

**Charter of the
COMPENSATION COMMITTEE
of the Board of Directors
AMCORE Financial, Inc.**

Adopted February 11, 2004

I. Purpose of the Committee

The Compensation Committee is appointed by the Board of Directors of AMCORE Financial, Inc. (the "Company") to: 1) oversee the Company's compensation and employee benefit plans and practices, including its executive compensation plans and its incentive-compensation and equity-based plans and 2) produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with all applicable rules and regulations.

II. Composition of the Committee

The Compensation Committee shall be comprised of at least three, but no more than six directors, each of whom shall in the judgment of the Board meet the independence standards of the National Association of Securities Dealers, Inc. (the "NASD") and such other regulatory agencies to which the Company may be subject. Members of the Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The members of the Committee shall be elected annually to one-year terms by majority vote of the full Board at the first meeting of the Board to be held following the annual meeting of stockholders. Vacancies on the Committee, when filled, shall be filled by majority vote of the full Board at the next meeting of the Board following the occurrence of the vacancy. Any member of the Committee may be removed at any time with or without cause by resolution adopted by a majority of the full Board.

The Committee may form subcommittees comprised only of independent directors for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee has the authority to delegate such responsibilities, as the Committee deems appropriate to the Chief Administrative Officer; provided, however, that the Committee shall not delegate any power or authority required by law, regulation or listing standard to be exercised by the Committee as a whole.

III. Meetings and Procedures of the Committee

The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet as provided by its rules, which shall be at least three times annually or more frequently as circumstances require. The Board shall designate one member of the Committee as its Chairperson. Special meetings of the Committee may be called by any member thereof upon not less than two days' notice stating the place, date and hour of the meeting, which notice may be written or oral. A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting and action of the Committee shall be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. The Chief Executive Officer and Chief Administrative Officer may act as advisors to the Committee.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Committee at the meeting. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Board.

IV. Committee Responsibilities

A. Executive Cash Compensation

The Committee shall have the following goals and responsibilities with respect to the Company's executive compensation plans:

- a. To establish and maintain a total compensation philosophy and policy that rewards the employees of the Company for performance benefiting the stockholders of the Company.
- b. To review at least annually the goals and objectives of the Company's executive compensation plans, and amend these goals and objectives if the Committee deems it appropriate.
- c. To review at least annually the Company's executive compensation plans in light of the Company's goals and objectives with respect to such plans and, if the Committee deems it appropriate, adopt new, or amend existing, executive compensation plans.
- d. To evaluate annually the performance of the Chief Executive Officer in light of the goals and objectives of the Company's executive compensation plans and set his or her compensation level based on this evaluation.
- e. To evaluate annually the performance of the other senior executive officers of the Company in light of the goals and objectives of the Company's executive compensation plans and set the compensation level of each based on this evaluation.
- f. To perform such duties and responsibilities as may be assigned to the Committee under the terms of any executive compensation plan.
- g. To review perquisites and/or other personal benefits to the Company's senior executive officers and recommend any changes to the Board.
- h. To produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with all applicable rules and regulations.

B. Incentive-Compensation and Equity-Based Plans

The Committee shall have the following responsibilities with respect to the Company's incentive-compensation and equity-based plans:

- a. To review at least annually the goals and objectives of the Company's incentive-compensation and equity-based plans and amend these goals and objectives if the Committee deems it appropriate.
- b. To review at least annually the Company's incentive-compensation plans and equity-based plans in light of the goals and objectives of these plans and amend these plans if the Committee deems it appropriate.
- c. To review and approve equity based grants for employees that are not subject to stockholder approval or for plans where stockholder approval has been received previously.
- d. To review all equity-compensation plans that are subject to stockholder approval under the listing standards of the NASD, and to recommend to the Board that such plans be presented for stockholder approval, where and when applicable.

- e. To perform such duties and responsibilities as may be assigned to the Committee under the terms of any incentive-compensation or equity-based plan.

C. Other Compensation and Employee Benefit Plans

- a. To review at least annually the goals and objectives of the Company's general compensation plans and other employee benefit plans and amend these goals and objectives if the Committee deems it appropriate.
- b. To review at least annually the Company's general compensation plans and other employee benefit plans in light of the goals and objectives of these plans and amend these plans if the Committee deems it appropriate.
- c. To annually review and ratify the actions of the Administrative Committees delegated specific responsibilities for oversight and actions taken on behalf of the committee relative to these broad based plans.
- d. To perform such duties and responsibilities as may be assigned to the Committee under the terms of its general compensation plans and other employee benefit plans.
- e. It is not the responsibility of the Committee to review compensation of the independent directors of the Board of Directors. The Governance and Nominating Committee holds that responsibility.

V. Evaluation of the Committee

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance.

The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

VI. Investigations and Studies; Outside Advisers

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary. The Committee shall have the sole authority to retain or terminate a compensation consultant to assist the Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by the Company. The Committee shall have the obligation to report to the full Board on any implemented, ongoing or completed investigations or studies that have been undertaken by the Committee since the last meeting of the full Board.

VII. Duties of the Chairperson

The Chairperson of the Committee shall facilitate all meetings of the Committee and shall be responsible for approving the agenda that is to be followed. The Chairperson makes the report of the Committee to the full Board. In the Chair's absence, he or she may appoint a member of the committee as his or her designee for facilitating committee meetings and reporting to the full Board.

The Chairperson of the Committee, in conjunction with the Chairperson of the Governance and Nominating Committee, communicates the results of the performance evaluation of the CEO as completed by the Committee and the Governance and Nominating Committee. The Chairperson of the Committee, in conjunction with the Chairperson of the Governance and Nominating Committee communicates to the CEO information resulting from executive sessions of the independent directors of the Board as appropriate. Both of these Chairpersons are charged with reporting back to the full Board, as appropriate, any relevant or appropriate comments of the CEO coming from either of these discussions.

Adopted by the Compensation Committee on February 11, 2004

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