FIRST BUSINESS FINANCIAL SERVICES, INC.
FIRST BUSINESS BANK
COMPENSATION PHILOSOPHY

Approved: October 30, 2025

OVERVIEW

First Business Financial Services, Inc. ("FBFS") and First Business Bank (collectively, the "Company") is committed to a unified compensation philosophy that serves as a guiding framework for decision-making and the development of compensation programs, practices and policies. This philosophy is aligned with the Company's strategic objectives and reflects our culture and values. Key principles include:

- **Pay-for-Performance Culture:** We foster a culture where compensation is linked to performance.
- **Attracting and Retaining Talent:** Our compensation programs aim to attract and retain the highest caliber of employees.
- **Fair and Equitable Pay:** We are dedicated to fair and equitable compensation practices.
- **Consideration of Company, Team, and Individual Success:** Compensation decisions consider the success of the Company, teams and individuals.
- **Motivation for Goal Achievement:** We use compensation as a tool to motivate employees to achieve business goals.

DETERMINATION OF PAY LEVELS

Employee compensation levels are determined based on several factors including job roles and responsibilities, pay benchmarks at similar organizations, and internal peer comparisons. Individual compensation adjustments may be made based on performance, skills and experience, as well as broader factors such as changes in roles, operating environment and market conditions.

Generally, the Company strives to offer competitive compensation packages, targeting approximately the 50^{th} percentile of the market. However, individual positioning may vary based on factors such as experience, performance and potential. We assess the market by considering comparable organizations and those competing for the same talent. External consultants and data are periodically utilized to review our compensation and benefit programs.

COMPONENTS OF PAY

Employee compensation may consist of:

- Base Salary or Hourly Wage
- Annual Bonus
- Incentives and Commissions
- Equity awards
- Benefits

THE ROLE OF PERFORMANCE IN COMPENSATION DECISIONS

The compensation programs emphasize a pay-for performance culture, where a portion of compensation is tied to Company performance. Performance metrics encompass financial and nonfinancial goals essential to the Company's long-term success.

The success of the Company and its employees is measured by shareholder value, which is reflected in incentive plan metrics. These metrics may also include team and individual performance, with a direct link to outcomes influenced by employees.

The Company differentiates compensation for top performers – those consistently delivering superior results, embodying the Company's culture and values, and collaborating as team players.

COMPENSATION MANAGEMENT

As a diversified financial services Company, we tailor compensation programs for specific business lines and shared services departments. These programs align with business-specific goals and measures of performance. While developed in collaboration with Human Resources and members of senior management, each business line or department communicates directly with employees regarding their compensation programs and their alignment with our compensation philosophy.

EXECUTIVE OFFICER COMPENSATION

The Compensation Committee, acting on behalf of the Board of Directors, reviews and approves executive officer compensation, and reviews and recommends compensation for the Chief Executive Officer of FBFS to the Board of Directors. Decisions are guided by the following principles:

- **Base Salaries**: Set consistently with the overall philosophy of all employees.
- **Performance-Linked Compensation**: A significant portion of the executive officers' compensation is tied to operational performance, including cash bonuses and incentives based on Company performance goals.
- **Equity Incentive Plans**: Equity grants align the interests of executive officers and key employees with shareholders by linking rewards to Company performance.
- **Perquisites**: Perquisites are provided to executive officers when they contribute to increased business productivity and effectiveness.

This compensation philosophy supports our commitment to motivating and rewarding employees in ways that drive our Company's success and reflect our values.