

**FIRST NORTHERN COMMUNITY BANCORP
AND FIRST NORTHERN BANK OF DIXON
COMPENSATION COMMITTEE CHARTER**

COMPOSITION

The Compensation Committee of the Board of Directors of First Northern Community Bancorp (the “Company”) and First Northern Bank of Dixon (the “Bank”) shall be appointed by the Chairman of the Board of Directors of the Company, composed of at least three members of the Board who are not officers or regular employees of the Bank or the Company or a subsidiary of the Bank or the Company, and who qualify as “outside” directors for the purposes of Internal Revenue Code § 162(m) and as “non-employee” directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended. In addition to the three members of the Committee, the Chief Executive Officer of the Bank and the Company (“CEO”) may be invited to attend Compensation Committee meetings but shall not serve as a member of the Committee and shall not be entitled to vote on any matter brought before the Committee, nor be counted for quorum purposes.

PURPOSE

The Committee’s purpose is to (a) review and recommend compensation objectives and policies to the Board of Directors, (b) administer the Bank’s and the Company’s stock plans, long-term incentive plans and certain employee benefit plans, including overseeing risk management in incentive plan arrangements, (c) determine and recommend to the Board the compensation of the CEO and the Bank’s NEO’s, and (d) produce a Compensation Committee Report for inclusion in the Company’s proxy statement for its annual meeting of stockholders in compliance with the rules and regulations of the Securities and Exchange Commission (“SEC”). The Committee shall oversee, adhere to and recommend any changes necessary to ensure compliance with legislation and any other compensatory programs and obligations impacting the Bank’s and the Company’s compensation policies and programs. The Committee is a joint Compensation Committee of the Bank and the Company. References in this policy to the “Board of Directors” or the “Board” shall refer to the Board of Directors of the Bank or the Company, as applicable.

MISSION

The Committee’s mission is to act on behalf of the Board of Directors to oversee the Company’s overall compensation strategy pursuant to the goals and principles that the CEO and other NEO’s of the Bank and the Company should be compensated in a manner consistent with that strategy, competitive practice and legal and regulatory requirements. The Committee’s goal is to establish and maintain a competitive, fair, and equitable compensation and benefits policy designed to retain key personnel, to stimulate their useful and profitable efforts on behalf of the Bank and the Company, and to attract necessary additions to the staff with appropriate qualifications.

PARTICIPANTS

The members of the Committee and the Chairman of the Committee shall be appointed by the Board of Directors of the Company to serve until such time as they are duly replaced, or their successors have been duly appointed. Each member of the Committee shall meet the independence

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requirements of the Nasdaq Stock Market. In addition, in affirmatively determining the independence of any director who will serve on the Compensation Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Bank or the Company which is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Bank or the Company to such director; and (ii) whether such director is affiliated with the Bank or the Company, a subsidiary of the Bank or the Company or an affiliate of a subsidiary of the Bank or the Company.

POWERS OF THE COMMITTEE

- Recommend to the Board policies concerning total compensation of executive officers of the Bank, the Company and their subsidiaries.
- Recommend to the Board any management incentive plan of the Bank or the Company under which bonuses or other benefits are granted.
- Determine and recommend to the Board the total compensation of the CEO and the NEO's.
- Monitor succession plans for the CEO in conjunction with the Nominating and Corporate Governance Committee; the Nominating and Corporate Governance Committee shall have primary responsibility for CEO succession plans.
- Review and advise the Board regarding all employment contracts and change of control agreements. All changes to agreements will be reviewed on an annual basis.
- Review and make recommendation to the Board of Director for Director compensation.
- Annually, review and reassess the adequacy of this charter and recommend any proposed changes to the Board of Directors of the Company for approval.
- Select, retain, terminate and approve the fees and other retention terms and conditions of a compensation consultant, legal counsel or other advisor as the Committee deems appropriate, but only after taking into consideration factors relevant to the advisor's independence from management specified in Nasdaq Listing Rule 5605(d)(3). The Compensation Committee is not required to implement or act consistently with the advice or recommendations of any compensation consultant, legal counsel or other advisor. The Company shall provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to any compensation consultant, legal counsel or other adviser retained by the Compensation Committee.
- Take any necessary action in the event a risk management issue arises (or to prevent an issue from arising).

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GENERAL COMPENSATION MATTERS

- Administer and recommend participation in deferred compensation plans.
- Annually review overall base compensation practices against the Bank's peer group for CEO and NEO's and recommend actions needed to achieve the desired competitive posture.
- Review periodic reports from management concerning the risk management, administration and status of various incentive plans and seek to ensure that the plans continue to meet the intended objectives.
- Make recommendations to the Board regarding changes to existing qualified benefits plans or propose additions or deletions to current plans.
- Annually initiate in conjunction with the full Board the appraisal of the performance of the CEO (conducted by the full Board) and determine and recommend the total compensation for the CEO, including salary range, salary increase, perquisites, annual cash and long-term incentive opportunities. Determine and recommend the total compensation for other senior executive officers, including salary range, salary increase, perquisites, annual cash and long-term incentive opportunities.
- Oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the Nasdaq rules that, with limited exceptions, shareholders approve equity compensation plans.

LONG-TERM INCENTIVE COMPENSATION PLAN ADMINISTRATION

- Provide an overview of long-term incentive programs and plans by reviewing performance against objectives set jointly with senior management.
- Develop the eligibility criteria metrics for the CEO and review and approve the criteria metrics for the NEO's participating in the long-term incentive plans and review them periodically as appropriate.
- Recommend to the Board of Directors changes or amendments to long-term incentive plans.
- Review and approve annual participation, amount of award and nature of award based upon performance against objectives.
- Approve and grant stock options and other equity and long-term incentive awards, as appropriate in the discretion of the Committee.

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- Review the plan document periodically to make sure that it is compliant with regulatory requirements and applicable law.
- Determine when a new plan document is required, oversee the process to develop a new plan document, and recommend it to the Board of Directors for approval.

EMPLOYEE BENEFITS

- Review significant issues which relate to changes in employee retirement and qualified benefit plans which may be presented by management or authorized management committee.
- Recommend, as needed, the establishment of pension or welfare plan committees responsible for the development and administration of Bank and Company pension and welfare plans.

OPERATING PROCEDURES

- The Committee may develop its own rules and operating procedures.
- The presence in person or by conference telephone or similar communication equipment of a majority of the members of the Committee shall constitute a quorum for the transaction of business and every act or decision done or made by a majority of the members present at a meeting held at which a quorum is present shall be regarded as the act of the Committee. A majority of the members present in person or by conference telephone or similar communication equipment at a meeting, whether or not constituting a quorum, may adjourn any meeting to another time and place.
- The Committee shall meet at the call of the Chairman of the Committee and shall meet as often as necessary to carry out its responsibilities. Each member shall be paid, for each meeting attended, a fee set by the Board of Directors of the Company.
- Any meeting may be held by conference telephone or similar communication equipment, so long as all members participating in the meeting can hear one another, and all such members shall be deemed to be present in person at the meeting.
- Any action of the Committee may be taken by unanimous written consent of all members entitled to vote.
- The Chairman of the Committee shall be designated by the Chairman of the Board of the Board of Directors of the Company, cause Committee recommendations for Board approval to be presented before the Board, and report to the Board, for its information, a summary of the Committee's determinations and approvals.

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- The CEO shall advise and make recommendations to the Committee and, in the normal course, attend meetings of the Committee and coordinate the implementation and execution of Committee determinations. However, the CEO shall not be present during voting or deliberations with respect to his or her compensation.
- The Secretary of the Committee shall be designated by the Committee and need not be a member of the Committee; attend meetings and maintain minutes; advise members of all meetings called; arrange with the Chairman, or other convening authority, for preparation and distribution of the agenda for each meeting; and carry out other functions as may be assigned from time to time by the Committee.
- The Committee may call upon any person, including outside consultants or employees of the Company, knowledgeable in matters discussed by the Committee for information and counsel.

FIRST NORTHERN COMMUNITY BANCORP COMPENSATION PHILOSOPHY

The Committee uses competitive compensation data from the annual total compensation analyses of peer companies and our market to inform its decisions about overall compensation opportunities and specific compensation elements. Additionally, the Committee uses multiple reference points when establishing targeted compensation levels. As part of this consideration, the Committee reviews peer data at the 25th, 50th and 75th percentiles as reference points. The Committee does not benchmark specific compensation elements or total compensation to any specific percentile relative to the peer companies or the broader regional and United States markets. Instead, the Committee obtains input from the Company's independent compensation consultant and applies judgment and discretion in establishing targeted pay levels, taking into account not only competitive market data, but also factors such as Company, business and individual performance, scope of responsibility, critical needs and skill sets, leadership potential and succession planning.