

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

Nicolet Bankshares, Inc./Nicolet National Bank

Point of Contact:	Ann K. Lawson, CFO	RSSD: (For Bank Holding Companies)	3103603 / 2941068
UST Sequence Number:	216	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	14,964,000	FDIC Certificate Number: (For Depository Institutions)	57038
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2008	City:	Green Bay
Date Repaid <sup>1</sup> :	N/A	State:	Wisconsin

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

**Increase lending or reduce lending less than otherwise would have occurred.**

For 2010, we've had opportunities to lend in our markets, including to customers of troubled banks whose liquidity or capital is tight. Many customers have, however, de-levered or slowed growth, impacting net loan growth between YE09 to YE10 [up \$27 mil. (5.5%) to \$519 mil. at YE10].

**To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

We experienced lower net commercial construction loans and residential mortgages between year ends, but net increases in all other commercial loan types (term, lines, and real estate), and only modest net increases in home equity/consumer loans.

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**Increase securities purchased (ABS, MBS, etc.).**

**Make other investments.**

**Increase reserves for non-performing assets.**

**Reduce borrowings.**

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Increase charge-offs.

Empty response box for 'Increase charge-offs.'

Purchase another financial institution or purchase assets from another financial institution.

Consistent with our application, CPP funds were planned for loan growth & franchise expansion. July 2010 we consummated an acquisition of 4 in-market branches (\$105 mil. deposits, \$25 mil. loans). We remain interested in additional acquisition activity within rational geography and pricing.

Held as non-leveraged increase to total capital.

Empty response box for 'Held as non-leveraged increase to total capital.'

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## What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Because we obtained both \$14,964,000 of CPP funds in December 2008 and were successful with a \$9.5 million Tier 1 common capital raise also in December 2008, we avoided forced capital raises in 2009 and 2010, when capital markets for banks in general have been less favorable (difficult, costly, unpopular). Given the 2008 capital raises plus net earnings for 2009 and 2010, our capital and risk-based capital ratios remain above well-capitalized, even with the deduction from regulatory capital of the deposit intangible resulting from the 2010 branch acquisition. Thus, we have avoided significant regulatory criticism relative to capital levels or asset quality. Also during 2010, we have been proactively evaluating several capital generating options at the holding company level which would be used for current and anticipated capital needs. Finally, our operating style, with or without the late 2008 capital raises, has been to address asset quality issues proactively, real time, and to work through those issues with our customers. Having this higher capital already in place allowed us to not only continue to originate new and extend renewed credit facilities during the challenging period, but also to deal with individual customer issues one-on-one and not have the balance sheet of the bank dictate our customer relationship activity.

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**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

With the CPP funds and our own Tier 1 common capital raise both in December 2008, we had plans for franchise expansion; without the capital already raised, such potential acquisition activity might have been harder to consider. We signed an agreement to purchase 4 in-market branches from another institution under capital pressure in May 2010 and consummated the transaction on July 23, 2010 (\$105 million deposits, \$25 million loans, 4 leased branch locations, and nearly 20 additions to our full-time equivalent employee count). We will continue to evaluate opportunities (whole bank, branches, FDIC transactions) and conduct due diligence when appropriate.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.