

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

Originally Approved on January 10, 2005

Approved and Amended January 22, 2009

**I. AUDIT COMMITTEE PURPOSE AND AUTHORITY**

The Audit Committee (the “Committee”) is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary duties and responsibilities are to:

1. Monitor the integrity of the Company’s and related subsidiaries’ financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
2. Monitor the independence and performance of the Company’s and related subsidiaries’ independent auditors.
3. Provide an avenue of communication among the independent auditors, management, and the Board of Directors.

The purpose of the Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

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. The Company shall also provide appropriate funding, as determined by the Committee, for ordinary administrative expenses incurred by the Committee in carrying out its duties. The Committee (or its advisors) shall have the authority to directly contact or invite to its meetings any officers, employees or directors of the Company or its independent auditors in connection with the fulfillment of the Committee’s duties.

**II. AUDIT COMMITTEE COMPOSITION AND MEETINGS**

The Committee shall be comprised of three or more directors as determined by the Board, 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 Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. 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.

### **III. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES**

The Committee shall fulfill the following responsibilities and duties:

#### Review Procedures

1. Review and reassess the adequacy of this Charter at least annually and submit the Charter to the Board of Directors for approval as appropriate.
2. Review with management and the independent auditors the Company's annual audited financial statements prior to distribution or filing with the SEC. The review should include discussion with management and the independent auditors of significant issues regarding accounting principles, practices, and judgments. As part of the review process, the Committee will recommend to the Board of Directors whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-K.
3. In consultation with management, the independent auditors and the internal auditors consider the integrity of the Company's financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the independent auditors and the internal auditors together with management's responses.
4. Review with management and the independent auditors the Company's Quarterly Reports on Form 10-Q, prior to their filing, including disclosures made in management's discussion and analysis, as well as any related press releases prior to their issuance. Review the results of the independent auditors' review of the quarterly financial statements and discuss any significant changes to the Company's accounting principles.
5. Review and approve any material correspondence with regulators or government agencies and material communications delivered to all shareholders.

#### Independent Auditors

6. The Committee shall review the independence and performance of the independent auditors and annually appoint, retain, oversee the work of (including resolving disagreements between management and the independent auditors regarding financial reporting) and, as circumstances warrant, discharge the independent auditors, who shall report directly to, and are ultimately accountable to, the Committee.
7. Approve the fees and other compensation to be paid to the independent auditors, as well as any significant terms of their engagement.

8. 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.
9. On an annual basis, obtain from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No. 1, review and discuss the contents of the written statement and other independence matters, including partner rotation, with the independent auditors and assess their independence.
10. 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.
11. Review and discuss the independent auditors' audit plan, including the scope, staffing, 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.
12. 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 committee in accordance with AICPA Statement on Auditing Standards No. 61.
13. 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 Generally Accepted Accounting Principles – these are the responsibilities of management and the independent auditors.
14. At least annually, obtain and review reports from the independent auditors regarding:
  - a. All critical accounting policies and practices to be used in the audit;
  - b. All alternative treatments of financial information within Generally Accepted Accounting Principles 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;
  - c. Other material written communications between the independent auditors and management of the Company, such as any management letter or schedule of unadjusted differences.

#### Internal Audit and Legal Compliance

15. Review the budget, internal audit plan, and changes in plan, activities, organizational structure, and qualifications of the outsourced internal auditors as needed.

16. Review the appointment, performance, or replacement of the senior internal audit executive assigned to the holding company.
17. Review significant reports prepared by the internal auditors together with management's response and follow-up to these reports.
18. Review results of annual credit review completed by an independent party.
19. On at least an annual basis, 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.
20. Review disclosures made to the Committee by the Company's chief executive officer and chief financial officer, or equivalent, during their 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.

#### Other Audit Committee Responsibilities

21. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the forgoing activities.
22. On at least an annual basis, review the Code of Business Conduct and Ethics and ensure that management has established a system to enforce this Code.
23. Periodically perform a self-assessment of the Committee's performance.
24. Annually review policies and procedures, as well as internal audit results, associated with directors' and officers' expense accounts and perquisites.
25. Review potential conflicts of interest as appropriate and annually review a summary of directors' and officers' related party transactions and potential conflicts of interest. The committee will review the FRB Regulation O Report prepared by management and the FR Y-6 Report filed with the Federal Reserve Bank at least annually to fulfill this requirement.
26. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls of auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting of auditing matters.

27. Approve the report of the Committee required by the rules and regulations of the SEC to be included in the Company's annual proxy statement.

28. Perform any other activities consistent with this Charter, the Company's by-laws and governing law as the Committee of the Board deems necessary or appropriate.

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