

www.nicoletbank.com

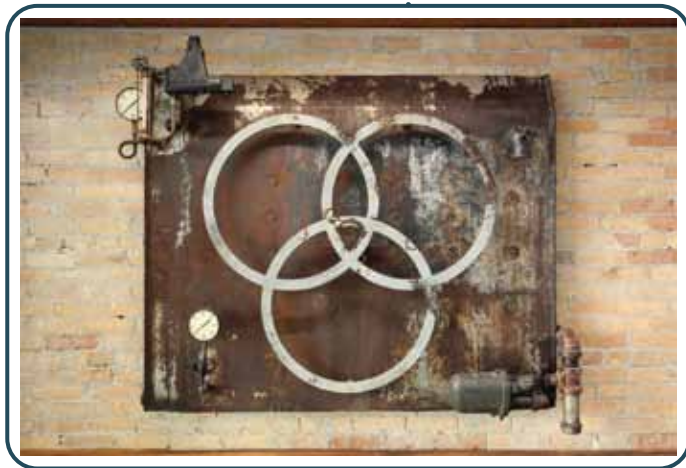
111 N. Washington Street / P.O. Box 23900 / Green Bay, WI 54305-3900
920-430-1400 / 1-800-369-0226

Forward-looking Statements

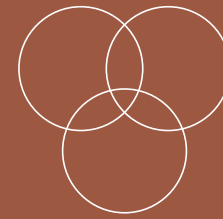
Statements made in this Annual Report which are not purely historical are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. This includes any statements regarding management's plans, objectives, or goals for future operations, products or services, and forecasts of its revenues, earnings, or other measures of performance. Such forward-looking statements generally 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") assumes 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 Nicolet's most recent Form 10-K and subsequent SEC filings.

2020 Annual Report

Nicolet
BANKSHARES, INC.



The 3 Circles is a visual image representing Nicolet's core purpose: to serve our Customers, Employees, and Shareholders. We invite people into the space of cooperation and shared success, where together, we all achieve a better outcome. Nicolet is living proof that this way of thinking creates sustainable success.



Our actions, guided by our Core Values (Be Real, Be Responsive, Be Personal, Be Memorable, Be Entrepreneurial), are how we grow that space of shared success.



*Mike & Bob on the top floor of LAUNCH Photography,
Film and Video—a long-time Nicolet Bank customer.*

DEAR SHAREHOLDERS

In 2020, Nicolet National Bank celebrated the 20th anniversary of our founding, a very proud milestone. Over the years, we have learned from experience, and adapted to the problems and opportunities we have faced in both the macro environment and competitive landscape. Our strategies and our tactics have been aggressive, opportunistic and highly successful. Our core beliefs and principles have been contrarian, compelling and consistent. We believe in people, and we believe in cooperating together to create shared success as a fearsome competitor in a mature industry. Our passion about and commitment to our customers and employees has resulted in an outstanding return to our initial shareholders and to those who have invested along the way. This desire for shared success among our customers, employees and shareholders—the 3 Circles—is embedded in our foundation and drives us. We have high expectations for ourselves and our customers, and this has translated into strong results for those who understand that our work matters.

The remainder of this letter will set forth the important factors that contributed to such a strange year turning into a great year. Net income for 2020 was \$60.1 million, 10% stronger than 2019 which was the previous record high in our history. Diluted earnings per share were \$5.70, 3% stronger than last year, benefiting from increased earnings, while covering the 6% increase in average diluted shares (mostly due to the timing of shares issued in our 2019 acquisition, net of strong 2020 stock repurchases). The return on average assets was a healthy 1.41%, even on very elevated average assets (which were up 36% over 2019, mainly in cash). At December 31, 2020, we had \$4.6 billion in assets, \$2.8 billion in loans, \$3.9 billion in deposits and \$539 million in stockholders' equity, representing increases over last year of 27%, 8%, 32% and 4% respectively, including the successful integration of a small bank acquisition. How did this exceptional performance materialize under pandemic-based, atypical conditions? As will be described in more detail below, it was largely the combination of taking timely, relevant actions under uncertain and changing conditions, and being present for and with our employees, customers and communities.

Not much about 2020 went the way we and our customers had initially planned. We have each lived our own version of the last year's medical, economic, social and political turmoil. These challenges revealed which organizations were capable of adapting rapidly and effectively to unexpected conditions. We have a talented and dedicated workforce serving incredibly resilient and creative customers. Our core values drove us to stay personally engaged digitally and face-to-face. Our people have been fully onsite and our doors open since June, after a temporary by-appointment-only period. We have kept our people safe, and customers can see our smiling eyes if not our masked faces.

Being present matters and will continue to differentiate us. Since day one, we have not wavered from the presence embedded in our 5 Core Values—Be Personal, Be Real, Be Memorable, Be Responsive and Be Entrepreneurial—not even under pandemic

We have a talented and dedicated workforce serving incredibly resilient and creative customers.

conditions that began in late March 2020. In the turbulent and extremely busy second quarter, we were present personally and digitally to help our customers work through struggles and assist them with new opportunities. By early April, we had put 18% of our loan balances on modified payment terms to give customers breathing room to adapt in a quickly changing environment. During the second quarter, we helped our business customers process more than \$350 million in loan requests through the Paycheck Protection Program ("PPP"). We also created a micro-grant program and spent \$1.25 million to more quickly get funds into the hands of our smallest business customers. PPP loans, micro-grants and payment relief augmented our customers' pre-pandemic financial strength. Customers adapted beautifully and by the end of 2020, 0.5% of loans remained on modified terms. Our year-end 2020 key loan quality measures were as good as or better than a year ago. We originated over \$1 billion in mortgage volume—largely refinances—enhancing the cash flow of the customers we serve, and generating \$30 million of pre-tax net mortgage revenue for the Bank. Our passionate commitment to shared success among the 3 Circles drove this outstanding performance.

HOW THE PANDEMIC AFFECTED NICOLET AND OUR CUSTOMERS

Opinions vary widely on how policy makers have addressed these conditions. We will shed some light on how the pandemic and the policy response has played out among our customers, because our strong market share throughout the regions we serve gives us such insight at a very granular level. There are some very important and surprising observations to offer based on the data and the feedback from our customers.

In the dark days of last April, banking industry analysts predicted that for 2020-2021 cumulative loan losses would be 3% to 5%. This would have implied loan losses at Nicolet between \$80 million and \$130 million over 24 months. Our actual loan losses for 2020 totaled \$1.4 million (or 0.05% of average loans), and we elevated our loan loss provision to \$10.3 million, which helped increase our year-end reserve for potential loan losses to 1.24% of loans (excluding PPP loans). We simply have not experienced material deterioration in our problem loan levels thus far. While industry analysts acknowledge that they really don't know, they still state high expected loss levels for the industry well beyond what we can responsibly discern. Analysts presume that PPP funds are offsetting operating losses for our business customers and that the loan losses among these customers will become apparent when federal transfusions are exhausted. The analysts' fears that PPP largely funded losses is simply not evident in our customer base. Most customers paid down their debt or stockpiled the funds into their Nicolet business checking accounts, inflating cash assets that are still on our balance sheet at year-end. A large majority of our customers operated profitably as essential businesses. As a group, our commercial base was cash flow positive and profitable despite the challenges of the pandemic, which is why our loan modifications dropped from the 18% peak to 0.5% of non-PPP loans at year-end. Let's take a more in-depth look into certain areas of our customer base,

those that should have been hardest hit, to demonstrate just how resilient and adaptive the people in our region have been during the past 12 months.

Hospitality - It is widely understood that restaurants, lodging, small retail, travel and entertainment businesses were the most severely impacted. This is certainly the case across our markets. What is not as widely understood is that our customer base in these segments is heavily concentrated in our Door County and Northwoods recreation markets. The summer and fall recreation seasons for many operators were record breaking. People living in the major urban areas that support our recreation markets were particularly anxious to get out of the city and enjoy some fun “up north.” People either could not or would not travel far for recreation, and instead spent time and money in places they could drive to. Occupancy of hotel and rental properties in the north was very tight and property sales were exceptional. People were more likely to enjoy the option of working from home, and for many that meant living at their lake home or finally buying the second property they had been contemplating. Boat, recreational vehicle, power equipment, and cycling sales were also exceptionally strong. Those restaurants that chose to open up and adapt their operations to the conditions often reported better than expected results, limited only by social distancing, or more likely, the availability of people to work. The best adapters were those that offered a great welcoming experience with fewer menu choices, takeout options, and tighter hours. Some even enjoyed higher volume and many experienced higher profit on lower volume because of efficiency. Outside of our recreational markets, our hospitality exposure in and around our Green Bay and Fox Valley locations is modest and characterized by seasoned operators with strong financial positions. An empty Lambeau Field had a significant negative impact on the metro Green Bay tourist economy. There is no question that hotels, restaurants and entertainment venues have been hard hit, particularly in the cities and if they had marginal profits pre-pandemic. But, our approach to lending in this segment has insulated us from material deterioration.

Commercial and Industrial (C&I) customers - Nicolet has, since inception, been heavily concentrated in lending to operating businesses and the smaller businesses that support them. The regional economy is heavily centered on manufacturing, transportation, paper production and converting, packaging, food processing, specialized equipment manufacturing and construction. These companies comprise the core of our lending activity, and most were operating as essential businesses. There simply was no slowdown or shutdown for the majority of these borrowers. They took the necessary measures to keep people safe and productive, operate efficiently, meet demand, and remain profitable. Covid provided the opportunity to carefully evaluate how to become more efficient and to adapt strategy more rapidly to market changes.

Consumers - The pandemic certainly had a wide-ranging effect on consumers throughout our region. The most vulnerable people have been severely impacted medically, psychologically, and economically. Our retail customers as a group showed the same resilience as our

commercial customers, having learned from prior tough times. Consumers generally cut costs, refinanced their mortgages and largely saved the funds received from stimulus checks. The net of that activity for the consumer was better positioning to weather a potentially longer storm, with or without more government assistance, and for the Bank was a dramatic increase in cash deposits and no discernible increase in past due loans.

NICOLET FINANCIAL PERFORMANCE

Our 10K and proxy materials provide a more detailed analysis of what became an outstanding year. We want to draw your attention to the particular aspects of this performance that support our optimism about the future.

Mortgage - The dramatic cut in interest rates and other actions taken by the Federal Reserve gave all mortgage originators a tremendous opportunity to generate loans. We entered this period as a leading mortgage originator in our core geography, as many of our bankers are very experienced mortgage lenders. Coming off a very strong 2019 mortgage year, we had budgeted for a continuation, but could not have foreseen the level of refinance activity emerging or the desire of many consumers to trade up for larger homes. We used flexible staffing, digital access, and technological efficiency to dramatically increase capacity, which drove in \$30 million of pre-tax mortgage revenue over a very active 2020. In this extreme mortgage volume year, it was all hands on deck for our bankers and back office to underwrite and close mortgages. Our mortgage originators are bankers who are compensated with a salary and bonus structure more appropriate to a genuine banking culture. This is different from the broker “pay-for-production” model prevalent in our industry. Our model follows the 3 Circles, and better serves

our customers and our shareholders. We expect another strong mortgage revenue year in 2021, as home purchases and new home construction remain a steady portion of our volume but refinances will likely not be as robust.

Our (mortgage) model follows the 3 Circles, and better serves our customers and our shareholders.

Efficiency - Much like our customers, the pandemic challenged us to respond more aggressively to change. In April and part of May we closed the lobbies in each of our 39 locations and operated through our drive-through windows and in person by appointment only. When we re-opened our lobbies in mid-May, we elected to permanently close seven of our locations to gain efficiency and respond to the growing customer preference for digital access. Our efficiency ratio has improved as our strategy has matured and, with the steps taken in 2020, reached 51.7%, placing us in the 15th percentile of community banks. Sustained low interest rates are driving spread compression across banking, and the shift toward digital delivery is bringing competitive pressure from non-banks. The viability of branches is particularly challenging in more rural

locations. We must continue to emphasize that the heart of our value proposition is not our physical locations, but the availability of talented people who are driven to serve.

Wealth - We have been in the wealth management business for 19 years. Scale and leadership were added through our 2016 acquisition and integration of a new team of financial advisors. This strengthened the customer experience and expanded our market share. While our mortgage operation was the star of our fee-income show, our wealth business now demonstrates consistent growth and is making a strong contribution to our profitability. Wealth generated \$16.2 million of revenue in 2020, which is up significantly (80%) from \$9.1 million in 2016.

Growth - 2020 is a difficult year in which to evaluate organic growth. The year saw our asset base grow by nearly \$1 billion. We closed the acquisition of Advantage Community Bank in Central Wisconsin, adding \$172 million in assets, but the bulk of growth consisted of increased deposits as customers received PPP loans and stimulus checks while reducing spending. In recent years, the growth of our core deposits has contributed to strong profitability, but in the current low-rate environment, generating incremental profit on the strength of core deposits is difficult. Core loan growth (excluding PPP) was softer than usual, as customers grew cautious and liquid while using PPP funds to pay down existing debt. That said, we expect to serve our communities and will continue to pursue solid relationship-based organic loan growth. We also expect 2021 to be an active year for mergers and acquisitions (“M&A”).

THE ROAD AHEAD

After coming off an outstanding year, we are well-positioned to prosper in the complex conditions all banks are facing. We continue to selectively add strong talent to support both organic growth and potential acquisitions. Our stock price reflects market recognition that we are a high performing company with opportunity for profitable growth. The banking industry is facing serious challenges beyond macro-economic uncertainty. Prior to the pandemic, community banks were consolidating at a rapid pace due to technology changes, regulatory complexity and the competitive advantages enjoyed by the largest banks. Covid has only increased the risk level and complexity community banks are facing in the coming years. Community banks typically depend on the spread between the loan yield and the cost of funds for a vast majority of their revenue. As community banks wrestle with declining spread income for the foreseeable future, we expect M&A to become even more active in the coming quarters. Acquisitions are not a substitute for running a growing, highly-profitable bank that is impactful for customers. We know that to continue as a strong acquirer, we must be a great bank.

Banking is a mature industry facing serious headwinds. Community banks have consistently lost market share to the largest banks over the last few decades, and non-bank

competitors are pressuring traditional banking in deposit gathering, lending, payments and wealth management. We can still create value through acquiring less adaptive institutions and by relentlessly deepening our customer relationships. Our digital access is growing, and we are investing in the talent to support our growth and to sustain the mission beyond the current generation of leadership.

We are well-positioned to prosper in the complex conditions all banks are facing.

Many of our customers and shareholders look to us for an understanding of the environment we face. The past 12 months have been a particularly challenging period to offer meaningful insight. We are all dealing with circumstances and events beyond our control. The responses of federal, state and local governments to the pandemic have been variable and confusing, but people still need to think and act. We learn a lot from talking with and seeing the results of the decisions our customers make. We do not intend to ignore or diminish the heavy impact

of the pandemic on some people and businesses. We are compelled to emphasize that, as a group, our customers are doing far better than they understand. We respect those charged with setting medical, social and economic policy, but we observe that people are far more capable, adaptable and resilient than public officials presume.

The federal government took dramatic action in 2020 to offset the effects of Covid and the pandemic response. Some of these measures were necessary and effective. The scale of stimulus spending and the aggressive actions by the Federal Reserve to cut rates and expand its balance sheet were unprecedented. However, the aftermath remains largely unknown. Macro-economic thought is less a science than it is a highly malleable language that is adaptable to the political and social considerations of the moment. There is a sense in which policy makers' convictions that cheap debt, consumption and heavy spending create prosperity runs contrary to the reality of how people actually thrive on a sustainable basis. Stimulus stimulates and money can facilitate opportunity, but the belief that consumption and debt cause production and prosperity is true only in a narrow sense. In the long run, it is not money that causes work anymore than eating causes food. People and their work cause prosperity which can then be stored in the form of money. It is people working together cooperatively that is the real engine of economic prosperity and social stability. The spectacle of political parties outbidding each other with money borrowed so freely from our collective future is very troubling, and it must end responsibly or it will likely end painfully.

Stimulus has been massive and broadly spread, but the negative impact of Covid has been severe for only some people and businesses. It seems that the more wealthy and powerful “non-essential” workers sheltered at home while the lower-paid “essential” workers made it possible for this minority to do so. There are many aspects of a banker's work that can be done remotely, but the heart of our company's strategy is to be personally present, available, cheerful, creative and connected with our customers. We knew the vast majority of our customers were on-site and working hard, so we have been right there with them, in the manner they want and need. We cannot afford to become non-essential to

our customers. We are inspired by their ingenuity and resilience. The vast majority worked straight through 2020 as we did. As we write in early 2021, the vaccine is becoming more broadly available, which should mean more people returning to work, and even more importantly, all children returning to school. We hope and expect 2021 to be a strong year of recovery and growth.

The nation and our region remain painfully agitated and divided. The medical, political and racial tensions in 2020 starkly revealed how far we have to go to live genuine tolerance and respect for the diverse persons in our nation. Intentional communication regarding respect and tolerance for all people has been a consistent part of our training and our culture. We are deepening and strengthening this training and communication in the current year to emphasize our desire and responsibility to remove barriers to success for racial minorities and other marginalized persons. Strong corporate governance has always been foundational to our community impact and our financial results. Nicolet has consistently worked to improve the physical and social environments in our communities. We are proud of the financial support we provide to organizations and institutions serving the marginalized and the vulnerable among us. Even more than our donations and volunteer leadership, it is the way we live and teach our core values that strengthens, nurtures and spreads community solidarity. The 3 Circles approach to shared success is stakeholder capitalism in action.

2020 turned into a curveball stress test year that we passed with flying colors. We are very pleased and proud of how our people responded to the turmoil that we and our customers faced. We are keenly aware of the medical, social, political and macro-economic cost of the pandemic. While shuttered storefronts and social turmoil may not fall heavily on most of our particular customers, the toll on the community and particularly those most exposed is very high. We have a broad variety of opinions within our leadership and among our customers. But, we are united in our desire to serve our customers well and serve as a vessel of community prosperity and solidarity.

On behalf of all of us at Nicolet, we want to express our heartfelt admiration for our customers, as well as our gratitude for the continued support of our investors.


Robert B. Atwell


Michael E. Daniels

BOARD OF DIRECTORS

Robert Atwell

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

Michael Daniels

President and Chief Executive Officer, Nicolet National Bank

Rachel Campos-Duffy

Media & Communications Consultant, FOX News Contributor

John Dykema

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

Terrence Fulwiler

Retired CEO, WS Packaging Group

Chris Ghidorzi

President of Property Development, Ghidorzi Companies

Andrew Hetzel, Jr.

CEO, FyterTech Nonwovens LLC

Donald Long, Jr.

Former Owner and CEO, Century Drill and Tool Co., Inc.

Dustin McClone

President and CEO, McClone Insurance Group

Susan Merkatoris

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

Oliver "Pierce" Smith

Director of Purchasing, Menasha Packaging Company

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

Eric Witczak

Executive Vice President

FINANCIALS

Nicolet Bankshares, Inc.

(In thousands, except per share data)

	At and for the Years Ended December 31,		
	2020	2019	% Change
Condensed Consolidated Statements of Income			
Interest income	\$149,202	\$138,588	8%
Interest expense	19,864	22,510	-12%
Net interest income	129,338	116,078	11%
Provision for loan losses	10,300	1,200	758%
Noninterest income	62,626	53,367	17%
Noninterest expense	100,719	96,799	4%
Income before income tax expense	80,945	71,446	13%
Income tax expense	20,476	16,458	24%
Net income	60,469	54,988	10%
Net income attributable to noncontrolling interest	347	347	0%
Net income attributable to Nicolet Bankshares, Inc.	\$60,122	\$54,641	10%
Basic earnings per common share	\$5.82	\$5.71	2%
Diluted earnings per common share	\$5.70	\$5.52	3%
Basic weighted average common shares	10,337	9,562	8%
Diluted weighted average common shares	10,541	9,900	6%
Outstanding common shares	10,011	10,588	-5%
Condensed Consolidated Balance Sheets			
Cash and cash equivalents	\$802,859	\$182,059	341%
Securities available for sale	539,337	449,302	20%
Loans	2,789,101	2,573,751	8%
Allowance for loan losses	(32,173)	(13,972)	130%
Goodwill and other intangibles	175,353	165,967	6%
All other assets	277,312	220,153	26%
Total assets	\$4,551,789	\$3,577,260	27%
Deposits	\$3,910,399	\$2,954,453	32%
Other liabilities	102,201	105,817	-3%
Nicolet Bankshares, Inc. common equity	539,189	516,262	4%
Noncontrolling interest	—	728	-100%
Total liabilities, noncontrolling interest and stockholders' equity	\$4,551,789	\$3,577,260	27%

ACCOUNTANT'S LETTER

WIPFLI

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the two years in the period ended December 31, 2020 (not presented herein); and in our report, dated February 26, 2021, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed 2020 financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Wipfli LLP

Atlanta, Georgia

February 26, 2021

CERTIFIED PUBLIC ACCOUNTANTS

SHAREHOLDER INFO

Annual Meeting

Shareholders' Meeting – Monday, May 10, 2021 (5:00 p.m.)
Meyer Theatre
117 South Washington Street / Green Bay, WI 54301

Independent Auditor

Wipfli LLP
235 Peachtree Street, NE / Suite 1800 / Atlanta, GA 30303

Transfer Agent

Computershare
C/O Shareholder Services
P.O. Box 505002 / Louisville, KY 40233-5002

Overnight Delivery

Computershare
C/O Shareholder Services
462 South 4th Street / Suite 1600 / Louisville, KY 40202

Shareholder website:

www.computershare.com/investor

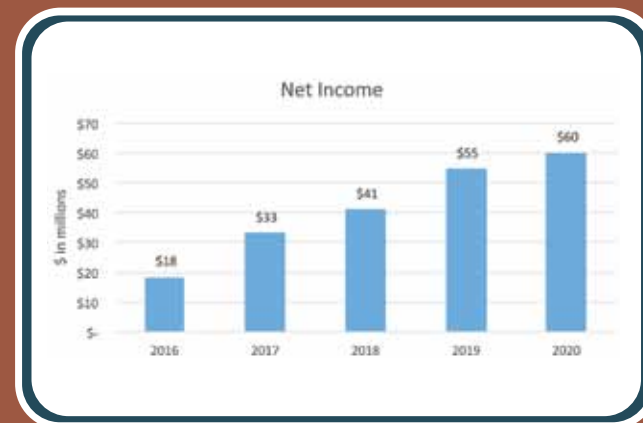
Shareholder online inquiries:

<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

Nicolet

NATIONAL
BANK

This mural is on the outside of our College Avenue branch in Appleton, WI. Special thanks to artist Spencer Young, ELEVATE97 (led by Courtney Trepanier), and Performa Inc. (Brian Netzel and Scott Wohr).