unearned income to a reserve for credit losses. Such amounts reduce the interest recognized over the life of the contract. The Company receives a commission for selling add-on services to consumer borrowers and amortizes the commission, net of the related costs, over the term of the loan using the interest method. The Company's net fees charged for processing a loan are recognized as an adjustment to the yield and are amortized over the life of the loan using the interest method.

The amount of future unearned income represents the amount of finance charges the Company expects to fully earn over the life of the current portfolio, and is computed as the product of the contract rate, the contract term, and the contract amount. The Company aggregates the contracts purchased during a three-month period for all of its branch locations, after the analysis of purchase date accounting is complete, any uncollectable amounts would be contemplated in the allowance for credit losses.

3. Earnings Per Share

Basic earnings per share excludes any dilutive effects of common stock equivalents such as options, warrants, and convertible securities. Diluted earnings per share includes the effects of dilutive options, warrants, and convertible securities. Basic and diluted earnings per share have been computed as follows:

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Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

3. Earnings Per Share (continued)

	Three months ended September 30,		Six months ended September 30,	
	2003	2002	2003	2002
Numerator:				
Numerator for basic earnings per share - Net income available to common stockholders	$1,248,892	$1,056,156	$2,414,867	$2,069,320
Denominator:				
Denominator for basic earnings per share - weighted average shares	5,038,318	5,010,351	5,022,622	5,004,909
Effect of dilutive securities:				
Employee stock options	366,858	305,659	330,195	324,398

Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	5,405,176	5,316,010	5,352,817	5,329,307
Earnings per share - basic	$0.25	$0.21	$0.48	$0.41
Earnings per share - diluted	$0.23	$0.20	$0.45	$0.39

4. Finance Receivables

The Company charges-off receivables when an individual account has become more than 120 days contractually delinquent. In the event of a repossession the charge-off will occur in the month in which the vehicle was repossessed.

Costs associated with repossession, transport and auction preparation expenses are charges reported under operating expenses in the period in which they were incurred. The Company maintains full responsibility for repossessions. There is no relationship between the Company and the dealer with respect to a given contract once the assignment of that contract is complete. The dealer has no vested interest in the performance of any installment contract the Company purchases.

Finance receivables consist of automobile finance installment contracts and direct consumer loans and are detailed as follows:

Finance receivables, gross contract	$146,989,453
Less:	
Unearned interest	(35,197,359)
	111,792,094
Dealer discounts	(13,693,961)
Allowance for credit losses	(5,975,468)
Finance receivables, net	$ 92,122,665

The terms of the receivables range from 12 to 60 months and bear a weighted average effective interest rate of 24%.

5. Line of Credit

The Company has a $75 million Line of Credit facility (the Line) which expires on November 30, 2004. Borrowings under the Line bear interest at the prime rate plus twenty-five basis points. The Company also has several LIBOR pricing options available. If the outstanding balance falls below $10 million the Line bears

interest at the prime rate plus 2.00%. Pledged as collateral for this credit facility are all of the assets of Nicholas Financial, Inc. As of September 30, 2003 the outstanding amount of the credit facility was $65,010,238, the amount available under the line of credit was $9,989,762. As of September 30, 2003 the Company was in full compliance with all debt covenants.

6. Notes Payable - Related Party

The Company's notes payable consist of unsecured notes bearing interest at 6.60% with principal and interest due within 30-days upon demand. The notes totaled $991,530 at September 30, 2003.

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Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

7. Derivatives and Hedging

The Company is party to interest rate swap agreements which are derivative instruments. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk, such as interest rate risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

The Company has entered into interest rate swap agreements that effectively convert a portion of its floating-rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense. At September 30, 2003, approximately $50,000,000 of the Company's borrowings have been designated as the hedged items to interest rate swap agreements. Under the swap agreements, the Company received an average variable rate of 3.46% and 3.78% and paid an average fixed rate of 6.04% and 6.77% during the three months ended September 30, 2003, 2002, respectively. Under the swap agreements, the Company received an average variable rate of 3.49% and 3.99% and paid an average fixed rate of 6.19% and 6.85% during the six months ended September 30, 2003, 2002, respectively. A loss of $1,932,077 related to the fair value of the swaps at September 30, 2003 has been recorded in the caption derivatives on the balance sheet. Amounts of net losses on derivative instruments expected to be reclassified from comprehensive income to earnings in the next 12 months are not expected to be material. The Company has also entered into one forward locking swap disclosed in the table below.

The Company has entered into the following cash-flow hedges:

Date Entered	Effective Date	Notional Amount	Fixed Rate Of Interest	Maturity Date
August 19, 1999	August 19, 1999	$10,000,000	5.80%	August 1, 2003
May 17, 2000	May 17, 2000	10,000,000	6.87%	May 17, 2004
October 5, 2001	October 5, 2001	10,000,000	3.85%	October 5, 2004
June 28, 2002	June 28, 2002	10,000,000	3.83%	July 2, 2005
January 6, 2003	April 2, 2003	10,000,000	3.35%	April 2, 2007
January 31, 2003	August 1, 2003	10,000,000	3.20%	August 2, 2006
February 26, 2003	May 17, 2004	10,000,000	3.91%	May 19, 2008

The Company has also entered into various interest rate option agreements with maturities through May 17, 2004.

The Company utilizes the above noted interest rate swaps to manage its interest rate exposure. The swaps effectively convert a portion of the Company's floating rate debt to a fixed rate, more closely matching the interest rate characteristics of the Company's finance receivables. There has historically been no ineffectiveness associated with the Company's hedges.

8. Stock Options

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" which amends FASB Statement No. 123. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based-employee compensation. SFAS 148 also amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in financial statements concerning the effects of stock-based compensation. The effective date of SFAS 148 is for fiscal years ending after December 15, 2002.

The Company has an employee stock incentive plan (the SIP) for officers, directors and key employees under which 557,866 shares of common stock were reserved for issuance as of September 30, 2003. Options currently granted by the Company generally vest over a five-year period.

Previous to SFAS 148 the Company had elected to follow APB 25, "Accounting For Stock Based Compensation" and related Interpretations in accounting for its employee stock options because the alternative, fair value method, provided for under SFAS 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, if the exercise price of the Company's employee stock options

equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The following table contains the pro forma net income and basic and fully diluted earnings per share under the fair value method. The fair value method uses the Black-Scholes option-pricing model to determine compensation expense associated with the Company's options.

	Three months ended September 30		Six months ended September 30	
	2003	2002	2003	2002
Net Income	$1,248,892	$1,056,156	$2,414,867	$2,069,320
Basic earnings per share	$.25	$.21	$.48	$.41
Fully diluted earnings per share	$.23	$.20	$.45	$.39
Stock based employee compensation cost under the Fair Value Method	$9,021	$20,103	$21,033	$44,312
Pro forma net income	$1,239,871	$1,036,053	$2,393,834	$2,025,008
Pro forma basic earnings per share	$.25	$.21	$.48	$.40
Pro forma diluted earnings per share	$.23	$.19	$.45	$.38

9. Comprehensive Income

The Company is party to interest rate swap agreements which are derivative instruments. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk, such as interest rate risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The following table reconciles net income with comprehensive income for the three and six months ended September 30, 2003 and 2002, respectively.

	Three months ended September 30		Six months ended September 30	
	2003	2002	2003	2002

Net Income	$1,248,892	$1,056,156	$2,414,867	$2,069,320
Mark to market interest rate swaps	463,896	(407,715)	199,627	(654,587)
Comprehensive income	$1,712,788	$648,441	$2,614,494	$1,414,713

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Part I. Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Consolidated net income increased for the three month period ended September 30, 2003 to $1,248,892 from $1,056,156 for the three month period ended September 30, 2002. Consolidated net income increased for the six month period ended September 30, 2003 to $2,414,867 from $2,069,320 for the six month period ended September 30, 2002. Earnings were favorably impacted by an increase in the outstanding loan portfolio. The Company's Nicholas Data Services (NDS) subsidiary did not contribute significantly to consolidated operations in the three or six month periods ended September 30, 2003 or 2002.

Portfolio Summary

	Three months ended September 30		Six months ended September 30	
	2003	2002	2003	2002
Average Net Finance Receivables(1)	111,195,574	97,378,535	109,204,020	95,579,869
Average Indebtedness(2)	64,162,081	57,165,923	63,200,691	56,373,558
Total Finance Revenue(3)	6,074,326	5,492,139	12,062,800	10,725,488
Interest Expense	968,310	967,632	1,955,638	1,931,695
Net Finance Revenue	5,106,016	4,524,507	10,107,162	8,793,793
Weighted average Contractual rate(5)	23.55%	23.84%	23.55%	23.84%
Gross Portfolio Yield(4)	21.85%	22.56%	22.09%	22.44%
Average Cost of Borrowed Funds	6.04%	6.77%	6.19%	6.85%
Provision for Credit Losses as a				

Percentage of Average Net Finance Receivables	1.45%	2.39%	1.80%	2.36%
Net Portfolio Yield (4)	16.91%	16.19%	16.71%	16.04%
Operating Expenses as a Percentage of Average Net Finance Receivables (6)	9.71%	9.21%	9.57%	9.07%
Pre-tax Yield as a Percentage of Average Net Finance Receivables(7)	7.21%	6.98%	7.14%	6.97%
Write-off to Liquidation(8)	9.89%	9.29%	8.85%	8.60%
Net Charge-Off Percentage(9)	8.58%	7.97%	7.63%	7.47%

See accompanying notes.

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(1) Average net finance receivables represent the average of net finance receivables throughout the period. Net finance receivables represents gross finance receivables less any unearned finance charges related to those receivables.

(2) Average indebtedness represents the average outstanding borrowings under the Line of Credit and notes payable-related party. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.

(3) Does not include revenue of $70,750 and $92,939 associated with the Company's software subsidiary NDS for the three months ended September 30, 2003 and 2002, respectively. Does not include revenue of $142,308 and $175,315 associated with the Company's software subsidiary NDS for the six months ended September 30, 2003 and 2002, respectively.

(4) Gross portfolio yield represents total finance revenues as a percentage of average net finance receivables. Net portfolio yield represents net finance revenue income minus the provision for credit losses as a percentage of average net finance receivables.

(5) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all contracts in the portfolio during the period.

(6) Does not include operating expenses of $66,585 and $96,460 associated with the Company's software subsidiary NDS for the three months ended September 30, 2003 and 2002, respectively. Does not include operating expenses of $136,066 and $193,166 associated with the Company's software subsidiary NDS for the six months ended September 30, 2003 and 2002, respectively.

(7) Pre-tax yield represents net portfolio yield minus operating expenses as a percentage of interest earning assets

(8) Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances minus ending receivable balance.

(9) Net charge-off percentage represents net charge-offs divided by average net finance receivables outstanding during the period.

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Three months ended September 30, 2003 compared to three months ended September 30, 2002

Interest Income and Loan Portfolio

Interest revenue increased 11% to $6.1 million for the period ended September 30, 2003, from $5.5 million for the period ended September 30, 2002. The net finance receivable balance totaled $92.1 million at September 30, 2003, an increase of 13% from the $81.5 million at September 30, 2002. The primary reason net finance receivables increased was the increase in the receivable base of several existing branches and the opening of three additional branch locations. The gross finance receivable balance increased 13% to $147.0 million at September 30, 2003 from $129.6 million at September 30, 2002. The primary reason interest revenue increased was the increase in the outstanding loan portfolio. The gross portfolio yield decreased from 22.56% for the period ended September 30, 2002 to 21.85% for the period ended September 30, 2003. The net portfolio yield increased from 16.19% for the period ended September 30, 2002 to 16.91% for the period ended September 30, 2003. The primary reason for the increase in the net portfolio yield was an decrease in the provision for credit losses for the period ended September 30, 2003.

Computer Software Business

Sales for the period ended September 30, 2003 were $70,750 compared to $92,939 for the period ended September 30, 2002, a decrease of 24%. This decrease was primarily due to attrition in the customer base. The Cmpany expects this trend to continue as it continues to focus on its core business of consumer finance. Cost of sales and operating expenses decreased from $105,682 for the period ended September 30, 2002 to $78,200 for the period ended September 30, 2003.

Operating Expenses

Operating expenses, excluding provision for credit losses and interest expense, increased to $2.8 million for the period ended September 30, 2003 from $2.3 million for the period ended September 30, 2002. This increase of 19% was primarily attributable to the additional staffing of several existing branches, increased general operating expenses and the opening of three additional branch offices. Operating expenses as a percentage of interest earning assets increased from 9.21% for the period ended September 30, 2002 to 9.71% for the period ended September 30, 2003.

Interest Expense

Interest expense increased to $968,310 for the period ended September 30, 2003 as compared to $967,632 for the period ended September 30, 2002. The average indebtedness for the period ended September 30, 2003 increased to $64.2 million compared to $57.2 million for the period ended September 30, 2002. This increase was offset by a decrease in the average cost of outstanding borrowings from 6.77% during the three months ended September 30, 2002 to 6.04% during the three months ended September 30, 2003.

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Six months ended September 30, 2003 compared to six months ended September 30, 2002

Interest Income and Loan Portfolio

Interest revenue increased 12% to $12.1 million for the period ended September 30, 2003, from $10.7 million for the period ended September 30, 2002. The net finance receivable balance totaled $92.1 million at September 30, 2003, an increase of 13% from the $81.5 million at September 30, 2002. The primary reason net finance receivables increased was the increase in the receivable base of several existing branches and the opening of three additional branch locations. The gross finance receivable balance increased 13% to $147.0 million at September 30, 2003 from $129.6 million at September 30, 2002. The primary reason interest revenue increased was the increase in the outstanding loan portfolio. The gross portfolio yield decreased from 22.44% for the period ended September 30, 2002 to 22.09% for the period ended September 30, 2003. The net portfolio yield increased from 16.04% for the period ended September 30, 2002 to 16.71% for the period ended September 30, 2003. The primary reason for the increase in the net portfolio yield was a decrease in the provision for credit losses for the period ended September 30, 2003.

Computer Software Business

Sales for the period ended September 30, 2003 were $142,308 compared to $175,315 for the period ended September 30, 2002, a decrease of 19%. This decrease was primarily due to attrition in the customer base. The Company expects this trend to continue as it continues to focus on its core business of consumer finance. Cost of sales and operating expenses decreased from $193,166 for the period ended September 30, 2002 to $164,755 for the period ended September 30, 2003.

Operating Expenses

Operating expenses, excluding provision for credit losses and interest expense, increased to $5.4 million for the period ended September 30, 2003 from $4.5 million for the period ended September 30, 2002. This increase of 19% was primarily attributable to the additional staffing of several existing branches, increased general operating expenses and the opening of three additional branch offices. Operating expenses as a percentage of interest earning assets increased from 9.07% for

the period ended September 30, 2002 to 9.57% for the period ended September 30, 2003.

Interest Expense

Interest expense increased to $2.0 million for the period ended September 30, 2003 as compared to $1.9 million for the period ended September 30, 2002. The average indebtedness for the period ended September 30, 2003 increased to $63.2 million compared to $56.4 million for the period ended September 30, 2002. This increase was offset by a decrease in the average cost of outstanding borrowings from 6.85% during the six months ended September 30, 2002 to 6.19% during the six months ended September 30, 2003.

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Contract Procurement

The Company purchases contracts in the states listed below. The amounts shown in the table below represent the total face value of contracts acquired. The decrease in purchases for the State of Florida is primarily due to increased competition and the lack of expansion in that state during the current year. The Company has sixteen branch locations in Florida and does not have any immediate plans for additional expansion in Florida. The Company has been expanding its contract procurement in North Carolina, South Carolina, Ohio, Virginia and Michigan. Please see Future Expansion.

The Contracts purchased by the Company are predominately for used vehicles, less than 3% were new. The average model year collateralizing the portfolio is a 1999 vehicle. Contracts purchased and originated are shown at face value.

State	Maximum allowable Interest rate (1)	3 Months Ended 9/30/03	3 Months Ended 9/30/02	6 Months Ended 9/30/03	6 Months Ended 9/30/02
FL	30%	$9,077,354	$9,760,594	$19,125,752	$19,259,893
OH	25%	3,109,399	2,131,955	6,214,025	3,678,333
GA	29%	2,263,364	2,092,776	4,570,548	3,866,887
NC	29%	1,998,984	1,957,783	3,969,578	3,955,127
SC	29%	743,924	586,870	1,479,639	1,098,633
MI	25%	612,723	-	1,068,257	-
VA	29%	184,573	8,400	201,613	55,042
		$17,990,321	$16,538,378	$36,629,412	$31,913,915

(1) The allowable maximum interest rates by State is subject to change and are governed by the individual states the Company conducts business in.

Indirect Contracts Purchased

	3 Months Ended		6 Months Ended	
	9/30/03	9/30/02	9/30/03	9/30/02
Purchases	$17,990,321	$16,538,378	$36,629,412	$31,913,915
Weighted APR	24.00%	24.03%	23.96%	24.32%
Average Discount	8.95%	8.81%	8.95%	8.82%
Average Term(mths)	43	41	44	41
Average Loan	$8,082	$8,273	$8,138	$8,194
Number of Contracts	2,226	1,999	4,501	3,895

Direct Loans Originated

	3 Months Ended		6 Months Ended	
	9/30/03	9/30/02	9/30/03	9/30/02
Originations	$961,073	$935,539	$1,893,856	$2,046,435
Weighted APR	26.29%	26.08%	26.46%	25.82%
Average Term(mths)	28	21	27	22
Average Loan	$2,930	$3,057	$2,896	$3,134
Number of Loans	328	306	654	653

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Analysis of Credit Losses

Because of the nature of the borrowers under the Contracts and its direct consumer loan program, the Company considers the establishment of adequate reserves for credit losses to be imperative. The Company segregates its Contracts into pools for purposes of establishing reserves for losses. Each such pool consists of the loans purchased by a Company branch office during a three month period. The average pool consists of 71 Contracts with an aggregate initial principal amount of approximately $574,735. As of September 30, 2003, the Company had 446 active pools.

The Company pools Contracts according to branch location because the branches purchase contracts in different markets located in Florida, Georgia, North Carolina, South Carolina, Ohio, Michigan and Virginia. All Contracts purchased by a branch during a fiscal quarter comprise a pool. This method of pooling by branch and quarter allows the Company to evaluate the different markets where the branches operate. The pools also allow the Company to evaluate the different levels of customer income, stability, credit history, and the types of vehicles purchased in each market.

Contracts are purchased from many different dealers and are all purchased on an individual contract by contract basis. Individual contract pricing is determined by the automobile dealerships and

is generally the lesser of State maximum interest rates or the maximum interest rate at which the customer will accept. In certain markets, competitive forces will drive down contract rates from the maximum rate to a level where an individual competitor is willing to buy an individual contract. The Company only buys contracts on an individual basis and never purchases contracts in batches.

Dealer discount represents the difference between the face value of an installment contract and the amount of money the Company actually pays for the contract. The discount negotiated by the Company is a function of the credit quality of the customer and the wholesale value of the vehicle. The automotive dealer accepts these terms by executing a dealer agreement with the Company. The entire amount of discount relates to credit quality, and is therefore considered to be part of the credit loss reserve. The Company utilizes a static pool approach to track portfolio performance. A static pool retains an amount equal to 100% of the discount into a reserve for credit losses. In situations where, at the date of purchase, the discount is determined to be insufficient to absorb all potential losses associated with the pool, a portion of future unearned income associated with that specific pool will be added to the reserves for credit losses until total reserves have reached the appropriate level. Subsequent to the purchase, if the reserve for credit losses is determined to be inadequate for a pool which is not fully liquidated, then a charge to income through the provision is used to reestablish adequate reserves. If a pool is fully liquidated and has any remaining reserves, the excess reserves are immediately recognized into income. For pools not fully liquidated, that are determined to have excess reserves, such excess amounts are accreted into income over the remaining life of the pool. Reserves accreted into income for the three months ended September 30, 2003 were $496,826 compared to $566,869 for the three months ended September 30, 2002. Reserves accreted into income for the six months ended September 30, 2003 were $1,020,951 compared to $1,147,920 for the six months ended September 30, 2002.

The Company has definitive underwriting guidelines it utilizes to determine which contracts to purchase. These guidelines are very specific and result in all loan purchases having common risk characteristics. The Company utilizes its District Managers to evaluate their respective branch locations for adherence to these underwriting guidelines. The Company also utilizes an internal audit department to assure adherence to its underwriting guidelines. The Company utilizes the branch model which allows for contract purchasing to be done on the branch level. Each Branch Manager will interpret the guidelines differently and as a result the common risk characteristics will be the same on an individual branch level but not necessarily compared to another branch.

In analyzing a pool, the Company considers the performance of prior pools originated by the branch office, the performance of prior Contracts purchased from the dealers whose Contracts are included in the current pool, the credit rating of the borrowers under the Contracts in the pool, and current market and economic conditions. Each pool is analyzed monthly to determine if the loss reserves are adequate, and adjustments are made if they are determined to be necessary. As of September 30, 2003, the Company had established reserves for losses on Contracts of $19,468,081

or 13.65% of gross outstanding receivables under the Contracts.

The following table sets forth a reconciliation of the changes in dealer discount on Contracts.

	Three months ended September 30, 2003	Three months ended September 30, 2002	Six months ended September 30, 2003	Six months ended September 30, 2002
Balance at beginning of period	$13,358,345	$11,686,394	$12,394,089	$11,259,898
Discounts acquired on new volume	2,896,626	2,675,639	5,964,475	5,218,073
Losses absorbed	(2,391,406)	(2,148,048)	(4,247,938)	(3,937,298)
Recoveries	303,148	276,746	580,212	525,774
Reserves accreted	(472,752)	(538,609)	(996,877)	(1,114,325)
Balance at end of period	$13,693,961	$11,952,122	$13,693,961	$11,952,122
Reserves as a percent of gross Finance receivables	9.60%	9.58%	9.60%	9.58%

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Contracts.

	Three months ended September 30, 2003	Three months ended September 30, 2002	Six months ended September 30, 2003	Six months ended September 30, 2002
Balance at beginning of period	$5,736,120	$4,452,746	$5,428,681	$4,105,174
Current period provision	344,655	518,525	864,108	1,009,989
Losses absorbed	(306,656)	(91,898)	(518,670)	(235,791)
Balance at end of period	$5,774,119	$4,879,373	$5,774,119	$4,879,372
Reserves as a percent of gross Finance receivables	4.05%	3.91%	4.05%	3.91%

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Direct loans.

	Three months ended September 30,		Six months ended September 30,	
	2003	2002	2003	2002
Balance at beginning of period	$201,017	$226,747	$176,126	$200,612
Current period provision	59,501	63,613	120,047	119,215
Losses absorbed	(42,488)	(67,851)	(83,739)	(98,448)
Recoveries	7,393	8,060	12,989	14,525
Reserves accreted	(24,074)	(28,260)	(24,074)	(33,595)
Balance at end of period	$201,349	$202,309	$201,349	$202,309
Reserves as a percent of gross Finance receivables	4.59%	4.19%	4.59%	4.19%

Total reserves at end of period	$19,669,429	$17,033,804	$19,669,429	$17,033,804
Reserves as a percent of gross Finance receivables	13.38%	13.15%	13.38%	13.15%

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The average dealer discount associated with new volume increased for the three and six months ended September 30, 2003 to 8.95% and 8.95% respectively, from 8.81% and 8.82% for the three and six months ended September 30, 2002, respectively. The Company does not consider these changes to be material and such changes are not the result of any change in buying philosophy or competition.

The provision for credit losses decreased for the three and six-month periods ended September 30, 2003 to $404,156 and $984,155 respectively, as compared to $582,138 and $1,129,204 for the three and six-month periods ended September 30, 2002. This reduction is primarily attributed to an increase in the collections of ancillary charges from existing customers. To a lesser extent, the provision for credit losses decreased as a result of static pool performance meeting or exceeding Company expectations.

The Company's losses as a percentage of liquidation increased during the three and six months periods ended September 30, 2003 as compared to last year. The three and six-month periods ended September 30, 2003 were 9.89% and 8.85% compared to 9.29% and 8.60% for the three and six-month periods ended September 30, 2002. The Company anticipates portfolio performance will deteriorate in the near term, but will stabilize in the long term, unless the overall economic conditions and current unemployment rates continue to decline. In response to current conditions the Company has raised its initial target reserve percentage on new static pools to 12.2% from 11.8%. The Company does not believe there have been any significant changes in loan concentrations, terms or quality of contracts purchased during the current fiscal year that would have contributed to the rise in losses. The delinquency percentage for contracts more than thirty days past due for the period ended September 30, 2003 decreased to 2.63% from 2.88% for the period ended September 30, 2002. The delinquency percentage for direct loans more than thirty days past due for the period ended September 30, 2003 increased to 2.99% from 2.08% for the period ended September 30, 2002. The Company does not give significant consideration to short-term trends in delinquency when evaluating reserve levels. Delinquency percentages tend to be very volatile and often are not necessarily an indication of future losses. The Company utilizes a static pool approach to analyzing portfolio performance and looks at specific pool performance and recent trends as leading indicators to future performance of the portfolio.

Recoveries as a percentage of current period losses were 11.33% and 12.23% for the three and six-month periods ended September 30, 2003 as compared to 12.34% and 12.65% for the three and six-month periods ended September 30, 2002. The Company expects recoveries as a percent of losses to decline in the future, as the Company continues to expand, it will become more difficult to implement the loss recovery model in geographic areas further away from the Company's origin.

Reserves accreted into income for the three and six-month periods ended September 30, 2003 were $496,826 and $1,020,951 respectively as compared to $566,869 and $1,147,920 for the three and six-month periods ended September 30, 2002. The amount and timing of reserves accreted into income is a function of individual static pool performance. The Company has seen deterioration in the performance of the portfolio, more specifically; static pools more than fifty percent liquidated have seen an increase in the default rate when compared to prior year pool performance during their same liquidation cycle. The Company attributes this increase to overall general economic conditions and more specifically to the increased unemployment rate in the Company's markets.

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The current unemployment rate compared to last year has risen. The Company believes there is a correlation between the unemployment rate and future portfolio performance. The Company does not anticipate the unemployment level to rise significantly in the future nor does it expect it to drop significantly in the future, therefore the Company does not plan on increasing or decreasing reserves based on the current unemployment rate. The number of voluntary repossessions has remained steady for the six

months ended September 30, 2003 as compared to the six months ended September 30, 2002. As a result of this stability the Company believes the current reserve levels are adequate in this regard. The number of bankruptcy filings has increased during the six months ended September 30, 2003 as compared to the six months ended September 30, 2002.

The amount of future unearned income represents the amount of finance charges the Company expects to fully earn over the life of the current portfolio, and is computed as the product of the contract rate, the contract term, and the contract amount. The Company aggregates the contracts purchased during a three-month period for all of its branch locations, after the analysis of purchase date accounting is complete, any uncollectable amounts would be contemplated in the allowance for credit losses.

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The following tables present certain information regarding the delinquency rates experienced by the Company with respect to Contracts and under its direct consumer loan program:

	Three Months Ended September 30, 2003		Three Months Ended September 30, 2002	
Contracts Gross Balance Outstanding	$142,611,322		$124,728,292	
Delinquencies	Dollar Amount	Percent*	Dollar Amount	Percent*
30 to 59 days	$ 2,554,310	1.79%	$ 2,538,101	2.03%
60 to 89 days	921,969	0.65%	733,604	0.59%
90 + days	269,734	0.19%	325,314	0.26%
Total Delinquencies	$ 3,746,013		$ 3,597,019	
*Total Delinquencies as percent of outstanding balance		2.63%		2.88%
Direct Loans Gross Balance Outstanding	$ 4,378,131		$ 4,829,199	
Delinquencies				
30 to 59 days	$ 67,549	1.54%	$ 72,985	1.51%
60 to 89 days	15,716	0.36%	14,414	0.30%
90 + days	47,737	1.09%	13,150	0.27%
Total Delinquencies	$131,002		$100,549	

*Total Delinquencies

as a percent of outstanding balance	2.99%	2.08%

The delinquency percentage for contracts more than thirty days past due for the three months ended September 30, 2003 was 2.63% compared to 2.88% for the three months ended September 30, 2002. The delinquency percentage for direct loans more than thirty days past due for the three months ended September 30, 2003 was 2.99% compared to 2.08% for the three months ended September 30, 2002.

The Company does not give much consideration to short-term trends in delinquency percentages when evaluating reserve levels. Delinquency percentages tend to be very volatile and often are not necessarily an indication of future losses. The Company estimates future portfolio performance by considering several factors. The most significant factors are described as follows. The Company analyzes historical static pool performance for each branch location when determining appropriate reserve levels. The Company utilizes internal branch audits as an indication to future static pool performance. (See pg.7 of the Company's March 31, 2003 10-KSB "Underwriting Guidelines" for more information on branch location audits) The Company also considers such things as the current unemployment rate in markets the Company operates in, the percentage of voluntary repossessions as compared to prior periods, the percentage of bankruptcy filings as compared to prior periods and other leading economic indicators.

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Income Taxes

The Company's effective tax rate remained relatively consistent at 37.43% and 37.68% for the three and six month periods ended September 30, 2003 compared to 37.77% and 37.52% for the three and six months ended September 30, 2002.

Liquidity and Capital Resources

The Company's cash flows for the six months ended September 30, 2003 and September 30, 2002 are summarized as follows:

	Six months ended September 30, 2003	Six months ended September 30, 2002
Cash provided by:		
Operating Activities -	$ 3,711,647	$ 2,844,157
Investing Activities - (primarily purchase of Contracts)	(7,105,319)	(6,698,417)
Financing Activities	4,896,914	4,401,224
Net increase in cash	1,503,242	546,964

The Company's primary use of working capital during the three months ended September 30, 2003 was the funding of the purchase of Contracts. The Contracts were financed substantially through borrowings on the Company's Line of Credit. The Line of Credit is secured primarily by Contracts, and available borrowings are based on a percentage of qualifying Contracts. As of September 30, 2003 the Company had approximately $10.0 million available under the Line of Credit. Since inception, the Company has also funded a portion of its working capital needs through cash flows from operating activities.

The self-liquidating nature of installment Contracts and other loans enables the Company to assume a higher debt-to-equity ratio than in most businesses. The amount of debt the Company incurs from time to time under these financing mechanisms depends on the Company's need for cash and it's ability to borrow under the terms of its Line of Credit. The Company believes that borrowings available under the Line of Credit as well as cash flow from operations and, if necessary, the issuance of additional subordinated debt and, or the sale of additional securities in the capital markets, will be sufficient to meet its short term funding needs.

The Company renewed its credit facility on June 28, 2002. The new loan agreement expires November 30, 2004 and bears interest at the prime rate plus .25% and offers several LIBOR pricing options. The new loan agreement released Bank One as a participating bank and added First Tennessee Bank. The Company is pleased with its new banking relationship and believes it will be beneficial for future expansion.

On August 11, 2003 the Company announced a $.10 per share semi-annual cash dividend. The Company intends to continue the cash dividend program, provided that future earnings meet expectations. The Company must also receive waivers from its current lenders in order to pay cash dividends. The ability for the Company to receive the necessary waivers is largely dependent upon portfolio performance. No assurance can be given that these waivers will be granted.

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Future Expansion

The Company currently operates twenty-eight branch locations, fifteen in the State of Florida, three in the State of Georgia, three in the State of North Carolina, one in the state of South Carolina, five in the state of Ohio and one in the state of Michigan.

The Company currently intends to continue its expansion through the purchase of additional Contracts and the expansion of its direct consumer loan program. In order to increase the size of the Company's portfolio of Contracts, it will be necessary for the Company to open additional branch offices and increase the size of its revolving Line of Credit arrangement, either with its current lender or another lender. The Company, from time to time, has and will meet with private investors and financial institutions that specialize in investing in subordinated debt. The Company believes that opportunity for growth continues to

exist in Florida, Georgia, North Carolina, South Carolina, Ohio, and Michigan and intends to continue its expansion activities in those states. The Company is currently expanding its automobile financing program in the State of Virginia. The Company has targeted certain geographic locations within the State of Virginia where it believes there is a sufficient market for its automobile financing program. The Company is currently purchasing Contracts in the State of Virginia utilizing employees who reside in the State of Virginia. These employees are developing their respective markets in Virginia and the Company has created a Central Buying Office in its Corporate Headquarters in Clearwater Florida to purchase, process and service these Contracts. The Company's strategy is to monitor these new markets and ultimately decide where and when to open actual branch locations. No assurances can be given, however, that any further such expansion will occur. The Company is also analyzing other markets in States the Company does not currently operate in, however no assurance can be given that any expansion will occur in these new markets.

Forward-Looking Information

This 10-QSB contains various forward-looking statements and information that are based on management's beliefs and assumptions, as well as information currently available to management. When used in this document, the words "anticipate", "estimate", "expect", and similar expressions are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on the Company's operating results are fluctuations in the economy, the degree and nature of competition, demand for consumer financing in the markets served by the Company, the Company's products and services, increases in the default rates experienced on Contracts, adverse regulatory changes in the Company's existing and future markets, the Company's ability to expand its business, including its ability to complete acquisitions and integrate the operations of acquired businesses, to recruit and retain qualified employees, to expand into new markets and to maintain profit margins in the face of increased pricing competition.

Part I. Item 3

DISCLOSURES AND CONTROLS

(a) Evaluation of disclosure controls and procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive officer and the chief financial officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

(b) Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and chief financial officer.

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Part II - Other Information

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. (a) Exhibits - See exhibit index following the signature page.

(b) Reports on Form 8-K -

On August 11, 2003, Nicholas Financial, Inc. (the "Company") filed an 8-K announcing a cash dividend of $.10 payable semi-annual to shareholders of record as of September 30, 2003.

On September 30, 2003, the Company filed an 8-K announcing Ernst & Young LLP had advised the Company's audit committee that, following completion of its review of the Company's financial statements as of, and for the quarter ended September 30, 2003, it would resign as the Company's independent auditors.

Ernst & Young's reports on Nicholas' financial statements for the years ended March 31, 2003 and 2002 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended March 31, 2003 and 2002, and the subsequent interim period ended September 30, 2003, there have not been any disagreements between Nicholas and Ernst & Young on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.

Nicholas has commenced the process of retaining new independent auditors. That process is not yet complete.

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SIGNATURES

In accordance with the requirements of the Securities Act of

1934, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form 10-QSB and authorized this Report to be signed on its behalf by the undersigned, in the City of Clearwater, State of Florida, on November 13, 2003.

NICHOLAS FINANCIAL, INC.
(Registrant)

Date: November 13, 2003 /s/Peter L Vosotas

Peter L. Vosotas
Chairman, President, Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2003 /s/Ralph T Finkenbrink

Ralph T. Finkenbrink
(Principal Financial Officer and Accounting Officer)

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CERTIFICATION

I, Peter L. Vosotas, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Nicholas Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors(or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 13, 2003 /s/Peter L Vosotas

Peter L. Vosotas
President &
Chief Executive Officer

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CERTIFICATION

I, Ralph T. Finkenbrink, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Nicholas Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in

light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors(or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 13, 2003 /s/Ralph T Finkenbrink

Ralph T. Finkenbrink
Senior Vice President

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EXHIBIT INDEX

Item 13. Exhibits and Reports on Form 8-K

3.1 Articles of Incorporation and By-Laws of Nicholas Financial, Inc.

Incorporated by reference to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

4.1 Stock Certificate

Incorporated by reference to Exhibit 4.1 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.1 Loan and Security Agreement dated March 31, 1993 between BA Business Credit, Inc. and Nicholas Financial, Inc.

Incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.2 Amendment No. 1 to Loan Agreement dated January 14, 1994

Incorporated by reference to Exhibit 10.1.2 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.3 Temporary Line Increase Agreement dated Mach 28, 1994

Incorporated by reference to Exhibit 10.1.3 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.4 Amendment No. 2 to Loan Agreement dated June 3, 1994

Incorporated by reference to Exhibit 10.1.4 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.5 Amendment No. 3 to Loan Agreement dated July 5, 1994

Incorporated by reference to Exhibit 10.1.5 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.6 Amendment No. 4 to Loan Agreement dated March 31, 1995

Incorporated by reference to Exhibit 10.1.6 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.7 Amendment No. 5 to Loan Agreement dated July 13, 1995

Incorporated by reference to Exhibit 10.1.7 to the Company's Form 10-KSB for the fiscal year ended March 31, 1996

10.1.8 Amendment No. 6 to Loan Agreement dated May 13, 1996

Incorporated by reference to Exhibit 10.1.8 to the Company's Form 10-QSB for the three months ended June 30, 1996

10.1.9 Amendment No. 7 to Loan Agreement dated July 5, 1997

Incorporated by reference to Exhibit 10.1.9 to the Company's Form 10-QSB for the three months ended September 30, 1997

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10.1.10 Amendment No. 8 to Loan Agreement dated September 18, 1998

Incorporated by reference to Exhibit 10.2.0 to the Company's Form 10-QSB for the three months ended September 30, 1998

10.1.11 Amendment No. 9 to Loan Agreement dated November 25, 1998

Incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-QSB for the three months ended December 31, 1998

10.1.12 Amendment No. 10 to Loan Agreement dated November 24, 1999

Incorporated by reference to Exhibit 10.2.2 to the Company's Form 10-QSB for the three months ended December 31, 1999

10.1.13 Amendment No. 11 to Loan Agreement dated August 1, 2000

Incorporated by reference to Exhibit 10.1.13 to the Company's Form 10-KSB for the year ended March 31, 2001

10.1.14 Amendment No. 12 to Loan Agreement dated March 16, 2001

Incorporated by reference to Exhibit 10.1.14 to the Company's Form 10-KSB for the year ended March 31, 2001

10.3.1 Employee Stock Option Plan

Incorporated by reference to the Company's 1999 Annual proxy statement dated June 29, 1999

10.3.2 Non-Employee Stock Option Plan

Incorporated by reference to the Company's 1999 Annual proxy statement dated June 29, 1999

10.4.1 Employment Contract, dated November 22, 1999, between Nicholas Financial, Inc. and Ralph Finkenbrink, Senior Vice President of Finance.

Incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-QSB for the three months ended December 31, 1999

10.4.2 Employment Contract, dated March 16, 2001, between Nicholas Financial, Inc. and Peter L. Vosotas President & Chief Executive Officer.

Incorporated by reference to the Company's 2001 Annual proxy statement dated July 2, 2001

21 Subsidiaries of Nicholas Financial, Inc.

Incorporated by reference to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

24 Powers of Attorney (included on signature page hereto)

99.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. 1350

99.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. 1350

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Exhibit 99.1

Written Statement of the Chief Executive Officer
Pursuant to 18 U.S.C. 1350

Solely for the purposes of complying with 18 U.S.C. 1350, I , the undersigned Chief Executive Officer of Nicholas Financial, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-QSB of the Company for the quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Peter L Vosotas

Peter L. Vosotas
Chief Executive Officer
November 13, 2003

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Exhibit 99.2

Written Statement of the Chief Financial Officer
Pursuant to 18 U.S.C. 1350

Solely for the purposes of complying with 19 U.S.C. 1350, I , the undersigned Chief Financial Officer of Nicholas Financial, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-QSB of the Company for the quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Ralph T Finkenbrink

Ralph Finkenbrink
Chief Financial Officer
November 13, 2003

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1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). InsRisk Equity Fund, L.P.
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) x (b)
3.	SEC Use Only
4.	Source of Funds (See Instructions) WC, OO
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) o
6.	Citizenship or Place of Organization: Delaware
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power: 0 8. Shared Voting Power: 10,100 9. Sole Dispositive Power: 0 10. Shared Dispositive Power: 10,100
11.	Aggregate Amount Beneficially Owned by Each Reporting Person: 10,100
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) o
13.	Percent of Class Represented by Amount in Row (11): .01%
14.	Type of Reporting Person (See Instructions) PN

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). InsRisk Partners LLC
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) x (b)
3.	SEC Use Only
4.	Source of Funds (See Instructions) n/a
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) o
6.	Citizenship or Place of Organization: Delaware
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power: 0 8. Shared Voting Power: 10,100 9. Sole Dispositive Power: 0 10. Shared Dispositive Power: 10,100
11.	Aggregate Amount Beneficially Owned by Each Reporting Person: 10,100
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) o
13.	Percent of Class Represented by Amount in Row (11): .01%
14.	Type of Reporting Person (See Instructions) OO

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). Larry G. Swets, Jr.
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) x (b)
3.	SEC Use Only
4.	Source of Funds (See Instructions)
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) o
6.	Citizenship or Place of Organization: United States
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power: 0 8. Shared Voting Power: 10,100 9. Sole Dispositive Power: 0 10. Shared Dispositive Power: 10,100
11.	Aggregate Amount Beneficially Owned by Each Reporting Person: 10,100
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) o
13.	Percent of Class Represented by Amount in Row (11): .01%
14.	Type of Reporting Person (See Instructions) IN

Item 1. Security and Issuer

This is the fourth amendment to the original Schedule 13D ("Fourth Amendment") which was filed on November 7, 2008 (the Original Schedule 13D), amended on November 14, 2008 (First Amendment), on November 17, 2008 (Second Amendment), and on November 24, 2008 ("Third Amendment"). This Fourth Amendment is being filed jointly by Stilwell Value Partners III, L.P., a Delaware limited partnership ("Stilwell Value Partners III"); Stilwell Associates, L.P., a Delaware limited partnership ("Stilwell Associates"); Stilwell Value LLC, a Delaware limited liability company ("Stilwell Value LLC"), and the general partner of Stilwell Value Partners III and Stilwell Associates; Joseph Stilwell, the managing and sole member of Stilwell Value LLC; Spencer L. Schneider; InsRisk Equity Fund, L.P., a Delaware limited partnership ("InsRisk Fund"); InsRisk Partners LLC, a Delaware limited liability company ("InsRisk Partners"); and Larry G. Swets, Jr. Stilwell Value Partners III, Stilwell Associates, Stilwell Value LLC, Mr. Stilwell, Mr. Schneider, InsRisk Fund, InsRisk Partners, and Mr. Swets are collectively referred to herein as the "Group."

This statement relates to the common stock ("Common Stock") of Kingsway Financial Services Inc. (the "Issuer"). The address of the principal executive offices of the Issuer is 7120 Hurontario Street, Suite 800, Mississauga, Ontario, Canada L5W 0A9. The amended joint filing agreement of the members of the Group is attached as Exhibit 2 to the First Amendment.

Item 2. Identity and Background

(a)-(c) This statement is filed by Joseph Stilwell, with respect to the shares of Common Stock beneficially owned by Joseph Stilwell, including shares of Common Stock held in the name of Stilwell Value Partners III and Stilwell Associates, in Joseph Stilwell's capacity as the managing and sole member of Stilwell Value LLC, which is the general partner of Stilwell Value Partners III and Stilwell Associates.

This statement is filed by Larry G. Swets, Jr., with respect to the shares of Common Stock beneficially owned by Mr. Swets, including shares of Common Stock held in the name of InsRisk Fund, in Mr. Swets' capacity as the managing and sole member of InsRisk Partners, which is the general partner of InsRisk Fund.

The business address of Stilwell Value Partners III, Stilwell Associates, Stilwell Value LLC, and Joseph Stilwell is 26 Broadway, 23rd Floor, New York, New York 10004. The business address of Mr. Schneider is 70 Lafayette Street, New York, NY 10013. The business address of InsRisk Fund, InsRisk Partners and Mr. Swets is 100 South Walnut, Itasca, Illinois 60143.

The principal employment of Joseph Stilwell is investment management. Stilwell Value Partners III and Stilwell Associates are private investment partnerships engaged in the purchase and sale of securities for their own accounts. Stilwell Value LLC is in the business of serving as the general partner of Stilwell Value Partners III, Stilwell Associates, and related partnerships. InsRisk Fund is a private investment partnership engaged in the purchase and sale of securities for its own account. InsRisk Partners is in the business of serving as the general partner of InsRisk Fund. Mr. Schneider is an attorney engaged in private practice. Mr. Swets is an insurance consultant.

(d) During the past five years, no member of the Group has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) During the past five years, no member of the Group has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws.

(f) Messrs. Stilwell, Schneider, and Swets are citizens of the United States.

Item 3. Source and Amount of Funds or Other Consideration

The amount of funds expended since the filing of the Third Amendment by Stilwell Associates to acquire the 281,544 shares of Common Stock it purchased since then is $1,263,480. Such funds were provided from Stilwell Associates working capital and, from time to time, in part by margin account loans from subsidiaries of JP Morgan Chase & Co. extended in the ordinary course of business. Also since the filing of the Third Amendment, Mr. Stilwell has purchased 80,000 shares of Common Stock at an aggregate purchase price of $378,470. Such funds were provided from his personal funds. Stilwell Value Partners III and InsRisk Fund have not purchased any shares of Common Stock since the filing of the Second Amendment.

All purchases of shares of Common Stock made by the Group using funds borrowed from Goldman Sachs or subsidiaries of JP Morgan Chase & Co., if any, were made in margin transactions on their usual terms and conditions. All or part of the shares of Common Stock owned by members of the Group may from time to time be pledged with one or more banking institutions or brokerage firms as collateral for loans made by such entities to members of the Group. Such loans generally bear interest at a rate based on the broker's call rate from time to time in effect. Such indebtedness, if any, may be refinanced with other banks or broker-dealers.

Item 4. Purpose of Transaction

Our purpose in acquiring shares of Common Stock of the Issuer is to profit from the appreciation in the market price of the shares of Common Stock through asserting shareholder rights. We do not believe the value of the Issuer's assets is adequately reflected in the current market price of the Issuer's Common Stock.

We are filing this Fourth Amendment to report that we have committed to holding the shares of Common Stock that we currently own for a period of three years in the event that we are successful in obtaining sufficient votes to remove Michael Walsh and W. Shaun Jackson at the special shareholders meeting to be held on February 10, 2009, and to place our nominees on the board.

On Saturday, November 21, 2008, we met with the Issuer's officers in Toronto, and offered to rescind our requisition for a special shareholders meeting and have Michael Walsh remain on the board if our nominees were promptly added to the board. We also stated our intention to proceed with the special shareholders meeting to remove Messrs. Walsh and Jackson if an agreement is not reached in the near future.

We also declined a request to meet with Mr. Jackson until such time as he resigns from, or is removed from, the board. Michael Walsh, Brian Reeve, Thomas DiGiacomo, Shelly Gobin, Kathleen Howie, and Irwin Greenblatt attended for the Issuer. Joseph Stilwell, Spencer Schneider, and Larry Swets attended for the Stilwell Group.

We expressed our displeasure with the Issuer's expense reductions to date; we stated our belief that the Issuer should immediately reduce overhead expenses in the range of $50 million; and we informed the board and management representatives that the board's current practice to not require timetables for management to reduce expense levels by definite amounts is unacceptable to us.

We expressed our belief that the Issuer should sell and/or run-off non-core lines of business as quickly as possible and use excess capital to retire the Issuer s debt at a discount and repurchase shares of common stock.

We disagreed with assertions that the Issuer is moving at an appropriate pace to address its problems. We stated that the price of the Issuer's public securities indicates that its owners do not have confidence in the board and management, and that actions need to be taken quickly to address that lack of confidence.

We stated our belief that a date certain be set to achieve a combined ratio below 100 and that date be communicated to shareholders. We stressed the importance of management accountability to clearly stated corporate goals.

We urge the Chairman and other board members to insist that management maximize value per share and minimize both operational and balance sheet risks. We oppose any capital raise by the Issuer. We believe management needs to reduce expense levels. We strongly oppose the Issuer's acquiring other companies or businesses at this time. We hope to work constructively with the existing management and board to help them focus on maximizing value per share. However, we will exercise our shareholder rights to whatever degree necessary in order to achieve our goals.

Since 2000, affiliates of the Group have filed Schedule 13Ds to report greater than five percent positions in 15 other publicly traded companies. For simplicity, these affiliates are referred to as the Group , we , us , or our . In each instance, our purpose has been to profit from the appreciation in the market price of the shares we held by asserting shareholder rights. In each situation, we believed that the values of the companies assets were not adequately reflected in the market prices of their shares. The filings are described below.

On May 1, 2000, we filed a Schedule 13D to report a position in Security of Pennsylvania Financial Corp. (SPN). We scheduled a meeting with senior management to discuss ways to maximize the value of SPN s assets. On June 2, 2000, prior to the scheduled meeting, SPN and Northeast Pennsylvania Financial Corp. announced SPN s acquisition. We then sold our shares on the open market.

On July 7, 2000, we filed a Schedule 13D to report a position in Cameron Financial Corporation (Cameron). We exercised our shareholder rights by, among other things,

requesting that Cameron management hire an investment banker, demanding Cameron s list of shareholders, meeting with Cameron s management, demanding that Cameron invite our representatives to join the board, writing to other Cameron shareholders to express our dismay with management s inability to maximize shareholder value and publishing that letter in the local press. On October 6, 2000, Cameron announced its sale to Dickinson Financial Corp., and we sold our shares on the open market.

On January 4, 2001, following the announcement by Community Financial Corp. (CFIC) of the sale of two of its four subsidiary banks and its intention to sell one or more of its remaining subsidiaries, we filed a Schedule 13D to report our position. We reported that we acquired CFIC stock for investment purposes. On January 25, 2001, CFIC announced the sale of one of its remaining subsidiaries. We then announced our intention to run an alternate slate of directors at the 2001 annual meeting if CFIC did not sell the remaining subsidiary by then. On March 27, 2001, we wrote to CFIC confirming that CFIC had agreed to meet with one of our proposed nominees to the board. On March 30, 2001, before our meeting took place, CFIC announced its merger with First Financial Corporation, and we sold our shares on the open market.

On February 23, 2001, we filed a Schedule 13D to report a position in Montgomery Financial Corporation (Montgomery). On April 20, 2001, we met with Montgomery s management, and suggested that they maximize shareholder value by selling the institution. We also informed management that we would run an alternate slate of directors at the 2001 annual meeting unless Montgomery were sold. Eleven days after we filed our Schedule 13D, however, Montgomery s board amended its bylaws to make it more difficult for us to run an alternate slate by limiting the pool of potential nominees to local persons with a banking relation and shortening the deadline to nominate an alternate slate. We located qualified nominees under the restrictive bylaw provisions and noticed our slate within the deadline. On June 5, 2001, Montgomery announced that it had hired a banker to explore a sale. On July 24, 2001, Montgomery announced its merger with Union Community Bancorp.

On June 14, 2001, we filed a Schedule 13D reporting a position in HCB Bancshares, Inc. (HCBB). On September 4, 2001, we reported that we had entered into a standstill agreement with HCBB, under which HCBB agreed to: (a) add a director selected by us, (b) consider conducting a Dutch tender auction, (c) institute annual financial targets, and (d) retain an investment banker to explore alternatives if it did not achieve the financial targets. On October 22, 2001, our nominee, John G. Rich, Esq., was named to the board. On January 31, 2002, HCBB announced a modified Dutch tender auction to repurchase 20% of its shares. Although HCBB s outstanding share count decreased by 33% between the filing of our original Schedule 13D and August 2003, HCBB did not achieve the financial target. On August 12, 2003, HCBB announced it had hired a banker to assist in exploring alternatives for maximizing shareholder value, including a sale. On January 14, 2004, HCBB announced its sale to Rock Bancshares Inc. and we sold our shares on the open market.

On December 15, 2000, we filed a Schedule 13D reporting a position in Oregon Trail Financial Corp. (OTFC). In January 2001, we met with the management of OTFC to discuss our concerns that management was not maximizing shareholder value, and we proposed that OTFC voluntarily place our nominees on the board. OTFC rejected our proposal, and we

announced our intention to solicit proxies to elect a board nominee. We demanded OTFC s shareholder list, but it refused. We sued OTFC in Baker County, Oregon, and the court ruled in our favor and sanctioned it. We also sued two OTFC directors alleging that one had violated OTFC s residency requirement and that the other had committed perjury. Both suits were dismissed pre-trial but we filed an appeal in one suit and were permitted to re-file the other suit in state court. On August 16, 2001, we started soliciting proxies to elect Kevin D. Padrick, Esq. to the board. We argued in our proxy materials that OTFC should have repurchased its shares at prices below book value. OTFC announced the hiring of an investment banker. Then, the day after the 9/11 attacks, OTFC sued us in Portland and moved to invalidate our proxies; the court denied the motion and the election proceeded.

On October 12, 2001, OTFC s shareholders elected our candidate by a 2-1 margin. In the five months after the filing of our first proxy statement (i.e., from August 1, 2001 through December 31, 2001), OTFC repurchased approximately 15% of its shares. On March 12, 2002, we entered into a standstill agreement with OTFC. OTFC agreed to: (a) achieve annual targets for return on equity, (b) reduce their current capital ratio, (c) obtain advice from an investment banker regarding annual 10% stock repurchases, (d) re-elect our director to the board, (e) reimburse a portion of our expenses, and (f) withdraw their lawsuit. On February 24, 2003, OTFC and FirstBank NW Corp. announced their merger, and we sold substantially all of our shares on the open market.

On November 25, 2002, we filed a Schedule 13D reporting a position in American Physicians Capital, Inc. (ACAP). The Schedule 13D disclosed that on January 18, 2002, Michigan s insurance department had approved our request to solicit proxies to elect two directors to ACAP s board. On January 29, 2002, we noticed our intention to nominate two directors at the 2002 annual meeting. On February 20, 2002, we entered into a three-year standstill agreement with ACAP, providing for ACAP to add our nominee, Spencer L. Schneider, Esq., to its board. ACAP also agreed to consider using a portion of its excess capital to repurchase ACAP s shares in each of the fiscal years 2002 and 2003 so that its outstanding share count would decrease by 15% for each of those years. In its 2002 fiscal year, ACAP repurchased 15% of its outstanding shares; these repurchases were highly accretive to per-share book value. On November 6, 2003, ACAP announced a reserve charge and that it would explore options to maximize shareholder value. It also announced that it would exit the healthcare and workers compensation insurance businesses. ACAP then announced that it had retained Sandler O Neill & Partners, L.P., to assist the board. On December 2, 2003, ACAP announced the early retirement of its President and CEO. On December 23, 2003, ACAP named R. Kevin Clinton its new President and CEO. On June 24, 2004, ACAP announced that it had decided that the best means to maximize shareholder value would be to shed non-core businesses and focus on its core business line in its core markets. We increased our holdings in ACAP, and we announced that we intended to seek additional board representation. On November 10, 2004, ACAP invited Mr. Stilwell to sit on the board, and we entered into a new standstill agreement. This agreement was terminated in November 2007, with our nominees remaining on ACAP s board. On May 8, 2008, our nominees were re-elected to three-year terms expiring in 2011.

On June 30, 2003, we filed a Schedule 13D reporting a position in FPIC Insurance Group, Inc. (FPIC). On August 12, 2003, Florida s insurance department approved our request to hold more than 5% of FPIC s shares, to solicit proxies to hold board seats, and to exercise

shareholder rights. On November 10, 2003, FPIC invited our nominee, John G. Rich, Esq., to join the board and we signed a confidentiality agreement. On June 7, 2004, we disclosed that because FPIC s management had taken steps to increase its market price to more adequately reflect its value, we sold our shares on the open market, decreasing our holdings below five percent.

On March 29, 2004, we filed a Schedule 13D reporting a position in Community Bancshares, Inc. (COMB). We disclosed our intention to meet with COMB s management and evaluate management s progress in resolving its regulatory issues, lawsuits, problem loans, and non-performing assets, and that we would likely support management if it effectively addressed COMB s challenges. On November 21, 2005, we amended our Schedule 13D and stated that although we believed that COMB s management had made good progress, COMB s return on equity would likely remain below average for the foreseeable future, and it should therefore be sold. On November 21, 2005, we also stated that if COMB did not announce a sale before our deadline to solicit proxies for the next annual meeting, we would solicit proxies to elect our own slate. On January 6, 2006, we disclosed the names of our three board nominees. On May 1, 2006, COMB announced its sale to The Banc Corporation, and we sold our shares on the open market.

On June 20, 2005, we filed a Schedule 13D reporting a position in Prudential Bancorp, Inc. of Pennsylvania ("PBIP"). Most of PBIP s shares are held by the Prudential Mutual Holding Company (the "MHC"), which is controlled by PBIP's board. The MHC controls most corporate decisions coming up for a shareholder vote, such as the election of directors. But regulations promulgated by the FDIC previously barred the MHC from voting on PBIP's management stock benefit plans, and PBIP's IPO prospectus indicated that the MHC would not vote on the plans. We announced in August 2005 that we would solicit proxies to oppose adoption of the plans as a referendum to place Mr. Stilwell on the board. PBIP decided not to put the plans up for a vote at the 2006 annual meeting. In December 2005, we solicited proxies to withhold votes on the election of directors as a referendum to place Mr. Stilwell on the board. At the 2006 annual meeting, 71% of PBIP's voting public shares were withheld from voting on management's nominees.

On April 6, 2006, PBIP announced that just after we had filed our Schedule 13D, it had secretly solicited a letter from an FDIC staffer (which it concealed from the public) that the MHC would be allowed to vote in favor of the plans. PBIP also announced a special meeting to vote on the plans. We alerted the Board of Governors of the Federal Reserve System (the "Fed") about this announcement, and PBIP was directed to seek Fed approval before adopting the plans. On April 19, 2006, PBIP postponed the special meeting. The Fed subsequently followed the FDIC's position in September 2006. In December 2006, we solicited proxies to withhold votes on the election of PBIP s directors at the 2007 annual meeting. At the meeting, 75% of PBIP's voting public shares were withheld. Also during the annual meeting, PBIP s President and Chief Executive Officer, in response to a question posed by Mr. Stilwell, was unable to state the meaning of per share return on equity. On March 7, 2007, we disclosed that we were publicizing the results of PBIP s elections and its directors unwillingness to hold a democratic vote on the stock plans by placing billboard advertisements throughout Philadelphia.

In December 2007, we filed proxy materials for the solicitation of proxies to withhold votes on the election of PBIP's directors at the 2008 annual meeting of shareholders. At the

February 4, 2008 annual meeting, an average of 77% of PBIP's voting public shares withheld their votes. Excluding shares held in PBIP's ESOP, an average of 88% of the voting public shares withheld their votes in this election.

On October 4, 2006, we sued PBIP, the MHC, and the directors of PBIP and the MHC in federal court in Philadelphia seeking an order to prevent the MHC from voting in favor of the plans. On August 15, 2007, the court dismissed some claims, but sustained our cause of action against the MHC as majority shareholder of PBIP for breach of fiduciary duties. Discovery proceeded and all the directors were deposed. Both sides moved for summary judgment, but the court ordered the case to trial which was scheduled for June 2008. On May 22, 2008, we voluntarily discontinued the lawsuit after determining that it would be more effective and appropriate to pursue the directors on a personal basis in a derivative action in accordance with the demand described below. On June 11, 2008, we filed a notice to appeal certain portions of the lower court's August 15, 2007 order dismissing portions of the lawsuit.

On May 14, 2008, we made written demand that 87-year-old PBIP director John Judge resign or be removed due to disabling illness which may have progressed to senile dementia. We also demanded that the board take action to stop the directors from seeking to control the vote on the plans, and that each director personally reimburse PBIP for defending the lawsuit. On June 9, 2008, PBIP announced that Mr. Judge had resigned from the board in response to our demand.

On November 7, 2008, we entered into a settlement agreement and an expense agreement with PBIP under which we will support PBIP s stock benefit plans, drop our litigation and withdraw our shareholder demand, and generally support management, and, in exchange, PBIP will, subject to certain conditions, repurchase up to 3 million of its shares (including shares previously purchased), reimburse a portion of our expenses, and either adopt a second step conversion or add our nominee who meets certain qualification requirements to its board if the repurchases are not completed by a specified time.

On January 19, 2006, we filed a Schedule 13D reporting a position in SCPIE Holdings Inc. (SKP). We announced we would run our slate of directors at the 2006 annual meeting and demanded SKP s shareholder list. SKP initially refused to timely produce the list, but did so after we sued it in Delaware Chancery Court. We engaged in a proxy contest at the 2006 annual meeting, but SKP s directors were elected. On December 14, 2006, SKP agreed to place Mr. Stilwell on the board. On October 16, 2007, Mr. Stilwell resigned from SKP s board after it approved a sale of SKP that Mr. Stilwell believed was an inferior offer. We solicited shareholder proxies in opposition to the proposed sale; however, the sale was approved.

On July 27, 2006, we filed a Schedule 13D reporting a position in Roma Financial Corp. (ROMA). Nearly 70% of ROMA s shares are held by a mutual holding company (like PBIP) controlled by ROMA s board. In April 2007, we engaged in a proxy solicitation at ROMA s first annual meeting, urging shareholders to withhold their vote from management s slate. ROMA did not put their stock benefit plans up for a vote at that meeting. We then met with ROMA management. In the four months after ROMA became eligible to repurchase its shares, it promptly announced and substantially completed repurchases of 15% of its publicly held shares, which were accretive to shareholder value. In our judgment, management came to understand the importance of proper capital allocation. Based on ROMA management s prompt implementation

of shareholder-friendly capital allocation plans, we supported management s adoption of stock benefit plans at the 2008 shareholder meeting.

On November 5, 2007, we filed a Schedule 13D reporting a position in Northeast Community Bancorp, Inc. (NECB). A majority of NECB s shares are held by a mutual holding company (like PBIP and ROMA) controlled by NECB s board. We have presented a model stock benefit plan to management that we would support based on a vesting schedule that more closely aligns management s interests to shareholder returns. To date, management has not formally responded.

On May 23, 2008, we filed a Schedule 13D reporting a position in William Penn Bancorp, Inc. ("WMPN"). A majority of WMPN s shares are held by a mutual holding company (like PBIP, ROMA, and NECB) controlled by WMPN s board. We hope to work with management in maximizing shareholder value. On June 26, 2008, we provided a powerpoint presentation to management regarding our views on capital allocation guidelines.

On May 30, 2008, we filed a Schedule 13D reporting a position in Malvern Federal Bancorp, Inc. ("MLVF"). A majority of MLVF's shares are held by a mutual holding company (like PBIP, ROMA, NECB, and WMPN) controlled by MLVF's board. We hope to work with management in maximizing shareholder value. On June 26, 2008, we provided a powerpoint presentation to management regarding our views on capital allocation guidelines.

Members of the Group may seek to make additional purchases or sales of shares of Common Stock. Except as described in this filing, no member of the Group has any plans or proposals which relate to, or could result in, any of the matters referred to in paragraphs (a) through (j), inclusive, of Item 4 of Schedule 13D. Members of the Group may, at any time and from time to time, review or reconsider their positions and formulate plans or proposals with respect thereto.

Item 5. Interest in Securities of the Issuer

The percentages used in this filing are calculated based on the number of outstanding shares of Common Stock, 55,068,528, reported as the number of outstanding shares as of September 30, 2008, in the Issuer's Form 6-K dated November 5, 2008. All purchases of shares of Common Stock reported herein were made in open-market transactions.

(A) Stilwell Value Partners III

(a) Aggregate number of shares beneficially owned: 4,975,000
Percentage: 9.0%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 4,975,000

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 4,975,000

(c) Since the filing of the Original Schedule 13D, Stilwell Value Partners III has not purchased any shares of Common Stock.

(d) Because he is the managing and sole member of Stilwell Value LLC, which is the general partner of Stilwell Value Partners III, Joseph Stilwell has the power to direct the affairs of Stilwell Value Partners III, including the voting and disposition of shares of Common Stock held in the name of Stilwell Value Partners III. Therefore, Joseph Stilwell is deemed to share voting and disposition power with Stilwell Value Partners III with regard to those shares of Common Stock.

(B) Stilwell Associates

(a) Aggregate number of shares beneficially owned: 4,975,000
Percentage: 9.0%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 4,975,000

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 4,975,000

(c) Since the filing of the Third Amendment, Stilwell Associates has purchased 281,544 shares of Common Stock for a total of $1,263,480. The chart below reflects certain information concerning such purchases:

TRADE DATE	NUMBER OF SHARES	PRICE PER SHARE ($)	TOTAL COST($)
11/21/08	90	3.95	355
11/24/08	50,000	4.41	220,500
11/25/08	156,544	4.57	715,406
11/26/08	2,900	4.50	13,050
12/03/08	7,010	4.86	34,069
12/12/08	25,000	4.10	102,500
12/15/08	25,000	4.43	110,750
12/17/08	5,000	5.03	25,150
12/22/08	10,000	4.17	41,700

(d) Because he is the managing and sole member of Stilwell Value LLC, which is the general partner of Stilwell Associates, Joseph Stilwell has the power to direct the affairs of Stilwell Associates, including the voting and disposition of shares of Common Stock held in the name of Stilwell Associates. Therefore, Joseph Stilwell is deemed to share voting and disposition power with Stilwell Associates with regard to those shares of Common Stock.

(C) Joseph Stilwell

(a) Aggregate number of shares beneficially owned: 4,975,000
Percentage: 9.0%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 4,975,000

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 4,975,000

(c) Since the filing of the Third Amendment, Mr. Stilwell has purchased 80,000 shares of Common Stock for a total of $378,470. The chart below reflects certain information concerning such purchases:

TRADE DATE	NUMBER OF SHARES	PRICE PER SHARE ($)	TOTAL COST($)
11/24/08	20,000	4.47	89,400
11/25/08	10,000	4.53	45,300
11/26/08	10,000	4.77	47,700
12/01/08	10,000	5.01	50,100
12/02/08	10,000	4.87	48,700
12/05/08	3,500	5.00	17,500
12/08/08	6,500	4.98	32,370
12/10/08	10,000	4.74	47,400

(D) Stilwell Value LLC

(a) Aggregate number of shares beneficially owned: 4,975,000
Percentage: 9.0%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 4,975,000

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 4,975,000

(c) Stilwell Value LLC has made no purchases of shares of Common Stock.
(d) Because he is the managing and sole member of Stilwell Value LLC, Joseph Stilwell has the power to direct the affairs of Stilwell Value LLC. Stilwell Value LLC is the general partner of Stilwell Value Partners III and Stilwell Associates. Therefore, Stilwell Value LLC may be deemed to share with Joseph Stilwell voting and disposition power with regard to the shares of Common Stock held by Stilwell Value Partners III and Stilwell Associates.

(E) Spencer L. Schneider

(a) Aggregate number of shares beneficially owned: 0
Percentage: 0

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 0

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 0

(c) Mr. Schneider has made no purchases of shares of Common Stock.

(F) InsRisk Fund

(a) Aggregate number of shares beneficially owned: 10,100
Percentage: .01%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 10,100

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 10,100

(c) Since the filing of the First Amendment, InsRisk Partners has not purchased any shares of Common Stock.

(d) Because he is the managing and sole member of InsRisk Partners, which is the general partner of InsRisk Fund, Mr. Swets has the power to direct the affairs of InsRisk Fund, including the voting and disposition of shares of Common Stock held in the name of InsRisk Fund. Therefore, Mr. Swets is deemed to share voting and disposition power with InsRisk Fund with regard to those shares of Common Stock.

(G) InsRisk Partners

(a) Aggregate number of shares beneficially owned: 10,100
Percentage: .01%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 10,100

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 10,100

(c) InsRisk Partners has made no purchases of shares of Common Stock.
(d) Because he is the managing and sole member of InsRisk Partners, Mr. Swets has the power to direct the affairs of InsRisk Partners. InsRisk Partners is the general partner of InsRisk Fund. Therefore, InsRisk Partners may be deemed to share with Mr. Swets voting and disposition power with regard to the shares of Common Stock held by InsRisk Fund.

(H) Larry G. Swets, Jr.

(a) Aggregate number of shares beneficially owned: 10,100
Percentage: .01%

(b) 1. Sole power to vote or to direct vote: 0
2. Shared power to vote or to direct vote: 10,100

3. Sole power to dispose or to direct the disposition: 0

4. Shared power to dispose or to direct disposition: 10,000

(c) Mr. Swets has made no purchases of Common Stock.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer

Other than the Amended Joint Filing Agreement filed as Exhibit 2 to the First Amendment, there are no contracts, arrangements, understandings or relationships among the persons named in Item 2 hereof and between such persons and any person with respect to any securities of the Issuer, including but not limited to transfer or voting of any of the securities, finders' fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, divisions of profits or losses, or the giving or withholding of proxies, except for sharing of profits. Stilwell Value LLC, in its capacity as general partner of Stilwell Value Partners III and Stilwell Associates, and in Joseph Stilwell s capacity as managing and sole member of Stilwell Value LLC, are entitled to an allocation of a portion of profits. InsRisk Partners, in its capacity as general partner of InsRisk Fund, and in Mr. Swets capacity as managing and sole member of InsRisk Partners, are entitled to an allocation of a portion of profits.

See Items 1 and 2 above regarding disclosure of the relationships between members of the Group, which disclosure is incorporated herein by reference.

Item 7. Material to be Filed as Exhibits

Exhibit No.	Description
1	Joint Filing Agreement, dated November 7, 2008, filed with the Original Schedule 13D
2	Amended Joint Filing Agreement, dated November 14, 2008, filed with the First Amendment
3	Requisition Notice, dated November 11, 2008, filed with the First Amendment
4	Press Release, dated November 11, 2008, filed with the First Amendment
5	Letter to Joseph Stilwell from W. Shaun Jackson, President and Chief Executive Officer of the Issuer, dated November 17, 2008, filed with the Second Amendment
6	Letter to W. Shaun Jackson from Joseph Stilwell dated November 17, 2008, filed with the Second Amendment

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Date: December 29, 2008

STILWELL VALUE PARTNERS III, L.P.

By: STILWELL VALUE LLC
General Partner

/s/ Joseph Stilwell
By: Joseph Stilwell
Managing and Sole Member

STILWELL ASSOCIATES, L.P.

By: STILWELL VALUE LLC
General Partner

/s/ Joseph Stilwell
By: Joseph Stilwell
Managing and Sole Member
STILWELL VALUE LLC

/s/ Joseph Stilwell
By: Joseph Stilwell
Managing and Sole Member

JOSEPH STILWELL

/s/ Joseph Stilwell
Joseph Stilwell

SPENCER L. SCHNEIDER

/s/ Spencer L. Schneider
Spencer L. Schneider

INSRISK EQUITY FUND, L.P.

By: INSRISK PARTNERS LLC
General Partner

/s/ Larry G. Swets, Jr.
By: Larry G. Swets, Jr.
Managing and Sole Member

INSRISK PARTNERS LLC

/s/ Larry G. Swets, Jr.
By: Larry G. Swets, Jr.
Managing and Sole Member

LARRY G. SWETS, JR.

/s/Larry G. Swets, Jr.
Larry G. Swets, Jr.