REFINITIV

DELTA REPORT

10-Q

NIC - NICOLET BANKSHARES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1177
CHANGES	271
DELETIONS	570
ADDITIONS	336

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____________to_____________

Commission file number: 001-37700

NICOLET BANKSHARES, INC.

(Exact Name of Registrant as Specified in its Charter)

Wisconsin	**47-0871001**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
111 North Washington Street	
Green Bay, Wisconsin	**54301**
(Address of Principal Executive Offices)	(Zip Code)

(920) 430-1400
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**NIC**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2023 April 30, 2024 there were 14,761,128 14,933,474 shares of $0.01 par value common stock outstanding.

Nicolet Bankshares, Inc.
Quarterly Report on Form 10-Q
September 30, 2023 March 31, 2024

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS:

NICOLET BANKSHARES, INC.
Consolidated Balance Sheets
(In thousands, except share and per share data)

		September 30, 2023	December 31, 2022		
		(Unaudited)	(Audited)		
	March 31, 2024 (Unaudited)			March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets	**Assets**				
Cash and due from banks					
Cash and due from banks					
Cash and due from banks	Cash and due from banks	**$ 109,414**	$ 121,211		
Interest-earning deposits	Interest-earning deposits	**436,466**	33,512		
Cash and cash equivalents	Cash and cash equivalents	**545,880**	154,723		

Cash and cash equivalents			
Cash and cash equivalents			
Certificates of deposit in other banks	Certificates of deposit in other banks	**7,598**	12,518
Securities available for sale (“AFS”), at fair value	Securities available for sale (“AFS”), at fair value	**793,826**	917,618
Securities held to maturity (“HTM”), at amortized cost		**—**	679,128
Other investments			
Other investments			
Other investments	Other investments	**58,367**	65,286
Loans held for sale	Loans held for sale	**6,500**	1,482
Loans			
Loans			
Loans	Loans	**6,239,257**	6,180,499
Allowance for credit losses - loans (“ACL-Loans”)	Allowance for credit losses - loans (“ACL-Loans”)	**(63,160)**	(61,829)
Loans, net	Loans, net	**6,176,097**	6,118,670
Premises and equipment, net	Premises and equipment, net	**117,744**	108,956
Bank owned life insurance (“BOLI”)	Bank owned life insurance (“BOLI”)	**168,223**	165,137
Goodwill and other intangibles, net	Goodwill and other intangibles, net	**396,208**	402,438
Accrued interest receivable and other assets	Accrued interest receivable and other assets	**145,719**	138,013
Total assets	**Total assets**	**$8,416,162**	$8,763,969
Liabilities and Stockholders’ Equity	**Liabilities and Stockholders’ Equity**		
Liabilities and Stockholders’ Equity			
Liabilities and Stockholders’ Equity			
Liabilities:	Liabilities:		
Liabilities:			
Liabilities:			
Noninterest-bearing demand deposits			
Noninterest-bearing demand deposits			

Noninterest-bearing demand deposits	Noninterest-bearing demand deposits	**$2,020,074**	$2,361,816
Interest-bearing deposits	Interest-bearing deposits	**5,162,314**	4,817,105
Total deposits	Total deposits	**7,182,388**	7,178,921
Short-term borrowings	Short-term borrowings	**—**	317,000
Long-term borrowings	Long-term borrowings	**197,754**	225,342
Accrued interest payable and other liabilities	Accrued interest payable and other liabilities	**61,559**	70,177
Accrued interest payable and other liabilities			
Accrued interest payable and other liabilities			
Total liabilities	**Total liabilities**	**7,441,701**	7,791,440
Stockholders' Equity:	Stockholders' Equity:		
Stockholders' Equity:			
Stockholders' Equity:			
Common stock			
Common stock			
Common stock	Common stock	**147**	147
Additional paid-in capital	Additional paid-in capital	**626,348**	621,988
Retained earnings	Retained earnings	**431,317**	407,864
Accumulated other comprehensive income (loss)	Accumulated other comprehensive income (loss)	**(83,351)**	(57,470)
Total stockholders' equity	**Total stockholders' equity**	**974,461**	972,529
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	**$8,416,162**	$8,763,969
Preferred shares authorized (no par value)	Preferred shares authorized (no par value)	**10,000,000**	10,000,000
Preferred shares authorized (no par value)			
Preferred shares authorized (no par value)			
Preferred shares issued and outstanding	Preferred shares issued and outstanding	**—**	—

Common shares authorized (par value $0.01 per share)	Common shares authorized (par value $0.01 per share)	**30,000,000**	30,000,000
Common shares outstanding	Common shares outstanding	**14,757,565**	14,690,614
Common shares issued	Common shares issued	**14,818,155**	14,764,104

See accompanying notes to unaudited consolidated financial statements.

ITEM 1. Financial Statements Continued:

NICOLET BANKSHARES, INC.
Consolidated Statements of Income (Loss)
(In thousands, except share and per share data) (Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	**2023**	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Interest income:					
Interest income:					
Interest income:	Interest income:				
Loans, including loan fees	Loans, including loan fees	**$ 87,657**	$ 63,060	**$ 250,890**	$ 167,313
Loans, including loan fees					
Loans, including loan fees					
Investment securities:					
Investment securities:					
Investment securities:	Investment securities:				
Taxable	Taxable	**4,351**	5,350	**13,445**	15,612
Taxable					
Taxable					
Tax-exempt					
Tax-exempt					
Tax-exempt	Tax-exempt	**1,424**	1,181	**4,637**	2,503
Other interest income	Other interest income	**6,452**	1,127	**10,345**	2,734
Other interest income					
Other interest income					
Total interest income					
Total interest income					
Total interest income	**Total interest income**	**99,884**	70,718	**279,317**	188,162
Interest expense:	Interest expense:				
Interest expense:					

Interest expense:					
Deposits					
Deposits					
Deposits	Deposits	**34,964**	4,638	**89,241**	9,240
Short-term borrowings	Short-term borrowings	**474**	594	**4,794**	622
Short-term borrowings					
Short-term borrowings					
Long-term borrowings					
Long-term borrowings					
Long-term borrowings	Long-term borrowings	**2,972**	2,496	**8,048**	6,431
Total interest expense	**Total interest expense**	**38,410**	7,728	**102,083**	16,293
Total interest expense					
Total interest expense					
Net interest income					
Net interest income					
Net interest income	**Net interest income**	**61,474**	62,990	**177,234**	171,869
Provision for credit losses	Provision for credit losses	**450**	8,600	**3,990**	9,650
Provision for credit losses					
Provision for credit losses					
Net interest income after provision for credit losses					
Net interest income after provision for credit losses					
Net interest income after provision for credit losses	**Net interest income after provision for credit losses**	**61,024**	54,390	**173,244**	162,219
Noninterest income:	Noninterest income:				
Noninterest income:					
Noninterest income:					
Wealth management fee income					
Wealth management fee income					
Wealth management fee income	Wealth management fee income	**6,057**	5,009	**17,439**	15,700
Mortgage income, net	Mortgage income, net	**2,020**	1,728	**5,308**	7,186
Mortgage income, net					
Mortgage income, net					
Service charges on deposit accounts					
Service charges on deposit accounts					
Service charges on deposit accounts	Service charges on deposit accounts	**1,492**	1,589	**4,501**	4,602
Card interchange income	Card interchange income	**3,321**	3,012	**9,685**	8,543
Card interchange income					
Card interchange income					
BOLI income					
BOLI income					

BOLI income	BOLI income	**1,090**	966	**3,363**	2,667
Deferred compensation plan asset market valuations	Deferred compensation plan asset market valuations	**(457)**	(571)	**988**	(2,354)
Deferred compensation plan asset market valuations					
Deferred compensation plan asset market valuations					
LSR income, net					
LSR income, net					
LSR income, net	LSR income, net	**1,108**	(517)	**3,398**	(1,042)
Asset gains (losses), net	Asset gains (losses), net	**31**	(46)	**(38,755)**	2,870
Asset gains (losses), net					
Asset gains (losses), net					
Other income					
Other income					
Other income	Other income	**1,879**	1,830	**5,611**	4,902
Total noninterest income	**Total noninterest income**	**16,541**	13,000	**11,538**	43,074
Total noninterest income					
Total noninterest income					
Noninterest expense:					
Noninterest expense:					
Noninterest expense:	Noninterest expense:				
Personnel	Personnel	**23,944**	24,136	**72,172**	65,008
Personnel					
Personnel					
Occupancy, equipment and office					
Occupancy, equipment and office					
Occupancy, equipment and office	Occupancy, equipment and office	**9,027**	7,641	**26,655**	21,476
Business development and marketing	Business development and marketing	**1,869**	2,281	**5,936**	6,169
Business development and marketing					
Business development and marketing					
Data processing					
Data processing					
Data processing	Data processing	**4,643**	3,664	**12,849**	10,647
Intangibles amortization	Intangibles amortization	**1,986**	1,628	**6,230**	4,399
Intangibles amortization					
Intangibles amortization					
FDIC assessments					
FDIC assessments					
FDIC assessments	FDIC assessments	**1,500**	480	**3,049**	1,440
Merger-related expense	Merger-related expense	**—**	519	**189**	1,172
Merger-related expense					

Merger-related expense					
Other expense					
Other expense					
Other expense	Other expense	**2,769**	2,218	**8,490**	6,344
Total noninterest expense	**Total noninterest expense**	**45,738**	42,567	**135,570**	116,655
Income before income tax expense		**31,827**	24,823	**49,212**	88,638
Income tax expense		**14,669**	6,313	**18,357**	21,979
Net income		**$ 17,158**	$ 18,510	**$ 30,855**	$ 66,659
Earnings per common share:					
Total noninterest expense					
Total noninterest expense					
Income (loss) before income tax expense (benefit)					
Income (loss) before income tax expense (benefit)					
Income (loss) before income tax expense (benefit)					
Income tax expense (benefit)					
Income tax expense (benefit)					
Income tax expense (benefit)					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Earnings (loss) per common share:					
Earnings (loss) per common share:					
Earnings (loss) per common share:					
Basic					
Basic					
Basic	Basic	**$ 1.16**	$ 1.33	**$ 2.10**	$ 4.88
Diluted	Diluted	**$ 1.14**	$ 1.29	**$ 2.05**	$ 4.72
Diluted					
Diluted					
Weighted average common shares outstanding:					
Weighted average common shares outstanding:					
Weighted average common shares outstanding:	**Weighted average common shares outstanding:**				
Basic	Basic	**14,740,319**	13,890,066	**14,715,588**	13,647,973
Basic					
Basic					
Diluted	Diluted	**15,099,622**	14,310,275	**15,044,259**	14,126,772
Diluted					
Diluted					

See accompanying notes to unaudited consolidated financial statements.

ITEM 1. Financial Statements Continued:

NICOLET BANKSHARES, INC.
Consolidated Statements of Comprehensive Income (Loss)

(In thousands) (Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	**2023**	2022
Net income		**$ 17,158**	$ 18,510	**$ 30,855**	$ 66,659
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Net income (loss)					
Net income (loss)					
Net income (loss)					
Other comprehensive income (loss), net of tax:					
Other comprehensive income (loss), net of tax:					
Other comprehensive income (loss), net of tax:	Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities AFS:	Unrealized gains (losses) on securities AFS:				
Unrealized gains (losses) on securities AFS:					
Unrealized gains (losses) on securities AFS:					
Net unrealized holding gains (losses)					
Net unrealized holding gains (losses)					
Net unrealized holding gains (losses)	Net unrealized holding gains (losses)	**(21,645)**	(26,162)	**(12,244)**	(89,630)
Net realized (gains) losses included in income	Net realized (gains) losses included in income	**(11)**	—	**337**	(15)
Net realized (gains) losses included in income					
Net realized (gains) losses included in income					
Reclassification adjustment for securities transferred from held to maturity to available for sale					
Reclassification adjustment for securities transferred from held to maturity to available for sale					
Reclassification adjustment for securities transferred from held to maturity to available for sale	Reclassification adjustment for securities transferred from held to maturity to available for sale	**—**	—	**(20,434)**	—
Income tax (expense) benefit	Income tax (expense) benefit	**3,574**	7,064	**6,460**	24,204
Income tax (expense) benefit					
Income tax (expense) benefit					
Total other comprehensive income (loss)					
Total other comprehensive income (loss)					
Total other comprehensive income (loss)	Total other comprehensive income (loss)	**(18,082)**	(19,098)	**(25,881)**	(65,441)
Comprehensive income (loss)	**Comprehensive income (loss)**	**$ (924)**	$ (588)	**$ 4,974**	$ 1,218

Comprehensive income (loss)

Comprehensive income (loss)

See accompanying notes to unaudited consolidated financial statements.

ITEM 1. Financial Statements Continued:

NICOLET BANKSHARES, INC.
Consolidated Statements of Stockholders' Equity
(In thousands) (Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at June 30, 2023	**$ 147**	**$ 624,897**	**$417,863**	**$ (65,269)**	**$977,638**
	Common Stock				
	Common Stock				
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balances at December 31, 2023					
Comprehensive income: Comprehensive income:					
Net income, three months ended September 30, 2023	**—**	**—**	**17,158**	**—**	**17,158**
Net income, three months ended March 31, 2024					
Net income, three months ended March 31, 2024					
Net income, three months ended March 31, 2024					
Other comprehensive income (loss) Other comprehensive income (loss)	**—**	**—**	**—**	**(18,082)**	**(18,082)**
Stock-based compensation expense					
Stock-based compensation expense					
Stock-based compensation expense Stock-based compensation expense	**—**	**1,399**	**—**	**—**	**1,399**
Cash dividends on common stock, $0.25 per share Cash dividends on common stock, $0.25 per share	**—**	**—**	**(3,704)**	**—**	**(3,704)**
Exercise of stock options, net Exercise of stock options, net	**—**	**(146)**	**—**	**—**	**(146)**
Issuance of common stock Issuance of common stock	**—**	**198**	**—**	**—**	**198**
Balances at September 30, 2023	**$ 147**	**$ 626,348**	**$431,317**	**$ (83,351)**	**$974,461**
Balances at June 30, 2022	$ 134	$ 520,741	$361,753	$ (43,241)	$839,387
Balances at March 31, 2024					
Balances at March 31, 2024					

Balances at March 31, 2024						
Balances at December 31, 2022						
Comprehensive income:	Comprehensive income:					
Net income, three months ended September 30, 2022		—	—	18,510	—	18,510
Net income (loss), three months ended March 31, 2023						
Net income (loss), three months ended March 31, 2023						
Net income (loss), three months ended March 31, 2023						
Other comprehensive income (loss)	Other comprehensive income (loss)	—	—	—	(19,098)	(19,098)
Issuance of common stock in acquisition		13	98,136	—	—	98,149
Stock-based compensation expense						
Stock-based compensation expense						
Stock-based compensation expense	Stock-based compensation expense	—	1,329	—	—	1,329
Exercise of stock options, net	Exercise of stock options, net	—	1	—	—	1
Issuance of common stock	Issuance of common stock	—	185	—	—	185
Balances at September 30, 2022		$ 147	$ 620,392	$380,263	$ (62,339)	$938,463
Balances at December 31, 2022		**$ 147**	**$ 621,988**	**$407,864**	**$ (57,470)**	**$972,529**
Comprehensive income:						
Net income, nine months ended September 30, 2023		**—**	**—**	**30,855**	**—**	**30,855**
Other comprehensive income (loss)		**—**	**—**	**—**	**(25,881)**	**(25,881)**
Balances at March 31, 2023						
Stock-based compensation expense		**—**	**4,829**	**—**	**—**	**4,829**
Cash dividends on common stock, $0.50 per share		**—**	**—**	**(7,402)**	**—**	**(7,402)**
Exercise of stock options, net		**1**	**453**	**—**	**—**	**454**
Issuance of common stock		**—**	**598**	**—**	**—**	**598**
Purchase and retirement of common stock		**(1)**	**(1,520)**	**—**	**—**	**(1,521)**
Balances at March 31, 2023						
Balances at September 30, 2023		**$ 147**	**$ 626,348**	**$431,317**	**$ (83,351)**	**$974,461**
Balances at December 31, 2021		$ 140	$ 575,045	$313,604	$ 3,102	$891,891
Comprehensive income:						
Net income, nine months ended September 30, 2022		—	—	66,659	—	66,659
Other comprehensive income (loss)		—	—	—	(65,441)	(65,441)
Issuance of common stock in acquisition		13	98,136	—	—	98,149
Stock-based compensation expense		—	5,282	—	—	5,282
Exercise of stock options, net		1	2,077	—	—	2,078
Issuance of common stock		—	557	—	—	557

Purchase and retirement of common stock	(7)	(60,705)	—	—	(60,712)
Balances at March 31, 2023					
Balances at September 30, 2022	$ 147	$ 620,392	$ 380,263	$ (62,339)	$ 938,463

See accompanying notes to unaudited consolidated financial statements.

ITEM 1. Financial Statements Continued:

NICOLET BANKSHARES, INC.
Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	(In thousands)	Nine Months Ended September 30,		(In thousands)	Three Months Ended March 31,	
		2023	2022			
	2024				2024	2023
Cash Flows From Operating Activities:	Cash Flows From Operating Activities:					
Net income		$ 30,855	$ 66,659			
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Net income (loss)						
Net income (loss)						
Net income (loss)						
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation, amortization, and accretion						
Depreciation, amortization, and accretion						
Depreciation, amortization, and accretion	Depreciation, amortization, and accretion	13,163	16,994			
Provision for credit losses	Provision for credit losses	3,990	9,650			
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance	(3,386)	(2,551)			
Stock-based compensation expense	Stock-based compensation expense	4,829	5,282			
Asset (gains) losses, net	Asset (gains) losses, net	38,755	(2,870)			
Gain on sale of loans held for sale, net	Gain on sale of loans held for sale, net	(3,230)	(4,520)			

Net change due to:			
Proceeds from sale of loans held for sale	Proceeds from sale of loans held for sale	**108,991**	188,093
Origination of loans held for sale	Origination of loans held for sale	**(111,883)**	(182,962)
Net change due to:			
Accrued interest receivable and other assets			
Accrued interest receivable and other assets			
Accrued interest receivable and other assets	Accrued interest receivable and other assets	**(3,263)**	7,719
Accrued interest payable and other liabilities	Accrued interest payable and other liabilities	**(8,618)**	(14,145)
Net cash provided by (used in) operating activities	**Net cash provided by (used in) operating activities**	**70,203**	87,349
Cash Flows From Investing Activities:	**Cash Flows From Investing Activities:**		
Net (increase) decrease in loans	Net (increase) decrease in loans	**(55,042)**	(537,001)
Net (increase) decrease in loans			
Net (increase) decrease in loans			
Net (increase) decrease in certificates of deposit in other banks	Net (increase) decrease in certificates of deposit in other banks	**4,920**	8,419
Purchases of securities AFS	Purchases of securities AFS	**(20,220)**	(8,623)
Purchases of securities HTM		**—**	(56,479)
Proceeds from sales of securities AFS			
Proceeds from sales of securities AFS			
Proceeds from sales of securities AFS	Proceeds from sales of securities AFS	**28,992**	23,984
Proceeds from sales of securities HTM	Proceeds from sales of securities HTM	**460,051**	—

Proceeds from calls and maturities of securities AFS	Proceeds from calls and maturities of securities AFS	**256,151**	70,781
Proceeds from calls and maturities of securities HTM	Proceeds from calls and maturities of securities HTM	**2,916**	21,378
Purchases of other investments	Purchases of other investments	**(12,934)**	(30,327)
Proceeds from sales of other investments	Proceeds from sales of other investments	**18,939**	4,014
Proceeds from redemption of BOLI	Proceeds from redemption of BOLI	**312**	578
Proceeds from redemption of BOLI			
Proceeds from redemption of BOLI			
Net (increase) decrease in premises and equipment	Net (increase) decrease in premises and equipment	**(15,104)**	(7,965)
Net (increase) decrease in other real estate and other assets	Net (increase) decrease in other real estate and other assets	**1,211**	9,785
Net cash (paid) received in branch sale		**—**	147,833
Net cash (paid) received in business combination		**—**	(28,221)
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities	**Net cash provided by (used in) investing activities**	**670,192**	(381,844)
Cash Flows From Financing Activities:	**Cash Flows From Financing Activities:**		
Net increase (decrease) in deposits			
Net increase (decrease) in deposits			
Net increase (decrease) in deposits	Net increase (decrease) in deposits	**3,633**	68,428
Net increase (decrease) in short-term borrowings	Net increase (decrease) in short-term borrowings	**(317,000)**	147,134

Repayments of long-term borrowings	Repayments of long-term borrowings	**(28,000)**	(20,000)
Purchase and retirement of common stock		**(1,521)**	(60,712)
Repayments of long-term borrowings			
Repayments of long-term borrowings			
Cash dividends paid on common stock			
Cash dividends paid on common stock			
Cash dividends paid on common stock	Cash dividends paid on common stock	**(7,402)**	—
Proceeds from issuance of common stock			
Proceeds from issuance of common stock			
Proceeds from issuance of common stock	Proceeds from issuance of common stock	**598**	557
Proceeds from exercise of stock options	Proceeds from exercise of stock options	**454**	2,078
Net cash provided by (used in) financing activities	**Net cash provided by (used in) financing activities**	**(349,238)**	137,485
Net cash provided by (used in) financing activities			
Net cash provided by (used in) financing activities			
Net increase (decrease) in cash and cash equivalents	**Net increase (decrease) in cash and cash equivalents**	**391,157**	(157,010)
Cash and cash equivalents:	Cash and cash equivalents:		
Beginning	Beginning	**154,723**	595,292
Beginning			
Beginning			
Ending *	Ending *	**$ 545,880**	$ 438,282
Supplemental Disclosures of Cash Flow Information:	**Supplemental Disclosures of Cash Flow Information:**		
Cash paid for interest			
Cash paid for interest			
Cash paid for interest	Cash paid for interest	**$ 99,486**	$ 19,785

Cash paid for taxes	Cash paid for taxes	**22,920**	25,660
Transfer of securities from HTM to AFS	Transfer of securities from HTM to AFS	**177,727**	—
Transfer of loans and bank premises to other real estate owned	Transfer of loans and bank premises to other real estate owned	**873**	432
Capitalized mortgage servicing rights	Capitalized mortgage servicing rights	**1,104**	2,127
Acquisitions:			
Fair value of assets acquired		**$ —**	$1,121,000
Fair value of liabilities assumed		**—**	1,034,000
Net assets acquired		**—**	87,000

* There was no restricted cash in cash and cash equivalents at either September 30, 2023 March 31, 2024 or September 30, 2022 March 31, 2023.

See accompanying notes to unaudited consolidated financial statements.

NICOLET BANKSHARES, INC.

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

General

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the consolidated balance sheets, statements of income (loss), comprehensive income (loss), changes in stockholders' equity, and cash flows of Nicolet Bankshares, Inc. (the "Company" or "Nicolet") and its subsidiaries, as of and for the periods presented, and all such adjustments are of a normal recurring nature. All material intercompany transactions and balances have been eliminated. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

These interim consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and footnote disclosures normally presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") have been omitted or abbreviated. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Critical Accounting Policies and Estimates

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates assumptions, and judgments assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Estimates are Material estimates may be used in accounting for, among other items, the allowance for credit losses, valuation of loans in acquisition transactions, useful lives for depreciation and amortization, fair value of financial instruments, impairment calculations, valuation of deferred tax assets, uncertain income tax positions and contingencies. These estimates and assumptions are based on management's knowledge of historical experience, current information, and other factors deemed to be relevant; accordingly, as this information changes, actual results could differ from those estimates. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: external market factors such as market interest rates and employment rates, changes to operating policies and procedures, changes in applicable banking or tax regulations, and changes to deferred tax estimates. Nicolet considers accounting estimates to be critical to reported financial results if the accounting estimate requires management to make assumptions about matters that are highly uncertain and different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the financial statements. The accounting estimates we consider to be critical include business combinations and the valuation of loans acquired, the determination of the allowance for credit losses, and income taxes.

There have been no material changes or developments with respect to the assumptions or methodologies that the Company uses when applying critical accounting policies and developing critical accounting estimates as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Recent Accounting Pronouncements Adopted

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings ("TDRs") and Vintage Disclosures*. This ASU eliminated the accounting guidance for TDRs by creditors and enhanced the disclosure requirements for loan modifications to borrowers experiencing financial difficulty. The ASU also requires public business entities to expand the vintage disclosures to include gross charge-offs by year of origination. The updated guidance is effective for fiscal years beginning after December 15, 2022. Adoption of this ASU did not have a material impact on the Company's consolidated financial statements; however, it resulted in new disclosures. See Note 6 for the new disclosures.

Future Accounting Pronouncements

In March 2023, the FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. This ASU permits reporting entities to elect to account for tax equity investments, regardless of the tax credit program for which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense. A reporting entity makes an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity level or to individual investments. This ASU also requires specific disclosures of investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method. The updated guidance is effective for fiscal years beginning after December 15, 2023. Adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Future Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation table, as well as income taxes paid disaggregated by jurisdiction. These expanded disclosures will allow investors to better assess how an entity's overall operations, including the related tax risks, tax planning, and operational opportunities, affect its income tax rate and prospects for future cash flows. The updated guidance is effective for annual periods beginning after December 15, 2024.

In March 2020, November 2023, the FASB issued ASU 2020-04, 2023-07, *Reference Rate Reform Segment Reporting (Topic 848) 280): Facilitation of the Effects of Reference Rate Reform on Financial Reporting Improvements to Reportable Segment Disclosures*. This ASU provides optional guidance expands segment disclosure requirements for a limited period public entities to include disclosure of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. It provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,* which defers the sunset date of the original guidance from December 31, 2022 to December 31, 2024. The Company continues to work through the cessation of LIBOR, including the modification of its loans and other financial instruments with attributes significant segment expenses that are either directly regularly provided to the chief operating decision maker and included within each reported measure of segment profit or indirectly influenced by LIBOR. loss. The Company expects to utilize the reference rate reform transition updated guidance as applicable, is effective for fiscal years beginning after December 15, 2023, and does interim periods within fiscal years beginning after December 15, 2024, and is not expect such adoption expected to have a material impact on its the consolidated financial statements or financial disclosures. statements.

Reclassifications

Certain amounts in the 2022 2023 consolidated financial statements have been reclassified to conform to the 2023 2024 presentation. These reclassifications were not material and did not impact previously reported net income or comprehensive income.

Note 2 – Acquisition

Charter Bankshares, Inc. ("Charter")*:* On August 26, 2022, Nicolet completed its merger with Charter, pursuant to the Agreement and Plan of Merger dated March 29, 2022, at which time Charter merged with and into Nicolet, and Charter Bank, the wholly owned bank subsidiary of Charter, was merged with and into Nicolet National Bank (the "Bank"), the wholly owned bank subsidiary of Nicolet. In the merger, Charter stockholders received 15.458 shares of Nicolet common stock and $475 in cash for each share of Charter owned. As a result, Nicolet issued approximately 1.26 million shares of Nicolet common stock for stock consideration of $98 million and cash consideration of $39 million, for a total purchase price of $137 million. With the Charter merger, Nicolet expanded to Western Wisconsin and Minnesota.

A summary of the assets acquired and liabilities assumed in the Charter transaction, as of the acquisition date, including the purchase price allocation was as follows.

(In millions, except share data)	Acquired from Charter	Fair Value Adjustments	Estimated Fair Value
Assets Acquired:			
Cash and cash equivalents	$ 10	$ —	$ 10
Investment securities	218	—	218
Loans	848	(21)	827
ACL-Loans	(9)	7	(2)
Premises and equipment	9	1	10
BOLI	29	—	29
Core deposit intangible	—	19	19
Other assets	5	5	10
Total assets	$ 1,110	$ 11	$ 1,121
Liabilities Assumed:			
Deposits	$ 869	$ 1	$ 870
Borrowings	161	—	161
Other liabilities	3	—	3
Total liabilities	$ 1,033	$ 1	$ 1,034
Net assets acquired			$ 87
Purchase Price:			
Nicolet common stock issued (in shares)			1,262,360
Value of Nicolet common stock consideration			$ 98

Cash consideration paid	39
Total purchase price	$ 137
Goodwill	$ 50

The Company purchased loans through the acquisition of Charter for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination (purchased credit deteriorated loans or “PCD” loans). The carrying amount of these loans at acquisition was as follows.

(In thousands)	August 26, 2022
Purchase price of PCD loans at acquisition	$ 24,031
Allowance for credit losses on PCD loans at acquisition	1,709
Par value of PCD acquired loans at acquisition	$ 25,740

The Company accounted for the Charter acquisition under the acquisition method of accounting, and thus, the financial position and results of operations of Charter prior to the consummation date were not included in the accompanying consolidated financial statements. The accounting required assets purchased and liabilities assumed to be recorded at their respective estimated fair values at the date of acquisition. The estimated fair value was determined with the assistance of third party valuations, appraisals, and third party advisors. Goodwill arising as a result of the Charter acquisition is not deductible for tax purposes.

Note 3 – Earnings per Common Share

Basic earnings per common share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are calculated by dividing net income (loss) by the weighted average number of shares adjusted for the dilutive effect of common stock awards (outstanding stock options and unvested restricted stock), if any. Presented below are the calculations for basic and diluted earnings per common share.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(In thousands, except per share data)	**(In thousands, except per share data)**	**2023**	**2022**	**2023**	**2022**
Net income		$ 17,158	$ 18,510	$ 30,855	$ 66,659
(In thousands, except per share data)					
(In thousands, except per share data)					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Weighted average common shares outstanding					
Weighted average common shares outstanding					
Weighted average common shares outstanding	Weighted average common shares outstanding	14,740	13,890	14,716	13,648
Effect of dilutive common stock awards	Effect of dilutive common stock awards	360	420	328	479
Effect of dilutive common stock awards					
Effect of dilutive common stock awards					
Diluted weighted average common shares outstanding	Diluted weighted average common shares outstanding	15,100	14,310	15,044	14,127
Basic earnings per common share*		$ 1.16	$ 1.33	$ 2.10	$ 4.88
Diluted earnings per common share*		$ 1.14	$ 1.29	$ 2.05	$ 4.72
Diluted weighted average common shares outstanding					

Diluted weighted average common shares outstanding
Basic earnings (loss) per common share*
Basic earnings (loss) per common share*
Basic earnings (loss) per common share*
Diluted earnings (loss) per common share*
Diluted earnings (loss) per common share*
Diluted earnings (loss) per common share*

*Cumulative quarterly per share performance may not equal annual per share totals due to the effects of the amount and timing of capital increases. When computing earnings per share for an interim period, the denominator is based on the weighted average shares outstanding during the interim period, and not on an annualized weighted average basis. Accordingly, the sum of the earnings per share data for the quarters will not necessarily equal the year to date earnings per share data.

For the three and nine months ended September 30, 2023 March 31, 2024, options to purchase approximately 0.1 million and 0.2 million shares respectively, were excluded from the calculation of diluted earnings per common share as the effect of their exercise would have been anti-dilutive. For As a result of the Company's reported net loss for the three and nine months ended September 30, 2022 March 31, 2023, options to purchase approximately 0.2 million and 0.1 million shares, respectively, all of the common stock awards outstanding were excluded from the calculation computation of diluted earnings (loss) per common share as the effect of their exercise would have been anti-dilutive. share.

Note 4 3 – Stock-Based Compensation

The Company may grant stock options and restricted stock under its stock-based compensation plans to certain officers, employees and directors. These plans are administered by a committee of the Board of Directors, and at September 30, 2023 March 31, 2024, approximately 0.7 million 0.6 million shares were available for grant under these stock-based compensation plans.

A Black-Scholes model is utilized to estimate the fair value of stock option grants, while the market price of the Company's stock at the date of grant is used to estimate the fair value of restricted stock awards. The weighted average assumptions used in the Black-Scholes model for valuing stock option grants for the three months ended March 31, 2024 were as follows. There were no stock options granted for the three months ended March 31, 2023.

	Nine Months Ended September 30,	
	2023	2022
Dividend yield	1.6 %	— %
Expected volatility	30 %	30 %
Risk-free interest rate	3.74 %	3.03 %
Expected average life	7 years	7 years
Weighted average per share fair value of options	$ 20.94	$ 30.99

	Three Months Ended March 31, 2024
Dividend yield	1.3 %
Expected volatility	30 %
Risk-free interest rate	4.31 %
Expected average life	7 years
Weighted average per share fair value of options	$ 27.67

A summary of the Company's stock option activity is summarized below.

Stock Options	Stock Options	Option Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)	Stock Options	Option Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding - December 31, 2022		1,853,064	$ 59.79							
Outstanding - December 31, 2023										
Granted										

Granted					
Granted	Granted	7,000	64.36		
Exercise of stock options *	Exercise of stock options *	(115,179)	40.02		
Exercise of stock options *					
Exercise of stock options *					
Forfeited	Forfeited	(25,000)	84.98		
Outstanding - September 30, 2023		1,719,885	$ 60.76	5.3	$ 20,354
Exercisable - September 30, 2023		1,260,942	$ 55.09	4.5	$ 20,217
Forfeited					
Forfeited					
Outstanding - March 31, 2024					
Outstanding - March 31, 2024					
Outstanding - March 31, 2024					
Exercisable - March 31, 2024					

* The terms of the stock option agreements permit having a number of shares of stock withheld, the fair market value of which as of the date of exercise is sufficient to satisfy the exercise price and/or tax withholding requirements. For the nine three months ended September 30, 2023 March 31, 2024, 54,517 1,131 such shares were withheld by the Company.

Intrinsic value represents the amount by which the fair market value of the underlying stock exceeds the exercise price of the stock options. The intrinsic value of options exercised for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was approximately $3.7 million $1.5 million and $3.3 million $0.2 million, respectively.

A summary of the Company's restricted stock activity is summarized below.

Restricted Stock	**Weighted Average Grant Date Fair Value**	**Restricted Shares Outstanding**
Outstanding - December 31, 2022	$ 76.49	73,490
Granted	55.65	11,674
Vested	66.40	(24,574)
Outstanding - September 30, 2023	$ 76.57	60,590

Restricted Stock	**Weighted Average Grant Date Fair Value**	**Restricted Shares Outstanding**
Outstanding - December 31, 2023	$ 76.61	57,158
Granted	—	—
Vested *	72.00	(500)
Outstanding - March 31, 2024	$ 76.65	56,658

* The terms of the restricted stock agreements permit the surrender of shares to the Company upon vesting in order to satisfy applicable withholding at the minimum statutory withholding rate, and accordingly 175 shares were surrendered for the three months ended March 31, 2024.

The Company recognized approximately $4.2 million and $4.6 million $1.4 million of stock-based compensation expense (included in personnel on the consolidated statements of income) for both the nine three months ended September 30, 2023 March 31, 2024 and 2022, respectively, the three months ended March 31, 2023, associated with its common stock awards granted to officers and employees. In addition, for the nine months ended September 30, 2023, the Company recognized approximately $0.6 million of director expense (included in other expense on the consolidated statements of income) for restricted stock grants totaling 11,674 shares with immediate vesting to directors, while for the nine months ended September 30, 2022, the Company recognized approximately $0.7 million of director expense for restricted stock grants totaling 8,852 shares with immediate vesting to directors, in each case representing the annual stock retainer fee paid to external board members for that year. As of September 30, 2023 March 31, 2024, there was approximately $14.0 million $12.8 million of unrecognized compensation cost related to equity award grants, which is expected to be recognized over the remaining vesting period of approximately three years. The Company recognized a tax benefit of approximately $0.5 million $0.2 million and $0.4 million less than $0.1 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, for the tax impact of stock option exercises and vesting of restricted stock.

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Note 54 – Securities and Other Investments

Securities

Securities are classified as AFS or HTM on the consolidated balance sheets at the time of purchase. AFS securities include those securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity, and are carried at fair value on the consolidated balance sheets. HTM securities include those securities which the Company has both the positive intent and ability to hold to maturity, and are carried at amortized cost on the consolidated balance sheets. Premiums and discounts on investment securities are amortized or accreted into interest income over the estimated life of the related securities using the effective interest method.

The amortized cost and fair value of securities AFS and HTM are summarized as follows.

		September 30, 2023								
		March 31, 2024								March 31, 2024
(in thousands)	(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities AFS:	**Securities AFS:**									
U.S. Treasury securities										
U.S. Treasury securities										
U.S. Treasury securities	U.S. Treasury securities	$ 42,190	$ —	$ 4,686	$ 37,504					
U.S. government agency securities	U.S. government agency securities	8,293	2	74	8,221					
State, county and municipals	State, county and municipals	387,259	69	45,998	341,330					
Mortgage-backed securities	Mortgage-backed securities	355,906	—	49,497	306,409					
Corporate debt securities	Corporate debt securities	111,245	—	10,883	100,362					
Total securities AFS	Total securities AFS	$ 904,893	$ 71	$ 111,138	$ 793,826					

		December 31, 2022								
		December 31, 2023								December 31, 2023
(in thousands)	(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities AFS:	**Securities AFS:**									
U.S. Treasury securities										
U.S. Treasury securities										
U.S. Treasury securities	U.S. Treasury securities	$ 192,116	$ —	$ 8,286	$ 183,830					
U.S. government agency securities	U.S. government agency securities	2,133	—	33	2,100					
State, county and municipals	State, county and municipals	433,733	123	35,668	398,188					

Mortgage-backed securities	Mortgage-backed securities	227,650	10	26,728	200,932
Corporate debt securities	Corporate debt securities	140,712	3	8,147	132,568
Total securities AFS	Total securities AFS	$ 996,344	$ 136	$ 78,862	$ 917,618
Securities HTM:					
U.S. Treasury securities		$ 497,648	$ —	$ 35,722	$ 461,926
U.S. government agency securities		8,744	46	—	8,790
State, county and municipals		34,874	—	3,349	31,525
Mortgage-backed securities		137,862	—	16,751	121,111
Total securities HTM		$ 679,128	$ 46	$ 55,822	$ 623,352

On March 7, 2023, Nicolet executed the sale of $500 million (par value) U.S. Treasury held to maturity securities for a pre-tax loss of $38 million or an after-tax loss of $28 million. Proceeds from the sale were used to reduce existing FHLB borrowings with the remainder held in investable cash. As a result of the sale of securities previously classified as held to maturity, the remaining unsold portfolio of held to maturity securities, with a book value of $177 million, was reclassified to available for sale with a carrying value of approximately $157 million. The unrealized loss on this portfolio of $20 million (at the time of reclassification) increased the balance of accumulated other comprehensive loss $15 million, net of the deferred tax effect, and is subject to future market changes.

Proceeds and realized gains or losses from the sale of AFS and HTM securities were as follows.

		Nine Months Ended September 30,				
	Three Months Ended March 31,				**Three Months Ended March 31,**	
(in thousands)	**(in thousands)**	**2023**	**2022**	**(in thousands)**	**2024**	**2023**
Securities AFS:	**Securities AFS:**					
Gross gains						
Gross gains						
Gross gains	Gross gains	$ 268	$ 20			
Gross losses	Gross losses	(605)	(5)			
Gains (losses) on sales of securities AFS, net	Gains (losses) on sales of securities AFS, net	$ (337)	$ 15			
Proceeds from sales of securities AFS	Proceeds from sales of securities AFS	$ 28,992	$ 23,984			
Securities HTM:	**Securities HTM:**					
Gross gains	Gross gains	$ —	$ —			
Gross gains						
Gross gains						
Gross losses	Gross losses	(37,723)	—			

Gains (losses) on sales of securities HTM, net	Gains (losses) on sales of securities HTM, net	$ (37,723)	$ —
Proceeds from sales of securities HTM	Proceeds from sales of securities HTM	$ 460,051	$ —

All mortgage-backed securities included in the securities portfolio were issued by U.S. government agencies and corporations. Investment securities with a carrying value of $345 million $366 million and $883 million $364 million, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged as collateral to secure public deposits and borrowings, as applicable, and for liquidity or other purposes as required by regulation. Accrued interest on investment securities totaled $5 million at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and is included in accrued interest receivable and other assets on the consolidated balance sheets.

The following table presents gross unrealized losses and the related estimated fair value of investment securities for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position.

		September 30, 2023						
		Less than 12 months		12 months or more		Total		
		March 31, 2024						
		Less than 12 months		12 months or more		Total		
($ in thousands)	($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Securities
Securities AFS:	Securities AFS:							
U.S. Treasury securities								
U.S. Treasury securities								
U.S. Treasury securities	U.S. Treasury securities	$ —	$ —	$ 37,504	$ 4,686	$ 37,504	$ 4,686	4
U.S. government agency securities	U.S. government agency securities	5,396	32	1,798	42	7,194	74	10
State, county and municipals	State, county and municipals	66,415	5,460	263,740	40,538	330,155	45,998	710
Mortgage-backed securities	Mortgage-backed securities	19,959	268	286,450	49,229	306,409	49,497	451
Corporate debt securities	Corporate debt securities	3,336	223	92,607	10,660	95,943	10,883	67
Total	Total	$ 95,106	$ 5,983	$ 682,099	$ 105,155	$ 777,205	$ 111,138	1,242

		December 31, 2022						
		Less than 12 months		12 months or more		Total		
		December 31, 2023						
		Less than 12 months		12 months or more		Total		
($ in thousands)	($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Securities
Securities AFS:	Securities AFS:							

U.S. Treasury securities								
U.S. Treasury securities								
U.S. Treasury securities	U.S. Treasury securities	$ 448	$ 14	$183,382	$ 8,272	$183,830	$ 8,286	9
U.S. government agency securities	U.S. government agency securities	2,083	32	17	1	2,100	33	9
State, county and municipals	State, county and municipals	277,546	18,041	86,569	17,627	364,115	35,668	812
Mortgage-backed securities	Mortgage-backed securities	102,108	11,320	95,614	15,408	197,722	26,728	376
Corporate debt securities	Corporate debt securities	114,887	6,186	12,938	1,961	127,825	8,147	90
Total	Total	$497,072	$ 35,593	$378,520	$ 43,269	$875,592	$ 78,862	1,296
Securities HTM:								
U.S. Treasury securities		$ —	$ —	$461,926	$ 35,722	$461,926	$ 35,722	6
State, county and municipals		17,591	1,594	11,654	1,755	29,245	3,349	58
Mortgage-backed securities		68,108	8,029	53,003	8,722	121,111	16,751	106
Total		$ 85,699	$ 9,623	$526,583	$ 46,199	$612,282	$ 55,822	170

During first quarter 2023, the Company recognized provision expense of $2.3 million related to the expected credit loss on its Signature Bank sub a bank subordinated debt investment (acquired in an acquisition), and immediately charged-off the full investment. The Company does not consider its remaining securities AFS with unrealized losses to be attributable to credit-related factors, as the unrealized losses in each category have occurred as a result of changes in noncredit-related factors such as changes in interest rates, market spreads and market conditions subsequent to purchase, not credit deterioration. Furthermore, the Company does not have the intent to sell any of these AFS securities and believes that it is more likely than not that we will not have to sell any such securities before a recovery of cost. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, no allowance for credit losses on AFS securities was recognized.

The Company evaluated the HTM securities and determined no allowance for credit losses was necessary at December 31, 2022. The U.S. Treasury and U.S. government agency securities are guaranteed by the U.S. government. For the state, county and municipal securities, management considered issuer bond ratings, historical loss rates by bond ratings, whether issuers continue to make timely principal and interest payments per the contractual terms of the investment securities, internal forecasts, and whether or not such investment securities provide insurance, other credit enhancement, or are pre-refunded by the issuers. For the mortgage-backed securities, all such securities were issued by U.S. government agencies and corporations, which are currently explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses.

The amortized cost and fair value of investment securities by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties; as this is particularly inherent in mortgage-backed securities, these securities are not included in the maturity categories below.

As of September 30, 2023		**Securities AFS**	
As of March 31, 2024			
As of March 31, 2024			
As of March 31, 2024			
(in thousands)			
(in thousands)			
(in thousands)	**(in thousands)**	**Amortized Cost**	**Fair Value**
Due in less than one year	Due in less than one year	$ 65,155	$ 64,470
Due in less than one year			
Due in less than one year			
Due in one year through five years			
Due in one year through five years			
Due in one year through five years	Due in one year through five years	162,719	147,803

Due after five years through ten years	Due after five years through ten years	207,337	177,658
Due after five years through ten years			
Due after five years through ten years			
Due after ten years	Due after ten years	113,776	97,486
		548,987	487,417
Due after ten years			
Due after ten years			
		455,990	
		455,990	
		455,990	
Mortgage-backed securities			
Mortgage-backed securities			
Mortgage-backed securities	Mortgage-backed securities	355,906	306,409
Total investment securities	Total investment securities	$ 904,893	$ 793,826
Total investment securities			
Total investment securities			

Other Investments

Other investments include "restricted" equity securities, equity securities with readily determinable fair values, and private company securities. As a member of the Federal Reserve Bank System and the Federal Home Loan Bank ("FHLB") System, Nicolet is required to maintain an investment in the capital stock of these entities. These equity securities are "restricted" in that they can only be sold back to the respective institutions or another member institution at par. Therefore, they are less liquid than other exchange traded equity securities. As no ready market exists for these stocks, and they have no quoted market value, these investments are carried at cost. Also included are investments in other private companies that do not have quoted market prices, which are carried at cost less impairment charges, if any. The carrying value of other investments are summarized as follows.

		September 30, 2023	December 31, 2022			
	March 31, 2024				March 31, 2024	December 31, 2023
(in thousands)	(in thousands)	Amount	Amount	(in thousands)	Amount	Amount
Federal Reserve Bank stock	Federal Reserve Bank stock	$ 33,050	$ 32,219			
Federal Home Loan Bank ("FHLB") stock	Federal Home Loan Bank ("FHLB") stock	9,674	18,625			
Equity securities with readily determinable fair values	Equity securities with readily determinable fair values	3,893	4,376			
Other investments	Other investments	11,750	10,066			
Total other investments	Total other investments	$ 58,367	$ 65,286			

Note 65 – Loans, Allowance for Credit Losses - Loans, and Credit Quality

The loan composition is summarized as follows.

		September 30, 2023		December 31, 2022										
	March 31, 2024						March 31, 2024					December 31, 2023		
(in thousands)	(in thousands)	Amount	% of Total	Amount	% of Total	(in thousands)	Amount		% of Total		Amount		% of Total	
Commercial & industrial	Commercial & industrial	$1,237,789	20 %	$1,304,819	21 %	Commercial & industrial	$ 1,307,490	20	20	%	$ 1,284,009	20	20	%

Owner-occupied commercial real estate (“CRE”)	Owner-occupied commercial real estate (“CRE”)	971,397	16	954,599	15
Agricultural	Agricultural	1,108,261	18	1,088,607	18
CRE investment	CRE investment	1,130,938	18	1,149,949	19
Construction & land development	Construction & land development	326,747	5	318,600	5
Residential construction	Residential construction	76,289	1	114,392	2
Residential first mortgage	Residential first mortgage	1,136,748	18	1,016,935	16
Residential junior mortgage	Residential junior mortgage	195,432	3	177,332	3
Retail & other	Retail & other	55,656	1	55,266	1
Loans	Loans	6,239,257	100 %	6,180,499	100 %
Less allowance for credit losses - Loans (“ACL-Loans”)	Less allowance for credit losses - Loans (“ACL-Loans”)	63,160		61,829	
Loans, net	Loans, net	$6,176,097		$6,118,670	
Loans, net					
Loans, net					
Allowance for credit losses - Loans to loans	Allowance for credit losses - Loans to loans	1.01 %		1.00 %	
Allowance for credit losses - Loans to loans					
Allowance for credit losses - Loans to loans					

Loans	6,397,617	100	100	%	6,353,942	100	100	%

Accrued interest on loans totaled $21 million and $19 million at March 31, 2024 and $15 million at September 30, 2023 and December 31, 2022 December 31, 2023, respectively, and is included in accrued interest receivable and other assets on the consolidated balance sheets.

Allowance for Credit Losses - Loans:

The majority of the Company’s loans, commitments, and letters of credit have been granted to customers in the Company’s market area. Although the Company has a diversified loan portfolio, the credit risk in the loan portfolio is largely influenced by general economic conditions and trends of the counties and markets in which the debtors operate, and the resulting impact on the operations of borrowers or on the value of underlying collateral, if any.

A roll forward of the allowance for credit losses - loans is summarized as follows.

	Three Months Ended	**Nine Months Ended**	**Year Ended**
	Three Months Ended		
	Three Months Ended		
	Three Months Ended		**Year Ended**

(in thousands)	(in thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022	(in thousands)	March 31, 2024	March 31, 2023	December 31, 2023
Beginning balance	Beginning balance	$ 62,811	$ 50,655	$ 61,829	$ 49,672	$ 49,672				
ACL on PCD loans acquired		—	1,709	—	1,709	1,937				
Provision for credit losses										
Provision for credit losses										
Provision for credit losses	Provision for credit losses	450	8,200	1,650	9,100	10,950				
Charge-offs	Charge-offs	(346)	(300)	(1,091)	(442)	(1,033)				
Recoveries	Recoveries	245	84	772	309	303				
Net (charge-offs) recoveries	Net (charge-offs) recoveries	(101)	(216)	(319)	(133)	(730)				
Ending balance	Ending balance	$ 63,160	$ 60,348	$ 63,160	$ 60,348	$ 61,829				

The following tables present the balance and activity in the ACL-Loans by portfolio segment.

		Nine Months Ended September 30, 2023 / Three Months Ended March 31, 2024											Three Mont March 3							
(in thousands)	(in thousands)	Commercial & industrial	Owner-occupied CRE	Agricultural	CRE investment	Construction & land development	Residential construction	Residential first mortgage	Residential junior mortgage	Retail & other	Total	(in thousands)	Commercial & industrial	Owner-occupied CRE	Agricultural	CRE investment	Construction & land development	Residential construction	Residential first mortgage	Residential junior mortgage
ACL-Loans	ACL-Loans																			
Beginning balance	Beginning balance	$ 16,350	$ 9,138	$ 9,762	$ 12,744	$ 2,572	$ 1,412	$ 6,976	$ 1,846	$ 1,029	$ 61,829									
Beginning balance																				
Beginning balance																				
Provision																				
Provision																				
Provision	Provision	(1,518)	48	2,467	46	96	(484)	336	295	364	1,650									
Charge-offs	Charge-offs	(403)	(301)	(66)	—	—	—	—	(96)	(225)	(1,091)									
Recoveries	Recoveries	518	241	3	—	—	—	3	—	7	772									
Net (charge-offs) recoveries	Net (charge-offs) recoveries	115	(60)	(63)	—	—	—	3	(96)	(218)	(319)									
Ending balance	Ending balance	$ 14,947	$ 9,126	$ 12,166	$ 12,790	$ 2,668	$ 928	$ 7,315	$ 2,045	$ 1,175	$ 63,160									
As % of ACL-Loans	As % of ACL-Loans	24 %	14 %	19 %	20 %	4 %	2 %	12 %	3 %	2 %	100 %	As % of ACL-Loans	23 %	15 %	19 %	22 %	3 %	2 %	11 %	3 %

		Year Ended December 31, 2022 / Year Ended December 31, 2023											Year Ended 31, 2							
(in thousands)	(in thousands)	Commercial & industrial	Owner-occupied CRE	Agricultural	CRE investment	Construction & land development	Residential construction	Residential first mortgage	Residential junior mortgage	Retail & other	Total	(in thousands)	Commercial & industrial	Owner-occupied CRE	Agricultural	CRE investment	Construction & land development	Residential construction	Residential first mortgage	Residential junior mortgage
ACL-Loans	ACL-Loans																			
Beginning balance	Beginning balance	$ 12,613	$ 7,222	$ 9,547	$ 8,462	$ 1,812	$ 900	$ 6,844	$ 1,340	$ 932	$ 49,672									

ACL on PCD loans		1,408	384	—	38	2	—	93	12	—	1,937
Beginning balance											
Beginning balance											
Provision											
Provision											
Provision	Provision	2,415	2,087	215	4,075	758	512	96	493	299	10,950
Charge-offs	Charge-offs	(190)	(555)	—	—	—	—	(65)	—	(223)	(1,033)
Recoveries	Recoveries	104	—	—	169	—	—	8	1	21	303
Net (charge-offs) recoveries	Net (charge-offs) recoveries	(86)	(555)	—	169	—	—	(57)	1	(202)	(730)
Ending balance	Ending balance	$ 16,350	$ 9,138	$ 9,762	$ 12,744	$ 2,572	$ 1,412	$ 6,976	$ 1,846	$ 1,029	$ 61,829
As % of ACL-Loans	As % of ACL-Loans	26 %	15 %	16 %	21 %	4 %	2 %	11 %	3 %	2 %	100 %

As % of ACL-Loans	24 %	14 %	20 %	20 %	4 %	— %	12 %	4 %	2

The ACL-Loans represents management's estimate of expected credit losses in the Company's loan portfolio at the balance sheet date. To assess the appropriateness of the ACL-Loans, management applies an allocation methodology which focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management's ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonperforming loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; (ix) the fair value of underlying collateral; and (x) other qualitative and quantitative factors which could affect expected credit losses. Assessing these numerous factors involves significant judgment.

Management allocates the ACL-Loans by pools of risk within each loan portfolio segment. The allocation methodology consists of the following components. First, a specific reserve is established for individually evaluated credit-deteriorated loans, which management defines as nonaccrual credit relationships over $250,000, collateral dependent loans, purchased credit deteriorated loans, and other loans with evidence of credit deterioration. The specific reserve in the ACL-Loans for these credit deteriorated loans is equal to the aggregate collateral or discounted cash flow shortfall. Management allocates the ACL-Loans with historical loss rates by loan segment. The loss factors are measured on a quarterly basis and applied to each loan segment based on current loan balances and projected for their expected remaining life. Next, management allocates the ACL-Loans using the qualitative factors mentioned above. Consideration is given to those current qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the historical loss experience of each loan segment. Lastly, management considers reasonable and supportable forecasts to assess the collectability of future cash flows.

Allowance for Credit Losses-Unfunded Commitments:

In addition to the ACL-Loans, the Company has established an ACL-Unfunded commitments, classified in accrued interest payable and other liabilities on the consolidated balance sheets. This reserve is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments, and is determined quarterly based on methodology similar to the methodology for determining the ACL-Loans. The reserve for unfunded commitments was $3.0 million at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Provision for Credit Losses:

The provision for credit losses is determined by the Company as the amount to be added to the ACL loss accounts for various types of financial instruments including loans, investment securities, and off-balance sheet credit exposures after net charge-offs have been deducted to bring the ACL to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. See Note 5 4 for additional information regarding the ACL related to investment securities. The following table presents the components of the provision for credit losses.

		Three Months Ended		Nine Months Ended		Year Ended				
		Three Months Ended								
		Three Months Ended								
		Three Months Ended							Year Ended	
(in thousands)	(in thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022	(in thousands)	March 31, 2024	March 31, 2023	December 31, 2023
Provision for credit losses on:	Provision for credit losses on:									
Loans										
Loans										

Loans	Loans	$ 450	$ 8,200	$ 1,650	$ 9,100	$ 10,950
Unfunded commitments	Unfunded commitments	—	400	—	550	550
Investment securities	Investment securities	—	—	2,340	—	—
Total	Total	$ 450	$ 8,600	$ 3,990	$ 9,650	$ 11,500

***Collateral Dependent Loans*:**

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation.

September 30, 2023		Collateral Type											
March 31, 2024													
(in thousands)													
(in thousands)													
(in thousands)	(in thousands)	Real Estate	Other Business Assets	Total	Without an Allowance	With an Allowance	Allowance Allocation	Real Estate	Other Business Assets	Total	Without an Allowance	With an Allowance	Allowance Allocation
Commercial & industrial	Commercial & industrial	$ —	$ 3,402	$ 3,402	$ 2,351	$ 1,051	$ 230						
Owner-occupied CRE	Owner-occupied CRE	4,827	—	4,827	4,827	—	—						
Agricultural	Agricultural	7,629	5,811	13,440	8,530	4,910	123						
CRE investment	CRE investment	942	—	942	552	390	19						
Construction & land development		—	—	—	—	—	—						
Residential first mortgage	Residential first mortgage	686	—	686	686	—	—						
Residential junior mortgage		—	—	—	—	—	—						
Residential first mortgage													
Residential first mortgage													
Total loans	Total loans	$ 14,084	$ 9,213	$ 23,297	$ 16,946	$ 6,351	$ 372						
Total loans													
Total loans													

December 31, 2022		Collateral Type											
December 31, 2023													
(in thousands)													
(in thousands)													
(in thousands)	(in thousands)	Real Estate	Other Business Assets	Total	Without an Allowance	With an Allowance	Allowance Allocation	Real Estate	Other Business Assets	Total	Without an Allowance	With an Allowance	Allowance Allocation
Commercial & industrial	Commercial & industrial	$ —	$ 3,475	$ 3,475	$ 1,927	$ 1,548	$ 595						

Owner-occupied CRE	Owner-occupied CRE	4,907	—	4,907	4,699	208	53
Agricultural	Agricultural	13,758	6,458	20,216	14,358	5,858	261
CRE investment	CRE investment	2,713	—	2,713	979	1,734	212
Construction & land development		670	—	670	670	—	—
Residential first mortgage							
Residential first mortgage							
Residential first mortgage	Residential first mortgage	91	—	91	91	—	—
Total loans	Total loans	$ 22,139	$ 9,933	$ 32,072	$ 22,724	$ 9,348	$ 1,121
Total loans							
Total loans							

***Past Due and Nonaccrual Loans*:**

The following tables present past due loans by portfolio segment.

		September 30, 2023			
		March 31, 2024			
(in thousands)	(in thousands)	30-89 Days Past Due (accruing)	90 Days & Over or nonaccrual	Current	Total
Commercial & industrial	Commercial & industrial	$ 281	$ 5,192	$ 1,232,316	$ 1,237,789
Owner-occupied CRE	Owner-occupied CRE	76	5,602	965,719	971,397
Agricultural	Agricultural	151	13,458	1,094,652	1,108,261
CRE investment	CRE investment	240	1,100	1,129,598	1,130,938
Construction & land development	Construction & land development	23	177	326,547	326,747
Residential construction	Residential construction	—	—	76,289	76,289
Residential first mortgage	Residential first mortgage	1,710	3,812	1,131,226	1,136,748
Residential junior mortgage	Residential junior mortgage	67	92	195,273	195,432
Retail & other	Retail & other	729	74	54,853	55,656
Total loans	Total loans	$ 3,277	$ 29,507	$ 6,206,473	$ 6,239,257
Percent of total loans	Percent of total loans	0.1 %	0.5 %	99.4 %	100.0 %
		December 31, 2022			
		December 31, 2023			

	March 31, 2024			
(in thousands)	30-89 Days Past Due (accruing)	90 Days & Over or nonaccrual	Current	Total
Percent of total loans	0.1 %	0.4 %	99.5 %	100.0 %
	December 31, 2023			

(in thousands)	(in thousands)	30-89 Days Past Due (accruing)	90 Days & Over or nonaccrual	Current	Total	(in thousands)	30-89 Days Past Due (accruing)	90 Days & Over or nonaccrual	Current	Total
Commercial & industrial	Commercial & industrial	$ 210	$ 3,328	$1,301,281	$1,304,819					
Owner-occupied CRE	Owner-occupied CRE	833	5,647	948,119	954,599					
Agricultural	Agricultural	20	20,416	1,068,171	1,088,607					
CRE investment	CRE investment	—	3,832	1,146,117	1,149,949					
Construction & land development	Construction & land development	—	771	317,829	318,600					
Residential construction	Residential construction	—	—	114,392	114,392					
Residential first mortgage	Residential first mortgage	3,628	3,780	1,009,527	1,016,935					
Residential junior mortgage	Residential junior mortgage	236	224	176,872	177,332					
Retail & other	Retail & other	261	82	54,923	55,266					
Total loans	Total loans	$ 5,188	$ 38,080	$6,137,231	$6,180,499					
Percent of total loans	Percent of total loans	0.1 %	0.6 %	99.3 %	100.0 %	Percent of total loans	0.1 %	0.4 %	99.5 %	100.0 %

The following table presents nonaccrual loans by portfolio segment.

		September 30, 2023		December 31, 2022						
		March 31, 2024					March 31, 2024		December 31, 2023	
(in thousands)	(in thousands)	Nonaccrual Loans	% of Total	Nonaccrual Loans	% of Total	(in thousands)	Nonaccrual Loans	% of Total	Nonaccrual Loans	% of Total
Commercial & industrial	Commercial & industrial	$ 5,192	17 %	$ 3,328	9 %	Commercial & industrial	$ 3,761	13 13 %	$ 4,046	15 15 %
Owner-occupied CRE	Owner-occupied CRE	5,602	19	5,647	15					
Agricultural	Agricultural	13,458	46	20,416	53					
CRE investment	CRE investment	1,100	4	3,832	10					
Construction & land development	Construction & land development	177	1	771	2					
Residential construction	Residential construction	—	—	—	—					
Residential first mortgage	Residential first mortgage	3,812	13	3,780	10					
Residential junior mortgage	Residential junior mortgage	92	—	224	1					
Retail & other	Retail & other	74	—	82	—					
Nonaccrual loans	Nonaccrual loans	$ 29,507	100 %	$ 38,080	100 %	Nonaccrual loans	$ 26,677	100 100 %	$ 26,625	100 100 %

Percent of total loans	Percent of total loans	0.5 %	0.6 %

***Credit Quality Information*:**

The following tables present total loans by risk categories and gross charge-offs by year of origination. Acquired loans have been included based upon the actual origination date.

September 30, 2023		Amortized Cost Basis by Origination Year								
March 31, 2024										
(in thousands)										
(in thousands)										
(in thousands)	(in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving to Term	TOTAL
	2024	2023	2022	2021	2020	Prior	Revolving	Revolving to Term	TOTAL	
Commercial & industrial	**Commercial & industrial**									
Grades 1-4										
Grades 1-4										
Grades 1-4	Grades 1-4	$152,385	$ 254,446	$ 184,778	$ 73,488	$ 53,351	$ 96,269	$334,059	$ —	$1,148,776
Grade 5	Grade 5	5,350	10,296	6,779	2,908	1,246	7,364	24,477	—	58,420
Grade 6	Grade 6	—	591	612	194	4	1,028	1,850	—	4,279
Grade 7	Grade 7	4,444	4,600	2,653	2,372	1,952	7,205	3,088	—	26,314
Total	**Total**	$162,179	$ 269,933	$ 194,822	$ 78,962	$ 56,553	$ 111,866	$363,474	$ —	$1,237,789
Current period gross charge-offs	Current period gross charge-offs	$ —	$ (77)	$ (114)	$ —	$ —	$ (197)	$ (15)	$ —	$ (403)
Owner-occupied CRE	**Owner-occupied CRE**									
Grades 1-4	Grades 1-4	$101,687	$ 157,461	$ 186,745	$ 98,057	$ 90,223	$ 277,024	$ 3,114	$ —	$ 914,311
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	949	3,754	9,854	5,362	1,481	15,158	212	—	36,770
Grade 6	Grade 6	—	—	348	1,545	605	150	—	—	2,648
Grade 7	Grade 7	—	218	1,024	6,916	354	8,861	295	—	17,668
Total	**Total**	$102,636	$ 161,433	$ 197,971	$111,880	$ 92,663	$ 301,193	$ 3,621	$ —	$ 971,397
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (301)	$ —	$ —	$ (301)
Agricultural	**Agricultural**									
Grades 1-4										
Grades 1-4										
Grades 1-4	Grades 1-4	$ 72,777	$ 282,254	$ 136,796	$ 80,960	$ 23,694	$ 144,223	$252,202	$ —	$ 992,906
Grade 5	Grade 5	2,809	11,201	6,003	725	384	33,751	14,316	—	69,189
Grade 6	Grade 6	—	134	1,114	—	51	2,293	207	—	3,799
Grade 7	Grade 7	3,851	6,898	6,455	492	1,865	14,764	8,042	—	42,367
Total	**Total**	$ 79,437	$ 300,487	$ 150,368	$ 82,177	$ 25,994	$ 195,031	$274,767	$ —	$1,108,261
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (66)	$ —	$ —	$ (66)
CRE investment	**CRE investment**									
Grades 1-4	Grades 1-4	$ 27,123	$ 183,799	$ 247,563	$172,237	$117,114	$ 294,916	$ 11,445	$ —	$1,054,197
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	2,802	7,859	14,857	8,634	10,066	21,927	49	—	66,194

Grade 6	Grade 6	—	—	—	—	—	1,357	65	—	1,422
Grade 7	Grade 7	—	55	21	—	1,043	8,006	—	—	9,125
Total	**Total**	$ 29,925	$ 191,713	$ 262,441	$ 180,871	$ 128,223	$ 326,206	$ 11,559	$ —	$ 1,130,938
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction & land development	**Construction & land development**									
Grades 1-4										
Grades 1-4										
Grades 1-4	Grades 1-4	$ 37,180	$ 153,809	$ 88,212	$ 9,610	$ 5,288	$ 28,329	$ 2,070	$ —	$ 324,498
Grade 5	Grade 5	—	26	127	1,275	508	89	—	—	2,025
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	47	—	—	—	—	92	85	—	224
Total	**Total**	$ 37,227	$ 153,835	$ 88,339	$ 10,885	$ 5,796	$ 28,510	$ 2,155	$ —	$ 326,747
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential construction	**Residential construction**									
Grades 1-4	Grades 1-4	$ 35,996	$ 32,539	$ 5,279	$ 1,101	$ 125	$ 1,209	$ 40	$ —	$ 76,289
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	—	—	—	—	—	—	—	—	—
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	—	—	—	—	—	—	—	—
Total	**Total**	$ 35,996	$ 32,539	$ 5,279	$ 1,101	$ 125	$ 1,209	$ 40	$ —	$ 76,289
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential first mortgage	**Residential first mortgage**									
Grades 1-4										
Grades 1-4										
Grades 1-4	Grades 1-4	$ 125,176	$ 377,475	$ 256,628	$ 134,035	$ 59,281	$ 168,739	$ 614	$ 3	$ 1,121,951
Grade 5	Grade 5	—	1,296	1,259	1,262	2,538	2,684	—	—	9,039
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	150	467	485	1,074	3,582	—	—	5,758
Total	**Total**	$ 125,176	$ 378,921	$ 258,354	$ 135,782	$ 62,893	$ 175,005	$ 614	$ 3	$ 1,136,748
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential junior mortgage	**Residential junior mortgage**									
Grades 1-4	Grades 1-4	$ 12,538	$ 7,607	$ 3,915	$ 4,360	$ 2,848	$ 4,110	$ 153,322	$ 6,446	$ 195,146
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	—	—	—	—	—	—	—	—	—
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	32	202	—	—	14	38	—	286
Total	**Total**	$ 12,538	$ 7,639	$ 4,117	$ 4,360	$ 2,848	$ 4,124	$ 153,360	$ 6,446	$ 195,432

Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (96)	$ —	$ —	$ (96)
Retail & other	**Retail & other**									
Grades 1-4	Grades 1-4	$ 7,281	$ 8,932	$ 6,202	$ 2,925	$ 2,045	$ 4,042	$ 24,107	$ —	$ 55,534
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	—	—	18	—	—	—	—	—	18
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	—	26	10	1	67	—	—	104
Total	**Total**	$ 7,281	$ 8,932	$ 6,246	$ 2,935	$ 2,046	$ 4,109	$ 24,107	$ —	$ 55,656
Current period gross charge-offs	Current period gross charge-offs	$ (6)	$ (1)	$ —	$ (1)	$ —	$ (52)	$ (165)	$ —	$ (225)
Total loans	**Total loans**	$592,395	$1,505,432	$1,167,937	$608,953	$377,141	$1,147,253	$833,697	$ 6,449	$6,239,257

December 31, 2022		**Amortized Cost Basis by Origination Year**																	
December 31, 2023																			
(in thousands)																			
(in thousands)																			
(in thousands)	**(in thousands)**	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving**	**Revolving to Term**	**TOTAL**	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Revolving to Term**	**TOTAL**
Commercial & industrial	**Commercial & industrial**																		
Grades 1-4																			
Grades 1-4																			
Grades 1-4	Grades 1-4	$ 317,394	$ 226,065	$101,374	$ 68,884	$ 50,189	$ 77,589	$360,978	$ —	$1,202,473									
Grade 5	Grade 5	9,938	5,902	10,811	1,530	3,986	4,562	20,617	—	57,346									
Grade 6	Grade 6	1,459	2,283	629	511	402	11,653	14,047	—	30,984									
Grade 7	Grade 7	556	293	3,211	2,990	775	1,070	5,121	—	14,016									
Total	**Total**	$ 329,347	$ 234,543	$116,025	$ 73,915	$ 55,352	$ 94,874	$400,763	$ —	$1,304,819									
Current period gross charge-offs	Current period gross charge-offs	$ (38)	$ (41)	$ (2)	$ —	$ (109)	$ —	$ —	$ —	$ (190)									
Owner-occupied CRE	**Owner-occupied CRE**																		
Grades 1-4	Grades 1-4	$ 151,391	$ 190,313	$105,156	$100,606	$ 91,479	$ 252,574	$ 6,734	$ —	$ 898,253									
Grades 1-4																			
Grades 1-4																			
Grade 5	Grade 5	5,241	3,192	4,287	2,163	4,791	14,632	348	—	34,654									
Grade 6	Grade 6	—	—	763	2,361	—	877	—	—	4,001									
Grade 7	Grade 7	227	706	6,344	616	—	9,798	—	—	17,691									
Total	**Total**	$ 156,859	$ 194,211	$116,550	$105,746	$ 96,270	$ 277,881	$ 7,082	$ —	$ 954,599									
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (555)	$ —	$ —	$ (555)									
Agricultural	**Agricultural**																		
Grades 1-4																			
Grades 1-4																			

Grades 1-4	Grades 1-4	$ 275,208	$ 145,272	$ 85,413	$ 25,463	$ 19,687	$ 130,849	$ 249,033	$ —	$ 930,925
Grade 5	Grade 5	13,295	18,178	2,694	1,992	517	43,927	21,199	—	101,802
Grade 6	Grade 6	115	1,457	28	33	—	5,258	429	—	7,320
Grade 7	Grade 7	7,165	2,632	720	1,977	4,611	19,948	11,507	—	48,560
Total	**Total**	$ 295,783	$ 167,539	$ 88,855	$ 29,465	$ 24,815	$ 199,982	$ 282,168	$ —	$ 1,088,607
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE investment	**CRE investment**									
Grades 1-4	Grades 1-4	$ 205,930	$ 229,252	$ 192,527	$ 134,301	$ 79,649	$ 248,595	$ 11,383	$ —	$ 1,101,637
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	567	1,649	3,578	4,266	3,086	24,897	—	—	38,043
Grade 6	Grade 6	—	—	—	1,170	2,396	2,483	206	—	6,255
Grade 7	Grade 7	—	—	121	299	245	3,140	209	—	4,014
Total	**Total**	$ 206,497	$ 230,901	$ 196,226	$ 140,036	$ 85,376	$ 279,115	$ 11,798	$ —	$ 1,149,949
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction & land development	**Construction & land development**									
Grades 1-4										
Grades 1-4										
Grades 1-4	Grades 1-4	$ 104,804	$ 140,727	$ 12,188	$ 9,747	$ 23,811	$ 13,138	$ 13,235	$ —	$ 317,650
Grade 5	Grade 5	37	—	—	14	—	95	—	—	146
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	33	—	—	—	—	771	—	—	804
Total	**Total**	$ 104,874	$ 140,727	$ 12,188	$ 9,761	$ 23,811	$ 14,004	$ 13,235	$ —	$ 318,600
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential construction	**Residential construction**									
Grades 1-4	Grades 1-4	$ 92,417	$ 16,774	$ 966	$ 123	$ 336	$ 229	$ 3,547	$ —	$ 114,392
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	—	—	—	—	—	—	—	—	—
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	—	—	—	—	—	—	—	—
Total	**Total**	$ 92,417	$ 16,774	$ 966	$ 123	$ 336	$ 229	$ 3,547	$ —	$ 114,392
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential first mortgage	**Residential first mortgage**									
Grades 1-4										
Grades 1-4										
Grades 1-4	Grades 1-4	$ 318,628	$ 272,011	$ 147,857	$ 68,975	$ 31,208	$ 162,153	$ 2,080	$ 3	$ 1,002,915
Grade 5	Grade 5	1,494	758	997	1,803	2,272	465	—	—	7,789
Grade 6	Grade 6	—	—	—	711	—	—	—	—	711

Grade 7	Grade 7	154	329	188	349	197	4,303	—	—	5,520
Total	**Total**	$ 320,276	$ 273,098	$149,042	$ 71,838	$ 33,677	$ 166,921	$ 2,080	$ 3	$1,016,935
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (65)	$ —	$ —	$ (65)
Residential junior mortgage	**Residential junior mortgage**									
Grades 1-4	Grades 1-4	$ 10,119	$ 4,580	$ 5,207	$ 3,151	$ 1,573	$ 3,409	$142,784	$ 5,762	$ 176,585
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	—	—	—	—	—	143	165	—	308
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	206	—	—	—	24	209	—	439
Total	**Total**	$ 10,119	$ 4,786	$ 5,207	$ 3,151	$ 1,573	$ 3,576	$143,158	$ 5,762	$ 177,332
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Retail & other	**Retail & other**									
Grades 1-4	Grades 1-4	$ 12,318	$ 8,957	$ 4,221	$ 3,188	$ 1,035	$ 24,950	$ 492	$ —	$ 55,161
Grades 1-4										
Grades 1-4										
Grade 5	Grade 5	—	23	—	—	—	—	—	—	23
Grade 6	Grade 6	—	—	—	—	—	—	—	—	—
Grade 7	Grade 7	—	23	22	2	30	5	—	—	82
Total	**Total**	$ 12,318	$ 9,003	$ 4,243	$ 3,190	$ 1,065	$ 24,955	$ 492	$ —	$ 55,266
Current period gross charge-offs	Current period gross charge-offs	$ —	$ (1)	$ (6)	$ (1)	$ —	$ —	$ (215)	$ —	$ (223)
Total loans	**Total loans**	$1,528,490	$1,271,582	$689,302	$437,225	$322,275	$1,061,537	$864,323	$ 5,765	$6,180,499

An internal loan review function rates loans using a grading system based on different risk categories. Loans with a Substandard grade are considered to have a greater risk of loss and may be assigned allocations for loss based on specific review of the weaknesses observed in the individual credits. Such loans are monitored by the loan review function to help ensure early identification of any deterioration. A description of the loan risk categories used by the Company follows.

Grades 1-4, Pass: Credits exhibit adequate cash flows, appropriate management and financial ratios within industry norms and/or are supported by sufficient collateral. Some credits in these rating categories may require a need for monitoring but elements of concern are not severe enough to warrant an elevated rating.

Grade 5, Watch: Credits with this rating are adequately secured and performing but are being monitored due to the presence of various short-term weaknesses which may include unexpected, short-term adverse financial performance, managerial problems, potential impact of a decline in the entire industry or local economy and delinquency issues. Loans to individuals or loans supported by guarantors with marginal net worth or collateral may be included in this rating category.

Grade 6, Special Mention: Credits with this rating have potential weaknesses that, without the Company's attention and correction may result in deterioration of repayment prospects. These assets are considered Criticized Assets. Potential weaknesses may include adverse financial trends for the borrower or industry, repeated lack of compliance with Company requests, increasing debt to net worth, serious management conditions and decreasing cash flow.

Grade 7, Substandard: Assets with this rating are characterized by the distinct possibility the Company will sustain some loss if deficiencies are not corrected. All foreclosures, liquidations, and nonaccrual loans are considered to be categorized in this rating, regardless of collateral sufficiency.

***Modifications to Borrowers Experiencing Financial Difficulty*:**

On January 1, 2023, the Company adopted ASU 2022-02, which eliminated the accounting guidance for TDRs by creditors and enhanced the disclosure requirements for certain loan modifications to borrowers experiencing financial difficulty. The following table presents the amortized cost of loans that were both made to borrowers experiencing financial difficulty and were modified during the nine three months ended September 30, 2023 March 31, 2024 and March 31, 2023, respectively, aggregated by portfolio segment and type of modification.

(in thousands)	(in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Term Extension & Interest Rate Reduction	Total	% of Total Loans	(in thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Term Extension & Interest Rate Reduction	Total	% of Total Loans

Three Months Ended March 31, 2024

Commercial & industrial

Commercial & industrial

Commercial & industrial	Commercial & industrial	$ 433	$ —	$ 87	$ —	$ 520	0.04 %	$	—	$ —	$ —	$ —	$ —			—	—	%	
Owner-occupied CRE	Owner-occupied CRE	—	—	—	—	—	— %	Owner-occupied CRE	1,530	—	—	—	—	—	—	1,530	1,530	0.16	0.16 %
Agricultural	Agricultural	107	—	—	—	107	0.01 %	Agricultural	—	—	—	—	—	—	—	—	—	—	— %
CRE investment	CRE investment	—	—	—	—	—	— %	CRE investment	—	—	—	—	—	—	—	—	—	—	— %
Construction & land development		—	—	—	—	—	— %												
Residential first mortgage		—	—	—	—	—	— %												
Total	Total	$ 540	$ —	$ 87	$ —	$ 627	0.01 %												
Total																			
Total									$ 1,530	$ —	$ —	$ —			$ 1,530		0.02 %		

Three Months Ended March 31, 2023

Commercial & industrial

Commercial & industrial

Commercial & industrial		$ —	$ —	$ —	$ —	$ —	— %
Owner-occupied CRE	Owner-occupied CRE	—	—	—	—	—	— %
Agricultural	Agricultural	110	—	—	—	110	0.01 %
CRE investment	CRE investment	—	—	—	—	—	— %
Total							
Total							
Total		$ 110	$ —	$ —	$ —	$ 110	— %

The loans presented in the table above have had more than insignificant payment delays (which the Company has defined as payment delays in excess of three months). These modified loans are closely monitored by the Company to understand the effectiveness of its modification efforts, and such loans generally remain in nonaccrual status pending a sustained period of performance in accordance with the modified terms.

As of September 30, 2023 March 31, 2024 and December 31, 2023, there were no loans made to borrowers experiencing financial difficulty that were modified during the current period and subsequently defaulted, and there were no commitments to lend additional funds to such debtors.

***Troubled Debt Restructuring Disclosures Prior to Adoption of ASU 2022-02*:**

As of December 31, 2022, the Company had restructured loans totaling $18 million, with a pre-modification balance of $24 million, all of which were also reflected as nonaccrual loans. There were no restructured loans modified during 2022 that subsequently defaulted, and there were no commitments to lend additional funds to such debtors.

Note 7 6 – Goodwill and Other Intangibles and Servicing Rights

Management periodically reviews the carrying value of its intangible assets to determine if any impairment has occurred, in which case an impairment charge would be recorded as an expense in the period of impairment, or whether changes in circumstances have occurred that would require a revision to the remaining useful life that would affect expense prospectively. In making such determination, management evaluates whether there are any adverse qualitative factors indicating that an impairment may exist, as well as the performance of the underlying operations or assets which give rise to the intangible. Management also regularly monitors economic factors for potential impairment indications on the value of our franchise, stability of deposits, and the wealth client base, underlying our goodwill and other intangibles. Management concluded no impairment was indicated for the nine three months ended September 30, 2023 March 31, 2024 and the year ended December 31, 2022 December 31, 2023. A summary of goodwill and other intangibles was as follows.

(in thousands)

(in thousands)

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Goodwill	Goodwill	$ 367,387	$ 367,387		
Core deposit intangibles	Core deposit intangibles	26,842	32,701		
Customer list intangibles	Customer list intangibles	1,979	2,350		
Other intangibles	Other intangibles	28,821	35,051		
Goodwill and other intangibles, net	Goodwill and other intangibles, net	$ 396,208	$ 402,438		

Goodwill: A summary of goodwill was as follows. During 2022, goodwill increased due to the Charter acquisition.

(in thousands)	Nine Months Ended September 30, 2023	Year Ended December 31, 2022
Goodwill:		
Goodwill at beginning of year	$ 367,387	$ 317,189
Acquisitions	—	49,970
Purchase accounting adjustment	—	228
Goodwill at end of period	$ 367,387	$ 367,387

Other intangible assets: Other intangible assets, consisting of core deposit intangibles and customer list intangibles, are amortized over their estimated finite lives. During first quarter 2024, Nicolet purchased a financial advisory book of business and established a corresponding customer list intangible. A summary of other intangible assets was as follows. During 2022, core deposit intangibles increased due to the Charter acquisition.

		Nine Months Ended	Year Ended			
	Three Months Ended				Three Months Ended	Year Ended
(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
Core deposit intangibles:	**Core deposit intangibles:**					
Gross carrying amount						
Gross carrying amount						
Gross carrying amount	Gross carrying amount	$ 60,724	$ 60,724			
Accumulated amortization	Accumulated amortization	(33,882)	(28,023)			
Net book value	Net book value	$ 26,842	$ 32,701			
Additions during the period	Additions during the period	$ —	$ 19,364			
Amortization during the period	Amortization during the period	$ 5,859	$ 6,108			

Customer list intangibles:	**Customer list intangibles:**		
Gross carrying amount	Gross carrying amount	$ 5,523	$ 5,523
Gross carrying amount			
Gross carrying amount			
Accumulated amortization	Accumulated amortization	(3,544)	(3,173)
Net book value	Net book value	$ 1,979	$ 2,350
Additions during the period			
Amortization during the period	Amortization during the period	$ 371	$ 508

Mortgage servicing rights ("MSR"): Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income, and assessed for impairment at each reporting date, with the amortization recorded in mortgage income, net, in the consolidated statements of income. Mortgage servicing rights are carried at the lower of the initial capitalized amount, net of accumulated amortization, or estimated fair value, and are included in other assets in the consolidated balance sheets. The Company periodically evaluates its mortgage servicing rights asset for impairment. At each reporting date, impairment is assessed based on estimated fair value using estimated prepayment speeds of the underlying mortgage loans serviced and stratification based on the risk characteristics of the underlying loans (predominantly loan type and note interest rate). A summary of the changes in the mortgage servicing rights asset was as follows.

		Nine Months Ended	**Year Ended**			
	Three Months Ended				**Three Months Ended**	**Year Ended**
(in thousands)	**(in thousands)**	**September 30, 2023**	**December 31, 2022**	**(in thousands)**	**March 31, 2024**	**December 31, 2023**
Mortgage servicing rights asset:	**Mortgage servicing rights asset:**					
MSR asset at beginning of year						
MSR asset at beginning of year						
MSR asset at beginning of year	MSR asset at beginning of year	$ 13,080	$ 13,636			
Capitalized MSR	Capitalized MSR	1,104	2,327			
Amortization during the period	Amortization during the period	(2,248)	(2,883)			
Amortization during the period						
Amortization during the period						
MSR asset at end of period	MSR asset at end of period	$ 11,936	$ 13,080			

Valuation allowance at beginning of year	Valuation allowance at beginning of year	$ (500)	$ (1,200)				
Reversals							
Reversals							
Reversals	Reversals	500	700				
Valuation allowance at end of period	Valuation allowance at end of period	$ —	$ (500)				
MSR asset, net	MSR asset, net	$ 11,936	$ 12,580				
Fair value of MSR asset at end of period	Fair value of MSR asset at end of period	$ 15,847	$ 17,215				
Residential mortgage loans serviced for others	Residential mortgage loans serviced for others	$1,610,318	$1,637,109				
Net book value of MSR asset to loans serviced for others	Net book value of MSR asset to loans serviced for others	0.74 %	0.77 %	Net book value of MSR asset to loans serviced for others	0.70 %	0.72	%

Loan servicing rights ("LSR"): The Company acquired an LSR asset in December 2021 which will be amortized over the estimated remaining loan service period. The period, as the Company does not expect to add new loans to this servicing portfolio. A summary of the changes in the LSR asset were as follows.

		Nine Months Ended	Year Ended			
	Three Months Ended				Three Months Ended	Year Ended
(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
Loan servicing rights asset:	**Loan servicing rights asset:**					
LSR asset at beginning of year						
LSR asset at beginning of year						
LSR asset at beginning of year	LSR asset at beginning of year	$ 11,039	$ 20,055			
Amortization during the period	Amortization during the period	(1,656)	(9,016)			
LSR asset at end of period	LSR asset at end of period	$ 9,383	$ 11,039			

Agricultural loans serviced for others	Agricultural loans serviced for others	$ 502,901	$ 538,392

The following table shows the estimated future amortization expense for amortizing intangible assets and the servicing assets. The projections are based on existing asset balances, the current interest rate environment and estimated prepayment speeds as of September 30, 2023 March 31, 2024. The actual amortization expense the Company recognizes in any given period may be significantly different depending upon acquisition or sale activities, changes in interest rates, prepayment speeds, market conditions, regulatory requirements and events or circumstances that indicate the carrying amount of an asset may not be recoverable.

(in thousands)	(in thousands)	Core deposit intangibles	Customer list intangibles	MSR asset	LSR asset	(in thousands)	Core deposit intangibles	Customer list intangibles	MSR asset	LSR asset
Year ending December 31,	Year ending December 31,									
2023 (remaining three months)		$ 1,730	$ 112	$ 687	$ 552					
2024		6,298	449	2,661	1,962					
2024 (remaining nine months)										
2024 (remaining nine months)										
2024 (remaining nine months)										
2025	2025	5,161	449	1,978	1,717					
2026	2026	3,983	249	1,457	1,472					
2027	2027	3,218	166	1,457	1,227					
2028	2028	2,622	166	1,456	981					
2029										
Thereafter	Thereafter	3,830	388	2,240	1,472					
Total	Total	$ 26,842	$ 1,979	$ 11,936	$ 9,383					

Note 8 7 – Short and Long-Term Borrowings

Short-Term Borrowings:

Short-term borrowings include any borrowing with an original maturity of one year or less. The Company did not have any short-term borrowings outstanding at September 30, 2023. At December 31, 2022, short-term borrowings included $317 million of short-term FHLB advances, comprised of $117 million due in January 2023 at a weighted average rate of 4.29% and $200 million due in September 2023 at a weighted average rate of 4.30% either March 31, 2024 or December 31, 2023.

Long-Term Borrowings:

Long-term borrowings include any borrowing with an original maturity greater than one year. The components of long-term borrowings were as follows.

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
FHLB advances	FHLB advances	$ 5,000	$ 33,000			
Junior subordinated debentures	Junior subordinated debentures	40,344	39,720			
Subordinated notes	Subordinated notes	152,410	152,622			
Total long-term borrowings	Total long-term borrowings	$ 197,754	$ 225,342			

FHLB Advances: The Federal Home Loan Bank ("FHLB") advance bears a fixed rate, requires interest-only monthly payments, and has a maturity date of March 2025. The weighted average rate of the FHLB advances advance was 1.55% at September 30, 2023 both March 31, 2024 and 1.09% at December 31, 2022 December 31, 2023.

Junior Subordinated Debentures: Each of the junior subordinated debentures was issued to an underlying statutory trust (the "statutory trusts"), which issued trust preferred securities and common securities and used the proceeds from the issuance of the common and the trust preferred securities to purchase the junior subordinated debentures of the Company. The debentures represent the sole asset of the statutory trusts. All of the common securities of the statutory trusts are owned by the Company. The statutory trusts are not included in the consolidated financial statements. The net effect of all the documents entered into with respect to the trust preferred securities is that the Company, through payments on its debentures, is liable for the distributions and other payments required on the trust preferred securities. Interest on all debentures is current. Any applicable discounts (initially recorded to carry an acquired debenture at its then estimated fair value) are being accreted to interest expense over the remaining life of the debenture. All the junior subordinated debentures are currently callable and may be redeemed in part or in full, at par, plus any accrued but unpaid interest. At September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, approximately $39 million and $38 million, respectively, of trust preferred securities qualify as Tier 1 capital.

Subordinated Notes (the "Notes"): In July 2021, the Company completed the private placement of $100 million in fixed-to-floating rate subordinated notes due in 2031, with a fixed annual rate of 3.125% for the first five years, and will reset quarterly thereafter to the then current three-month Secured Overnight Financing Rate ("SOFR") plus 237.5 basis points. The Notes due in 2031 are redeemable beginning July 15, 2026 and quarterly thereafter on any interest payment date. During first quarter 2024, the Company repurchased and retired approximately $5 million of these Notes.

In December 2021, Nicolet assumed two subordinated note issuances at a premium as the result of an acquisition. One issuance was $30 million in fixed-to-floating rate subordinated notes due in 2028, with a fixed annual interest rate of 5.875% for the first five years, and will reset quarterly thereafter to the then current three-month SOFR, as adjusted for the LIBOR to SOFR spread adjustment, plus 2.88%. The Company intends to redeem these notes on the next interest payment date in fourth quarter 2023. The second issuance was acquisition, Nicolet assumed $22 million in fixed-to-floating rate subordinated notes due in 2030, with a fixed annual interest rate of 7.00% for the first five years, and will reset quarterly thereafter to the then current SOFR plus 687.5 basis points. The Notes due in 2028 are redeemable beginning June 1, 2023, and quarterly thereafter on any interest payment date, while the Notes due in 2030 are redeemable beginning June 30, 2025, and quarterly thereafter on any interest payment date. All Notes qualify as Tier 2 capital for regulatory purposes, and are discounted in accordance with regulations when the debt has five years or less remaining to maturity.

The following table shows the breakdown of junior subordinated debentures and subordinated notes.

				As of September 30, 2023			As of December 31, 2022	
				As of March 31, 2024			As of March 31, 2024	As of December 31, 2023
(in thousands)	(in thousands)	Maturity Date	Interest Rate	Par	Unamortized Premium /(Discount) / Debt Issue Costs (1)	Carrying Value	Interest Rate	Carrying Value
(in thousands)		Maturity Date	Interest Rate	Par	Unamortized Premium /(Discount) / Debt Issue Costs (1)	Carrying Value	Interest Rate	Carrying Value
Junior Subordinated Debentures:	***Junior Subordinated Debentures:***							
Mid-Wisconsin Statutory Trust I (2)								
Mid-Wisconsin Statutory Trust I (2)								
Mid-Wisconsin Statutory Trust I (2)	Mid-Wisconsin Statutory Trust I (2)	12/15/2035	7.10 %	$ 10,310	$ (2,429)	$ 7,881	6.20 %	$ 7,734
Baylake Capital Trust II (3)	Baylake Capital Trust II (3)	9/30/2036	7.01 %	16,598	(2,997)	13,601	6.08 %	13,424
First Menasha Statutory Trust (4)	First Menasha Statutory Trust (4)	3/17/2034	8.46 %	5,155	(454)	4,701	7.53 %	4,668
County Bancorp Statutory Trust II (5)	County Bancorp Statutory Trust II (5)	9/15/2035	7.20 %	6,186	(792)	5,394	6.30 %	5,277
County Bancorp Statutory Trust III (6)	County Bancorp Statutory Trust III (6)	6/15/2036	7.36 %	6,186	(850)	5,336	6.46 %	5,219
Fox River Valley Capital Trust (7)	Fox River Valley Capital Trust (7)	5/30/2033	6.40 %	3,610	(179)	3,431	6.40 %	3,398
Total	Total			$ 48,045	$ (7,701)	$ 40,344		$ 39,720
Subordinated Notes:	***Subordinated Notes:***							

Subordinated Notes due 2031	Subordinated Notes due 2031	7/15/2031	3.13 %	$100,000	$ (576)	$ 99,424	3.13 %	$ 99,267
County Subordinated Notes due 2028		6/1/2028	8.56 %	30,000	—	30,000	5.88 %	30,119
Subordinated Notes due 2031								
Subordinated Notes due 2031								
County Subordinated Notes due 2030	County Subordinated Notes due 2030	6/30/2030	7.00 %	22,400	586	22,986	7.00 %	23,236
Total	Total			$152,400	$ 10	$152,410		$152,622

(1) Represents the remaining unamortized premium or discount on debt issuances assumed in acquisitions, and represents the unamortized debt issue costs for the debt issued directly by Nicolet.

(2) The debentures, assumed in April 2013 as the result of an acquisition, have a floating rate of three-month SOFR plus 1.43%, adjusted quarterly. *

(3) The debentures, assumed in April 2016 as a result of an acquisition, have a floating rate of three-month SOFR plus 1.35%, adjusted quarterly. *

(4) The debentures, assumed in April 2017 as the result of an acquisition, have a floating rate of three-month SOFR plus 2.79%, adjusted quarterly. *

(5) The debentures, assumed in December 2021 as the result of an acquisition, have a floating rate of three-month SOFR plus 1.53%, adjusted quarterly. *

(6) The debentures, assumed in December 2021 as the result of an acquisition, have a floating rate of three-month SOFR plus 1.69%, adjusted quarterly. *

(7) The debentures, assumed in December 2021 as the result of an acquisition, have a floating rate of 5-year swap rate plus 3.40%, which resets every five years.

* The floating rate on this debenture was originally based on three-month LIBOR. Effective with the cessation of LIBOR, the floating rate on this debenture is now based on three-month CME Term SOFR, plus the spread adjustment of 0.26161%.

Note 98 – Commitments and Contingencies

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, financial guarantees, and standby letters of credit. Such commitments may involve, to varying degrees, elements of credit risk in excess of amounts recognized on the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and issuing letters of credit as they do for on-balance sheet financial instruments. See Note 65 for information on the allowance for credit losses-unfunded commitments.

A summary of the contract or notional amount of the Company's exposure to off-balance sheet risk was as follows.

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
Commitments to extend credit	Commitments to extend credit	$1,810,068	$1,850,601			
Financial standby letters of credit	Financial standby letters of credit	18,235	26,530			
Performance standby letters of credit	Performance standby letters of credit	15,814	9,375			

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract, and predominantly included commercial lines of credit with a term of one year or less. The commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Financial and performance standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Financial standby letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party, while performance standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. Both of these guarantees are primarily issued to support public and private borrowing arrangements and, generally, have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral, which may include accounts receivable, inventory, property, equipment, and income-producing properties, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third-party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount. If the commitment is funded, the Company would be entitled to seek recovery from the customer.

Interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans held for sale are considered derivative instruments ("mortgage derivatives") and the contractual amounts were $16$21 million and $17$20 million, respectively, at September 30, 2023March 31, 2024. In comparison, interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans held for sale each totaled $9$13 million and $9 million, respectively, at December 31, 2022December 31, 2023. The net fair value of these mortgage derivatives combined was a net gain of $0.2 million and $0.1 million at September 30, 2023both March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

Nicolet is party to various pending and threatened claims and legal proceedings arising in the normal course of business activities, some of which may involve claims for substantial amounts. Although Nicolet has developed policies and procedures to minimize legal noncompliance and the impact of claims and other proceedings and endeavored to procure reasonable amounts of insurance coverage, litigation and regulatory actions present an ongoing risk. With respect to all such claims, Nicolet continuously assesses its potential liability based on the allegations and evidence available. If the facts indicate that it is probable that Nicolet will incur a loss and the amount of such loss can be reasonably estimated, Nicolet will establish an accrual for the probable loss. For matters where a loss is not probable, or the amount of the loss cannot be reasonably estimated, Nicolet does not establish an accrual.

Future developments could result in an unfavorable outcome for or resolution of any one or more of the legal proceedings in which Nicolet is a defendant, which may be material to Nicolet's business or consolidated results of operations or financial condition for a particular fiscal period or periods. Although it is not possible to predict the outcome of any of these legal proceedings or the range of possible loss, if any, based on the most recent information available, advice of counsel and available insurance coverage, if applicable, management believes that any liability resulting from such proceedings would not have a material adverse effect on our financial position or results of operations.

Note 10 9 – Fair Value Measurements

Fair value represents the estimated price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date under current market conditions (i.e., an exit price concept), and is a market-based measurement versus an entity-specific measurement. The Company records and/or discloses certain financial instruments on a fair value basis. These financial assets and financial liabilities are measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the assumptions used to determine fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions of the reporting entity about how market participants would price the asset or liability based on the best information available under the circumstances. The three fair value levels are:

- Level 1 – quoted market prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – significant unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity

In instances where the fair value measurement is based on inputs from different levels, the level within which the entire fair value measurement will be categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. This assessment of the significance of an input requires management judgment.

Recurring basis fair value measurements:

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis for the periods presented.

(in thousands)	**(in thousands)**		**Fair Value Measurements Using**		
Measured at Fair Value on a Recurring Basis:	**Measured at Fair Value on a Recurring Basis:**	**Total**	**Level 1**	**Level 2**	**Level 3**
September 30, 2023					
March 31, 2024					
U.S. Treasury securities					
U.S. Treasury securities					
U.S. Treasury securities	U.S. Treasury securities	$ 37,504	$ —	$ 37,504	$ —
U.S. government agency securities	U.S. government agency securities	8,221	—	8,221	—
State, county and municipals	State, county and municipals	341,330	—	339,949	1,381
Mortgage-backed securities	Mortgage-backed securities	306,409	—	305,438	971
Corporate debt securities	Corporate debt securities	100,362	—	97,064	3,298
Securities AFS	Securities AFS	$793,826	$ —	$788,176	$5,650

(in thousands)		**Fair Value Measurements Using**		
Measured at Fair Value on a Recurring Basis:	**Total**	**Level 1**	**Level 2**	**Level 3**

Other investments (equity securities)	Other investments (equity securities)	$ 3,893	$ 3,893	$ —	$ —
Derivative assets	Derivative assets	$ 186	$ —	$ —	$ 186
Derivative liabilities	Derivative liabilities	$ —	$ —	$ —	$ —
December 31, 2022					
December 31, 2023					
U.S. Treasury securities					
U.S. Treasury securities					
U.S. Treasury securities	U.S. Treasury securities	$ 183,830	$ —	$ 183,830	$ —
U.S. government agency securities	U.S. government agency securities	2,100	—	2,100	—
State, county and municipals	State, county and municipals	398,188	—	396,315	1,873
Mortgage-backed securities	Mortgage-backed securities	200,932	—	199,951	981
Corporate debt securities	Corporate debt securities	132,568	—	127,269	5,299
Securities AFS	Securities AFS	$ 917,618	$ —	$ 909,465	$ 8,153
Other investments (equity securities)	Other investments (equity securities)	$ 4,376	$ 4,376	$ —	$ —
Derivative assets	Derivative assets	$ 60	$ —	$ —	$ 60
Derivative liabilities	Derivative liabilities	$ 10	$ —	$ —	$ 10

The following is a description of the valuation methodologies used by the Company for the assets and liabilities measured at fair value on a recurring basis, noted in the tables above.

Securities AFS and Equity Securities: Where quoted market prices on securities exchanges are available, the investments are classified as Level 1. Level 1 investments primarily include exchange-traded equity securities. If quoted market prices are not available, fair value is generally determined using prices obtained from independent pricing vendors who use pricing models (with typical inputs including benchmark yields, reported trades for similar securities, issuer spreads or relationship to other benchmark quoted securities), or discounted cash flows, and are classified as Level 2. Examples of these investments include U.S. Treasury securities, U.S. government agency securities, mortgage-backed securities, obligations of state, county and municipals, and certain corporate debt securities. Finally, in certain cases where there is limited activity or less transparency around inputs to the estimated fair value, investments are classified within Level 3 of the hierarchy. Examples of these include private corporate debt securities, which are primarily trust preferred security investments, as well as certain municipal bonds and mortgage-backed securities. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, it was determined that carrying value was the best approximation of fair value for these Level 3 securities, based primarily on the internal analysis on these securities.

Derivatives: The derivative assets and liabilities include interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans held for sale, which are considered derivative instruments (“mortgage derivatives”). derivatives. The fair value of interest rate lock commitments are determined using the projected sale price of individual loans based on changes in the market interest rates, projected pull-through rates (the probability that an interest rate lock commitment will ultimately result in an originated loan), the reduction in the value of the applicant’s option due to the passage of time, and the remaining origination costs to be incurred based on management’s estimate of market costs. The fair value of forward commitments are determined using quoted prices of to-be-announced securities in active markets, or benchmarked to such securities. The derivative assets and liabilities are classified with Level 3 of the hierarchy.

The following table presents the changes in Level 3 securities AFS measured at fair value on a recurring basis.

(in thousands) Level 3 Fair Value Measurements:	(in thousands) Level 3 Fair Value Measurements:	Nine Months Ended September 30, 2023	Year Ended December 31, 2022	(in thousands) Level 3 Fair Value Measurements:	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Balance at beginning of year	Balance at beginning of year	$ 8,153	$ 8,065			
Acquired balance		—	750			
Maturities / Paydowns						
Maturities / Paydowns						
Maturities / Paydowns	Maturities / Paydowns	(2,469)	(451)			
Unrealized gain / (loss)	Unrealized gain / (loss)	(34)	(211)			
Balance at end of period	Balance at end of period	$ 5,650	$ 8,153			

Nonrecurring basis fair value measurements:

The following table presents the Company's assets measured at fair value on a nonrecurring basis, aggregated by level in the fair value hierarchy within which those measurements fall.

(in thousands) Measured at Fair Value on a Nonrecurring Basis:	(in thousands) Measured at Fair Value on a Nonrecurring Basis:	Total	Fair Value Measurements Using Level 1	Level 2	Level 3	(in thousands) Measured at Fair Value on a Nonrecurring Basis:	Total	Fair Value Measurements Using Level 1	Level 2	Level 3
September 30, 2023										
March 31, 2024										
Collateral dependent loans										
Collateral dependent loans										
Collateral dependent loans	Collateral dependent loans	$ 22,925	$ —	$ —	$ 22,925					
Other real estate owned ("OREO")	Other real estate owned ("OREO")	2,031	—	—	2,031					
MSR asset	MSR asset	11,936	—	—	11,936					
December 31, 2022										
December 31, 2023										
Collateral dependent loans										
Collateral dependent loans										
Collateral dependent loans	Collateral dependent loans	$ 30,951	$ —	$ —	$ 30,951					
OREO	OREO	1,975	—	—	1,975					
MSR asset	MSR asset	12,580	—	—	12,580					

The following is a description of the valuation methodologies used by the Company for the items assets and liabilities measured at fair value on a nonrecurring basis, noted in the table above.

Collateral dependent loans: For individually evaluated collateral dependent loans, the estimated fair value is based upon the present value of expected future cash flows discounted at the loan's effective interest rate, the estimated fair value of the underlying collateral with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral, or the estimated liquidity of the note.

OREO: For OREO, the fair value is based upon the estimated fair value of the underlying collateral adjusted for the expected costs to sell.

MSR asset: To estimate the fair value of the MSR asset, the underlying serviced loan pools are stratified by interest rate tranche and term of the loan, and a valuation model is used to calculate the present value of the expected future cash flows for each stratum. The servicing valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, ancillary income, default rates and losses, and prepayment speeds. Although some of these assumptions are based on observable market data, other assumptions are based on unobservable estimates of what market participants would use to measure fair value.

Financial instruments:

The carrying amounts and estimated fair values of the Company's financial instruments are shown below.

								September 30, 2023				
March 31, 2024								**March 31, 2024**				
(in thousands)	**(in thousands)**	**Carrying Amount**	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**	**(in thousands)**	**Carrying Amount**	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:	**Financial assets:**											
Cash and cash equivalents												
Cash and cash equivalents												
Cash and cash equivalents	Cash and cash equivalents	$ 545,880	$ 545,880	$545,880	$ —	$ —						
Certificates of deposit in other banks	Certificates of deposit in other banks	7,598	7,519	—	7,519	—						
Securities AFS	Securities AFS	793,826	793,826	—	788,176	5,650						
Other investments, including equity securities												
Other investments, including equity securities												
Other investments, including equity securities	Other investments, including equity securities	58,367	58,367	3,893	43,973	10,501						
Loans held for sale	Loans held for sale	6,500	6,641	—	6,641	—						
Loans, net	Loans, net	6,176,097	5,908,160	—	—	5,908,160						
MSR asset	MSR asset	11,936	15,847	—	—	15,847						
LSR asset	LSR asset	9,383	9,383	—	—	9,383						
Accrued interest receivable	Accrued interest receivable	24,166	24,166	24,166	—	—						
Financial liabilities:	**Financial liabilities:**											
Deposits	Deposits	$7,182,388	$7,164,174	$ —	$ —	$7,164,174						
Short-term borrowings		—	—	—	—	—						
Deposits												
Deposits												
Long-term borrowings												
Long-term borrowings												
Long-term borrowings	Long-term borrowings	197,754	190,738	—	4,736	186,002						
Accrued interest payable	Accrued interest payable	7,028	7,028	7,028	—	—						

								December 31, 2022				
December 31, 2023								December 31, 2023				
(in thousands)	(in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3	(in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:	**Financial assets:**											
Cash and cash equivalents	Cash and cash equivalents	$ 154,723	$ 154,723	$154,723	$ —	$ —						
Cash and cash equivalents												
Cash and cash equivalents												
Certificates of deposit in other banks	Certificates of deposit in other banks	12,518	12,407	—	12,407	—						
Securities AFS	Securities AFS	917,618	917,618	—	909,465	8,153						
Securities HTM		679,128	623,352	—	623,352	—						
Other investments, including equity securities		65,286	65,286	4,376	52,093	8,817						
Other investments												
Other investments												
Other investments												
Loans held for sale	Loans held for sale	1,482	1,529	—	1,529	—						
Loans, net	Loans, net	6,118,670	5,863,570	—	—	5,863,570						
MSR asset	MSR asset	12,580	17,215	—	—	17,215						
LSR asset	LSR asset	11,039	11,039	—	—	11,039						
Accrued interest receivable	Accrued interest receivable	21,275	21,275	21,275	—	—						
Financial liabilities:	**Financial liabilities:**											
Deposits	Deposits	$7,178,921	$7,172,779	$ —	$ —	$7,172,779						
Short-term borrowings		317,000	317,000	317,000	—	—						
Deposits												
Deposits												
Long-term borrowings												
Long-term borrowings												
Long-term borrowings	Long-term borrowings	225,342	220,513	—	33,001	187,512						
Accrued interest payable	Accrued interest payable	4,265	4,265	4,265	—	—						

The valuation methodologies for the financial instruments disclosed in the above table are described in Note 18, Fair Value Measurements, in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Note 11 – Subsequent Event

On October 2, 2023, Nicolet sold its member interest in UFS, LLC, for proceeds of $10 million and a pre-tax gain of approximately $9 million. This gain on sale will be realized during fourth quarter 2023.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Nicolet Bankshares, Inc. (the "Company" or "Nicolet") is a bank holding company headquartered in Green Bay, Wisconsin. Nicolet provides a diversified range of traditional banking and wealth management services to individuals and businesses in its market area and through the branch offices of its banking subsidiary, Nicolet National Bank (the "Bank"), primarily in Wisconsin, Michigan, and Minnesota. In this Quarterly Report on Form 10-Q, unless the context indicates otherwise, all references to "we," "us" and "our" refer to the Company.

Forward-Looking Statements

Statements made in this document and in any documents that are incorporated by reference which are not purely historical are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, including any statements regarding descriptions of management's plans, objectives, or goals for future operations, products or services, and forecasts of its revenues, earnings, or other measures of performance. Forward-looking statements are based on current management expectations and, by their nature, are subject to risks and uncertainties. These statements are neither statements of historical fact nor assurance of future performance and generally may be identified by the use of words such as "believe," "expect," "anticipate," "plan," "estimate," "should," "will," "intend," or similar expressions. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions or events, and statements about our future performance, operations, products and services, and should be viewed with caution. Shareholders Investors should note that many factors, some of which are discussed elsewhere in this document, could affect the future financial results of Nicolet and could cause those results to differ materially from those implied or anticipated by the statements. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors, many of which are beyond Nicolet's control, that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements, in addition to those described in detail under Item 1A, "Risk Factors" of Nicolet's 2022 2023 Annual Report on Form 10-K include, but are not necessarily limited to the following:

- operating, legal and regulatory risks, including the effects of legislative or regulatory developments affecting the financial industry generally or Nicolet specifically;
- our ability to maintain liquidity, primarily through deposits, in light of recent events in the banking industry;
- economic, market, political and competitive forces affecting Nicolet's banking and wealth management businesses;
- changes in interest rates, monetary policy and general economic conditions, which may impact Nicolet's net interest income;
- potential difficulties in identifying and integrating the operations of future acquisition targets with those of Nicolet;
- the impact of purchase accounting with respect to our merger activities, or any change in the assumptions used regarding the assets purchased and liabilities assumed to determine their fair value;
- cybersecurity risks and the vulnerability of our network and online banking portals, and the systems or parties with whom we contract, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches that could adversely affect our business and financial performance or reputation;
- changes in accounting standards, rules and interpretations and the related impact on Nicolet's financial statements;
- compliance or operational risks related to new products, services, ventures, or lines of business, if any, that Nicolet may pursue or implement;
- changes in monetary and tax policies;
- our ability to attract and retain key personnel;
- examinations by our regulatory authorities, including the possibility that the regulatory authorities may, among other things, require us to increase our allowance for credit losses, write-down assets, or take other actions;
- risks associated with actual or potential information gatherings, investigations or legal proceedings by customers, regulatory agencies or others;
- the potential effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as inflation and recessions, weather events, natural disasters, epidemics and pandemics, terrorist activities, wars or other foreign conflicts, disruptions in our customers' supply chains, disruptions in transportation, essential utility outages or trade disputes and related tariffs;
- each of the factors and risks under Item 1A, "Risk Factors" of Nicolet's 2022 2023 Annual Report on Form 10-K and in subsequent filings we make with the SEC; and
- the risk that Nicolet's analysis of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful.

These factors should be considered in evaluating the forward-looking statements, and you should not place undue reliance on such statements.

Overview

The following discussion is management's analysis of the Nicolet's consolidated financial condition as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and results of operations for the three and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022. 2023. It should be read in conjunction with Nicolet's our audited consolidated financial statements included in Nicolet's 2022 2023 Annual Report on Form 10-K.

Our financial performance and certain balance sheet line items were impacted by Economic Outlook

After surprising strength in 2023, the timing and size U.S. economy is gradually slowing, with GDP of our acquisition of Charter Bankshares, Inc. ("Charter") on August 26, 2022. Certain income statement results, average balances and related ratios include partial contributions from Charter from the acquisition date. Additional information on our acquisition activity is included in Note 2, "Acquisition" in the Notes 2.5% for 2023 anticipated to Unaudited Consolidated Financial Statements, under Part I, Item 1.

Economic Outlook and Recent Industry Developments

For year-to-date 2023, economic growth remains stronger than expected, driven by spending within the consumer sector. decline to closer to 2% for first quarter 2024. The labor market remains strong with competitive compensation markets remain robust, and low unemployment. employment payrolls continue to increase. Consumer spending has been stronger than expected was strong on a bifurcated economy. The wealthiest are benefiting from solid investment (as the past few quarters S&P 500 nears record levels) and real estate gains, while the less wealthy have pulled back as wages have not kept pace with continued demand for goods and services; however, consumer sentiment is beginning to wane from mounting pressures of higher interest rates, declining savings, inflation resulting in rising cost of food and energy, and increasing credit card debt. and auto loan delinquencies.

The Inflation showed improvement through mid-2023, before leveling off and recent months have reflected a slight uptick, coming in over 3% compared to the Federal Reserve tightened monetary policy to combat inflation by aggressively raising interest rates from a target range of 0.00%-0.25% in early March 2022 to 5.25%-5.50% at the end of September 2023, and inflation has slowed from the start of the year, but remains higher than the Fed's target goal of 2%. Inflation could It is anticipated that inflation may remain in the 2.5% - to 3.0% range or just above the Fed target, for a period of time due to the tight labor markets and de-globalization of supply chains. All these factors chains, resulting in higher interest rates for longer. The Federal Reserve is unlikely to take action to lower interest rates until inflation nears their 2% goal. Current projections are indicating a slowing only pricing in economic activity is the most likely scenario for the U.S. economy leading into 2024.

These macroeconomic challenges are fueling additional concerns within the banking sector. During first quarter 2023, the banking industry experienced significant volatility with high-profile bank failures and industry wide concerns related to liquidity, deposit outflows, unrealized securities losses, and eroding consumer confidence in the banking system. The banking world remains challenging amidst tightening credit conditions, indications of declining asset quality, slowing economic demand, one or two interest rate risk management, and potential for higher capital requirements, which further complicates cuts before the current economic outlook. In addition, end of the ongoing geopolitical issues have the potential for further economic disruptions.

year.

Table 1: Earnings Summary and Selected Financial Data

	At or for the Three Months Ended					At or for the Nine Months Ended	
(In thousands, except per share data)	**9/30/2023**	**6/30/2023**	**3/31/2023**	**12/31/2022**	**9/30/2022**	**9/30/2023**	**9/30/2022**
Results of operations:							
Net interest income	$ 61,474	$ 59,039	$ 56,721	$ 68,092	$ 62,990	$ 177,234	$ 171,869
Provision for credit losses	450	450	3,090	1,850	8,600	3,990	9,650
Noninterest income	16,541	16,841	(21,844)	14,846	13,000	11,538	43,074
Noninterest expense	45,738	44,957	44,875	43,989	42,567	135,570	116,655
Income (loss) before income tax expense	31,827	30,473	(13,088)	37,099	24,823	49,212	88,638
Income tax expense (benefit)	14,669	7,878	(4,190)	9,498	6,313	18,357	21,979
Net income (loss)	$ 17,158	$ 22,595	$ (8,898)	$ 27,601	$ 18,510	$ 30,855	$ 66,659
Earnings (loss) per common share ("EPS"):							
Basic	$ 1.16	$ 1.54	$ (0.61)	$ 1.88	$ 1.33	$ 2.10	$ 4.88
Diluted	$ 1.14	$ 1.51	$ (0.61)	$ 1.83	$ 1.29	$ 2.05	$ 4.72
Common Shares:							
Basic weighted average	14,740	14,711	14,694	14,685	13,890	14,716	13,648
Diluted weighted average	15,100	14,960	14,694	15,110	14,310	15,044	14,127
Outstanding (period end)	14,758	14,718	14,698	14,691	14,673	14,758	14,673
Period-End Balances:							
Loans	$ 6,239,257	$ 6,222,776	$ 6,223,732	$ 6,180,499	$ 5,984,437	$ 6,239,257	$ 5,984,437
Allowance for credit losses - loans	63,160	62,811	62,412	61,829	60,348	63,160	60,348
Total assets	8,416,162	8,482,628	8,192,354	8,763,969	8,895,916	8,416,162	8,895,916
Deposits	7,182,388	7,198,604	6,928,579	7,178,921	7,395,902	7,182,388	7,395,902
Stockholders' equity (common)	974,461	977,638	961,792	972,529	938,463	974,461	938,463
Book value per common share	66.03	66.42	65.44	66.20	63.96	66.03	63.96
Tangible book value per common share (2)	39.18	39.37	38.20	38.81	36.21	39.18	36.21
Financial Ratios: (1)							
Return on average assets	0.81 %	1.10 %	(0.42)%	1.26 %	0.93 %	0.49 %	1.18 %
Return on average common equity	6.92	9.37	(3.72)	11.47	8.25	4.24	10.32
Return on average tangible common equity (2)	11.62	15.95	(6.34)	19.85	13.93	7.18	17.25
Stockholders' equity to assets	11.58	11.53	11.74	11.10	10.55	11.58	10.55
Tangible common equity to tangible assets (2)	7.21	7.17	7.21	6.82	6.26	7.21	6.26
Reconciliation of Non-GAAP Financial Measures:							
Adjusted net income (loss) reconciliation (3)							
Net income (loss) (GAAP)	$ 17,158	$ 22,595	$ (8,898)	$ 27,601	$ 18,510	$ 30,855	$ 66,659
Adjustments:							
Provision expense (4)	—	—	2,340	—	8,000	2,340	8,000
Assets (gains) losses, net	(31)	318	38,468	(260)	46	38,755	(2,870)
Merger-related expense	—	26	163	492	519	189	1,172
Adjustments subtotal	(31)	344	40,971	232	8,565	41,284	6,302
Tax on Adjustments (5)	(6)	86	10,243	58	2,141	8,050	1,576
Tax - Wisconsin tax law change (5)	6,151	—	—	—	—	9,118	—
Adjusted net income (Non-GAAP)	$ 23,284	$ 22,853	$ 21,830	$ 27,775	$ 24,934	$ 73,207	$ 71,386

Adjusted diluted EPS (Non-GAAP)	$ 1.54	$ 1.53	$ 1.45	$ 1.84	$ 1.74	$ 4.87	$ 5.05
Tangible Assets:							
Total assets	$ 8,416,162	$ 8,482,628	$ 8,192,354	$ 8,763,969	$ 8,895,916		
Goodwill and other intangibles, net	396,208	398,194	400,277	402,438	407,117		
Tangible assets	$ 8,019,954	$ 8,084,434	$ 7,792,077	$ 8,361,531	$ 8,488,799		
Tangible Common Equity:							
Stockholders' equity (common)	$ 974,461	$ 977,638	$ 961,792	$ 972,529	$ 938,463		
Goodwill and other intangibles, net	396,208	398,194	400,277	402,438	407,117		
Tangible common equity	$ 578,253	$ 579,444	$ 561,515	$ 570,091	$ 531,346		
Average Tangible Common Equity:							
Stockholders' equity (common)	$ 983,133	$ 967,142	$ 970,108	$ 954,970	$ 890,205	$ 973,509	$ 863,272
Goodwill and other intangibles, net	397,052	399,080	401,212	403,243	363,211	399,100	346,488
Average tangible common equity	$ 586,081	$ 568,062	$ 568,896	$ 551,727	$ 526,994	$ 574,409	$ 516,784

Note: Numbers may not sum due to rounding.

Table 1: Earnings Summary and Selected Financial Data

	At or for the Three Months Ended				
(In thousands, except per share data)	**3/31/2024**	**12/31/2023**	**9/30/2023**	**6/30/2023**	**3/31/2023**
Results of operations:					
Net interest income	$ 62,807	$ 64,282	$ 61,474	$ 59,039	$ 56,721
Provision for credit losses	750	1,000	450	450	3,090
Noninterest income	19,422	24,434	16,541	16,841	(21,844)
Noninterest expense	47,147	50,296	45,738	44,957	44,875
Income tax expense (benefit)	6,542	6,759	14,669	7,878	(4,190)
Net income (loss)	$ 27,790	$ 30,661	$ 17,158	$ 22,595	$ (8,898)
Earnings (loss) per common share:					
Basic	$ 1.86	$ 2.07	$ 1.16	$ 1.54	$ (0.61)
Diluted	$ 1.82	$ 2.02	$ 1.14	$ 1.51	$ (0.61)
Common Shares:					
Basic weighted average	14,907	14,823	14,740	14,711	14,694
Diluted weighted average	15,249	15,142	15,100	14,960	14,694
Outstanding (period end)	14,931	14,894	14,758	14,718	14,698
Period-End Balances:					
Loans	$ 6,397,617	$ 6,353,942	$ 6,239,257	$ 6,222,776	$ 6,223,732
Allowance for credit losses - loans	64,347	63,610	63,160	62,811	62,412
Total assets	8,446,662	8,468,678	8,416,162	8,482,628	8,192,354
Deposits	7,165,732	7,197,800	7,182,388	7,198,604	6,928,579
Stockholders' equity (common)	1,063,655	1,039,007	974,461	977,638	961,792
Book value per common share	71.24	69.76	66.03	66.42	65.44
Tangible book value per common share (2)	44.91	43.28	39.18	39.37	38.20
Financial Ratios: (1)					
Return on average assets	1.33 %	1.45 %	0.81 %	1.10 %	(0.42)%
Return on average common equity	10.66	12.20	6.92	9.37	(3.72)
Return on average tangible common equity (2)	17.07	20.22	11.62	15.95	(6.34)
Stockholders' equity to assets	12.59	12.27	11.58	11.53	11.74
Tangible common equity to tangible assets (2)	8.33	7.98	7.21	7.17	7.21
Reconciliation of Non-GAAP Financial Measures:					
Adjusted net income (loss) reconciliation: (3)					
Net income (loss) (GAAP)	$ 27,790	$ 30,661	$ 17,158	$ 22,595	$ (8,898)
Adjustments:					
Provision expense (4)	—	—	—	—	2,340
Assets (gains) losses, net	(1,909)	(5,947)	(31)	318	38,468
Merger-related expense	—	—	—	26	163

Contract termination charge	—	2,689	—	—	—
Adjustments subtotal	(1,909)	(3,258)	(31)	344	40,971
Tax on Adjustments (5)	(372)	(635)	(6)	86	10,243
Tax - Wisconsin Tax Law Change (6)	—	—	6,151	—	—
Adjusted net income (Non-GAAP)	$ 26,253	$ 28,038	$ 23,284	$ 22,853	$ 21,830
Adjusted diluted earnings per common share (Non-GAAP)	$ 1.72	$ 1.85	$ 1.54	$ 1.53	$ 1.45
Tangible assets: (2)					
Total assets	$ 8,446,662	$ 8,468,678	$ 8,416,162	$ 8,482,628	$ 8,192,354
Goodwill and other intangibles, net	393,183	394,366	396,208	398,194	400,277
Tangible assets	$ 8,053,479	$ 8,074,312	$ 8,019,954	$ 8,084,434	$ 7,792,077
Tangible common equity: (2)					
Stockholders' equity (common)	$ 1,063,655	$ 1,039,007	$ 974,461	$ 977,638	$ 961,792
Goodwill and other intangibles, net	393,183	394,366	396,208	398,194	400,277
Tangible common equity	$ 670,472	$ 644,641	$ 578,253	$ 579,444	$ 561,515
Tangible average common equity: (2)					
Average stockholders' equity (common)	$ 1,048,596	$ 996,745	$ 983,133	$ 967,142	$ 970,108
Average goodwill and other intangibles, net	393,961	395,158	397,052	399,080	401,212
Average tangible common equity	$ 654,635	$ 601,587	$ 586,081	$ 568,062	$ 568,896

(1) Income statement-related ratios for partial-year periods are annualized.
(2) The ratios of tangible book value per common share, return on average tangible common equity, and tangible common equity to tangible assets are non-GAAP financial measures that exclude goodwill and other intangibles, net. These financial ratios have been included as management considers them to be useful metrics with which to analyze and evaluate our financial condition and capital strength. See section "Non-GAAP Financial Measures" below.
(3) The adjusted net income measure is a non-GAAP financial measure that provides information that management believes is useful to investors in understanding our operating performance and trends and also aids investors in the comparison of our financial performance to the financial performance of peer banks. See section "Non-GAAP Financial Measures" below.

(4) Provision expense for 2023 is attributable to the expected loss on our investment in Signature Bank sub a bank subordinated debt and the provision expense for 2022 is attributable to the Day 2 allowance from the acquisition of Charter. investment.
(5) The effective tax rate for periods prior to the July 1, 2023, effective date of the Wisconsin tax law change (as detailed below in Performance Summary), assumed an effective tax rate of 25%, and periods subsequent to the effective date assumed an effective tax rate of 19.5%.

(6) The adjusted net income reconciliation for first and second quarter 2023 is as originally reported, and has not been restated to reflect the $3 million excess tax expense of those quarters that was subsequently reversed in third quarter 2023 due to the Wisconsin tax law change. Thus, the adjusted net income reconciliation for the quarters of 2023 will not sum to the full year impact.

Non-GAAP Financial Measures

We identify "tangible book value per common share," "return on average tangible common equity," "tangible common equity to tangible assets" "adjusted net income," and "adjusted diluted earnings per common share" as "non-GAAP financial measures." In accordance with the SEC's rules, we identify certain financial measures as non-GAAP financial measures if such financial measures exclude or include amounts in the most directly comparable measures calculated and presented in accordance with generally accepted accounting principles ("GAAP") in effect in the United States in our statements of income, balance sheets or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures, ratios or statistical measures calculated using exclusively financial measures calculated in accordance with GAAP.

Management believes that the presentation of these non-GAAP financial measures (a) are important metrics used to analyze and evaluate our financial condition and capital strength and provide important supplemental information that contributes to a proper understanding of our operating performance and trends, (b) enables a more complete understanding of factors and trends affecting our business, and (c) allows investors to compare our financial performance to the financial performance of our peers and to evaluate our performance in a manner similar to management, the financial services industry, bank stock analysts, and bank regulators. Management uses non-GAAP measures as follows: in the preparation of our operating budgets, monthly financial performance reporting, and in our presentation to investors of our performance. However, we acknowledge that these non-GAAP financial measures have a number of limitations. Limitations associated with non-GAAP financial measures include the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently. These disclosures should not be considered an alternative to our GAAP results. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is presented in the table above.

Performance Summary

Net Nicolet recognized a net income was of $28 million (or earnings per diluted common share of $1.82) for first quarter 2024, compared to net income of $31 million (or earnings per diluted common share of $2.05) $2.02) for the nine months ended September 30, 2023, compared to fourth quarter 2023, and net income loss of $67 million $9 million (or earnings loss per diluted common share of $4.72) $0.61) for the nine months ended September 30, 2022, with 2023 significantly impacted by the first quarter balance sheet repositioning (detailed below).

In July 2023, Wisconsin's Governor signed the Wisconsin state budget, retroactive to January 1, 2023, which included language that provides financial institutions with an exemption from state taxable income for interest, fees, and penalties earned on loans to existing Wisconsin-based business or agriculture purpose loans that are $5 million or less in balance on January 1, 2023, and to new loans that meet the criteria. The impact to Nicolet moving forward will be a reduction / elimination of State income taxes being expensed, resulting in an estimated effective tax rate of 19.5% (compared to a 25% effective tax rate previously). However, the elimination of Wisconsin state income tax expense will also cause a valuation allowance to be established for the state-related deferred tax assets as of the effective date of the legislation, requiring a one-time $9.1 million charge to state income tax expense in the third quarter.

2023.

Net income reflected certain non-core items and the related tax effect of each, including the first quarter U.S. Treasury securities sale loss (balance 2023 balance sheet repositioning), repositioning and third quarter 2023 change in Wisconsin state tax law, expected loss (provision expense) on the Signature Bank sub debt investment (acquired in an acquisition), merger-related expenses, Day 2 credit provision expense required under the CECL model, as well as gains / (losses) on other assets and investments. investments in all periods. These non-core items negatively positively impacted earnings per diluted common share $2.82 $0.10 for the nine months ended September 30, 2023 first quarter 2024 and $0.17 for fourth quarter 2023, and negatively impacted earnings per diluted common share $0.33 $2.06 for first quarter 2023.

Nicolet's 2023 results were significantly impacted by the nine months ended September 30, 2022.

On March 7, 2023, Nicolet executed first quarter 2023 balance sheet repositioning, which included the sale of $500 million (par value) U.S. Treasury held to maturity securities for a pre-tax loss of $38 million or an after-tax loss of $28 million to reposition with the balance sheet for future growth. The $500 million portfolio yielded approximately 88 bps with scheduled maturities in 2024 and 2025 (or average duration of 2 years). Proceeds from the sale were net proceeds used to reduce existing FHLB borrowings with and the remainder held in investable cash. The following table summarizes In addition, in July 2023 a new Wisconsin tax law was signed which provided financial institutions with an exemption from state taxable income for interest, fees, and penalties earned on specific loans to existing Wisconsin-based business or agriculture purpose loans. This tax law change to Nicolet moving forward will be a reduction / elimination of State income taxes being expensed; however, it also required a $9.1 million valuation allowance to be established for the estimated annual impact of this balance sheet repositioning.

Sale Metrics	$ in Thousands	Assumptions
Loss on sale of U.S.Treasury securities	$ (37,723)	Sale of $500 million U.S. Treasury securities yielding 88 bps
Lost interest from U.S. Treasury securities	$ (4,380)	Assumes $500 million at 88 bps
Lower interest expense on FHLB borrowings	17,128	Assumes $377 million at 456 bps (at time of sale)
Interest income from investable cash	3,905	Assumes $83 million at 465 bps (at time of sale)
Projected net impact from repositioning	$ 16,653	
Estimated earn back (in years)	2.26	

As a result State-related deferred tax asset as of the sale of securities previously classified as held to maturity, the remaining unsold portfolio of held to maturity securities, with a book value of $177 million, was reclassified to available for sale with a carrying value of approximately $157 million. The unrealized loss on this portfolio of $20 million (at the time of reclassification) increased the balance of accumulated other comprehensive loss $15 million, net effective date of the deferred tax effect, legislation. While both provided a drag to 2023 earnings, each also serve as a tailwind for first quarter 2024 and is subject to future market changes.

beyond.

- At March 31, 2024, period end assets were $8.4 billion, down slightly ($22 million) from December 31, 2023, mostly lower cash balances, partly offset by growth in loans.
- At March 31, 2024, loans were $6.4 billion, an increase of $44 million (1%) from December 31, 2023, with growth in agricultural, commercial and industrial, and residential real estate loans. For additional information regarding loans, see "BALANCE SHEET ANALYSIS — Loans."
- Total deposits were $7.2 billion at March 31, 2024, down $32 million from December 31, 2023, mostly noninterest-bearing demand deposits. For additional information regarding deposits, see "BALANCE SHEET ANALYSIS – Deposits."
- The net interest margin was 3.26% for first quarter 2024, 35 bps higher than the comparable 2023 period. The yield on earning assets increased 95 bps to 5.44%, while the cost of funds increased 71 bps to 3.01%. Net interest income was $177 million for the first nine months of 2023, up $5 million (3% increased $6.1 million (11%) over the first nine months of 2022. Interest quarter 2023, including a $16.7 million increase in interest income grew $91 million attributable to favorable loan volumes (partly from the Charter acquisition), as well as favorable rates from new and renewed loans offset by a $10.6 million increase in a rising interest rate environment and higher rates on investment securities and investable cash. Interest expense increased $86 million between the comparable nine-month periods mostly from higher average funding costs. Net interest margin was 3.07% for the nine months ended September 30, 2023, compared to 3.36% for the nine months ended September 30, 2022. expense. For additional information regarding net interest income, see "Income Statement Analysis "INCOME STATEMENT ANALYSIS — Net Interest Income."

- Noninterest income was $12 million $19.4 million for the first nine months of 2023, quarter 2024, a $32 million unfavorable $41.3 million favorable change from the comparable 2022 period, primarily due compared to the balance sheet repositioning (noted above). first quarter 2023. Excluding net asset gains (losses), noninterest income for the first nine months of 2023 quarter 2024 was $50 million $17.5 million, a $10 million $0.9 million increase over the first nine months of 2022. quarter 2023. For additional information regarding noninterest income, see "Income Statement Analysis "INCOME STATEMENT ANALYSIS — Noninterest Income."
- Noninterest expense was $136 million, $19 million (16% $47.1 million for first quarter 2024, an increase of $2.3 million (5%) higher than the over first nine months of 2022. quarter 2023. Personnel costs increased $7 million $2.2 million (9%), and while non-personnel expenses combined increased $12 million (23%) over the comparable 2022 period. $0.1 million compared to first quarter 2023. For additional information regarding noninterest expense, see "Income Statement Analysis "INCOME STATEMENT ANALYSIS — Noninterest Expense."

- Nonperforming assets were $32 million, representing 0.37% of total assets at September 30, 2023, compared to $40 million or 0.46% of total assets at December 31, 2022. The reduction in nonperforming assets was due to the sale of select nonaccrual loans. For additional information regarding nonperforming assets, see "Balance Sheet Analysis – Nonperforming Assets."
- At September 30, 2023, assets were $8.4 billion, down $348 million (4%) from December 31, 2022, mostly due to the sale of investment securities as part of our balance sheet repositioning, partly offset by higher investable cash balances. For additional balance sheet discussion see "Balance Sheet Analysis."
- At September 30, 2023, loans were $6.2 billion, up $59 million from December 31, 2022, with growth in residential mortgage loans partly offset by slowing commercial loan demand. On average, loans grew $1.2 billion (25%) over the first nine months of 2022. For additional information regarding loans, see "Balance Sheet Analysis — Loans."
- Total deposits of $7.2 billion at September 30, 2023, were minimally changed from December 31, 2022, with growth in time deposits and money market accounts partly offset by lower demand and savings account balances. Year-to-date average deposits were $644 million (10%) higher than the first nine months of 2022. For additional information regarding deposits, see "Balance Sheet Analysis – Deposits."

INCOME STATEMENT ANALYSIS

Net Interest Income

Tax-equivalent net interest income is a non-GAAP measure, but is a preferred industry measurement of net interest income (and its use in calculating a net interest margin) as it enhances the comparability of net interest income arising from taxable and tax-exempt sources. The tax-equivalent adjustments bring tax-exempt interest to a level that would yield the same after-tax income by applying the effective Federal corporate tax rates to the underlying assets. Tables 2 and 3 present information to facilitate the review and discussion of selected average balance sheet items, tax-equivalent net interest income, interest rate spread and net interest margin.

Table 2: Average Balance Sheet and Net Interest Income Analysis - Tax-Equivalent Basis

		For the Nine Months Ended September 30,					
		2023			2022		
(in thousands)	(in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
ASSETS	**ASSETS**						
Interest-earning assets	**Interest-earning assets**						
Total loans, including loan fees (1)(2)	Total loans, including loan fees (1)(2)	$6,223,396	$251,019	5.33 %	$4,975,432	$167,413	4.45 %
Investment securities:	Investment securities:						
Taxable	Taxable	924,829	13,445	1.94 %	1,389,540	15,612	1.50 %
Tax-exempt (2)	Tax-exempt (2)	252,933	6,130	3.23 %	202,011	3,661	2.42 %
Total investment securities	Total investment securities	1,177,762	19,575	2.22 %	1,591,551	19,273	1.62 %
Other interest-earning assets	Other interest-earning assets	266,753	10,345	5.13 %	251,983	2,734	1.44 %
Total non-loan earning assets	Total non-loan earning assets	1,444,515	29,920	2.75 %	1,843,534	22,007	1.59 %
Total interest-earning assets	Total interest-earning assets	7,667,911	$280,939	4.85 %	6,818,966	$189,420	3.67 %
Other assets, net	Other assets, net	737,088			731,928		
Total assets	Total assets	$8,404,999			$7,550,894		
LIABILITIES AND STOCKHOLDERS' EQUITY	**LIABILITIES AND STOCKHOLDERS' EQUITY**						

	For the Three Months Ended March 31,				
	2024				
(in thousands)	Average Balance	Interest		Average Yield/Rate	
Interest-earning assets					
Interest-earning assets					
Total loans, including loan fees (1)(2)					
Total loans, including loan fees (1)(2)	$6,398,838	$ 93,744		5.81 %	
Taxable					
Taxable					
Taxable	689,563	4,557	4,557	2.64	2.64 %
Tax-exempt (2)	195,212	1,640	1,640	3.36	3.3
Total investment securities	884,775	6,197	6,197	2.80	2.8
Other interest-earning assets	345,507	4,588	4,588	5.26	5.2
Total non-loan earning assets	1,230,282	10,785	10,785	3.49	3.4
Total interest-earning assets	7,629,120	$	$104,529	5.44	5.44
Total assets					
Total assets					
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES AND STOCKHOLDERS' EQUITY					

Interest-bearing liabilities	**Interest-bearing liabilities**												
Interest-bearing liabilities													
Interest-bearing liabilities													
Savings													
Savings													
Savings	Savings	$ 845,079	$ 7,387	1.17 %	$ 854,307	$ 827	0.13 %		$ 758,698	$	$ 2,458	1.30	1.30 %
Interest-bearing demand	Interest-bearing demand	900,802	9,677	1.44 %	1,010,372	2,647	0.35 %	Interest-bearing demand	897,919	3,828	3,828	1.71	1.7
Money market accounts (“MMA”)	Money market accounts (“MMA”)	1,848,921	36,223	2.62 %	1,502,038	2,132	0.19 %	Money market accounts (“MMA”)	1,931,576	13,866	13,866	2.89	2.8
Core time deposits	Core time deposits	771,041	16,656	2.89 %	556,970	1,240	0.30 %	Core time deposits	1,076,477	11,104	11,104	4.15	4.1
Total interest-bearing core deposits	Total interest-bearing core deposits	4,365,843	69,943	2.14 %	3,923,687	6,846	0.23 %	Total interest-bearing core deposits	4,664,670	31,256	31,256	2.69	2.6
Brokered deposits	Brokered deposits	619,870	19,298	4.16 %	450,311	2,394	0.71 %	Brokered deposits	680,124	7,734	7,734	4.57	4.5
Total interest-bearing deposits	Total interest-bearing deposits	4,985,713	89,241	2.39 %	4,373,998	9,240	0.28 %	Total interest-bearing deposits	5,344,794	38,990	38,990	2.93	2.9
Wholesale funding	Wholesale funding	343,827	12,842	4.93 %	239,362	7,053	3.91 %	Wholesale funding	165,088	2,234	2,234	5.35	5.3
Total interest-bearing liabilities	Total interest-bearing liabilities	5,329,540	102,083	2.56 %	4,613,360	16,293	0.47 %	Total interest-bearing liabilities	5,509,882	41,224	41,224	3.01	3.0
Noninterest-bearing demand deposits		2,067,265			2,034,865								
Noninterest-bearing demand													
Other liabilities													
Other liabilities													
Other liabilities	Other liabilities	34,685			39,397								
Stockholders’ equity	Stockholders’ equity	973,509			863,272								
Stockholders’ equity													
Stockholders’ equity													
Total liabilities and stockholders’ equity	Total liabilities and stockholders’ equity	$ 8,404,999			$ 7,550,894								
Interest rate spread				2.29 %			3.20 %						
Net free funds				0.78 %			0.16 %						
Tax-equivalent net interest income and net interest margin			$ 178,856	3.07 %		$ 173,127	3.36 %						
Tax-equivalent adjustment			$ 1,622			$ 1,258							
Net interest income			$ 177,234			$ 171,869							
Total liabilities and stockholders’ equity													

Total liabilities and stockholders' equity			
Net interest income and rate spread			
Net interest income and rate spread			
Net interest income and rate spread		$ 63,305	2
Tax-equivalent adjustment & net free funds	Tax-equivalent adjustment & net free funds	498	0
Net interest income and net interest margin	Net interest income and net interest margin	$ 62,807	3

1) Nonaccrual loans and loans held for sale are included in the daily average loan balances outstanding.

2) The yield on tax-exempt loans and tax-exempt investment securities is computed on a tax-equivalent basis using a federal tax rate of 21% and adjusted for the disallowance of interest expense.

Table 2: Average Balance Sheet and Net Interest Income Analysis 3: Volume/Rate Variance - Tax-Equivalent Basis (Continued)

		For the Three Months Ended September 30,						For the Three Months Ended March 31, 2024 Compared to March 31, 2023:		
		2023			2022					
	For the Three Months Ended March 31, 2024 Compared to March 31, 2023:									
	Increase (Decrease) Due to Changes in							Increase (Decrease) Due to Changes in		
(in thousands)	(in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	(in thousands) Volume	Rate	Net (1)
ASSETS										
Interest-earning assets	**Interest-earning assets**									
Total loans, including loan fees (1)(2)		$6,230,336	$ 87,701	5.54 %	$5,391,258	$63,095	4.60 %			
Total loans, including loan fees (2) (3)										
Total loans, including loan fees (2) (3)										
Total loans, including loan fees (2) (3)										
Investment securities:	Investment securities:									
Taxable	Taxable	733,286	4,351	2.37 %	1,391,330	5,350	1.54 %			
Tax-exempt (2)		229,321	1,884	3.29 %	234,123	1,639	2.80 %			
Taxable										
Taxable										
Tax-exempt (3)										
Total investment securities	Total investment securities	962,607	6,235	2.59 %	1,625,453	6,989	1.72 %			
Other interest-earning assets	Other interest-earning assets	483,952	6,452	5.23 %	144,409	1,127	3.09 %			
Total non-loan earning assets	Total non-loan earning assets	1,446,559	12,687	3.47 %	1,769,862	8,116	1.83 %			

Total interest-earning assets	7,676,895	$100,388	5.15 %	7,161,120	$71,211	3.91 %
Other assets, net	740,561			695,011		
Total assets	$8,417,456			$7,856,131		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities						
Savings						
Savings						
Savings	$ 804,730	$ 2,520	1.24 %	$ 899,503	$ 488	0.22 %
Interest-bearing demand	843,893	3,228	1.52 %	990,891	1,148	0.46 %
MMA	1,873,545	13,032	2.76 %	1,540,610	1,309	0.34 %
Core time deposits	969,690	8,848	3.62 %	543,444	408	0.30 %
Total interest-bearing core deposits	4,491,858	27,628	2.44 %	3,974,448	3,353	0.33 %
Brokered deposits	651,745	7,336	4.47 %	468,010	1,285	1.09 %
Total interest-bearing deposits	5,143,603	34,964	2.70 %	4,442,458	4,638	0.41 %
Wholesale funding	241,689	3,446	5.58 %	287,751	3,090	4.25 %
Total interest-bearing liabilities	5,385,292	38,410	2.83 %	4,730,209	7,728	0.65 %
Noninterest-bearing demand deposits	2,012,974			2,200,789		
Other liabilities	36,057			34,928		
Stockholders' equity	983,133			890,205		
Total liabilities and stockholders' equity	$8,417,456			$7,856,131		
Interest rate spread			2.32 %			3.26 %
Net free funds			0.84 %			0.22 %
Tax-equivalent net interest income and net interest margin		$ 61,978	3.16 %		$63,483	3.48 %
Tax-equivalent adjustment		$ 504			$ 493	
Net interest income		$ 61,474			$62,990	

1) The change in interest due to both rate and volume has been allocated in proportion to the relationship of dollar amounts of change in each.

2) Nonaccrual loans and loans held for sale are included in the daily average loan balances outstanding.

2) (3) The yield on tax-exempt loans and tax-exempt investment securities is computed on a tax-equivalent basis using a federal tax rate of 21% and adjusted for the disallowance of interest expense.

Table 3: Volume/Rate Variance - Tax-Equivalent Basis

	For the Three Months Ended September 30, 2023 Compared to September 30, 2022:			For the Nine Months Ended September 30, 2023 Compared to September 30, 2022:		
	Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in		
(in thousands)	**Volume**	**Rate**	**Net (1)**	**Volume**	**Rate**	**Net (1)**

Interest-earning assets						
Total loans (2)	$ 10,704	$ 13,902	$ 24,606	$ 46,562	$ 37,044	$ 83,606
Investment securities:						
Taxable	(1,442)	443	(999)	(3,073)	906	(2,167)
Tax-exempt (2)	(34)	279	245	1,056	1,413	2,469
Total investment securities	(1,476)	722	(754)	(2,017)	2,319	302
Other interest-earning assets	4,100	1,225	5,325	160	7,451	7,611
Total non-loan earning assets	2,624	1,947	4,571	(1,857)	9,770	7,913
Total interest-earning assets	$ 13,328	$ 15,849	$ 29,177	$ 44,705	$ 46,814	$ 91,519
Interest-bearing liabilities						
Savings	$ (57)	$ 2,089	$ 2,032	$ (9)	$ 6,569	$ 6,560
Interest-bearing demand	(194)	2,274	2,080	(318)	7,348	7,030
MMA	342	11,381	11,723	602	33,489	34,091
Core time deposits	554	7,886	8,440	651	14,765	15,416
Total interest-bearing core deposits	645	23,630	24,275	926	62,171	63,097
Brokered deposits	680	5,371	6,051	1,213	15,691	16,904
Total interest-bearing deposits	1,325	29,001	30,326	2,139	77,862	80,001
Wholesale funding	(360)	716	356	3,472	2,317	5,789
Total interest-bearing liabilities	965	29,717	30,682	5,611	80,179	85,790
Net interest income	$ 12,363	$ (13,868)	$ (1,505)	$ 39,094	$ (33,365)	$ 5,729

1) The change in interest due to both rate and volume has been allocated in proportion to the relationship of dollar amount of change in each.

2) The yield on tax-exempt loans and tax-exempt investment securities is computed on a tax-equivalent basis using a federal tax rate of 21% and adjusted for the disallowance of interest expense.

The Federal Reserve raised short-term interest rates a total of 425 bps during 2022, increasing the Federal Funds rate to a range of 4.25% to 4.50% as of December 31, 2022. Additional increases totaling 100 bps were made in the first nine months of during 2023, resulting in a Federal Funds range of 5.25% to 5.50% as of September 30, 2023 December 31, 2023, which remained unchanged at March 31, 2024.

Tax-equivalent net interest income was $179 million $63 million for the nine three months ended September 30, 2023 March 31, 2024, an increase of $6 million (3% (10%) over the nine three months ended September 30, 2022 March 31, 2023. The $6 million increase in tax-equivalent net interest income was attributable to net favorable volumes (which and favorable rates, which added $39 million $2 million and $4 million, respectively, to net interest income, mostly from the Charter acquisition and loan growth) and net unfavorable rates (which decreased net interest income $33 million from higher deposit costs and the lag in repricing the loan portfolio to current market interest rates). income.

Average interest-earning assets increased decreased $201 million to $7.7 billion, up $849 million (12%) over $7.6 billion from the comparable 2022 2023 period, primarily due to the timing of the acquisition of Charter. first quarter 2023 balance sheet repositioning (as discussed in further detail under “Performance Summary” above). Between the comparable nine-month three-month periods, average loans increased $1.2 billion (25% $197 million (3%), mostly due to timing of the Charter acquisition (which added loans of $827 million at acquisition) and strong on solid organic loan growth throughout 2022. growth. Average investment securities decreased $414 million $624 million between the comparable nine-month three-month periods, while other interest-earning assets increased $15 million $225 million, mostly due with both attributable to investable cash. the first quarter 2023 balance sheet repositioning. As a result, the mix of average interest-earning assets shifted to 81% 84% loans, 15% 12% investments and 4% other interest-earning assets (mostly cash) for the first nine months of 2023, quarter 2024, compared to 73% 79%, 23% 19% and 4% 2%, respectively, for the first nine months of 2022. quarter 2023.

Average interest-bearing liabilities were $5.3 billion $5.5 billion for the first nine months of 2023, quarter 2024, an increase of $716 million (16% $119 million (2%) over the first nine months of 2022, primarily due to the timing of the acquisition of Charter. quarter 2023. Average interest-bearing core deposits increased $442 million $339 million and average brokered deposits increased $170 million $114 million between the comparable nine-month three-month periods, reflecting the impact of the Charter acquisition and brokered funding to support the strong loan growth in 2022. Other interest-bearing liabilities increased $104 million higher cost deposit products. Wholesale funding decreased $334 million between the comparable nine-month three-month periods, partly due to wholesale funding acquired with Charter and partly due to FHLB borrowings to support the strong loan growth in 2022. first quarter 2023 balance sheet repositioning. The mix of average interest-bearing liabilities was 82% 85% core deposits, 12% brokered deposits and 6% 3% wholesale funding for the first nine months of 2023, quarter 2024, compared to 85% 80%, 10% 11%, and 5% 9%, respectively, for the first nine months of 2022.

quarter 2023.

The interest rate spread decreased 91 increased 24 bps between the comparable nine-month three-month periods, as our the repricing of liabilities have repriced faster than our assets has slowed (with fewer interest rate increases during 2023 and none in the rapidly rising 2024), while new and renewed loans continue to reprice in a higher interest rate environment. The interest-earning asset yield increased 118 95 bps to 4.85% 5.44% for the first nine three months of 2023, 2024, due to the changing mix of interest-earning assets (noted above), as well as the higher interest rate environment. The loan yield improved 88 70 bps to 5.33% 5.81% between the comparable nine-month three-month periods, largely due to the repricing of new and renewed loans, in a rising interest rate environment, while the yield on investment securities increased 60 87 bps to 2.22% 2.80%. The cost of funds increased 209 71 bps to 2.56% 3.01% for the first nine months of 2023, quarter 2024, also reflecting the rising higher interest rate environment and as well as a migration of customer deposits into higher rate deposit products. The contribution from net free funds increased 62 11 bps, mostly due to the higher value in the rising current interest rate environment. As a result, the tax-equivalent net interest margin was 3.07% 3.26% for the first nine months of 2023, down 29 quarter 2024, up 35 bps compared to 3.36% 2.91% for the first nine months of 2022. quarter 2023.

Tax-equivalent interest income was $281 million $105 million for the first nine months of 2023, quarter 2024, up $92 million $17 million from the comparable period of 2022, 2023, comprised of $45 million $3 million higher volumes and $47 million $14 million higher average rates (mostly in the loan portfolio). rates. Interest income on loans increased $84 million $15 million over the first nine months of 2022, quarter 2023, due to higher average balances from the Charter acquisition and strong organic loan growth in 2022, as well as higher rates from the rising interest rate environment. environment, as well as solid loan growth. Interest expense increased to $102 million $41 million for the first nine months of 2023, quarter 2024, up $86 million $11 million compared to the first nine months of 2022, quarter 2023, mostly due to a much higher cost of funds. Interest expense on deposits increased $80 million between the comparable nine-month periods mostly due to the rapidly rising interest rate environment.

Provision for Credit Losses

The provision for credit losses was $4.0 million $0.8 million for the nine three months ended September 30, 2023 March 31, 2024 (entirely related to the ACL-Loans), compared to $3.1 million for the three months ended March 31, 2023 (comprised of $1.7 million $0.8 million related to the ACL-Loans and $2.3 million for the ACL on securities AFS), compared to $9.7 million for the nine months ended September 30, 2022 (comprised of $9.1 million related to the ACL-Loans and the remainder for the ACL on unfunded commitments). The 2023 provision for credit losses on loans was attributable to growth and changes in the underlying loan portfolio, while the 2023 provision for credit losses on securities AFS was due to the expected loss on our Signature Bank a bank subordinated debt investment which was fully charged-off during first quarter 2023. The 2022 provision for credit losses was mostly due to the Day 2 increase from the Charter acquisition.

The provision for credit losses is predominantly a function of Nicolet's methodology and judgment as to qualitative and quantitative factors used to determine the appropriateness of the ACL. The appropriateness of the ACL-Loans is affected by changes in the size and character of the loan portfolio, changes in levels of collateral dependent and other nonperforming loans, historical losses and delinquencies in each portfolio segment, the risk inherent in specific loans, concentrations of loans to specific borrowers or industries, existing and future economic conditions, the fair value of underlying collateral, and other factors which could affect expected credit losses. The ACL for securities is affected by risk of the underlying issuer, while the ACL for unfunded commitments is affected by many of the same factors as the ACL-Loans, as well as funding assumptions relative to lines of credit. See also Note 6, 5, "Loans, Allowance for Credit Losses - Loans, and Credit Quality" of the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1, for additional disclosures. For additional information regarding asset quality and the ACL-Loans, see "BALANCE SHEET ANALYSIS — Loans," "— Allowance for Credit Losses - Loans," and "— Nonperforming Assets."

Noninterest Income

Table 4: Noninterest Income

		Three Months Ended September 30,				Nine Months Ended September 30,					Three Months Ended March 31,						
	Three Months Ended March 31,																
(in thousands)	(in thousands)	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change	(in thousands)	2024		2023		$ Change		% Change
Trust services fee income	Trust services fee income	$ 2,107	$ 1,969	$ 138	7 %	$ 6,288	$ 5,984	$ 304	5 %	Trust services fee income	$ 2,339	$	$ 2,033	$	$ 306	15	15
Brokerage fee income	Brokerage fee income	3,950	3,040	910	30	11,151	9,716	1,435	15								
Wealth management fee income	Wealth management fee income	6,057	5,009	1,048	21	17,439	15,700	1,739	11								
Mortgage income, net	Mortgage income, net	2,020	1,728	292	17	5,308	7,186	(1,878)	(26)								
Service charges on deposit accounts	Service charges on deposit accounts	1,492	1,589	(97)	(6)	4,501	4,602	(101)	(2)								
Card interchange income	Card interchange income	3,321	3,012	309	10	9,685	8,543	1,142	13								
BOLI income	BOLI income	1,090	966	124	13	3,363	2,667	696	26								
Deferred compensation plan asset market valuations	Deferred compensation plan asset market valuations	(457)	(571)	114	N/M	988	(2,354)	3,342	N/M	Deferred compensation plan asset market valuations	59	946	946	(887)	(887)	N/M	
LSR income, net	LSR income, net	1,108	(517)	1,625	N/M	3,398	(1,042)	4,440	N/M								
Other income	Other income	1,879	1,830	49	3	5,611	4,902	709	14								
Noninterest income without net gains (losses)		16,510	13,046	3,464	27	50,293	40,204	10,089	25								
Subtotal																	
Asset gains (losses), net	Asset gains (losses), net	31	(46)	77	N/M	(38,755)	2,870	(41,625)	N/M	Asset gains (losses), net	1,909	(38,468)	(38,468)	40,377	40,377	N/M	

Total noninterest income	Total noninterest income	$16,541	$13,000	$3,541	27 %	$11,538	$43,074	$(31,536)	(73) %	Total noninterest income	$19,422	$	$(21,844)	$	$41,266	(189)	(189)
N/M means not meaningful.																	

N/M means not meaningful.

Noninterest income was $11.5 million $19.4 million for the first nine three months of 2023, an unfavorable 2024, a favorable change of $31.5 million $41.3 million compared to the first nine three months of 2022, 2023, primarily due to the 2023 balance sheet repositioning. Excluding net asset gains (losses), noninterest income for the first nine three months of 2023 2024 was $50.3 million $17.5 million, a $10.1 million (25% $0.9 million (5%) increase over the comparable period in 2022. 2023.

Wealth management fee income was $17.4 million $6.5 million, up $1.7 million (11% $1.0 million (18%) from the first nine three months of 2022, 2023, on growth in accounts and assets under management (up 24% 8% from year-end 2022) 2023), though tempered by unfavorable including favorable market-related changes.

Mortgage income includes net gains received from the sale of residential real estate loans into the secondary market, capitalized mortgage servicing rights ("MSR"), servicing fees net of MSR amortization, fair value marks on the mortgage interest rate lock commitments and forward commitments ("mortgage derivatives"), and MSR valuation changes, if any. Net mortgage income of $5.3 million $1.4 million, decreased $1.9 million (26% $0.1 million (7%) between the comparable nine-month three-month periods, mostly due to changes in the rising interest rate environment reducing MSR valuation (first quarter 2023 included a $0.5 million recovery to the MSR valuation versus none in first quarter 2024), partly offset by higher secondary market volumes and the related gains on sales. See also Note 7, 6, "Goodwill and Other Intangibles and Servicing Rights" of the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1, for additional disclosures on the MSR asset.

Card interchange income grew $1.1 million (13%) between the comparable nine-month periods due to higher volume and activity.

BOLI income was up $0.7 million between the comparable nine-month periods, attributable to higher average balances from BOLI acquired with the Charter acquisition.

Loan servicing rights ("LSR") income increased $4.4 million between the comparable nine-month periods mostly due to lower LSR amortization from the much slower prepayment speeds in the higher interest rate environment. See also Note 7, "Goodwill and Other Intangibles and Servicing Rights" of the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1, for additional information on the LSR asset.

Other income of $5.6 million $2.4 million for the nine three months ended September 30, 2023 March 31, 2024 was up $0.7 million $0.6 million from the comparable 2022 2023 period, largely due to broker fees and card incentive income.

Net asset losses gains of $38.8 million $1.9 million for the first nine three months of 2024 were primarily attributable to a $1.0 million gain on sale of an investment security and $0.9 million gain on the early extinguishment of Nicolet subordinated notes, while net asset losses of $38.5 million for the first three months of 2023 were primarily attributable to losses on the sale of approximately $500 million (par value) U.S. Treasury held to maturity securities executed in early March as part of a balance sheet repositioning, while net asset gains of $2.9 million for the first nine months of 2022 were primarily attributable to gains on sales of other real estate owned (mostly closed bank branch locations). repositioning.

Noninterest Expense

Table 5: Noninterest Expense

		Three Months Ended September 30,				Nine Months Ended September 30,											
		Three Months Ended March 31,															Three Months Ended March 31,
($ in thousands)	($ in thousands)	2023	2022	Change	% Change	2023	2022	Change	% Change	($ in thousands)	2024		2023		Change		% Change
Personnel	Personnel	$23,944	$24,136	$ (192)	(1) %	$ 72,172	$ 65,008	$ 7,164	11 %	Personnel	$26,510	$	$24,328	$	$2,182	9	9 %
Occupancy, equipment and office	Occupancy, equipment and office	9,027	7,641	1,386	18	26,655	21,476	5,179	24								
Business development and marketing	Business development and marketing	1,869	2,281	(412)	(18)	5,936	6,169	(233)	(4)								
Data processing	Data processing	4,643	3,664	979	27	12,849	10,647	2,202	21								
Intangibles amortization	Intangibles amortization	1,986	1,628	358	22	6,230	4,399	1,831	42								
FDIC assessments	FDIC assessments	1,500	480	1,020	213	3,049	1,440	1,609	112								
Merger-related expense	Merger-related expense	—	519	(519)	(100)	189	1,172	(983)	(84)								
Other expense	Other expense	2,769	2,218	551	25	8,490	6,344	2,146	34								

Total noninterest expense	Total noninterest expense	$ 45,738	$ 42,567	$ 3,171	7 %	$ 135,570	$ 116,655	$ 18,915	16 %	Total noninterest expense	$ 47,147	$	$ 44,875	$	$ 2,272	5	5 %
Non-personnel expenses	Non-personnel expenses	$ 21,794	$ 18,431	$ 3,363	18 %	$ 63,398	$ 51,647	$ 11,751	23 %	Non-personnel expenses	$ 20,637	$	$ 20,547	$	$ 90	—	— %
Average full-time equivalent (“FTE”) employees	Average full-time equivalent (“FTE”) employees	977	907	70	8 %	955	863	92	11 %	Average full-time equivalent (“FTE”) employees	948	943	943	5	5	1	1 %

Noninterest expense was $135.6 million $47.1 million, an increase of $18.9 million (16% $2.3 million (5%) over the first nine three months of 2022. 2023. Personnel costs increased $7.2 million (11% $2.2 million (9%), while non-personnel expenses combined increased $11.8 million (23%) $0.1 million compared to the first nine three months of 2022. 2023.

Personnel expense was $72.2 million $26.5 million for the nine three months ended September 30, 2023 March 31, 2024, an increase of $7.2 million $2.2 million from the comparable period in 2022. 2023. Salary expense increased $6.0 million (11% $1.0 million (5%) over the first nine three months of 2022, 2023, reflecting merit increases between the years, higher salaries from the incentives commensurate with current period earnings, and a slightly larger employee base (with average full-time equivalent employees up 11%, mostly due to the Charter acquisition), investments in our wealth team, and merit increases between the years, partly offset by lower incentive compensation commensurate with the lower current period earnings. 1%). Fringe benefits increased $1.2 million (12%) over the first nine three months of 2022, reflecting 2023, mostly due to higher overall health care expenses as well as the larger employee base. expenses. Salary expense was also impacted by the change in the fair value of nonqualified deferred compensation plan liabilities from the recent market improvements. liabilities. See also “Noninterest Income” for the offsetting fair value change to the nonqualified deferred compensation plan assets.

Occupancy, equipment and office expense was $26.7 million $8.9 million for the first nine three months of 2023, 2024, up $5.2 million (24% $0.2 million (2%) compared to the first nine three months of 2022, 2023, largely due to the expanded branch network with the Charter acquisition, as well as additional expense for software and technology solutions.

Business development and marketing Data processing expense was $5.9 million $4.3 million, down $0.2 million (4% up $0.3 million (7%) between the comparable nine-month periods, largely attributable to the timing and extent of marketing donations, promotions, and media.

Data processing expense was $12.8 million, up $2.2 million (21%) between the comparable nine-month three-month periods, mostly due to volume-based increases in core, brokerage, and card processing charges, partly from the Charter acquisition. charges.

Intangibles amortization increased $1.8 million decreased $0.3 million between the comparable nine-month three-month periods due to higher lower amortization from the intangibles added with the Charter acquisition. aging intangibles.

Other expense was $8.5 million $2.4 million, up $2.1 million (34% down $0.4 million (13%) between the comparable nine-month three-month periods, mostly due to higher lower professional fees.

Income Taxes

Income tax expense was $18.4 million $6.5 million (effective tax rate of 37.3% 19.1%) for the first nine three months of 2023, 2024, compared to expense income tax benefit of $22.0 million $4.2 million (effective tax rate of 24.8% 32.0%) for the comparable period of 2022. 2023. The change in income tax expense was mostly due to lower the first quarter 2023 pretax earnings, loss, and also included a $9.1 million charge to income reflects the lower effective tax expense to establish a tax valuation allowance rate beginning in the second half of 2023 related to the Wisconsin tax law change noted above in the “Performance Summary” section.

Income Statement Analysis – Three Months Ended September 30, 2023 versus Three Months Ended September 30, 2022

Net income was $17.2 million, or adjusted net income (non-GAAP) of $23.3 million, for the three months ended September 30, 2023, compared to net income of $18.5 million, or adjusted net income (non-GAAP) of $24.9 million for the three months ended September 30, 2022. Earnings per diluted common share was $1.14 for third quarter 2023, compared to $1.29 for third quarter 2022.

Tax-equivalent net interest income was $62.0 million for third quarter 2023, a decrease of $1.5 million from third quarter 2022. Interest income increased $29.2 million over third quarter 2022, while interest expense increased $30.7 million from third quarter 2022. The increase in interest income included $15.8 million from higher yields (reflecting the rising interest rate environment) and $13.3 million from stronger volumes (led by average loans which grew $839 million or 16% over third quarter 2022, mostly due to timing of the Charter acquisition). Average investment securities decreased $663 million, while other interest-earning assets grew $340 million (primarily investable cash) between the comparable third quarter periods, mostly due to the balance sheet repositioning actions in first quarter 2023 as well as investment securities maturities and paydowns. Interest expense increased $30.7 million from third quarter 2022, mostly due to $29.7 million higher overall funding costs. For additional information regarding average balances, net interest income and net interest margin, see “INCOME STATEMENT ANALYSIS — Net Interest Income.”

The net interest margin for third quarter 2023 was 3.16%, compared to 3.48% for third quarter 2022, impacted by the rising interest rate environment and the changing balance sheet mix. The mix of average interest-earning assets shifted from 75% loans, 23% investments and 2% other interest-earning assets (mostly investable cash) for third quarter 2022, to 81%, 13% and 6%, respectively, for third quarter 2023. The mix of average interest-bearing liabilities shifted from 84% core deposits, 10% brokered deposits, and 6% wholesale funding for third quarter 2022, to 83%, 12%, and 5%, respectively, for third quarter 2023, including a notable shift to higher rate deposit products. The yield on interest-earning assets of 5.15% increased 124 bps from third quarter 2022, while the cost of funds of 2.83% increased 218 bps between the comparable quarters.

Provision for credit losses was $0.5 million for third quarter 2023 (all related to the ACL-Loans), compared to $8.6 million provision for credit losses for third quarter 2022 (comprised of $8.2 million related to the ACL-Loans, and $0.4 million for the ACL on unfunded commitments). The third quarter 2022 provision for credit losses was mostly due to the Day 2 ACL increase from the Charter acquisition. For additional information regarding the allowance for credit losses-loans and asset quality, see “BALANCE SHEET ANALYSIS — Allowance for Credit Losses - Loans” and “BALANCE SHEET ANALYSIS — Nonperforming Assets.”

Noninterest income was $16.5 million for third quarter 2023, an increase of $3.5 million (27%) from third quarter 2022. Wealth management fee income grew $1.0 million (21%), including favorable market-related changes, as well as growth in accounts and assets under management. Card interchange income grew $0.3 million (10%) between the comparable third quarter periods due to higher volume and activity. LSR income increased $1.6 million between the comparable third quarter periods mostly due to lower LSR amortization from the much slower prepayments speeds in the higher interest rate environment. For additional information regarding noninterest income, see “INCOME STATEMENT ANALYSIS — Noninterest Income.”

Noninterest expense was $45.7 million for third quarter 2023, an increase of $3.2 million (7%) from third quarter 2022, including a $0.2 million decrease in personnel expense and a $3.4 million increase in non-personnel expenses. The decrease in personnel included higher salaries and fringe benefits more than offset by lower incentive compensation. Occupancy, equipment, and office of $9.0 million was up $1.4 million (18%), largely due to the expanded branch network with the Charter acquisition as well as additional expense for software and technology solutions. Data processing expense was $4.6 million, up $1.0 million (27%) between the comparable third quarter periods, mostly due to volume-based increases in core and card processing charges, including the larger operating base following the Charter acquisition. Other expense was $2.8 million, an increase of $0.6 million between the comparable third quarter periods, primarily due to higher professional fees and overall higher expenses related to our larger operating base. For additional information regarding noninterest expense, see “INCOME STATEMENT ANALYSIS — Noninterest Expense.”

Income tax expense was $14.7 million (effective tax rate of 46.1%) for third quarter 2023, compared to $6.3 million (effective tax rate of 25.4%) for third quarter 2022. The change in income tax expense included a $9.1 million charge to income tax expense to establish a tax valuation allowance, partly offset by a $3.0 million reduction to income tax expense to reverse amounts recorded in the first half of 2023, both related to the Wisconsin tax law change noted above in the “Performance Summary” section.

BALANCE SHEET ANALYSIS

At September 30, 2023 March 31, 2024, period end assets were $8.4 billion, a decrease of $348 million (4%) down slightly ($22 million) from December 31, 2022 December 31, 2023, mostly lower investment securities from the first quarter balance sheet repositioning, as well as subsequent investment securities maturities and paydowns, cash balances, partly offset by higher cash balances. growth in loans. Total loans increased $59 million $44 million (1%) from December 31, 2022 December 31, 2023, with growth in agricultural, commercial and industrial, and residential mortgage loans partly offset by slower commercial loan demand, the sale of specific nonaccrual loans, and the payoff of two larger loan relationships. real estate loans. Total deposits of $7.2 billion at September 30, 2023 March 31, 2024, were minimally changed decreased $32 million from December 31, 2022 December 31, 2023, mostly noninterest-bearing demand deposits. Total stockholders’ equity was $1.1 billion at March 31, 2024, an increase of $25 million over December 31, 2023, with earnings partly offset by the quarterly dividend payment.

Compared to March 31, 2023, assets increased $254 million (3%), with growth in customer loans and brokered time deposits cash balances partly offset by lower transaction account balances. Total borrowings decreased $345 million from December 31, 2022 in FHLB advances, mostly from the first quarter balance sheet repositioning. Total stockholders’ equity was $974 million at September 30, 2023, an increase of $2 million since December 31, 2022, with increases from earnings substantially offset by negative fair value investment changes and dividend payments.

Compared to September 30, 2022, assets decreased $480 million (5%), including lower investment securities from the first quarter balance sheet repositioning, as well as subsequent investment securities maturities and paydowns, partly offset by solid loan growth. paydowns. Total loans increased $255 million $174 million (3%), primarily in residential mortgage and agricultural loans. Total loans, while total deposits decreased $214 million increased $237 million from September 30, 2022. March 31, 2023, with growth in time and money market deposits partly offset by lower noninterest-bearing demand deposits. Stockholders’ equity increased $36 million $102 million from September 30, 2022 March 31, 2023, with solid net income partially offset by negative and favorable net fair value investment changes and partly offset by dividend payments.

Loans

Nicolet services a diverse customer base primarily throughout Wisconsin, Michigan and Minnesota. We concentrate on originating loans in our local markets and assisting current loan customers. Nicolet actively utilizes government loan programs such as those provided by the U.S. Small Business Administration (“SBA”) and the U.S. Department of Agriculture’s Farm Service Agency (“FSA”).

An active credit risk management process is used to ensure that sound and consistent credit decisions are made. The credit management process is regularly reviewed and has been modified over the past several years to further strengthen the controls. Factors that are important to managing overall credit quality are sound loan underwriting and administration, systematic monitoring of existing loans and commitments, effective loan review on an ongoing basis, early problem loan identification and remedial action to minimize losses, an appropriate ACL-Loans, and sound nonaccrual and charge-off policies.

For additional disclosures on loans, see also Note 6, 5, “Loans, Allowance for Credit Losses - Loans, and Credit Quality,” in the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1. For information regarding the allowance for credit losses and nonperforming assets see “BALANCE SHEET ANALYSIS – Allowance for Credit Losses - Loans” and “BALANCE SHEET ANALYSIS – Nonperforming Assets.” A detailed discussion of the loan portfolio accounting policies, general loan portfolio characteristics, and credit risk are described in Note 1, “Nature of Business and Significant Accounting Policies,” of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of the Company’s 2022 2023 Annual Report on Form 10-K.

Table 6: Period End Loan Composition

		September 30, 2023		December 31, 2022		September 30, 2022												
	March 31, 2024										March 31, 2024			December 31, 2023				March 31, 2023
(in thousands)	(in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	(in thousands)	Amount		% of Total	Amount		% of Total	Amount			% of Total
Commercial & industrial	Commercial & industrial	$1,237,789	20 %	$1,304,819	21 %	$1,268,252	21 %	Commercial & industrial	$1,307,490	20	20 %	$1,284,009	20	20 %	$	1,330,052	21	2
Owner-occupied CRE	Owner-occupied CRE	971,397	16	954,599	15	954,933	16											
Agricultural	Agricultural	1,108,261	18	1,088,607	18	1,017,498	17											
Commercial	Commercial	3,317,447	54	3,348,025	54	3,240,683	54											

CRE investment	CRE investment	1,130,938	18	1,149,949	19	1,132,951	19
Construction & land development	Construction & land development	326,747	5	318,600	5	306,446	5
Commercial real estate	Commercial real estate	1,457,685	23	1,468,549	24	1,439,397	24
Commercial-based loans	Commercial-based loans	4,775,132	77	4,816,574	78	4,680,080	78
Residential construction	Residential construction	76,289	1	114,392	2	101,286	2
Residential first mortgage	Residential first mortgage	1,136,748	18	1,016,935	16	970,384	16
Residential junior mortgage	Residential junior mortgage	195,432	3	177,332	3	176,428	3
Residential real estate	Residential real estate	1,408,469	22	1,308,659	21	1,248,098	21
Retail & other	Retail & other	55,656	1	55,266	1	56,259	1
Retail-based loans	Retail-based loans	1,464,125	23	1,363,925	22	1,304,357	22
Total loans	Total loans	$6,239,257	100 %	$6,180,499	100 %	$5,984,437	100 %

Total loans	$6,397,617	100	100 %	$6,353,942	100	100 %	$ 6,223,732	100	10

As noted in Table 6 above, the loan portfolio at September 30, 2023 March 31, 2024, was 77% 76% commercial-based and 23% 24% retail-based. Commercial-based loans are considered to have more inherent risk of default than retail-based loans, in part because of the broader list of factors that could impact a commercial borrower negatively. In addition, the commercial balance per borrower is typically larger than that for retail-based loans, implying higher potential losses on an individual customer basis. Credit risk on commercial-based loans is largely influenced by general economic conditions and the resulting impact on a borrower's operations or on the value of underlying collateral, if any.

Total loans of $6.2 billion $6.4 billion at September 30, 2023 March 31, 2024, increased $59 million $44 million (1%) from December 31, 2022 December 31, 2023, with growth in agricultural, commercial and industrial, and residential mortgage loans partly offset by slower commercial loan demand, the sale of specific nonaccrual loans, and the payoff of two larger loan relationships. real estate loans. At September 30, 2023 March 31, 2024, commercial and industrial loans represented the largest segment of Nicolet's loan portfolio at 20% of the total portfolio, followed by agricultural and CRE investment each at 19% and 18%, respectively, of the total loan portfolio. The loan portfolio is widely diversified and included the following industries: manufacturing, wholesaling, paper, packaging, food production and processing, agriculture, forest products, hospitality, retail, service, and businesses supporting the general building industry. The following chart provides the industry distribution of our commercial loan portfolio at September 30, 2023 March 31, 2024.

Commercial Loan Portfolio by Industry Type (based on NAICS codes)

Commercial Loan Industry Chart_1Q2024_REV.jpg

The following table presents tables present the maturity distribution of the loan portfolio.

Table 7: Loan Maturity Distribution

As of September 30, 2023		**Loan Maturity**				
As of March 31, 2024						
(in thousands)	(in thousands)	**One Year or Less**	**After One Year to Five Years**	**After Five Years to Fifteen Years**	**After Fifteen Years**	**Total**
Commercial & industrial	Commercial & industrial	$ 421,162	$ 648,557	$ 157,771	$ 10,299	$1,237,789
Owner-occupied CRE	Owner-occupied CRE	77,437	674,765	190,312	28,883	971,397
Agricultural	Agricultural	395,017	322,060	350,574	40,610	1,108,261
CRE investment	CRE investment	127,690	748,772	228,546	25,930	1,130,938
Construction & land development	Construction & land development	30,254	184,992	85,995	25,506	326,747
Residential construction *	Residential construction *	28,245	8,189	1,248	38,607	76,289

As of March 31, 2024	**Loan Maturity**				
(in thousands)	**One Year or Less**	**After One Year to Five Years**	**After Five Years to Fifteen Years**	**After Fifteen Years**	**Total**

Residential first mortgage	Residential first mortgage	24,177	265,884	186,542	660,145	1,136,748							
Residential junior mortgage	Residential junior mortgage	15,247	18,580	34,558	127,047	195,432							
Retail & other	Retail & other	29,656	13,012	8,861	4,127	55,656							
Total loans	Total loans	$1,148,885	$2,884,811	$1,244,407	$961,154	$6,239,257							
Percent by maturity distribution	Percent by maturity distribution	19 %	46 %	20 %	15 %	100 %	Percent by maturity distribution	22 %	46 %	17 %	15 %	100 %	
Total fixed rate loans	Total fixed rate loans	$ 505,680	$2,681,310	$ 863,139	$323,819	$4,373,948							
Total fixed rate loans													
Total fixed rate loans													
Total floating rate loans	Total floating rate loans	$ 643,205	$ 203,501	$ 381,268	$637,335	$1,865,309							
Total floating rate loans													
Total floating rate loans													

As of December 31, 2022			Loan Maturity									
As of December 31, 2023							As of December 31, 2023	Loan Maturity				
(in thousands)	(in thousands)	One Year or Less	After One Year to Five Years	After Five Years to Fifteen Years	After Fifteen Years	Total	(in thousands)	One Year or Less	After One Year to Five Years	After Five Years to Fifteen Years	After Fifteen Years	Total
Commercial & industrial	Commercial & industrial	$ 433,319	$ 660,560	$ 197,352	$ 13,588	$1,304,819						
Owner-occupied CRE	Owner-occupied CRE	78,759	639,093	208,719	28,028	954,599						
Agricultural	Agricultural	350,752	328,495	367,913	41,447	1,088,607						
CRE investment	CRE investment	129,770	737,869	250,256	32,054	1,149,949						
Construction & land development	Construction & land development	64,169	131,889	92,379	30,163	318,600						
Residential construction *	Residential construction *	41,049	6,922	2,091	64,330	114,392						
Residential first mortgage	Residential first mortgage	22,985	263,810	202,514	527,626	1,016,935						
Residential junior mortgage	Residential junior mortgage	6,814	19,941	33,201	117,376	177,332						
Retail & other	Retail & other	27,814	15,002	8,021	4,429	55,266						
Total loans	Total loans	$1,155,431	$2,803,581	$1,362,446	$859,041	$6,180,499						
Percent by maturity distribution	Percent by maturity distribution	19 %	45 %	22 %	14 %	100 %	Percent by maturity distribution	20 %	47 %	18 %	15 %	100 %
Total fixed rate loans	Total fixed rate loans	$ 520,535	$2,631,295	$ 987,225	$315,982	$4,455,037						

Total fixed rate loans						
Total fixed rate loans						
Total floating rate loans	Total floating rate loans	$ 634,896	$ 172,286	$ 375,221	$543,059	$1,725,462
Total floating rate loans						
Total floating rate loans						

* The residential construction loans with a loan maturity after five years represent a construction to permanent loan product.

Allowance for Credit Losses - Loans

For additional disclosures on the allowance for credit losses, see Note 6, 5, “Loans, Allowance for Credit Losses - Loans, and Credit Quality,” in the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1. A detailed discussion of the loan portfolio accounting policies, general loan portfolio characteristics, and credit risk are described in Note 1, “Nature of Business and Significant Accounting Policies,” of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of the Company’s 2022 2023 Annual Report on Form 10-K.

Credit risks within the loan portfolio are inherently different for each loan type. Credit risk is controlled and monitored through the use of lending standards, a thorough review of potential borrowers, and ongoing review of loan payment performance. Active asset quality administration, including early problem loan identification and timely resolution of problems, aids in the management of credit risk and minimization of loan losses. Loans charged off are subject to continuous review, and specific efforts are taken to achieve maximum recovery of principal, interest, and related expenses. For additional information regarding nonperforming assets see also “BALANCE SHEET ANALYSIS – Nonperforming Assets.”

The ACL-Loans represents management’s estimate of expected credit losses in the Company’s loan portfolio at the balance sheet date. To assess the overall appropriateness of the ACL-Loans, management applies an allocation methodology which focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management’s ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonaccrual loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; (ix) the fair value of underlying collateral; and (x)

other qualitative and quantitative factors which could affect expected credit losses. Assessing these numerous factors involves significant judgment; therefore, management considers the ACL-Loans a critical accounting estimate.

Management allocates the ACL-Loans by pools of risk within each loan portfolio segment. The allocation methodology consists of the following components. First, a specific reserve is established for individually evaluated credit deteriorated loans, which management defines as nonaccrual credit relationships over $250,000, collateral dependent loans, purchased credit deteriorated loans, and other loans with evidence of credit deterioration. The specific reserve in the ACL-Loans for these credit deteriorated loans is equal to the aggregate collateral or discounted cash flow shortfall. Second, management allocates the ACL-Loans with historical loss rates by loan segment. The loss factors are measured on a quarterly basis and applied to each loan segment based on current loan balances and projected for their expected remaining life. Next, management allocates the ACL-Loans using the qualitative and environmental factors mentioned above. Consideration is given to those current qualitative or environmental factors that are likely to cause estimated credit losses at the evaluation date to differ from the historical loss experience of each loan segment. Lastly, management considers reasonable and supportable forecasts to assess the collectability of future cash flows.

Management performs ongoing intensive analysis of the loan portfolio to allow for early identification of customers experiencing financial difficulties, maintains prudent underwriting standards, understands the economy of its markets, and considers the trend of deterioration in loan quality in establishing the level of the ACL-Loans. In addition, various regulatory agencies periodically review the ACL-Loans, and may require the Company to make additions to the ACL-Loans or may require that certain loan balances be charged off or downgraded into classified loan categories when their credit evaluations differ from those of management based on their judgments of collectability from information available to them at the time of their examination.

At September 30, 2023 March 31, 2024, the ACL-Loans was $63 million $64 million (representing 1.01% of period end loans), minimally changed from $64 million (or 1.00% of period end loans) at December 31, 2023 and up from $62 million (or 1.00% of period end loans) at December 31, 2022 and up from $60 million (or 1.01% of period end loans) at September 30, 2022 March 31, 2023. The components of the ACL-Loans are detailed further in Table 8 below.

Table 8: Allowance for Credit Losses - Loans

		Nine Months Ended		**Year Ended**				
	Three Months Ended					**Three Months Ended**		**Year Ended**
(in thousands)	**(in thousands)**	**September 30, 2023**	**September 30, 2022**	**December 31, 2022**	**(in thousands)**	**March 31, 2024**	**March 31, 2023**	**December 31, 2023**
ACL-Loans:	**ACL-Loans:**							
Balance at beginning of period	**Balance at beginning of period**	$ 61,829	$ 49,672	$ 49,672				
ACL on PCD loans acquired		—	1,709	1,937				
Balance at beginning of period								

Balance at beginning of period								
Provision for credit losses								
Provision for credit losses								
Provision for credit losses	Provision for credit losses	1,650	9,100	10,950				
Charge-offs	Charge-offs	(1,091)	(442)	(1,033)				
Recoveries	Recoveries	772	309	303				
Net (charge-offs) recoveries	Net (charge-offs) recoveries	(319)	(133)	(730)				
Balance at end of period	**Balance at end of period**	$ 63,160	$ 60,348	$ 61,829				
Net loan (charge-offs) recoveries:	**Net loan (charge-offs) recoveries:**							
Commercial & industrial								
Commercial & industrial								
Commercial & industrial	Commercial & industrial	$ 115	$ (49)	$ (86)				
Owner-occupied CRE	Owner-occupied CRE	(60)	(36)	(555)				
Agricultural	Agricultural	(63)	—	—				
CRE investment	CRE investment	—	169	169				
Construction & land development	Construction & land development	—	—	—				
Residential construction	Residential construction	—	—	—				
Residential first mortgage	Residential first mortgage	3	(58)	(57)				
Residential junior mortgage	Residential junior mortgage	(96)	9	1				
Retail & other	Retail & other	(218)	(168)	(202)				
Total net (charge-offs) recoveries	Total net (charge-offs) recoveries	$ (319)	$ (133)	$ (730)				
Ratios:	**Ratios:**							
ACL-Loans to total loans	ACL-Loans to total loans	1.01 %	1.01 %	1.00 %				
ACL-Loans to total loans								
ACL-Loans to total loans						1.01 %	1.00 %	1.00 %
Net charge-offs to average loans, annualized	Net charge-offs to average loans, annualized	0.01 %	— %	0.01 %	Net charge-offs to average loans, annualized	0.00 %	0.01 %	0.01 %

Nonperforming Assets

As part of its overall credit risk management process, management is committed to an aggressive problem loan identification philosophy. This philosophy has been implemented through the ongoing monitoring and review of all pools of risk in the loan portfolio to identify problem loans early and minimize the risk of loss. Management continues to actively work with customers and monitor credit risk from the ongoing macroeconomic challenges. For additional disclosures on credit quality, see Note 6, 5, "Loans, Allowance for Credit Losses - Loans, and Credit Quality" of the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1. For additional information on loans see "BALANCE SHEET ANALYSIS – Loans" and for additional information on the ACL-Loans see "BALANCE SHEET ANALYSIS – Allowance for Credit Losses-Loans."

Nonperforming loans are considered one indicator of potential future loan losses. Nonperforming loans are defined as nonaccrual loans and loans 90 days or more past due but still accruing interest. Loans are generally placed on nonaccrual status when contractually past due 90 days or more as to interest or principal payments. Additionally, whenever management becomes aware of facts or circumstances that may adversely impact the collectability of principal or interest on loans, it is management's practice to place such loans on nonaccrual status immediately. Nonperforming assets include nonperforming loans and other real estate owned ("OREO"). At September 30, 2023 March 31, 2024, nonperforming assets were $32 million $28 million and represented 0.37% 0.33% of total assets, compared to $40 million unchanged from December 31, 2023, and down from $41 million or 0.46% 0.50% of total assets at December 31, 2022. The reduction in nonperforming assets was mostly due to the nonaccrual loan sale (as noted under "BALANCE SHEET ANALYSIS – Loans" above) March 31, 2023.

The level of potential problem loans is another predominant factor in determining the relative level of risk in the loan portfolio and in determining the appropriate level of the ACL-Loans. Potential problem loans are generally defined by management to include loans rated as Substandard by management but that are in performing status; however, there are circumstances present which might adversely affect the ability of the borrower to comply with present repayment terms. The decision of management to include performing loans in potential problem loans does not necessarily mean that Nicolet expects losses to occur, but that management recognizes a higher degree of risk associated with these loans. The loans that have been reported as potential problem loans are predominantly commercial-based loans covering a diverse range of businesses and real estate property types. Potential problem loans were $72 million $67 million (1% of loans) and $53 million $68 million (1% of loans) at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, with the increase primarily due to the downgrade of one commercial credit relationship. respectively. Potential problem loans require heightened management review given the pace at which a credit may deteriorate, the potential duration of asset quality stress, and uncertainty around the magnitude and scope of economic stress that may be felt by Nicolet's customers and on underlying real estate values.

Table 9: Nonperforming Assets

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	September 30, 2022	(in thousands)	March 31, 2024	December 31, 2023	March 31, 2023
Nonperforming loans:	**Nonperforming loans:**							
Commercial & industrial								
Commercial & industrial								
Commercial & industrial	Commercial & industrial	$ 5,192	$ 3,328	$ 3,052				
Owner-occupied CRE	Owner-occupied CRE	5,602	5,647	5,806				
Agricultural	Agricultural	13,458	20,416	20,646				
Commercial	Commercial	24,252	29,391	29,504				
CRE investment	CRE investment	1,100	3,832	3,343				
Construction & land development	Construction & land development	177	771	794				
Commercial real estate	Commercial real estate	1,277	4,603	4,137				
Commercial-based loans	Commercial-based loans	25,529	33,994	33,641				
Residential construction	Residential construction	—	—	—				
Residential first mortgage	Residential first mortgage	3,812	3,780	4,309				
Residential junior mortgage	Residential junior mortgage	92	224	277				
Residential real estate	Residential real estate	3,904	4,004	4,586				
Retail & other	Retail & other	74	82	99				
Retail-based loans	Retail-based loans	3,978	4,086	4,685				
Total nonaccrual loans	Total nonaccrual loans	29,507	38,080	38,326				

Accruing loans past due 90 days or more	Accruing loans past due 90 days or more	—	—	—				
Total nonperforming loans	Total nonperforming loans	$ 29,507	$ 38,080	$ 38,326				
Nonaccrual loans (included above) covered by guarantees	Nonaccrual loans (included above) covered by guarantees	$ 5,919	$ 5,459	$ 5,493				
OREO:	**OREO:**							
Commercial real estate owned	Commercial real estate owned	$ 1,147	$ 628	$ 628				
Commercial real estate owned								
Commercial real estate owned								
Residential real estate owned								
Bank property real estate owned	Bank property real estate owned	884	1,347	1,506				
Total OREO	Total OREO	2,031	1,975	2,134				
Total nonperforming assets	Total nonperforming assets	$ 31,538	$ 40,055	$ 40,460				
Ratios:	**Ratios:**							
Ratios:								
Ratios:								
Nonperforming loans to total loans								
Nonperforming loans to total loans								
Nonperforming loans to total loans	Nonperforming loans to total loans	0.47 %	0.62 %	0.64 %		0.42 %	0.42 %	0.62 %
Nonperforming assets to total loans plus OREO	Nonperforming assets to total loans plus OREO	0.51 %	0.65 %	0.68 %	Nonperforming assets to total loans plus OREO	0.44 %	0.44 %	0.66 %
Nonperforming assets to total assets	Nonperforming assets to total assets	0.37 %	0.46 %	0.45 %	Nonperforming assets to total assets	0.33 %	0.33 %	0.50 %
ACL-Loans to nonperforming loans	ACL-Loans to nonperforming loans	214 %	162 %	157 %	ACL-Loans to nonperforming loans	241 %	239 %	160 %

Deposits

Deposits represent Nicolet's largest source of funds, and the strong core deposit base provides which provide a stable and lower-cost funding source. Deposit levels may be impacted by competition with other bank and nonbank institutions, as well as with a number of non-deposit investment alternatives available to depositors. Deposit challenges include competitive deposit product features, price changes on deposit products given movements in the interest rate environment and other competitive pricing pressures, and customer preferences regarding higher rate deposit products or non-deposit investment alternatives.

Total deposits of $7.2 billion at March 31, 2024, decreased $32 million from December 31, 2023, mostly noninterest-bearing demand deposits from seasonal trends as well as some migration to higher rate deposit products. Core deposit balances of $6.6 billion $6.4 billion at September 30, 2023 were minimally changed March 31, 2024, decreased $200 million from December 31, 2022 December 31, 2023, and included a shift to higher rate deposit products (mostly money market accounts and time deposits) while brokered deposits increased $168 million. Compared to September 30, 2022 March 31, 2023, core total deposits decreased $178 million (3%) and increased $237 million, the net of a $260 million increase in brokered deposits decreased $35 million (5%). and a $23 million decrease in core deposits. The deposit composition is presented in Table 10 below.

Table 10: Period End Deposit Composition

	September 30, 2023	December 31, 2022	September 30, 2022

		March 31, 2024							March 31, 2024			December 31, 2023			March 31, 2023		
(in thousands)	(in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	(in thousands)	Amount		% of Total	Amount		% of Total	Amount		% of Total
Noninterest-bearing demand	Noninterest-bearing demand	$2,020,074	28 %	$2,361,816	33 %	$2,477,507	33 %	Noninterest-bearing demand	$1,665,229	23	23 %	$1,958,709	27	27 %	$ 2,094,623	30	30 %
Interest-bearing demand	Interest-bearing demand	955,746	13 %	1,279,850	18 %	1,242,961	17 %	Interest-bearing demand	1,121,030	16	16 %	1,055,520	15	15 %	1,138,415	17	17 %
Money market	Money market	1,933,227	27 %	1,707,619	24 %	1,769,444	24 %	Money market	2,027,559	28	28 %	1,891,287	26	26 %	1,886,879	27	27 %
Savings	Savings	789,045	11 %	931,417	13 %	939,832	13 %	Savings	765,084	11	11 %	768,401	11	11 %	865,824	12	12 %
Time	Time	1,484,296	21 %	898,219	12 %	966,158	13 %	Time	1,586,830	22	22 %	1,523,883	21	21 %	942,838	14	14 %
Total deposits	Total deposits	$7,182,388	100 %	$7,178,921	100 %	$7,395,902	100 %	Total deposits	$7,165,732	100	100 %	$7,197,800	100	100 %	$ 6,928,579	100	100 %
Brokered transaction accounts	Brokered transaction accounts	$ 146,517	2 %	$ 252,829	3 %	$ 252,891	3 %	Brokered transaction accounts	$ 265,818	4	4 %	$ 166,861	2	2 %	$ 233,393	4	4 %
Brokered and listed time deposits	Brokered and listed time deposits	457,433	6 %	339,066	5 %	386,101	5 %	Brokered and listed time deposits	517,190	7	7 %	448,582	6	6 %	289,181	4	4 %
Total brokered deposits	Total brokered deposits	$ 603,950	8 %	$ 591,895	8 %	$ 638,992	8 %	Total brokered deposits	$ 783,008	11	11 %	$ 615,443	8	8 %	$ 522,574	8	8 %
Customer transaction accounts	Customer transaction accounts	$5,551,575	77 %	$6,027,873	84 %	$6,176,853	84 %	Customer transaction accounts	$5,313,084	74	74 %	$5,507,056	77	77 %	$ 5,752,348	83	83 %
Customer time deposits	Customer time deposits	1,026,863	15 %	559,153	8 %	580,057	8 %	Customer time deposits	1,069,640	15	15 %	1,075,301	15	15 %	653,657	9	9 %
Total customer deposits (core)	Total customer deposits (core)	$6,578,438	92 %	$6,587,026	92 %	$6,756,910	92 %	Total customer deposits (core)	$6,382,724	89	89 %	$6,582,357	92	92 %	$ 6,406,005	92	92 %

Total estimated uninsured deposits were $2.0 billion $2.1 billion (representing 29% of total deposits) at September 30, 2023 March 31, 2024, compared to $2.3 billion unchanged from $2.1 billion (representing 32% 29% of total deposits) at December 31, 2022 December 31, 2023.

Lending-Related Commitments

As of September 30, 2023 and December 31, 2022, Nicolet had the following off-balance sheet lending-related commitments.

Table 11: Commitments

(in thousands)	September 30, 2023	December 31, 2022
Commitments to extend credit	$ 1,810,068	$ 1,850,601
Financial standby letters of credit	18,235	26,530
Performance standby letters of credit	15,814	9,375

For additional disclosures on lending-related commitments, see Note 9, "Commitments and Contingencies" of the Notes to Unaudited Consolidated Financial Statements under Part I, Item 1.

Liquidity Management

Liquidity management refers to the ability to ensure that adequate liquid funds are available to meet the current and future cash flow obligations arising in the daily operations of the Company. These cash flow obligations include the ability to meet the commitments to borrowers for extensions of credit, accommodate deposit cycles and trends, fund capital expenditures, pay dividends to stockholders (if any), and satisfy other operating expenses. The Company's most liquid assets are cash and due from banks and interest-earning deposits, which totaled $546 million $427 million and $155 million $491 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Balances of these liquid assets are dependent on our operating, investing, and financing activities during any given period.

The $391 million increase $64 million decrease in cash and cash equivalents since year-end 2022 2023 included $70 million $23 million net cash provided by operating activities, and $670 million partly offset by $49 million net cash provided by used in investing activities (mostly investment sales from the balance sheet repositioning), partly offset by $349 million to fund loan growth) and $38 million net cash used in financing activities (mostly repayment of FHLB borrowings from the balance sheet repositioning) lower deposit balances). As of September 30, 2023 March 31, 2024, management believed that adequate liquidity existed to meet all projected cash flow obligations.

Nicolet's primary sources of funds include the core deposit base, repayment and maturity of loans, investment securities calls, maturities, and sales, and procurement of brokered deposits or other wholesale funding. At September 30, 2023 March 31, 2024, approximately 43% 46% of the investment securities portfolio was pledged as collateral to secure public deposits and borrowings, as applicable, and for liquidity or other purposes as required by regulation. Liquidity sources available to the Company at September 30, 2023 March 31, 2024, are presented in Table 12 below.

Table 12: Liquidity Sources

(in millions)		September 30, 2023 March 31, 2024
FHLB Borrowing Availability (1)	$	560 622
Fed Funds Lines		195 175
Fed Discount Window		11
Immediate Funding Availability	$	766 808
Brokered Capacity		1,192 1,008
Guaranteed portion of SBA loans		87 88
Other funding sources		96 78
Short-Term Funding Availability (2)	$	1,375 1,174
Total Contingent Funding Availability	$	2,141 1,982

(1) Excludes outstanding FHLB borrowings of $5 million at September 30, 2023 March 31, 2024.

(2) Short-term funding availability defined as funding that could be secured between 2 and 30 days.

Management is committed to the Parent Company being a source of strength to the Bank and its other subsidiaries, and therefore, regularly evaluates capital and liquidity positions of the Parent Company in light of current and projected needs, growth or strategies. The Parent Company uses cash for normal expenses, dividend payments, debt service requirements, and, when opportune, for common stock repurchases, repayment of debt, or investment in other strategic actions such as mergers or acquisitions. At September 30, 2023 March 31, 2024, the Parent Company had $49 million $85 million in cash. Additional cash sources available to the Parent Company include access to the public or private markets to issue new equity, subordinated notes or other debt. Dividends from the Bank and, to a lesser extent, stock option exercises, represent significant sources of cash flows for the Parent Company. The Bank is required by federal law to obtain prior approval of the OCC for payments of dividends if the total of all dividends declared by the Bank in any year will exceed certain thresholds. Management does not believe that regulatory restrictions on dividends from the Bank will adversely affect its ability to meet its cash obligations.

Interest Rate Sensitivity Management and Impact of Inflation

A reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield, is highly important to Nicolet's business success and profitability. As an ongoing part of our financial strategy and risk management, we attempt to understand and manage the impact of fluctuations in market interest rates on our net interest income. The consolidated balance sheet consists mainly of interest-earning assets (loans, investments and cash) which are primarily funded by interest-bearing liabilities (deposits and other borrowings). Such financial instruments have varying levels of sensitivity to changes in market rates of interest. Market rates are highly sensitive to many factors beyond our control, including but not limited to general economic conditions and policies of governmental and regulatory authorities. Our operating income and net income depends, to a substantial extent, on "rate spread" (i.e., the difference between the income earned on loans, investments and other earning assets and the interest expense paid to obtain deposits and other funding liabilities).

Asset-liability management policies establish guidelines for acceptable limits on the sensitivity to changes in interest rates on earnings and market value of assets and liabilities. Such policies are set and monitored by management and the Board of Directors' Asset and Liability Committee.

To understand and manage the impact of fluctuations in market interest rates on net interest income, we measure our overall interest rate sensitivity through a net interest income analysis, which calculates the change in net interest income in the event of hypothetical changes in interest rates under different scenarios versus a baseline scenario. Such scenarios can involve static balance sheets, balance sheets with projected growth, parallel (or non-parallel) yield curve slope changes, immediate or gradual changes in market interest rates, and one-year or longer time horizons. The simulation modeling uses assumptions involving market spreads, prepayments of rate-sensitive instruments, renewal rates on maturing or new loans, deposit retention rates, and other assumptions.

Among other scenarios, we assessed the impact on net interest income in the event of a gradual +/-100 bps and +/-200 bps change in market rates (parallel to the change in prime rate) over a one-year time horizon to a static (flat) balance sheet. The results provided include the liquidity measures mentioned above and reflect the higher current interest rate environment. The interest rate scenarios are used for analytical purposes only and do not necessarily represent management's view of future market interest rate movements. Based on financial data at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the projected changes in net interest income over a one-year time horizon, versus the baseline, are presented in Table 13 below. below, and reflect a shift from an asset sensitive position to a liability sensitive position due to the deposit mix shift to higher cost deposit products that are more sensitive to changes in interest rates. The results are within in compliance with Nicolet's guidelines of not greater than -10% for +/- 100 bps and not greater than -15% for +/- 200 bps. policy guidelines.

Table 13: Interest Rate Sensitivity

	September 30, 2023	December 31, 2022

	March 31, 2024				March 31, 2024	December 31, 2023
200 bps decrease in interest rates	200 bps decrease in interest rates	(1.8) %	(0.7) %	200 bps decrease in interest rates	0.6 %	(1.1) %
100 bps decrease in interest rates	100 bps decrease in interest rates	(0.9) %	(0.4) %	100 bps decrease in interest rates	0.3 %	(0.6) %
100 bps increase in interest rates	100 bps increase in interest rates	1.1 %	— %	100 bps increase in interest rates	(0.3) %	0.6 %
200 bps increase in interest rates	200 bps increase in interest rates	2.3 %	0.1 %	200 bps increase in interest rates	(0.5) %	1.2 %

Actual results may differ from these simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and their impact on customer behavior and management strategies.

The effect of inflation on a financial institution differs significantly from the effect on an industrial company. While a financial institution's operating expenses, particularly salary and employee benefits, are affected by general inflation, the asset and liability structure of a financial institution consists largely of monetary items. Monetary items, such as cash, investments, loans, deposits and other borrowings, are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates have a more significant impact on a financial institution's performance than does general inflation. Inflation may also have impacts on the Bank's customers, on businesses and consumers and their ability or willingness to invest, save or spend, and perhaps on their ability to repay loans. As such, there would likely be impacts on the general appetite for banking products and the credit health of the Bank's customer base.

Capital

Management regularly reviews the adequacy of its capital to ensure that sufficient capital is available for current and future needs and is in compliance with regulatory guidelines. The capital position and strategies are actively reviewed in light of perceived business risks associated with current and prospective earning levels, liquidity, asset quality, economic conditions in the markets served, and level of returns available to shareholders. Management intends to maintain an optimal capital and leverage mix for growth and shareholder return. For details on the change in capital see "BALANCE SHEET ANALYSIS."

The Company's and the Bank's regulatory capital ratios remain above minimum regulatory ratios, including the capital conservation buffer. At September 30, 2023 March 31, 2024, the Bank's regulatory capital ratios qualify the Bank as well-capitalized under the prompt-corrective action framework. This strong base of capital has allowed Nicolet to be opportunistic in strategic growth. A summary of the Company's and the Bank's regulatory capital amounts and ratios, as well as selected capital metrics are presented in the following table.

Table 14: Capital

	At or for the Three Months Ended	At or for the Nine Months Ended	At or for the Year Ended		At or for the Three Months Ended	At or for the Year Ended
($ in thousands)	($ in thousands)	September 30, 2023	December 31, 2022	($ in thousands)	March 31, 2024	December 31, 2023
Company Stock Repurchases: *	**Company Stock Repurchases: ***					
Common stock repurchased during the period (dollars)	Common stock repurchased during the period (dollars)	$ 1,519	$ 61,483			

Common stock repurchased during the period (dollars)								
Common stock repurchased during the period (dollars)								
Common stock repurchased during the period (full shares)	Common stock repurchased during the period (full shares)	26,853	671,662					
Company Risk-Based Capital:	**Company Risk-Based Capital:**							
Total risk-based capital								
Total risk-based capital								
Total risk-based capital	Total risk-based capital	$920,142	$889,763					
Tier 1 risk-based capital	Tier 1 risk-based capital	715,567	684,280					
Common equity Tier 1 capital	Common equity Tier 1 capital	677,004	646,341					
Total capital ratio	Total capital ratio	13.0 %	12.3 %	Total capital ratio	13.3	%	13.0	%
Tier 1 capital ratio	Tier 1 capital ratio	10.1 %	9.5 %	Tier 1 capital ratio	10.8	%	10.5	%
Common equity tier 1 capital ratio	Common equity tier 1 capital ratio	9.6 %	9.0 %	Common equity tier 1 capital ratio	10.2	%	9.9	%
Tier 1 leverage ratio	Tier 1 leverage ratio	8.8 %	8.2 %	Tier 1 leverage ratio	9.6	%	9.2	%
Bank Risk-Based Capital:	**Bank Risk-Based Capital:**							
Total risk-based capital	Total risk-based capital	$863,617	$816,951					
Total risk-based capital								
Total risk-based capital								
Tier 1 risk-based capital	Tier 1 risk-based capital	805,452	764,090					
Common equity Tier 1 capital	Common equity Tier 1 capital	805,452	764,090					
Total capital ratio	Total capital ratio	12.2 %	11.3 %	Total capital ratio	12.0	%	11.5	%
Tier 1 capital ratio	Tier 1 capital ratio	11.4 %	10.6 %	Tier 1 capital ratio	11.1	%	10.7	%
Common equity tier 1 capital ratio	Common equity tier 1 capital ratio	11.4 %	10.6 %	Common equity tier 1 capital ratio	11.1	%	10.7	%
Tier 1 leverage ratio	Tier 1 leverage ratio	9.9 %	9.1 %	Tier 1 leverage ratio	9.9	%	9.4	%

* Reflects common stock repurchased under board of director authorizations for the common stock repurchase program.

In managing capital for optimal return, we evaluate capital sources and uses, pricing and availability of our stock in the market, and alternative uses of capital (such as the level of organic growth or acquisition opportunities, dividends, or repayment of equity-equivalent debt) in light of strategic plans. Through an ongoing repurchase program, the Board has authorized the repurchase of Nicolet's common stock as an alternative use of capital. At September 30, 2023 March 31, 2024, there remains remained $46 million authorized under this repurchase program, as modified, to be utilized from time-to-time to repurchase shares in the open market, through block transactions or in private transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, assumptions or judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are based on historical experience, current information, and other factors deemed to be relevant; accordingly, as this information changes, actual results could differ from those estimates. Nicolet considers accounting estimates to be critical to reported financial results if the accounting estimate requires management to make assumptions about matters that are highly uncertain and different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the financial statements. The accounting estimates we consider to be critical include business combinations and the valuation of loans acquired, the determination of the allowance for credit losses, and income taxes. A discussion of these estimates can be found in the "Critical Accounting Estimates" section in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2022 2023 Annual Report on Form 10-K. There have been no changes in the Company's determination of critical accounting policies and estimates since December 31, 2022 December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk at September 30, 2023 March 31, 2024, from that presented in our 2022 2023 Annual Report on Form 10-K. See section "Interest Rate Sensitivity Management and Impact of Inflation" within Management's Discussion and Analysis of Financial Condition and Results of Operations under Part I, Item 2, for our interest rate sensitivity position at September 30, 2023 March 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures*. Management, under the supervision, and with the participation, of our principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) *Changes in Internal Control Over Financial Reporting*. There were no changes in the Company's internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries may be involved from time to time in various routine legal proceedings incidental to our respective businesses. Neither the Company nor any of its subsidiaries are currently engaged in any legal proceedings that are expected to have a material adverse effect on our results of operations or financial position.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table contains information regarding purchases of Nicolet's common stock made during third first quarter 2023 2024 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act.

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
	(#)	($)	(#)	(#)
Period				
July 1 – July 31, 2023	39,745	$ 80.60	—	
August 1 – August 31, 2023	—	$ —	—	
September 1 – September 30, 2023	—	$ —	—	
Total	39,745	$ 80.60	—	659,000

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
	(#)	($)	(#)	(#)
Period				
January 1 – January 31, 2024	360	$ 80.74	—	
February 1 – February 29, 2024	—	$ —	—	
March 1 – March 31, 2024	946	$ 84.77	—	
Total	1,306	$ 83.66	—	535,000

a. During third first quarter 2023, 2024, the Company withheld no 175 common shares for minimum tax withholding settlements on restricted stock, and withheld 39,745 1,131 common shares to satisfy the exercise price and tax withholding requirements on stock option exercises. These are not considered "repurchases" and, therefore, do not count against the maximum number of shares that may yet be purchased under the Board of Directors' authorization.

b. The Board of Directors approved a common stock repurchase program which authorized, with subsequent modifications, the use of up to $276 million to repurchase outstanding shares of common stock. This common stock repurchase program was last modified on April 19, 2022, and has no expiration date. There were no common stock repurchases under this program during third first quarter 2023. 2024. At September 30, 2023 March 31, 2024, approximately $46 million remained available under this common stock repurchase program, or approximately 659,000 535,000 shares of common stock (based upon the closing stock price of $69.78 $85.99 on September 30, 2023 March 31, 2024).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Atwell Agreement: In connection with the Company's succession and transition plan, on November 6, 2023, Robert B. Atwell, our Executive Chairman and one of Nicolet's founders, and the Company entered into a letter agreement (the "Atwell Agreement") setting forth the terms applicable to his transition from active employment as the Executive Chairman through December 31, 2023 (the "Transition Date"), to thereafter as an advisor for a period of three years following the Transition Date (the "Term"). In consideration of the services provided and compliance with the restrictive covenants (described below) during the Term, Mr. Atwell will receive an annual fee of $680,000, health insurance coverage for Mr. Atwell and his qualified dependents, Nicolet will continue to pay the premiums for specified life insurance policies, and Nicolet will transfer ownership of his current company-owned car to Mr. Atwell. Pursuant to the Atwell Agreement, Mr. Atwell agreed to be bound by a noncompetition restriction and employee and customer non-solicitation covenants while he is providing services to the Company and for three years thereafter. Mt. Atwell will remain a member of the Company's Board of Directors.

The foregoing summary of the material terms of the Atwell Agreement is qualified in its entirety by reference to the full text of the agreement, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements: None.

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

Exhibit Number	Description
10.1	Succession Plan Amended ant Restated Employment Agreement, dated February 28, 2024, by and Executive Advisory Services Letter among the Registrant, Nicolet National Bank and Eric J. Witczak(1)
10.2	Amended ant Restated Employment Agreement, between dated February 28, 2024, by and among the Registrant, Nicolet Bankshares, Inc. National Bank and Robert Atwell dated November 6, 2023 Brad V. Hutjens(2)
31.1	Certification of CEO under Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of CFO under Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of CFO Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101	Interactive data files for Nicolet Bankshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL: (i) the Consolidated Balance Sheets (unaudited), (ii) the Consolidated Statements of Income (Loss) (unaudited), (iii) the Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) the Consolidated Statements of Stockholders' Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Unaudited Consolidated Financial Statements.
104	Cover Page from Nicolet Bankshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (formatted in Inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to Exhibit 10.15 in the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed on February 28, 2024 (File No. 001-37700).
(2) Incorporated by reference to Exhibit 10.17 in the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed on February 28, 2024 (File No. 001-37700).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NICOLET BANKSHARES, INC.

November 7, 2023 May 8, 2024

/s/ Michael E. Daniels
Michael E. Daniels
Chairman, President, and Chief Executive Officer

November 7, 2023 May 8, 2024

/s/ H. Phillip Moore, Jr.
H. Phillip Moore, Jr.
Chief Financial Officer

EXHIBIT 10.1

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November 6, 2023

Mr. Robert Atwell
111 N. Washington Street
Green Bay, WI 54301

Re: Succession Plan and Executive Advisory Services

Dear Bob:

The Board of Directors (the "Board") of Nicolet Bankshares, Inc. ("Nicolet") has determined that it is in the best interest of Nicolet and its shareholders to set forth the details of your continued services following the announcement of Nicolet's succession plan, including the conclusion of your role as Chairman of the Board of Nicolet and Nicolet National Bank (the "Bank"), your transition from active employment, and your continued service thereafter as an advisor to Nicolet. This letter sets forth the agreement between you and Nicolet with respect to such succession plan. As a founder and the current Chairman of the Board, Nicolet values and appreciates your commitment to providing continuing service, support, and expertise to ensure a seamless implementation of the succession plan.

1. Effective Date. The terms of this letter will become effective as of December 31, 2023 (your “Transition Date”).

2. Termination of Amended and Restated Employment Agreement. The terms of this letter will supersede and replace, in its entirety, your Amended and Restated Employment Agreement dated March 7, 2019 which is the only active employment agreement related to your current position.

3. Termination of Employment. Your role as Chairman of the Board of Nicolet and the Bank and your employment with Nicolet and any of its subsidiaries will end on the Transition Date.

4. Executive Advisor Services. For a period of three (3) years following your Transition Date (the “Term”), Nicolet will retain you as an Executive Advisor, on an independent contractor basis (see paragraph 11 below for additional information regarding independent contractor status). While engaged by Nicolet, you will perform such duties as the Board may assign in its sole discretion or as requested by the CEO of Nicolet which may include, without limitation, the following services (the “Services):

   a. providing advice and counsel to the CEO;

   b. assisting with special projects as requested by the Board or the CEO;

   c. assisting with the maintenance and development of community, customer, and business relations; or

   d. such other matters commensurate with your experience and status as may be mutually agreed between the Board, the CEO and you from time to time, which may include continuing your leadership of initiatives you advanced while serving as Chairman.

In your capacity as an Executive Advisor, you will not be in charge of any principal business unit, division, or function of Nicolet, nor will you perform any policy-making functions for Nicolet.

Nicolet expects that you will devote sufficient time, attention, and energies to the business of Nicolet during the Term to provide the Services. We reasonably anticipate that your level of services to Nicolet during the Term will be at least 50% of those services that you provided to Nicolet during the 36-month period preceding the Transition Date.

5. Board Membership. Your current term as a director will continue through the 2024 annual meeting of shareholders. Thereafter, upon nomination as a director and as a non-employee, you will be entitled to receive Board fees in an amount established by the Board of Directors and reimbursement for expenses consistent with Nicolet’s policies and practices with respect to Board members.

6. Services to Other Entities. You may provide services to other entities during the Term provided that you do not engage in any business, trade, profession, or other activity that would violate Nicolet’s Code of Ethics or the restrictive covenants contained herein. By way of example, nothing herein shall prevent you from (a) investing your personal assets or resources in such form or manner as will not require any services on your part in the operation or the affairs of any other entities in which your participation is solely that of an investor, (b) engaging, whether or not during normal business hours, in any other professional, civic, or philanthropic activities, or (c) accepting appointments to boards of directors of other private or public companies, provided that the Board approves of such appointments.

7. Location of Services. You may perform the Services at such locations as you reasonably deem appropriate, subject to your being available and present at such meetings and events as may be necessary to perform the Services.

8. Remuneration for Services. During the Term, and in consideration of the Services and your compliance with the restrictive covenants contained herein, Nicolet will provide you with the following benefits:

   a. Advisor Fee. Nicolet will pay you an annual fee of $680,000.00 (the "Advisor Fee"), which Nicolet shall pay on a monthly basis in arrears. As an independent contractor, you will receive an IRS Form 1099-NEC from Nicolet and you will be solely responsible to remit all federal, state, and local taxes. You will indemnify Nicolet against all such taxes or contributions, including penalties and interest.

   b. Office Space. Nicolet will provide you an office at its downtown Green Bay location. During the Term, Nicolet reserves the right to change the location of your office space if Nicolet needs your then-current space for business operations. After the Term, Nicolet may terminate your use of the office space upon giving you not less than thirty (30) days’ advance notice. Your office space will include a computer, phone, and other hardware similar to what you used on your Transition Date.

c. E-Mail/Phone Number. You will have continued use of your existing batwell@nicoletbank.com e-mail address and your current direct dial phone number.

d. Administrative Support. Nicolet will provide you with full time administrative support from your current assistant (or a replacement as selected by you if your current assistant retires or otherwise terminates) on the same basis as provided to you prior to the Transition Date. Your assistant will remain an employee of Nicolet and will receive compensation and benefits consistent with Nicolet's policies during the Term.

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e. Insurance (health, vision, dental, Armada Care). It is Nicolet's intent that you and your qualified dependents will be insured during the Term, as provided herein.

i. If you or any of your qualified dependents are eligible for Medicare but have not enrolled in Medicare Parts A or B, you or they will do so prior to the Transition Date. You or they will be solely responsible for Medicare enrollment. It is our mutual intent that Nicolet-sponsored plans (as described in (ii), below) will provide secondary coverage for all covered health-related expenses when Medicare is available.

ii. During the Term, you and your qualified dependents may elect to continue participation in the Nicolet-sponsored group health plan in which you participated on the Transition Date (under a newly created Founder/Retiree Classification). Nicolet will continue to share the costs of coverage with you and your qualified dependents in the same ratio as Nicolet employees, with the value of Nicolet's contribution being taxable to you as a non-employee. You will be solely responsible for timely electing coverage under Nicolet-sponsored plans.

iii. Nicolet will provide you and your qualified dependents notice of COBRA continuation rights when applicable. You and they will be solely responsible for timely electing COBRA coverage, if you or they choose to do so. Any COBRA premiums incurred after the end of the Term will be your sole responsibility.

f. Vehicle. Nicolet will transfer ownership to you of your current Nicolet-owned vehicle.

g. BOLI/Life Insurance. Nicolet will continue to pay the premiums all policies currently in effect.

9. Termination of Services. Your Services as an Executive Advisor may be terminated only in the following events:

a. By Mutual Agreement. You and Nicolet may mutually agree to terminate your Services at any time.

b. By Nicolet For Cause. Nicolet may immediately terminate the Services For Cause upon written notice to you, where the notice has been approved by a resolution passed by two thirds (2/3) of the Board of Directors. "For Cause" includes: (i) your refusal to perform Services as requested by the CEO or the Board; (ii) your involvement in conduct that constitutes fraud, dishonesty or willful misconduct in the performance of Services; (iii) you are arrested for, charged with, or convicted of any crime or violation of any municipal, state, or federal regulation (including misdemeanor or felony offenses) involving breach of trust or moral turpitude; (iv) your breach of any requirement herein, or (v) any gross and willful insubordination or inattention to the Services provided herein. Upon termination For Cause, all of Nicolet's obligations herein shall terminate.

c. By You for Good Reason. You may terminate Services for Good Reason by providing (30) days' advance written notice of such termination, but only if Nicolet fails to cure the cited reason during that period. "Good Reason" means Nicolet's failure to provide any benefit described herein. Upon termination For Good Reason, Nicolet's obligations herein shall continue to the end of the Term.

d. Death. The Term shall end automatically upon your death, in which event Nicolet's obligations under Section 8(a) shall continue to the end of the Term and all other obligations shall terminate upon your death.

e. Change in Control. In the event of a Change in Control (as defined in Code Section 409A), Nicolet's successor will be bound by the terms of this letter; provided that Nicolet's successor may elect to accelerate all payments due to you.

10. Claw back of Incentive Compensation. You will continue to be subject to any Nicolet policies adopted by the Board prior to your Transition Date concerning the claw back of incentive compensation that you received prior to your Transition Date.

11. Status as an Independent Contractor. While serving as an Executive Advisor, you will be an independent contractor, not an employee, and Nicolet will not exercise general supervision or control over the manner or means by which you provide the Services. This letter does not create any association, partnership, joint venture, employment, or agency relationship between you and Nicolet for any purpose. Following your Transition Date, you will not have authority (and shall not hold yourself out as having authority) to bind Nicolet and you shall not make any agreements or representations on Nicolet's behalf without Nicolet's prior written consent. Other than as expressly provided herein, you will not be eligible to participate in any vacation, sick leave, disability, profit sharing, employee stock purchase plan, retirement benefits, or any other fringe benefits or benefit plans offered by Nicolet to its employees.

12. Intellectual Property Rights. Nicolet shall exclusively own all work product of any nature that you produce in delivering the Services (collectively, the "Work Product"), including work product that constitutes intellectual property rights. You acknowledge and agree that any and all Work Product that may qualify as "work made for hire" as defined in the Copyright Act of 1976 (17 U.S.C. § 101) is "work made for hire" for Nicolet and all copyrights therein shall automatically and immediately vest in Nicolet. As between you and Nicolet, Nicolet is, and will remain, the sole and exclusive owner of all right, title, and interest in and to any documents, specifications, data, know-how, methodologies, software, and other materials provided to you by Nicolet ("Company Materials"). You have no right or license to reproduce or use any Company Materials except solely during the Term to the extent necessary to perform the Services. You have no right or license to use Nicolet's trademarks, service marks, trade names, logos, symbols, or brand names.

13. Restrictive Covenants**.** As a founder and named executive officer of Nicolet, you have intimate knowledge of Nicolet's business operations and customers, including confidential and proprietary information that would be of great value to competitive companies. During the Term and for a period of three (3) years following the end of the Term (the "Restriction Period"), you agree to the following:

a. Non solicitation of Customers. You will not (except on behalf of or with the prior written consent of Nicolet), on your own behalf or in the service or on behalf of others, solicit, divert, or appropriate or attempt to solicit, divert or appropriate, any business from any of Nicolet's customers with whom you have or had any Material Contact for purposes of providing products or financial services that are competitive with those provided by Nicolet. For purposes of this subparagraph, "Material Contact"means contact between you and each customer: (i) with whom you dealt on behalf of Nicolet in a business capacity or about whom or which you obtained confidential information in the ordinary course of business as a result of your association with Nicolet; and (ii) who received products or services from Nicolet and/or one or more of its subsidiaries within two (2) years prior to the end of the Term.

b. Non solicitation of Employees. You agree that you will not (except with the prior written consent of Nicolet) on your own behalf or in the service or on behalf of others, solicit or recruit or attempt to solicit or recruit any employee of Nicolet with whom you had material contact during the two (2) years prior to your Transition Date. It will not be a violation of the foregoing for you to serve as a reference. For purposes of this subparagraph, "Material Contact"means contact between you and each employee with whom you had direct or indirect supervisory authority within the two (2) years prior to the end of the Term.

c. Non-Competition. You will not, within the Restricted Area (as defined below), on your own behalf or on behalf of any other person: (a) assist or have an active interest in any firm, partnership, association, corporation or business organization, entity or enterprise that is or is about to become directly or indirectly engaged in, any business or activity that competes in any manner with the financial services that were offered by Nicolet or its subsidiaries on your Transition Date; or (b) enter into the employment of or act as an independent contractor, director, agent for or advisor or consultant to, any person, firm, partnership, association, corporation, business organization, entity or enterprise that is or is about to become directly or indirectly engaged in any business or activity (whether such enterprise is in operation or in the planning or development stage) that competes in any manner with the financial services that were offered by Nicolet or its subsidiaries on your Transition Date. Notwithstanding the foregoing, you may (a) make passive investments in the stock of any mutual company or publicly traded business (including a competitive business) as long as the stock investment in any competitive business does not rise above one percent (1 %) of the outstanding shares of such business, and (b) remain on all boards of directors in which you were a member immediately prior to your cessation of your Transition Date. For purposes of this subsection, "Restricted Area" means the geographic areas encompassed by a fifty (50) mile radius from each of Nicolet's branch offices. It is the express intent of the parties that the Restricted Area as defined herein is the area where you have historically performed services on behalf of Nicolet while employed at Nicolet, and where you will continue to perform Services.

d. Confidentiality. You may have access to information that is confidential and proprietary by Nicolet including, without limitation, information pertaining to business operations and strategies, customers, pricing, marketing, finances, and operations of Nicolet and its subsidiaries, or their suppliers or customers (collectively, the "Confidential Information"). You agree to treat all Confidential Information as strictly confidential, not to disclose Confidential Information or permit it to be disclosed, in whole or part, to any third party without the prior written consent of Nicolet, and not to use any Confidential Information for any purpose except as required in the performance of the Services. You shall notify Nicolet immediately in the event you become aware of any loss or disclosure of any Confidential Information. Confidential does not include information that (i) is or becomes generally available to the public other than through your breach of this letter; or (ii) is communicated to you by a third party that had no confidentiality obligations with respect to such information.

Nothing herein shall prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. You agree to provide written notice of any such order to an authorized officer of Nicolet within three (3) business days of receiving such order, but in any event sufficiently in advance of making any disclosure to permit Nicolet to contest the order or seek confidentiality protections, as determined in Nicolet's sole discretion.

You will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that (i) is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Also, if you file a lawsuit for retaliation by Nicolet for reporting a suspected violation of law, you may disclose Nicolet's trade secrets to your attorney and use the trade secret information in the court proceeding if you (i) file any document containing the trade secret under seal; and (ii) do not disclose the trade secret, except pursuant to court order.

e. Remedies. You agree that the covenants contained in this Section are reasonable and necessary to protect Nicolet's on-going business, interests and properties, and that Nicolet will suffer irreparable loss and damage should you breach any of the covenants. Therefore, you agree and consent that, in addition to all the remedies provided by law or in equity, Nicolet may seek a temporary restraining order and temporary and permanent injunctions to prevent a breach or contemplated breach of any of the covenants. All remedies of Nicolet shall be cumulative.

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14. Miscellaneous Provisions.

a. Section 409A. Any payment to which you are entitled under this letter shall be exempt from Section 409A of the Code to the maximum extent permitted under Section 409A of the Code. However, to the extent any such amounts are considered to be "nonqualified deferred compensation" subject to Section 409A of the Code, such amounts shall be paid and provided in a manner, and at such time and form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance. Neither you nor Nicolet shall intentionally take any action to accelerate or delay the payment of any amounts in any manner which would not be in compliance with Section 409A of the Code without the consent of the other party. For purposes of this letter, all rights to payments shall be treated as rights to receive a series of separate payments to the fullest extent allowed by Section 409A of the Code. It is also intended that the payments satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A, including those provided under Treasury Regulations Section 1.409A-1(b)(4) (regarding short-term deferrals), Section 1.409A-1(b)(9)(iii) (regarding the severance pay exception) and Section 1.409A-1(b)(9)(iv) (regarding reimbursements and other separation pay).

b. Applicability of Nicolet's Policies. You agree that, while performing Services for Nicolet, you will be subject to and abide by the written policies and practices of Nicolet including the Code of Ethics and those internal policies related to safety and security.

c. Severability. Each of the terms included in this letter is separate, distinct, and severable from the other provisions and the invalidity or unenforceability of any term shall not affect the validity or enforceability of any other term. Further, if any term is ruled invalid or unenforceable by a court of competent jurisdiction because of a conflict between the provision and any applicable law or public policy, the term shall be redrawn to make the provision consistent with, and valid and enforceable under, the law or public policy.

d. Assignment. The rights and obligations of Nicolet shall inure to the benefit of and shall be binding upon the successors and permitted assigns of Nicolet, including without limitation, a purchaser of all or substantially all the assets of Nicolet. If so assigned, the assignment shall be by novation and Nicolet shall have no further liability hereunder, and the successor or assign, as applicable, shall substitute for Nicolet, but you will not be deemed to have experienced a Termination of Employment by virtue of such assignment.

e. Waiver. A waiver of any breach of any term in this letter shall not be effective unless in writing, and no waiver shall operate or be construed as a waiver of the same or another breach on a subsequent occasion.

f. Mediation. If any dispute arises out of or relates to this letter, or a breach thereof, and if the dispute cannot be settled through direct discussions between you and Nicolet, we will first endeavor to settle the dispute in an amicable manner by mediation under the Commercial Mediation Rules of the American Arbitration Association before resorting to any other process for resolving the dispute.

g. Applicable Law and Choice of Forum. This letter shall be construed and enforced under and in accordance with the laws of the State of Wisconsin. Any appropriate state court located in Brown County, Wisconsin or federal court for the Eastern District of Wisconsin shall have jurisdiction of any case or controversy arising under or in connection with this letter and shall be a proper forum in which to adjudicate such case or controversy. You and Nicolet each consent and waive any objection to the jurisdiction or venue of such courts.

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h. Interpretation. Any captions, titles or headings preceding the text of any article, section or subsection herein are solely for convenience of reference and shall not constitute part of this letter or affect its meaning, construction, or effect.

i. Entire Agreement. This letter embodies the entire and final agreement of the parties on the subject matter stated herein. No amendment or modifications shall be valid or binding upon Nicolet or you unless made in writing and signed by all parties. All prior understandings and agreements relating to the subject matter of this letter are hereby expressly terminated without any obligations owing to you on account of the termination of those agreements.

j. Rights of Third Parties. Nothing herein expressed is intended to or shall be construed to confer upon or give to any person, firm, or other entity, other than the parties hereto and their permitted assigns, any rights, or remedies.

k. Costs of Enforcement. If a dispute related to a breach of the any term contained herein results in a legal action initiated by either you or Nicolet, the successful or prevailing party in such action shall be entitled to recover reasonable attorneys' fees, court costs and all expenses incurred in that action.

If this letter accurately sets forth our understanding, kindly execute the enclosed copy of this letter and return it to the undersigned.

Sincerely yours,

Michael E. Daniels
President & CEO

ACCEPTED AND AGREED

/s/ Bob Atwell	11/6/2023
Bob Atwell	Date

EXHIBIT 31.1

Certification Pursuant to 18 U.S.C.
Section 1350, as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael E. Daniels, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nicolet Bankshares, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 7, 2023 May 8, 2024

/s/ Michael E. Daniels

Michael E. Daniels
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification Pursuant to 18 U.S.C.
Section 1350, as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, H. Phillip Moore, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nicolet Bankshares, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2023 May 8, 2024

/s/ H. Phillip Moore, Jr.
H. Phillip Moore, Jr.
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report of Nicolet Bankshares, Inc., (the "Company") on Form 10-Q as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Michael E. Daniels, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. s.1350, as adopted pursuant to s.906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 7, 2023 May 8, 2024

/s/ Michael E. Daniels
Michael E. Daniels
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report of Nicolet Bankshares, Inc., (the "Company") on Form 10-Q as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, H. Phillip Moore, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. s.1350, as adopted pursuant to s.906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 7, 2023 May 8, 2024

/s/ H. Phillip Moore, Jr.
H. Phillip Moore, Jr.
Chief Financial Officer

DISCLAIMER

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