

**FIRST BUSINESS FINANCIAL SERVICES, INC.
FIRST BUSINESS BANK
OPERATIONAL RISK COMMITTEE CHARTER**

Approved: January 24, 2020

COMMITTEE PURPOSE

The Operational Risk Committee (the “Committee”) is appointed by First Business Financial Services, Inc. and First Business Bank (the “Company”) to assist the Boards of Directors (the “Board”) in assessing and managing certain of the Company’s risks, which include: credit, regulatory compliance, operational, information security/cyber, liquidity and market, and reputation risks (“Delegated Risks”) so that the Board may effectively meet their fiduciary obligations to shareholders and the Company.

COMMITTEE AUTHORITY

While the Board maintains primary responsibility and oversight for Enterprise Risk Management (“ERM”), it delegates certain responsibilities to its key committees as appropriate. The Operational Risk Committee has primary responsibility for:

- assuring the Company’s enterprise risk management program is operating effectively
- evaluating, monitoring and advising the Board on all matters relating to maintaining the right “tone at the top”
- approving, appointing, compensating, and overseeing the work of any employee or third party that provides internal loan review functions for internal control effectiveness
- given the critical link between strategy and risk, evaluating the Company’s strategic risk based on an assessment of the Company’s strategies in the context of the Company’s overall risk tolerance, related opportunities and capacity to manage the resulting risk

The Committee shall have the power and authority to conduct or authorize studies and investigations into any matter of interest or concern within the scope of its duties that the Committee deems appropriate, and shall have the sole authority to retain independent legal, financial or other advisors to assist in the conduct of any such study or investigation, including the authority to approve fees payable to such advisors and any other terms of retention.

COMMITTEE COMPOSITION AND MEETINGS

The Chair and the members of the Committee shall be appointed by the Board annually or as necessary to fill vacancies on the recommendation of the Company’s Corporate Governance and Nominating Committee. Each member shall serve until his or her successor is duly elected and qualified or until such member’s earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

The Committee shall meet as frequently as circumstances dictate. The Committee Chair will chair all meetings and will prepare and/or approve an agenda in advance of each meeting. The Committee may invite to its meetings any officer, employee or director of the Company and such other persons as it deems appropriate in order to carry out its duties.

A majority of the Committee members shall constitute a quorum for the transaction of business. The action of the majority of the Committee members at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall maintain minutes of meetings and report regularly to the Board: (1) following meetings of the Committee, (2) with respect to such other matters as are relevant to the Committee's discharge of its duties and (3) with respect to such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Committee's Chair or any other member of the Committee designated by the Committee to make such report.

COMMITTEE RESPONSIBILITIES AND DUTIES

To accomplish its purpose, the Committee shall have primary oversight of the following Delegated Risks along with the corresponding authority as delegated by the Board:

1. Credit Risk
2. Information Security/Cyber Risk
3. Regulatory, Compliance and Legal Risk
4. Operational Risk
5. Liquidity and Market Risk
 - a. Asset and Liability Management
6. Reputation Risk

Risk Management

1. The Board, acting as a whole and through its committees, is responsible for oversight of the Company's enterprise wide risk management. The Board has expressly delegated to the Committee responsibility for assuring the Company's overall risk management program is operating effectively. Board committees, which meet regularly and report back to the Board, provide oversight of the monitoring of certain key risks as delegated by the Board and oversee effective risk remediation when and as appropriate.
2. The Committee shall oversee management of key risks as delegated by the Board from time to time including risk relating to credit; information security/cyber risk; regulatory, compliance and legal; operational; liquidity and market; and reputation risks. The Committee shall additionally oversee the Company's enterprise risk management processes and programs including periodically reviewing the effectiveness of the risk management governance structure; advising the Board on its delegation of risk related responsibilities to various Committees; ensuring appropriate Board level risk reporting and serving as a liaison to management on execution of the risk management program.

Corporate Policies:

Approve corporate policies related to operational risk as designated by the Board from time to time including, but not limited to: Do Not Call, Junk Fax, CAN-SPAM Policy; Problem Asset Policy; Consumer Loan Policy; Commercial Loan Policy; FBCC Commercial Loan Policy; FBEB Commercial Loan Policy; Government Guaranteed Loan Policy; Fair Lending Policy; ACH Policy; Electronic Banking Policy; Wire Transfer Policy; FACTA ID Theft Red Flag Policy; Customer

Information Security (GLBA) Policy; Information Security Policy; Business Continuity Policy; Complaint Policy; Asset/Liability Management Policy; Investment Policy; Liquidity & Funding Policy and Plan; Liquidity Contingency Plan; Overdraft Program; Physical Security Policy; Third Party Payment Processor Policy; and Compliance Management System Program Policy

Other Duties:

1. The Committee has been delegated the responsibility to review and approve, as applicable, the credit review reports, third-party SBA compliance review reports, and all internal audits, except those internal audits related to the effectiveness of internal controls over the financial reporting process which have been delegated to the Audit Committee.
2. The Committee shall perform any other activities under this Charter, the Company's By-laws or governing law as the Committee or the Board deems appropriate.
3. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Corporate Governance and Nominating Committee, which will conduct a final review of the proposed changes and recommend to the Board for approval.
4. The Committee shall periodically perform an assessment of the Committee's performance annually or biennially as recommended by the Corporate Governance and Nominating Committee.