



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 26, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Black Hills Community Bank, National Association
Charter Number 24798

840 Mount Rushmore Road
Rapid City, SD 57701

Office of the Comptroller of the Currency

Salt Lake City Field Office
2795 Cottonwood Parkway, Suite 390
Salt Lake City, UT 84121

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.

INSTITUTION'S Community Reinvestment Act (CRA) RATING: This institution is rated Satisfactory.

Black Hills Community Bank, N.A. (BHCB) has a satisfactory record of meeting the credit needs of its community. The following supports this rating:

- The loan-to-deposit ratio is more than reasonable in comparison to similarly situated banks in the Rapid City MSA.
- A substantial majority of the bank's loans originated during the evaluation period were within the assessment area (AA).
- Lending to borrowers of different incomes and businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The bank has had no consumer complaints regarding its community reinvestment performance.

SCOPE OF EXAMINATION

We evaluated BHCB utilizing the CRA Small Bank examination procedures. BHCB's primary lending products are home purchase loans and small business lending, which together total 57 percent of the bank's gross loans as of September 30, 2010. Our evaluations period for this examination was from January 1, 2008 to November 30, 2010. The bank's lending during this period is representative of its lending strategy since the bank opened on November 27, 2007.

DESCRIPTION OF INSTITUTION

BHCB is an independent community bank with approximately \$64 million in total loans, \$75 million in total deposits, and \$94 million in total assets, as reported in the September 30, 2010 uniform bank performance report. BHCB operates one 24-hour automated teller machine located at the main branch. The bank is wholly-owned by BHCB Holding Company, a one-bank holding company headquartered in Rapid City, South Dakota.

BHCB is a full-service community bank that offers a wide variety of personal and business loan and deposit products to meet the needs of residents within its AA. Consumer lending includes loans for purposes such as purchasing new or used automobiles, recreational vehicles, home equity, and debt consolidation. The bank also

offers overdraft protection/ready reserve. Residential real estate lending includes conventional financing for construction, purchase, and refinance. Business loans offered include operating, inventory, equipment, and commercial real estate loans, along with lines of credit and loans for other business purposes.

As of September 30, 2010, total loans of \$64 million represented 58 percent of total assets. The bank's primary lending activity from January 1, 2008 through September 30, 2010 was small business and home purchase loans. The loan portfolio is comprised of 43 percent business loans, 13 percent one-to-four residential real estate loans, and 10 percent non-residential construction loans.

There are no financial or legal impediments constraining the bank's ability to meet the credit needs of its AA. BHCB is a de novo bank, and this examination represents its first CRA performance evaluation.

DESCRIPTION OF ASSESSMENT AREA

BHCB operates in the Rapid City, South Dakota Metropolitan Statistical Area (MSA) 39660. Therefore, we performed a full-scope review of the bank's CRA performance in that MSA. The Rapid City MSA contains two counties, Pennington and Meade, and the largest city in the MSA is Rapid City. The MSA contains 26 census tracts. The bank is located in a moderate-income tract. The bank's AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income census tracts. The total population recorded in the 2000 U.S. Census for the AA was 112,818.

The overall economic conditions of the area are good. The economic downturn, impacting other parts of the U.S., have been lessened due to the natural resource extraction and expansion of the air force base. The largest sectors of the AA economy are government services, healthcare, and tourism. Major employers include the Ellsworth Air Force Base, Army National Guard, Rapid City Regional Hospital.

In conjunction with this CRA examination, we conducted a community contact interview to learn about credit needs within the community and how well financial institutions address those needs. The contact stated the community's biggest need is affordable housing, followed by commercial loans. The contact stated area banks are doing a good job of meeting those needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We evaluated the bank's lending performance by reviewing business and residential loans originated from January 1, 2008, through November 30, 2010. We randomly selected a sample of business loans residential real estate loans to assess the bank's lending performance.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit (LTD) ratio is more than reasonable given its size, financial condition, and credit needs of the community.

BHCB's quarterly average LTD ratio since it opened is 107 percent. We identified four other banks operating in the same general area with total assets less than \$125 million. BHCB's average LTD ratio compares very favorably. The average LTD ratio for these banks over the same time period is 76 percent.

Lending in Assessment Area

A substantial majority of the bank's loans were made in the AA.

We sampled 40 commercial and residential loans made during the evaluation period. Of the loans, 98 percent of the number and 97 percent of the volume of were made within the bank's AA area.

Table 1 - Lending in Rapid City, SD MSA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans	19	95.0%	1	5.0%	20	\$2,780	87.0%	\$417	13.0%	\$3,197
Commercial Loans	20	100.0%	0	0.0%	20	\$8,613	100.0%	-	-	\$8,613
Totals	39	97.5%	1	2.5%	40	\$11,393	96.5%	\$417	3.5%	\$11,810

Source: Business and residential loan sample from January 1, 2008 to November 30, 2010.

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

The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable.

Home Purchase Loans

The borrower distribution of residential real estate first mortgage loans is reasonable. Based on our sample, the bank's lending was near the area demographics for moderate-income families, but was less than area demographics for low-income families. The significant barriers banks face in making home loans to low-income

individuals mitigates this negative comparison. The following table shows the borrower distribution of home purchase loans based on income level of the borrower.

Table 2 - Borrower Distribution of Residential Loans in the Rapid City, SD MSA								
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
Percent of Total	17.6%	0.0%	18.6%	20.0%	25.9%	25.0%	37.9%	55.0%

Source: 2000 U.S. Census data and residential loan sample from January 1, 2008 to November 30, 2010.

Small Business Loans

BHCB demonstrates satisfactory performance of lending to small businesses of different sizes. BHCB made 65 percent of loans by number and 57 percent of loans by dollar amount to businesses within revenues less than \$1 million. Based on demographic data, 76 percent of area businesses have revenues less than \$1 million.

Although the percentage of bank's loans is less than the demographics, almost 20 percent of businesses did not report revenues. The following table shows the borrower distribution of business loans by revenue.

Table 2A - Borrower Distribution to Businesses in the Rapid City, SD MSA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	75.7%	4.9%	19.5%	100.00%
% of Bank Loans in AA by #	65.0%	35.0%	0.0%	100.00%
% of Bank Loans in AA by \$	56.9%	43.1%	0.0%	100.00%

Source: 2009 Dunn and Bradstreet AA data and a sample of business loans made from January 1, 2008 to November 30, 2010.

Geographic Distribution of Loans

The geographic distribution of residential real estate and small business loans is reasonable.

Home Purchase Loans

The geographic distribution of home purchase loans reflects reasonable dispersion

throughout census tracts of different income levels. Nineteen percent of owner-occupied housing is in moderate-income tracts. BHCB made 15 percent of its home purchase loans to borrowers in moderate-income tracts. The AA does not have any low-income tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in the Rapid City, SD MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Purchase - RE	0.0%	0.0%	19.4%	15.0%	53.9%	30.0%	26.7%	55.0%

Source: 2000 U.S. Census data and residential loan sample from January 1, 2008 to November 30, 2010.

Small Business Loans

The distribution of small business loans is reasonable. Thirty-five percent of the bank's loans were made to businesses in moderate-income census tracts compared to 34 percent of business located in moderate-income tracts.

Table 3A - Geographic Distribution of Loans to Businesses in the Rapid City, SD MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Commercial	0.0%	0.0%	33.8%	35.0%	50.8%	55.0%	15.5%	10.0%

Source: 2009 Dunn and Bradstreet AA data and a sample of business loans made from January 1, 2008 to November 30, 2010.

Responses to Complaint

BHCB has not receive any consumer complaints about its performance in helping to meet the credit needs of the AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.