

**FIRST BUSINESS FINANCIAL SERVICES, INC.
AUDIT COMMITTEE CHARTER**

Approved: January 24, 2020

I. COMMITTEE PURPOSE

The Audit Committee (the “Committee”) is appointed by the First Business Financial Services, Inc. (the “Company”) Board of Directors (the “Board”) to assist the Board in fulfilling its oversight responsibility to its shareholders, potential shareholders, the investment community and others relating to: (1) the integrity of the Company’s financial statements, (2) the effectiveness of the Company’s internal controls over financial reporting, (3) the Company’s compliance with applicable legal and regulatory requirements, (4) the qualifications and independence of the independent registered public accounting firm (“independent auditor”), (5) the performance of the Company’s internal auditor relating to internal controls over the financial reporting process and the Company’s independent auditor, and (6) the Company’s systems of disclosure controls and procedures.

The Committee shall also prepare the report of the Committee that SEC proxy rules require to be included in the Company’s annual proxy statement.

II. COMMITTEE AUTHORITY

Per Rule 10A-3 of the Exchange Act, 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. It is empowered to:

- Approve, appoint, compensate, and oversee the work of any registered public accounting firm employed by the Company.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Directly contact or invite to its meetings any officers, employees or directors of the Company or its registered public accounting firm or internal auditor in connection with the fulfillment of the Committee’s duties.

III. COMMITTEE COMPOSITION AND MEETINGS

The Committee shall be comprised of three or more directors, each of whom shall meet the independence and experience requirements of the Nasdaq Stock Market, Inc. (“Nasdaq”), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission (“SEC”). All members of the Committee shall be able to read and understand fundamental financial statements, and at least one member of the Committee shall be an “audit committee financial expert” as defined by the SEC and have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member’s financial sophistication, as required by the rules of Nasdaq.

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 at least four times annually, or more frequently as circumstances dictate. The Committee Chair will chair all meetings and shall 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. The Committee should meet in executive session at least annually with management, the internal auditors, the independent auditors, and as a Committee to discuss any matters that the Committee or any of these groups believe should be discussed. 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.

IV. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

The Committee shall fulfill the following responsibilities and duties:

Financial Reporting and Disclosure Matters

1. Review with management and the independent auditors the Company's annual audited financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations per item 303 of Regulation S-K, risk factors, footnotes and related disclosures and fourth quarter earnings release, prior to the filing of the Company's Annual Report on Form 10-K. The review should include discussion with management and the independent auditors of significant issues regarding accounting principles, practices, judgments and any additional matters required to be communicated to the Committee by the independent auditor under professional standards.
2. Review with management and the independent auditors the Company's quarterly unaudited financial statements, including Management's Discussion and Analysis, footnotes and related disclosures and quarterly earnings release, prior to the filing of the Company's Quarterly Report on Form 10-Q. The Committee shall discuss the results of the quarterly review and significant issues regarding accounting principles, practices, judgments and any other matters required to be communicated to the Committee by the independent auditor under professional standards.
3. Review and discuss with management and the independent auditor the Company's use of "pro-forma" or "adjusted" non-GAAP information (with "GAAP" defined as Generally Accepted Accounting Principles) as well as financial information and earnings guidance provided to analysts and rating agencies; provided that the discussion of financial information and earnings guidance provided to analysts and rating agencies may be done generally (e.g. discussion of types of information to be disclosed and the type of presentation to be made) and need not occur in advance of each instance in which the Company may provide such information and guidance.
4. Review of the financial statements which shall include: (1) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy and effectiveness of the Company's internal control over financial reporting and any specific remedial

actions adopted in light of significant deficiencies or material weaknesses; (2) discussions with management and the independent auditor regarding significant financial reporting issues and judgments made about the preparation of the financial statements and the reasonableness of those judgments, including analyses of the effects of alternative GAAP methods on the financial statements; (3) consideration of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements; (4) consideration of the judgment of both management and the independent auditor about the quality, not just the acceptability, of accounting principles; and (5) the completeness and clarity of the disclosures in the financial statements.

5. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer, or equivalent, during the certification process for the Annual Report on Form 10-K and Quarterly Reports on Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.
6. Review management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year and the independent auditor's report on the effectiveness of internal control over financial reporting.
7. Discuss with the independent auditor the characterization of deficiencies in internal control over financial reporting. The Committee shall also discuss, with management, the remediation plan to address internal control deficiencies and shall determine that the disclosures describing any identified material weaknesses and management's remediation plans are clear and complete.
8. Meet in separate private sessions, on a periodic basis, with each of the independent auditors, the internal auditors and members of management as appropriate.

Independent Auditor Oversight and Responsibilities

1. Directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor employed by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services (including resolution of disagreements between management and the independent auditor regarding financial reporting). The independent auditor shall report directly to the Committee.
2. Preapprove (which preapproval may be pursuant to preapproval policies and procedures established by the Committee) all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act.
3. Set clear policies for the hiring by the Company of employees or former employees of the independent auditors who participated in any capacity in the audit of the Company.
4. Review and discuss the independent auditors' risk assessment and audit plan, including the scope, locations, and reliance upon management, the internal auditors and the general audit approach. However, it is not the Committee's responsibility to conduct or plan the audit.
5. Prior to providing year-end results to shareholders, discuss with the independent auditors the results of the audit and certain matters required to be communicated to audit committees in accordance with American Institute of Certified Public Accountants Statement on Auditing Standards No. 61.

6. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting. However, it is not the Committee's responsibility to determine if the financial statements and disclosures are complete, accurate or in accordance with GAAP – these are the responsibilities of management and the independent auditors.
7. Hold timely discussion with the independent auditor regarding the following:
 - a. All critical accounting policies and practices to be used in the audit;
 - b. All alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and,
 - c. Other material written communications between the independent auditors and management of the Company, such as any management letter or schedule of unadjusted differences.
8. At least annually, obtain and review reports from the independent auditors regarding:
 - a. The independent audit firm's internal quality-control procedures;
 - b. Any material issues raised by the most recent internal quality-control review or peer review or by any inquiry or investigation by governmental or professional authorities regarding services provided by the firm with could affect the financial statements of the Company, and any steps taken to deal with such issues; and,
 - c. A formal written statement delineating all relationships between the independent auditors and the Company to ensure independence, consistent with Public Company Accounting Oversight Board Ethics and Independence Rule 3526, review and discuss the contents of the written statement and other independence matters, including partner rotation, with the independent auditors and assess their independence.
9. Review compliance with the requirements of 12 C.F.R. Part 363 for depository institution subsidiaries of the Company

Internal Auditor Oversight and Responsibilities

1. Review the appointment, performance, or replacement of the senior internal audit executive assigned to the Company. The Committee shall provide the senior internal audit executive with access to communicate personally and directly with the members of the Committee at any time on any auditing or internal control matter.
2. Review and discuss the internal auditors' risk assessment and audit plan, including internal controls over financial reports as well as other operational and regulatory controls, and with reliance upon management, the internal auditors and the general audit approach.
3. Review and approve and/or propose changes to the annual internal audit plan as it relates to internal controls over the financial reporting process to assure the comprehensive coverage of significant financial reporting risk areas. Assess the activities, structure, and qualifications of the outsourced internal auditors as needed. Review and approve engagement letters for the internal audit function.

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. Monitor and assess the following specific key risks and other risks which may be delegated by the Board from time to time that could significantly affect the Committee's areas of focus, including: the integrity of the financial statements, effectiveness of internal controls over financial reporting, compliance with applicable legal and regulatory requirements and the performance of the Company's internal and independent auditors.
3. Consider the risk of management's ability to override the Company's internal controls.
4. Conduct reviews as may be required by the SEC, Nasdaq and any other body with regulatory authority over the Company.

Compliance and Governance Oversight

1. On at least an annual basis, review the Code of Business Conduct and Ethics ("Code") and ensure that management has established a system to enforce this Code. The Committee shall receive any corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty by the Company.
2. Perform an assessment of the Committee's performance annually or biennially as recommended by the Corporate Governance and Nominating Committee.
3. Review and approve potential conflicts of interest as appropriate and annually review a summary of directors' and officers' related party transactions as defined by Regulation S-K and Nasdaq Corporate Governance Rule 5630. The Committee will review the FR Y-6 Report filed with the Federal Reserve Bank at least annually to fulfill this requirement.
4. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, internal controls or auditing matters.
5. Review any legal matters that could have a significant impact on the Company's financial statements, any violations of the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies. However, it is not the Committee's responsibility to determine compliance with laws and regulations.
6. Approve the report of the Committee required by SEC Regulation S-K Item 407(d)(3)(i), to be included in the Company's annual proxy statement.
7. Perform any other activities consistent with this Charter, the Company's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

8. Approve corporate policies as designated by the Board from time to time, but not limited to the Disclosure Controls Policy, Whistleblower Policy, External Audit Policy and Internal Audit Policy.
9. 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 for Board approval.
10. The Board has expressly delegated to the Operational Risk Committee the review of all internal audits, except those internal audits relating to the effectiveness of internal controls over the financial reporting process.