

FIRST NORTHWEST BANCORP

AUDIT COMMITTEE CHARTER

Purpose of the Audit Committee

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of First Northwest Bancorp (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- Oversee the integrity of the Corporation’s
 - financial reporting and audit processes,
 - financial statements,
 - systems of internal controls regarding finance, accounting, and legal compliance, and
 - process for monitoring compliance with the Corporation’s Code of Ethics.
- Oversee the independence and performance of the Corporation's independent auditors and internal auditing function.
- Ensure open, continuing and direct communication among the independent auditors (internal and external), management and the Board.

Authority of the Committee

The Committee has the authority to conduct any investigation appropriate in fulfilling its responsibilities. It has direct access to the independent auditors as well as anyone in the Corporation. It is empowered to:

1. Select, retain, and when necessary, terminate and replace the independent auditors subject to shareholder ratification;
2. Retain outside counsel, accountants, consultants or other experts deemed necessary in the performance of its duties;
3. Request and receive funding from the Corporation to ensure adequate resources are available in order to carry out its duties and responsibilities, including for the payment of compensation to the Corporation’s independent auditors, any other accounting firm engaged to perform services for the Corporation, any outside counsel and any other advisors to the Committee;
4. Meet with management, staff, independent auditors or outside counsel, as necessary.

Composition of the Committee

The Committee composition shall be in accordance with the Nasdaq Stock Market (the “**Nasdaq**”) listing standards. The Committee shall be composed of three or more directors as determined by the Board, each of whom shall be independent non-employee directors, free from any relationship that, in the opinion of the Board, would interfere with the exercise of their independent judgment.

Each Committee member will also be financially literate, as defined by applicable regulations of the Securities and Exchange Commission (“**SEC**”), Nasdaq and the Board, and shall meet any other eligibility standards, as applicable, including the Sarbanes-Oxley Act. At least one member shall be a "financial expert," having expertise in accounting or financial reporting, as defined by Nasdaq and the requirements of the SEC.

The Board shall consider and appoint the Committee's members annually, may replace a Committee member at any time, and shall also appoint one of the Committee members as the Committee Chair. The Committee may elect a Committee member to serve as Committee Vice Chair at its discretion.

Committee Meetings

The Committee shall meet at least four times each year, with authority to convene additional meetings as circumstances require. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. All Committee members are expected to attend each meeting, in person or via audioconferencing technology. The Committee will invite members of the Board, management, auditors or others to attend meetings and provide pertinent information, as necessary. As part of its responsibility to foster open communication, the Committee shall meet at least annually with management, and the external and internal auditors in separate executive sessions to discuss any matters the Committee or any of these parties believe should be discussed privately. Any Board member may attend any Committee meeting in a non-voting capacity.

Specific Responsibilities and Duties

Review Procedures

1. Review and reassess the adequacy of this Charter at least annually to ensure it meets the requirements of regulators, investors and the Corporation. Submit the Charter to the Board for approval, and make the document publicly available in accordance with SEC regulations.
2. The Committee shall meet with the independent auditors and management quarterly to review the Corporation's quarterly and annual financial statements prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments; all alternative treatments of financial information within generally accepted accounting principles ("GAAP"), the ramifications of the use of such alternative treatments and the treatment preferred by the independent auditors; and other material written communications between the independent auditors and management.
3. In consultation with management and the independent auditors (both external and internal), consider the integrity of the Corporation's financial reporting processes and internal controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the auditors (both internal and external) together with management's responses.
4. Discuss any significant changes to the Corporation's accounting principles and any items required to be communicated by the independent auditors in accordance with AICPA SAS 90.
5. Review and approve financial filings on the SEC's filing system prior to their submission. The Chair of the Committee may represent the entire Committee for purposes of this review.

External Audits

1. Review the independence and performance of the auditors and recommend to the Corporation's shareholders for ratification the appointment of the independent auditors or the discharge of auditors when circumstances warrant.
2. Select, retain, compensate, oversee, and terminate, if necessary, an independent accounting firm and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.

3. Ensure external audit engagement letters do not contain unsafe and unsound limitation of liability provisions (i.e., indemnification of external auditors against claims made by third parties; hold harmless or release of external auditor liability for claims or potential claims that might be asserted by the client financial institution; or limitations on the remedies available to the client financial institution).
4. Approve the compensation paid to the independent auditors for all audit and other services performed.
5. Review, in advance, the independent auditors' audit plans and scope for the coming year, and any non-audit services performed or planned, and approve all work that the independent auditors perform for the Corporation.
6. Determine, through discussions with the independent auditors, that no restrictions are being placed by management on the scope of the auditors' examinations.
7. On an annual basis, obtain a written statement from the independent auditors delineating all relationships between the independent auditors and the Corporation, and review and discuss with the independent auditors all significant relationships they have with the Corporation that could impair the auditors' independence.
8. Discuss certain matters required to be communicated to audit committees in accordance with AICPA SAS 90.
9. Consider the independent auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

Internal Audits

1. Approve the Internal Audit Charter and the Internal Audit Policy governing the roles and responsibilities associated with the Corporation's internal audit activity.
2. Review the budget, plan, changes in plan, activities, organizational structure and qualifications of the Internal Audit Department.
3. Review the qualifications, appointment, and performance and replacement of any internal audit firm.
4. Review significant reports prepared by any internal audit firm, together with management's response and follow-up to these reports.
5. Review significant issues presented by the internal audit firm or Internal Audit Manager, together with management's response and follow up to the response.

Compliance

1. Review with the Corporation's general counsel any legal matters that could have a significant impact on the Corporation's financial statements.
2. Review the effectiveness of the system for monitoring compliance with laws, regulations and internal policies, as well as the results of management's investigation and actions taken in instances of noncompliance.
3. Review the findings of examination by regulatory agencies and auditor observations together with management's response and follow-up to said reports.
4. Monitor compliance with the Code of Ethics of the Corporation, to investigate any alleged breach or violation of the code, to enforce the provisions of the code, and to review the process for communicating the Code of Ethics to Corporation personnel.
5. Coordinate investigation of conflicts of interest and unethical conduct.
6. Obtain regular updates from management regarding compliance matters.
7. Receive and discuss reports from management relating to topics such as:

- a. significant reported ethics violations (annually and otherwise as necessary);
- b. compliance with regulatory internal control and compliance reporting requirements (annually);
- c. compliance with regulatory requirements related to business resumption and contingency planning, including disaster recovery (annually);
- d. fraud and operating losses (as necessary);
- e. internal and external fraud incidents, and associated control enhancements and remediation plans (as needed); and
- f. technology and information security, including cybersecurity (as needed).

Reporting

- 1. Review and discuss the form of presentation and type of information to be contained in earnings releases. The Committee need not discuss in advance each earnings release.
- 2. Regularly report the results of audits, findings, related recommendations and Committee activities to the Board.
- 3. Prepare the Audit Committee Report for inclusion in the Corporation's annual proxy statement, consulting with management or legal counsel, if necessary.
- 4. Review any other reports the Corporation issues that relate to Committee responsibilities.

Miscellaneous

- 1. Provide an independent, direct communication channel between the Board and the Corporation's Internal Audit Department, external auditors and regulators.
- 2. Approve the Corporation's Whistleblower Policy for the receipt and treatment of reported concerns regarding financial statement disclosure, internal controls or auditing matters as well as the confidential submission of these matters by employees.
- 3. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters, including procedures for the confidential, anonymous submission of such complaints by employees. The Committee Chair is responsible for reviewing all reported complaints under the Corporation's Whistleblower Policy.
- 4. Maintain minutes of meetings.
- 5. Initiate reviews and investigations as deemed necessary by the Committee and undertake such additional tasks as may be assigned to it by the Board from time to time.
- 6. Perform any other activities consistent with this Charter, the Corporation's Bylaws and governing documents, as the Committee or the Board deems necessary and appropriate.