

INTERMOUNTAIN COMMUNITY BANCORP

Form 424B3

May 02, 2012

PROSPECTUS SUPPLEMENT NO. 2
(TO PROSPECTUS DATED May 2, 2012)

**FILED PURSUANT TO RULE 424(B)(3)
REGISTRATION NO. 333-180071**

INTERMOUNTAIN COMMUNITY BANCORP

8,700,000 SHARES OF COMMON STOCK

This prospectus supplement No. 2 supplements information contained in that certain prospectus dated April 23, 2012, (as subsequently amended or supplemented, the Prospectus) relating to the offer to shareholders of record on January 20, 2012 subscription rights to purchase up to 8,700,000 shares of common stock of Intermountain Community Bancorp.

This prospectus supplement includes a Rights Offering Slide Presentation dated May 2012 which Intermountain intends to use in presentations to its shareholders in connection with the Rights Offering.

The information contained in the Rights Offering Presentation included in this prospectus supplement is dated as of the date of such document. This prospectus supplement should be read in conjunction with the Prospectus that was previously delivered, except to the extent that the information in this prospectus supplement updates and supersedes the information contained in the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is May 2, 2012

Rights Offering Presentation
May 2012
8/6/10

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Disclosure

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include but are not limited to statements about the Company's plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. Actual results may differ materially from the results discussed in these forward-looking statements because of numerous possible risks and uncertainties. These include but are not limited to the following and the other risks described in the Risk Factors, Business, and Management's Discussion and Analysis of Financial Condition and Results of Operations sections, as applicable, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; the possibility of adverse economic developments that may, among other things,

increase default and delinquency risks in the Company's loan portfolio; shifts in interest rates that may result in lower interest rate margins; shifts in the demand for the Company's loan and other products; a continued decline in the housing and real estate market; a continued increase in unemployment or sustained high levels of unemployment; changes in accounting policies; changes in the monetary and fiscal policies of the federal government; and changes in laws, regulations and the competitive environment. Readers are cautioned that forward-looking statements in this presentation speak only as of the date of this release. The Company does not undertake any obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

No express or implied representations or warranties as to the accuracy or completeness of any of the information in this presentation are being made, and Intermountain expressly disclaims any and all liability for any errors or omissions herein or relating to or arising from the use of the information contained herein.

All
financial
data
in
this
presentation
is
for
Intermountain
and
its
subsidiary,
Panhandle
State
Bank, on a consolidated basis, unless otherwise indicated.

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Offering Overview: Offering Terms and Rights

\$8.7 million
Targeted Size

Registered shares of voting common stock
Securities Offered

Owners of IMCB stock as of the end of business on January 20, 2012 (record date)
Eligible Investors

5:00 p.m. New York City time, Monday, May 21, 2012

Scheduled Completion Date

Right to purchase additional shares if not fully subscribed by existing shareholders as of record date.

If
total
offering
is
oversubscribed,
individual
shareholders
oversubscription
amount
will
be
reduced on a pro-rata basis based on percentage of shares owned on the record date
Oversubscription Privilege

IMCB
will
be
solely
responsible
for
and
bear
the
expenses
of
the
offering,
which
are
anticipated
to be approximately \$300,000
Expenses

4.9% of the pro forma outstanding common stock
Maximum Ownership

Strengthen the Company's balance sheet, reinvest in its communities, other general corporate purposes, and, subject to regulatory approval, using all or a portion of such proceeds to redeem
its
Series
A
Preferred
Stock
held

by
the
U.S.
Treasury
as
part
of
the
TARP
Capital
Purchase Program.
Use of Proceeds

The prospectus and other offering materials were issued to registered shareholders and to brokers on or about April 25, 2012. To invest, please read the prospectus and, if applicable, broker information carefully and follow the instructions contained therein.

Exercising shareholder rights

Rights to purchase up to 1.0324 common voting shares for each share owned as of the record date for the purchase price of \$1.00 per share. Rights are not transferable.

Basic Subscription Right

Backstop Commitment

If the offering is not fully subscribed, then certain of the investors who invested in the January capital raise are obligated to purchase additional shares at the \$1.00 offering price in a private placement, but are limited to the lower of the pro-rata shares needed to fully subscribe the \$8.7 million offering or certain regulatory restrictions on the percentage of shares they may own.

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Travis Kaul

SVP Chief Banking Officer

Age: 42

IMCB: 15 years

Banking: 25 years

Company Overview: Management Team

Curt Hecker

President/CEO

Age: 51

IMCB: 17 years

Bank Exec: 17 years

Banking: 28 years

Board of Directors

Chairman: John Parker (76)

13 Members

2 Insiders

Audit Committee

Chair Mike Romine

Cindy Ingram
SVP Audit & Compliance

Age: 52

IMCB: 5 years

Banking: 25 years

Audit: 10 years

Dale Schuman

SVP Trust & Wealth
and General Counsel

Age: 53

IMCB: 6 years

Banking: 13 years

Law: 29 years

Pam Rasmussen

EVP Chief Operating Officer

Age: 52

IMCB: 7 years

Banking: 23 years

Doug Wright

EVP Chief Financial Officer

Age: 47

IMCB: 10 years

Banking: 25 years

Dave Dean

SVP Chief Credit Officer

Age: 57

IMCB: 12 years

Banking: 34 years

Seasoned banking executives with extensive financial backgrounds

and

significant local market knowledge

Cohesive management team united around thoughtful forward-looking
business plan

Krissy Peck

VP Credit Risk Manager

Credit Administration

Carolyn Shaw

SVP Risk Management

Officer

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Company Overview: Company Snapshot

Idaho-based community bank with
\$958 million in assets

Panhandle State Bank (PSB),
established in Idaho in 1981

Bancorp established in 1997 as
holding company for: PSB,
Intermountain Community Bank
and Magic Valley Bank

Idaho Market Area

Recovery accelerating. Among

the fastest growing states in the
country for the past 10 years

Diverse economy: agriculture,
tech, manufacturing and tourism

Business friendly: taxes, cheap
energy and health care and high
quality of life

Branch Map

Fact Sheet (3/31/12)

4 unique regions

11 counties

Northern

Idaho/Eastern

Washington

% of deposits

57% of loans

Southwest Idaho/Eastern Oregon

20% of deposits

20% of loans

Boise Area

10% of deposits

10% of loans

Magic Valley

8% of deposits

7% of loans

IDAHO

UTAH

NEVADA

OREGON

WASHINGTON

MONTANA

Boise

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Company Snapshot

Bulletin Board: IMCB (prepared for NASDAQ upon reverse split)

Unique footprint

ability to expand in 3 states

19 community bank branches

Complementary geographies

3 acquisitions

2006: Premier Financial Services

2004: Snake River Bancorp (\$74 million assets)

2003: Ontario Branch, Household International Inc

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Company Snapshot

Core Values

Accountability

no excuses leadership

Be proactive

hit conflicts head on

Purpose

work with a sense of urgency

Passion

deep sense of caring

Drive

strive to be the best

People

hire and retain the best and brightest

Key Differentiators

Unrivaled local market knowledge

Proven ability to expand in new markets

Flexible

and
scalable
technology
platforms
-
growth
infrastructure
in
place today
Committed, capable, focused and motivated staff

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Company
Overview

State
of
Industry

Banking sector still recovering from financial crisis

Credit losses are decreasing

Companies facing net interest margin pressure

Low interest rates and keen competition for loans

Future liability interest rate deductions limited

Regulatory burden increasing

Pressure on non-interest income

Compliance cost burden

Significant pressure on small banks

Lower revenues, higher fixed costs

Older board and management teams

Industry bi-furcating into haves
and have nots
based on capital and adequate size

Consolidation beginning to pick up

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Company Overview: Management Focus

Priorities over the past 3 years:

Credit quality

Problem loans below industry average and loss provisions down significantly (comparisons as of 12/31/11 1Q bank numbers show further improvement)

Non Performing Loans/Total Assets at 1.78% vs. peer group 2.78%

30-day delinquent at 0.27% vs. peer group 0.97%

Other Real Estate owned at 0.62% vs. peer group 0.82%

Capital

successfully raised net \$42.3 million in January

Regulatory capital ratios now among strongest in peer group

Liquidity

core deposit growth and capital raise

Non-interest bearing demand deposits comprise 27% of deposits at 3/31/12

Brokered and CDARs CDs only total 3.2% of deposits at 3/31/12

Operating expense reduction

Operating expense in 2011 was down \$11.3 million or 22.8% over 2009

Efforts continue -

1Q 2012 expense down \$1.4 million or 14.8% over 1Q 2011.

Restructuring for the future

Community-focused

Leaner operation

Scalability

Source: Company financial statements and FFIEC Uniform Bank Performance Report, 112-31-11

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Company Overview: Management Focus

New Priorities

Loan growth

Continued expense reduction

Capitalizing on potential expansion opportunities

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IMCB Balance Sheet
Key Balances & Ratios
IMCB
3/31/11
IMCB
12/31/11
IMCB
3/31/12
Investments Available for Sale
\$173,484

\$219,039
 \$264,313
 Cash & Cash Equivalents
 160,071
 109,868
 102,785
 Loans Receivable, Net
 540,614
 502,252
 492,983
 ALLL
 12,482
 12,690
 11,372
 Total Assets
 980,873
 934,218
 958,631
 Transaction Deposits
 501,908
 498,787
 517,373
 Savings, CDs and IRAs
 265,733
 230,586
 214,085
 Total Deposits
 767,641
 729,373
 731,458
 Equity
 59,118
 61,616
 102,949
 Tangible Common Equity
 32,957
 35,278
 47,814
 Loans/Deposits
 70.4%
 68.9%
 67.4%
 Transaction Deposits/Total Deposits
 65.4%
 68.4%
 70.7%
 Brokered +CDARs/Tot Dep
 6.6%
 5.7%
 3.8%

Tangible Common Equity/Tangible Assets

3.36%

3.78%

4.99%

Tangible Book Value per Common Share

\$3.92

\$4.19

\$2.30

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IMCB Income Statement
Key Totals & Ratios
IMCB
1Q 2011
IMCB
4Q 2011
IMCB
1Q 2012
IMCB
FY 2011
Interest Income

\$10,488
 \$9,770
 \$9,120
 \$41,657
 Interest Expense
 1,777
 1,428
 1,498
 6,819
 Net Interest Income
 8,711
 8,342
 7,622
 34,838
 Provision for Loan Losses
 1,633
 706
 959
 7,289
 Other Income
 2,663
 2,690
 2,506
 10,678
 Operating Expenses
 9,740
 9,166
 8,298
 38,342
 Security gains/(losses) & Hedge Fair Value Adjustments
 0
 55
 (70)
 (53)
 Net Income (Loss) before tax
 \$1
 \$1,215
 \$801
 (\$168)
 Tax benefit (provision)
 0
 152
 0
 0
 Net income (loss) after tax
 \$1
 \$1,367
 \$801
 (\$168)
 Preferred stock dividend

433
460
466
1,808
Net Income (Loss) to common shareholders
(\$442)
\$907
\$335
(\$1,976)
Earnings
(Loss)
per
common
share

diluted
(\$0.05)
\$0.11
\$0.01
(\$0.21)
Return on Average Assets
0.00%
0.58%
0.34%
0.00%
Return on Average Common Equity
(5.37%)
10.28%
3.23%
(5.27%)

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IMCB Asset Quality
Key Metrics
March 31,
2011
December 31,
2011
March 31,
2012
Non Performing Loans (NPL) & 90 day past dues
\$18,717
\$9,292
\$8,000
OREO
3,686
6,650
6,852
Total Non Performing Assets (NPA)
22,403
15,942

14,852
NPA/Total Assets
2.28%
1.71%
1.55%
NPA to Tangible Equity + Allowance for Loan Loss
(ALLL) aka the Texas Ratio
31.41%
21.51%
13.01%
ALLL/Total Loans
2.26%
2.46%
2.25%
ALLL Coverage of NPLs
66.69%
136.57%
142.15%
30-day delinquency/Total Loans
0.54%
0.28%
0.19%
Quarterly chargeoffs, net of recoveries
\$1,607
\$2,383
\$2,277

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Pro Forma Impacts of Raise -
IMCB and PSB Capital Ratios
Adjustments from
Rights Offering/
Estimated (1)
Priv Plac Backstop (2)
Pro Forma
INTERMOUNTAIN COMMUNITY BANCORP:
Tier 1 Capital
108,985
\$
8,334
\$
117,319
\$
Tier 2 Capital
7,616

7,616

Total Risk-Based Capital
116,601

8,334

124,935

Average Assets for Leverage Capital
939,097

8,334

947,431

Total Risk Weighted Assets

605,496

605,496

Tier 1 Capital/Average Assets (Leverage Ratio)

11.61%

12.38%

Tier 1 Capital to Risk-Weighted Assets

18.00%

19.38%

Total Risk-Based Capital to Risk-Weighted Assets

19.26%

20.63%

Tangible Common Equity to Tangible Assets with Preferred Conversion

7.99%

8.78%

Tangible Common Equity per Share with Preferred Conversion

1.37

\$

1.32

\$

PANHANDLE STATE BANK:

Tier 1 Capital

105,757

\$

105,757

\$

Tier 2 Capital

7,616

7,616

Total Risk-Based Capital

113,373

113,373

Average Assets for Leverage Capital

937,921

937,921

Total Risk Weighted Assets

605,496

605,496

Tier 1 Capital/Average Assets (Leverage Ratio)

11.28%

11.28%

Tier 1 Capital to Risk-Weighted Assets

17.47%

17.47%

Total Risk-Based Capital to Risk-Weighted Assets

18.72%

18.72%

(1) Assumes that the 698,993 shares of Series B Preferred Stock are converted to 34,949,648 shares of Non-Voting Common a
shareholder approval authorizing Non Voting Common Stock at the Company's Annual Meeting on May 17.

(2) Assumes full subscription of 8,700,00 shares at \$1 per share price, net of estimated transaction expenses.

As of March 31, 2012

(Dollars in thousands)

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Questions

Please direct questions to:

Susan Pleasant, IMCB Shareholder Relations

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Email:

Susan.Pleasant@intermountainbank.com

American Stock Transfer and Trust (AST), Subscription

Agent

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