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First Financial Northwest, Inc.
Form DEFA14A
May 14, 2012

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 § 240.14a-12

FIRST FINANCIAL NORTHWEST, INC.
(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

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For Immediate Release

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ISS Recommends First Financial Shareholders Vote For All of First Financial's Director Nominees on the White Proxy Card and Not Vote For Stilwell's Nominee

Renton, Washington - May 14, 2012 – First Financial Northwest, Inc. (the “Company”) (NASDAQ GS:FFNW) announced today that leading proxy advisory firm Institutional Shareholder Services (“ISS”) has issued a report recommending that shareholders vote the WHITE proxy card to elect the Company's director nominees at the Company's Annual Meeting of Shareholders, which will be held on May 24, 2012. In its report, ISS concluded that the Stilwell group has not made a compelling case for change in the Company's board of directors, and that support for the Stilwell group's nominee therefore is not warranted. ISS also recommended that shareholders vote in favor of the advisory vote on executive compensation and for the proposal to ratify the appointment of the Company's independent auditors.

Victor Karpiak, the Company's Chairman, President and Chief Executive Officer, said, “We believe that ISS's recommendation to vote for the board's nominees reflects the substantial progress we have made in turning around the Company and our responsiveness to shareholders, and recognizes that, quite simply, our strategy is working. ISS rejects the notion that Mr. Stilwell's nominee will improve the Company's board, and we strongly recommend that shareholders vote on the WHITE proxy card to support the Company's nominees.”

In recommending that shareholders vote for the Company's slate of director nominees and not for Mr. Stilwell's nominee, ISS stated:

- “... the board has responded to the dissident's criticisms with what appears a reasonable openness to change, and the scale of compensation the board has approved does not appear to be out of line with general market practice. In terms of a sale of the company, the board has expressed a willingness to consider a sale, but has also provided shareholders with what appears a reasonable rationale for not doggedly pursuing one in the immediate future.

These are not actions typical of an entrenched board, or a board resistant to reasonable changes proposed by its shareholders.” (ISS Proxy Report, May 11, 2012, Page 9)

- “The termination of the consent order and subsequent MOU with the FDIC are further validation of management's claims that the recovery is sustainable and ongoing. Given these improvements are already underway, one wonders what further improvements an additional director would make on the board – particularly a nominee who, having previously been provided a seat by the same board, so quickly resigned over “irreconcilable differences” after a single meeting, just a few months ago.” (ISS Proxy Report, May 11, 2012, Page 9)

First Financial Northwest, Inc. is the parent company of First Savings Bank Northwest, a Washington chartered stock savings bank headquartered in Renton, Washington, serving the Puget Sound Region through its full-service banking office. We are a part of the ABA NASDAQ Community Bank Index. For additional information about us, please visit our website at www.fsbnw.com and click on the “Investor Relations” section.

Important Information

The Company, its directors, executive officers and certain of its employees are participants in the solicitation of proxies from the Company's shareholders in connection with the matters to be considered at the Company's 2012 Annual Meeting of Shareholders. On April 11, 2012, the Company filed a definitive proxy statement (as it may be amended, the “Proxy Statement”) with the U.S. Securities and Exchange Commission (the “SEC”) in connection with the solicitation of proxies from the Company's shareholders. **INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY AS THEY CONTAIN IMPORTANT INFORMATION.** Detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement and other documents filed by the Company with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at <http://www.snl.com/irweblinkx/GenPage.aspx?IID=4087275&GKP=203202>.

Forward-looking statements:

Certain matters discussed in this press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market, potential future credit experience, and statements regarding the Company's mission and vision. These forward-looking statements are based upon current management expectations and may, therefore, involve risks and uncertainties. The Company's actual results, performance, or achievements may differ materially from those suggested, expressed, or implied by forward-looking statements as a result of a wide variety or range of factors including, but not limited to, interest rate fluctuations; economic conditions in the Company's primary market area; demand for construction/land

development, residential, commercial real estate, consumer, and other types of loans; success of new products; competitive conditions between banks and non-bank financial service providers; regulatory and accounting changes; technological factors affecting operations; pricing of products and services; and other risks detailed in the Company's reports filed with the Securities and Exchange Commission. Accordingly, these factors should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements. The Company undertakes no responsibility to update or revise any forward-looking statement.

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