Charter of the Audit Committee
Of the Board of Directors
First Northern Community Bancorp and First Northern Bank of Dixon

I. Audit Committee Purpose

The Audit Committee (the "Audit Committee") is appointed by the Board of Directors of First Northern Community Bancorp (the "Company") and First Northern Bank of Dixon (the "Bank") to assist the Board of Directors of the Company and the Bank in:

- Monitoring the integrity of the Company's and the Bank's financial statements, financial reporting processes and systems of internal controls regarding finance, accounting, regulatory and legal compliance.
- Monitoring the independence, qualifications and performance of the Company's and the Bank's independent auditors.
- Monitoring the performance of the Company's and the Bank's internal auditing department.
- Providing an avenue of communications among the independent auditors, management, the internal auditing department, and the Boards of Directors.
- Preparing the report that the Securities and Exchange Commission ("SEC") rules require be included in the Company's annual proxy statement.

The Audit Committee's function is one of oversight, recognizing that the Company's and the Bank's management is responsible for preparing the Company's and the Bank's financial statements, and the independent auditor is responsible for auditing those statements. In adopting this Charter, the Board of Directors of the Company and the Bank acknowledge that the Audit Committee members are not employees of the Company or the Bank solely by virtue of serving on the Audit Committee and are not providing any expert or special assurance as to the Company's or the Bank's financial statements or any professional certification as to the external auditor's work or auditing standards. Each member of the Audit Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Company and the Bank that provide information to the Audit Committee and the accuracy and completeness of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it shall have direct access to the independent auditors as well as anyone in the organization necessary to complete such investigation. The Audit Committee shall have the ability to retain, at the Company's and the Bank's expense, special legal, accounting, or other consultants, advisors or experts it deems necessary or appropriate in the performance of its duties. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company and the Bank and to any advisors employed by the Audit Committee, as well as funding for the payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

II. Audit Committee Composition and Meetings

The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors, each of whom shall be independent non-executive directors free from any relationship that in the opinion of the Board of Directors would interfere with the exercise of his or her independent judgment. Each member of the Audit Committee shall also satisfy the standards for "independence" established by the rules of the Nasdaq Stock Market LLC ("Nasdaq") and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each member of the Audit Committee shall also meet any additional independence or experience requirements as may be established from time to time by the SEC and under applicable banking statutes and regulations. All members of the Audit Committee shall have a basic understanding of finance, accounting, and legal issues pertaining to the Company and the Bank, and be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background, which results in the Committee member's financial sophistication, including being or having been a chief executive officer, a chief financial officer or other senior officer with financial oversight responsibilities. No member of the Audit Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. No member of the Audit Committee may receive any consulting, advisory or other compensatory fee from the Company other than in his or her capacity as a member of the Board of Directors of the Company or the Bank or any committee of such Boards of Directors, and no member of the Audit Committee shall be an affiliated person of the Company. Audit Committee members are encouraged to enhance their familiarity with finance and accounting by participating in seminars, conferences, roundtables, and other educational programs conducted by the Company or an outside organization. The Audit Committee shall make an annual determination of whether any of its members qualify as a "financial expert" (as defined in SEC regulations).

The members of the Audit Committee shall be elected by the Board of Directors of the Company annually and shall serve until their successors are duly elected and qualified. A chairperson of the Audit Committee may be designated by the Board of Directors of the Company. In the absence of such designation, the members of the Audit Committee may designate the Chairperson by majority vote of the full Audit Committee membership. The Chairperson shall determine the agenda, the frequency and the length of meetings and shall have unlimited access to management, employees and information.

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee shall meet privately in executive session at least annually with management, the director of the internal auditing department, and the independent auditors, and to discuss any matters that the Audit Committee or each of these groups believe should be discussed.

III. Audit Committee Responsibilities and Duties

The following shall be the principal recurring duties and responsibilities of the Audit Committee in carrying out its oversight functions. These duties and responsibilities are set forth below as a guide to the Audit Committee with the understanding that the Audit Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law.

<u>Review Procedures</u>

1. Review and reassess the adequacy of this Charter at least annually and submit the Charter to the Board of Directors of the Company for approval.

2. Review the Company's annual audited 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 including the Company's disclosures under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's reports filed with the SEC. Based on its review and discussions with management, the internal auditors and the independent auditors, the Audit Committee shall recommend to the Board of Directors of the Company whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of the Form 10-K).

3. In consultation with management, the independent auditors, and the internal auditors, consider the integrity of the Company's financial reporting processes and 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 independent auditors and the internal auditing department together with management's responses.

4. Review with management and the independent auditors the Company's quarterly financial statements prior to filing or distribution. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with SAS 61 and SAS 90, as they may be modified or supplemented, including the auditor's judgment about the quality, not just acceptability, of the Company's accounting principles as applied in its financial reporting.

<u>Independent Auditors</u>

5. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors of the Company. The Audit Committee shall review the independence, qualifications and performance of the independent auditors and annually appoint the independent auditors, subject to shareholder ratification, if required or sought. The Audit Committee may also recommend any interim discharge of auditors when circumstances warrant.

6. Approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. In connection with the Audit Committee's approval of non-audit services, the Audit Committee shall consider whether the independent auditors' performance of any non-audit services is compatible with the independent auditors' independence.

7. Preapprove the provision of all audit and non-audit services by the independent auditors to the Company and its subsidiaries.

8. On an annual basis, the Audit Committee should review and discuss with the independent auditors the independent auditors' written communications to the Audit Committee concerning (a) all relationships they have with the Company and the Bank that, in the auditors' professional judgment, may reasonably be thought to bear on the auditors' independence and affirming in writing to the Audit Committee the auditors' independence, (b) the independent auditor's internal quality control procedures, and (c) any material issues raised by the most recent internal quality control review or peer review of the independent auditors' firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors' firm, and the steps taken to deal with those issues.

9. Review the independent auditors' audit plan and discuss scope, staffing, locations, reliance upon management, and internal audit and general audit approach.

10. Review the report by the independent auditors, which is required by Section 10A of the Exchange Act, concerning (a) all critical accounting policies and practices to be used; (b) alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (c) any other material written communications between the independent auditors and the Company's and the Bank's management.

<u>Internal Audit Department and Legal Compliance</u>

11. Review the budget, audit plan, changes in audit plan, activities, organizational structure, and qualifications of the internal audit department, as needed. The internal audit department shall be responsible to senior management, but have a direct reporting responsibility to the Board of Directors of the Company through

the Audit Committee. The Board of Directors of the Company shall consult with the Audit Committee regarding changes in the senior internal audit executive.

12. Review the appointment, performance, and replacement of the senior executive responsible for supervising the Company's and the Bank's internal audit.

13. Review significant reports to management prepared by the internal audit department together with management's responses to such reports.

14. Periodically review with the Company's outside legal counsel (a) any legal matters that could have a significant impact on the organization's financial statements, (b) the Company's compliance with applicable laws and regulations, (c) any inquiries received from, or correspondence with, regulatory or governmental agencies and (d) all reports concerning any significant fraud or regulatory noncompliance that occurs at the Company or the Bank. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.

<u>Other Audit Committee Responsibilities</u>

15. Annually prepare a report to shareholders as required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.

16. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Audit Committee or the Board of Directors of the Company deems necessary or appropriate.

17. Maintain minutes of meetings and periodically report to the Board of Directors of the Company on significant results of the foregoing activities including, any issues with respect to the quality or integrity of the Company's and the Bank's financial statements, the Company's and the Bank's compliance with legal or regulatory requirements, the performance and independence of the Company's and the Bank's independent auditors or the performance of the independent audit function.

18. The Audit Committee shall establish and maintain procedures for (a) the receipt, retention and treatment of complaints received by the Company and the Bank regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by the Company's or the Bank's employees of concerns regarding accounting or auditing matters.

<u>Other Charter Disclosures</u>

19. Periodically perform self-assessment of audit committee performance.

20. Review policies and procedures as well as audit results associated with directors' and executive officers' banking transactions to ensure compliance with Regulation O.

<u>Amendment</u>

21. This Charter and any provision contained herein may be amended or repealed by the Board of Directors of the Company.