BUSINESS BANCSHARES, INC.

Report to Shareholders

September 30, 2009

Letter from Management



As we head into the home stretch of 2009, it is a great time to look back at the accomplishments of the year so far and look forward to the challenges and opportunities that lie ahead in 2010 and beyond. As everyone is aware, 2009 has been a horrible year for the economy. Unemployment sits at record highs, economic activity ground to a halt, and stock market averages remain at levels well below those of recent years. 2009 has not been an enjoyable year to be a banker, but what is enjoyable is looking at the strides the Company has made and the future that we are building today.

Time once spent building new relationships and growing business is now spent working with troubled customers and trying to maintain relationships. The work being accomplished during 2009 has centered on limiting our losses, securing additional capital, controlling expenses, and positioning ourselves to succeed once this downturn comes to an end. The work that has been done in 2009 has transformed our Company and created a stronger organization than the one that entered the year.

Meramec Assets Formed to Assist with Asset Resolution

As the Company continues to deal with the fallout from the recession, management has worked to develop innovative ways to address the nonperforming assets at The Business Bank of St. Louis ("BBSTL"). Earlier this year the Company capitalized a special asset subsidiary of Business Bancshares Inc. ("BBI"), called Meramec Assets LLC ("Meramec"). The purpose of Meramec is to purchase troubled assets at fair market value from BBSTL and work towards resolving the troubled assets in the most economical manner.

The purchase of troubled assets by Meramec frees up the capital of BBSTL and allows the assets to be efficiently resolved without concern for their effect on the regulatory and customer impression of BBSTL. In the past, banks have been forced to liquidate assets at fire sale prices at the worst times in order to improve the appearance of the bank to regulators and the public in quarterly publications and rating services.

D. Sheldon Johnson, director of BBI, was elected by the Company board to lead the effort on Meramec Assets. Sheldon, along with a committee of BBI directors, reviews potential acquisitions by Meramec and then assists bank management in all aspects of bringing resolution to the purchased assets. Sheldon's extensive background in real estate should prove to be an invaluable asset as the Company continues to utilize Meramec for asset resolution.

"The orderly dissolution of assets through the use of Meramec allows the Company to maximize returns on troubled assets, while at the same time removing pressure from the BBSTL balance sheet at a time of increased regulatory scrutiny," said D. Sheldon Johnson. "An asset that might have been sold for a significant loss at the bank could ultimately be resolved just a few months later with no loss to the Company."

Meramec has been capitalized with \$14,500,000 and owns \$3.7 million in foreclosed property and \$9.9 million of loans as of September 30, 2009. Meramec has already been successful in resolving several problem assets and is proving to be an effective means of dealing with troubled assets during these difficult economic times.

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New Website in Place to Enhance Customer Experience

The Business Bank of St. Louis has recently updated its website. The redesigned website, which launched in October, boasts enhanced functionality, ease of use, and an expanded level of information. These upgrades are part of the Bank's commitment to providing clients with the best customer service possible, including improved technology and resources.

The revitalization of www.bbstl.com replaces the Bank's original website which was launched when the Bank began operations in 2002. The new design incorporates the Bank's branding and creates a presence on the web that is more indicative to the institution's current identity and vision. It offers a personal touch by using photos of staff members, management, directors, associate directors, and our office space in an effort to provide clients with a "virtual branch location" that is accessible online anytime and anywhere.

In addition to freshening up the Bank's online image, the new site also provides clients and prospective clients with comprehensive information on the Bank's products and services along with increased functionality. Some of the most innovative upgrades include the capability to log in to electronic banking directly from the home page, a directory of the sales staff, an investor relations page, BBSTL in the news, online mortgage loan applications, a careers page with online resume submission, online credit card access, a contact us form, and much more.

"At a time when banks are competing heavily for "A" clients, we have been able to enhance the quality of our customer experience without increasing our staffing," commented Mike Flavin, President.

Plans are in place to publicize the launch of the new site to increase awareness and encourage traffic to the site. Because the banking industry has been so volatile over the past year or more, many banks are focused less on improving customer resources and expanding marketing efforts than they have been in the past. The Business Bank has truly set itself apart by continuing to improve the quality of its systems and technology to attract and retain top clients and prospects. In doing so, the Bank continues to provide customized business solutions and sound business perspective.

Visit the new website at www.bbstl.com.

(Letter from Management continued)

We believe that the Company is better positioned to take advantage of the impending economic recovery than many of our competitors, whether it happens in 2010 or later. The Company has continued to be proactive in recognizing losses and potential losses. Late in 2008, we recognized that the economic problems would continue well into 2009 and took steps to reduce expenses and raise additional capital to protect the Bank during this extended recession. The Company has accomplished both of these goals and has been able to weather additional losses while still earning net income of \$2.1 million through September 30th. We are poised to end 2009 with more Capital, a higher net interest margin, lower monthly expenses, and a better outlook than when we began the year.

We are beginning to see the light at the end of the tunnel. The Dow Jones Industrial Average is now more than 50% above its lows and the Federal Reserve now believes that the recession has come to an end. Both of these are leading indicators which point to an improving economic environment in the near future, even as many individuals and industries continue to face significant hurdles. Many of our clients continue to struggle and the extended recession has placed them under significant financial pressures. We look forward to the time when we can once again help our customers to grow and expand their businesses instead of working with them to survive this economic downturn.

As we look forward to healthier economic times, we feel that the Company is better positioned than ever to take advantage of the recovery. We take great pride in the accomplishments of the Company so far in 2009 and know that the hard work will pay off in the future for our customers, employees, and shareholders. Thank you for your investment, your business and your support.

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 September 30, 2009 were \$590 million, an increase of \$64 million when compared to September 30, 2008. Shareholders' equity is \$57 million, up \$17 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 significantly above the "well capitalized" thresholds. Nonperforming assets as a percentage of total assets is 2.56%, down from 2.63%, twelve months earlier.

The Company earned \$773,000 and recorded a return on average assets of 0.55% during the third quarter of 2009. Net income available to common shareholders totaled \$564,000 during the third quarter and return on average common equity was 5.43%.

Financial Highlights

Balance Sheet Data	9/30/2009	9/30/2008
Total Assets	\$590,342,000	\$526,835,000
Net Loans	441,484,000	476,469,000
Total Deposits	472,393,000	418,815,000
Total Shareholders' Equity	57,322,000	40,127,000
Common Shareholder's Equity	41,572,000	40,127,000
Book Value Per Common Share	\$19.58	\$19.57
Common Shares Issued and Outstanding	2,123,414	2,050,392
Capital Ratios (The Business Bank of St. Louis)		
Tier 1 Risk-based Capital	13.01%	9.69%
Total Risk-based Capital	14.27%	10.94%
Leverage Ratio	11.07%	9.94%
Asset Quality		
Nonperforming Loans to Total Loans	2.47%	2.46%
Nonperforming Assets to Total Assets	2.56%	2.63%

	Quarter Ended 9/30/2009	Nine Months Ended 9/30/2009
Net Income	\$773,000	\$2,059,000
Net Income Available to Common Shareholders	\$564,000	\$1,696,000
Diluted Earnings Per Common Share (EPS)	\$0.27	\$0.80
Performance Ratios		
Return on Average Assets	0.55%	0.50%
Return on Average Common Equity	5.43%	5.28%
Net Interest Margin	3.39%	3.34%
Efficiency Ratio	52.32%	56.60%



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

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BRIEFLY NOTED

Help us meet our C&I Growth Goals

The Bank continues to target commercial and industrial relationships, specifically net-depositor contractors, manufacturers, distributors, and service businesses with annual sales from \$5 million to \$50 million. If you have any leads or referrals, please contact Mike Flavin at (314) 556-6628.

Fulcrum Securities

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