

IRWIN FINANCIAL CORPORATION AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

PURPOSE

The primary function of the Audit & Risk Management Committee (the “Committee” or ARMC) is to assist the Board of Directors in fulfilling its oversight of (i) the integrity of the Corporation’s financial statements, (ii) the Corporation’s compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Corporation’s independent accountants, and (iv) the performance of the Corporation’s internal audit function and independent accountants.

The Committee meets these responsibilities by reviewing the financial reports and other financial information provided by the Corporation to shareholders and others; reviewing the Corporation's processes for the oversight and management of financial and operational risks, including the system of internal control that management and the Board of Directors have established; and reviewing the Corporation's auditing, accounting and financial reporting processes generally.

The Committee derives its authority from the by-laws of Irwin Financial Corporation (the "Corporation") and is hereby given all resources and authority necessary to properly discharge its responsibilities. The Audit & Risk Management Committee's primary duties and responsibilities are to:

- Provide an open avenue of communication among management, the internal auditors, the independent accountants, and the Board of Directors.
- Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system.
- Review and appraise the qualifications and audit efforts of the Corporation's independent accountants and internal auditing department.

The Audit & Risk Management Committee will primarily fulfill these responsibilities by carrying out the activities enumerated below in the section titled “Duties and Responsibilities.” To the extent permitted by applicable regulations and listing requirements, the Committee may obtain assistance from management or staff in accomplishing these responsibilities.

COMPOSITION AND QUALIFICATIONS

The Audit & Risk Management Committee will be comprised of three or more directors. All members of the Committee will be independent directors, as determined by the Board of Directors in accordance with guidelines of the New York Stock Exchange and other

applicable regulations. No member of the Committee may, other than in his or her capacity as a member of the Committee, the Board of Directors, or any other committee of the Corporation: (i) accept directly or indirectly any consulting, advisory or other compensatory fee from the Corporation or any of its subsidiaries, or (ii) be an affiliated person of the Corporation or any of its subsidiaries. Any director of the Corporation who is determined to be independent by the Board of Directors but who also holds 20% or more of the Corporation's outstanding shares (or who is a general partner, controlling shareholder or officer of any such holder) cannot be the Chair or a voting member of the Committee.

All members of the Committee will be “financially literate,” as that qualification is interpreted by the Board of Directors in its business judgment in accordance with listing standards of the New York Stock Exchange. Without limiting the generality of the foregoing sentence, each member of the Committee will have a working familiarity with basic finance and accounting practices, such as the ability to read and understand fundamental financial statements. The Chair of the Committee will have accounting or related financial management expertise, as determined by the Board of Directors in its business judgment in accordance with guidelines of the New York Stock Exchange, and at least one member of the Committee (who may also be the Chair) shall be an audit committee financial expert, as defined in regulations promulgated by the Securities and Exchange Commission from time to time.

As provided in the Corporation’s Corporate Governance Principles, no director will be eligible for service on the Committee while he or she serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to serve effectively on the Committee.

Committee appointments and selection of the committee chairperson will be approved annually by the Board of Directors.

MEETINGS

The Committee will meet at least four times annually, or more frequently as circumstances dictate. The Committee may ask members of management or others to attend the meeting and is authorized to receive any and all pertinent information from management as determined by the Committee. The Committee will meet with the independent accountants, management, and the director of internal auditing in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee, or at least its Chair, will discuss with the independent accountants and management any matters of the types described in the Statement of Auditing Standards No. 61, *Communications with Audit Committees*, which are identified in connection with the accountants reviews of the interim financial statements.

DUTIES AND RESPONSIBILITIES

To fulfill its duties and responsibilities, the Audit & Risk Management Committee shall perform the following:

General

- The Committee will report its activities to the full Board of Directors on a regular basis so that the Board is kept informed of its activities on a current basis. The Committee will perform all duties determined by the Board.
- The Committee has the power to conduct or authorize investigations into matters within the Committee's scope of responsibilities. The Committee is authorized to retain independent counsel, accountants or other advisors as it deems necessary to carry out its duties.
- The Committee will prepare an audit committee report as required by rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.
- The Committee will do whatever else the law, applicable listing standards, the Corporation's charter or bylaws or the Board of Directors may require or direct.

Engagement of Independent Accountants and Internal Auditor

- The Committee will have sole authority for the appointment, compensation, retention and oversight of the work of the Corporation's independent accountants (including resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Corporation. The Committee will consult with the Board of Directors in making such decisions concerning the appointment, compensation and retention of the independent accountants. The Committee will establish an arrangement pursuant to which the independent accountants report directly to the Committee.
- The Committee will have the sole authority to approve all audit engagement fees and terms, as well as non-audit engagements of the independent accountants. Authority to pre-approve non-audit engagements may be assigned to the Chairman of the Audit Committee with communication to, and ratification of, the full Committee at the subsequent meeting.
- The Committee will oversee the independence of the independent accountants by reviewing, at least annually, all relationships the accountants have with the

Corporation, including consideration of non-audit services provided by the independent accountants and the fees paid for such services.

- The Committee will, at least annually, obtain and review a report by the independent accountant describing (i) the independent accounting firm's internal quality control procedures; and (ii) any material issues raised in internal quality control reviews, or peer reviews, of the accounting 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 firm, any steps taken to deal with any such issues.
- The Committee will review and concur, by majority vote, in the appointment, replacement, reassignment, or dismissal of the Director of Internal Auditing.
- The Committee will oversee the internal audit function. The Committee will provide internal audit the authority to examine all records and issue independent reports in order to provide objectivity to the internal audit function.
- The Committee will consider, in consultation with the independent accountants and the director of internal auditing, the audit scope and plans prepared by the internal auditors and the independent accountants.
- The Committee will request that the director of internal auditing and the independent accountants coordinate the internal and external audits of the Corporation in order to avoid duplication of efforts.

Review of Internal and External Audit Work, and the Quarterly and Annual Financial Statements

- The Committee will ascertain that the independent accountants view the Board of Directors as their client, that they will be available to the full Board at least annually, and that they will provide the Committee with a timely analysis of significant financial reporting issues.
- The Committee will review and discuss the following with management, the director of internal audit and the independent accountants:
 - a.) The adequacy of the Corporation's risk assessment and risk management processes, policies and guidelines, including any significant weaknesses in the system of internal control for detecting and reporting financial errors, defalcations, legal violations, and noncompliance with the Corporation's code of conduct.

- b.) Management's report concerning significant deficiencies in internal controls, and any fraud by persons with a significant role in the system of internal controls.
 - c.) The independent accountant's report concerning its review of management's assessment of the Corporation's internal controls, control structure and material weaknesses.
 - d.) Management's responses indicating action taken or planned to address such weaknesses.
- The Committee will review and discuss the following with management and the independent accountant:
 - a.) The Corporation's annual audited financial statements and related footnotes, as well as the annual Form 10-K filing with the Securities and Exchange Commission (including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included therein) and whether the information in the filing is consistent with the information in the financial statements.
 - b.) The independent accountant's audit of and report on the financial statements.
 - c.) The external accountant's report of all critical accounting policies and practices to be used, alternative treatments of financial information that have been discussed with management (and the ramifications of such alternative treatments), and the accountant's preferred treatment. The Committee will have final authority to resolve disagreements between management and the external accountant regarding financial reporting.
 - d.) The auditor's qualitative judgements about the quality, not just the acceptability, of accounting principles and financial disclosures.
 - e.) Any serious difficulties encountered during the course of the audit, including any significant disagreements with management.
 - f.) Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
 - g.) To the extent not covered by the foregoing categories, any other material written communications between the external accountant and management, such as any management letter or schedule of unadjusted differences.
 - h.) The disclosures made to the Audit Committee by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiency in

the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

- i.) The rotation of the audit partner as required by law.
- j.) The independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated. This section requires the independent auditor, if it detects or becomes aware of any illegal acts, to assure that the Committee is adequately informed.
- The Committee or its Chair will review and discuss with management and the independent accountants:
 - a.) The quarterly Form 10-Q filings with the Securities and Exchange Commission (including the financial statements and the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included therein) prior to their submission.
 - b.) The quarterly press releases announcing earnings results prior to their release to the public, as well as financial information and earnings guidance provided to analysts and rating agencies.
- The Committee will consider, review and discuss with management and the director of internal audit:
 - a.) The quarterly report provided by the director of internal audit which summarizes audit activities during the period, including any significant findings concerning the Corporation's risk management, financial reporting or compliance systems, as well as management's responses to them.
 - b.) The internal audit department's annual audit plan, staffing, and professional education of the internal audit staff for each calendar year.
 - c.) The internal audit department's policy statement.

Other Responsibilities

- The Audit & Risk Management Committee will establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

- Approve any changes to the Corporation’s code of conduct and any waiver of the code of conduct for executive officers and directors.
- Establish clear policies to be followed by the Corporation in connection with its hiring of employees and former employees of the independent accountants.
- Review and update the Audit Committee Charter annually.
- Review with management the results of regulatory examinations of the Corporation and management's responses to such reports.
- Review the substance of legal and regulatory matters that may have a material effect on the Corporation’s financial statements, including significant issues raised by internal or outside counsel concerning litigation, contingencies, claims, or assessments.
- The Committee will receive a briefing of changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, Securities and Exchange Commission or other regulatory bodies, that may have a material effect on the financial statements.
- Perform an annual self-assessment which takes into account the purpose and responsibilities and the Committee and an evaluation of its performance of those responsibilities.
- Provide for appropriate funding for the payment of:
 - compensation of the independent accountants engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Corporation;
 - compensation to any other advisers retained by the Committee to assist it in carrying out its duties;
 - ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

LIMITATION OF AUDIT & RISK MANAGEMENT COMMITTEE’S ROLE

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.