FENTURA FINANCIAL, INC.
Fenton, Michigan

FORWARD LOOKING STATEMENTS

This letter contains forward looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and about the Corporation itself. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "projects," variations of such words and similar expressions are intended to identify such forward looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors"), which are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecast in such forward looking statements. The Corporation undertakes no obligation to update, amend or clarify forward looking statements as a result of new information, future events, or otherwise.

Future Factors that could cause a difference between an ultimate actual outcome and a preceding forward looking statement include, but are not limited to, changes in interest rate and interest rate relationships, demands for products and services, the degree of competition by traditional and non-traditional competitors, changes in banking laws or regulations, changes in tax laws, change in prices, the impact of technological advances, government and regulatory policy changes, the outcome of pending and future litigation and contingencies, trends in customer behavior as well as their ability to repay loans, and the local and national economy.

FENTURA FINANCIAL, INC.
Fenton, Michigan

2012 Letter to Shareholders

Dear Shareholder:

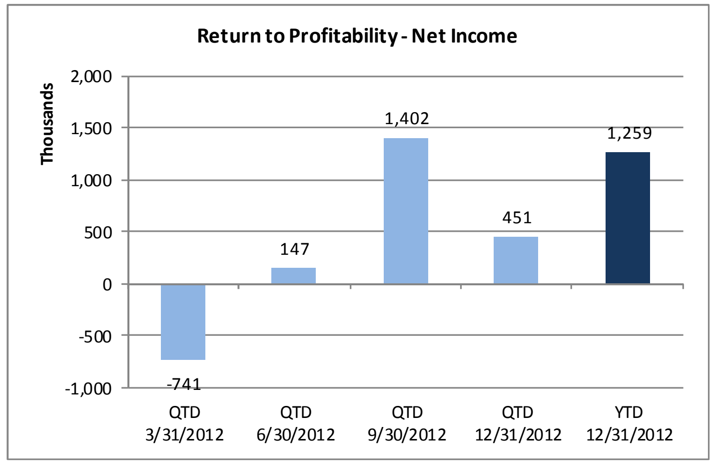
I am proud to report that after five years of operating losses we returned to profitability for the year ended December 31, 2012. Following an operating loss in the first quarter driven primarily by provision for loan losses, we reported quarterly profits of $147,000, $1.40 million, and $451,000 for the second, third and fourth quarters of the year, respectively.

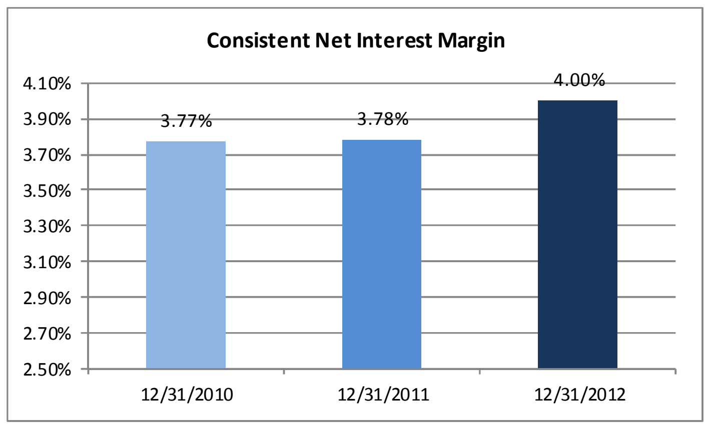
Overall for the year we reported net income of $1.26 million or $0.52 per share compared to a loss of $1.51 million or $0.65 per share for 2011.

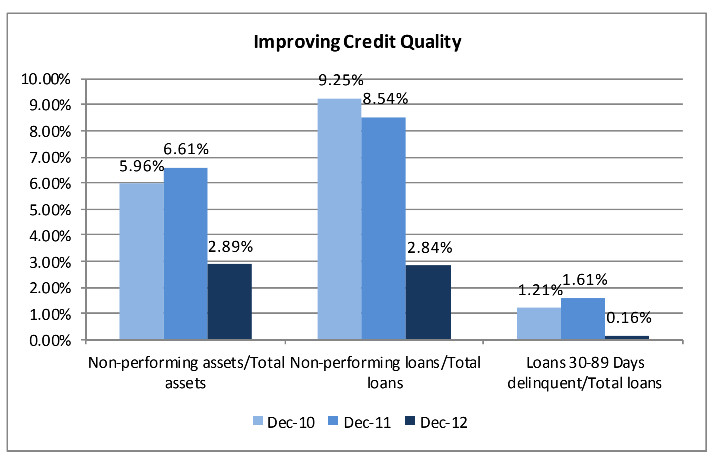
At last year's annual meeting we informed you that the Board and management were nearing completion of a Business Plan for 2012/2013. Once the Plan was finalized, the team immediately began execution of initiatives to stabilize financial performance to position the Company for the future. At the end of 2012, goals regarding three of the most critical areas of the Plan, profitability, capital, and asset quality had been achieved.

Our net interest income for the year increased modestly to $10.25 million from the $10.16 million reported for 2011 while our net interest margin, at 4.00% in 2012 strengthened by 22 basis points from the 3.78% reported for 2011. The strengthening of our net interest margin is primarily attributable to a declining cost of funds, as the Company eliminated all remaining brokered funding during the year and time deposits matured and either re-priced at lower rates or were placed in non-interest bearing deposit accounts.

Importantly, we dramatically strengthened the risk profile of the Company by improving asset quality and enhancing our control environment throughout 2012. At the beginning of year, assets considered substandard, largely loans, totaled $29.37 million, at year end these assets were reduced to $13.17 million, a reduction of 55%. Non-performing loans were only a third of the level reported just one year ago at 2.84% of total loans. Our delinquency rate, loans 30 to 89 days past due to total loans, at 0.16% is considered outstanding and is a strong indicator of our improving trends. These trends were made possible largely due to aggressive collection and resolution efforts that will be continued in the future. Management anticipates that continuation of these trends would lead to a decrease in the level of troubled assets in future periods as delinquency rate is commonly used as a leading indicator of future troubled assets.







These improved asset quality trends eliminated the need for any additional provision for loan losses during 2012 and allowed for the reversal of $508,000 provided in previous years. At year end 2012 our allowance for loan losses totaled $4.96 million or 2.48% of total loans, still strong relative to historical levels.

The improved asset quality was key to the strengthening of both profitability and our capital position. Both Fentura and the Bank's capital improved organically from operating results and are now consistent with levels considered well capitalized at 7.00% and 8.73%, respectively.

As we look forward into 2013, our priorities are clear:

- We will continue efforts to further improve asset quality.
- We will focus on reducing cash and cash equivalents through prudent loan growth.
- We will continue to focus on our strong risk profile for all business lines.
- We will focus on improving efficiency, managing expense levels and expanding opportunities to enhance non-interest revenue.
- We will focus on maintaining an above average net interest margin compared to peer banks, by ensuring that our cost of funding and yields on assets are prudent, yet competitive with an emphasis on relationship pricing.
- We will remain true to our historical values relating to our team by providing a fair and ethical work environment.
- Recognizing that in our markets we are THE community Bank and that our communities are key to our success, we remain committed to them and will strive to be an appropriate resource of leadership, funding, support, and commerce.

I am very pleased with our progress in the execution of our business plan in 2012. Our efforts have led Fentura to return to profitability and emerge from one of the worst economic cycles in banking history prepared for the future.

Thank you for your continued loyalty and support.

Ronald L. Justice