

**FIRST BUSINESS FINANCIAL SERVICES, INC.
FIRST BUSINESS BANK
COMPENSATION COMMITTEE CHARTER**

Approved: January 24, 2020

COMMITTEE PURPOSE

The Compensation Committee (the “Committee”) shall discharge such responsibilities as may be delegated by the Boards of Directors (the “Board”) of First Business Financial Services, Inc. and First Business Bank (the “Company”) with respect to the Company’s compensation programs and compensation of the Company’s directors and executive officers. The Committee is responsible for performing the duties relating to executive compensation provided for in the rules of the national securities exchange on which the Company’s stock is listed. The Committee is also responsible for reviewing and approving any Compensation Committee reports required for inclusion in the Company’s annual report and proxy materials by the rules of the Securities and Exchange Commission (“SEC”).

COMMITTEE AUTHORITY

The Committee shall have authority, in its sole discretion, to retain, obtain the advice of or terminate a compensation consultant, legal counsel, or other adviser, including any firm that employs such person (a “Compensation Adviser”). The Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any Compensation Adviser retained by the Committee. The Board and the Company shall be required to provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any Compensation Adviser retained by the Committee. The Committee may select, or receive advice from a Compensation Adviser only after taking into consideration the following six independence factors:

1. The provision of other services to the Company or its subsidiaries by the Compensation Adviser;
2. The amount of fees received from the Company or its subsidiaries by the Compensation Adviser, as a percentage of the total revenue of the Compensation Adviser;
3. The policies and procedures of the Compensation Adviser that are designed to prevent conflicts of interest;
4. Any business or personal relationship of the Compensation Adviser with a member of the Committee;
5. Any stock of the Company owned by the Compensation Adviser; and
6. Any business or personal relationship of the Compensation Adviser with an executive officer of the Company.

The Committee shall not be required to implement or act consistently with the advice or recommendations of the Compensation Adviser and the retention of such a Compensation Adviser shall in no way affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties.

The Committee shall evaluate whether any Compensation Adviser retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

COMMITTEE COMPOSITION AND MEETINGS

The Committee shall consist of three (3) or more members of the Company's Board of Directors, (the "Board") each of whom shall meet the independence requirements of the SEC, the Nasdaq Stock Market ("Nasdaq"), including Nasdaq Listing Rule 5605(a)(2), and any other regulatory entity with relevant jurisdiction over the Company. Additionally, no director may serve on the Committee unless he or she is a "Non-Employee Director" under the qualifications set forth in Rule 16b-3 of the Securities Exchange Act of 1934.

The Chair and 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 to carry out its responsibilities. The Chair will chair all regular sessions of the Committee and set the agendas for Committee meetings. Any member of the Committee may call meetings of the Committee. The Committee shall meet regularly in executive session, without Company management present. 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 responsibilities. A member of management shall not, however, be present at any discussion or review where his or her performance and compensation are being discussed or determined.

The Committee shall 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 responsibilities 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. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

COMMITTEE RESPONSIBILITIES AND DUTIES

The Committee shall have the following responsibilities and duties:

The Company's Overall Compensation Policies, Practices and Plans

1. The Committee shall review, monitor and approve the Company's overall compensation policies, practices and plans and assess whether the compensation structure establishes appropriate incentives for the Company's executive officers and other employees and aligns with the Company's corporate goals and objectives.
2. The Committee shall approve the overall compensation philosophy of the Company.

Executive Officer Compensation

1. The Committee shall review and approve corporate and individual goals and objectives relevant to the Chief Executive Officer's compensation. The Committee shall evaluate the performance of the Chief Executive Officer in light of those goals and objectives, and based on such evaluation, shall have authority to determine and recommend to the Board for its approval (while meeting in Executive Session) the base salary, cash incentive bonus, equity based long-term incentive compensation and other benefits and perquisites, direct and indirect, of the Chief Executive Officer. The Chief Executive Officer shall not be present during any vote or deliberations related to his or her compensation.

2. The Committee shall review and approve the base salary, cash incentive bonus and other benefits of the executive officers, exclusive of the Chief Executive Officer. The Committee shall review and recommend to the Board for their approval the equity based long-term incentive compensation of the Section 16 Officers.
3. In determining the long-term component of compensation of the Chief Executive Officer and the executive officers, the Committee may consider various evaluation criteria, including the Company's performance as compared to its peer group and relative shareholder return, the value of similar incentive awards to chief executive officers and executive officers at comparable companies, and the awards given to the Company's Chief Executive Officer and executive officers in past years.
4. In connection with executive compensation programs, the Committee shall:
 - a. Review and approve new executive compensation programs; and
 - b. Review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s).
5. The Committee shall review and approve the perquisites offered to the executive officers, except that the Board shall approve all Chief Executive Officer's perquisites.
6. The Committee shall review and approve any contracts or other transactions with executive officers of the Company including employment contracts and change-in-control agreements, except that the Board shall approve all Chief Executive Officer's contracts.

Monitoring Incentive and Equity-Based Compensation Plans

1. The Committee shall review, monitor and approve the Company's incentive-compensation plans. The Committee shall have and shall exercise all the authority of the Board with respect to the administration of such plans.
2. The Committee shall make recommendations to the Board with respect to the establishment of new equity-based plans.
3. The Committee shall review and make recommendations for approval to the Board of Directors all awards pursuant to the Company's equity-based plans for Section 16 Officers. The Committee shall review and approve all other awards except where certain authority has been delegated to the Company's Chief Executive Officer.
4. The Committee shall monitor compliance by executive officers with the rules and guidelines of the Company's equity-based plans.
5. The Committee shall review employee profit sharing and benefit plans applicable to the executive officers. The Committee shall approve the annual 401(k) profit sharing contribution.

Director Compensation

The Compensation Committee shall periodically review and make recommendations to the Board with respect to director compensation.

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 Operational Risk 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. Annually, or more often as appropriate, the Committee shall review all Company's compensation programs, evaluate risks presented by all compensation programs and confirm that the programs do not encourage risk-taking to a degree that is likely to have a materially adverse impact on the Company, do not encourage unnecessary and excessive risk taking that may threaten the value of the Company, and do not encourage the manipulation of reported earnings of the Company.
3. The Committee shall periodically evaluate the risks posed to the Company by the design and implementation of various compensation programs of the Company and shall oversee the implementation of appropriate risk management measures and controls to avoid or mitigate any excessive risk to the Company. The Committee shall conduct such reviews as may be required by the SEC, Nasdaq and any other body with regulatory authority over the Company.

Other Duties

1. 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.
2. The Committee shall review and approve any Compensation Committee reports, Executive Compensation Summary and/or Compensation Discussion and Analysis that management prepares for inclusion in the Company's annual reports and proxy statement.
3. The Committee shall ensure that the Company includes in its annual proxy statement a nonbinding shareholder vote on executive compensation (a "say on pay proposal"), as well as a vote on the frequency of the inclusion of such say on pay proposals, each in accordance with, and so often as required by the rules and regulations of the SEC.
4. The Committee shall annually review and approve the Company's Peer Group.
5. The Committee shall periodically perform an assessment of the Committee's performance annually or biennially as recommended by the Corporate Governance and Nominating Committee.
6. 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.