BUSINESS BANCSHARES, INC.

Report to Shareholders

September 30, 2008

Letter from Management



As everyone is aware, the overall condition of the economy continues to cause great concern. Troubled assets, market volatility and liquidity issues continue to hamper the economy and the banking industry in particular. Government intervention seems to have stopped a free falling financial system, but where this will all lead is still uncertain. The ultimate depth and length of adverse economic issues will be the primary determining factor of the short-term performance of the Bank.

For now, and contrary to the industry performance trends, third quarter results for Business Bancshares, Inc. have improved. During the last quarter, net earnings of the Company were higher, total assets grew significantly and nonperforming assets declined substantially.

Net earnings for the third quarter of 2008 were \$461,000, up approximately \$24,000 from the previous quarter and more than twice that of the same period, one year ago.

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The Business Bank Sponsors St. Louis Construction Industry Summit

The Business Bank of St. Louis recently co-sponsored an event which brought more than 100 local commercial construction contractors and business leaders together. The St. Louis Construction News and Real Estate Executive Summit: *Risk and Rewards in the St. Louis Construction Industry 2009* focused on today's economic risks in the construction industry, and gave attendees important insight into current and projected market conditions, market and political forces, risks to subcontractors, financial roadblocks, legal risks and managing insurance risks. Other sponsors included Greensfelder Hemker & Gale, PC, J.W. Terrill, the Associated General Contractors of St. Louis, and the American Subcontractors Association.

A panel discussion included guest speakers Richard Ward (Principal, Zimmer Real Estate Services), Len Toenjes (CEO, AGC of St. Louis), Walk Bazan (CEO, Bazan Painting), Mike Flavin (President, The Business Bank of St. Louis), Andy Manuel (Shareholder, Greensfelder, Hemker and Gale, P.C.) and Steve Gillen (Vice President, J.W. Terrill).

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CNR Executive Summit Panel Back Row: Tom Finan, publisher of St. Louis Construction News & Real Estate; Tom Guillen of J.W. Terrill;, Andy Manuel of Greensfelder, Hemker & Gale PC, Mike Flavin; Front Row: Len Toenjes, Richard Ward, Walter Bazan

What's Inside

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David Gamache, General Counsel and Secretary to the Board

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Leonard Toenjes

Dan Wagner

Michael Whalen

The Bank is intently focused on growing its deposit base, and the commercial construction industry is one of the many areas the Bank is making concerted efforts to build relationships. The Summit was a timely opportunity for the Bank to gain valuable exposure to the construction industry.

The commercial construction industry provides an abundance of deposit growth opportunities for the Bank. "Typically, veteran contractors with strong reputations are well-capitalized and positioned to weather the current economic conditions. There are many good projects out there that need funding, and The Business Bank is well equipped to take on these opportunities," commented Mike Flavin, President. "Strong contractors generally carry higher deposit balances and require fewer loan dollars," added Flavin.

New to The Business Bank Team

Brian Leeker

We welcome Brian Leeker to The Business Bank team. Brian joined us effective October 6, 2008 as Chief Financial Officer, formerly a position held by Stan Cornish, Chief Operating Officer.

Brian brings with him over 17 years of banking and finance experience. Brian comes to us from Champion Bank where he held the title of Controller and most recently acted as their interim Chief Financial Officer.

David A. Gamache

We are excited to have David join us as Senior Vice President and General Counsel,

effective November 1, 2008. He will be responsible for managing all legal matters of the bank and will also serve as Secretary to the Board.

Gamache has more than 25 years of experience in the areas of intellectual property, real estate, banking and finance, and corporate law. He previously was a Principal at the Clayton law firm of Danna McKitrick, P.C., and has provided a variety of legal services to The Business Bank of St. Louis since its inception.



(Letter from Management continued)

Net earnings for the year-to-date now total over \$1.5 million, compared to only \$643,000 in 2007.

Total assets grew to \$527 million, vaulting over \$46 million during the quarter. The strong third quarter growth was primarily derived from loans generated by new key personnel hired early this year.

The most notable improvement over the last quarter was in the level of nonperforming assets. Nonperforming assets declined by more than \$5 million as management worked its way through delinquent loans and foreclosed property. The percentage of nonperforming assets to total assets is now 2.63% down from 3.95% just three months ago. Resolving nonperforming asset issues while minimizing loan loss expense remains our highest priority in these troubled economic times.

Despite the overwhelming economic issues, the Bank remains relatively strong with capital ratios well above the standard for well capitalized banks and improved net earnings. As always, your loyal support and continued trust is greatly appreciated.

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, 2008 were \$527 million, an increase of \$32 million when compared to September 30, 2007. During the same twelve month period, loans grew by \$52 million. Shareholders' equity is \$40 million, up \$2.4 million as compared to the same time last year. Capital ratios remain above the "well-capitalized" thresholds. Nonperforming assets as a percentage of total assets is 2.63%, up from 1.77%, twelve months earlier.

The Company earned \$461,000 during the third quarter of 2008. Return on average assets was 0.38% and return on average equity was 4.62%.

Financial Highlights

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(undulted)	9/30/08	9/30/07
Balance Sheet Data		
Total Assets Net Loans Total Deposits	\$526,835,000 476,469,000 418,815,000	\$494,418,000 423,974,000 435,758,000
Shareholders' Equity	40,127,000	37,741,000
Book Value Per Share	\$19.57	\$20.04
Shares Issued and Outstanding	2,050,392	1,883,092
Capital Ratios (The Business Bank of St. Louis)		
Tier 1 Risk-based Capital Tier 2 Risk-based Capital Leverage Ratio	9.69% 10.94% 9.94%	10.65% 12.33% 9.59%
Asset Quality		
Nonperforming Loans to Total Loans Nonperforming Assets to Total Assets	2.46% 2.63%	1.74% 1.77%
	Quarter Ended 9/30/08	Nine Months Ended 9/30/08
Net Earnings	\$461,000	\$1,504,000
Diluted Earnings Per Share (EPS)	\$0.21	\$0.71
Performance Ratios		
Return on Average Assets Return on Average Equity Net Interest Margin	0.38% 4.62% 2.88%	0.42% 5.22% 3.03%
Efficiency Ratio	66.31%	63.49%



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

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BRIEFLY NOTED

Warrants

If you are a warrant holder, you should have received a letter dated October 29, 2008 with instructions on how to exercise those warrants. The deadline to exercise is December 5, 2008 at 5:00pm. If you did not receive the letter or have questions, please contact Brian Leeker (314) 556-6788.

Fulcrum Securities

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