

Nicolet

BANKSHARES, INC.



In Harmony With the Community



Intro

Noise is everywhere. It is constant. From far away or near, the noise is getting louder and is seemingly endless. It creates distraction. Unless.....

Cover photo: Syble Hopp Singers at the first Nicolet Foundation Golf Outing



CORE VALUES
CORE VALUES

BE REAL

BE REAL

BE RESPONSIVE

BE RESPONSIVE

BE PERSONAL

BE PERSONAL

BE MEMORABLE

BE MEMORABLE

BE ENTREPRENEURIAL

BE ENTREPRENEURIAL

Letter To Shareholders

Dear Shareholders,

Since our inception, we have acted upon our belief that there is a tremendous opportunity for a highly-focused community bank. We wrote about this in our first annual report in 2001 and continue to believe that it is true to this day. For the past few years, we have said that we were going to run counter-cyclical to the industry, that we were going to invest rather than shrink, that we weren't going to trade dollars in the future for pennies in the present. This optimism in and execution of our mission has produced great results for 2013.

2013 – A Look Back

The numbers are strong and represent the achievement of a number of long term strategic goals for Nicolet. We have emerged from the Great Recession as a much larger, stronger and more profitable institution. We had a solid year of growth in our core franchise and completed two acquisitions which increased both capital and earnings immediately. We posted record profits, increased book value by 23%, and continued our strategic investments in future growth and profitability. Here are some of the highlights of the year.

- Net income of \$16.1 million and \$3.80 per diluted common share
- Book value per common share increased from \$15.45 to \$18.97 per common share
- Total assets grew from \$745 million to \$1.2 billion, making us the largest community bank in our market area
- Solid asset quality with year-end nonperforming assets at 1.02% of assets
- Branch locations increased from 11 to 23, with new reach into central Wisconsin

Throughout the Great Recession, we focused on telling you what we were doing to address our issues and how we would continue to invest in our future. The investments we made during those tougher

Bob & Mike

Listen closely and you can hear a discrete structure. We hear it.

years bore fruit in 2013. Not everything we plan for happens, though in this past year, most did. We study, think, plan, communicate and execute based on our understanding of the opportunities the environment affords. We listen carefully to the economic concepts and ideas in play that affect our communities and our bank. Ideas about banking change frequently. We must understand what our industry thinks, not so we follow convention, but rather as a critical input to our competitive strategy. You can trust that when we explain what is happening around us and what we intend to do about it, we will mean what we say and that we intend to act.

Current Macro Environment

Beneath a generalized sense of well-being, there are profound structural problems in our communities and in the banking industry. Nationally, we are in a very unsettling process of re-establishing the relationship between the Federal Government, communities and citizens. There is a strong impulse to centralize risk and control through legislative and regulatory actions—most apparent in health care and banking. The idea that relationships within communities must be intermediated through federal oversight and control is fundamentally contrary to the heritage and purpose of community banking. The fundamental value proposition of community banks is the intermediation of ideas, resources and trust among people. How do we compete effectively in an industry regulated in a manner that presumes that such localism is unnecessary if not undesirable? We have to make the compelling case that local intermediation among people who can be seen and known is more efficient, satisfying and sustainable than Government intermediation. Our brand is our promise delivered through people.

Current Banking Environment

The banking industry is undergoing a fundamental transformation revealed in the industry crisis that began in 2007. The public was shocked and disgusted by the banking practices revealed during the

crisis. Public anger at very real problems was harnessed to greatly expand the scope and depth of Federal involvement in financial markets in general and banking in particular. The federalization of control, risk oversight and policy is driving the remarkably rapid concentration of banking assets. Twenty years ago banks over \$10 billion in assets controlled 24% of banking assets. This year banks over \$10 billion control over 80% of our industry's assets. Community banking is not dead, but this environment is driving a fundamental realignment of community banking. Wisconsin has 260 banks or about 19,000 people per bank. There are many fine institutions with deep community roots. Management teams and boards are recovering from the industry crisis, but the drive for efficient scale and need for renewed leadership is inescapable. The pressure on community banks is both a problem and an opportunity. We have completed three successful acquisitions in the last four years. We don't have to acquire more, but where we can realize sound value on the investment of capital and management resources, we will do so.

2014 – A Look Forward

While the operational integration of our 2013 acquisitions is complete, there is still work to do on the cultural integration of the 12 new locations and nearly 100 new people. We don't need all 23 locations to look exactly the same, but the customer experience of sincerity, warmth, knowledge and responsiveness must be consistent.

We continue to gain market share in loans, deposits and services in existing markets. The lending business seems dangerously frothy right now, as we are definitely seeing many of our competitors return to unhealthy loan pricing and terms, characteristic of those leading up to the recent crisis. We have seen this movie before and know how to effectively operate in this environment. We will continue to pursue sound acquisitions, but we will not acquire just to get bigger. We will focus on situations where both

shareholder groups benefit through alignment in markets where we can have an impact. We are in a position where simply focusing on incremental growth, efficiency and profitability will bring attractive results to you, our shareholders.

As a way for our shareholders to benefit immediately from the progress we have made, the Board of Directors took action in January 2014 and approved a common stock repurchase program, authorizing the use of up to \$6 million to repurchase up to 350,000 shares of Nicolet common stock, from time to time, in the open market, in block trades or in private transactions. This reflects the simple conviction that the purchase of our shares represents a great investment and use of current capital.

We remain cautiously opportunistic and optimistic. We are actively seeking new customers who understand the value that we can bring to their businesses and families. Business conditions are stable to improving and a buoyant stock market puts everyone in a better frame of mind. Real estate values have stabilized and are improving. The employment picture has improved somewhat. We and our customers are entering 2014 with a generally positive mindset.

We do not know what the future holds, but we are certain, as we were when we founded the bank, that there is a tremendous opportunity for a highly-focused community bank. We are grateful for your investment in Nicolet Bank. We matter to the people we serve and that is the foundation of sustainable shareholder return.

Sincerely,

Robert B. Atwell
Chairman, President
and Chief Executive Officer

Michael E. Daniels
Executive Vice President
and Secretary

Directors

Robert Atwell
Chairman, President
and Chief Executive Officer
Nicolet Bankshares, Inc.

Michael Daniels
President
and Chief Operating Officer
Nicolet National Bank

John Dykema
President and Owner
Campbell Wrapper Corp
and Circle Packaging
Machinery, Inc.

Gary Fairchild
President, Owner
Fairchild Equipment, Inc.

Michael Felhofer
Owner
Candleworks of
Door County, Inc.

Chris Ghidorzi
Director
Ghidorzi Companies

Dr. Kim Gowey
Owner
Cosmetic & Implant Dentistry
of Wisconsin

Andrew Hetzel, Jr.
President and CEO
NPS Corporation

Donald Long, Jr.
Former Owner and CEO
Century Drill & ToolCo., Inc.

Ben Meeuwse
President, Owner
Fourinox, Inc.

Susan Merkatoris
Certified Public Accountant
Owner and Managing Member
Larboard Enterprises, LLC

Therese Pandl
President and CEO
HSHS Division Eastern Wisconsin
St. Mary's Medical Center and
St. Vincent Hospital

Randy Rose
Retired President and CEO
Schwabe North America

Robert Weyers
Owner
Commercial Horizons, Inc.

Advisory Directors

Wendell Ellsworth
Manager
WEE Enterprises, LLC
AHI Properties, LLC

Deanna Favre
CEO
Favre 4 HOPE Foundation

Jim Hager
CEO
Harmony Country Cooperatives

Brian Hallgren
Co-Owner
Northern Lites Snowshoes

Philip Hendrickson
Retired Chairman, CEO
and President
KI Krueger International

Kurt Mertens
Co-Owner
Loos Machine & Automation, Inc.

Ronald Miller
Retired Owner
Four Corporation

Nicolet Bankshares, Inc. Officers

Robert Atwell
Chairman, President
and Chief Executive Officer

Michael Daniels
Executive Vice President
and Secretary

Ann K. Lawson
Chief Financial Officer

Amanda Krueger
Branch Manager

Jennifer Kujawa
Commercial / Ag Banker

Marc Lambrecht
Controller

Karen Lampereur
Vice President, Branch Manager

Ann Lawson
Chief Financial Officer

Amy Laxton
Branch Manager

Renee Leinfelder
Branch Manager

Kate Lombardi
Vice President, Human Resources

David Maguire
Vice President,
Trust Investment Officer

Kathryn Maronek
Lead Operations Officer

Karin Mc Lean
Branch Manager

Mark McGee
Assistant Vice President,
Mortgage Lender

Matt Meidl
Assistant Vice President,
Commercial Banker

Gerald Mortell III
Senior Vice President,
Private Banker

Paul Pagel
Branch Manager

Brian Paschen
Vice President, Commercial Banker

Charles Paulson
Vice President,
Commercial Banker

Anita Resch
Vice President, Trust Officer

Daniel Reynolds Jr.
Vice President,
Retirement Plan Services Officer
and Brokerage Manager

Jamie Rusch
Branch Manager

Mary Sarver
Vice President,
Trust Investment Officer

Stephen Schahczenski
Branch Manager

Grant Schilling
Vice President, Commercial Banker

Tim Schinkten
Branch Manager

Corey Sherf
Financial Consultant

Eric Siudzinski
Vice President, Commercial Banker

Jason Smerchek
Trust Officer

Larry Snedden
Vice President, Commercial Banker

Gary Stanton
Vice President, Commercial Banker

Joan Steliga
Trust Investment Officer

Michael Steppe
Chief Investment Officer

Joseph Sturzl
Vice President, Commercial Banker

Connie Tilot
Assistant Vice President,
Retail Banker

Eric Trousil
Vice President,
Trust Investment Officer

Kirk Usobar
Vice President, Compliance Manager

Michael Van Ermen
Vice President, Retail Banker

Michael Vogel
Senior Vice President,
Commercial Banking Manager

Peter Warmenhoven
Vice President,
Loan Review Manager

Leo Waters III
Special Assets Collection Specialist

Michael Waters
Senior Vice President,
Fox Cities Market Executive

Jacob Weinand
Commercial Banker

Eric Witczak
Executive Vice President,

Fredrick Wotruba
Financial Consultant

Darlene York
Vice President,
Trust Investment Officer

Karen Young
Vice President,
Internal Audit Manager

Thomas Zellner
Senior Vice President, Central Wisconsin
Retail / Private Banking Manager

Timothy Zeske
Vice President, Commercial Banker

Nicolet National Bank Officers

Nicole Allen
Branch Manager

Robert Atwell
Chairman
and Chief Executive Officer

Ranee Bahn
Director Of Trust Operations

Dana Bald
Branch Manager

Jo Beno
Vice President, Private Banker

Elizabeth Berdichevsky
Vice President,
Investment Operations Manager

Jon Biskner
Vice President,
Information Technology Manager

Wayne Bouchonville
Senior Vice President,
Commercial Banker

Susan Brugger
Ag Banker

Timothy Buttke
Vice President, Commercial / Ag Banker

Jerry Bybee
Vice President, Commercial Banker

Lynn Caelwaerts
Executive Administrative Assistant

Barbara Callahan
Branch Manager

Michael Daniels
President
and Chief Operating Officer

Douglas Daul
Vice President, Cash Management

Eric DeJardine
Assistant Vice President,
Commercial Banker

Scott DeMille
Branch Manager

Charles Dolsky
Vice President,
Retirement Plan Services

JoAnn Draeger
Vice President, Private Banker

Lynn Dufrane
Senior Vice President,
Northern Market Executive

Anthony Evans
Vice President, Special Assets

Angela Faber
Branch Manager

Jean Franzen
Vice President, Branch Manager

Jeff Gahnz
Vice President,
Marketing/Public Relations

Brian Haddock
Assistant Vice President,
Commercial Banker

Leonard Hamman
Vice President, Commercial Banker

Kristi Hansen
Vice President,
Operations & IT Manager

Kriz Hernandez
Vice President,
Retail Banking Manager

Brad Hutjens
Senior Vice President,
Chief Credit Officer

Nancy Johnshoy
Vice President, Portfolio Manager

Scott King
Senior Vice President,
Community Relations

Andrea Koch
Assistant Vice President,
Private Banker



Tim Buttke: Vice President, Commercial & Ag Banker, Wausau

A community of people from all walks of life, from all parts of the world.

Solo

“A community is a group
that **believes in looking out**
for one another.

By joining together,
we can do great things.”



Duet

“A community is a bond
which you can count on in time
of need and celebration.”

Lisa Carbaugh: Personal Banker, Medford
Charlie Paulson: Vice President, Commercial Banker, Medford

Voices joining in a pleasing combination of elements. A harmony.



Trio/Ensemble

“Nicolet Bank has quickly become
a true friend and partner
of the community.”

Joe Sturzl: Vice President, Commercial Banker, Rhinelander
Amy Laxton: Branch Manager, Rhinelander
Amanda Krueger: Branch Manager, Minocqua

A harmony that brings people together, that bridges cultures, that creates emotions and unity and continuity.

Branches

Accountant's Letter



report of independent registered public accounting firm

To the Stockholders and Board of Directors
Nicolet Bankshares, Inc.
Green Bay, Wisconsin

We have audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nicolet Bankshares, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2013 (not presented herein); and in our report dated March 12, 2014, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Porter Keadle Moore, LLC

Atlanta, Georgia
March 12, 2014

CERTIFIED PUBLIC ACCOUNTANTS

Where everyone's voice can be added to the mix to create something beautiful. Be it a solo, a duet or an ensemble, everyone's voice counts.

Consolidated Balance Sheets

NICOLET BANKSHARES, INC. AND SUBSIDIARIES (December 31, 2013 and 2012)

(In thousands, except share and per share data)	2013	2012
Assets		
Cash and due from banks	\$ 26,556	\$ 26,988
Interest-earning deposits	119,364	54,516
Federal funds sold	1,058	499
Cash and cash equivalents	146,978	82,003
Certificates of deposit in other banks	1,960	-
Securities available for sale	127,515	55,901
Other investments	7,982	5,221
Loans held for sale	1,486	7,323
Loans	847,358	552,601
Allowance for loan losses	(9,232)	(7,120)
Loans, net	838,126	545,481
Premises and equipment, net	29,845	19,602
Bank owned life insurance	23,796	18,697
Accrued interest receivable and other assets	21,115	11,027
Total assets	\$ 1,198,803	\$ 745,255

Liabilities and Stockholders' Equity

	2013	2012
Liabilities:		
Demand	\$ 171,321	\$ 108,234
Money market and NOW accounts	492,499	322,507
Savings	97,601	46,907
Time	273,413	138,445
Total deposits	1,034,834	616,093
Short-term borrowings	7,116	4,035
Notes payable	32,422	35,155
Junior subordinated debentures	12,128	6,186
Accrued interest payable and other liabilities	7,424	6,408
Total liabilities	1,093,924	667,877
Stockholders' Equity:		
Preferred equity	24,400	24,400
Common stock	42	34
Additional paid-in capital	49,616	36,243
Retained earnings	30,138	14,973
Accumulated other comprehensive income	666	1,683
Total Nicolet Bankshares Inc. stockholders' equity	104,862	77,333
Noncontrolling interest	17	45
Total stockholders' equity and noncontrolling interest	104,879	77,378
Total liabilities, noncontrolling interest and stockholders' equity	\$ 1,198,803	\$ 745,255
Preferred shares authorized (no par value)	10,000,000	10,000,000
Preferred shares issued and outstanding	24,400	24,400
Common shares authorized (par value \$0.01 per share)	30,000,000	30,000,000
Common shares outstanding	4,241,044	3,425,413
Common shares issued	4,303,407	3,479,888

Consolidated Statements Of Income

NICOLET BANKSHARES, INC. AND SUBSIDIARIES (Years Ended December 31, 2013 and 2012)

(In thousands, except share and per share data)	2013	2012
Interest income:		
Loans, including loan fees	\$ 41,000	\$ 27,145
Investment securities:		
Taxable	1,107	625
Non-taxable	745	792
Other interest income	344	233
Total interest income	43,196	28,795
Interest expense:		
Money market and NOW accounts	2,065	1,705
Savings and time deposits	2,328	2,999
Short-term borrowings	25	4
Junior subordinated debentures	730	503
Notes payable	1,144	1,319
Total interest expense	6,292	6,530
Net interest income	36,904	22,265
Provision for loan losses	6,200	4,325
Net interest income after provision for loan losses	30,704	17,940
Noninterest income:		
Service charges on deposit accounts	1,793	1,159
Trust services fee income	4,028	2,975
Mortgage income	2,336	3,090
Brokerage fee income	477	323
Gain on sale, disposal and writedown of assets, net	1,669	448
Bank owned life insurance	825	710
Rent income	1,036	1,003
Investment advisory fees	348	343
Bargain purchase gain	11,915	-
Other income	1,309	693
Total noninterest income	25,736	10,744

	2013	2012
Noninterest expense:		
Salaries and employee benefits	19,615	13,146
Occupancy, equipment and office	6,407	4,415
Business development and marketing	2,348	1,649
Data processing	2,477	1,689
FDIC assessments	700	566
Core deposit intangible amortization	1,111	639
Other expense	3,773	1,958
Total noninterest expense	36,431	24,062
Income before income tax expense	20,009	4,622
Income tax expense	3,837	1,529
Net income	16,172	3,093
Less: Net income attributable to noncontrolling interest	31	57
Net income attributable to Nicolet Bankshares, Inc.	16,141	3,036
Less: Preferred stock dividends and discount accretion	976	1,220
Net income available to common shareholders	\$ 15,165	\$ 1,816
Basic earnings per common share	\$ 3.81	\$ 0.53
Diluted earnings per common share	\$ 3.80	\$ 0.53
Weighted average common shares outstanding:		
Basic	3,976,845	3,440,101
Diluted	3,988,119	3,441,692

Shareholder Information

Annual Meeting

Shareholders' Meeting – Monday, May 12, 2014. (5:00 p.m.)
Meyer Theatre
117 South Washington Street • Green Bay, WI 54301

Independent Auditor

Porter Keadle Moore, LLC
235 Peachtree Street, NE • Suite 1800 • Atlanta, GA 30303

Transfer Agent

Computershare
P.O. Box 30170 • College Station, TX 77842-3170

Overnight Delivery

Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

Shareholder website
www.computershare.com/investor

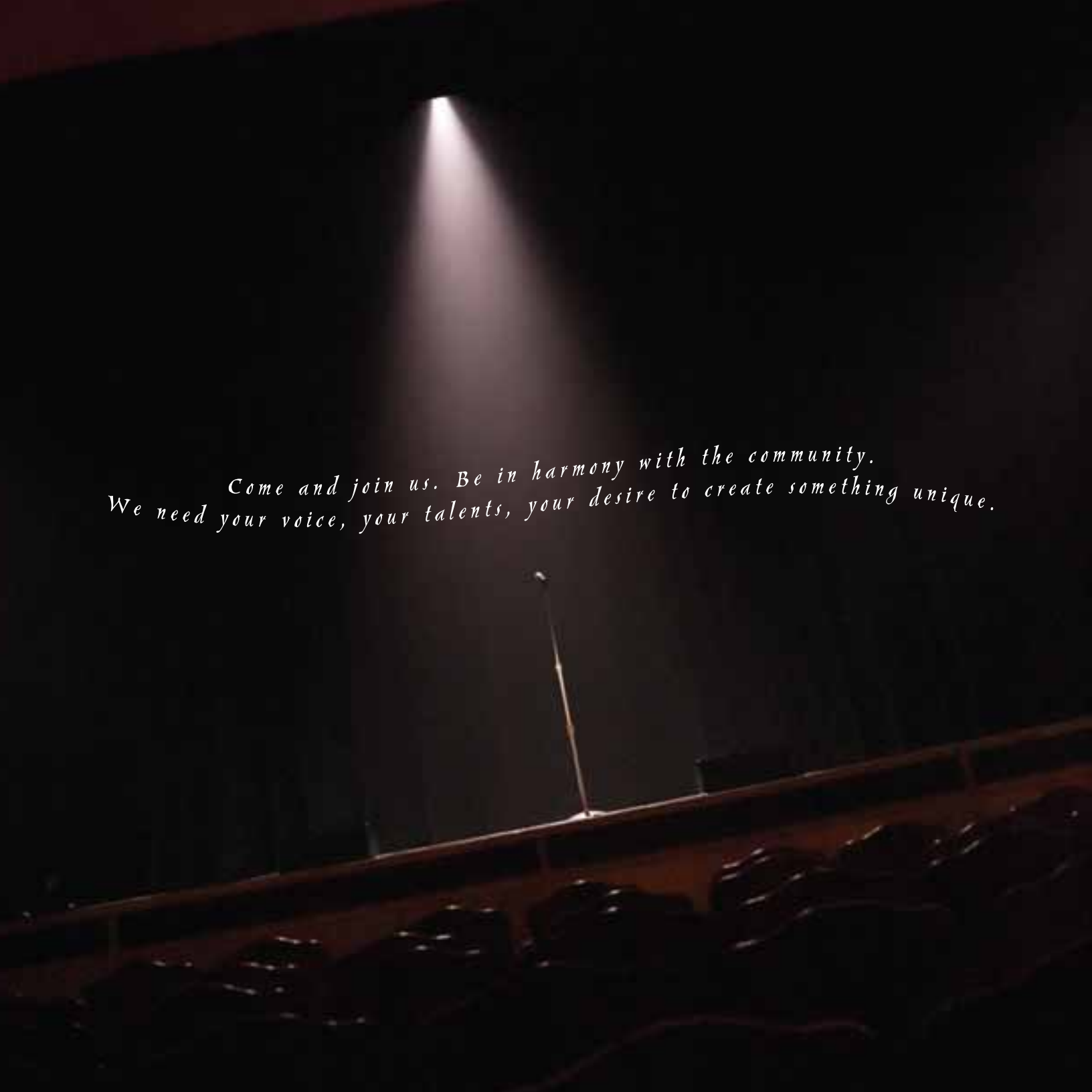
Shareholder online inquiries
<https://www-us.computershare.com/investor/Contact>
Toll free in the US + 1 800 962 4284
Outside the US + 781 575 3120
Fax + 312 604 2312

Encore



We are optimistic about the future of community banking.

We hear it. We have added our voice. By who we are and by what we do. We embrace it. We are part of the harmony.



*Come and join us. Be in harmony with the community.
We need your voice, your talents, your desire to create something unique.*

*The stage is set.
It is your turn at the microphone.*

*Come join in the harmony,
and let the harmony of the community drown out the noise.*

fin

Nicolet

BANKSHARES, INC.

111 N. Washington street • P.O. BOX 23900 • Green Bay, WI 54305-3900
920-430-1400 • 1-800-369-0226

www.nicoletbank.com

Forward-looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words such as “believe,” “expect”, “anticipate”, “intend”, “target”, “estimate”, “continue”, “positions”, “prospects”, “potential” “would”, “should”, “could” “will” or “may”. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time and these statements, may not be realized. Forward-looking statements speak only as of the date they are made and Nicolet Bankshares, Inc. (“Nicolet”) has no duty to update forward-looking statements.

In addition to factors previously disclosed in Nicolet’s Registration Statement on Form S-4 filed with the Securities and Exchange Commission and those identified elsewhere in this document, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: difficulties, delays and unanticipated costs in integrating the merging organizations’ businesses or realizing expected cost savings and other benefits; business disruptions as a result of the integration of the merging organizations, including possible loss of customers; diversion of management time to address transaction related issues; changes in asset quality and credit risk as a result of the merger and otherwise; changes in customer borrowing, repayment, investment and deposit behaviors and practices; changes in interest rates, capital markets, and local economic and national economic conditions; the timing and success of new business initiatives; competitive conditions; and regulatory conditions.