

## **Compensation Committee Charter**

### **Irwin Financial Corporation**

#### **Purpose**

The Compensation Committee is appointed by the Board of Directors (the "Board") of Irwin Financial Corporation (the "Company") to oversee matters relating to compensation for the Company's executive officers. The Committee has overall responsibility for approving, administering and evaluating officer compensation plans, policies and programs of the Company.

#### **Committee Membership**

The Compensation Committee is comprised of three or more directors. All members of the Committee must be independent directors, and must meet the independence requirements of the New York Stock Exchange.

The Board appoints members of the Compensation Committee upon the recommendation of the Governance Committee. Compensation Committee members may be removed or replaced by the Board from time to time in its discretion.

#### **Committee Authority and Responsibilities**

1. *Chairman's Compensation.* The Compensation Committee annually determines and approves (either as a Committee or together with the other independent directors) the Chairman's compensation, including but not limited to the following, based on the evaluation process described in this paragraph 1:
  - a) annual base salary level,
  - b) annual incentive opportunity level,
  - c) long term incentive opportunity level, and
  - d) special or supplemental benefits (if any).

The Compensation Committee reviews and approves<sup>1</sup> (as a committee or with other independent directors) corporate goals and objectives relevant to the Chairman's compensation and evaluates his performance for compensation purposes in light of those goals and objectives, using the results of a performance assessment process for the Chairman managed by the Governance Committee and completed by all of the independent directors.. The Committee considers relevant external market data in its evaluation of the Chairman's compensation.

2. *Compensation of Executive Officers*<sup>2</sup>. The Compensation Committee annually reviews and approves, and makes recommendations to the Board with respect to, all compensation and benefits for persons designated as Executive Officers for purposes

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<sup>1</sup> Complies with New York Stock Exchange Listed Company Manual. Also is now consistent with Governance Committee Charter and Irwin Financial Corporation Corporate Governance Principles.

of Item 401(b) of Regulation S-K (other than the Chairman). These compensation items include but are not limited to:

- a) annual base salary level,
- b) annual incentive opportunity level,
- c) long term incentive opportunity level, and
- d) special or supplemental benefits (if any).

3. *Compensation of Selected Senior Officers.* The Compensation Committee annually reviews the decisions of management of the Company and of each of its lines of business with respect to each company's executive compensation practices, benefit plans, and aggregate amount of compensation and annual adjustments for senior officers of each company (other than Executive Officers).
4. *Employment, Employee Benefits, Severance Arrangements.* The Compensation Committee reviews and approves, when and if it deems it appropriate, any employment agreements, severance arrangements, and change of control agreements/provisions to which the Chairman's Council (comprised of Policy Council and the president of each line of business) is a party or under which they may derive rights or benefits from time to time. The Compensation Committee reviews and approves, when and if it deems appropriate, significant changes to personnel policies and employee benefit programs available to the executives and senior officers of the Company.
5. *Administration of Plans.* The Compensation Committee is responsible for the administration of the Company's short-term and long-term management incentive plans, including the Company's stock option and employee savings plans, in each case in accordance with the terms of such plans.
6. *Incentive and Equity-Based Compensation Recommendations.* With respect to the incentive compensation plans and equity-based plans of the Company that are subject to Board approval, the Compensation Committee from time to time reviews and makes recommendations to the Board..
7. *Consultants and Advisors.*<sup>3</sup> The Compensation Committee has the sole authority to retain and terminate any compensation consultant used to assist in the evaluation of executive or director compensation. The Committee has the sole authority to approve the consultant's fees and other retention terms (or to authorize the proper officers of the Company to approve such fees and terms within limits prescribed by the Compensation Committee). The Committee may delegate authority to management to engage consultants or advisors for compensation assignments and to carry out administrative duties with respect to consultants. Subject to review by the Committee, management may engage for a new assignment or a subsequent term the same consultant or advisor who is currently providing consulting services to the Committee.

The Compensation Committee also has authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

8. *Delegation of Authority; Procedures.* The Compensation Committee may form subcommittees and delegate authority to those subcommittees or, in the case of matters described in paragraph 7 above, delegate authority to proper officers of the Company, in each case as and when appropriate. Section 6.03 of the Company's Code of By-Laws, which sets forth procedures for the operation of the Company's executive committee, applies to the proceedings of the Compensation Committee, with appropriate modifications for the Compensation Committee.
9. *Regular Reporting; SEC Reporting.* The Compensation Committee makes regular reports to the Board. The Compensation Committee reviews a discussion and analysis of executive compensation as required by the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC.
10. *Review of Charter.* The Compensation Committee reviews and reassesses the adequacy of this Charter annually, taking into account the mission and purpose of the Compensation Committee, and recommends any proposed changes to the Board for approval.
11. *Review of Performance.* The Compensation Committee annually reviews its own performance. In connection with such review, the Compensation Committee, after taking into account its purpose and responsibilities, makes an assessment of the manner in which it has met such responsibilities (including the number of meetings held, an overall review of matters considered and approved, and the number of meetings attended by each committee member).

Approved by Compensation Committee November 28, 2006  
Approved by IFC Board of Directors November 29, 2006