



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, D.C. 20429-9990

Division of Risk Management Supervision

January 28, 2015

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Board of Directors  
First Federal Savings and Loan Association of Port Angeles  
105 West 8th Street  
Port Angeles, Washington 98362

Dear Members of the Board:

The notice of intent to convert from mutual-to-stock form ("Notice") filed on behalf of First Federal Savings and Loan Association of Port Angeles, Port Angeles, Washington, ("Bank"), was reviewed by the Federal Deposit Insurance Corporation ("FDIC") pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 – 303.163, 333.4, and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed conversion transaction.

In rendering this non-objection, the FDIC has relied significantly on the business plan underlying the subject application, including the accompanying projections, and the Bank's commitments to meet certain requirements applicable to the Bank, First Northwest Bancorp (the holding company for Bank), and the First Federal Community Foundation. It is imperative that anticipated deviations from the business plan be approved by the FDIC prior to implementation. Material changes in the business plan include, but are not limited to, any new or significantly altered products or services, or significant deviations from the financial projections submitted in connection with the application.

You have requested the FDIC's approval for the tax-qualified employee stock ownership plan ("ESOP"), established by the Bank in connection with the mutual to stock conversion, to purchase up to 1,048,029 shares of common stock of First Northwest Bancorp, in the open market following the closing of the conversion. The amount represents eight percent of the 13,100,360 shares of common stock sold by First Northwest Bancorp in the offering, including 933,360 shares issued to the First Federal Community Foundation. The ESOP was unable to purchase any shares of common stock in the offering due to an oversubscription by first priority eligible account holders. Pursuant to 12 C.F.R. 192.380(c) and because the purchase of shares for the ESOP in the open market was a part of the Plan of Conversion ("Plan"), the FDIC permits the Bank's ESOP to purchase the shares of common stock in the open market as provided in its Plan.

Board of Directors  
First Federal Savings and Loan Association of Port Angeles  
Port Angeles, Washington  
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Please notify the San Francisco Regional Office in writing when the proposed transaction has been consummated.

Sincerely,  
/s/

James C. Watkins  
Senior Deputy Director

CC: John F. Breyer, Jr.  
Breyer & Associates PC  
8180 Greensboro Drive  
Suite 785  
McLean, Virginia 22102-3888