BUSINESS BANCSHARES, INC.

Report to Shareholders

June 30, 2009

Letter from Management

Winners in athletics, as well as business, are often determined during times of adversity. A golfer's reaction to a bad lie or an unlucky bounce can be the difference between victory and defeat. As Business Bancshares, Inc. passes the halfway point of 2009, we find ourselves facing adversity in the economy and the business of banking. The stress of the economic environment is being felt by the Company, our customers, employees and shareholders. While 2009 has not produced the largest of profits to date, we believe that when we exit the turmoil of the market and economy, the Company will be recognized as a winner and will be well positioned to thrive as economic growth returns.

The successes of the first half of the year include net income for the Company of $745,000 compared to net income for all of 2008 of $151,000. The Company continued to hold the line on expenses and is actively searching out potential cost savings. The net interest rate margin has improved with deposit rates continuing to decline as we remain in an extended period of historically low interest rates.

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Charles Thal works with UMSL to start Bank Directors College

For the past year or more, director Charles Thal has been working with the University of Missouri – St. Louis (UMSL) to develop a comprehensive training program for new and existing bank directors. Mr. Thal and Ed Lawrence, Professor of Banking for UMSL, have worked in conjunction with federal and state bank regulatory agencies, professional bankers, and service providers drawn from the St. Louis community to develop the continuing education program. The program is designed to train individuals to serve on the board of financial institutions by providing a basic knowledge of the banking industry and the principles of bank management.

"There is a real need for something like this in the banking community," commented Charles Thal, "This course will fill the void and offer directors in the St. Louis area a new level of sophistication." There are seminars and classes for bank directors offered at other instructional facilities, but most are expensive and not accredited. Upon completion of UMSL's Bank Directors College program, attendees will have been instructed in all aspects of banking and will receive a Chartered Bank Director certificate issued by the University of Missouri. "We believe this is the most comprehensive and formal training program available anywhere to bank directors," stated Charles Thal.

The program contains 23 instructional hours over the course of four Fridays, providing both new and experienced directors with an opportunity to improve their knowledge base and skill level. The course covers a Legal and Regulatory Overview, Board Functions and Responsibilities, Understanding Financial Statements and Credit Risk, and Executive Compensation, Succession Planning and the Future of Banking.

On the second day of the program, our Business Bancshares, Inc. Chairman, Edward Throop, will be a guest speaker and will give participants an overview of the role of committees in bank governance. Following Mr. Throop's talk, there will be a panel discussion on major committees – loan, audit, compliance and other committees. The Business Bank of St. Louis' COO, Stanley Cornish, will be a panel member during this discussion, while director Charles Thal will be the moderator.

Some of the other speakers for the Bank Directors College include representatives from:

- Bank Compensation Consulting,
- BKD, LLC,
- Comptroller of the Currency,
- Cummings, Ristau & Associates, PC.,
- Enterprise Bank & Trust,
- Federal Deposit Insurance Corporation,
- Federal Reserve Bank of St. Louis,
- Missouri Bankers Association,
- Missouri Division of Finance,
- Parkside Financial Bank & Trust,
- Polsinelli Shugart, PC.,
- Southwest Bank,
- St. Johns Bank,
- Stifel Nicolaus,
- The Business Bank of St. Louis

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Planning for Commercial and Industrial Growth

As a full service commercial lender, The Business Bank of St. Louis has been able to accommodate the diverse lending needs of our clients since our inception in 2002. Commercial and Industrial, or C&I, lending has been an area which holds considerable potential for growth through relationships. C&I clients are relationship based and offer an opportunity for long term relationships and future growth. Emphasizing C&I lending will give us an opportunity to further increase the quality of earnings with a more diverse loan portfolio and core deposit growth.

Jason Spore and Brad Guenther are the primary managers of new C&I relationships along with the Private Banking Group, led by Paul Rhea. The primary targets are net-depositor contractors, manufacturers, distributors, and service businesses with annual sales from $5 million to $50 million.

Plans are underway to accommodate increased volume of C&I loans. Our Vice President of Credit, Doug Look, has extensive experience in this arena along with our newest member, Tammy Riebel. Doug has been with the Bank since 2007 and previously worked as Vice President and Relationship Manager at US Bank. He is the primary credit officer for C&I lending and also provides portfolio management guidance. Tammy joined us in August from GE Capital where she was Assistant Credit Manger. Tammy will manage and mentor the credit analyst group, underwrite the larger and more complex loan requests, and facilitate process improvement initiatives. Their combined experience will help to ensure the safety and soundness of our C&I portfolio as it continues to grow.

The Business Bank of St. Louis is built on strong relationships and exceptional customer service, making C&I clients an ideal customer of the Bank.

(Letter from Management continued)

The most challenging work during the first half of 2009 continues to be the management and collection of problem loans. The Company has dedicated significant resources to explore work outs with creditors that are feeling the brunt of the economic malaise. Nonperforming assets have declined from the end of the first quarter, but remain at levels which continue to cause concern.

As we look forward to the second half of the year, significant challenges continue to face the Company. We believe the worst of the downturn is behind us, but we remain cautious in our outlook for the remainder of the year and into 2010. The economy has begun to show signs of life and may be building a bottom, but the prolonged stress of the recession to date continues to strain many of our customers. The longer this recession continues the more our borrowers have the potential to have problems. This is the largest unknown as we try to manage the Company for the remainder of 2009.

With this in mind, the Company continues to target Commercial and Industrial borrowers to further diversify our loan portfolio and lessen our concentration in commercial real estate lending. This is a targeted area that we plan to expand as the economy improves and the Company utilizes its additional Capital obtained through the U. S. Treasury's Capital Purchase Program.

Thank you for your investment, your business and your support. We continue to work hard to improve the overall financial condition of the Company and to build a stronger, more diversified and more profitable organization.

David J. Mishler
Vice Chairman and Chief Executive Officer, Business Bancshares, Inc.

Michael A. Flavin
President, The Business Bank of St. Louis

The Quarter in Review

Total assets as of June 30, 2009 were $553 million, an increase of $72 million when compared to June 30, 2008. During the same twelve month period, loans grew by $44 million. Shareholders' equity is $57 million, up $17.3 million as compared to the same time last year. Shareholders' equity includes $15.8 million in preferred stock issued to the U.S. Treasury in conjunction with the Troubled Asset Relief Program. Capital ratios are now significantly above the "well-capitalized" thresholds. Nonperforming assets as a percentage of total assets is 2.71%, down from 3.95%, twelve months earlier.

The Company earned $745,000 and recorded a return on average assets of 0.56% during the second quarter of 2009. Net income available to common shareholders totaled $590,000 during the second quarter and return on average common equity was 5.83%.

Financial Highlights

	6/30/2009	6/30/2008
Balance Sheet Data		
Total Assets	$552,905,000	$480,712,000
Net Loans	457,479,000	413,559,000
Total Deposits	439,273,000	420,259,000
Total Shareholders' Equity	56,785,000	39,480,000
Common Shareholder's Equity	41,035,000	39,480,000
Book Value Per Common Share	$19.32	$19.28
Common Shares Issued and Outstanding	2,123,414	2,047,642
Capital Ratios (The Business Bank of St. Louis)		
Tier 1 Risk-based Capital	12.36%	10.90%
Total Risk-based Capital	13.63%	12.16%
Leverage Ratio	11.15%	9.93%
Asset Quality		
Nonperforming Loans to Total Loans	2.66%	3.65%
Nonperforming Assets to Total Assets	2.71%	3.95%

	Quarter Ended 6/30/2009	Six Months Ended 6/30/2009
Net Income	$745,000	$1,286,000
Net Income Available to Common Shareholders	$590,000	$1,131,000
Diluted Earnings Per Common Share (EPS)	$0.27	$0.53
Performance Ratios		
Return on Average Assets	0.56%	0.48%
Return on Average Common Equity	5.83%	5.63%
Net Interest Margin	3.45%	3.31%
Efficiency Ratio	57.22%	58.76%

BUSINESS BANCSHARES, INC.

Providing financial services through The Business Bank of St. Louis.

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BRIEFLY NOTED

New Website Coming in September!

Our website is getting a make-over!
The new site is due to launch during the month of September.

Fulcrum Securities

Stock transactions for Business Bancshares, Inc. are facilitated by Fulcrum Securities. You can contact them by calling (314) 336-3140.

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