Nicolet
BANKSHARES, INC.

2016 Annual Report

BE REAL

No matter how big we get, the core of Nicolet Bank will not change.

BE RESPONSIVE

Real people having Real conversations. Be Responsive to our customers' needs.

BE PERSONAL

Build Personal relationships. Create Memorable experiences.

BE MEMORABLE

Have an Entrepreneurial mindset to innovatively create solutions.

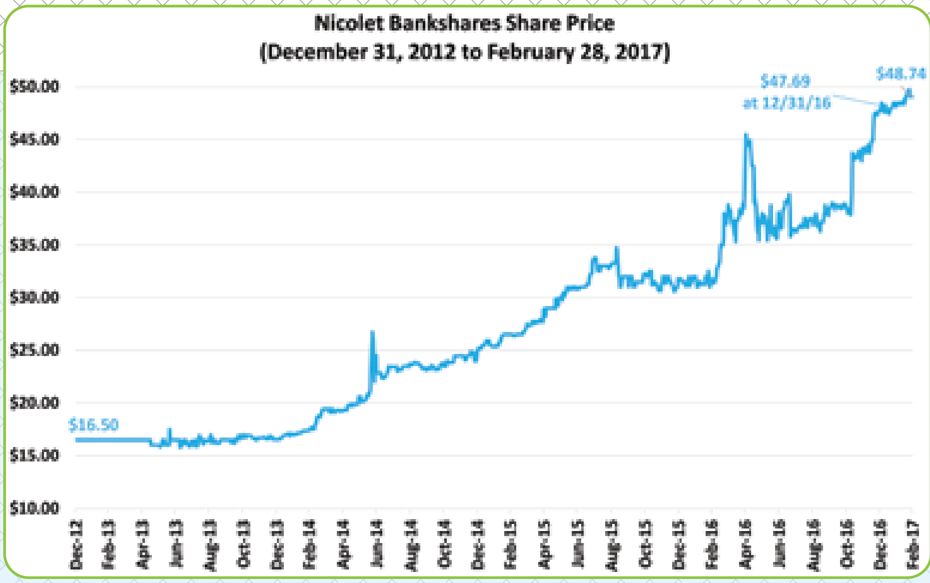
BE ENTREPRENEURIAL

LETTER TO SHAREHOLDERS

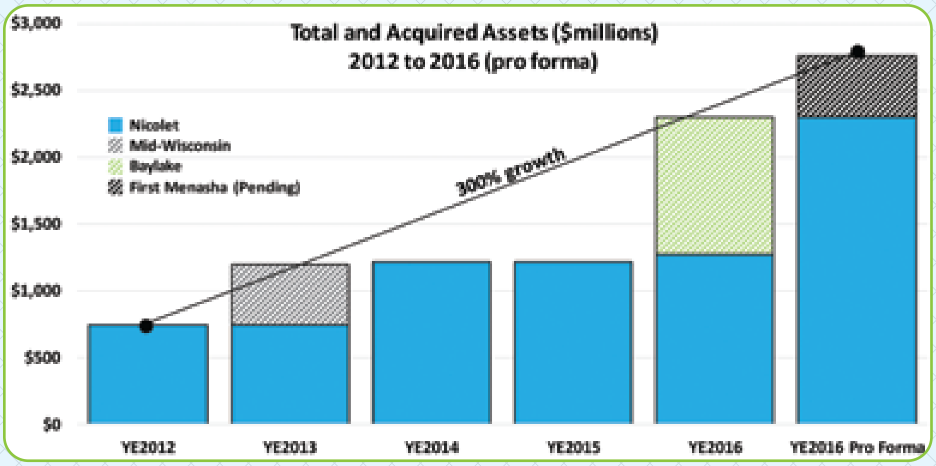
Dear Shareholders,

This would be a great year for us to just write about the remarkable successes Nicolet has achieved over the last 16 years and especially in the last five years. It has been rewarding to see our plans come together and have that reflected in our share price. It was a very personal thing to sit at the kitchen table with hundreds of people in our community in 2000 and ask them to invest in our plans for a new bank. It is tremendously gratifying to show those people the rewards for trusting and hanging with us. From the beginning we have set high ideals and made big plans. Sometimes we nail it, sometimes we fall forward and sometimes we just put one foot in front of the other. Last year's shareholder letter was particularly written for the thousands of new shareholders who have joined us through the combinations with Mid-Wisconsin (April 2013) and Baylake (April 2016). Today, our shareholder base has grown too large to sit at every kitchen table, but we still want to address our owners in that same spirit. This year's letter will be less about the past and more about how we see the industry today and our position in it. I also want to invite you to visit our website (https://www.nicoletbank.com/annual-report-videos/) to hear directly from key leaders in the company about their particular area.

We finalized the agreement to merge with Baylake Bank in August of 2015. At that time, we told both boards of directors that we should have a $40 stock by the end of 2016. We were right on target until the election surprise of 2016 suddenly moved bank stocks up by 20%. This sector move reflected optimism for corporate tax reform, an interest rate environment that would favor the banking industry, and regulatory relief. As a more actively traded stock, we will need to get used to our share price fluctuating more over matters we have little control over. In the meantime, we remain largely owned by the individuals who have chosen to invest in us through our founding, our periods of rapid growth and through our more recent acquisitions. These individuals are overwhelmingly people who live and work in the communities we serve. We want to remain responsible to creating value for all our shareholders by staying focused on the things that provide value to our customers in the communities that we too live in, understand and support.



Our strategy is shifting as we move into 2017. We plan to complete the acquisition of First Menasha Bancshares/First National Bank-Fox Valley this April 2017. At that point we will have grown from $700 million to $2.8 billion in assets in four years (a 300% increase). This represented



our drive for scale during a time of exceptional opportunity for value in mergers and acquisitions. We have achieved a sufficient size to operate within our markets with great efficiency and effectiveness, but we have not yet optimized the scale we have acquired. In 2011 we were financially invested in and strategically committed to finding the acquisitions we had decided we must have. We showed that we are good at finding accretive deals and integrating them effectively. The difference now is that, while we still want to acquire, we don't have to. We see acquisitions as additive rather than essential. There is a lot of low hanging fruit in optimizing execution within the footprint we now have. Management has established clear targets for earnings and share value over the coming five years. These are some of the execution areas we are focused on as we look forward:

1) Cultural Integration — We are a very mission, purpose and values-driven enterprise. We are not just another community bank marking time in the twilight of our days. We understand our core purpose is to serve customers more effectively within a place we understand and are committed to. We made a lot of rapid and, in some cases, tough decisions on staffing as we acquired and drove efficiency. This has not always given us the time to help people new to our organization understand who we are or how and why we do what we do. We need all of our people to feel the commitment to our mission deep in their bones. Hence, the cultural integration effort remains a key focus area.

With the growth, we are also looking for greater development of our future leadership team. In these last four years we functioned as a very nimble, cohesive team of professionals running a good core franchise while quadrupling in size. We trusted each other to get done those things that pertained to our individual areas during this time. This is very different from focusing on personal and team development in order to sustain the mission beyond the current generation of leadership. We haven't grown from a blank sheet of paper to our market's largest and most impactful community bank by worrying a lot about succession—but it is time to be intentional about it. One of the problems in banking is that the industry has generally not invested in the long-term training and development of the next generation of talent. Another problem is that we are reluctant to hire bankers who really haven't worked in a healthy customer-centric banking environment. We must be open to acquiring and coaching up seasoned talent, but we really prefer to, and need to, develop people we are sure understand our culture and mission.

2) Wealth Management — Our 2016 combined trust and brokerage revenues totaled $9 million, up 65% over 2015. This growth in wealth management revenue was under the radar of the professional investors who follow us. By April 1, 2016 we completed a very strategic acquisition of a wealth management business which brought us the talent we needed to propel growth in this area, though it was overshadowed by the larger Baylake merger also in progress at that time. We have long had a quality fiduciary platform, but we lacked the right sales culture and staffing to move market share. We now have the pieces in place to drive growth. We are entering 2017 with a monthly revenue run rate of about $1 million, which is a big part of our income growth plans this year and into the future. We understand the community banking sector is littered with broken dreams of community bank wealth strategies that under-delivered. We look forward to catching people off guard with our growth and quality of financial advisory service.

3) Organic Growth — Wisconsin continues to be a healthy though slow growth economy. We have had seasons of extraordinary organic growth achieved by moving market share to Nicolet. These last years have seen greater opportunity in acquired size than in organic growth. We have never de-emphasized organic growth, but the reality is our best talent has been busy integrating acquired loans, lenders and the retail network. Running in the wide open fields of acquired growth has been fun and rewarding, but we have always been pretty good at market share trench warfare. We have always positioned ourselves against the large banks and have done well. With our growth in scale and lending capacity, our value proposition has never been more compelling to the family-owned businesses and the spirited people who own them and work in them. The local dialect is our native tongue. We learned “cheesehead” on our mother’s knee.

The banking industry is currently basking in an atmosphere of unexpected euphoria. We are obviously big believers in community banking, but we are just not built to rest in a euphoric state. We do foresee some easing of the regulatory constraints shackling the industry, but we do not foresee a wholesale repeal of Dodd Frank. We are all for eliminating the irritating, often pointless and counter-productive aspects of regulation, but the changes under consideration really do not address the fundamental causes of pressure on the community banking sector. The bad news is that we really do not anticipate a fundamental relaxing of the pressures driving the decline of community banking. The good news is that the recipe we have developed for prosperity in a declining sector of a stagnant industry still has legs. Our recipe includes remaining ready to capitalize on continued consolidation needed in the number of community banks and growing organically through the value proposition we can and do deliver to customers in the communities we serve. Let's revisit this.

1) The community banking sector will likely not participate in regulatory relief to the degree that larger banks will. Community banks are competing on tighter margins and with less diversity in revenues. Couple these with the demographic pressure of the aging of management and the almost complete absence of younger talent interested in the life of a community banker and, as a result, we can expect consolidation to remain necessary in the community banking sector. Our legs have been tested in this race. We have been attentive to our capital strength, our stock price and our relationship with our regulators. We are a proven consolidator. While we will be selective, there is value to be created for shareholders within this sector opportunity.

2) There are a number of forces and entities trying to commoditize the community bank, hence making banking all about pricing. This is largely how the biggest banks (the too-big-to-fail or TBTF banks) and credit unions compete—by spending much of the subsidies they enjoy, like lower implied capital requirements for TBTF banks and a nearly tax free environment for credit unions, into pricing. We are not here to complain about this, but it is part of our challenge and our opportunity. Real people are not only about price. They want someone to listen and provide alternatives and solutions. They want their banker to be there when times are tough. We didn't grow towards $2.8 billion in assets by providing price-only or cookie cutter solutions. We deliver boots on the ground, face-to-face commitment to our neighbors and communities. We provide what is needed, not just what can be sold. Banking family owned businesses is our core strength. We do mortgage banking well and we deliver efficient wealth management solutions.

3) *"Fintech"* is a term used for companies that deliver technology solutions differently than from what banks historically have. Technology delivery patterns continue to show volume moving out of branches and even out of the banking system. Few banks are prepared to either benefit from these changes or deliver a compelling value proposition to prosper alongside them. But embracing technology offerings as meaningful delivery channels is important, especially where the financial transaction is straightforward and speed or convenience is desired by our customers.

This landscape has played out somewhat differently in our northern market. To the larger banks that are in our footprint, ours is a peripheral market with little potential for growth and almost no possibility of moving the math that guides their actions. The result is a consistent pattern of disinvestment by our larger competitors. None of them hold a press conference announcing they are not interested in the areas north of Milwaukee and Madison, but the salary dollars, the investments and the attention go to other places. In effect they have been fine conceding market share as long as their cost reductions are greater than the margin lost. They compete hard on the customers that fit their target screens but passively withdraw from the rest. I wouldn't say they are wrong. They are just making decisions based on the metrics that guide them. We feel the squeeze of the implied capital subsidy they enjoy, but we feel it less acutely than we would in the urban centers to the south of us.

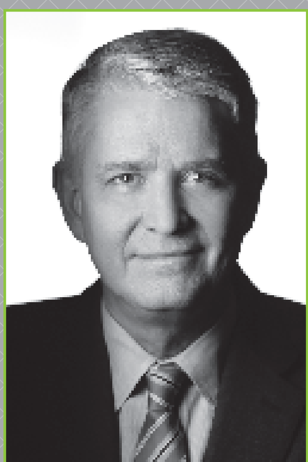
We are very devoted to our core geography. Our people are almost universally convinced that this is the best place in the world to live and work. This geographic focus has served us very well. We understand what is going on in our industry and in our geography. With this understanding and the courage to have real conversations with our current and potential customers, we are best positioned to be the key financial intermediary for our communities. Our vision is to continue building out the northern powerhouse we envisioned Nicolet to be 16 years ago when we started.

We started this letter by talking about our meetings around the kitchen table with investors. We want to end this letter in that spirit. Just as it was personal to ask people to invest in our new bank, it is just as personal to ask our shareholders to be our customers. Whether it be managing your wealth, helping you with a mortgage, home equity line, or credit card, or setting up a checking account, we remain committed to meeting local needs with local people. We know we can bring value to you. We ask for the opportunity to have a conversation with you. If you are already an owner and customer of the bank, we ask for your referral to neighbors, colleagues and friends. As always, we thank you for your trust in us.

Sincerely,

Robert B. Atwell
Chairman, President
and Chief Executive Officer

Michael E. Daniels
Executive Vice President
and Secretary



BOB

MIKE

DIRECTORS

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

Michael Daniels
President
and Chief Executive Officer,
Nicolet National Bank

Robert Agnew
President
Tipperary Partners, LLC

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

Terrence Fulwiler
Retired CEO,
WS Packaging Group

Chris Ghidorzi
Vice President,
Ghidorzi Companies

Thomas Herlache
Retired Chairman, President
and Chief Executive Officer
Baylake Corp.

Louis J. "Rick" Jeanquart
Chairman of the Board,
Just In Time Corporation

Donald Long, Jr.
Former Owner and CEO,
Century Drill and Tool Co., Inc.

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

William D. Murphy
Chief Financial Officer,
Motion Products, Inc.

Randy Rose
Retired President and CEO,
Schwabe North America

Elyse Mollner Stackhouse
General Counsel, Corporate Secretary
and Chief Compliance Officer,
U.S. Venture, Inc.

Robert Weyers
Owner,
Commercial Horizons, Inc.

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

NICOLET NATIONAL BANK EXECUTIVE OFFICERS

Robert Atwell
Chairman

Michael Daniels
President and Chief Executive Officer

Brad Hutjens
Executive Vice President
Chief Credit Officer,
Chief Compliance and Risk Manager

Ann Lawson
Chief Financial Officer

Patrick Madson
Senior Vice President
Wealth Management

Michael Steppe
Senior Vice President
Chief Investment Officer

Michael Vogel
Senior Vice President
Commercial Banking Manager

Eric Witczak
Executive Vice President

Porter Keadle Moore
CPAs | Advisors | www.pkm.com

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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nicolet Bankshares, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016 (not presented herein); and in our report dated March 10, 2017, 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 consolidated financial statements from which it has been derived.

Porter Keadle Moore, LLC

Atlanta, Georgia
March 10, 2017

CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED BALANCE SHEETS

NICOLET BANKSHARES, INC. AND SUBSIDIARIES (December 31, 2016 and 2015)

(In thousands, except share and per share data)	2016	2015
Assets		
Cash and due from banks	$ 68,056	$ 11,947
Interest-earning deposits	60,320	70,755
Federal funds sold	727	917
Cash and cash equivalents	129,103	83,619
Certificates of deposit in other banks	3,984	3,416
Securities available for sale (“AFS”)	365,287	172,596
Other investments	17,499	8,135
Loans held for sale	6,913	4,680
Loans	1,568,907	877,061
Allowance for loan losses	(11,820)	(10,307)
Loans, net	1,557,087	866,754
Premises and equipment, net	45,862	29,613
Bank owned life insurance (“BOLI”)	54,134	28,475
Goodwill and other intangibles	87,938	3,793
Accrued interest receivable and other assets	33,072	13,358
Total assets	**$ 2,300,879**	**$ 1,214,439**

	2016	2015
Liabilities and Stockholders' Equity		
Liabilities:		
Demand	$ 482,300	$ 226,554
Money market and NOW accounts	964,509	486,677
Savings	221,282	136,733
Time	301,895	206,453
Total deposits	1,969,986	1,056,417
Notes payable	1,000	15,412
Junior subordinated debentures	24,732	12,527
Subordinated notes	11,885	11,849
Accrued interest payable and other liabilities	16,911	8,547
Total liabilities	**2,024,514**	**1,104,752**
Stockholders' Equity:		
Preferred equity	-	12,200
Common stock	86	42
Additional paid-in capital	209,700	45,220
Retained earnings	68,888	51,059
Accumulated other comprehensive income (loss)	(2,727)	980
Total Nicolet Bankshares, Inc. stockholders' equity	**275,947**	**109,501**
Noncontrolling interest	418	186
Total stockholders' equity and noncontrolling interest	**276,365**	**109,687**
Total liabilities, noncontrolling interest and stockholders' equity	**$ 2,300,879**	**$ 1,214,439**
Preferred shares authorized (no par value)	10,000,000	10,000,000
Preferred shares issued and outstanding	-	12,200
Common shares authorized (par value $0.01 per share)	30,000,000	30,000,000
Common shares outstanding	8,553,292	4,154,377
Common shares issued	8,596,241	4,191,067

CONSOLIDATED STATEMENTS OF INCOME

NICOLET BANKSHARES, INC. AND SUBSIDIARIES (Years Ended December 31, 2016 and 2015)

(In thousands, except share and per share data)	2016	2015
Interest income:		
Loans, including loan fees	$ 69,425	$ 45,638
Investment securities:		
Taxable	3,029	1,460
Non-taxable	1,686	1,056
Other interest income	1,327	443
Total interest income	**75,467**	**48,597**
Interest expense:		
Money market and NOW accounts	2,385	2,260
Savings and time deposits	2,759	2,930
Notes payable	239	648
Junior subordinated debentures	1,315	881
Subordinated notes	636	494
Total interest expense	**7,334**	**7,213**
Net interest income	**68,133**	**41,384**
Provision for loan losses	1,800	1,800
Net interest income after provision for loan losses	**66,333**	**39,584**
Noninterest income:		
Service charges on deposit accounts	3,571	2,348
Mortgage income, net	5,494	3,258
Trust services fee income	5,435	4,822
Brokerage fee income	3,624	670
Bank owned life insurance	1,284	996
Rent income	1,090	1,156
Investment advisory fees	452	408
Gain on sale or writedown of assets, net	54	1,726
Other income	5,670	2,324
Total noninterest income	**26,674**	**17,708**

	2016	2015
Noninterest expense:		
Personnel	34,030	22,523
Occupancy, equipment and office	10,276	6,928
Business development and marketing	3,488	2,244
Data processing	6,370	3,565
FDIC assessments	911	615
Intangibles amortization	3,458	1,027
Other expense	6,409	2,746
Total noninterest expense	**64,942**	**39,648**
Income before income tax expense	**28,065**	**17,644**
Income tax expense	9,371	6,089
Net income	**18,694**	**11,555**
Less: Net income attributable to noncontrolling interest	232	127
Net income attributable to Nicolet Bankshares, Inc.	**18,462**	**11,428**
Less: Preferred stock dividends and discount accretion	633	212
Net income available to common shareholders	**$ 17,829**	**$ 11,216**
Basic earnings per common share	$ 2.49	$ 2.80
Diluted earnings per common share	$ 2.37	$ 2.57
Weighted average common shares outstanding:		
Basic	7,158,367	4,003,988
Diluted	7,513,971	4,362,213

SHAREHOLDER INFORMATION

Annual Meeting

Shareholders' Meeting – Tuesday, May 9, 2017. (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

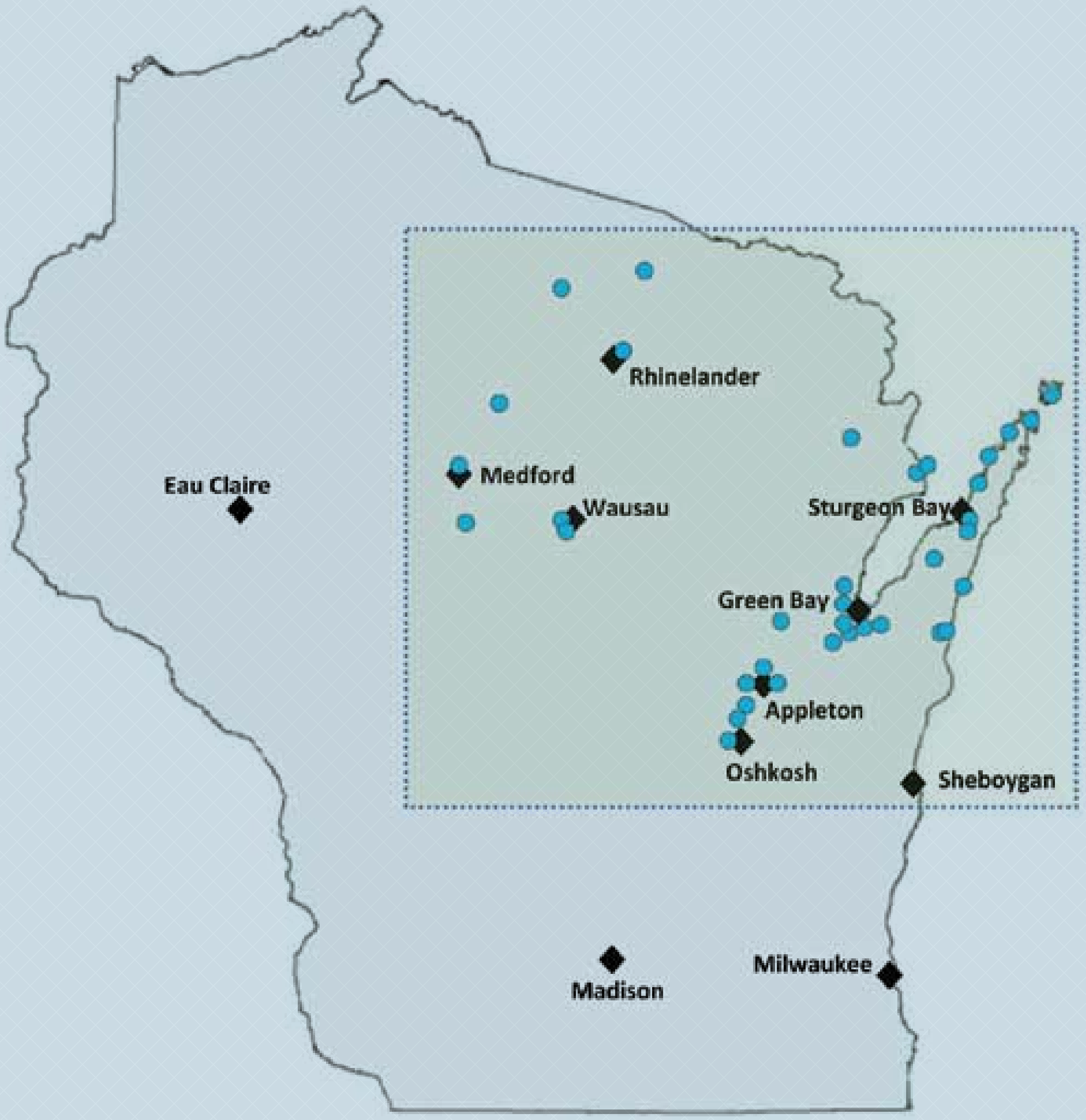
Computershare
P.O. Box 30170 / College Station, TX 77842-3170

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: 800.962.4284
Outside the US: 781.575.3120
Fax: 312.604.2312



NICOLET BANK OFFICE LOCATIONS

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

Statements made in this Annual Report which are not purely historical are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. This includes any statements regarding management's plans, objectives, or goals for future operations, products or services, and forecasts of its revenues, earnings, or other measures of performance. Such forward-looking statements may be identified by the use of words such as "believe," "expect," "anticipate," "intend," "target," "estimate," "continue," "positions," "prospects," "potential," "plan," "outlook," "would", "should," "could," "will," "may," or similar expressions. 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. Forward-looking statements are based on current management expectations and, by their nature, are subject to risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements. Factors which may cause actual results to differ materially from those contained in such forward-looking statements include those identified in the Nicolet's most recent Form 10-K and subsequent SEC filings.