



Inland Northwest Bank

**EXCESSIVE  
AND  
LUXURY  
EXPENDITURE  
POLICY**

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Northwest Bancorporation, Inc.  
and  
Inland Northwest Bank

## **Excessive and Luxury Expenditure Policy**

Reviewed and approved by the Compensation Committee August 13, 2009  
Reviewed and approved by the Board of Directors August 21, 2009

### **I. Purpose and General Policy**

It is the policy of Northwest Bancorporation, Inc. and its subsidiary Inland Northwest Bank (together they will be referred to in this Policy simply as the “Company”) that directors and employees of the Company utilize corporate assets in a prudent manner and as such are hereby precluded from engaging in excessive or luxury expenditures.

This policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

The term “excessive or luxury expenditures” relates to the following areas:

- Entertainment or events
- Office and facility renovations
- Aviation or other transportation services
- Other similar items, activities or events that are not reasonable expenditures for staff development, reasonable performance incentives, or other similar measures conducted in the normal course of the Bank’s business operations

### **II. Compliance Officer**

The Chief Financial Officer (CFO) is responsible for implementing this Policy and ensuring that this Policy, and any subsequent amendments thereto, are communicated to the U.S. Department of Treasury and the primary regulatory agency for the Company by September 14, 2009, or in the case of an amendment, within 90 days of the adoption of such amendment by the Board of Directors. The Policy and any amendments shall also be posted on the Company’s website within this same timeframe.

### **III. Entertainment or Events**

Entertainment is defined as an activity that an Employee would use corporate funds for business development purposes relating to a current customer or prospective customer, or to further enhance the Company’s marketing efforts.

The Company's expectation is that all entertainment expenses reimbursed by the Company would be for legitimate business development purposes either directly with customers or prospects or indirectly through cultivating referral sources or enhancing the INB brand. Golf outings, meals, concerts, theatre, sporting events, and other similar functions are an important part of the Company's marketing efforts and are not deemed a "luxury" or a violation of this Policy. However, good judgment and common sense should always be exercised when deciding whether or not to commit to such expenditure. If in doubt, the employee should check with their supervisor before making the commitment to spend. Otherwise, it is possible the employee might not be reimbursed for the expense if it is deemed after-the-fact that it was excessive or was not for legitimate business purposes.

Employee recognition events, holiday and summer parties, new product kick-offs, and celebratory parties can be an important part of an employee appreciation process at the Company. These events should be local in geographic nature, and may include such costs as service awards, meals, modest entertainment, and nominal door prizes. These types of expenses are typically included in the annual budget, but if not, they can be approved by the Chief Executive Officer (CEO) or CFO during the course of the year.

Board and/or Senior Management Retreats can play a significant role in setting direction for the Company and planning how to enhance long-term shareholder value. Such retreats should only be used for educational or strategic planning purposes and should be held locally with consideration given to striking the right balance between keeping costs down while providing an environment which is conducive to creative thinking and free and open exchange of ideas.

#### IV. Office and Facility Improvements and Renovations

Generally office and facility improvements and renovations will be included in the annual budgeting process which is presented for approval each year to the Board of Directors. For any such expenditures that arise during the course of the year that were not previously approved by the Board in the annual budget, the CEO shall have the authority to approve up to \$50,000 in any fiscal quarter. Beyond that amount will require Board approval. In any event, such capital improvements and/or renovations should always be done in the spirit of functionality and practicality, avoiding opulence or lavishness, while keeping the Company's image and shareholder expectations foremost in mind.

#### V. Aviation or Other Transportation Services

Transportation for Company staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the Company. Modes of transportation to be used may consist of vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the prior written approval of the Chairman of the Board.

The use of rental cars for business purposes may be necessary and appropriate. Similarly, the use of taxis is permitted when necessary.

The Company does not pay the expenses of a spouse, a guest or a family member accompanying a director or employee who is attending Company related functions unless the attendance is required or expected (this would normally include only conventions and other major social events). Reimbursement of these expenses for a spouse, guest or family member must be requested and approved prior to the event. The approval authority for the Chairman of the Board would be the Compensation Committee. For the CEO, it would be the Chairman of the Board, and for any other employee it would be either the CEO or the CFO. However, a double lodging accommodation (as compared to a single) will be reimbursed, and prior approval is not required.

#### VI. Other Similar Items, Activities or Events

The Company will not pay for other activities that are not reasonably conducted in the normal course of business. This policy is intended to allow reasonable expenditures for staff development, reasonable performance incentives and other measures related to a company's normal business operations.

#### VII. Approval of Expenditures

Management, in conjunction with the Board of Directors, establishes annual budgets for the various expenditure categories described in this Policy. For any expenditures that specifically require prior approval under this Policy, an employee seeking such approval should contact the employee's department manager. Department managers should submit expenditure approval requests to the CEO or CFO for consideration under the Policy and submission to the appropriate party for approval as required under this Policy.

#### VIII. Reporting of Violations

Any individual who violates this Policy, or knows of any such violation by any other individual, must report the violation immediately to the violator's supervisor who shall then report the violation to the CEO or to the Chairman of the Board (if an alleged CEO violation). Any employee or director who engages in spending that is in violation of this Policy shall be subject to discipline up to and including reimbursing the Company and/or termination of employment or removal from the Board.

#### IX. Certification

The CEO and CFO of the Company shall certify to the Board at least annually that any expenses requiring prior approval of the Board of Directors, a committee of the Board of Directors, a Senior Executive Officer, or an executive officer with a similar level of responsibility, were properly approved.