2023 ANNUAL REPORT

Nicolet
BANKSHARES, INC.

3 CIRCLES

This 3 Circles project is located in The Commons, our new Learning and Development center. The Commons was Nicolet's original headquarters and first branch location. The wood behind the 3 Circles are the original doors of the supply cabinets, which we salvaged before the remodel. The 3 Circles art is a nod to our beginnings, where the foundations of Nicolet were brought to life.

The 3 Circles represent a visual image of Nicolet's purpose – to serve our customers, employees, and shareholders in a manner that creates shared success.

We want to thank our customers, CoLab and Kris Maz, for their imagination, design, and production.


SHARED
SUCCESS
C2
C3

Dear Shareholders,

Every ten to fifteen years, banking undergoes an unexpected shock. 2023 was one of those years of dramatic change. While even the best banks are impacted in such years, Nicolet's particular strength and resilience stand out in these times. While 2023 fell well short of our budget, our core strength and responsiveness was clearly demonstrated as we moved through the year.

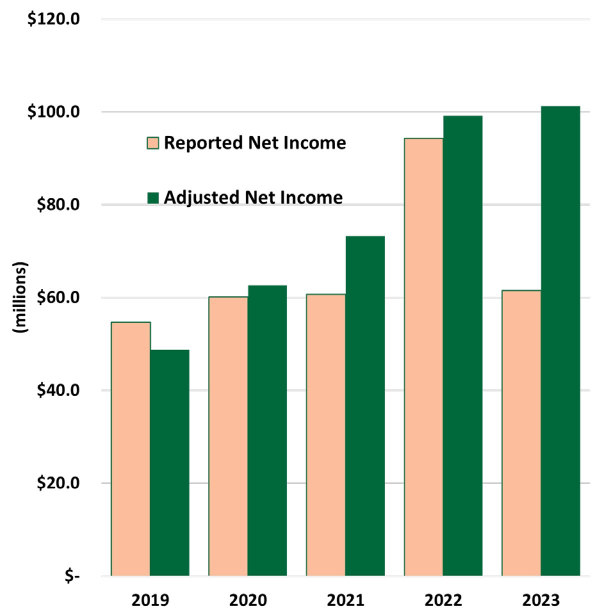
As 2022 wound down, we initially mapped out 2023 as a breakout year for profitability. We had just completed three accretive acquisitions in 2021 and 2022, more than doubling Nicolet's size. Having been a high-quality, high-performance bank for years, we intended to prove that our acquisitions were enhancing both our size and our performance. By late January 2023, however, we began to realize that 2023 would be different than planned. Our acquisition accretion was real, but the Fed's dramatic pace of rate increases was the most significant shock to the industry since the financial crisis 15 years ago.

The marginal cost of funding increased 500 basis points across the industry, which negatively affected net interest margins. Additionally, the speed at which customers can digitally transfer deposits from a bank caused many banks to dramatically increase the rates they paid on core deposits in an attempt to keep those deposits within their walls. While this was a blow to margins, the higher interest rates also impacted capital levels, as even the highest quality investment assets (such as US Treasuries) experienced a sharp drop in their market price. Prior to this policy change by the Fed, many banks had invested a high percentage of their funds in low-yield, longer-term US Treasuries, as the market had forecasted rates to remain low for the foreseeable future. These investment assets were not at risk of default, but the drop in market value was either an implied or a direct hit to capital. In some cases, the scale of the implied capital loss on these instruments called into question the capital adequacy of those institutions. In March 2023, Silicon Valley Bank and Signature Bank failed in spectacular fashion due to the implied unrealized losses from their investment portfolios. The primary customers of those banks, mainly tech-focused, start-ups and other large companies that had a significant amount of uninsured deposits, began to question the stability of their bank. This triggered a short-lived nationwide concern about the safety of uninsured deposits. We saw almost no deposit runoff as a result of this concern. We had already taken measures to increase our liquidity, and our customers demonstrated their confidence in our strength and stability.

In the chaos of the first two quarters of 2023, our core values and the strength of our customer relationships drove our response. As the turmoil of the first quarter unfolded, we took stock of the specific impact of the rate surge on Nicolet's earnings. It is always worthwhile to look back at what we might have done to prepare for the unforeseen, but the real work is to decide what actions to take in the present. Early in the 2020 Covid pandemic, our cash balances surged to 20% of our assets, and loan demand fell. It was painful to keep over $1 billion of our customers' cash with no place to invest the funds responsibly. Customers understood we weren't earning interest on their funds and, therefore, couldn't pay much interest on their deposits. Despite federal assurances that inflation was transitory, we knew that the scale of federal borrowing and spending would inevitably cause inflation. We stayed cautious about investing those funds, but we deployed some excess funds into US Treasuries of relatively short duration. We were still surprised by how fast the Fed went from inflation denial to raising rates more than 500 basis points. As rates rose in the fall of 2022, we adjusted our deposit rates upward. The banking textbook says to wait until customers complain or threaten to move. That is not our way. We want our customers to trust us because we are trustworthy. Our culture is to be fair and straightforward in our pricing.

As the Fed continued dramatic rate rises as 2023 began, we realized that our margins would not achieve our budget. We simply could not increase our loan pricing as fast as our deposit cost was rising, as the majority of our loan customers were locked into fixed interest rates. Unlike Silicon Valley Bank and many other institutions, our problem was not that our capital was impaired by rising rates, but rather that we would not meet our earnings expectations in 2023 because of the drag on our margin. As we looked at how to make the adjustments we could, we decided to sell $500 million of US Treasuries at a pretax loss of $38 million in early March (three days before the failure of Silicon Valley Bank), resulting in a modest loss for that quarter. This action immediately reduced our funding costs, as we used the liquidity from the sale to reduce our high-cost wholesale borrowings. The move also increased our margins and permitted us to face the future with a balance sheet that was as financially transparent to the market as we could make it. We were among a very small handful of banks to take this action this early in the year, but many have since followed throughout 2023 with less favorable results. This action set us on a steady upward margin course that is clearly reflected in our subsequent quarterly results. Life is not lived in the rearview mirror. It pays to examine the past but not be paralyzed by the fear of changing what should be changed. We took our medicine in the first quarter and have since shown steady upward earnings as our asset yield and deposit pricing come back into balance. While our annual GAAP reported income was down year-over-year (largely due to that first quarter loss), our adjusted net income eclipsed $100 million for the first time in 2023.

Outlook for future

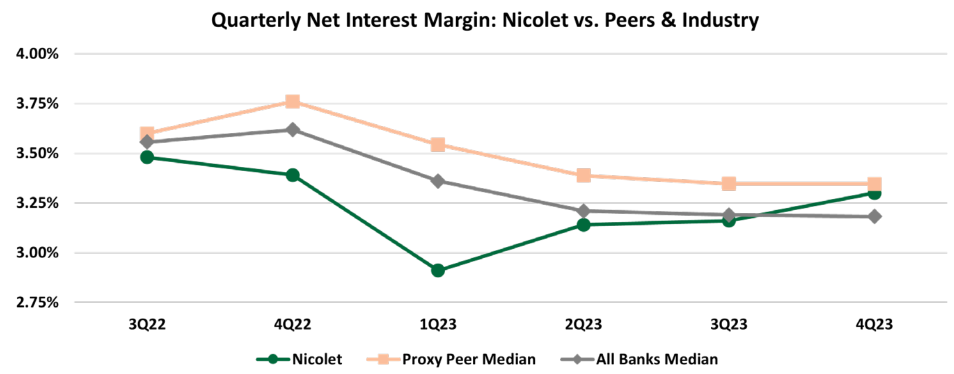


For a reconciliation of this non-GAAP measure, see Table 1 within Item 7 of the 2023 Form 10-K.

As we write this letter, the financial markets are experiencing continuing volatility based on the latest commentary of Fed board members and minutes. Central banks will continue to struggle to deflate the bubble created by the government's borrowing and spending spree attributed to the pandemic. We don't run our strategies and tactics around winds of the Federal Reserve, or worse yet, general market sentiment, but we and our customers are affected by their actions. Still, Nicolet exists not as an extension of national policy but to serve our customers' needs. Fed action and inaction affect people's lives (they are intended to). It is very helpful to stay focused on the fact that stimulus stimulates, but that money doesn't create prosperity. People and their hard work do. Our success depends on the creativity and the drive of entrepreneurs, as well as the hard work people do throughout the communities we serve. The resilience of the people and places we serve shines through in turbulent times. This remains the case in today's environment.

As we look forward into 2024 and beyond, the proactive steps taken a year ago put us on a path that was contrary to the rest of the industry. The graph below shows how our net interest margin bottomed out in the first quarter of 2023. However, the bold actions we took in March

2023 proved to increase our margins while the rest of our peers and the banking industry saw theirs continue to steadily decline. We believe our net interest margin will continue in a positive trajectory if deposit costs stabilize and as our loan portfolio continues to reprice. However, much will also depend on the Fed's response to economic indicators, which have proven to be unpredictable.



While equity markets generally remain very high, the banking sector has lagged market performance by more than the usual amount. In addition to the margin, capital, and liquidity shocks that ran through the sector last year, bank investors remain very wary of credit quality conditions. Fortunately, our problem loan metrics remain very strong. There is a justifiable concern about the likelihood of some banks facing large losses in urban office building loans. We simply don't have material exposure to empty office buildings. Our basic approach to office building loans is to provide financing for the facilities our commercial customers need to support their businesses in the markets they serve, which are in non-major metropolitan areas. Beyond that, we lend money to a handful of seasoned and liquid real estate developers who are long-term customers of the bank. When projects are stabilized, we generally support and encourage those customers to obtain favorable long-term financing from other sources.

We have lived through plenty of credit ups and downs. We are confident that we will deal effectively with adverse conditions when and if they materialize. Our outstanding record of credit quality throughout our history speaks for itself. We don't enjoy credit downcycles, but they have been periods of extraordinary strategic opportunity. We know how to avoid problems and manage them effectively when they arise. Profiting from the problems of other banks has been one of our strengths.

Over the last 12 years, we have been a highly successful acquirer. 2023 provided us with the needed opportunity to deepen cultural integration across our many locations. The acquisition market has been quiet as banks work through the challenges of 2023. We continue to be open to acquisition opportunities as the dust settles on this period of change. We remain in control of our own fate when it comes to acquisitions. Our long view thinking and our ability to perform matches the valuation we receive.

Lest we be accused of burying the lead, there are several steps that Nicolet took that put actions behind our optimism. A few of which include:

> We declared our first quarterly dividend to shareholders in the second quarter of 2023, paying $0.25 per share of our common stock. Despite the uncertainty in the banking sector during this period, we felt it was the right time to signal to the market that Nicolet remained a fundamentally strong institution with plenty of capital. While our intent is to use our capital to continue to grow organically and opportunistically through M&A, the Board felt the time was right to reward our shareholders with a quarterly cash dividend.
>
> We redesigned our first branch into a space for our Learning and Development team, as they continue to foster the next generation of community bankers. This space is where the 3 Circles project on the cover of this annual report is housed.
>
> We completed a new branch in Eagle River replacing an outdated branch with a modern, community-focused building. It is our third new build in what is called the Northwoods.
>
> We also started our first branch in the state of Florida with a location in Naples. We have many customers who have second homes in this area, and we have long thought of having a location nearby to serve them primarily for their private banking and wealth management needs.

Conclusion

We are not satisfied with the overall profit performance in 2023. The fact that the entire industry struggled is of little consolation. We are pleased with the impact of our response to turbulent markets, and we are well positioned for a stronger 2024. Behind the numbers, we are an exceptionally strong company with a great track record of growth, quality, and profit. We have solid leadership within our team of bankers, supported by a strong and capable Board. We are excited about future opportunities and honored to serve as a refuge in turmoil and a springboard of opportunity for our customers and communities. We know what our purpose is, who we are, who we serve, and why we do it. We remain optimistic about our future.

Mike

Michael E. Daniels

Bob

Robert B. Atwell

MIKE AND BOB

Nicolet Bankshares, Inc.

(In thousands, except per share data)

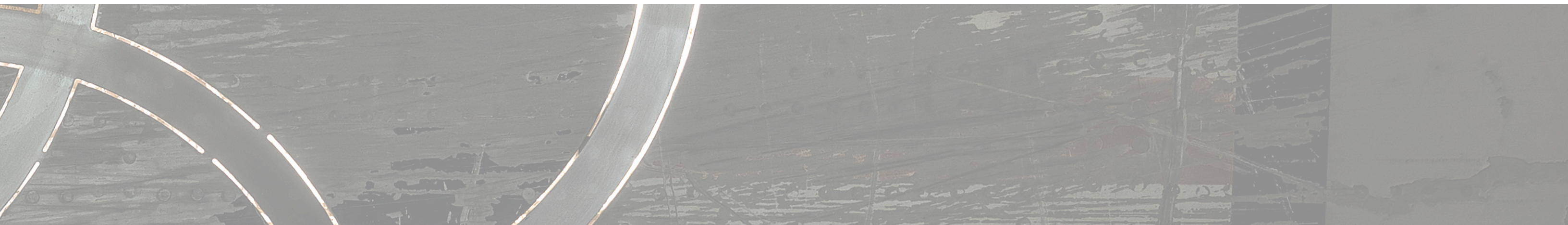
Condensed Consolidated Statements of Income	Years Ended December 31, 2023	2022	% Change
Net interest income	$241,516	$239,961	1%
Provision for credit losses	4,990	11,500	-57%
Noninterest income	35,972	57,920	-38%
Noninterest expense	185,866	160,644	16%
Income before income tax expense	86,632	125,737	-31%
Income tax expense	25,116	31,477	-20%
Net income	$61,516	$94,260	-35%
Diluted earnings per common share	$4.08	$6.56	-38%
Return on average assets	0.73%	1.20%	-0.47%
Return on average tangible common equity	10.58%	17.96%	-7.38%
Efficiency ratio	59.50%	54.15%	5.35%

Nicolet Bankshares, Inc.

(In thousands, except per share data)

	At December 31,		
Condensed Consolidated Balance Sheets	**2023**	**2022**	**% Change**
Cash and cash equivalents	$491,431	$154,723	218%
Securities	802,573	1,596,746	-50%
Loans, net	6,290,332	6,118,670	3%
Goodwill and other intangibles	394,366	402,438	-2%
All other assets	489,976	491,392	0%
Total assets	$8,468,678	$8,763,969	-3%
Deposits	$7,197,800	$7,178,921	0%
Wholesale funding	166,930	542,342	-69%
Other liabilities	64,941	70,177	-7%
Common equity	1,039,007	972,529	7%
Total liabilities and stockholders' equity	$8,468,678	$8,763,969	-3%
Book value	$69.76	$66.20	5%
Tangible book value*	$43.28	$38.81	12%

**For a reconciliation of this non-GAAP measure, see Table 1 within Item 7 of the 2023 Form 10-K.*



BOARD OF DIRECTORS

Marcia Anderson
Major General (Retired) U.S. Army

Robert Atwell
Executive Chairman, Nicolet Bankshares, Inc.

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

Michael Daniels
President and Chief Executive Officer, Nicolet Bankshares, Inc.

Lynn Davis, Ph.D.
Founding Partner at Nutrition Professionals, Inc., Quality Roasting, Inc. and Breeze Dairy Group, LLC.

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

Chris Ghidorzi
President of Property Development, Ghidorzi Companies

Andrew Hetzel, Jr.
Chairman, FyterTech Nonwovens LLC.

Brenda Johnson
Former Chairman Charter 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

Glen Tellock
Retired President and CEO of Lakeside Foods, Inc. and The Manitowoc Company, Inc.

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 Witczak
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 Witczak
Executive Vice President, Chief Operating Officer

NICOLET FOUNDATION

2023 was the 15th year that the Nicolet Foundation disbursed monies to the community, in addition to our standard corporate giving. We wanted to spend some time telling the story of the Foundation and what we do in the communities.

Nicolet's purpose is to serve our customers, communities, and each other in a manner that creates shared success for these parties and our shareholders. In 2007, we started the Foundation as a public charity to use our unique position as a community bank to help fund areas of need where our people worked and lived. We look at a community through the eyes of our customers and employees, which results in a focused, local view of where we can best help.

The Foundation is overseen by a volunteer board comprised of Nicolet employees, who are responsible for its administration. The monies are allocated to non-profits through a volunteer committee, also made up of Nicolet employees. The primary function of this allocations committee is to find and advocate internally for non-profits and then deliver the checks. As Nicolet has grown, so has our allocations committee, as it is important to us to have representatives from every area we serve.

One of the attributes of the Foundation that resonates most with our employees is that 100% of the funds raised from our employees each year go back out to the communities. We try to find those non-profit groups where $500 can make a real impact. In 2008, we gave $13,000 to 15 charities. In 2023, we gave $180,000 to 189 charities. While there seems to be a never-ending need, our employees have a never-ending desire to help. This was seen clearly in 2020 and 2021 as we continued to increase our giving through the Foundation in a time of great uncertainty due to the pandemic.

While our giving is widespread, we do have some areas of focus, which were unintentional and follow the hearts of our employees. In 2023, across our footprint, we supported 58 food banks, 26 domestic abuse shelters and treatment facilities, and nine volunteer emergency and first responders organizations—many in small communities you may not have heard of, like the Village of Unity and the Town of Carlton. Other examples pictured on the opposite page (clockwise from top left) include: transitional housing, pediatric hospitals, at-risk youth services, cancer recovery programs, animal shelters, veteran support services, and volunteer firefighters.

The Nicolet Foundation is a great example of the essence of Nicolet Bank – local, caring employees, helping local people and organizations, finding a way to matter to the communities we serve.


JAS HOUSE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WORKSTAR
TOWN OF
CARLTON
UNITED WE STAND

SHAREHOLDER INFO

Annual Meeting

Shareholders' Meeting - Monday, May 20, 2024 (5:00 p.m.)
Meyer Theatre
117 South Washington Street / Green Bay, WI 54301

Independent Auditor

FORVIS, LLP
910 E. St. Louis Street / Suite 200 / Springfield, MO 65801

Transfer Agent

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Overnight Delivery

Computershare
C/O Shareholder Services
150 Royall Street / Suite 101 / Canton, MA 02021, United States

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Shareholder online inquiries:
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