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2021 ANNUAL REPORT

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 Nicolet's most recent Form 10-K and subsequent SEC filings.

Nicolet
BANKSHARES, INC.



The sign you see on the cover, which now hangs outside of our boardroom, takes us back to the genesis of Nicolet Bank. The sign was once a workbench (left photo) that repaired equipment at Algoma Hardwoods, a door factory in Algoma, WI. At one point in time, Wendell Ellsworth owned Algoma Hardwoods. Wendell was one of Nicolet's early investors, as well as an original board member and one of our first customers. He believed in Bob and Mike's vision that a start-up bank focused on service and relationships could grow into something successful. His belief helped get Nicolet off the ground.

As an homage to that relationship, we went to the now-closed Algoma Hardwoods and rescued a few things that were visual reminders of our beginnings. *(All photos were taken at Algoma Hardwoods.)*



MIKE AND BOB

SHAREHOLDERS LETTER

Dear shareholders, customers, employees, and the communities we serve:

Every year when we sit down to write this letter, it seems as if our audience has changed. Compared to this time last year, we have a much larger shareholder base, more employees and customers, and a geographic territory that has moved us solidly into Michigan and throughout much of Wisconsin. We always accept the challenge to say something meaningful in this letter, rather than keep it like a standard run-of-the-mill shareholder letter. After all, we are shareholders too, and we would want to know what it's like to have a seat at the table. So, that's what we will try to give you here.

In 2021, the Company had an outstanding year financially, strategically, and in the development of our future. Reported net income of \$60.7 million, while strong in its own right, reflects the impact of merger-related expenses and substantial one-time charges related to the accounting methods required for acquisitions. In 2021, we announced and closed two acquisitions—Mackinac Financial Corporation and County Bancorp, Inc. These two acquisitions added roughly \$3 billion in assets, or 60% of Nicolet's previous size. We closed and converted these acquisitions while maintaining solid organic growth across our core markets. When we started Nicolet in 2000 with a blank piece of paper, we didn't anticipate discussing how to matter to Manistique, Alpena, Marquette, Manitowoc, and other similar communities, but we have those discussions now. Back then, we simply believed that having a strong purpose of serving others and creating shared success for the bank, our employees, and our customers would be welcomed in these communities. So far, the results have proven that to be true.

With the acquisition of County Bancorp, Inc., we jumped headfirst into the agriculture banking business. We already had this presence with two prior acquisitions, but County was the clear ag banking leader in the state of Wisconsin. We look at ag banking like we do other lines of business, where we deliver our value through people. Adding County's ag banking team to our existing team should prove to be a solid

opportunity for Nicolet in the future. We are excited to grow this line of business and to round out relationships with Nicolet's excellent retail and wealth management platforms.

The Company also positioned itself to maintain its strong earnings and growth trajectory by investing in existing people, attracting new talent, and implementing its executive succession plan. In May 2021, Mike Daniels assumed the role of CEO. Over the 21 years since he co-founded Nicolet he has led the Company in many ways. This title change is as much a recognition of his well-established leadership as it is the assumption of new responsibilities.

We recognize the advantage of having the two founders still being active and in the bank on a daily basis, however, our executive succession goes well beyond Bob and Mike. In that light, we would like to introduce you to our Executive Vice Presidents—Phil Moore, Brad Hutjens, and Eric Witczak. Phil joined the Company as CFO in May after over 21 years of engagement with Nicolet as a strategic sounding board and an external auditor. Brad, who has been with Nicolet since 2003 leads Credit, Operations, IT, Innovation, and Compliance. And Eric, who has been with Nicolet since the beginning, leads all revenue lines—Commercial, Retail, and Wealth Management. In addition, all three are integral to our acquisition strategy, performing due diligence and working on our integration team. While it looks like a traditional “inside/outside” division of duties, they are skilled at every area of the bank and work well together.

For years now, the board assessed Nicolet's performance based on growth, asset quality, and earnings. As we have grown, and as different metrics have come in and out of favor, we find these to be the most accurate measure of what a strong community bank should be. We look at our history in three different phases:

- organic growth in our first seven years, where growth was the defining metric
- our success through the recession of 2008–10, when all investors wanted to discuss were asset quality metrics
- our growth-through-acquisition phase, where earnings is the lead metric.





As Nicolet continues to evolve, the metrics of growth, asset quality, and earnings remain our key indicators, and each have played a role in our strong capital management that has led us to where we are today.

Nicolet was a high-quality, high-performance company in the years preceding the pandemic. The pandemic economic policy measures (low rates coupled with unprecedented fiscal and monetary stimulus) swelled our balance sheet with our customers' cash. Cash increased to around 20% of our balance sheet distorting capital ratios and the traditional profitability metrics. These distortions left our earnings per share ("EPS") momentum unaffected. As we moved through 2020 and 2021, we have focused on growth in our core EPS as the most meaningful metric. Measures such as return on assets and return on equity matter, but continued growth in EPS helps our share price, which is what is most impactful to shareholders. Our EPS showed rapid year-over-year growth through our many acquisitions, as we proved we could negotiate and execute profitable acquisitions while maintaining solid asset quality. In addition to the two acquisitions, the complexities of loan loss accounting in acquisitions, and the continued drag of excess cash make tracking core profitability in 2021 challenging even for industry experts. Our year-end earnings release contains an effort to reconcile GAAP accounting with what we believe to be more meaningful non-GAAP measures. Following the December closing of the County acquisition the board announced an aggressive stock repurchase plan. This, together with our announced year-end results, caused analysts' expectations (and our stock price) to become more closely aligned with both current and future EPS.

The core profitability of the Company was strong and growing before the pandemic and has accelerated throughout. We are, as the analysts now describe us, a high-performing organic growth story with a potent currency and 10-year track record as the acquirer of choice of companies that enhance our earnings while broadening and deepening our geographic impact. Our asset quality resilience during the financial crisis formed the basis of our asset quality throughout the last 10 years. We know how to acquire, enhance, and

support good, profitable customer relationships. We know how to assess and price the value of the relationships or organizations we acquire. We do that by having great frontline people who put their experience and initiative to work for our customers. As Mike frequently says, "We need to matter to our customers, matter in our communities, and matter to each other."

The community banking sector is experiencing sustained pressure from both large national banks and the growth of non-bank fintech platforms. The national and regional banks have the scale to support higher tech investment. The fintech platforms benefit from lighter regulation, the absence of an investment in physical locations, and lower earnings expectations from the capital markets. These macro factors are accelerating consolidation among community banks with aging management and little succession talent. Shareholders and boards of smaller banks are experiencing stagnant profitability and an inability to invest in alternative revenue sources and delivery channels. While Nicolet experiences the pressures common to our industry segment, we have effectively become the acquirer of choice for smaller institutions within a relevant footprint. Our size does enable us to continue investing in innovation and digital efficiency. As we grow, our target acquisition size has increased. The basic value proposition of an engaged community bank with quality people remains attractive in our market, but with our growth comes the responsibility to instill efficiency. As we acquire, we must have—and do have—the operating discipline to implement tough decisions on efficiency. When we map out cost savings, we promptly communicate and execute on the tough decisions that go with preserving a strong, personal, and responsive community banking culture in both our existing and acquired markets. In the last two years we have closed 24 branches in both our legacy and expansion markets. This isn't always popular, but our customer retention is high because our value proposition is more about our people than about place. We have tended to grow in markets we have acquired, because we identify and empower the people who matter to the customers. Acquisitions are never without



emotion and disruption. The drive for efficiency has the same effect. The community banking channel must gain efficiency in order to remain viable, profitable, and impactful for the people we serve. The basic strategy of sustained organic growth, innovation in delivery, and highly accretive acquisitions using the potent currency of a high-performance company holds rich opportunity in the coming years, and we are investing in the right people and making the right decisions to continue this top-tier performance.

As 2021 ended, the Company's market capitalization was over \$1.2 billion. It is worth reflecting on where that capital came from and what that means to the areas we serve. While we have been an SEC reporting, or "public," company since 2013, we have never done an open-market equity issuance. Our equity has been sold face-to-face to our initial investors and accepted by those who sell us their banks. The people who believed in us when we were a blank sheet of paper are always close to our hearts, and rewarding those who entrust their banks to our ownership is always on our minds. Unlike most acquirers, our acquisitions have consistently enhanced the shareholder value of both legacy Nicolet shareholders and those shareholders of acquired companies who have become our shareholders through selling us their banks. Much like our approach to customers and employees, we consistently seek to create shared success through fair pricing and deep and resilient relationships. As we have grown and entered the Russell 2000 index, the major index funds have needed to acquire our stock. We have many active investment funds we have talked with over the years, but they have tended to not buy our stock in the open market. We care about all of our shareholders, but we particularly cherish the thousands of long-term individual owners seeded across the cities and towns throughout Wisconsin and Michigan that we serve. They are strong brand advocates and have watched us live the values we profess. Much of our market capitalization represents real wealth accumulated through mutual trust and cooperation in the places we serve. This is how shared success has played out among our shareholders, and there is a tremendous amount of wealth spread across our footprint

that wouldn't be there if people had not invested their money and their trust in us. We have created wealth regionally by harnessing local capital and driving accretion through shared success. There is a big difference between a long-term, local owner and a passive investment fund that merely buys stock out of mathematical necessity, yet we serve them both passionately.

People often ask us whether we can maintain the personalism, the sense of belonging, and the entrepreneurial spirit at the heart of our work. While we have figured out how to be impactful and meaningful to our customers and communities in several of our northern markets, most larger institutions' business models do not have that focus. We need to invest in our future and keep our people growing and developing. Above all, we need to remember the values and commitments that are resulting in better outcomes to our customers, our people, and our shareholders. High ideals must be made concrete in daily actions. It is worth believing in, investing in, and communicating with people. It isn't always easy, but it is worth it. Nicolet has grown and succeeded as an organization because of our values and the manner in which we work together and hold each other accountable. We have the leadership in place to continue as a high-impact, high-performing source of strength to the people and places we serve.

Thank you for being a part of our journey.


Robert B. Atwell


Michael E. Daniels

BOARD OF DIRECTORS

Robert Atwell

Executive Chairman, Nicolet Bankshares, Inc.

Michael Daniels

President and Chief Executive Officer, Nicolet Bankshares, Inc.

Héctor Colón

President & CEO, Lutheran Social Services of Wisconsin & Upper Michigan, Inc.

Lynn Davis, Ph.D.

Founding Partner at Nutrition Professionals, Inc., Quality Roasting, Inc. and Breeze Dairy Group, LLC

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

Ann Lawson

Retired CFO, Nicolet Bankshares, Inc.

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

Pierce Smith

Board of Directors of Menasha Corporation

Paul Tobias

Former Chairman and Chief Executive Officer of Mackinac Financial Corporation and Former Executive Chairman of mBank

Robert Weyers

Owner, Commercial Horizons, Inc.

NICOLET BANKSHARES, INC. OFFICERS

Robert Atwell

Executive Chairman

Michael Daniels

President and Chief Executive Officer

H. Phillip Moore, Jr.

Chief Financial Officer

Eric Witzzak

Executive Vice President and Secretary

NICOLET NATIONAL BANK EXECUTIVE OFFICERS

Robert Atwell

Executive Chairman

Michael Daniels

President and Chief Executive Officer

Brad Hutjens

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

Patrick Madson

Senior Vice President, Wealth Management

H. Phillip Moore, Jr.

Chief Financial Officer

Eric Witzzak

Executive Vice President



FINANCIALS

Nicolet Bankshares, Inc.

(In thousands, except per share data)

<i>Condensed Consolidated Statements of Income</i>	Years Ended December 31,		
	2021	2020	% Change
Interest income	\$171,559	\$149,202	15%
Interest expense	13,604	19,864	-32%
Net interest income	157,955	129,338	22%
Provision for credit losses	14,900	10,300	45%
Noninterest income	67,364	62,626	8%
Noninterest expense	129,297	100,719	28%
Income before income tax expense	81,122	80,945	0%
Income tax expense	20,470	20,476	0%
Net income	60,652	60,469	0%
Net income attributable to noncontrolling interest	-	347	-100%
Net income attributable to Nicolet Bankshares, Inc.	<u>\$60,652</u>	<u>\$60,122</u>	1%
Basic earnings per common share	\$5.65	\$5.82	-3%
Diluted earnings per common share	\$5.44	\$5.70	-5%
Basic weighted average common shares	10,736	10,337	4%
Diluted weighted average common shares	11,145	10,541	6%

FINANCIALS

Nicolet Bankshares, Inc.

(In thousands)

<i>Condensed Consolidated Balance Sheets</i>	At December 31,		
	2021	2020	% Change
Cash and cash equivalents	\$595,292	\$802,859	-26%
Securities available for sale	921,661	539,337	71%
Securities held to maturity	651,803	-	100%
Loans	4,621,836	2,789,101	66%
Allowance for credit losses	(49,672)	(32,173)	54%
Goodwill and other intangibles	339,492	175,353	94%
All other assets	614,625	277,312	122%
Total assets	<u>\$7,695,037</u>	<u>\$4,551,789</u>	69%
Deposits	\$6,465,916	\$3,910,399	65%
Wholesale funding	216,915	53,869	303%
Other liabilities	120,315	48,332	149%
Common equity	891,891	539,189	65%
Total liabilities and stockholders' equity	<u>\$7,695,037</u>	<u>\$4,551,789</u>	69%
Outstanding common shares	13,994	10,011	40%





2021 PERFORMANCE METRICS COMPARED TO YEAR END 2020

ASSETS

\$7.7 BILLION

\$4.6 BILLION

NET INCOME (GAAP)

\$61 MILLION

\$60 MILLION

ADJUSTED NET INCOME
(NON-GAAP)

\$73 MILLION

\$63 MILLION

MARKET CAPITALIZATION

\$1.2 BILLION

\$664 MILLION

EARNINGS PER DILUTED
COMMON SHARE (GAAP)

\$5.44

\$5.70

ADJUSTED EARNINGS PER
DILUTED COMMON SHARE
(NON-GAAP)

\$6.57

\$5.94

SHAREHOLDER INFO

Annual Meeting

Shareholders' Meeting – Monday, May 9, 2022 (5:00 p.m.)
Meyer Theatre
117 South Washington Street / Green Bay, WI 54301

Independent Auditor

BKD LLP
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DOWNTOWN GREEN BAY RIVERWALK