IRWIN FINANCIAL CORPORATION
Form 10-K/A
September 30, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K/A

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 0-6835

IRWIN FINANCIAL CORPORATION
(Exact Name of Corporation as Specified in its Charter)

INDIANA	35-1286807
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
500 WASHINGTON STREET COLUMBUS, INDIANA	47201
(Address of Principal Executive Offices)	(Zip Code)

(812) 376-1909
(Corporation's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of Class:	Common Stock*
Title of Class:	9.25% Cumulative Trust Preferred Securities issued by IFC Capital Trust I and the guarantee with respect thereto.
Title of Class:	10.50% Cumulative Trust Preferred Securities issued by IFC Capital Trust II and the guarantee with respect thereto.
Title of Class:	8.75% Cumulative Trust Preferred Securities issued by IFC Capital Trust III and the guarantee with respect thereto.

Indicate by check mark whether the Corporation: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of

1934 during the preceding 12 months (or for such shorter period that the Corporation was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Corporation's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Corporation was $277,671,410 as of March 11, 2002. As of March 11, 2002, there were outstanding 27,534,021 common shares of the Corporation.

* Includes associated rights.

DOCUMENTS INCORPORATED BY REFERENCE

SELECTED PORTIONS OF THE FOLLOWING DOCUMENTS	PART OF FORM 10-K INTO WHICH INCOR
Definitive Proxy Statement for Annual Meeting of Shareholders to be held April 25, 2002	Part III

EXPLANATORY NOTE:

This Form 10-K/A is being filed to correct an inadvertent error in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2001. On page 66, the Report of Independent Accountants incorrectly referred to Note 23 in the date of the audit opinion. The correct reference should have been to Note 24. There are no other changes to Item 8 or to the Annual Report on Form 10-K for the year ended December 31, 2001.

ITEM 8. FINANCIAL STATEMENTS

Management Report on Responsibility for Financial Reporting

The management of Irwin Financial Corporation and its subsidiaries has the responsibility of preparing the accompanying financial statements and for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles and are not misstated due to material fraud or error. The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

Our financial statements have been audited by PricewaterhouseCoopers LLP, independent certified public accountants. Management has made available to PricewaterhouseCoopers all of Irwin Financial's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to PricewaterhouseCoopers during its audit were valid and appropriate.

Management of Irwin Financial has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. Assessments of the system of internal control are based on criteria for effective internal control over financial reporting described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management continually monitors the system of internal control for compliance. Irwin Financial maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements. In addition, as part of its audit of our financial statements, PricewaterhouseCoopers completed an assessment of selected internal accounting controls to establish a basis for reliance on these controls in determining the nature, timing, and extent of audit-tests to be applied. Management has considered the internal auditor's and PricewaterhouseCoopers' recommendations concerning our system of internal control and has taken actions to respond appropriately to these recommendations that we believe are cost effective in the circumstances. Management believes that our system of internal control is adequate to accomplish the objectives discussed herein.

Management also recognized its responsibility for fostering a strong ethical climate so that our affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in our Guiding Philosophy, which is publicized throughout Irwin Financial Corporation. This responsibility is also reflected in the individual Codes of Conduct of each major operating subsidiary. These Codes of Conduct address, among other things, the necessity of ensuring open communication within Irwin Financial; potential conflicts of interests; compliance with all domestic and foreign laws, including those related to financial disclosures; and a confidentiality of proprietary information. Irwin Financial maintains a systematic program to assess compliance with these policies.

/s/ John A. Nash   /s/ Gregory F. Ehlinger

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Irwin Financial Corporation
Columbus, Indiana

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Irwin Financial Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
January 22, 2002, except as to Note 24, which is as of February 25, 2002.

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IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS, EXCEPT FOR SHARES)	
ASSETS:		
Cash and cash equivalents	$ 158,291	$ 83,493
Interest-bearing deposits with financial institutions	14,247	36,400
Trading assets -- Note 3	216,684	154,921
Investment securities -- Note 4	38,796	37,095
Loans held for sale	503,757	579,788
Loans and leases, net of unearned income -- Note 5	2,137,747	1,234,922
Less: Allowance for loan and lease losses -- Note 6	(22,283)	(13,129)
	2,115,464	1,221,793
Servicing assets -- Note 7	228,624	130,522
Accounts receivable	41,996	69,224
Accrued interest receivable	14,063	12,979
Premises and equipment -- Note 8	34,988	29,409
Other assets	72,885	66,805
Total assets	$3,439,795	$2,422,429
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits		
Noninterest-bearing	$ 533,983	$ 263,159
Interest-bearing	889,448	517,127
Certificates of deposit over $100,000	885,587	663,044
	2,309,018	1,443,330
Short-term borrowings -- Note 10	487,963	475,502
Long-term debt -- Note 11	29,654	29,608
Other liabilities	189,889	136,897
Company-obligated mandatorily redeemable preferred securities of subsidiary trust -- Note 12	190,948	147,167
Total liabilities	3,207,472	2,232,504
Commitments and contingencies -- Note 13		
Shareholders' equity		
Preferred stock, no par value -- authorized 4,000,000 shares; issued 96,336 shares as of December 31, 2001 and December 31, 2000	1,386	1,386
Common stock, no par value -- authorized 40,000,000		

shares; issued 23,402,080 shares as of December 31, 2001 and December 31, 2000; including 2,096,947 and 2,376,119 shares in treasury as of December 31, 2001 and December 31, 2000, respectively	29,965	29,965
Additional paid-in capital	4,426	4,331
Minority interest	658	1,055
Deferred compensation	(449)	(503)
Accumulated other comprehensive loss, net of deferred income tax benefit of $130 and $305 in 2001 and 2000, respectively	(325)	(459)
Retained earnings	241,725	201,729
	277,386	237,504
Less treasury stock, at cost	(45,063)	(47,579)
Total shareholders' equity	232,323	189,925
Total liabilities and shareholders' equity	$3,439,795	$2,422,429

The accompanying notes are an integral part of the consolidated financial statements.

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IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS, EXCEPT FOR PER SHAR		
INTEREST INCOME:			
Loans and leases	$128,157	$ 93,251	$ 48,9
Loans held for sale	102,679	71,141	66,6
Trading account	31,980	15,584	6,2
Investment securities:			
Taxable	4,913	4,161	3,7
Tax-exempt	247	250	2
Federal funds sold	257	143	6
Total interest income	268,233	184,530	126,6
INTEREST EXPENSE:			
Deposits	73,340	52,815	25,2
Short-term borrowings	29,656	32,610	28,4
Long-term debt	2,320	2,348	1,1
Preferred securities distribution	15,768	5,761	4,6
Total interest expense	121,084	93,534	59,4
Net interest income	147,149	90,996	67,1
Provision for loan and lease losses	17,505	5,403	4,4
Net interest income after provision for loan and lease losses	129,644	85,593	62,6

OTHER INCOME:			
Loan origination fees	64,303	52,696	41,0
Gain from sales of loans	207,538	77,047	74,8
Loan servicing fees	67,362	58,939	60,5
Amortization and impairment of servicing assets	(50,134)	(39,529)	(15,7
Net loan administration income	17,228	19,410	44,8
Gain on sale of mortgage servicing assets	8,394	27,528	37,8
Trading gains/(losses)	(32,412)	14,399	(8,2
Other	6,340	20,631	13,8
	271,391	211,711	204,0
OTHER EXPENSE:			
Salaries	184,427	124,639	114,3
Pension and other employee benefits	26,616	20,359	18,4
Office expense	16,862	13,783	13,1
Premises and equipment	30,702	26,812	24,0
Marketing and development	4,202	13,071	8,9
Professional Fees	11,192	7,013	4,6
Other	53,419	32,285	30,5
	327,420	237,962	214,1
Income before income taxes	73,615	59,342	52,6
Provision for income taxes	28,624	23,676	19,4
Income before minority interest	44,991	35,666	33,1
Minority interest in losses of subsidiaries	(350)	--	
Income before cumulative effect of change in accounting principle	45,341	35,666	33,1
Cumulative effect of change in accounting principle, net of tax	175	--	
Net income	$ 45,516	$ 35,666	$ 33,1
Earnings per share before cumulative effect of change in accounting principle:			
Basic -- Note 18	$ 2.14	$ 1.70	$ 1.
Diluted -- Note 18	$ 1.99	$ 1.67	$ 1.
Earnings per share:			
Basic -- Note 18	$ 2.15	$ 1.70	$ 1.
Diluted -- Note 18	$ 2.00	$ 1.67	$ 1.
Dividends per share	$ 0.26	$ 0.24	$ 0.

The accompanying notes are an integral part of the consolidated financial statements.

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IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

	TOTAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	MINORITY INTEREST	ADD PA CA
Balance at January 1, 1999	$145,233	$142,232	$ 85	--	$ --	$
Net income	33,156	33,156				
Unrealized gain on investment securities net of $104 tax benefit	(155)		(155)			
Total comprehensive income	33,001					
Cash dividends	(4,287)	(4,287)				
Tax benefit on stock option exercises	1,055					
Treasury stock:						
Purchase of 800,052 shares	(18,314)					
Sales of 232,073 shares	2,608					
Balance December 31, 1999	$159,296	$171,101	$ (70)	--	$ --	$
Net income	35,666	35,666				
Unrealized gain on investment securities net of $43 tax liability	64		64			
Foreign currency adjustment net of $43 tax benefit	(66)		(66)			
Minimum pension liability net of $257 tax benefit	(387)		(387)			
Total comprehensive income	35,277					
Deferred compensation	(503)			(503)		
Cash dividends	(5,038)	(5,038)				
Tax benefit on stock option exercises	136					
Treasury stock:						
Purchase of 220,948 shares	(3,414)					
Sales of 142,132 shares	1,730					
Issuance of 96,336 shares of preferred stock	1,386					
Minority Interest	1,055				1,055	
Balance December 31, 2000	$189,925	$201,729	$(459)	$(503)	$1,055	$
Net income	45,516	45,516				
Unrealized gain on investment securities net of $53 tax liability	80		80			
Foreign currency						

adjustment net of $221 tax benefit............	(333)		(333)			
Minimum pension liability net of $257 tax liability..............	387		387			
Total comprehensive income...........	45,650					
Deferred compensation.......	54			54		
Cash dividends.............	(5,520)	(5,520)				
Tax benefit on stock option exercises................	2,451					
Treasury stock:						
Purchase of 136,089 shares.................	(3,223)					
Sales of 415,261 shares...	3,383					(
Minority Interest..........	(397)				(397)	
Balance December 31, 2001...	$232,323	$241,725	$(325)	$(449)	$ 658	$

	TREASURY STOCK
Balance at January 1, 1999.....................	$(29,644)
Net income................	
Unrealized gain on investment securities net of $104 tax benefit................	
Total comprehensive income...........	
Cash dividends.............	
Tax benefit on stock option exercises................	
Treasury stock:	
Purchase of 800,052 shares.................	(18,314)
Sales of 232,073 shares...	2,008
Balance December 31, 1999...	$(45,950)
Net income................	
Unrealized gain on investment securities net of $43 tax liability..............	
Foreign currency adjustment net of $43 tax benefit....	
Minimum pension liability net of $257 tax benefit...	
Total comprehensive income...........	
Deferred compensation.......	
Cash dividends.............	
Tax benefit on stock option exercises................	
Treasury stock:	

Purchase of 220,948 shares..................	(3,414)
Sales of 142,132 shares...	1,785
Issuance of 96,336 shares of preferred stock...........	
Minority Interest...........	

Balance December 31, 2000...	$(47,579)
	========
Net income................	
Unrealized gain on investment securities net of $53 tax liability...............	
Foreign currency adjustment net of $221 tax benefit............	
Minimum pension liability net of $257 tax liability...............	
Total comprehensive income............	
Deferred compensation.......	
Cash dividends..............	
Tax benefit on stock option exercises.................	
Treasury stock:	
Purchase of 136,089 shares..................	(3,223)
Sales of 415,261 shares...	5,739
Minority Interest...........	

Balance December 31, 2001...	$(45,063)
	========

The accompanying notes are an integral part of the consolidated financial statements.

IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31		
	2001	2000	199
		(IN THOUSANDS)	
NET INCOME..	$ 45,516	$ 35,666	$ 3
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation, amortization, and accretion, net.............	9,097	9,114	
Amortization and impairment of servicing assets............	50,134	39,529	1
Provision for loan and lease losses........................	17,505	5,403	
Deferred income tax..	26,245	21,702	1
Gain on sale of mortgage servicing assets..................	(8,394)	(27,528)	(3
Gain from sale of loans....................................	(207,538)	(77,047)	(7

Originated and purchased mortgage servicing assets	(151,821)	(57,165)	(8
Originations of loans held for sale	(10,375,401)	(5,317,528)	(6,31
Proceeds from sale of mortgage servicing assets	11,979	53,142	8
Proceeds from the sale of loans held for sale	10,331,270	5,323,784	6,81
Net increase in trading assets	(61,763)	(95,896)	(2
Decrease (increase) in accounts receivable	27,228	(49,415)	2
Other, net	14,160	23,160	(
Net cash provided (used) by operating activities	(271,783)	(113,079)	46
LENDING AND INVESTING ACTIVITIES:			
Proceeds from maturities/calls of investment securities:			
Held-to-maturity	4,114	1,286	1
Available-for-sale	2,441	26	
Proceeds from sales of investment securities:			
Available-for-sale	--	--	
Purchase of investment securities:			
Held-to-maturity	(437)	(781)	
Available-for-sale	(7,692)	--	(
Net increase (decrease) in interest-bearing deposits with financial institutions	22,153	(9,615)	(
Net increase in loans, excluding sales	(733,433)	(533,848)	(20
Sale of mortgage loans by commercial bank	149,957	31,521	2
Acquisition of Onset Capital Corporation, net of cash acquired	--	(837)	
Other, net	(10,760)	(11,922)	(
Net cash used by lending and investing activities	(573,657)	(524,170)	(18
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	865,688	573,012	(13
Net increase (decrease) in short-term borrowings	12,461	2,399	(17
Proceeds from issuance long-term debt	--	--	3
Repayments of long-term debt	--	(176)	(
Proceeds from the issuance of trust preferred securities	45,000	103,500	
Proceeds from issuance of preferred stock	--	1,386	
Purchase of treasury stock for employee benefit plans	(3,223)	(3,414)	(1
Proceeds from sale of stock for employee benefit plans	5,834	1,866	
Dividends paid	(5,520)	(5,038)	(
Net cash provided (used) by financing activities	920,240	673,535	(30
Effect of exchange rate changes on cash	(2)	(8)	
Net increase in cash and cash equivalents	74,798	36,278	(3
Cash and cash equivalents at beginning of period	83,493	47,215	7
Cash and cash equivalents at end of period	$ 158,291	$ 83,493	$ 4
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period:			
Interest	$ 123,058	$ 81,989	$ 5
Income taxes	$ 7,357	$ 13,864	$ 1
Non cash Transactions:			
Mortgage loans held for sale transferred to loans and leases	$ 327,700	$ --	$

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation: Irwin Financial Corporation and its subsidiaries provide financial services throughout the United States and Canada. We are engaged in the mortgage banking, home equity lending, commercial banking, equipment leasing, and venture capital lines of business. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency: Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars at rates prevailing on the balance sheet date; income and expenses are translated at average rates of exchange for the year. Unrealized foreign currency translation gains and losses (net of hedging activities and related income taxes) are recorded in accumulated other comprehensive income in shareholders' equity.

Securities: Those securities that we have the positive intent and ability to hold until maturity are classified as "held-to-maturity" and are stated at cost adjusted for amortization of premium and accretion of discount. Securities that might be sold prior to maturity are classified as "available-for-sale" and are stated at fair value. Unrealized gains and losses on available for sale investments, net of the future tax impact, are reported as a separate component of shareholders' equity until realized. Investment gains and losses are based on the adjusted cost of the specific security.

Trading Assets: Trading assets are stated at fair value. Unrealized gains and losses are included in earnings. Included in trading assets are residual interests. When we sell receivables in securitizations of home equity loans and lines of credit, we retain residual interests, a servicing asset, one or more subordinated tranches, and in some cases a cash reserve account, all of which are retained interests in the securitized receivables. Gain or loss on the sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

To obtain fair value of residual interests, quoted market prices are used if available. However, quotes are generally not available for residual interests, so we generally estimate fair value based on the present value of expected cash flows estimated using management's best estimates of the key assumptions -- prepayment speeds, credit losses, forward yield curves, and discount rates commensurate with the risks involved. Adjustments to carrying values are recorded as trading gains or losses.

Loans Held For Sale: Loans held for sale are carried at the lower of cost or market, determined on an aggregate basis for both performing and nonperforming loans. Market value is determined by outstanding commitments or by current investor yield requirements.

Loans: Loans are carried at cost. Loan origination fees and costs are deferred and the net amounts are amortized as an adjustment to yield. When loans are sold, deferred fees and costs are included with outstanding principal balances to determine gains or losses. Interest income on loans is computed daily based on the principal amount of loans outstanding. The accrual of interest income is discontinued when a loan becomes 90 days past due as to principal or interest. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral is sufficient to cover the principal balance and accrued interest.

Direct Financing Leases: Interest and service charges, net of initial direct costs, are deferred and reported as income in decreasing amounts over the life of the lease, which averages three to four years, so as to provide an approximate constant yield on the outstanding principal balance.

Allowance for Loan and Lease Losses: The allowance for loan and lease losses is maintained at a level considered adequate to provide for loan and lease losses and is based on management's evaluation of inherent losses in the portfolio. Loans are considered impaired if it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan

agreement. The measurement of impaired loans is generally based on the present value of expected future cash flows discounted at the historical effective interest rate, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral.

Servicing Assets: When we securitize or sell loans, we generally retain the right to service the underlying loans sold. A portion of the cost basis is allocated to this servicing asset based on its fair value relative to the loan as a whole. We use the market prices under comparable servicing sale contracts, when available, or alternatively use a valuation model that calculates the present value of future cash flows to determine the fair value of the servicing assets. In using this valuation method, we incorporate assumptions that we believe market participants would use in estimating future net servicing income, which include estimates of the cost of servicing per loan, the discount rate, float value, an inflation rate, ancillary income per loan, prepayment speeds, and default rates. Servicing assets are amortized over the estimated lives of the related loans, which are grouped based on loan characteristics, in proportion to estimated net servicing income.

In determining servicing value impairment, the servicing portfolio was stratified into its predominant risk characteristics, principally by interest rate. These segments of the portfolio are valued, using market prices under comparable servicing sale contracts, when available, or alternatively, using the same model as was used to originally determine the fair value at origination, using current market assumptions. The calculated value is then compared with the book value of each stratum to determine the required reserve for impairment. The impairment reserve fluctuates as interest rates change and, therefore, no reasonable estimate can be made as to future increases or declines in reserve levels.

Derivative Instruments: Effective January 1, 2001, we adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Under the provisions of this standard, all derivative instruments have been recorded at fair value as assets or liabilities in the December 31, 2001 consolidated balance sheet. Unrealized holding gains and losses from all derivative instruments classified as fair value hedges or freestanding derivative instruments have been recorded in the consolidated statement of income. The adoption of SFAS 133 resulted in a cumulative change in accounting principle, increasing net income by $175 thousand in 2001.

We utilize certain derivative instruments that do not qualify for hedge accounting treatment under SFAS No. 133. These derivatives are accounted for as trading securities and marked to market on the income statement. While we do not seek GAAP hedge accounting treatment for most of these instruments, their economic purpose is to hedge existing exposures to either interest rate risk or foreign currency risk.

We enter into forward contracts to protect against interest rate fluctuations from the date of mortgage loan commitment until the loans are sold. At December 31, 2001, we designated the portion of these transactions hedging the closed mortgage loans as hedges that qualify for hedge accounting treatment under SFAS 133. The basis of the hedged closed loans is adjusted for changes in value associated with the risk being hedged. The effect of these hedging activities, which do not have a material impact on our net income, was recorded through earnings as gain from sale of loans. Hedge ineffectiveness recorded in gains from sale of loans related to these hedging activities was immaterial.

Additionally, we enter into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on loans intended to be sold are currently considered to be derivatives. At the time of interest rate lock commitment, no gain or loss is recognized. Any subsequent changes in fair value are recorded in earnings. These derivatives are recorded on the balance sheet at fair value at period end.

Premises and Equipment: Premises and equipment are recorded at cost. Depreciation is determined by the straight-line method.

Venture Capital Investments: Venture capital investments held by Irwin Ventures, LLC are carried at fair value with changes in fair value recognized in other income. The investment committee of Irwin Ventures determines the value of these nonpublicly traded investments at the end of each reporting period based upon review of the investee's financial results, condition, and prospects. Changes in estimated fair values can also be made when an event such as a new round of funding from other private equity investors would cause a change

in estimated market value. In the future, should the company have investments in publicly-traded securities, it would look to the traded market value of the investments as the basis of its mark-to-market.

Other Assets: Included in other assets at December 31, 2001 and 2000 are $4.4 million and $2.8 million of real estate properties acquired as a result of foreclosure. Other real estate owned is carried at the lower of the recorded investment in the related loan or fair value of the property less estimated costs to sell.

Income Taxes: A consolidated tax return is filed for all eligible entities. Deferred income taxes are computed using the liability method, which establishes a deferred tax asset or liability based on temporary differences between the tax basis of an asset or liability and the basis recorded in the financial statements.

Cash and Cash Equivalents Defined: For purposes of the statement of cash flows, we consider cash and due from banks to be cash equivalents.

Recent Accounting Developments: In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No 140, which replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," provides accounting and reporting standards for securitizations and other transfers of assets. The Standard is based on the application of a financial components approach that focuses on control, and provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Standard requires disclosure of information about securitized assets, including principal outstanding of securitized and other managed assets, accounting policies, key assumptions related to the determination of the fair value of residual interests, delinquencies and credit losses. The accounting requirements of this Standard were effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Adoption of this statement did not have a material impact on our financial position or results of operations.

On June 29, 2001 the FASB approved SFAS No. 141, "Business Combinations," and No. 142 "Goodwill and Other Intangible Assets." SFAS 141 eliminates the pooling-of-interests method of accounting -- requiring that purchase accounting, with its recognition of intangible assets separately from goodwill, be applied to all business combinations initiated after June 30, 2001.

Under the provisions of SFAS 142, goodwill will no longer be amortized against earnings. Instead, goodwill and intangible assets deemed to have an indefinite life will be reviewed for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years. This standard became effective January 1, 2002. We discontinued the amortization of goodwill with a net carrying value of $1.8 million on the date of adoption and annual amortization of $0.2 million that resulted from business combinations prior to the adoption of SFAS 141. In addition, we will record an after tax benefit of $0.5 million, as a cumulative effect of a change in accounting principle, representing the write-off of negative goodwill at January 1, 2002 arising from a prior business combination.

The FASB has also issued SFAS No. 143, "Accounting for Asset Retirement Obligations," and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 143 addresses accounting for the retirement of tangible long-lived assets and the associated asset retirement costs. The effective date is for fiscal years beginning after June 15, 2002. SFAS 144, effective for fiscal years beginning after December 15, 2001, supersedes FASB No. 121 "Accounting for the Impairment of long-Lived Assets to Be Disposed Of" and APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. Management does not believe the implementation of SFAS 143 or SFAS 144 will have a material effect on our earnings or financial condition.

Reclassifications: Certain amounts in the 2000 and 1999 consolidated financial statements have been reclassified to conform to the 2001 presentation. These changes had no impact on previously reported net income or shareholders' equity.

NOTE 2 -- RESTRICTIONS ON CASH AND INTEREST-BEARING DEPOSITS WITH FINANCIAL INSTITUTIONS

Irwin Union Bank and Trust Company and Irwin Union Bank, F.S.B. are required to maintain reserve balances with the Federal Reserve Bank. The amount of the reserve balance at December 31, 2001 was $7.5 million. Additionally, we are required to maintain reserve funds in connection with our loan securitization activities. Included in accounts receivable at December 31, 2001 is $0.5 million of these reserve funds.

NOTE 3 -- SALES OF RECEIVABLES

During 2001 and 2000, we sold home equity loans and lines of credit in securitization transactions resulting in the creation of residual interests and a servicing asset. Residual interests totaling $199.1 million and $152.6 million, respectively, are included in trading assets at December 31, 2001 and 2000, respectively. We receive annual servicing fees of approximately 0.75% to 1.0% of the outstanding balance and rights to future cash flows arising after the investors in the securitization trust have received the return for which they contracted. The investors and the securitization trusts have no recourse to our other assets for failure of debtors to pay when due. Our residual interests are subordinate to investors' interests. The value of the residual interests are subject to prepayment, credit, and interest rate risks in the transferred financial assets.

We recognized pretax gains of $91.6 million, $47.0 million, and $23.7 million on the securitization of home equity loans and lines of credit at our home equity line of business during 2001, 2000, and 1999, respectively.

Key economic assumptions used in measuring the fair value of residual interests at the date of securitization resulting from securitizations completed during the year 2001 (weighted based on principal amounts securitized) were as follows:

Prepayment speed (annual rate)................	18.78%
Weighted-average life (in years).............	3.57
Expected credit losses (annual rate)..........	2.27%
Residual cash flows discounted at............	16.85
Interest rates on adjustable notes............	LIBOR plus contractual spread ranging from 18 to 200 basis points

The table shown above aggregates each of the securitization transactions by the line of business completed in 2001 into a single set of assumptions. In accounting for the residual assets, we analyze interests on a security by security basis and perform analysis at the loan level.

At December 31, 2001, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 25 percent adverse changes in those assumptions are as follows:

	HOME EQUITY LOANS AND LINES OF CRED
	(DOLLARS IN THOUSANDS)
Balance sheet carrying value of residual interests -- fair value..	$199,071
Weighted-average life (in years)...........................	2.72
Prepayment speed assumptions (annual rate)..................	24.84%
Impact on fair value of 10% adverse change (27.32%).........	$ (3,395)
Impact on fair value of 25% adverse change (31.05%).........	(7,919)
Expected credit losses (annual rate).......................	2.83%
Impact on fair value of 10% adverse change (3.11%)..........	$ (8,731)
Impact on fair value of 25% adverse change (3.54%)..........	(21,135)
Residual cash flows discount rate (annual)..................	18.54%
Impact on fair value of 10% adverse change (20.39%).........	$ (8,124)
Impact on fair value of 25% adverse change (23.18%).........	(19,243)

These sensitivities are hypothetical and should be considered with caution. As the figures indicate, changes in fair value based on a 10 percent and 25 percent variation in assumptions generally cannot be

extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. The amount shown here for each year is calculated based on all securitizations occurring in that year.

Actual and projected credit losses (%) as of:

	HOME EQUITY LOANS AND LINES OF CREDIT SECURITIZED IN						
	1995	1996	1997	1998	1999	2000	20
DECEMBER 31, 2001	(DOLLARS IN THOUSANDS)						
Actual to date...........	2.29%	1.04%	1.12%	0.90%	2.19%	2.11%	
Projected remaining......	--	--	0.08	0.48	1.4	4.13	
Total losses............	2.29	1.04	1.20	1.38	3.59	6.24	
Original balance securitized...........	$51,584	$139,996	$229,994	$160,470	$433,606	$781,914	$1,04

The table below summarizes the cash flows received from (paid to) securitization trusts during the year ended December 31, 2001 ($ in thousands):

Proceeds from new securitizations..........................	$1,072,177
Collections used by the trust to purchase new home equity loan balances...	6,501
Servicing fees received..................................	10,741
Cash flows received on residual interests*.................	45,645
Cash received upon release from reserve accounts............	135
Purchases of delinquent or foreclosed assets................	(701)
Servicing advances..	(42,483)
Reimbursements of servicing advances.......................	43,319

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* Cash flows received on residual interests are net of $31.9 million used to over-collateralize the trusts. During 2001, $6.0 million was paid to over-collateralize the trusts at the time of securitization.

Historical loss and delinquency amounts for the managed portfolio for the year ended December 31, 2001 were as follows (dollars in thousands):

	TOTAL PRINCIPAL AMOUNT OF LOANS AT DECEMBER 31, 2001	DELINQUENT PRINCIPAL OVER 60 DAYS*** YEAR ENDED DECEMBER 31, 2001
Home equity loans and lines of credit	$2,317,975	$121,666
Comprised of:		
Loans owned*:		
Loans	$ 350,433	$ 15,198
Loans securitized, servicing and residual retained**	1,714,109	89,422
Total owned portfolio	2,064,542	104,620
Loans managed but not owned:		
Loans securitized, servicing retained, residual sold**	$ 216,512	$ 17,046
Loans and residual sold, servicing retained	36,921	--
Total managed but not owned	253,433	17,046
Total managed loans	$2,317,975	$121,666

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* Loans owned are loans held for investment or loans in which we retain a subordinate interest and retain a risk of loss

** Represents the principal amount of the loan. Residual interests held for securitized assets are excluded from this table because they are recognized separately.

*** Includes bankruptcies, foreclosures and other real estate owned.

Actual credit losses, net of recoveries, on the managed portfolios during the year ended December 31, 2001 were $35.4 million related to loans securitized and loans held for investment. Of this amount, $10.0 million relates to unsold loans while $25.4 million relates to securitized loans.

NOTE 4 -- INVESTMENT SECURITIES

The amortized cost, fair value, and carrying value of investments held at December 31, 2001 are as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
		(IN THOUSANDS)		
Held-to-maturity:				

Obligations of states and political subdivisions	$ 4,425	$113	$ --	$ 4,538
Mortgage-backed securities	1,507	28	--	1,535
Other	133	--	--	133
Total held-to-maturity	6,065	141	--	6,206
Available-for-sale:				
U.S. Treasury and government obligations	29,251	78	--	29,329
Mortgage-backed securities	2,671	46	--	2,717
Other	685	--	--	685
Total available-for-sale	32,607	124	--	32,731
Total investments	$38,672	$265	$ --	$38,937

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The amortized cost, fair value, and carrying value of investments held at December 31, 2000 are as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
			(IN THOUSANDS)	
Held-to-maturity:				
U.S. Treasury and government obligations	$21,006	$--	$ (1)	$21,005
Obligations of states and political subdivisions	4,586	71	(1)	4,656
Mortgage-backed securities	2,059	(1)	--	2,058
Total held-to-maturity	27,651	70	(2)	27,719
Available-for-sale:				
U.S. Treasury and government obligations	4,992	--	1	4,993
Mortgage-backed securities	3,103	--	(10)	3,093
Other	1,358	--	--	1,358
Total available-for-sale	9,453	--	(9)	9,444
Total investments	$37,104	$70	$(11)	$37,163

The amortized cost and estimated value of debt securities at December 31, 2001, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	FAIR VALUE
	(IN THOUSANDS)	

Held-to-maturity:		
Due in one year or less	$ 268	$ 268
Due after one year through five years	1,095	1,095
Due after five years through ten years	1,215	1,258
Due after ten years	1,980	2,050
	4,558	4,671
Mortgage-backed securities	1,507	1,535
	6,065	6,206
Available-for-sale:		
Due in one year or less	$ 3,682	$ 3,760
Due after ten years	26,254	26,254
	29,936	30,014
Mortgage-backed securities	2,671	2,717
	32,607	32,731
Total investments	$38,672	$38,937

Investment securities amounting to $12.8 million were pledged as collateral for borrowings and for other purposes on December 31, 2001. During 2001 and 2000 there were no sales of "available for sale" investments. During 1999, sales of "available for sale" investments with proceeds of $3.1 million resulted in a gross loss of $1.2 thousand. Additionally in 2001, 2000, and 1999, "held-to-maturity" investments totaling $0.3 million, $2.9 million and $1.8 million, respectively, were called. Calls in 2001 and 2000 resulted in gross losses of $0.4 thousand and $23.1 thousand, respectively. Calls in 1999 were at par.

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NOTE 5 -- LOANS AND LEASES

Loans and leases are summarized as follows:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Commercial, financial and agricultural	$1,055,307	$ 677,066
Real estate-construction	287,228	220,485
Real estate-mortgage	490,111	122,301
Consumer	38,489	56,785
Direct financing leases		
Domestic	232,527	116,867
Foreign	91,816	72,864
Unearned income		
Domestic	(44,183)	(21,570)
Foreign	(13,548)	(9,876)
Total	$2,137,747	$1,234,922

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In 2001, $327.7 million of loans held for sale at the home equity lending line of business were reclassified to loans and leases. These loans are included in the real estate-mortgage category above.

Commercial loans are extended primarily to local regional businesses in the market areas of Irwin Union Bank. We also provide consumer loans to the customers in those markets. Real estate loans and direct financing leases are extended throughout the United States and Canada.

Irwin Union Bank and Trust, in the normal course of business, makes loans to directors, officers, and organizations and individuals with which they are associated at market rates. Such loans amounted to $1.9 million and $2.4 million at December 31, 2001 and 2000, respectively. During 2001, $0.9 million of new loans were made and repayments totaled $1.0 million.

NOTE 6 -- ALLOWANCE FOR LOAN AND LEASE LOSSES

Changes in the allowance for loan and lease losses are summarized below:

	DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Balance at beginning of year	$ 13,129	$ 8,555	$ 9,888
Acquisition of Onset Capital	--	1,908	--
Provision for loan and lease losses	17,505	5,403	4,443
Reduction due to sale of loans and leases	(6)	--	(3,126)
Reduction due to reclassification of loans	--	(16)	(922)
Foreign currency adjustment	(140)	(19)	--
Recoveries	2,236	466	503
Charge-offs	(10,441)	(3,168)	(2,231)
Balance at end of year	$ 22,283	$13,129	$ 8,555

At December 31, 2001, 2000, and 1999, the recorded investment in loans for which impairment has been recognized in accordance with SFAS No. 114 and SFAS No. 118 totaled $33.1 million, $7.4 million, and $0.9 million, respectively. These loans had a corresponding valuation allowance of $4.2 million, $820 thousand, and $204 thousand, respectively, based on the fair value of the loans' collateral. We recognized $2.3 million, $521 thousand, and $38 thousand of interest income on these loans in 2001, 2000, and 1999, respectively.

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NOTE 7 -- SERVICING ASSETS

Included on the consolidated balance sheet at December 31, 2001 and 2000 are $228.6 million and $130.5 million, respectively, of capitalized servicing assets. These amounts relate to the principal balances of loans serviced by us for investors. Although they are not generally held for purposes of sale, there is an active secondary market for servicing assets.

MORTGAGE SERVICING ASSET:

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Beginning Balance	$130,522	$138,500
Additions	151,821	57,165
Amortization and impairment	(50,134)	(39,529)
Reduction for servicing sales	(3,585)	(25,614)
	$228,624	$130,522

We have established a valuation allowance to record servicing assets at their fair market value. Changes in the allowance are summarized below:

	DECEMBER 31, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)		
Balance at beginning of year	$ 14,204	$ 401	$ 11,720
Provision for impairment	11,321	13,803	(11,319)
Permanent impairment*	(12,030)	--	--
Balance at end of year	$ 13,495	$14,204	$ 401

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* Permanent impairment was recorded in conjunction with a portfolio restratification change made when we updated predominant risk characteristics inherent in the portfolio of servicing rights during 2001.

At December 31 2001, key economic assumptions and the sensitivity of the current carrying value of mortgage servicing rights to immediate 10% and 20% adverse changes in those assumptions are as follows ($ in thousands):

Carrying amount of mortgage servicing rights	$228,624
Constant prepayment speeds	13.86%
Impact on fair value of 10% adverse change (15.2%)	(9,723)
Impact on fair value of 20% adverse change (16.6%)	(18,238)
Discount Rate	10.47%
Impact on fair value of 10% adverse change (11.51%)	(6,474)
Impact on fair value of 20% adverse change (12.55%)	(12,332)

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the value of the residual interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

Included in the servicing assets are $211.2 million and $121.6 million of servicing assets related to the mortgage bank at December 31, 2001 and 2000, respectively. The servicing assets at the mortgage bank had a

fair value of $239.7 million and $165.1 million at December 31, 2001 and 2000, respectively. Below is a rollforward of the mortgage bank's servicing portfolio balance:

SERVICING PORTFOLIO:

	DECEMBER 31,		
	2001	2000	1999
	(IN BILLIONS)		
Beginning Portfolio	$ 9.2	$10.5	$11.2
Add:			
Originations of servicing rights	9.2	3.7	5.9
Deduct:			
Sale of servicing rights	(2.3)	(4.1)	(4.7)
Run-off	(3.2)	(0.9)	(1.9)
Ending Portfolio	$12.9	$ 9.2	$10.5

Key economic assumptions used in measuring the carrying value of mortgage servicing rights at the mortgage bank at the date of securitization resulting from deliveries completed during the year 2001 (weighted based on principal amount of deliveries) were as follows:

Weighted average prepayment rate (annual rate)	13.86%
Weighted average life (in years)	8.24
Weighted average discount rate	9.89%

NOTE 8 -- PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	DECEMBER 31,		
	2001	2000	USEFUL LIVES

	(IN THOUSANDS)		
Land	$ 2,263	$ 1,737	n/a
Building and leasehold improvements	19,742	17,410	7-40 years
Furniture and equipment	49,001	40,660	3-10 years
	71,006	59,807	
Less accumulated depreciation	(36,018)	(30,398)	
Total	$ 34,988	$ 29,409	

Amounts charged to non-interest expense for depreciation amounted to $5.2 million, $5.9 million, and $4.5 million in 2001, 2000, and 1999, respectively.

NOTE 9 -- LEASE OBLIGATIONS

At December 31, 2001, we leased certain branch locations and office equipment used in our operations.

Operating lease rental expense was $19.8 million in 2001, $17.8 million in 2000, and $16.5 million in 1999.

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The future minimum rental payments required under noncancellable operating leases with initial or remaining terms of one year or more are summarized as follows:

YEAR ENDED DECEMBER 31:	(IN THOUSANDS)
2002	$17,076
2003	11,206
2004	9,481
2005	7,427
2006	5,526
Thereafter	2,031
Total minimum rental payments	$52,747

NOTE 10 -- SHORT-TERM BORROWINGS

Short-term borrowings are summarized as follows:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Repurchase agreements & drafts payable related to mortgage loan closings	$154,157	$ 64,557
Commercial paper	11,123	11,346
Federal Home Loan Bank borrowings	212,000	153,000

Federal funds	35,200	20,000
Lines of credit and other borrowings	75,483	226,599
	$487,963	$475,502
Weighted average interest rate	4.64%	6.79%

Repurchase agreements at December 31, 2001 and 2000, include $0.1 million and $0.1 million in mortgages sold under agreements to repurchase that are used to fund mortgages prior to sale in the secondary market. These repurchase agreements are collateralized by mortgage loans held for sale.

Drafts payable related to mortgage loan closings totaled $154.0 million and $64.5 million at December 31, 2001 and 2000. These borrowings are related to mortgage closings at the end of December which have not been presented to the banks for payment. When presented for payment, these borrowings will be funded internally or by borrowing from the lines of credit.

Commercial paper includes $11.1 million and $5.7 million at December 31, 2001 and 2000, respectively, payable to a company controlled by a significant shareholder and director of Irwin Financial.

Federal funds and Federal Home Loan Bank borrowings are collateralized by mortgage loans held for sale.

We also have lines of credit available of $813.3 million to fund loan originations and operations. Interest on the lines of credit is payable monthly or quarterly with rates ranging from 1.9% to 7.4%.

NOTE 11 -- LONG-TERM DEBT

Long-term debt consists of a note payable for $30.0 million with an interest rate of 7.58%. This debt is carried on the balance sheet net of capitalized fees of $0.3 million and $0.4 million as of December 31, 2001, and 2000, respectively. The entire principle of this note will mature on July 7, 2014.

NOTE 12 -- COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

In January 1997, we issued $50.0 million of trust preferred securities through IFC Capital Trust I, our wholly-owned statutory business trust subsidiary created under the laws of Delaware. The securities were

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issued at $25 per share with a cumulative dividend rate of 9.25%, payable quarterly. In connection with the issuance of the securities, we sold an equivalent amount of subordinated debentures to the trust. The securities have an initial maturity of 30 years with a 19-year extension option. The securities are callable at par after five years. The securities are shown on the balance sheet at December 31, 2001 net of $1.8 million of capitalized issuance costs. The sole assets of IFC Capital Trust I are our subordinated debentures with a principal balance of $51.5 million, an interest rate of 9.25%, and an initial maturity of 30 years with a 19-year extension option. These funds are considered Tier 1 qualifying capital.

In November 2000, we issued $51.75 million of trust preferred securities through IFC Capital Trust II and $51.75 million of convertible trust preferred securities through IFC Capital Trust III, wholly-owned statutory business trust subsidiaries created under the laws of Delaware. The securities were issued at $25 per share with cumulative dividend rates of 10.5% and 8.75%, respectively, payable quarterly. They have an initial maturity of 30 years. The trust preferred securities are not convertible into our common shares. The convertible trust preferred securities have an initial conversion ratio of 1.261 shares of common stock for each convertible preferred security (equivalent to an initial conversion price of $19.825 per share of common stock). The securities are shown on the balance sheet at December 31, 2001, net of $4.4 million of capitalized issuance costs. The sole assets of IFC Capital Trust II and III are our subordinated debentures with principal balances of $53.35 million each, interest rates of 10.5% and 8.75%, respectively, and an initial maturity of 30 years. The subordinated debentures of IFC Capital Trust II are callable at par after five years. Both issues are Tier 1 qualifying capital elements.

In July 2001, we issued $15 million of trust preferred securities in a private placement transaction through IFC Capital Trust IV, our wholly-owned statutory business trust subsidiary created under the laws of Delaware. In connection with the issuance of the trust preferred securities, we sold an equivalent amount of subordinated debentures to the trust. These subordinated debentures will mature on July 25, 2031, which date may be shortened to a date not before July 25, 2006, if certain conditions are met. The securities are shown on the balance sheet at December 31, 2001, net of $0.5 million of capitalized issuance costs. The cumulative dividend rate payable on the trust preferred securities and the subordinated debentures is 10.25%, payable semiannually on January 25 and July 25 of each year. These funds are considered Tier 1 qualifying capital.

In November 2001, we issued $30 million of trust preferred securities in a private placement transaction through IFC Capital Trust V, a wholly-owned statutory business trust subsidiary created under the laws of Delaware. In connection with the issuance of the trust preferred securities, we sold an equivalent amount of subordinated debentures to the trust. These subordinated debentures will mature in 2031, with an option to call them at par after five years. The securities are held on the balance sheet at December 31, 2001, net of $0.9 million of capitalized issuance costs. The cumulative dividend rate payable on the trust preferred securities and the subordinated debentures is 9.95%, payable semiannually on June 8 and December 8 of each year. These funds are considered Tier 1 qualifying capital.

NOTE 13 -- COMMITMENTS AND CONTINGENCIES

Our subsidiary, Irwin Mortgage Corporation is a defendant in a class action lawsuit in the United States District Court for the northern District of Alabama alleging that Irwin Mortgage violated the federal Real Estate Settlement Procedures Act (RESPA) relating to Irwin Mortgage's payment of broker fees to mortgage brokers. A second suit was filed September, 2001 seeking consolidation with this case. In July, 2001, the plaintiffs filed a motion for partial summary judgment asking the court to find Irwin Mortgage summarily liable for violating RESPA. Irwin Mortgage filed a motion in opposition and these motions are now pending before the district court.

In November, 2001, by order of the district court, the parties filed supplemental briefs analyzing the impact of a new HUD policy statement that explicitly disagrees with the judicial interpretation of RESPA by the Court of Appeals for the 11th Circuit in its ruling upholding class certification in this case. Irwin Mortgage filed a petition for certiorari with the United States Supreme Court seeking review of the 11th Circuit's class certification ruling and also filed a motion in the district court seeking a stay of further proceedings until the 11th Circuit renders decisions in the other three RESPA cases pending before it. The Supreme Court denied

Irwin Mortgage's petition. On March 8, 2002, the district court granted Irwin Mortgage's motion to stay proceedings in this case.

At this stage of the litigation we are unable to determine the outcome or a reasonable estimate of potential loss. However, we expect that an adverse outcome in this lawsuit could result in substantial monetary damages that could be material to our financial position. We have not established any reserves for this case or for the second suit that seeks consolidation with this one. The second case, which seeks class action status and contains allegations similar to those in the first case, has been stayed until the 11th Circuit renders decisions in the other three RESPA cases pending before it. An adverse outcome in the second case could cause the company to suffer material losses.

In January, 2001, we and two subsidiaries, Irwin Leasing Corporation (formerly Affiliated Capital Corp.) and Irwin Equipment Finance Corporation, our indirect and direct subsidiaries, respectively (for purposes of this paragraph, the Irwin companies), were served as defendants in an action filed in the U.S. District Court for the Middle District of Pennsylvania. The suit alleges that a manufacturer/importer of certain medical devices made misrepresentations to health care professionals and to government officials to improperly obtain Medicare reimbursement for treatment using the devices, and that the Irwin companies, through Affiliated Capital's financing activities, aided in making the alleged misrepresentations. The Irwin companies filed a motion to dismiss on February 12, 2001. On August 10, 2001, the court granted our motion in part by dismissing us and Irwin Equipment Finance as defendants in the suit. Irwin Leasing remains a defendant. We have not established any reserves for this case. Because the case is in the early stages of litigation, we are unable at this time to form a reasonable estimate of the amount of potential loss, if any, that we could suffer.

In May, 2001, Irwin Union Bank and Trust and Irwin Home Equity, our direct and indirect subsidiaries, respectively (for purposes of this paragraph, Irwin), received notice that they were named as defendants in a lawsuit filed in the U.S. District Court for the District of Rhode Island. The suit alleges that Irwin's disclosures and closing procedure for certain home equity loans did not comply with certain provisions of the Truth in Lending Act. The suit also requests that the court certify a plaintiff class in this action. On June 18, 2001, Irwin filed a motion with the court to compel arbitration pursuant to the provisions in the home equity loan agreement. On October 20, 2001, the Court entered judgment in favor of Irwin compelling arbitration and dismissing the plaintiffs' complaint. The plaintiffs have appealed. We have not established any reserves for this case. If arbitration is ultimately upheld, we do not expect to suffer material loss in this case.

In an amended complaint, our subsidiary Irwin Union Bank and Trust was named in place of our indirect subsidiary, Irwin Home Equity, as a defendant in a suit originally filed in July, 2001 in the U.S. District Court for the District of Massachusetts. The suit relates to a loan purchased by Irwin Union Bank and Trust and serviced by Irwin Home Equity. The plaintiff alleges that the loan documents did not comply with certain provisions of the Truth in Lending Act relating to high rate loans. The suit also requests that the court certify a plaintiff class in this action. Irwin Union Bank and Trust filed an answer to the amended complaint denying plaintiff's allegations. Because the case is in the early stages of litigation, we are unable at this time to form a reasonable estimate of the amount of potential loss, if any, that we could suffer. We have not established any reserves for this case.

On January 25, 2002, a jury awarded the plaintiffs damages of $1.434 million jointly and severally against defendants, including our subsidiary Irwin Mortgage, in a case filed in August 1998 in the Baltimore, Maryland, City

Circuit Court. The nine plaintiffs alleged that a home rehabilitation company defrauded them by selling them defective homes at inflated prices and that Irwin Mortgage, which provided the plaintiff borrowers mortgage loans on the home purchases, participated in the fraud. Prior to the outcome of the jury trial, we had no reserves for this case. On February 6, 2002, plaintiffs filed a petition for attorney's fees. On the same date, Irwin Mortgage filed post-trial motions for judgment notwithstanding the verdict, new trial and/or remittitur, which is a request for the court to reduce the amount of damages awarded by the jury. If the court denies Irwin's post-trial motion, Irwin plans to appeal and will continue to defend this case vigorously.

We and our subsidiaries are from time to time engaged in various matters of litigation including the matters described above, other assertions of improper or fraudulent loan practices or lending violations, and other matters, and we have a number of unresolved claims pending. In addition, as part of the ordinary course

of business, we and our subsidiaries are parties to litigation involving claims to the ownership of funds in particular accounts, the collection of delinquent accounts, challenges to security interests in collateral, and foreclosure interests, that is incidental to our regular business activities. While the ultimate liability with respect to these other litigation matters and claims cannot be determined at this time, we believe that damages, if any, and other amounts relating to pending matters are not likely to be material to our consolidated financial position, results of operations, or cash flows, except as described above. Reserves have been established for these various matters of litigation, when appropriate, based upon the advice of legal counsel.

NOTE 14 -- FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business we are party to certain financial instruments with off-balance sheet risk to meet the financial needs of our customers. These financial instruments include loan commitments and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized on the consolidated balance sheet.

Our exposure to credit loss, in the form of nonperformance by the counterparty on commitments to extend credit and standby letters of credit, is represented by the contractual amount of those instruments. Collateral pledged for standby letters of credit and commitments varies but may include accounts receivable; inventory; property, plant, and equipment; and residential real estate. Total outstanding commitments to extend credit at December 31, 2001, were $157.6 million. These loan commitments include $120.8 million of floating rate loan commitments and $36.8 million of fixed rate loan commitments related to commercial banking activities. We had approximately $26.1 million and $14.6 million in irrevocable standby letters of credit outstanding at December 31, 2001 and 2000, respectively.

NOTE 15 -- DERIVATIVE FINANCIAL INSTRUMENTS

Financial derivatives are used as part of the overall asset/liability management process. These instruments are used to manage risk-related to changes in interest and foreign currency fluctuations. Our portfolio of derivative financial instruments generally consist of forward contracts and interest rate lock commitments relating to mortgage banking activities, financial futures contracts, interest rate caps, forward foreign exchange contracts, and interest rate swaps.

We enter into forward contracts to protect against interest rate fluctuations from the date of mortgage loan commitment until the loans are sold. At December 31, 2001, we designated the portion of these transactions hedging the closed mortgage loans as hedges that qualify for hedge accounting treatment under SFAS 133. The notional amount of these contracts (which does not represent the amount at risk) totaled $646.7 million and $308.2 million at December 31, 2001 and 2000, respectively. The basis of the hedged closed loans is adjusted for changes in value associated with the risk being hedged. We value these contracts at period end based upon the current secondary market value of securities with similar characteristics. The carrying amount and fair value of these derivatives at December 31, 2001 was $0.7 million. Hedge ineffectiveness recorded in gains from sales of loans related to these hedging activities was immaterial. The effect of these hedging activities was recorded through earnings as gain from sale of loans.

We enter into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on loans intended to be sold are considered to be derivatives and are recorded at fair value. We value these commitments at period end based upon the current secondary market value of securities with similar characteristics. At December 31, 2001, we had a notional amount of rate lock commitments outstanding totaling $326.5 million with a fair value of $0.9 million. Changes in fair value of these derivatives are recorded in earnings.

Financial futures contracts or interest rate floors are used periodically to hedge the value of servicing assets against declining interest rates which increase prepayment activity and decrease the value of the servicing asset. To the extent that interest rates increase, the value of servicing assets increases while the value of these derivative instruments declines. As of December 31, 2001, our servicing asset derivative instruments had a positive fair value of $17.5 million on a notional amount of $17.4 billion.

Derivative instruments are also used to protect the value of residual interests. Interest rate caps are used when interest on securitized loans is received at a fixed rate and paid to mortgage backed security holders at a variable rate of interest. As interest rates change, the value of the residual interests and interest rate caps move in opposite directions. At December 31, 2001, the carrying value of the interest rate caps was $0.1 million and the notional amount was $16.9 million.

We enter into foreign currency contracts to protect the value of intercompany loans made to Onset, our Canadian leasing company, against changes in the exchange rate. We had a notional amount of $38.1 million in forward contracts outstanding as of December 31, 2001.

The Canadian leasing company uses interest rate swaps to neutralize repricing risk associated with its funding source. At December 31, 2001, we had two interest rate swaps with a notional value of $16.0 million and $14.3 million. The interest rate swaps amortize on a schedule that is designed to match the principal pay down of the loan portfolio and have a final maturity of May 25, 2004. We can reduce the notional value of the swaps by up to 10% if prepayments on the loans are greater than originally anticipated.

NOTE 16 -- REGULATORY MATTERS

Irwin Financial and our bank subsidiaries, Irwin Union Bank and Trust and Irwin Union Bank, F.S.B. are subject to various regulatory capital requirements administered by the federal and state banking agencies. Under capital adequacy guidelines, Irwin Financial, Irwin Union Bank and Trust, and Irwin Union Bank, F.S.B., must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital to average assets (as defined). We believe, as of December 31, 2001, that we have met all capital adequacy requirements to which we are subject.

As of December 31, 2001, we were categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Irwin Financial, Irwin Union Bank and Trust, and Irwin Union Bank, F.S.B., must exceed minimum total risk-based, Tier 1 risk-based, and Tier 1 capital to average assets ratios. There have been no conditions or events subsequent to December 31, 2001 that we believe have changed our being well capitalized.

The actual capital amounts and ratios of Irwin Financial, Irwin Union Bank and Trust, and Irwin Union Bank, F.S.B. are presented in the following table:

	ACTUAL		ADEQUATELY CAPITALIZED		WELL CAPITALIZED	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
			(IN THOUSANDS)			
AS OF DECEMBER 31, 2001:						
Total Capital (to Risk-Weighted Assets):						
Irwin Financial Corporation.......	$468,337	10.8%	$346,408	8.0%	$433,010	10.0%
Irwin Union Bank and Trust........	363,735	10.8	268,663	8.0	335,829	10.0
Irwin Union Bank, F.S.B...........	17,135	34.8	3,939	8.0	4,923	10.0
Tier 1 Capital (to Risk-Weighted Assets):						
Irwin Financial Corporation.......	295,021	6.8	173,204	4.0	259,806	6.0
Irwin Union Bank and Trust........	342,153	10.2	134,332	4.0	201,497	6.0
Irwin Union Bank, F.S.B...........	17,074	34.7	N/A		2,954	6.0
Tier 1 Capital (to Average Assets):						
Irwin Financial Corporation.......	295,021	9.4	126,091	4.0	157,613	5.0
Irwin Union Bank and Trust........	342,153	10.9	125,344	4.0	156,680	5.0
Core Capital (to Adjusted Tangible Assets)						
Irwin Union Bank, F.S.B...........	17,074	9.4	7,293	4.0	9,117	5.0
Tangible Capital (to Tangible Assets)						
Irwin Union Bank, F.S.B...........	17,074	9.4	2,735	1.5	N/A	
AS OF DECEMBER 31, 2000:						
Total Capital (to Risk-Weighted Assets):						
Irwin Financial Corporation.......	$384,144	12.9%	$226,153	8.0%	$282,691	10.0%
Irwin Union Bank and Trust........	283,611	10.3	220,180	8.0	275,225	10.0
Irwin Union Bank, F.S.B...........	6,636	105.9	501	8.0	627	10.0
Tier 1 Capital (to Risk-Weighted Assets):						

Irwin Financial Corporation.......	250,825	8.4	113,076	4.0	169,614	6.0
Irwin Union Bank and Trust........	271,037	9.9	110,090	4.0	165,135	6.0
Irwin Union Bank, F.S.B..........	6,636	105.9	N/A		376	6.0
Tier 1 Capital (to Average Assets):						
Irwin Financial Corporation.......	250,825	12.4	80,823	4.0	101,028	5.0
Irwin Union Bank and Trust........	271,037	12.7	85,600	4.0	106,999	5.0
Core Capital (to Adjusted Tangible Assets)						
Irwin Union Bank, F.S.B..........	12,738	51.9	510	4.0	637	5.0
Tangible Capital (to Tangible Assets)						
Irwin Union Bank, F.S.B..........	12,738	51.9	191	1.5	N/A	

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	ACTUAL		ADEQUATELY CAPITALIZED		WELL CAPITALIZED	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
			(IN THOUSANDS)			
AS OF DECEMBER 31, 1999:						
Total Capital (to Risk-Weighted Assets):						
Irwin Financial Corporation.......	$246,183	13.5%	145,891	8.0%	182,363	10.0%
Irwin Union Bank and Trust........	144,305	10.0	115,295	8.0	144,119	10.0
Tier 1 Capital (to Risk-Weighted Assets):						
Irwin Financial Corporation.......	207,627	11.4	72,945	4.0	109,418	6.0
Irwin Union Bank and Trust........	136,864	9.5	57,647	4.0	86,471	6.0
Tier 1 Capital (to Average Assets):						
Irwin Financial Corporation.......	207,627	12.8	65,046	4.0	81,307	5.0
Irwin Union Bank and Trust........	136,864	11.0	50,349	4.0	62,936	5.0

NOTE 17 -- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value estimates, methods and assumptions are set forth below for our financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair values.

Interest-bearing deposits with financial institutions, Loans, Loans held for sale, Deposit liabilities, Short-term borrowings, Long-term debt, and Company-obligated mandatorily redeemable preferred securities of subsidiary trust: The fair values were estimated using discounted cash flow analyses, using interest rates currently being offered for like assets with similar terms, to borrowers with similar credit quality, and for the same remaining maturities.

Trading assets: The carrying amounts reported in the balance sheet for trading assets approximate those assets' fair values.

Investment securities: Fair values for investment securities were based on quoted market prices when available. For securities that had no quoted market prices, fair values were estimated by discounting future cash flows using current rates on similar securities.

Forward contract commitments: The unrealized gains and losses of forward contract commitments is based on the difference between the settlement values of those commitments and the quoted market values of the underlying securities.

Derivative instruments: The carrying amounts reported in the balance sheet for derivative instruments approximate those assets' fair values. The estimated fair values of derivative instruments are determined using methodologies discussed in Note 15.

Loan commitments -- commercial bank: No value is assigned for unfunded commitments as these primarily represent commitments to land at market rates tied to short term indices.

The estimated fair values of our financial instruments at December 31, are as follows:

	2001		2000	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED VALUE
	(IN THOUSANDS)			
FINANCIAL ASSETS:				
Cash and cash equivalents..............	$ 158,291	$ 158,291	$ 83,493	$ 83,4
Interest-bearing deposits with financial institutions...............	14,247	14,257	36,400	36,4
Trading assets.........................	216,684	216,684	154,921	154,9
Investment securities..................	38,796	38,937	37,095	37,1
Loans held for sale....................	503,757	505,076	579,788	579,7
Loans, net of unearned discount........	1,871,135	1,919,336	1,078,604	1,145,1
Servicing asset........................	257	257		
FINANCIAL LIABILITIES:				
Deposits...............................	2,309,018	2,296,929	1,443,330	1,452,0
Short-term borrowings..................	487,963	488,361	475,502	478,3
Long-term debt.........................	29,654	30,334	29,608	30,5
Company-obligated mandatorily redeemable preferred securities of subsidiary trust....................	190,948	208,102	147,167	157,6

	2001		2000	
	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL AMOUNT	ESTIMATED F VALUE
OFF BALANCE SHEET:				
Loan commitments -- commercial bank......	$157,576	$ --	$ 36,521	$ --
Interest rate lock commitments(1)........	N/A	N/A	643,289	--
Standby letters of credit................	22,661	--	14,649	--
Forward contract commitments(1)..........	N/A	N/A	308,208	704

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(1) Due to the adoption of SFAS 133, these commitments are considered derivatives and are included on balance sheet at December 31, 2001.

The fair value estimates consider relevant market information when available. Because no market exists for a significant portion of our financial instruments, fair value estimates are determined based on present value of estimated cash flows and consider various factors, including current economic conditions and risk characteristics of certain financial instruments. Changes in factors, or the weight assumed for the various factors, could significantly affect the estimated values.

The fair value estimates are presented for existing on- and off-balance sheet financial instruments without attempting to estimate the value of our long-term relationships with depositors and the benefit that results from the low cost funding provided by deposit liabilities. In addition, significant assets which were not considered financial instruments and were therefore not a part of the fair value estimates include lease receivables, and premises and equipment.

NOTE 18 -- SHAREHOLDERS' EQUITY

We have a stock plan that provides up to 300,000 shares to be used to compensate Business Development Board members of Irwin Union Bank and Trust and Irwin Union Bank, F.S.B. As of December 31, 2001 and 2000, 8,071 shares and 7,378 shares were issued at a weighted average price of $22.13 and $16.17, respectively.

We also have a stock plan to compensate our Directors with our common stock, if so elected, in lieu of cash for their annual retainer and meeting fees. The number of shares issued under the plan is based on the current market value of our common stock. In 2001 and 2000, respectively, we granted 5,466 and 8,678 shares

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under the 1999 plan at a weighted average fair value of $21.89 and $19.63. In addition, we have an employee stock purchase plan for all qualified employees. The plan provides for employees to purchase common stock through payroll deduction at approximately 85% of the current market value.

We have two stock option plans (established in 1997 and 1992) that provide for the issuance of 2,840,000 shares of non-qualified and incentive stock options. In addition, the 2001 stock plan provides for the issuance of 2,000,000 of non-qualified and incentive stock options, stock appreciation rights, restricted stock, and phantom stock units. An additional 2,000,000 of stock appreciation rights may be granted under this plan For all plans, the exercise price of each option, which has a ten-year life and a vesting period of four years beginning the year granted, is equal to the market price of our stock on the grant date. Vested outstanding stock options have been considered as common stock equivalents in the computation of diluted earnings per share. In 2001, we awarded 3,952 shares of common stock in restricted stock grants at a weighted average fair value of $25.30 through this plan.

Activity in the above plans for 2001, 2000, and 1999 is summarized as follows:

	2001	2000

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF SHARES
Outstanding at the beginning of the year....	1,616,259	$13.37	1,328,090	$12.50	1,257,050
Granted.................	416,197	22.13	351,934	16.67	216,155
Exercised...............	(329,053)	5.25	(32,400)	5.56	(137,600)
Canceled................	(19,095)	20.87	(31,365)	21.60	(7,515)
Outstanding at the of the year....................	1,684,308	17.04	1,616,259	13.37	1,328,090
Exercisable at the end of the year................	1,162,817	$15.46	1,210,356	$11.30	1,045,659

The table below shows options outstanding and exercisable by price range as of December 31, 2001:

	OPTIONS OUTSTANDING			OPT
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF 12/31/2001	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBE EXERCISA AS OF 12/3
$ 5.53 - $10.66..............	454,343	3.35	$ 8.27	454,3
$13.69 - $16.50..............	220,111	6.07	$14.03	194,8
$16.97 - $21.28..............	311,401	8.37	$17.26	153,7
$21.38 - $23.97..............	357,388	9.15	$21.83	106,7
$24.09 - $28.56..............	341,065	7.39	$25.44	253,1
$ 5.53 - $28.56..............	1,684,308	6.68	$17.04	1,162,8

The fair value of each option was estimated to be $11.43, $9.32, and $10.97 on the date of the grant using the binomial option-pricing model with the following assumptions for 2001, 2000, and 1999, respectively: risk free interest rates of 5.22%, 6.13%, and 5.20%; dividend yield of 1.00% for 2001 and 2000, and 0.83% for 1999; and volatility of 40% for 2001 and 2000, and 28.7% for 1999.

We have not recognized compensation cost for the three non-qualified and incentive stock option plans or the Employee Stock Purchase Plan. Had compensation cost been determined based on the fair value at the

grant dates, our net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2001	2000	1999

	(IN THOUSANDS)		
Net income			
As reported	$45,516	$35,666	$33,156
Pro forma	43,629	34,365	32,176
Basic earnings per share			
As reported	2.15	1.70	1.54
Pro forma	2.06	1.64	1.49
Diluted earnings per share			
As reported	2.00	1.67	1.51
Pro forma	1.90	1.61	1.49

NOTE 19 -- EARNINGS PER SHARE

Earnings per share calculations are summarized as follow:

	BASIC EARNINGS PER SHARE	EFFECT OF STOCK OPTIONS	EFFECT OF PREFERRED SHARES	EFFECT OF CONVERTIBLE SHARES
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNT			
2001				
Net income before cumulative effect of change in accounting principle	$45,341	$ --	$ --	$2,801
Shares	21,175	292	96	2,610
Per-Share Amount	2.14	(0.03)	(0.01)	(0.11)
Cumulative effect of change in accounting principle	175			
Per-Share Amount	0.01			
Net income	45,516			
Per-Share Amount	$ 2.15			
2000				
Net income	$35,666	$ --	$ --	$ 295
Shares	20,973	281	78	261
Per-Share Amount	$ 1.70	$(0.02)	$(0.01)	$ --
1999				
Net income	$33,156	$ --		
Shares	21,530	356	N/A	N/A
Per-Share Amount	$ 1.54	$(0.03)		

In 2001, 562,764 shares related to stock options were not included in the dilutive earnings per share calculation because they were antidilutive.

NOTE 20 -- INCOME TAXES

Income tax expense is summarized as follows:

	2001	2000	1999
	(IN THOUSANDS)		
CURRENT:			
Federal	$ 2,578	$ 1,374	$ 3,251
State	(199)	600	687
	2,379	1,974	3,938
DEFERRED:			
Federal	22,876	18,000	14,580
State	3,369	3,702	963
	26,245	21,702	15,543
INCOME TAX EXPENSE:			
Federal	25,454	19,374	17,831
State	3,170	4,302	1,650
	$28,624	$23,676	$19,481

Our net deferred tax liability, which is included in other liabilities on the consolidated balance sheet, consisted of the following:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Mortgage servicing	$(83,974)	$(48,912)
Deferred securitization income	(43,023)	(34,438)
Loan and lease loss reserve	13,499	4,958
Deferred origination fees and costs	2,090	1,786
Deferred compensation	7,779	5,097
Retirement benefits	310	1,155
Fixed assets	(3,096)	(1,919)
Net operating loss carryforwards	6,001	--
Other, net	2,075	179
Net deferred tax liability	$(98,339)	$(72,094)

At December 31, 2001, we have a deferred tax asset of $6.0 million relating to net operating loss carry forwards. These loss carryforwards, if not utilized, expire beginning in 2020.

A reconciliation of income tax expense to the amount computed by applying the statutory income tax rate to income before income taxes is summarized as follows:

	2001	2000	1999
	(IN THOUSANDS)		
Income taxes computed at the statutory rate	$25,765	$20,770	$18,423
Increase (decrease) resulting from:			
Nontaxable interest from investment securities and loans	(141)	(136)	(410)
State franchise tax, net of federal benefit	2,060	2,796	2,121
Change in deferred tax asset or liability resulting from tax rate change	--	--	(1,055)
Other items -- net	940	246	402
	$28,624	$23,676	$19,481

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NOTE 21 -- EMPLOYEE RETIREMENT PLANS

We have a contributory retirement and savings plan that covers all employees and meets requirements of Section 401(k) of the Internal Revenue Code. Employees may contribute up to 14% of their compensation to the plan which is matched by 60% by us up to 5% of the employee's compensation.

The matching vests 20% after one year, 40% after two years, 60% after three years, 80% after four years, and 100% after 5 years. The expense to match employee contributions for the years ended December 31, 2001, 2000 and 1999 was approximately $1.0 million, $1.1 million and $1.0 million, respectively.

We have a defined benefit plan covering eligible employees of adopting subsidiaries. The benefits are based on years of service and the employees' compensation during their employment. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Plan assets are primarily invested in corporate and U.S. bonds, mutual funds and cash equivalents. The mutual funds are invested primarily in common stocks and bonds.

The following table sets forth amounts recognized in our balance sheet:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Funded status	$(2,140)	$(2,775)
Unrecognized prior service cost	131	156
Unrecognized net actuarial loss	5,287	2,578
Adjustment for minimum liability	--	(800)
Accrued pension cost	$ 3,278	$ (841)

Weighted average assumptions:

Discount rate	7.00%	7.25%
Return on plan assets	8.50%	8.50%
Rate of compensation increase		
Bank Employees	3.75%	3.75%
All Other Employees	4.00%	4.00%

A reconciliation of the change in projected benefit obligation and plan assets is presented below:

	2001	2000
	(IN THOUSANDS)	
Benefit obligation at January 1,	$13,441	$10,531
Service cost	750	623
Interest cost	971	819
Actuarial loss	669	1,811
Benefits paid	(330)	(343)
Benefit obligation at December 31,	$15,501	$13,441
Fair value plan assets at January 1,	$10,666	$11,602
Actual return on plan assets	(1,275)	(1,135)
Benefits paid	(330)	(343)
Employer contributions	4,300	542
Fair value plan assets at December 31,	$13,361	$10,666

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The net pension cost for 2001, 2000 and 1999 included the following components:

	2001	2000	1999
	(IN THOUSANDS)		
Service cost	$ 750	$ 650	$ 627
Interest cost	971	819	713
Expected return on plan assets	(888)	(1,040)	(906)
Amortization of prior service cost	25	25	25
Amortization of actuarial loss	123	--	--
Net pension cost	$ 981	$ 454	$ 459

NOTE 22 -- INDUSTRY SEGMENT INFORMATION

We have five principal segments that provide a broad range of financial services throughout the United States and Canada. The Mortgage Banking line of business originates, sells, and services residential first mortgage loans. The Home Equity Lending line of business originates and services home equity loans. The Commercial Banking line of business provides commercial banking services.

The Equipment Leasing line of business leases commercial equipment. The Venture Capital line of business invests in early-stage companies that could transform the way financial services are delivered. Our other segment primarily includes the parent company and eliminations.

The accounting policies of each segment are the same as those described in the "Summary of Significant Accounting Policies." Below is a summary of each segment's revenues, net income, and assets for 2001, 2000, and 1999:

	MORTGAGE BANKING	HOME EQUITY LENDING	COMMERCIAL BANKING	EQUIPMENT LEASING	VENTURE CAPITAL	OTHER
			(IN THOUSANDS)			
2001						
Net interest income.........	$ 30,959	$ 60,706	$ 43,293	$ 2,584	$ (404)	$ (7,4
Intersegment interest.......	(667)	(1,272)	(194)	(42)	--	2,1
Other revenue...............	199,169	64,984	14,789	1,695	(10,482)	1,2
Intersegment revenues.......	--	--	210	--	630	(8
Total net revenues......	229,461	124,418	58,098	4,237	(10,256)	(4,9
Other expense...............	166,233	96,776	40,923	8,938	661	13,8
Intersegment expenses.......	1,391	562	2,577	--	--	(4,5
Net income before taxes.................	61,837	27,080	14,598	(4,701)	(10,917)	(14,2
Income taxes................	23,912	10,832	5,680	--	(4,368)	(7,4
Income before minority interest..............	37,925	16,248	8,918	(4,701)	(6,549)	(6,8
Minority interest...........				307		
Income before cumulative effect of change in accounting principle............	37,925	16,248	8,918	(4,394)	(6,549)	(6,8
Cumulative effect of change in accounting principle...	175					
Net income (loss)...........	$ 38,100	$ 16,248	$ 8,918	$ (4,394)	$ (6,549)	$ (6,8
Assets at December 31,......	$926,946	$602,226	$1,648,294	$266,670	$ 7,421	$(11,5

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	MORTGAGE BANKING	HOME EQUITY LENDING	COMMERCIAL BANKING	EQUIPMENT LEASING	VENTURE CAPITAL	OTHER
			(IN THOUSANDS)			
2000						
Net interest income.........	$ 18,477	$ 36,921	$ 35,774	$ 1,737	$ (597)	$ (6,7
Intersegment interest.......	(2,719)	(1,789)	(295)	(54)	(1)	4,8
Other revenue...............	125,174	68,315	11,808	799	5,146	4
Intersegment revenues.......	--	--	166	--	420	(5

Total net revenues......	140,932	103,447	47,453	2,482	4,968	(1,9
Other expense...............	117,188	71,479	33,327	5,024	431	10,5
Intersegment expenses.......	2,199	1,144	2,446	21	--	(5,8
Net income before taxes.................	21,545	30,824	11,680	(2,563)	4,537	(6,6
Income taxes................	8,539	12,330	4,590	--	1,814	(3,5
Net income (loss).......	$ 13,006	$ 18,494	$ 7,090	$ (2,563)	$ 2,723	$ (3,0
Assets at December 31,......	$523,920	$550,526	$1,167,559	$159,773	$ 15,198	$ 5,4
1999						
Net interest income.........	$ 22,984	$ 20,276	$ 29,114	$ --	$ (109)	$ (9,5
Intersegment interest.......	(3,237)	(1,424)	--	(18)	--	4,6
Other revenue...............	161,020	31,714	11,622	--	1,306	(1,5
Intersegment revenues.......	--	--	175	--	--	(1
Total net revenues......	180,767	50,566	40,911	(18)	1,197	(6,6
Other expense...............	142,439	34,672	28,024	825	78	8,0
Intersegment expenses.......	2,476	885	1,056	--	--	(4,4
Net income before taxes.................	35,852	15,009	11,831	(843)	1,119	(10,3
Income taxes................	12,789	2,403	4,486	--	463	(6
Net income (loss).......	$ 23,063	$ 12,606	$ 7,345	$ (843)	$ 656	$ (9,6
Assets at December 31,......	$549,966	$339,640	$ 789,560	$ 543	$ 8,096	$ (6,9

NOTE 23 -- IRWIN FINANCIAL CORPORATION (PARENT ONLY) FINANCIAL INFORMATION

The condensed financial statements of the parent company as of December 31, 2001 and 2000, and for the three years ended December 31, 2001 are presented below:

CONDENSED BALANCE SHEET

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
ASSETS:		
Cash and short-term investments..........................	$ 1,293	$ 1,127
Investment in bank subsidiary............................	361,289	277,571
Investments in non-bank subsidiaries.....................	146,336	41,344
Loans to bank subsidiaries...............................	31,000	30,000
Loans to non-bank subsidiaries...........................	556	48,278
Other assets...	2,342	6,464
	$542,816	$404,784
LIABILITIES:		
Short-term borrowings....................................	$ 71,123	$ 34,346
Long-term debt...	225,349	181,522

Other liabilities	14,928	(1,009)
	$311,400	$214,859

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
SHAREHOLDERS' EQUITY:		
Preferred stock	$ 1,386	$ 1,386
Common stock	29,965	29,965
Other shareholders' equity	200,065	158,574
	231,416	189,925
	$542,816	$404,784

CONDENSED STATEMENT OF INCOME

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
INCOME			
Dividends from non-bank subsidiaries	$ 451	$ 87,269	$ 15,500
Dividends from bank subsidiary	10,000	37,153	14,147
Interest income	2,221	4,949	4,800
Other	6,555	6,635	3,200
	19,227	136,006	37,647
EXPENSES			
Interest expense	20,069	12,643	9,891
Salaries and benefits	9,111	7,906	5,398
Other	5,874	2,933	2,672
	35,054	23,482	17,961
Income before income taxes and equity in undistributed income of subsidiaries	(15,827)	112,524	19,686
Income taxes (credits), less amounts charged to subsidiaries	(10,738)	(5,966)	(10,482)
	(5,089)	118,490	30,168
Equity in undistributed income of subsidiaries	50,605	(82,824)	2,988
Net income	$ 45,516	$ 35,666	$ 33,156

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CONDENSED STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Net income	$ 45,516	$ 35,666	$ 33,156
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(50,605)	82,824	(2,988)
Depreciation and amortization	448	505	408
Increase (decrease) in taxes payable	10,130	(1,102)	4,695
Decrease in interest receivable	(360)	(122)	(159)
Increase (decrease) in interest payable	(577)	986	763
Net change in other assets and other liabilities	8,268	(4,077)	4,322
Net cash provided by operating activities	12,820	114,680	40,197
Lending and investing activities:			
Net decrease (increase) in loans to subsidiaries	46,722	7,245	(25,302)
Investments in subsidiaries	(138,314)	(172,409)	(39,122)
Net sales of premises and equipment	72	314	286
Net cash used by lending and investing activities	(91,520)	(164,850)	(64,138)
Financing activities:			
Net increase (decrease) in borrowings	36,777	(46,398)	13,778
Proceeds from long-term debt	45,000	102,260	30,000
Issuance of preferred stock	--	1,386	--
Purchase of treasury stock	(3,223)	(3,414)	(18,314)
Proceeds from sale of stock for employee benefit plans	5,834	1,866	2,608
Dividends paid	(5,520)	(5,038)	(4,287)
Net cash provided by financing activities	78,868	50,662	23,785
Net increase in cash and cash equivalents	168	492	(156)
Effect of exchange rate changes on cash	(2)	(8)	--
Cash and cash equivalents at beginning of year	1,127	643	799
Cash and cash equivalents at end of year	$ 1,293	$ 1,127	$ 643
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Interest	$ 20,646	$ 11,657	$ 9,056
Income taxes	$ 5,235	$ 13,769	$ 14,328

NOTE 24 -- SUBSEQUENT EVENT

In February 2002, we successfully completed a public offering that raised $82.2 million, net of expenses, on the sale of 6,210,000 shares of common stock.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IRWIN FINANCIAL CORPORATION

September 30, 2002

/s/ GREGORY F. EHLINGER

Gregory F. Ehlinger
Senior Vice President and
Chief Financial Officer

CERTIFICATIONS

I, William I. Miller, Chief Executive Officer of Irwin Financial Corporation (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K/A of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

Date: September 30, 2002

/s/ WILLIAM I. MILLER

Name: William I. Miller
Title: Chief Executive Officer

I, Gregory F. Ehlinger, Chief Financial Officer of Irwin Financial Corporation (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K/A of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

Date: September 30, 2002

/s/ GREGORY F. EHLINGER

Name: Gregory F. Ehlinger
Title: Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Irwin Financial Corporation (the "Company") on Form 10-K/A for the period ended December 31, 2001, as filed with the Securities and Exchange Commission on the date hereof, (the "Report"), I, William I. Miller, Chief Executive Officer, hereby certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 30, 2002

/s/ WILLIAM I. MILLER

William I. Miller
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Irwin Financial Corporation (the "Company") on Form 10-K/A for the period ended December 31, 2001 as filed with the Securities and Exchange Commission on the date hereof, (the "Report"), I, Gregory F. Ehlinger, Chief Financial Officer of the Company, hereby certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 30, 2002

/s/ GREGORY F. EHLINGER

Gregory F. Ehlinger
Chief Financial Officer