

NORTHWEST BANCORPORATION INC  
Form PRE 14A  
March 27, 2009  
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**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**Northwest Bancorporation, Inc.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NORTHWEST BANCORPORATION, INC.**

**421 West Riverside Avenue**

**Spokane, Washington 99201**

April [●], 2009

Dear Shareholder:

It is my pleasure to invite you to attend Northwest Bancorporation, Inc.'s Annual Meeting of Shareholders. The Annual Meeting will be held on Monday, May 18, 2009, at 5:30 p.m. (local time), at the facilities of Inland Northwest Bank located at 421 West Riverside Avenue, Spokane, Washington.

Enclosed are the following documents:

Notice of Annual Meeting of Shareholders

2009 Proxy Statement

2009 Proxy Card

2008 Annual Report to Shareholders, including the Annual Report on Form 10-K

As noted in the Proxy Statement, shareholders are being asked at the Annual Meeting (1) to elect three directors, each for a three-year term, (2) to ratify the appointment of Moss Adams LLP as the independent registered public accounting firm, and (3) to consider and approve an advisory (non-binding) resolution approving Northwest Bancorporation, Inc.'s executive compensation. The Board of Directors recommends a vote For these proposals.

More information about the Annual Meeting and these matters is included in the enclosed 2009 Proxy Statement.

Regardless of the number of shares you own, your vote is important! Whether or not you plan to attend the Annual Meeting, please take the time to vote now by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope. It is important that each registered owner as listed on the proxy card actually sign the proxy card. You may also vote in person at the Annual Meeting.

Please call Nora F. Seelbach, Assistant Secretary of the Company, or myself at (509) 456-8888 with any questions you may have concerning the enclosed material.

Thank you for your cooperation and for your continued support.

Sincerely,

Randall L. Fewel

President & Chief Executive Officer

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**NORTHWEST BANCORPORATION, INC.**

**421 West Riverside Avenue**

**Spokane, Washington 99201**

**Notice of Annual Meeting of Shareholders**

**to be held May 18, 2009**

The 2009 Annual Meeting of Shareholders of Northwest Bancorporation, Inc. (the Company) will be held on Monday, May 18, 2009, at 5:30 p.m. (local time) at the facilities of Inland Northwest Bank situated at 421 West Riverside Avenue (corner of Riverside and Stevens), Spokane, Washington, for the following purposes:

- (1) To elect three Directors for a three-year term;
- (2) To ratify the appointment of Moss Adams, LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2009;
- (3) To consider and approve an advisory (non-binding) resolution approving the Company's executive compensation; and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

These matters are more fully described in the 2009 Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on March 31, 2009 (the Record Date) will be entitled to vote at the Annual Meeting or any adjournments or postponements thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on May 18, 2009. The 2009 Proxy Statement, 2009 Proxy Card and Annual Report to Shareholders for the year ended December 31, 2008 are also available at [www.inb.com](http://www.inb.com).**

By Order of the Board of Directors

William E. Shelby

*Chairman of the Board of Directors*

Spokane, Washington

April [•], 2009

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**NORTHWEST BANCORPORATION, INC.**

**421 West Riverside Avenue**

**Spokane, Washington 99201**

**PROXY STATEMENT**

**Annual Meeting of Shareholders**

**to be held May 18, 2009**

**Proxies, Solicitation and Voting**

This 2009 Proxy Statement (the "Proxy Statement") is furnished in connection with the solicitation of proxies by the Board of Directors of Northwest Bancorporation, Inc. (the "Company") for use at the Annual Meeting of Shareholders of the Company to be held on Monday, May 18, 2009, at 5:30 p.m. (local time), at the facilities of Inland Northwest Bank situated at 421 West Riverside Avenue, Spokane, Washington, or any adjournments or postponements thereof. The Board of Directors is sending this Proxy Statement and the enclosed proxy card on or about April [●], 2009, to shareholders of record as of the close of business on March 31, 2009 (the "Record Date").

The enclosed proxy, if properly signed and returned, will be voted in accordance with the instructions specified thereon. If no instructions are specified, the enclosed proxy will be voted for (1) the three nominees for Director, (2) the ratification of the appointment of Moss Adams, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009, and (3) the non-binding resolution approving the Company's executive compensation. A shareholder who has delivered a proxy may revoke it at any time before it is exercised by filing an instrument of revocation with the Secretary of the Company or by delivering a duly signed proxy bearing a later date. A proxy may also be revoked by attending the Annual Meeting and notifying the Secretary that the shareholder intends to vote in person. Attendance at the Annual Meeting without requesting the opportunity to vote in person will not constitute the revocation of a proxy.

Shareholders as of the Record Date are entitled to notice of, and to vote at, the Annual Meeting or any adjournments or postponements thereof. As of March 31, 2009, the Company had 2,367,246 shares of common stock issued and outstanding, held by 572 shareholders of record, including shares held for 159 beneficial shareholders by 29 non-affiliated depositories. Each share of common stock outstanding on the Record Date for the Annual Meeting entitles the holder thereof to one vote on each matter to be voted on at the Annual Meeting (in the case of the election of Directors, one vote for each Director position up for election). Shareholders of the Company are not entitled to exercise cumulative voting rights in the election of Directors.

The holders of a majority of the shares outstanding on the Record Date for the Annual Meeting, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. The favorable vote of a majority of the votes cast at the Annual Meeting is necessary for the election of the three persons as Directors, the ratification of the appointment of the independent accounting firm and approval of the advisory resolution approving the Company's executive compensation. Abstentions and broker non-votes will be counted as shares that are present at the Annual Meeting for purposes of determining a quorum. Abstentions and broker non-votes, however, will not be counted as either votes for or against any item, which means that they will have no effect upon the election of Directors, the ratification of the selection of the independent registered public accounting firm, or the advisory resolution approving the Company's executive compensation. There are no dissenters' rights applicable to any matters to be considered at the Annual Meeting.

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The expense of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. Proxies will be solicited on behalf of the Company by mail and may also be solicited by directors, officers and other employees of the Company or the Company's bank subsidiary, Inland Northwest

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Bank (the Bank ), without additional remuneration, in person or by telephone or facsimile transmission. The Company will also request brokerage firms, banks, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares of common stock as of the Record Date and will reimburse such persons for the cost of forwarding the proxy materials in accordance with customary practice. Your cooperation in promptly voting your shares and submitting your proxy by completing and returning the enclosed proxy card will help to avoid additional expense.

Shareholders of record as of the Record Date are encouraged and cordially invited to attend the 2009 Annual Meeting of Shareholders. Please call Nora F. Seelbach, Assistant Secretary of the Company, at (509) 456-8888 for directions to attend the Annual Meeting in person.

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As authorized by the Articles of Incorporation and the Bylaws, the Board of Directors, by resolution, has set the size of the Board at thirteen members, divided into three classes. Directors within each class are elected to three-year terms, meaning that under ordinary circumstances, at any given time, approximately one-third of the Board of Directors would be in the first year of a three-year term, one-third would be in the second year of a three-year term and another one-third would be in the third year of a three-year term. The same persons currently serve as Directors of the Bank. The staggered term arrangements for Directors of the Company are the same as the staggered term arrangements for Directors of the Bank.

**Nominees for Election as Directors at the Annual Meeting**

Three of the thirteen present Director positions have terms expiring, and are up for election, at this Annual Meeting. Richard H. Peterson is not seeking reelection pursuant to the mandatory retirement provision of the Company's Bylaws. Continuing Directors fill the nine other positions. The persons elected to the open positions at the Annual Meeting will serve for a three-year term ending with the Annual Meeting to be held in 2012 and until their successors are duly elected and qualified. The Board of Directors has nominated the three persons listed below for election as Directors of the Company at this Annual Meeting. Each of these persons currently serves as a Director.

**The Board of Directors recommends that shareholders vote FOR the election of each of the nominees.**

<b>Name</b>	<b>Age</b>	<b>Recent Business and Professional Experience</b>
Randall L. Fewel	60	Mr. Fewel has been a Director of the Bank and the Company since May 16, 2000 and has served as the President and Chief Executive Officer of the Bank and the Company since July 1, 2001. Mr. Fewel has been employed by the Bank since 1994. He previously served as the Bank's Chief Operating Officer and, prior to that, as its Senior Loan Officer.
Bryan S. Norby	52	Mr. Norby has been a Director of the Bank since August 15, 1989, and a director of the Company since March 30, 1992. Mr. Norby is an inactive certified public accountant and during the past five years has served as Financial Analyst for Yanke Machine Shop, President for RY Timber Company, and Treasurer for YMC, Inc. Mr. Norby is the Chairman of the Audit Committee.
Anthony D. Bonanzino	56	Mr. Bonanzino has been a Director of the Bank and the Company since November 18, 2008. Prior to his retirement in May 2008, Mr. Bonanzino was the CEO of Hollister-Stier Laboratories LLC. Mr. Bonanzino is a principal member of Century Archives Northwest, LLC. He was recently named Chairman of the Board of Trustees of Deaconess Medical Center and CEO of the Institute for Systems Medicine and also currently serves as a Commissioner on the Washington State Economic Development Commission.

Each of the nominees has consented to being named in this Proxy Statement and to serve as a Director if elected. The Company knows of no reason why any nominee would be unable or unwilling to serve if elected. If any nominee becomes unavailable for election, the Board of Directors shall designate a substitute nominee. Unless instructions to the contrary are specified on the proxy card, proxies will be voted in favor of the persons who have been nominated by the Board of Directors. There are no arrangements or understandings between any nominee and any other nominee under which the Director or nominee has been selected to serve as a Director.

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No nominee, officer, affiliate of the Company or beneficial owner of more than five percent (5%) of the common stock is a party adverse to the Company in any legal proceeding or has a material interest in any matter adverse to the Company.

**Continuing Directors**

*Directors with terms expiring in 2010.*

<b>Name</b>	<b>Age</b>	<b>Recent Business and Professional Experience</b>
Katie Brodie	62	Ms. Brodie has been a Director of the Bank and the Company since November 21, 2006. During the past five years, Ms. Brodie worked as property manager for Idaho Forest Industries, served as County Commissioner of Kootenai County, Idaho from 2004 to 2006 and is currently executive director of Concerned Business of North Idaho.
Clark H. Gemmill	65	Mr. Gemmill has been a Director of the Bank since its incorporation on May 26, 1989 and a Director of the Company since March 30, 1992. During the past five years, he has been a Vice President with UBS Financial Services, Inc., a financial investment firm with a branch office in Spokane, Washington. Mr. Gemmill is Chairman of the Bank Investment Committee.
Frederick M. Schunter	72	Mr. Schunter has been a Director of the Bank since its incorporation on May 26, 1989 and, until his retirement on June 30, 2001, was President and Chief Executive Officer of the Bank. He has been a Director of the Company since December 10, 1991 and was President of the Company prior to his retirement. From June 10, 2002 through December 31, 2005, when he retired, Mr. Schunter served as the President of Northwest Business Development Association, a non-profit Certified Development Company that assists small business borrowers in acquiring loans guaranteed by the U.S. Small Business Administration or other government or private entities. Mr. Schunter is Chairman of the Nominating and Corporate Governance Committee.
William E. Shelby	70	Mr. Shelby has been a Director of the Bank since its incorporation on May 26, 1989 and Chairman of the Bank Board since May 16, 1995. He has been a Director of the Company since March 30, 1992 and Chairman of the Company's Board since May 21, 1996. For the five years prior to his retirement on December 31, 2003, Mr. Shelby had been the Vice President of Store Development for U.R.M. Stores, Inc.
Jennifer West	44	Ms. West has been a Director of the Bank and the Company since November 21, 2006. During the past five years, Ms. West has worked as General Manager of the Spokane office of Hill & Knowlton, an international company specializing in public relations and public affairs. In December 2006, she was named Chief Operating Officer of the three Northwest offices of Hill & Knowlton.

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*Directors with terms expiring in 2011.*

Name	Age	Recent Business and Professional Experience
Dwight B. Aden, Jr.	66	Mr. Aden has been a Director of the Bank and the Company since May 20, 1996. For the five years prior to his retirement, in 1997, Mr. Aden was a senior member and an owner of Jones & Mitchell Insurance Co., an insurance brokerage firm in Spokane, Washington. Mr. Aden is the Chairman of the Bank Compensation Committee.
Harlan D. Douglass	71	Mr. Douglass has been a Director of the Bank since its incorporation on May 26, 1989, and a Director of the Company since March 30, 1992. Mr. Douglass is President of Harlan D. Douglass, Inc.
Freeman B. Duncan	62	Mr. Duncan has been a Director of the Bank and the Company since May 20, 1996. Mr. Duncan is an attorney specializing in real estate matters. Mr. Duncan is the Chairman of the Bank Expansion Committee.
Donald A. Ellingsen	72	Dr. Ellingsen has been a Director of the Bank and the Company since May 20, 1996. Prior to his retirement on June 30, 1998, Dr. Ellingsen was an ophthalmologist and a member of the Spokane Eye Clinic, P.S. in Spokane, Washington.

**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Board of Directors is committed to good business practices, transparency in financial reporting and the highest level of corporate governance. We regularly monitor developments in the area of corporate governance.

**Code of Ethics**

The Company has a code of ethics that applies to the Company's chief executive officer, chief financial officer, principal accounting officer and persons performing functions similar to a controller, as well as other officers, directors and employees of the Company. The code of ethics was filed as an exhibit to the Company's 2005 Annual Report on Form 10-KSB filed with the Securities & Exchange Commission (SEC) on March 27, 2006. To date, there have not been any waivers granted by the Company to the Code of Ethics. The Company will provide to any person, without charge, upon request, a copy of such code of ethics. A person may request a copy by writing or telephoning the Company at the following address:

Northwest Bancorporation, Inc.

Attention: Nora Seelbach

421 W. Riverside Avenue

Spokane, WA 99201

(509) 456-8888

**Director Independence**

The Board has analyzed the independence of each Director and nominee and has determined that each of the members of the Board listed below is an independent director as that term is defined by the rules of the NASDAQ Stock Market (NASDAQ) and the SEC, and that each Director is free of relationships that would interfere with the individual exercise of independent judgment. In determining the independence of each Director, the Board considered many factors, including any loans made to a Director, each of which were made on the same terms as comparable lending transactions with other persons. Such arrangements are discussed in detail in the section entitled *Transactions with Management and Others*.



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Based on these standards, the Board determined that each of the following non-employee Directors, including nominated and continuing Directors, is independent and has no relationship with the Company, except as a Director and shareholder:

Dwight B. Aden, Jr.

Anthony D. Bonanzino

Katie Brodie

Harlan D. Douglass

Freeman B. Duncan

Donald A. Ellingsen

Clark H. Gemmill

Bryan S. Norby

Frederick M. Schunter

William E. Shelby

Jennifer West

**Meetings and Attendance of the Board of Directors**

During 2008, the Company's Board of Directors held ten meetings. Each Director attended at least 75% of the meetings of the Board and the committees on which they served, except: Mr. Douglass, who attended 60% of Board meetings, 25% of Compensation & Insurance Committee meetings, and 0% of Audit Committee meetings; Mr. Norby, who attended 70% of Board meetings; and Ms. West, who attended 50% of Compensation & Insurance Committee meetings. Board members are encouraged to attend the Annual Meeting of Shareholders; nine Directors attended the Company's 2008 Annual Meeting of Shareholders.

**Communications with Directors**

Shareholders may send communications to the Board of Directors of the Company by addressing such correspondence to:

**William E. Shelby**

**Chairman of the Board**

**Northwest Bancorporation, Inc.**

**421 W. Riverside Avenue**

**Spokane, WA 99201**



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As Chairman of the Board, Mr. Shelby monitors shareholder communications, forwards correspondence to the appropriate committee(s) or Director(s), and facilitates an appropriate response.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee met twice during 2008. During 2008, members of this committee were Mr. Schunter (who acts as Chairman), Mr. Douglass, Mr. Ellingsen, Mr. Fewel, Mr. Norby, Mr. Shelby, and Ms. West. Responsibilities of the Nominating and Corporate Governance Committee include selecting and recommending to the full Board of Directors nominees for election as Director at the Annual Meeting held each year, candidates to fill any Director vacancies and persons for appointment as officers. Shareholders who wish the Nominating and Corporate Governance Committee to consider their recommendations for nominees for Director to be elected in 2010 should submit their recommendations in writing to the Nominating and Corporate Governance Committee in care of the Company's Secretary at the Company's principal executive office; additional information is set forth in the section of this Proxy Statement entitled "Information Concerning Shareholder Proposals and Director Nominations."

Each current member of the Nominating and Corporate Governance Committee is independent as defined by the NASDAQ listing standards, except for Mr. Fewel. The Nominating and Corporate Governance Committee does not have a charter. The Nominating and Corporate Governance Committee will consider Director candidates recommended by security holders so long as candidates are nominated pursuant to Article I, Section 9 of the Company's Bylaws as follows:

Only persons who are nominated in accordance with the procedures set forth in the Bylaws shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of shareholders (a) by or at the direction of the Board of Directors or

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(b) by any shareholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Article I, Section 9. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days prior to the meeting; provided, however, that in the event that less than forty (40) days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to be named in the proxy statement as a nominee and to serving as a Director if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in the Bylaws. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

The Nominating and Corporate Governance Committee has not determined whether it is necessary to adopt any additional criteria or procedures. The Nominating and Corporate Governance Committee will consider Director candidates recommended by shareholders and use the same qualifications for consideration of those candidates as it would for candidates recommended by members of the Nominating and Corporate Governance Committee.

## **Compensation and Insurance Committee**

The Board of Directors has established a Compensation and Insurance Committee, which is responsible for establishing and administering the Bank's executive and Director compensation. The Compensation and Insurance Committee met four times during 2008 and consists only of independent non-employee directors. It does not operate under a formal written charter. The members of the Compensation and Insurance Committee during the fiscal year ended December 31, 2008 were Mr. Aden (who acts as Chairman), Mr. Douglass, Mr. Duncan, Mr. Norby, Mr. Petersen, Mr. Schunter, Mr. Shelby, and Ms. West. Mr. Petersen is retiring from the Company's Board of Directors and the Bank's Board of Directors effective as of the date of the Annual Meeting. No members of this Committee were officers or employees of the Company during the year or had any relationship otherwise requiring disclosure.

## **Audit Committee**

The Audit Committee held four meetings during 2008. During 2008, members of the Audit Committee were Mr. Norby (who acts as Chairman), Mr. Aden, Mr. Douglass, Mr. Duncan, Mr. Ellingsen, and Mr. Schunter. Mr. Douglass is no longer serving on the Audit Committee following the determination that, because of the business that Mr. Douglass's company, Harlan D. Douglass, Inc., engages in with the Bank, Mr. Douglass no longer meets the heightened independence standards required for audit committees under the rules of NASDAQ and the SEC. Each current committee member is considered independent as defined by NASDAQ listing standards. The Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. The Board of Directors has determined that director Bryan S. Norby meets the definition

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of audit committee financial expert as defined by the SEC. Responsibilities of the Audit Committee include monitoring compliance with Company policies and applicable laws and regulations, holding periodic meetings with the Bank's internal and external auditors and with the Bank's examiners to receive reports and discuss findings, making recommendations to the full Board of Directors concerning the adequacy and accuracy of internal systems and controls, the appointment of auditors and the acceptance of audits, and monitoring management's efforts to correct any deficiencies discovered in an audit or supervisory examination.

### **COMPENSATION AND INSURANCE COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with the Company's management the Compensation Discussion and Analysis contained in this Proxy Statement and based upon such review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

*Submitted by the Compensation and Insurance Committee of the Board of Directors of Northwest Bancorporation, Inc.*

Dwight B. Aden, Jr., Chairman

Harlan D. Douglass

Freeman B. Duncan

Bryan S. Norby

Frederick M. Schunter

William E. Shelby

Jennifer West

### **AUDIT COMMITTEE REPORT**

The following is a report of the Audit Committee of the Board of Directors, which is responsible for establishing and administering the Company's internal controls.

The Audit Committee of the Board of Directors is composed of six Directors. The Board of Directors has adopted a written charter for the Audit Committee; a copy of the Charter as revised and adopted on September 20, 2005 was included as Appendix A to the Company's Proxy Statement filed with the SEC on April 11, 2006. The Board of Directors has determined that all of the members of the Audit Committee meet the independence requirements as defined under the NASDAQ listing standards and reaffirmed that each member has no material relationship with the Company that would jeopardize the Director's ability to exercise independent judgment. The Board of Directors has determined that director Bryan S. Norby meets the definition of audit committee financial expert as defined by the rules of the SEC; Mr. Norby has accepted this designation.

The responsibilities of the Audit Committee include recommending to the Board of Directors an accounting firm to be engaged as the Company's independent registered public accountants. Management is responsible for the Company's financial statements and the financial reporting process, including the system of internal controls. The independent registered public accountants are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States. The Audit Committee's responsibility is to oversee these processes and the activities of the Company's internal audit department.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accountants. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the

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independent registered public accountants. The Audit Committee discussed with the independent registered public accountants matters required to be discussed by Statement On Auditing Standards No. 61, Communication with Audit Committees, as amended.

The Company's independent registered public accountants also provided to the Audit Committee the written disclosures and the letter required by Rule 3526, Communication with Audit Committees Concerning Independence, of the Public Company Accounting Oversight Board. The Audit Committee also considered the compatibilities of non-audit services with the accountants' independence.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and the independent registered public accountants the Company's audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC.

The Audit Committee discussed with the Company's independent registered public accountants the overall scope and plans for their audit. The Audit Committee meets with the internal and independent registered public accountants when appropriate, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

*Submitted by the Audit Committee of the Board of Directors of Northwest Bancorporation, Inc.*

Bryan S. Norby, Chairman

Dwight B. Aden, Jr.

Freeman B. Duncan

Donald A. Ellingsen

Frederick M. Schunter

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**PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES**

It is the responsibility of the Company's Audit Committee to pre-approve all audit and non-audit services provided by Moss Adams LLP. The Audit Committee has adopted a policy authorizing certain permissible audit and non-audit services to be performed by Moss Adams LLP with subsequent reporting and oversight required by the Audit Committee. Permissible services, not pre-approved pursuant to this policy, require specific review and approval prior to the engagement by the Audit Committee, or a designated member. Specific pre-approval of such permissible services with estimated fees of \$2,500 or less may be waived via the de minimis exception rule. Procedures are in place to ensure the Audit Committee chairman is notified in the event the de minimis rule is used. All services rendered by and fees paid to Moss Adams LLP are reported to and monitored quarterly by the Audit Committee. The Audit Committee considers whether the provision of related audit services are compatible with maintaining the independent registered public accounting firm's independence. To assist the Audit Committee in its oversight responsibilities, the pre-approval policy identifies the three basic principles of independence with respect to services provided by the independent registered public accounting firm, as well as the non-audit services the independent registered public accounting firm is prohibited from providing. One hundred percent of all services provided by Moss Adams LLP in each of the last two fiscal years were pre-approved by the Audit Committee.

**EXECUTIVE OFFICERS**

**Executive Officers of the Company**

In addition to Mr. Fewel, the executive officers of the Company are:

Christopher C. Jurey (*deceased January 10, 2009*) Mr. Jurey was 59 and had been employed by the Bank since 1989 and was an officer of the Bank since 1991. At the time of his death, Mr. Jurey was Executive Vice President of the Bank and Chief Financial Officer of the Bank and the Company.

Holly A. Austin, CPA Ms. Austin is 38 and has been an officer of the Bank and Company since 2000. She currently is Senior Vice President and Chief Financial Officer of the Bank and the Company. Ms. Austin has been employed by the Bank since 1997. She previously served as Cashier of the Bank, Secretary/Treasurer of the Bank and Company and, prior to that, as its Internal Auditor. Between 1992 and 1997, she worked for a public accounting firm with offices in Spokane.

There are no family relationships among the Directors and executive officers of the Company. There also are no arrangements or understandings between these persons and any one of the other named persons pursuant to which any of these persons have been selected for the office or position.

**Executive Officers of the Bank**

The executive officers of the Company and the following persons are the executive and senior officers of the Bank:

Douglas J. Beaudoin Mr. Beaudoin is 57 and has been an officer of the Bank since 1998. He currently is a Senior Vice President and Manager of the Bank's mortgage department.

Mark V. Dresback Mr. Dresback is 49 and has been an officer of the Bank since 2001. He currently is a Senior Vice President and Commercial Team Leader.

Elizabeth A. Herndon Ms. Herndon is 54 and has been an officer of the Bank since 1995. She currently is a Senior Vice President and Branch Administrator.

Ronald G. Jacobson Mr. Jacobson is 53 and has been an officer of the Bank since 2001. He currently is a Senior Vice President and Commercial Team Leader.

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Scott W. Southwick Mr. Southwick is 58 and has been an officer of the Bank since 2007 and was appointed Secretary/Treasurer of the Bank and Company in January 2009. Previously, he served for four years, as Chief Credit Officer at a community based financial institution and, until its sale, as Credit Administrator for another community based financial institution; both of his prior employers were based in Washington State. He currently is Executive Vice President and Chief Credit Officer.

## **EXECUTIVE COMPENSATION AND RELATED INFORMATION**

### **Remuneration of Directors and Officers**

The Summary Compensation Table following the Compensation Discussion and Analysis section sets forth all compensation paid during the last fiscal year to the Chief Executive Officer and to the Company's principal financial officer and Secretary/Treasurer. Compensation for Directors is described in a separate table. Other than as detailed below, no officer or director of the Company has received any other remuneration or indirect financial benefit.

### **Compensation Discussion and Analysis**

#### *General Philosophy*

The Compensation and Insurance Committee's (the Compensation Committee) compensation objective is designed to attract and retain the best available talent while efficiently utilizing available resources. The Compensation Committee seeks to compensate employees with a complete and competitive package while maintaining internal and external equality. The Compensation Committee compensates executive and senior-level management with a mix of base salary, incentive bonus, and equity compensation designed to be competitive with comparable employers in the financial services industry and to align senior management's compensation with the long-term interests of shareholders. The process for establishing compensation consists of targeting overall compensation for each senior manager and allocating that compensation among base salary and incentive compensation. The Compensation Committee believes that a meaningful portion of total compensation should be earned through incentive compensation.

#### *Regulatory Compliance*

**TARP Compensation Standards.** The Emergency Economic Stabilization Act (EESA) of 2008, enacted on October 3, 2008, authorized the Secretary of the Treasury to establish a Troubled Asset Relief Program (TARP) to purchase, and to make and fund commitments to purchase, troubled assets or preferred equity from any financial institution in accordance with EESA and those policies and procedures developed and published by the Secretary of the Treasury. On February 13, 2009, the Company sold to the United States Department of the Treasury (the Treasury Department), pursuant to the TARP Capital Purchase Program (CPP), 10,500 shares of the Company's Preferred Stock, Series A, and 525 Shares of the Company's Preferred Stock, Series B, for an aggregate purchase price of \$10.5 million.

As a result of the Company's participation in the CPP, compliance with a number of executive compensation standards is required during the period of time in which the Treasury Department holds an equity position in the Company.

Initially, there were four standards, which applied to the Chief Executive Officer, Chief Financial Officer and the three next highest paid executive officers (the senior executive officers). These standards were in effect as of the end of 2008 and consisted of the following:

*Limit on Severance.* The Company is required to limit payments on any senior executive officer's involuntary separation by reference to his or her historic compensation.

*Clawback.* The Company is required to be able to recover bonuses, retention awards and incentive compensation paid to senior executive officers if they were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria (whether or not the executive was at fault, any misconduct occurred, or the financial statements were restated).

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*No unnecessary and excessive risk.* The Compensation Committee is required to review the Company's senior executive officer compensation programs with the Company's senior risk officers and certify that the Company has made reasonable efforts to ensure that the incentive compensation arrangements do not encourage unnecessary risks that threaten the Company's value. The Compensation Committee's certification in compliance with this requirement is contained in the Compensation Committee report included as part of this Proxy Statement.

*Limited deductible compensation.* The Company is prohibited from taking a tax deduction for annual compensation over \$500,000 as provided under Internal Revenue Code Section 162(m), as amended by EESA.

**ARRA Compensation Standards.** The American Recovery and Reinvestment Act (ARRA), enacted February 17, 2009, requires the Treasury Department to enact additional compensation standards applicable to CPP participants. These standards will extend beyond the senior executive officers and may apply to additional highly-compensated employees of the Company, as described below. In addition to the requirements already imposed by EESA, under ARRA, the compensation standards are required to include the following, among others:

*Prohibition on severance.* The ARRA standards will prohibit severance payments to the senior executive officers and the next five most highly-compensated employees, other than payments for services performed or benefits accrued.

*Prohibition on bonuses, retention awards, and other incentive compensation.* The ARRA standards will prevent the Company from paying or accruing any bonus, retention award or incentive compensation to their most highly-compensated employees subject to certain exemptions. The exceptions are limited, although the Company will be permitted to award long-term restricted stock that has a value not exceeding one-third of the employee's total annual compensation, so long as such restricted stock does not fully vest during the period the Company participates in TARP.

*Stricter clawback.* The ARRA standards will extend the EESA clawback requirement to the next 20 most highly-compensated employees in addition to the senior executive officers.

*Prohibition on compensation plans that encourage earnings manipulation.* ARRA prohibits participating companies from implementing any compensation plan that would encourage manipulation of the reported earnings of the company in order to enhance the compensation of any of its employees.

*Shareholder say-on-pay vote required.* ARRA requires every company receiving CPP assistance to permit a non-binding shareholder vote to approve the compensation of executives as disclosed in the company's proxy statement.

*Luxury expenditure policy.* ARRA requires participating companies to adopt a company-wide policy regarding excessive or luxury expenditures.

*Chief Executive Officer/Chief Financial Officer certifications.* ARRA requires that the Chief Executive Officer and Chief Financial Officer of every company participating in TARP both provide written certification of compliance with the executive compensation section of EESA.

*Board compensation committee required.* ARRA requires CPP participants to establish a board compensation committee and requires the committee to meet at least semiannually to discuss and evaluate employee compensation plans in light of an assessment of any risk to the company posed by such plans.

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*Treasury review of prior payments.* ARRA directs the Treasury Department to review bonuses, retention awards and other compensation paid to the senior executive officers and the next 20 most highly-compensated employees of each company receiving CPP assistance before ARRA was enacted, and to seek to negotiate with the CPP recipient and affected employees for reimbursement if it finds any such payments were inconsistent with CPP or otherwise in conflict with the public interest.

Although as of the date hereof guidance has not yet been provided by the Treasury Department or the SEC regarding the implementation of ARRA, the Company has begun taking steps to ensure that its executive



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compensation programs comply with ARRA. For example, the Company no longer allows its most highly compensated officer to participate in the Company's bonus programs, and has included a say on pay proposal in this proxy statement. As rules and regulations are promulgated under ARRA, the Compensation Committee will consider them and make appropriate changes to the Company's executive compensation programs.

### *Targeted Overall Compensation*

To assist the Compensation Committee in establishing targeted aggregate levels of compensation that will be paid if performance goals are fully met, the Compensation Committee reviews information made available to it through various industry sources, including: the *Northwest Financial Industry Salary Survey*, a detailed salary survey report published by Milliman Consultants and Actuaries; the *Moss Adams Bankers Compensation Survey* published by Moss Adams LLP; information provided by the Federal Financial Institutions Examination Council (FFIEC) for banks between \$300 million and \$1 billion in assets nationwide; and public information filed with the SEC. These resources detail executive and senior-level management compensation paid by financial institutions located in the Bank's general market area, throughout the Northwest, and nationally.

To the extent possible, the Compensation Committee reviews compensation paid by companies of approximately the same asset size as the Bank, which are located as geographically close to the Bank's market area as possible. The review is expanded, as necessary, to obtain enough comparisons to make meaningful conclusions. The Compensation Committee takes into consideration both the Bank's financial performance compared to the performance of the similar banks and the Bank's budget for the prior year. The Compensation Committee does not limit its review to specific geographic regions or a specific group of publicly traded companies. The Bank's financial performance does not compare favorably to national peers reported by the FFIEC and is likely to underperform these banks until such time as asset growth results in the Bank more closely approaching the average size of the institutions within the group. Performance compared to more local competitors was mixed.

The Compensation Committee looked extensively at a number of factors, particularly the estimated total compensation for company executives. The Compensation Committee also considered the specific performance of similar banks in the various surveys and the anticipated difficulty of replacing key members of executive management. The Compensation Committee concluded that the top officers at the Bank are compensated at a level that is competitive, but that is neither especially high nor especially low when compared to compensation paid by similar institutions.

Based on its analysis, the Compensation Committee determined that no significant change to executive compensation was warranted and that changes to base pay should be nominal, if any. The Compensation Committee felt that, over time, there should be increased reliance on bonus or incentive pay related to meeting budgeted goals; however, no change was proposed to the existing incentive plan.

### *Allocation among Components*

Under the Compensation Committee's compensation structure, the mix of base salary, cash bonus, and equity compensation varies depending upon the employment level. In allocating compensation among these elements, the Compensation Committee believes that the compensation should be meaningfully performance-based. However, the Compensation Committee also recognizes that, to the extent that a greater portion of total compensation is in the form of base salary, sound judgment in business decisions will not be influenced by incentive payouts.

Executive officers and officers designated as part of senior management are eligible to participate in the Executive Incentive Plan administered by the Compensation Committee. These officers, along with other Bank officers, may be granted equity-based awards from time to time. During 2008, four officers, the President/Chief Executive Officer, the Chief Financial Officer, the Cashier and the Chief Credit Officer were eligible only for

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incentive payments through the Executive Incentive Plan that was intended to provide between 20% and 25% of their cash compensation from incentive payouts, as follows:

	<b>Cash incentive opportunity as a percent of salary</b>
President & Chief Executive Officer	25%
Chief Financial Officer, Cashier, and Chief Credit Officer	20%
Other Senior Officers	5%

Four other senior officers, who serve as part of the senior management team, participate in other incentive plans and therefore their participation in the Executive Incentive Plan has been reduced. The primary responsibility of three of these four officers is loan and deposit production and they are compensated based on their level of production. The fourth officer oversees Bank branch managers and receives a performance bonus based on production goals achieved by the branch managers, primarily in the areas of deposit production and account service charge income.

*Base Salaries*

The Compensation Committee provides its executive management with a level of assured cash compensation in the form of base salary, based upon the experience level of the individual executive, that is intended to be competitive in the market and consistent with other companies with similar performance characteristics. The base salary is also intended to promote sound judgment in daily decision making. In 2008, Mr. Fewel's base salary was \$178,255, which will be the same base salary for 2009. The Chief Executive Officer recommends salary levels for other executive and senior officers. The Compensation Committee concluded that the proposed salaries for other executive and senior officers were appropriate.

*Incentive Bonuses*

The Compensation Committee's practice has been to award incentive cash bonuses based upon performance objectives. Those objectives are for the Bank, not for the combined results of the Bank and Company. For 2008, the performance objectives, actual results and weighting of each objective were as follows:

<b>Objective</b>	<b>Weighting</b>	<b>Results</b>	
		<b>Budgeted</b>	<b>Actual</b>
Net income	30%	\$ 3,290,057	\$ 127,845
Asset growth	30%	10.32%	16.22%
Return on average assets	15%	0.90%	0.03%
Return on average equity	15%	10.21%	0.40%
Subjective*	10%		

\* For 2008, the Committee determined that the subjective portion of the bonus would be weighted at 20% only to executive and senior officers not involved in loan production or loan administration.

Although the Compensation Committee has established these metrics for the calculation of incentive bonuses, the Compensation Committee reserves the authority to adjust the computation to reflect unusual circumstances or exceptional performance.

With respect to meeting objectives, the Compensation Committee has established a scaled performance range with threshold and maximum limits. Achieving the threshold, which is set at 90% of the targeted goal, results in payment of 50% of the targeted payout. Achieving the maximum, which is set at 120% of the targeted goal, results in payment of 150% of the targeted payout. Other levels of goal achievement, between 90% and 120% of the targeted goal, result in payments between 50% and 150% of the targeted payout.

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In 2008, the Chief Executive Officer elected to receive no incentive under the plan. Actual incentive payouts to participants in the plan were 1.9% of base salary for 2008 compared to 12.5% of base salary for 2007.

### *Equity Compensation*

Historically, the primary form of equity compensation consisted of non-qualified stock options to various employees. Prior to May 2006, non-qualified stock options were the only form of equity compensation approved by the Board of Directors that could be awarded to employees. The Board of Directors and the Compensation Committee selected this form of equity compensation because it aligned the interests of employees to those of the shareholder and also because of accounting and tax treatments of such awards. Beginning in 2006, the accounting treatment for stock options changed as a result of Statement of Financial Accounting Standards No. 123(R), making the accounting treatment of stock options somewhat less attractive. As a result, at the Annual Meeting of Shareholders held May 15, 2006, shareholders approved the Inland Northwest Bank 2006 Share Incentive Plan, which permits the issuance of restricted stock in addition to non-qualified stock options.

The Compensation Committee determined that equity compensation awards to executives should be considered part of the Company's overall compensation program. Currently, the Compensation Committee has not set a target as to the percentage of total compensation that equity-based compensation should represent for the Chief Executive Officer or for any other employee. The decision as to whether to award restricted stock grants or options may vary from time-to-time or from employee to employee, at the discretion of the Compensation Committee. However, it is anticipated that, subject to regulatory restrictions, restricted stock will be awarded, primarily, to promote the long-term interests of the Company by retaining key Bank employees and stock options will be awarded, primarily, to attract key Bank employees. The maximum number of shares of common stock subject to stock options and restricted shares that may be awarded under the Plan, as adjusted for stock dividends, is 384,912. At December 31, 2008, 210,007 shares and/or options were available for award to employees.

The Compensation Committee's practice is to annually award equity compensation during the December meeting of the Board of Directors. There were no equity awards to the Chief Executive Officer or other named executive officers in 2008.

### *Deferred Compensation Plan*

The Executive Deferred Compensation Plan (the Plan) is a non-qualified deferred compensation plan, maintained by the Bank, under which eligible participants may elect to defer a portion of their compensation, with prior annual approval of the Board of Directors. The Bank does not match contributions to this Plan, but does credit interest on amounts deferred based on the tax-equivalent rate earned on its bank-owned life insurance products. As of December 31, 2008 there were seven participants in the Plan.

Distributions are made under the Plan following an eligible participant's death, disability, retirement or termination of employment, payable in either a lump sum or equal monthly installments, as elected by the participant. Unless otherwise identified, any payment event triggered by a termination of employment of a specified employee shall not commence prior to the first day of the month following the date which is six months after the date of the termination of employment.

Expenses associated with the Plan were \$14,741 and \$14,533 for the years ended December 31, 2008 and 2007, respectively. Liabilities associated with the Plan were \$272,952 and \$275,736 for December 31, 2008 and 2007, respectively. To fund benefits under this Plan, the Bank is the owner and beneficiary of single premium life insurance policies on certain current and past employees. At December 31, 2008 and 2007, the cash value of these policies was \$3,692,689 and \$3,559,843, respectively.

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*Supplemental Executive Retirement Plan*

The Bank maintains Supplemental Executive Retirement Plan Agreements (the SERP Agreements ) for certain of its current and retired senior executives, which are unfunded, non-qualified executive income and retirement plans. The individual SERP Agreements provide for benefits paid out over a period of years following retirement or as of a specified date, as provided in the individual agreements. The executives who have not reached normal retirement age and are employed past the specified date for benefit payments, if applicable, are eligible for a lump sum early retirement benefit in an amount equal to their accrued balance as of the end of the month preceding their early retirement. During 2008, the Committee approved a SERP Agreement for Mr. Fewel that provides benefits to him upon his retirement at age 65. Mr. Fewel s SERP Agreement was filed as an exhibit to the Company s Form 8-K filed with the SEC on September 5, 2008.

Expenses associated with the SERP Agreements were \$87,368 and \$38,624 for the years ended December 31, 2008 and 2007, respectively. Liabilities associated with these plans were \$294,609 and \$231,879 for December 31, 2008 and 2007, respectively.

**Table of Contents****Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Non-equity Incentive Plan Compen- sation	Change in Nonqualified Deferred Compen- sation Earnings	All Other Compen- sation	Total
Randall L. Fewel <i>President &amp; CEO</i>	2008	\$ 178,255	\$ 0	\$ 16,432	\$ 855	\$ 0	\$ 46,630	\$ 18,618 <sup>(2)</sup>	\$ 260,790
	2007	\$ 178,255	\$ 42,364	\$ 12,950	\$ 2,179	\$ 0	\$ 1,943	\$ 19,620 <sup>(2)</sup>	\$ 257,311
Christopher C. Jurey <i>EVP/Chief Financial Officer</i>	2008	\$ 129,927	\$ 6,160	\$ 10,453	\$ 427	\$ 0	\$ 2,944	\$ 6,830	\$ 156,741
	2007	\$ 128,663	\$ 23,753	\$ 7,770	\$ 996	\$ 0	\$ 2,604	\$ 5,739	\$ 169,525
Holly A. Austin <i>SVP/Cashier Secretary/Treasurer</i>	2008	\$ 95,617	\$ 4,534	\$ 6,573	\$ 303	\$ 0	\$ 0	\$ 5,713	\$ 112,740
	2007	\$ 92,529	\$ 17,480	\$ 5,180	\$ 650	\$ 0	\$ 0	\$ 5,424	\$ 121,263
Mark V. Dresback <i>SVP/Commercial Loan Team Leader</i>	2008	\$ 107,603	\$ 20,888	\$ 5,681	\$ 179	\$ 25,342	\$ 0	\$ 7,308	\$ 167,001
	2007	\$ 102,479	\$ 24,602	\$ 3,902	\$ 396	\$ 28,473	\$ 0	\$ 6,865	\$ 166,717
Ronald G. Jacobson <i>SVP/Commercial Loan Team Leader</i>	2008	\$ 142,147	\$ 18,232	\$ 8,375	\$ 303	\$ 68,095	\$ 32,523	\$ 6,900	\$ 276,575
	2007	\$ 138,303	\$ 26,648	\$ 6,597	\$ 696	\$ 43,319	\$ 29,097	\$ 7,934	\$ 252,594

<sup>(1)</sup> Stock Awards are restricted stock, and Option Awards are non-qualified stock options. Amounts are computed using the fair market value of the stock or option at the grant date in accordance with SFAS No. 123R (except that the estimates of forfeitures related to service-based vesting conditions have been disregarded), and include awards granted since 2003 which were expensed in accordance with SFAS No. 123R during 2008. Restricted stock and stock options were awarded under our Inland Northwest Bank 2006 Share Incentive Plan. The number of shares subject to the options, and the exercise price per share, has been adjusted to reflect stock dividends and/or stock splits. See Note 14 Stock Based Compensation, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for additional discussion on SFAS No. 123R valuation methodology and 2008 forfeitures.

<sup>(2)</sup> In 2008, all other compensation for Mr. Fewel consists of \$6,000 in car allowance, \$5,011 in club membership dues, \$5,387 in matching contributions to the Bank's defined contribution retirement plan, and \$2,220 in parking allowance. In 2007, all other compensation for Mr. Fewel consists of \$6,000 in car allowance, \$6,153 in club membership dues, \$5,487 in matching contributions to the Bank's defined contribution retirement plan, and \$1,980 in parking allowance.

**Table of Contents****Grants of Plan-Based Awards**

There were no grants of plan-based awards to named executive officers during the fiscal year ending December 31, 2008.

**Outstanding Equity Awards at Fiscal Year-end**

The following table shows information on outstanding stock options and restricted stock awards held by each named executive officer as of December 31, 2008.

Name and Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards <sup>(1)</sup>			Stock Awards <sup>(2)</sup>	
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$) <sup>(3)</sup>
<b>Randall L. Fewel</b>						
12/21/1999	2,955		10.83	12/21/2009		
12/19/2000	4,221		7.11	12/19/2010		
07/01/2001	13,401		7.46	07/01/2011		
12/18/2002	6,381		7.91	12/18/2012		
12/17/2003	3,647		10.94	12/17/2013		
12/22/2004	1,852	463	11.96	12/22/2014		
07/18/2006					1,050	6,300
12/19/2006					1,050	6,300
12/19/2007					1,000	6,000
<b>Christopher C. Jurey</b>						
12/21/1999	2,955		10.83	12/21/2009		
12/19/2000	2,814		7.11	12/19/2010		
12/18/2002	1,914		7.91	12/18/2012		
12/17/2003	1,823		10.94	12/17/2013		
12/22/2004	926	232	11.96	12/22/2014		
07/18/2006					735	4,410
12/19/2006					630	3,780
12/19/2007					600	3,600
<b>Holly A. Austin</b>						
12/21/1999	2,955		10.83	12/21/2009		
12/19/2000	2,814		7.11	12/19/2010		
12/18/2002	638		7.91	12/18/2012		
12/17/2003	1,216		10.94	12/17/2013		
12/22/2004	695	173	11.96	12/22/2014		
07/18/2006					420	2,520
12/19/2006					420	2,520
12/19/2007					400	2,400
<b>Mark V. Dresback</b>						
11/01/2001	2,680		7.46	11/01/2011		
12/18/2002	638		7.91	12/18/2012		
12/17/2003	608		10.94	12/17/2013		
12/22/2004	463	116	11.96	12/22/2014		
07/18/2006					263	1,578
12/19/2006					420	2,520
12/19/2007					400	2,400
<b>Ronald G. Jacobson</b>						

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07/01/2001	3,484		7.46	07/01/2011		
12/18/2002	1,276		7.91	12/18/2012		
12/17/2003	1,216		10.94	12/17/2013		
12/22/2004	695	173	11.96	12/22/2014		
07/18/2006					525	3,150
12/19/2006					630	3,780
12/19/2007					400	2,400

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- (1) The stock option awards vest pro rata over a five-year period from the grant date with the first 20% vesting one year after the grant date. Stock option awards may accelerate in the event of a change in control, as defined by the Inland Northwest Bank 2006 Share Incentive Plan.
- (2) Restricted shares cliff-vest three years after the award date and are subject to transferability restrictions upon vesting. Dividends are credited on restricted stock upon vesting and are subject to the same restrictions as the underlying restricted stock. Restricted stock awards may accelerate in the event of a change-in-control, as defined by the Inland Northwest Bank 2006 Share Incentive Plan.
- (3) Market value is calculated at \$6.00 per share, which was the closing price of the Company's stock on December 31, 2008, the last trading day of the year.

**Option Exercises and Stock Vested**

There were no options exercised, or restricted stock vested, for named executive officers during the fiscal year ended December 31, 2008.

**Equity Compensation Plan Information**

The following table sets forth information as of December 31, 2008, with respect to compensation plans under which shares of the Company's common stock may be issued:

Plan Category	Number of shares to be issued upon exercise of outstanding options	Weighted-average exercise price on outstanding options	Number of shares remaining available for future issuance under equity compensation plans <sup>(1)</sup>
Equity compensation plans approved by shareholders			
Stock option plans	112,364	\$ 10.06	210,007
Restricted stock awards	14,973	\$ 0.00	210,007
Equity compensation plans not approved by shareholders	None	None	None
	127,337	\$ 8.88	210,007

- (1) The Inland Northwest Bank 2006 Share Incentive Plan provides an aggregate total of up to 210,007 shares which may be granted as either stock options or restricted stock awards. Stock options and restricted stock granted are adjusted for stock dividends or splits.



**Table of Contents****Compensation of Directors**

In 2008, Directors of the Bank (excluding the Chairman and Mr. Fewel) received an attendance fee in the amount of \$250 per meeting and \$150 per committee meeting. The Chairman received a \$450 attendance fee per board meeting. Director-employees are not compensated for meeting attendance. Each Director other than Mr. Fewel also received 400 shares of common stock of the Company as compensation. The Board Chairman received an additional 200 shares of common stock, and Board Committee Chairs whose committees met four or more times during the year, received an additional 100 shares of common stock. No other compensation arrangement has been established for the Directors of the Company.

**Director Compensation**

	Fees earned and paid in cash	Fees earned and paid in stock <sup>(1)</sup>	Total
Dwight B. Aden, Jr.	\$ 4,500	\$ 6,300	\$ 10,800
Anthony D. Bonanzino <sup>(2)</sup>	650		650
Katie Brodie	6,050	5,040	11,090
Jimmie T.G. Coulson <sup>(3)</sup>	2,350	5,040	7,390
Harlan D. Douglass	4,100	5,040	9,140
Freeman B. Duncan	4,950	6,300	11,250
Donald A. Ellingsen	4,050	5,040	9,090
Clark H. Gemmill	3,600	6,300	9,900
Bryan S. Norby	4,550	6,300	10,850
Richard H. Peterson	6,050	6,300	12,350
Frederick M. Schunter	7,650	5,040	12,690
William E. Shelby	10,650	7,560	18,210
Jennifer West	2,700	5,040	7,740

(1) Market value on the date of issue was \$12.60 per share.

(2) Mr. Bonanzino attended his first Board meeting in November 2008.

(3) Mr. Coulson retired from the Board in May 2008; fees earned and paid in cash were for Board and Committee meetings through that date. Fees earned and paid in stock were for the 12-month period beginning in May 2007 and ending in May 2008.

The aggregate annual remuneration of named executive officers and Directors of the Bank as a group was \$1,081,231 for fiscal year 2008.

**Employment and Change of Control Agreements**

In light of the Company's participation in the Treasury Department's CPP, pursuant to which the Company sold preferred stock to the Treasury, the Company recognizes that certain amendments may need to be made to the employment agreements that it has entered into with individual executives. Under EESA and the amendments made to EESA under ARRA, certain limitations and restrictions are imposed on executive compensation. Both the Treasury Department and the SEC are required to issue rules to implement the new executive compensation restrictions. As of the date hereof, guidance has not been provided by the Treasury Department or the SEC regarding the implementation of ARRA. It is the intention of the Company to comply with the executive compensation restrictions under EESA and ARRA and any subsequent legislation that may follow, and the Company is working with legal counsel to determine the extent to which those restrictions will impact its employment agreements.

Currently, under EESA and ARRA, the Company is subject to, among other things, restrictions from paying any bonus, retention award, or incentive compensation, other than certain awards of restricted stock, to the



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institution's most highly compensated employee; restrictions from making payments to a senior executive officer or any of the next five most highly compensated employees for departure from the Company for any reason, except for payments for services performed or benefits accrued; and the required clawback provisions, which allows the recovery of any bonus or other incentive payment paid to a senior executive officer or any of the next 20 most highly compensated employees on the basis of materially inaccurate financial information. For more information on the provisions imposed on the Company while it participates in the Treasury Department's CPP, see, Regulatory Compliance TARP Compensation Standards.

The Bank previously entered into an employment agreement with Mr. Fewel, dated January 8, 2003. The employment agreement provides for a continuous employment term until such time as the Bank notifies him that the Bank will establish an employment term of one-year, commencing with the date of receipt of such notice by him. Upon receiving such notice Mr. Fewel could resign and continue to receive payment of his fixed-salary and certain benefits for a period of one-year. The agreement provides that, during the term of the agreement, he will remain employed in an executive position, with no reduction in his fixed-salary should his position change and that his fixed-salary will be adjusted annually at the discretion of the Board. The fixed-salary will not be decreased from year-to-year; however, incentive payments, if any, and other benefits may be more or less than received in prior years. The Bank may terminate Mr. Fewel's employment without cause; however, in that case, he would continue to receive payment of his fixed salary and certain benefits for a period of one-year. It is expected that these severance payment terms will be restricted by the regulations promulgated under EESA and ARRA.

In the event of a change in control of the Company, the agreement provides for a severance payment to Mr. Fewel for certain terminations during a thirty-six month period following the date of the change in control. Any severance payment made to him will be reduced to the extent necessary to meet the requirements of Internal Revenue Service regulations then in effect, as well as the rules, regulations or lawful directives of other agencies with regulatory or supervisory authority over the Company or the Bank. The provision for severance following a change in control is also expected to be restricted by the regulations promulgated under EESA and ARRA.

Under the current agreement, the Bank's obligation for payment to Mr. Fewel under any of the above-described circumstances may be reduced, in part or in full, if he receives compensation from a successor employer or from self-employment while the Bank is making payment to him. If the successor employer is a financial institution located within the Bank's market area, and if he has not obtained prior approval from the Bank's Board of Directors, the Bank is under no obligation to continue any severance payment or benefits.

The Bank previously entered into similar employment agreements with Ms. Austin, Mr. Dresback and Mr. Jacobson; however, in the event of a change in control, the period considered for severance payments is twelve months. These agreements are also subject to EESA and ARRA, and the terms providing for severance payments are expected to be restricted by the regulations promulgated under EESA and ARRA.

As discussed above, the Company is in the process of reviewing the existing employment agreements entered into with executives. Pursuant to EESA and ARRA, the Company will restrict Mr. Fewel's receipt of any bonus, retention award, or incentive compensation, prohibit severance payments to the required employees, and implement the clawback provision, as required, during the period which the Treasury Department holds an equity interest in the Company. Additionally, the Company intends to comply with those rules and regulations issued by the Treasury Department and the SEC as they become available.

## **Incentive Plan for Senior Management**

The purpose of the Executive Incentive Plan (the "EIP") is to reward senior Bank management for its efforts in meeting or exceeding the annual goals approved by the Board of Directors during the annual budgeting process. The EIP defines a number of factors that are considered to be of importance by the Board in enhancing the long-term viability of the Bank and return to shareholders. A portion of each officer's total compensation is

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dependent upon performance in relation to the budget, adjusted to reflect the Bank's overall performance in comparison to that of similar financial institutions. Incentive payments made to named executives under the EIP are disclosed in the Summary Compensation Table.

### **Profit Sharing Plan**

The Bank maintains a 401(k) profit sharing plan covering all employees who meet certain eligibility requirements. The plan allows employees to elect up to 50% of their compensation to be paid into the plan. The Bank's policy is to match contributions equal to 50% of the participant's contribution, not to exceed 3.0% of the participant's compensation. Vesting occurs over a six-year graded vesting schedule. Expenses associated with the plan were \$140,047 and \$120,753 for the years ended December 31, 2008 and 2007, respectively.

## **TRANSACTIONS WITH MANAGEMENT AND OTHERS**

The Company, through its Bank subsidiary, has had, and may be expected to have in the future, banking transactions in the ordinary course of business with Directors, principal officers, their immediate families, and affiliated companies in which they are principal shareholders. Aggregate loan balances with related parties at December 31, 2008 and 2007, were \$326,586 and \$1,710,495, respectively. During the years ended December 31, 2008 and 2007, total principal additions were \$188,221 and \$300,105 and total principal payments were \$1,572,130 and \$952,751, respectively. Aggregate deposit balances with related parties at December 31, 2008 and 2007, were \$1,465,196 and \$2,743,512, respectively. All related party loans and deposits which have been made, in the opinion of management, are on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Moreover, these transactions did not involve more than the normal risk of collectibility or present other unfavorable features.

During the second-quarter 2006, the Bank entered into an agreement to lease property owned by Harlan D. and Maxine H. Douglass. Mr. Douglass is a Director of the Bank and the Company. The property is located in the northwest section of the city of Spokane, WA. The initial term of the lease is twenty years. The Bank has the right to extend the lease for four additional five-year periods. The approximate aggregate value of the lease over the twenty-year term is \$1.8 million. The Bank has received regulatory approval and established a branch at this location which opened in May 2008. It is the policy of the Board of Directors to review and approve transactions with related parties. Disinterested Board members reviewed and approved this transaction and found the terms and conditions of the lease to be an arm's length transaction consistent with those offered on similar properties by non-affiliated parties. The lease was filed as Exhibit 10.1.11 to the Company's second quarter report for 2006 on Form 10QSB, filed with the SEC on August 4, 2006.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth beneficial ownership of the Company's common stock as of December 31, 2008 by: (i) each Director and nominee for Director; (ii) each executive officer named in the Summary Compensation Table under Executive Compensation and Related Information (the Named Executive Officers); and, (iii) all executive officers and Directors as a group, and, based on currently available Schedules 13D and 13G filed with the SEC, the beneficial owners of more than 5% of our common stock.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned <sup>(1)</sup>	Percent of Common Stock <sup>(2)</sup>
<b>Directors and Named Executive Officers:</b>		
Harlan D. Douglass	239,736 <sup>(3)(4)</sup>	9.87%
Frederick M. Schunter	69,686 <sup>(3)</sup>	2.87%
Clark H. Gemmill	53,026	2.18%
Randall L. Fewel	46,852 <sup>(7)</sup>	1.93%
Christopher C. Jurey	35,034 <sup>(7)</sup>	1.44%
Richard H. Peterson	34,403	1.42%
William E. Shelby	17,046	*
Donald A. Ellingsen	13,425 <sup>(5)</sup>	*
Bryan S. Norby	10,528 <sup>(3)</sup>	*
Holly A. Austin	10,309 <sup>(7)</sup>	*
Ronald J. Jacobson	7,234 <sup>(3)(7)</sup>	*
Freeman B. Duncan	6,384 <sup>(6)</sup>	*
Dwight B. Aden Jr.	5,760	*
Mark V. Dresback	4,389 <sup>(7)</sup>	*
Katie Brodie	1,230	*
Jennifer West	1,057	*
All directors and executive officers as a group (14 persons)	556,099	22.89%
<b>Name and address of beneficial owners of more than 5%:</b>		
Harlan D. Douglass 815 E. Rosewood, Spokane, WA 99208	239,736	9.87%
Estate of Ronald C. Yanke P.O. Box 5405, Boise, ID 83705	138,464	5.70%

\* Less than 1%.

<sup>(1)</sup> Beneficially owned shares include shares over which the named person exercises either sole or shared voting power or investment power. It also includes shares owned (i) by a spouse, minor children or by relatives sharing the same home, (ii) entities owned or controlled by the named person, and (iii) by other persons if the named person has the right to acquire such shares with 60 days by the exercise of any right or option.

<sup>(2)</sup> Based on 2,429,513 shares of common stock issued and outstanding as of December 31, 2008, including 62,267 shares of unvested restricted stock.

<sup>(3)</sup> Includes shares held with or by his/her spouse and/or minor children.

<sup>(4)</sup> Includes 4,378 shares held by Harlan Douglass, Inc.

- (5) Includes 9,623 shares held by Spokane Eye Clinic.
- (6) Includes 4,008 shares held in the Freeman B. Duncan Profit Sharing Plan and 873 shares held in the National Associates Spokane Corp. FBO Freeman Duncan Profit Sharing Plan.
- (7) Includes shares of common stock purchasable pursuant to stock options exercisable within 60 days of December 31, 2008 as detailed in the *Outstanding Equity Awards* section of this Proxy Statement.

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We have no knowledge of any other arrangements, including any pledge by any person of our securities, that may at a subsequent date result in a change in control of our Company.

To the best of our knowledge, we are not directly or indirectly owned or controlled by another corporation or foreign government.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE.**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors, executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities (collectively, Reporting Persons), to file reports of ownership of, and transactions in, the Company's equity securities with the SEC. Based solely on a review of the copies of such reports received by the Company and on written representations from such reporting persons, the Company believes that all Reporting Persons complied with the Section 16(a) filing requirements during 2008.

**Table of Contents****PROPOSAL 2. RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors has appointed Moss Adams, LLP, 601 West Riverside Avenue, Suite 1800, Spokane, Washington 99201, (509) 747-2600, as the independent registered public accounting firm to examine the consolidated financial statements of the Company and its subsidiary for the fiscal year ending December 31, 2009. The shareholders are asked to consider and vote upon the ratification of this appointment. **The Board of Directors recommends that the shareholders ratify the appointment of Moss Adams, LLP as the independent registered public accounting firm.**

Moss Adams, LLP and its predecessor, McFarland & Alton, P.S., have examined the financial statements of the Bank since the Bank's organization in 1989 and the consolidated financial statements of the Company and its subsidiaries since the Company became a holding company for the Bank in 1993. Moss Adams, LLP has advised the Company that one or more representatives of that accounting firm will be present at the Annual Meeting and available to respond to appropriate questions. Such representatives will have an opportunity to make a statement at the Annual Meeting if they desire to do so.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S FEES**

The following table summarizes the fees that Moss Adams, LLP charged the Company for the listed services during 2007 and 2008:

Type of fee	2008	2007	Description
Audit fees	\$ 75,900	\$ 62,600	Services in connection with the audit of our annual financial statements and the review of our financial statements included in our reports of Form 10-K.
Audit-related fees			None.
Tax fees	4,650	4,400	Services in connection with the preparation of Federal and State of Idaho income tax returns
All other fees	4,078	578	General consulting and out of pocket expenses.



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**PROPOSAL 3. ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009, includes a provision requiring CPP participants, during the period in which any obligation arising from assistance provided under the CPP remains outstanding, to permit a separate shareholder vote to approve the compensation of executives as disclosed pursuant to the compensation rules of the SEC. This requirement applies to any proxy, consent, or authorization for an annual or other meeting of the participant's shareholders. Under this legislation, the shareholder vote is not binding on the board of directors of the CPP participant, and may not be construed as overruling any decision by the participant's board of directors.

Therefore, shareholders are being given the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve the Company's executive compensation policies and procedures as described above in the Compensation Discussion and Analysis, the compensation tables, and related discussion in the Company's 2009 Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to endorse or not endorse the Company's executive pay program.

The purpose of the Company's compensation policies and procedures is to attract and retain experienced, highly qualified executives critical to the Company's long-term success and enhancement of shareholder value. The Board of Directors believes the Company's compensation policies and procedures achieve this objective, and therefore recommend shareholders vote **FOR** the proposal through the following resolution:

**RESOLVED, that the shareholders approve the compensation of the Company's executive officers, as described in the Compensation Discussion and Analysis and the tabular disclosure and accompanying narrative disclosure regarding named executive compensation in the Company's 2009 Proxy Statement.**

Because your vote is advisory, it will not be binding upon the Board. However, the Company's Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

**The Board of Directors unanimously recommends that shareholders vote **FOR** this Proposal.**

**OTHER BUSINESS**

No other business is intended to be brought before the Annual Meeting by the Board of Directors, nor is the Board of Directors aware of any other business to be brought before the Annual Meeting by others. If, however, any other business properly comes before the Annual Meeting, the enclosed proxy authorizes the persons named in the proxy to vote on such other business in their discretion.

**Information Concerning Shareholder Proposals and Director Nominations**

Under the SEC rules, for shareholder proposals to be considered for inclusion in next year's proxy statement, they must be submitted in writing to Nora F. Seelbach, Assistant Secretary, Northwest Bancorporation, Inc., 421 West Riverside Avenue, Spokane, Washington 99201 on or before December 18, 2009, unless our 2010 Annual Meeting is not held within 30 calendar days before or after May 17, 2010, in which case the deadline for shareholder proposals to be considered for inclusion in next year's proxy statement would be a reasonable time before the company begins to print and send its proxy materials.

Pursuant to the Company's bylaws, for shareholder nominations of directors to be properly presented at a shareholders meeting, we must receive notice of any such nomination on or before March 18, 2010, unless notice of the Annual Meeting is provided less than 40 days prior to the date of the meeting, in which case the notice by the shareholder nominating Directors must be received not later than the close of business on the tenth day

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following the day on which the first public announcement of the date of the Annual Meeting was made or the notice of the meeting was mailed, whichever occurs first. For any other shareholder proposals to be properly presented at a shareholders meeting, we must receive notice of any such proposal by shareholders on or before December 20, 2009.

Directors, officers, and employees of the Company and the Bank may also solicit proxies by mail, telephone and personal contact, but they will not receive any additional compensation for these activities.

### **REPORT TO SHAREHOLDERS**

The Annual Report on Form 10-K (without exhibits) of the Company for the fiscal year ended December 31, 2008 is also enclosed with this Proxy Statement. Part I, Items 1 and 2 of the Annual Report includes a description of the business and property of the Company; these descriptions are included by reference herein. The consolidated financial statements of the Company (appearing in Part II, Item 8 of the Annual Report, under the heading Northwest Bancorporation, Inc. and Subsidiary, Report of Independent Registered Public Accounting Firm and Financial Statements, December 31, 2008 and 2007 ) and the information regarding lack of changes in or disagreements with accountants of the Company (appearing in Part II, Item 9 of the Annual Report) are incorporated by reference herein.

### **AVAILABLE INFORMATION**

**The Company currently files periodic reports and other information with the SEC. Such information and reports may be obtained as follows:**

You may read and copy the information and reports at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

You will find the information and reports on the SEC Internet site at [www.sec.gov](http://www.sec.gov).

You can access the Bank's website at [www.inb.com](http://www.inb.com). Links to the SEC Internet site are provided on the Bank's website. Additional information, including recent press releases, is also available on the Bank's Website.

BY ORDER OF THE BOARD OF DIRECTORS

William E. Shelby  
Chairman

April [•], 2009



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**NORTHWEST BANCORPORATION, INC.**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 2009 AT 5:30 P.M. (PDT) AT:**

**PLEASE FILL IN, DATE AND SIGN THIS PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE.**

**INLAND NORTHWEST BANK**

**421 WEST RIVERSIDE**

**SPOKANE, WASHINGTON 99201**

Shareholder s signature must agree with name appearing on mailing label. If the shares are held in joint tenancy, all parties to the joint tenancy must sign. When signing the proxy as attorney-in-fact, personal representative, trustee, or guardian, please indicate capacity in which you are signing.

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Shareholder s Signature

Date

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Shareholder s Signature

Date

**MAILING LABEL**

**(OVER)**