



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 21, 2011

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.
- The borrower distribution of loans reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of 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 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 product which is business loans.

The evaluation period covers the period since the date of the previous CRA exam, August 25, 2003. The Lending Test evaluated loans originated between January 1, 2009 and March 21, 2011. The Community Development Test covered community development loans, investments, and services during the entire evaluation period. To evaluate small business lending, we used both data from bank reports as well as a random sample of business loans from the bank's assessment areas.

The analysis of the Lending Test was performed using the most recent available demographic data. Conclusions were based on small business loan performance in the Green Bay assessment area in Wisconsin and the Menominee assessment area in Michigan. Conclusions were based on analysis of business 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 National Bank (Nicolet NB) is a \$656 million financial institution headquartered in Green Bay, WI. The main office is located in a moderate-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 \$674 million as of December 2010. Nicolet NB has two affiliates, Nicolet Joint Ventures LLC and Brookfield Investment Partners LLC. Nicolet NB also has a subsidiary, Nicolet Investments, Inc., which holds \$35 million of the bank's investment portfolio.

The bank offers traditional community bank products and services and is primarily a commercial lender. Net loans represent 77% of total assets as of December 31, 2010. By dollar volume, the loan portfolio consists of commercial loans (72%), residential real estate loans (24%), consumer loans (2%), and other loans (2%). Tier 1 capital totaled \$59 million. All financial information is as of December 31, 2010.

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 a small bank and received an "Outstanding" rating at its prior CRA examination dated August 25, 2003.

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, Oshkosh/Neenah and Marinette, WI assessment areas, where there is a relatively lower volume of lending and deposits.

Ratings

The bank's overall rating is a blend of state ratings. In each state where the bank has an office, a sample of assessment areas within the state was selected for full-scope review. Refer to the "Scope" section under each state for details regarding how the areas were weighted in arriving at the overall state rating.

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 to the bank's overall activities.
- The lending opportunities in each state.

- The importance of the bank in providing loans to each state, 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.

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 92%, which ranks tenth in a peer group of eighteen other banks. The peer group consists of banks with assets ranging from \$64 million up to \$656 million. The average loan-to-deposit ratio for the eighteen banks located in the assessment areas over the same time period ranged from 76% up to 104%. No similarly situated banks were identified for comparison within the Michigan assessment area.

Lending in Assessment Area

Nicolet NB originates a substantial majority of its loans to borrowers within its assessment areas. A review of the bank's primary loan product shows that 91% by number and 88% by dollar volume of loans were made to businesses located within the bank's assessment areas.

Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	100	90.91%	10	9.09%	110	\$26,126	87.79%	\$3,635	12.21%	\$29,761

Source: Bank records (verified by examiners)

Fair Lending or Other Illegal Credit Practices Review

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

State of Wisconsin

CRA Rating for Wisconsin is Outstanding.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated Outstanding.

The major factors that support this rating include:

- The borrower distribution of loans reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion among geographies in the Green Bay 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

DESCRIPTION OF THE GREEN BAY, WI ASSESSMENT AREA

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 County in northeastern Wisconsin. The bank has six offices and five automated teller machines (ATMs) in this AA. In July 2010, the bank acquired four branches located in Ashwaubenon, DePere, West DePere, and Green Bay. The branch in DePere is located in a moderate-income census tract. All locations except for the main office have ATMs, none of which accept deposits.

The AA is comprised of fifty census tracts, of which zero are low-income, nine (18%) are moderate-income, thirty-two (64%) are middle-income, eight (16%) are upper-income, and one (2%) is designated NA-income. The NA-income census tract is the Green Bay Correctional Institution located in Allouez, WI. Based on 2010 demographic data, the total number of businesses with reported revenues in this AA was 15,735. Of these businesses, 12,081 (77%) had gross revenues of less than \$1 million, 876 (6%) had gross revenues of \$1 million or over, and 2,778 (17%) had revenues not reported. Based on 2000 census data, the total population in this AA is 226,778, which is comprised of 57,892 families. The 2010 updated median family income for the MSA is \$65,900. This assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The local economy is characterized as slowly improving, despite the national downturn. According to the Bureau of Labor Statistics, the unemployment rate for Brown County was 7.3% in January 2011. This is less than the state unemployment rate of 8.2% for the same time period. Major employers in the Green Bay MSA include Schneider National Trucking, Green Bay Packaging, Georgia Pacific, and the Oneida Tribe of Indians of Wisconsin.

Competition among financial institutions is strong. The bank's competitors include large state banks, multi-state banks, and credit unions. In total deposits, Nicolet NB with a deposit market

share of 3.14% ranks fifth out of forty-nine FDIC-insured institutions located within the bank’s assessment area. This is based upon FDIC market share data as of June 30, 2010.

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.

Scope of Evaluation in Wisconsin

Our analysis included a full-scope evaluation for the bank’s Green Bay assessment area. More weight was placed on performance in the Green Bay assessment area, since this is where Nicolet NB operates the most offices and originates the majority of loans and deposits.

Conclusions with Respect to Performance Criteria in Wisconsin

LENDING TEST

Nicolet NB’s performance under the Lending Test in the Wisconsin assessment areas is rated Satisfactory. The borrower distribution of loans reflects reasonable penetration among businesses of different sizes. The geographic distribution of loans reflects excellent dispersion among geographies in the Green Bay assessment area.

Lending to Businesses of Different Sizes in the Green Bay, WI Assessment Area

The distribution of loans reflects reasonable penetration among businesses of different sizes. The number of business loans originated by the bank to small businesses (those with revenues of \$1 million or less) exceeds the demographics. By number, the percent of small business loans originated is 78%. By dollar, the percent of small business loans originated is 74%.

Borrower Distribution to Businesses in Green Bay, WI Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	76.78%	5.57%	17.65%	100%
% of Bank Loans in AA by #	77.78%	22.22%	0.00%	100%
% of Bank Loans in AA by \$	73.84%	26.16%	0.00%	100%

Source: Small Business Loan Data (verified by examiners) and 2010 Business Demographic Data

Geographic Distribution of Loans

The geographic distribution of business loans in the Green Bay assessment area shows excellent dispersion throughout the bank’s assessment area. As shown in the table below, the bank originated 22% of its business loans within moderate-income census tracts. This exceeds the demographics, which shows 14% of assessment area businesses are located in moderate income census tracts.

Geographic Distribution of Business Loans in the Green Bay, WI Assessment Area								
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	0.00%	0.00%	13.63%	22.22%	66.16%	55.56%	20.21%	22.22%

Source: Small Business Loan Data (verified by examiners) and 2010 Business Demographic Data

Based on limited scope reviews of the Appleton, Oshkosh/Neenah and Marinette, WI assessment areas, the bank’s performance under the borrower distribution to businesses is consistent with the bank’s overall performance. Based on a limited scope review of the Marinette, WI assessment area, the bank’s performance under the geographic distribution of businesses is consistent with the bank’s overall performance. Based on a limited scope review of the Appleton, WI assessment area, the bank’s performance under the geographic distribution of businesses is inconsistent with the bank’s overall performance as the volume of lending in the moderate income census tracts is lower than the demographic comparator. There are no low- or moderate-income census tracts located in Oshkosh/Neenah assessment area; therefore, a geographic distribution analysis would not provide meaningful information.

Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

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

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 \$26.6 million. One loan totaling \$2 million was made to a business that builds affordable housing for low- and moderate-income individuals. Fifteen of the properties are located in moderate-income census tracts in Green Bay, WI. The bank made an additional loan totaling \$3.75 million that was used to revitalize low- and moderate-income geographies. Funds were used for renovations to an office building which is located in downtown Green Bay, in a moderate-income census tract. The bank made a loan totaling \$16 million to purchase a manufacturing facility and fund expansion. The company also used the Green Bay Revolving Loan Fund and 15 jobs were created, with at least 8 (53%) available to low- and moderate-income households. One loan was made totaling \$4.85 million to a non-profit, industrial development organization designed to meet the area's need for economic

development. This organization offers advocacy, expertise, and financial assistance to a variety of industries in Oshkosh, WI.

In addition, the bank made two U.S. Department of Agriculture (USDA) guaranteed loans for rural development totaling \$12.1 million. The USDA loans improve, develop, or finance business, industry, and employment. The loans improve the economic and environmental climate in rural communities. One loan was made for \$6.5 million with funds being used for expansion and job creation. Another loan was made to a manufacturing facility for \$5.6 million. These funds were used to expand the business and create new job opportunities. This manufacturing facility is located in a moderate-income census tract.

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 eleven small business loans totaling \$5 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 through Wisconsin Partnership for Housing Development provides subsidies of up to \$6,000 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% 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 twenty-one grants totaling \$92,000.

The Wisconsin Housing and Economic Development Authority (WHEDA) HOME Program is a first-time home buyer program that provides low, fixed rate mortgage products, allows for a lower down payment than conventional mortgage programs, and provides homebuyer education. This program primarily benefits low and moderate income borrowers. Nicolet NB is listed as the volume leader for WHEDA loans originated in Brown County. Under this program, the bank made fifteen loans totaling \$1.4 million.

Nicolet NB services two loans for the Veterans Affairs program. In 2008 one loan was originated for \$103,244, and in 2009 another loan was originated for \$182,988. Under the Federal Housing Administration loan program, the bank originated two loans in 2010 totaling \$209,475.

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

Number and Amount of Qualified Investments

The level of qualified community development investments is excellent.

Nicolet NB invested in a portfolio of interest-free mortgage loans from the Greater Green Bay Habitat for Humanity. Three loans were purchased totaling \$113,946, and all properties were located in a moderate-income census tract.

In April 2010, a single family home was donated to NeighborWorks. The value of the home was \$28,200. NeighborWorks is a nonprofit corporation that strengthens neighborhoods and improves lives by revitalizing housing, while promoting and preserving homeownership.

The bank's qualified investments also included donations to twenty-eight organizations totaling \$504,754. These donations supported social services, job skills training for low- and moderate-income individuals, small business development, affordable housing, and benefited low- and moderate-income individuals hurt by natural disasters.

The bank invested in three industrial revenue bonds totaling \$15.6 million. Two bonds were used to finance expansion and job creation for two local manufacturing companies. One bond was to an organization that provides community services targeted to low- and moderate-income individuals.

Nicolet NB also made contributions to a private foundation over the evaluation period. Contributions are matched dollar for dollar by the bank. The foundation gave \$24,500 to twenty five area organizations. The donations meet the definition of community development.

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 activities directly benefiting low- and moderate-income populations. Nicolet NB provides affordable banking services in the Wisconsin assessment areas. The bank's main office is located in a moderate-income census tract. The bank offers a full range of consumer and commercial banking products and services at all of its branches. In addition to its full service branches and ATM locations, the bank also offers internet banking and telephone banking for added accessibility to products.

A bank officer was instrumental in the creation of the Advance Brown County Micro Loan Program. Ten local financial institutions participate in this program. Nicolet NB pledged \$90,000 to fund micro loans to small businesses located in Brown County. In addition, Nicolet NB has pledged \$5,000 per year for two years to fund operating costs of the program. The program provides financing to start-up businesses and recently established small businesses. The loans are available to small businesses which would likely not qualify for traditional bank financing. To date, one loan was funded under this program for \$20,000 to a minority owned business.

A bank officer serves on the Board of Directors for the Green Bay Chamber of Commerce, which promotes economic development within Green Bay.

A bank officer is involved in establishing the Brown County Foreclosure Mediation Program. This program will provide a foreclosure mediation program for Brown County.

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:

One bank employee serves as the secretary and treasurer of a local homeless shelter. The employee attends monthly meetings to review financial reports and serves on the finance committee. The committee manages capital projects and prepares and approves the shelter budget and expenditure needs.

One bank employee serves on the Ways to Work loan committee. Ways to Work provides loans to help low-income parents pay for unexpected expenses that could interfere with their ability to keep a job or stay in school.

Several bank employees provide homeownership counseling services for first time home buyers. Services are provided on a one-on-one basis and involve multiple sessions, and the completion of a workbook and tests. There is no charge for the counseling services.

One bank employee serves on the loan committee for Family Services. The committee is made up of bankers from local financial institutions. The program provides used vehicles to applicants in need.

Responsiveness to Community Development Needs

Given available opportunities, the bank's performance in meeting community development needs reflects excellent responsiveness to the needs of its communities.

State of Michigan

CRA Rating for Michigan is Outstanding.
The Lending Test is rated Outstanding.
The Community Development Test is rated Satisfactory.

The major factors that support this rating include:

- The borrower distribution of loans reflects excellent penetration among businesses of different sizes.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates adequate responsiveness to community development needs in the AAs.

Description of Institution's Operations in Michigan

Nicolet NB operates one full service branch located in Menominee, MI. This branch is located in a middle-income census tract and has one ATM.

The Menominee, MI assessment area (AA) includes all the census tracts in Menominee County. This AA is comprised of seven census tracts, all of which are middle-income. Based on 2010 demographic data, the total number of businesses with reported revenues in this AA was 1,352. Of these businesses, 1,006 (74%) had gross revenues of less than \$1 million, 65 (5%) had gross revenues of \$1 million or over, and 281 (21%) had revenues not reported. Based on 2000 census data, the total population in this AA is 25,326, which is comprised of 7,016 families. The 2010 updated median family income for this assessment area is \$51,800. This assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The local economy is characterized as stable. According to the Bureau of Labor Statistics, the unemployment rate for Menominee County is 10% for January 2011. This is less than the state unemployment rate of 11.3% for the same time period. Major employers in the area include Marinette Marine and Bay Area Medical Center. Other industries include metal product manufacturing, and retail services.

Competition among financial institutions is strong. The bank's competitors include several community banks, large state banks, multi-state banks, and credit unions.

Scope of Evaluation in Michigan

The Menominee, MI assessment area was selected for a full scope review. This is the only AA in Michigan.

Conclusions with Respect to Performance Criteria in Michigan

LENDING TEST

Nicolet NB’s performance under the Lending Test in the Michigan assessment area is rated Outstanding. The borrower distribution of loans reflects excellent penetration among businesses of different sizes.

Lending to Businesses of Different Sizes in the Menominee, MI Assessment Area

The percentage of business loans originated by the bank to small businesses (those with revenues of \$1 million or less) exceeds the demographics. By number, the percent of small business loans originated is 95%. By dollar, the percent of small business loans originated is 92%.

Borrower Distribution to Businesses in Menominee, MI Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	74.41%	4.81%	20.78%	100%
% of Bank Loans in AA by #	94.74%	5.26%	0.00%	100%
% of Bank Loans in AA by \$	91.79%	8.21%	0.00%	100%

Source: Small Business Loan Data (verified by examiners) and 2010 Business Demographic Data

Geographic Distribution of Business Loans in the Menominee, MI Assessment Area

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 bank has not received any complaints regarding its CRA performance since the last CRA 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 one community development loan totaling \$1 million in this assessment area. This was a USDA guaranteed loan for rural development. This loan was made to a dairy farm located in a rural area of Michigan. Loan funds were used to make improvements and expand operations.

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

Number and Amount of Qualified Investments

The level of qualified community development investments is adequate.

The bank's qualified investments included donations to four organizations totaling \$3,600. These donations supported social services, small business development, and affordable housing.

Nicolet NB also made contributions to a private foundation over the evaluation period. Contributions are matched dollar for dollar by the bank. The donations meet the definition of community development.

Extent to Which the Bank Provides Community Development Services

The bank provides an adequate level of community development services through its branch, products, and activities with local organizations that support many activities directly benefiting low- and moderate-income populations. Nicolet NB provides affordable banking services in the Michigan assessment area. The bank offers consumer and commercial banking products and services at the Michigan branch. The bank also offers internet banking and telephone banking for added accessibility to the bank's products.

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

One bank employee is involved in the St. Vincent de Paul Food Pantry of Menominee, MI. The organization's role is to provide food to the needy and on occasion provide rent or mortgage payments to clients in need.

Several bank employees provide homeownership counseling services for first time home buyers. Services are provided on a one-on-one basis and involve multiple sessions. There is no charge for the counseling services.

Responsiveness to Community Development Needs

Given available opportunities, the bank's performance in meeting community development needs reflects adequate responsiveness to the needs of its communities.

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”).

Time Period Reviewed	Lending Test: 01/01/09 to 03/21/11 Community Development Test: 08/25/03 to 03/21/11	
Financial Institution	Products Reviewed	
Nicolet National Bank 111 North Washington Street, Green Bay, WI	Commercial Loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Wisconsin AA – Green Bay MSA	Full Scope	
Appleton MSA Oshkosh/Neenah MSA Marinette AA	Limited Scope	
Michigan AA – Menominee AA	Full Scope	

Appendix B: Summary of State Ratings

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