



## PUBLIC DISCLOSURE

May 13, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Nicolet National Bank  
Charter Number 24107

111 North Washington Street  
Green Bay, WI 54301

Office of the Comptroller of the Currency  
Milwaukee Field Office  
1200 North Mayfair Road, Suite 200  
Wauwatosa, WI 53226

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

**The Lending Test is rated Outstanding.**

**The Community Development Test is rated Outstanding.**

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A substantial majority of loan originations are made within the bank's assessment areas (AA).
- The borrower distribution of loans reflects reasonable penetration among borrowers of different incomes. The borrower distribution of loans reflects excellent penetration among businesses of different sizes.
- The geographic distribution of home mortgage loans reflects reasonable dispersion among geographies in the Green Bay, WI assessment area. The geographic distribution of business loans reflects excellent dispersion among geographies in the Green Bay, WI assessment area.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in the assessment areas.

## **Scope of Examination**

We evaluated Nicolet National Bank's (Nicolet NB) Community Reinvestment Act (CRA) performance under the Intermediate Small Bank Lending and Community Development Tests. In evaluating the bank's lending performance, we reviewed data for the bank's primary loan products, which are commercial and residential real estate loans..

The evaluation period covers the period since the date of the previous CRA exam, March 21, 2011 through May 13, 2015. The Lending Test evaluated loans originated between January 1, 2012 and December 31, 2014. The Community Development Test covered community development loans, investments, and services during the entire evaluation period.

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Prior to conducting this evaluation, the HMDA data was tested and found to be reliable. Therefore, reported HMDA data was used in our evaluation of residential real estate lending. To evaluate the bank's commercial lending performance, we selected a sample of commercial loans from bank-generated reports.

The Office of Management and Budget (OMB) revised metropolitan area (MA) and census tract geographic definitions and boundaries in February 2013. Those revisions became effective for CRA purposes on January 1, 2014. Two of the institution's assessment areas were affected by these changes and will receive a separate analysis of 2014 lending data.

The analysis of the Lending Test was performed using the most recent available demographic data. Conclusions were based on residential real estate and commercial business loan performance in the Green Bay assessment area in Wisconsin and the Menominee assessment area in Michigan. Conclusions were based on analysis of residential real estate and commercial loans as this product represents a majority of the bank's lending activities.

We reviewed the bank's community development loans, investments, and services based on information provided by the bank. We took into account those that met the regulatory definition for community development in our analysis of the Community Development Test.

## **Description of Institution**

Nicolet NB is a \$1.19 billion financial institution headquartered in Green Bay, WI. The main office is located in a middle-income census tract. Nicolet NB is an interstate bank with operations in Wisconsin and Michigan.

Nicolet NB is a wholly owned subsidiary of Nicolet Bankshares, Inc, which has total assets of \$1.19 billion as of March 31, 2015. Nicolet NB has three related organizations: Nicolet Joint Ventures LLC, Nicolet Investments, Inc., and Brookfield Investment Partners LLC.

During the evaluation period, Nicolet NB made acquisitions of two banks in Wisconsin. Mid-Wisconsin Bank was acquired in April 2013 and resulted in the addition of 11 branches. Bank of Wausau was acquired in August 2013 and resulted in the addition of one branch.

The bank offers traditional community bank products and services and is primarily a commercial lender. Total loans represent 74 percent of total assets as of March 31, 2015. By dollar volume, the loan portfolio consists of commercial loans (68 percent), residential real estate loans (26 percent), agricultural loans (5 percent), and consumer loans (1 percent). Tier 1 capital totaled \$112 million. All financial information is as of March 31, 2015.

The bank's business strategy has been to provide exceptional service throughout the community and meet the credit needs of its customers.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment areas. Nicolet NB was evaluated as an intermediate-small

bank and received an “Outstanding” rating at its prior CRA examination dated March 21, 2011.

## **Selection of Areas for Full-Scope Review**

Our analysis included a full-scope evaluation for the bank’s Green Bay, WI assessment area, which represents the majority of the bank’s lending and customer deposits. Since the bank has a branch located in Menominee, MI, this assessment area was evaluated under full-scope procedures. A limited scope evaluation was performed for the Appleton Metropolitan Statistical Area (MSA), Oshkosh/Neenah MSA, Eau Claire MSA, Wausau MSA, and the non-MSA assessment areas, where there is a relatively lower volume of lending and deposits.

## **Ratings**

The institution’s overall rating is based on results from the state of Wisconsin. Within this state, the Green Bay MSA received the most weight. This area represents a majority of the institution’s lending and customer deposits.

The institution’s CRA rating takes into account the ratings in different states by considering:

- The significance of the bank’s activities in each state compared with the bank’s overall activities.
- The lending opportunities in each state.
- The importance of the bank in providing loans to each state area, particularly in light of the number of other institutions and the extent of their activities in each state.
- Demographic and economic conditions in each state.

The state ratings are based primarily on those areas that received full-scope reviews. Refer to the “Scope” section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Conclusions with Respect to Performance Criteria**

### **Loan-to-Deposit Ratio**

Nicolet NB's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last CRA examination was 89.47 percent, which

ranks fifth in a peer group of 13 banks. The peer group consists of banks with assets ranging from \$250 million up to \$1.20 billion. Nicolet NB has the largest asset size within the peer group. The average loan-to-deposit ratio for the 12 banks located in the assessment areas over the same time period ranged from 74.85 percent up to 100.56 percent.

### Lending in Assessment Area

Nicolet NB originates a substantial majority of its loans to borrowers and businesses within its assessment areas. A review of the primary loan products shows that 90.01 percent by number and 85.52 percent by dollar volume of loans were made to businesses and individuals located within the bank's assessment areas.

Lending in All Assessment Areas										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	906	90.15%	99	9.85%	1,005	\$132,503	86.70%	\$20,325	13.30%	\$152,828
Home Refinance	1,694	89.11%	207	10.89%	1,901	\$326,242	84.15%	\$61,453	15.85%	\$387,695
Home Improvement	165	91.67%	15	8.33%	180	\$16,615	88.30%	\$2,201	11.70%	\$18,816
Commercial Loans	155	98.10%	3	1.90%	158	\$22,417	98.72%	\$290	1.28%	\$22,707
Totals	2,920	90.01%	324	9.99%	3,244	\$497,777	85.52%	\$84,269	14.48%	\$582,046

Source: 2012-2014 HMDA data and sample of bank records (verified by examiners)

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## State Rating

### State of Wisconsin

**CRA Rating for the state of Wisconsin is Outstanding.**

**The Lending Test is rated Outstanding.**

**The Community Development Test is rated Outstanding.**

The major factors supporting the institution's rating include:

- The borrower distribution of home mortgage loans reflects reasonable penetration among borrowers of different incomes. The borrower distribution of business loans reflects excellent penetration among businesses of different sizes.
- The geographic distribution of home mortgage loans reflects reasonable dispersion among geographies in the Green Bay, WI assessment area. The geographic distribution of business loans reflects excellent dispersion among geographies in the Green Bay, WI assessment area.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in the assessment areas.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN

Nicolet NB has designated six assessment areas in the state of Wisconsin. The Green Bay assessment area (AA) includes all census tracts in the Green Bay Metropolitan Statistical Area (MSA). The MSA consists of all of Brown and Oconto Counties. The Appleton AA includes portions of Calumet and Outagamie Counties. The Eau Claire assessment area includes one census tract in the Eau Claire MSA. The non-MSA assessment area includes Clark, Jackson, Marinette, Oneida, Price, Taylor, and Vilas Counties. The Oshkosh-Neenah assessment area includes a portion of Winnebago County. The Wausau assessment area consists of all of Marathon County. There are 22 branches and 18 Automated Teller Machines (ATMs) in the state of Wisconsin.

#### Green Bay WI, MSA

The assessment area is comprised of 64 census tracts, of which two (3.13 percent) are low-income, 17 (26.56 percent) are moderate-income, 32 (50 percent) are middle-income, 12 (18.75 percent) are upper-income, and one (1.56 percent) is designated NA-income. The NA-income census tract is the Green Bay Correctional Institution located in Allouez, WI.

The total population of the assessment area is 285,667. The average median family income is \$65,487, and the FFIEC 2014 updated MSA median family income is \$68,200. The percentage of families below the poverty level is 7.30 percent. Owner-occupied units comprise 61.73 percent of total housing units. Based on 2014 demographic data, the total number of businesses with reported revenues in this assessment area was 18,849. Of these businesses, 13,598 (72.14 percent) had gross revenues of less than \$1 million, 1,143 (6.06 percent) had gross revenues of \$1 million or over, and 4,108 (21.79 percent) had revenues not reported.

The March 2015 unemployment rate for Brown County was 4.80 percent and Oconto County was 6.60 percent. The state unemployment rate for Wisconsin at this time was 5.40 percent.

The local economy is characterized as improving. Housing will become a stronger driver as the employment recovery matures and income growth accelerates. Manufacturing is the leading source of employment in Green Bay and is also among the area's best-paying industries. Major employers include Humana Inc., Oneida Tribe of Indians of Wisconsin, Schneider National Trucking, Bellin Health, and Georgia Pacific Corp.

Competition among financial institutions is strong. The bank's competitors include large national banks, multi-state banks, and credit unions. In total deposits, Nicolet NB, with a deposit market share of 8.63 percent, ranks third out of 24 FDIC-insured institutions located within the bank's assessment area. This is based upon FDIC market share data as of June 30, 2014.

In conducting this assessment of the bank's performance, we contacted a representative from a local community foundation. The contact stated that local financial institutions are meeting the credit needs of the community.

#### Appleton, WI MSA

The assessment area is comprised of 42 census tracts, of which zero are low-income, three (7.14 percent) are moderate-income, 32 (76.19 percent) are middle-income, and seven (16.67 percent) are upper-income.

The total population of the assessment area is 181,207. The average median family income is \$72,247, and the FFIEC 2014 updated MSA median family income is \$71,200. The percentage of families below the poverty level is 5.47. Owner-occupied units comprise 70.04 percent of total housing units. Based on 2014 demographic data, the total number of businesses with reported revenues in this assessment area was 10,210. Of these businesses, 7,281 (71.31 percent) had gross revenues of less than \$1 million, 696 (6.82 percent) had gross revenues of \$1 million or over, and 2,233 (21.87 percent) had revenues not reported.

The March 2015 unemployment rate for Calumet County was 4.20 percent and Outagamie County was 4.80 percent. The state unemployment rate for Wisconsin at this time was 5.40 percent.



The local economy is improving. Appleton's employment growth will continue at a steady clip, and full expansion will occur once the housing recovery strengthens. Manufacturing, healthcare, and hospitality will lead job growth. Major employers include ThedaCare Inc., Network Health Systems Inc., Kimberly-Clark, and Pierce Manufacturing.

Competition among financial institutions is strong. The bank's competitors include large national banks, multi-state banks, and credit unions. In total deposits, Nicolet NB, with a deposit market share of 1.55 percent, ranks 17th out of 31 FDIC-insured institutions located within the bank's assessment area. This is based upon FDIC market share data as of June 30, 2014.

#### Eau Claire, WI MSA

The assessment area is comprised of one moderate-income census tract. The entire Eau Claire MSA is too large for the bank to reasonably serve. The bank's Fairchild branch is located in this moderate-income census tract.

The total population of the one census tract is 4,817. The average median family income is \$48,239, and the FFIEC 2014 updated MSA median family income is \$64,800. The percentage of families below the poverty level is 12.08. Owner-occupied units comprise 62.36 percent of total housing units. Based on 2014 demographic data, the total number of businesses with reported revenues in this assessment area was 228. Of these businesses, 167 (73.25 percent) had gross revenues of less than \$1 million, 12 (5.62 percent) had gross revenues of \$1 million or over, and 49 (21.49 percent) had revenues not reported.

The March 2015 unemployment rate for Eau Claire County was 4.40 percent. The state unemployment rate for Wisconsin at this time was 5.40 percent.

The local economy is characterized as improving. Eau Claire will grow on pace with the Wisconsin and U.S. averages. In the long term, healthcare and education will do more to lift the local economy. Major employers in the assessment area include Menards Inc., Mayo Clinic Health System, Gerber Products Co, Sacred Heart Hospital, and University of Wisconsin – Eau Claire.

Competition among financial institutions is strong. The bank's competitors include large national banks, state banks, and credit unions. In total deposits, Nicolet NB, with a deposit market share of 0.25 percent, ranks last out of 17 FDIC-insured institutions located within the bank's assessment area. This is based upon FDIC market share data as of June 30, 2014.

Wisconsin Non-MSA Assessment Area

The assessment area is comprised of 52 census tracts, of which zero are low-income, seven (13.46 percent) are moderate-income, 42 (80.77 percent) are middle-income, and three (5.77 percent) are upper-income. There are five census tracts in Price County designated as distressed and underserved due to population loss and remote rural location. There are four census tracts in Vilas County designated as underserved due to remote rural location.

The total population of the assessment area is 172,792. The average median family income is \$53,256, and the FFIEC 2014 updated MSA median family income is \$60,600. The percentage of families below the poverty level is 8.55. Owner-occupied units comprise 50.35 percent of total housing units. Based on 2013 demographic data, the total number of businesses with reported revenues in this assessment area was 14,926. Of these businesses, 11,603 (77.74 percent) had gross revenues of less than \$1 million, 597 (4.00 percent) had gross revenues of \$1 million or over, and 2,726 (18.26 percent) had revenues not reported.

The March 2015 unemployment rate for Clark County was 5.80 percent, Jackson County was 6.30 percent, Marinette County was 6.80 percent, Oneida County was 8.30 percent, Price County was 5.70 percent, Taylor County was 6.20 percent, and Vilas County was 10.20 percent. The state unemployment rate for Wisconsin at this time was 5.40 percent.

Competition among financial institutions is strong. The bank's competitors include large national banks, state banks, and credit unions. In total deposits, Nicolet NB, with a deposit market share of 11.09 percent, ranks first out of 31 FDIC-insured institutions located within the bank's assessment area. This is based upon FDIC market share data as of June 30, 2014.

Oshkosh-Neenah, WI MSA

The assessment area is comprised of 17 census tracts, of which zero are low-income, three (17.65 percent) are moderate-income, 12 (70.59 percent) are middle-income, and two (11.76 percent) are upper-income.

The total population of the assessment area is 69,586. The average median family income is \$66,626, and the FFIEC 2014 updated MSA median family income is \$68,800. The percentage of families below the poverty level is 6.54. Owner-occupied units comprise 64.91 percent of total housing units. Based on 2014 demographic data, the total number of businesses with reported revenues in this assessment area was 3,945. Of these businesses, 2,856 (72.40 percent) had gross revenues of less than \$1 million, 259 (6.57 percent) had gross revenues of \$1 million or over, and 830 (21.04 percent) had revenues not reported.

The March 2015 unemployment rate for Winnebago County was 4.90 percent. The state unemployment rate for Wisconsin at this time was 5.40 percent.

The local economy is steadily improving. Employment growth in consumer-driven

industries is outpacing the state and national rates. The economy will be supported by expanding consumer services and renewed manufacturing strength. Major employers in the assessment area include Oshkosh Corp., Bemis, University of Wisconsin – Oshkosh, U.S. Bank, and Aurora Medical Group.

#### Wausau, WI MSA

The assessment area is comprised of 27 census tracts, of which zero are low-income, six (22.22 percent) are moderate-income, 19 (70.37 percent) are middle-income, and two (7.41 percent) are upper-income.

The total population of the assessment area is 134,063. The average median family income is \$65,599, and the FFIEC 2014 updated MSA median family income is \$65,400. The percentage of families below the poverty level is 5.64. Owner-occupied units comprise 69.80 percent of total housing units. Based on 2014 demographic data, the total number of businesses with reported revenues in this assessment area was 8,525. Of these businesses, 6,263 (73.47 percent) had gross revenues of less than \$1 million, 539 (6.32 percent) had gross revenues of \$1 million or over, and 1,723 (20.21 percent) had revenues not reported.

The March 2015 unemployment rate for Marathon County was 4.80 percent. The state unemployment rate for Wisconsin at this time was 5.40 percent.

The local economy is characterized improving. Manufacturing employment is outpacing the national average. Housing demand has been slower to respond to job market improvements. Major employers in the assessment area include St. Clare's Hospital, Aspirus Wausau Hospital Inc., Footlocker/East Bay Inc., Kolbe & Kolbe Millworks Inc., and Liberty Mutual Insurance.

Competition among financial institutions is strong. The bank's competitors include large state banks, national banks, multi-state banks, and credit unions. In total deposits, Nicolet NB, with a deposit market share of 1.48 percent, ranks 13th out of 22 FDIC-insured institutions located within the bank's assessment area. This is based upon FDIC market share data as of June 30, 2014.

### **SCOPE OF EVALUATION IN WISCONSIN**

We selected the Green Bay, WI MSA, for the full-scope review. Full-scope reviews consider performance context, quantitative, and qualitative factors. The assessment area selected for the full-scope review was chosen because they represented a significant portion of the institution's deposit base and lending business in Wisconsin. The Green Bay MSA lending volume represents 59.99 percent of total rated loans originated during the evaluation. The other assessment areas in Wisconsin were analyzed using limited-scope procedures. Limited-scope procedures consider quantitative factors only.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WISCONSIN**

## LENDING TEST

The bank’s performance under the lending test in the Green Bay MSA is rated Outstanding.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The overall distribution of borrowers within the MSA reflects reasonable penetration among individuals of different income levels and excellent penetration among businesses of different sizes.

The borrower distribution for residential real estate loans within the MSA reflects reasonable penetration. The bank originated 3.58 percent of mortgage loans to low-income families and 13.39 percent to moderate-income families. This is less than the demographics, which indicates 19.36 percent of families are low-income and 18.32 percent of the families are moderate-income.

<b>Borrower Distribution of Residential Real Estate Loans in the Green Bay MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.36%	5.74%	18.32%	20.21%	23.40%	23.19%	38.92%	50.85%
Home Improvement	19.36%	4.35%	18.32%	11.59%	23.40%	15.94%	38.92%	68.12%
Home Refinance	19.36%	2.70%	18.32%	11.00%	23.40%	22.40%	38.92%	63.90%
Total	19.36%	3.58%	18.32%	13.39%	23.40%	21.62%	38.92%	58.14%

*Source: 2012-2014 HMDA data (verified by examiners) and 2010 U.S. census demographic data. The bank reported income as NA for 3.27% of loans.*

The borrower distribution for business loans within the MSA reflects excellent penetration. Our random sample shows the bank originated 76.92 percent of loans by number and 76.10 percent of loans by dollar, to businesses with \$1 million in revenues or less. This exceeds the demographics, which shows 72.14 percent of assessment area businesses with revenues less than or equal to \$1 million.

<b>Borrower Distribution to Businesses in the Green Bay MSA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	72.14	6.06	21.79	100.00%
% of Bank Loans in AA by #	76.92%	12.82%	10.26%	100.00%
% of Bank Loans in AA by \$	76.10%	17.80%	6.10%	100.00%

Source: Sample of bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

Based on limited scope reviews, the bank’s performance under the borrower distribution among individuals of different income levels and businesses of difference sizes is not inconsistent with the bank’s overall performance.

**Geographic Distribution of Loans**

The overall geographic distribution of business and residential loans reflects reasonable dispersion throughout the bank’s assessment area.

The geographic distribution of home mortgage loans in the Green Bay MSA reflects reasonable distribution. The percent of low-income owner occupied housing is 0.79 percent, while the bank made 0.13% of its loans in low-income census tracts. The percent of moderate-income owner occupied housing is 20.63 percent, while the bank made 6.79 percent of its loans in moderate-income census tracts.

<b>Geographic Distribution of Residential Real Estate Loans in the Green Bay MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.79%	0.00%	20.63%	10.51%	52.93%	43.23%	25.65%	46.26%
Home Improvement	0.79%	1.43%	20.63%	12.86%	52.93%	34.29%	25.65%	51.43%
Home Refinance	0.79%	0.10%	20.63%	4.59%	52.93%	37.37%	25.65%	57.95%
Total	0.79%	0.13%	20.63%	6.79%	52.93%	39.09%	25.65%	53.99%

Source: 2012-2014 HMDA data (verified by examiners) and 2010 U.S. census demographic data.

The geographic distribution of business loans in the Green Bay MSA reflects excellent distribution. While the bank made no loans in low-income census tracts, the bank exceeded the demographics for moderate-income census tracts. The percent of assessment area businesses in moderate-income census tracts is 21.06 percent. The bank made 25.64 percent of its loans to these businesses.

Geographic Distribution of Commercial Loans in the Green Bay MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	1.29	0.00%	21.06%	25.64%	52.93%	61.54%	24.69%	12.82%

*Source: Sample of bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data*

Based on limited scope reviews, the bank’s performance under the geographic distribution of home mortgages is not inconsistent with the bank’s overall performance. The bank’s performance under the geographic distribution of business loans is not inconsistent with the bank’s overall performance.

**Responses to Complaints**

The institution has not received any CRA-related complaints since the last examination.

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the community development test in the state of Wisconsin is rated Outstanding. Community development performance through community development loans, qualified investments, and services demonstrates excellent responsiveness to community development needs in the assessment area.

**Number and Amount of Community Development Loans**

Nicolet NB has an excellent level of community development loans. The bank made four Community development loans, totaling \$662,500.

One loan was to an economic development arm of the Green Bay Area Chamber of Commerce for \$145,000. This is a micro loan program for business that would not normally qualify for conventional financing.

One loan was funded in the amount of \$100,000 to help a homeless shelter with operating expenses. The shelter provides programming, support, education, and resources for employment.

One loan was funded for \$350,000 to provide financing for ongoing operations for a rehabilitation center. Services are provided to low- and moderate-income individuals. Another loan was made for \$50,000 for operating expenses.

In addition, the bank made 13 U.S. Department of Agriculture (USDA) guaranteed loans for rural development, totaling \$3.15 million. The USDA loans improve, develop, or finance business, industry, and employment. The loans improve the economic and environmental climate in rural communities.

Small Business Administration (SBA) loans are available in the assessment areas for businesses that may not qualify for conventional loan terms. Under the SBA program, the bank originated 55 small business loans totaling \$25.40 million. These loans would have already been reported under the small business lending test.

Although not included as community development loans, Nicolet NB also participates in several loan programs that target or primarily benefit low- and moderate- income individuals.

Downpayment Plus (DPP), through Wisconsin Partnership for Housing Development, provides subsidies per household. This may be used as a down payment, closing cost assistance, home buyer counseling costs, and/or rehabilitation costs. To qualify, household income may not exceed 80 percent of the area median income. This program is for low- and moderate-income borrowers, and pre-purchase counseling is required. Under this program, there were 36 loans with DPP grants totaling \$278,000.

The Wisconsin Housing and Economic Development Authority (WHEDA) Advantage enables home buyers to pay lower cash closing costs. This program primarily benefits low and moderate income borrowers. Under this program, the bank made 84 loans totaling \$8.56 million.

Nicolet NB originated 13 loans for the Veterans Affairs program. Under this program, the bank made loans totaling \$1.63 million.

Nicolet NB's performance in this area, with consideration given to available opportunities, reflects excellent responsiveness to the communities' needs.

Community development lending in the limited scope areas is considered excellent. The bank originated an additional eight community development loans, totaling \$9.37 million. These loans supported affordable housing for low- and moderate-income individuals and job creation.

### **Number and Amount of Qualified Investments**

The level of qualified community development investments is excellent.

The bank's qualified investments also included donations to 139 organizations totaling \$210,058. These donations supported social services, job skills training for low- and moderate-income individuals, small business development, and affordable housing.

During this evaluation, we qualified three prior period industrial revenue bonds with an outstanding balance of \$6.56 million. These bonds were used to finance expansion and job creation for local manufacturing companies.

The bank provided grants through participating programs that benefit low- and moderate-income individuals. Below is a summary of the grants:

The bank provided 10 grants totaling \$63,000 for down payment assistance through the Federal Home Loan Bank Affordable Housing program. These grants are available to homebuyers in the NeighborWorks footprint and are an alternative to the Downpayment Plus grants offered by FHLBC.

Based on limited scope reviews, the institutions performance under qualified investments is not inconsistent with the institution's overall performance. Nicolet NB utilizes City of Wausau Downpayment Program loans. The bank provided three grants totaling \$24,000 to assist low- and moderate-income residents to purchase properties within the city limits of Wausau.

The bank provided three grants, totaling \$24,000, through a program with NEWCAP home buyers grants in the Marinette, WI and Menominee, MI areas.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides an excellent level of community development services through its branches, products, and activities with local organizations that support many undertakings directly benefiting low- and moderate-income individuals. The bank has three branches in Wisconsin located in a moderate-income census tract. The bank offers a full range of consumer and commercial banking products and services at all branches.

Nicolet NB employees are also involved in a variety of community development services that reflect excellent responsiveness to the communities' needs. Many of the bank's employees are involved with organizations that promote economic development, or provide services for low- and moderate-income individuals.

Although not a comprehensive list, some of the community development services include:

Four bank employees work in partnership with NeighborWorks Green Bay Homebuyer Education. Presentations include information on mortgages, down payments, government loan programs, and other aspects of home buying and financing.



One employee serves as director of an Area Development Foundation. The foundation facilitates the growth of businesses and jobs in the local community. The foundation provides a loan fund for small businesses in need.

One employee serves as a board member for a local homeless shelter for adults. The shelter provides programming, support, education, and tools in order to help find jobs.

Nicolet NB provided an outreach program to a local factory that employs a large number of unbanked minorities. The bank provided financial education regarding banking products and direct deposit of payroll checks.

### **Responsiveness to Community Development Needs**

Nicolet's NB's performance in this area, with consideration given to available opportunities, reflects excellent responsiveness to community needs.

## State Rating

### State of Michigan

**CRA Rating for the state of Michigan is Satisfactory.**

**The Lending Test is rated Satisfactory.**

**The Community Development Test is rated Satisfactory.**

The major factors supporting the institution's rating include:

- The borrower distribution of home mortgage loans reflects reasonable penetration among borrowers of different incomes. The borrower distribution of business loans reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of home mortgage loans reflects reasonable dispersion among geographies in the assessment area. The geographic distribution of small business loans reflects reasonable dispersion among geographies in the assessment area.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates adequate responsiveness to community development needs in the assessment areas.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MICHIGAN

Nicolet NB has designated one assessment areas in the state of Michigan. The non-MSA assessment area includes all census tracts in Menominee County, Michigan. There is one branch and one Automated Teller Machine (ATM) in the state of Michigan.

The assessment area is comprised of seven census tracts, all of which are designated as middle-income. Based on 2014 MSA changes, the percentage of families in each tract have changed. This will be presented in the borrower distribution tables.

The total population of the assessment area is 24,029. The average median family income is \$49,451, and the FFIEC 2014 updated MSA median family income is \$53,900. The percentage of families below the poverty level is 7.99 percent. Owner-occupied units comprise 61.81 percent of total housing units. Based on 2014 demographic data, the total number of businesses with reported revenues in this assessment area was 1,112. Of these businesses, 810 (72.19 percent) had gross revenues of less than \$1 million, 73 (6.51 percent) had gross revenues of \$1 million or over, and 239 (21.30 percent) had revenues not reported.

The March 2015 unemployment rate for Menominee County was 5.40 percent. The state unemployment rate for Michigan at this time was 5.70 percent.

The local economy is characterized as improving. Major employers include Bay Area Medical Center, Island Resort and Casino, and Marinette Marine. Additional employers include manufacturing, tourism, and retail.

Competition among financial institutions is strong. The bank’s competitors include large national banks, state banks, and credit unions. In total deposits, Nicolet NB, with a deposit market share of 13.49 percent, ranks fourth out of 6 FDIC-insured institutions located within the bank’s assessment area. This is based upon FDIC market share data as of June 30, 2014.

**SCOPE OF EVALUATION IN MICHIGAN**

The Menominee, MI assessment area was selected for a full scope review. This is the only assessment area in Michigan. The OMB 2014 MSA changes will be displayed in the borrower distribution tables for home mortgages below.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN**

**LENDING TEST**

The bank’s performance under the lending test in the state of Michigan is rated Satisfactory.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The overall distribution of borrowers within the assessment area reflects reasonable penetration among individuals of different income levels and excellent penetration among businesses of different sizes.

The borrower distribution for residential real estate loans within the assessment area reflects reasonable penetration. The bank originated 10.11 percent of mortgage loans to low-income families and 14.61 percent to moderate-income families. This is less than the demographics, which indicates 16.75 percent of families are low-income and 21.30 percent of the families are moderate-income.

<b>Borrower Distribution of Residential Real Estate Loans in the Menomonee MI AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Type of Loan</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>

Home Purchase	16.75%	21.05%	21.30%	15.79%	26.97%	15.79%	34.99%	47.37%
Home Improvement	16.75%	14.29%	21.30%	42.86%	26.97%	28.57%	34.99%	14.29%
Home Refinance	16.75%	7.27%	21.30%	12.73%	26.97%	23.64%	34.99%	56.36%
Total	16.75%	10.11%	21.30%	14.61%	26.97%	20.22%	34.99%	46.07%

Source: 2012-2013 HMDA data (verified by examiners) and 2010 U.S. census demographic data. The bank reported income as NA for 8.99% of loans.

The borrower distribution for residential real estate loans within the assessment area reflects reasonable penetration. In 2014, the bank originated 24 home mortgage loans in this assessment area. The bank originated 4.17 percent of mortgage loans to low-income families and 16.67 percent to moderate-income families. This is less than the demographics, which indicates 16.48 percent of families are low-income and 20.87 percent of the families are moderate-income. Consideration is given to the low volume of lending for 2014.

<b>Borrower Distribution of Residential Real Estate Loans in the Menominee MI AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.48%	0.00%	20.87%	18.18%	27.20%	45.45%	35.44%	36.36%
Home Improvement	16.48%	16.67%	20.87%	16.67%	27.20%	16.67%	35.44%	50.00%
Home Refinance	16.48%	0.00%	20.87%	16.67%	27.20%	33.33%	35.44%	50.00%
Total	16.48%	4.17%	20.87%	16.67%	27.20%	33.33%	35.44%	41.67%

Source: 2014 HMDA data (verified by examiners) and 2010 U.S. census demographic data. The bank reported income as NA for 4.17% of loans.

The borrower distribution for business loans within the assessment area reflects excellent penetration. Our random sample shows the bank originated 76.00 percent of loans by number and 68.05 percent of loans by dollar to businesses with \$1 million in revenues or less. This exceeds the demographics, which shows 72.19 percent of assessment area businesses with revenues less than or equal to \$1 million.

<b>Borrower Distribution to Businesses in Menominee, MI Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	72.19	6.51	21.30	100.00%
% of Bank Loans in AA by #	76.00%	24.00%	0.00%	100.00%
% of Bank Loans in AA by \$	68.05%	31.95%	0.00%	100.00%

Source: Sample of bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

### **Geographic Distribution of Loans**

There are no low- or moderate-income census tracts located in Menominee, MI; therefore, a geographic distribution analysis would not provide meaningful information.

### **Responses to Complaints**

The institution has not received any CRA-related complaints since the last examination.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the Michigan assessment area is rated Satisfactory. The bank's community development performance through community development loans, qualified investments, and services demonstrates adequate responsiveness to community development needs in the assessment area.

### **Number and Amount of Community Development Loans**

Nicolet NB has an adequate level of community development loans. The bank made two community development loans, totaling \$266,000.

The bank originated one loan for \$66,000 to a homeless shelter in Menominee, MI. The bank purchased a participation in a larger loan. The proceeds were used to purchase a new shelter and complete improvements.

The bank originated one loan for \$200,000 to a local community service club for low- and moderate-income children, which helps support cash flow for ongoing operating needs.

### **Number and Amount of Qualified Investments**

The level of qualified community development investments is adequate.

The bank's qualified investments included donations to 25 organizations, totaling \$5,670. These donations supported social services for low- and moderate-income individuals, small business development, and affordable housing.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides an adequate level of community development services through its branches, products, and activities with local organizations that support many

undertakings directly benefiting low- and moderate-income individuals. The bank offers a full range of consumer and commercial banking products and services at all branches.

Nicolet NB employees are also involved in a variety of community development services that reflect adequate responsiveness to the communities' needs. Many of the bank's employees are involved with organizations that promote economic development, or provide services for low- and moderate-income individuals.

### **Responsiveness to Community Development Needs**

Nicolet's NB's performance in this area, with consideration given to available opportunities, reflects adequate responsiveness to community needs.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 2012 to December 31, 2014 Community Development Test: March 21, 2011 to May 13, 2015	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Nicolet National Bank Green Bay, Wisconsin		
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>Wisconsin</b>		
Green Bay, WI MSA	Full Scope	All of Brown and Oconto Counties
Appleton, WI MSA	Limited Scope	Portion of Calumet and Outagamie Counties
Eau Claire, WI MSA	Limited Scope	One Census Tract in Eau Claire County
NonMSA	Limited Scope	Clark, Jackson, Marinette, Oneida, Price, Taylor, and Vilas Counties
Oshkosh-Neenah, WI MSA	Limited Scope	Portion of Winnebago County
Wausau, WI MSA	Limited Scope	All of Marathon County
<b>Michigan</b>		
NonMSA	Full Scope	All of Menominee County

# Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Nicolet National Bank	Outstanding	Outstanding	Outstanding
State of Wisconsin	Outstanding	Outstanding	Outstanding
State of Michigan	Satisfactory	Satisfactory	Satisfactory