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," and 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

2014 Letter to Shareholders

Dear Shareholder:

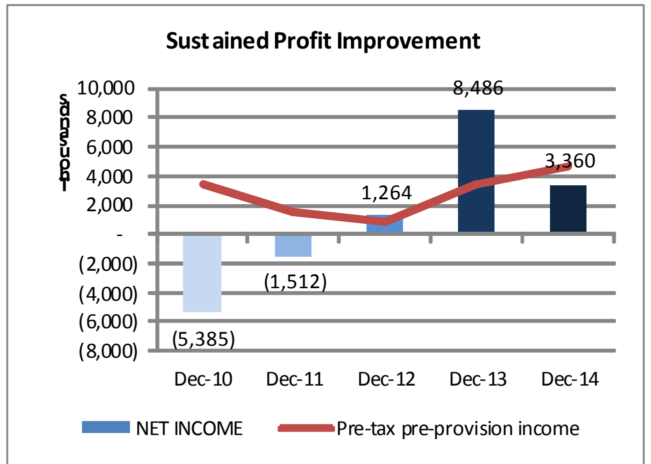
2014 was another year of solid financial performance for Fentura Financial, Inc. (the "Corporation" or "Fentura"). I am pleased with our strong improvement in earnings from core operations throughout the year. Key to our success is the significant growth of both loans and deposits achieved throughout 2014 and the increase in net interest income realized from this growth.

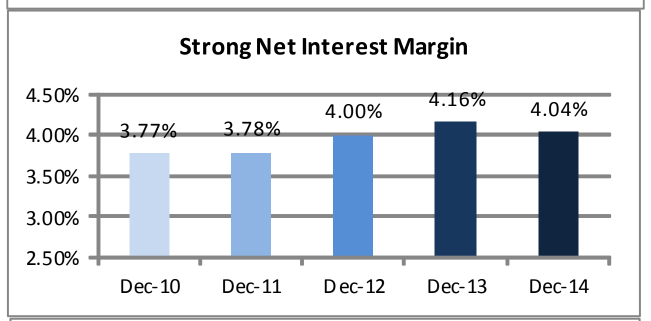
I am also pleased to report that the total return to shareholders for 2014, including both dividends and stock price appreciation, was 42.2%. This exceptional level of return was supported by the quarterly dividends paid in 2014, and our strong performance and strengthened market for the Corporation's stock.

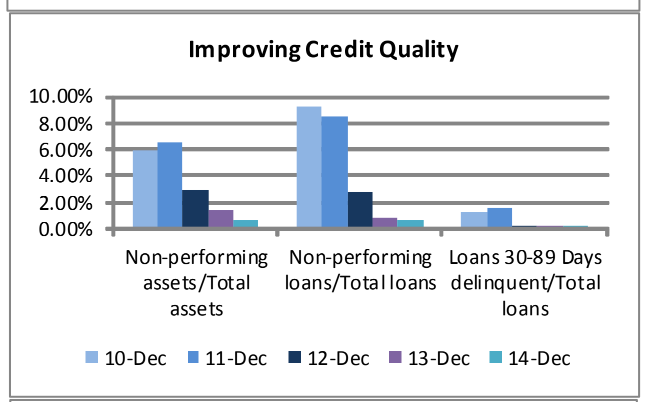
For the year, Fentura reported net income of $3.4 million or $1.35 per share compared to the $8.5 million or $3.44 per share reported for 2013. Pre-tax net income was $5.1 million or $2.03 per share in 2014, or an increase of 51.1% compared to the pre-tax net income of $3.4 million or $1.36 per share reported in 2013. Net income for 2013 reflects the reversal of the deferred tax asset valuation allowance of $4.9 million disallowed in previous years.

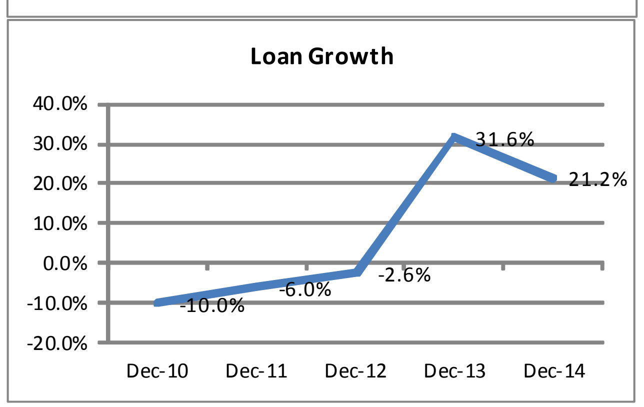
Our interest income for the year increased 17.4% to $14.7 million from the $12.5 million reported for 2013 while our net interest margin, at 4.04% declined by 12 basis points from the 4.16% reported for 2013. The strengthening of net interest income is attributable to an increase of interest income from loan growth throughout the year. Funding costs increased in 2014 compared to 2013 primarily from growth of certificates of deposit during the year. The modest net interest margin decline is primarily attributable to a lower yield on earning assets in 2014 based on the pricing of new loans booked throughout the year .

Other operating income in 2014, at $5.7 million, increased $142,000, or 2.5% from the $5.6 million reported in 2013. Gains on sales of securities and increased income from Trust and Investment services based on growth from new clients and a strengthened market were the primary contributors to the year-to-year increase.









Other operating expenses at $14.0 million in 2014, increased approximately $794,000, or 6.0% from the $13.2 reported in 2013. The increase in noninterest expense in 2014 is primarily based on an increase in salary and benefits expense. Salary and benefits expense increased in 2014 based on general annual salary increases, the rising costs of providing medical benefits, the return to historical levels of the Corporation's 401k match, and the reinstatement of a formal bonus program.

Total assets increased $19.9 million or 4.8% at December 31, 2014 compared to September 30, 2014, ending the year at $393.6 million. Cash and due from banks totals increased 31.0%, to $19.5 million at December 31, 2014 compared to the $14.9 million reported at September 30, 2014. This increase was primarily attributable to an increase in funding from deposit growth. Loan balances increased $16.5 million or 5.5% during the same period. Loans increased from continued efforts to grow the Bank's client base. During the quarter, the Bank experienced growth in both its mortgage and commercial loan portfolios. Loans totaled $320.0 million at December 31, 2014. During 2014 loans increased $56.0 million or 21.2% when compared to December 31, 2013. The increase in loans occurred from the Corporation's efforts to grow its loan portfolio with new and existing clients.

Deposit totals of $327.9 million at December 31, 2014, showed an increase of $7.6 million or 2.4% compared to the $320.3 million reported at the end of the prior quarter. Deposits increased $44.6 million or 15.7% in 2014 when compared to amounts outstanding at December 31, 2013. The increase throughout the year occurred in both core and non-core deposits as the Corporation continued efforts to grow its client base. Further, time deposits were used to lengthen the duration of the Corporation's funding and manage interest rate risk.

Consistent with our performance for 2013, we continued to strengthen the risk profile of the Corporation by improving asset quality throughout 2014. At the beginning of year, assets considered substandard, largely loans, totaled $6.2 million, at year end these assets were reduced to $3.2 million, a reduction of 38.7%. Our loan delinquency rate, defined as loans 30 to 89 days past due (including non-accrual loans) to total loans, was 0.06% at year end which is considered outstanding and is a strong indicator of our improving trends . These trends were made possible largely due to our continued aggressive collection and resolution efforts for these assets throughout the year. Management anticipates that these trends will continue to minimize the level of troubled assets in future periods as delinquency rate is a leading indicator of future levels of troubled assets.

Similarly to the previous two years, improved asset quality trends eliminated the need for any additional provision for loan losses during 2014, and in fact contributed to a reversal of $450 thousand from the allowance. At year end 2014 our allowance for loan losses totaled $4.4 million or 1.4% of total loans.

The improved asset quality was key to the strengthening of both profitability and our capital position. Both Fentura and the Bank's tier 1 leverage capital improved organically from operating results and continue to be consistent with levels considered well capitalized by the industry at 9.3% and 9.7%, respectively.

As we look forward into 2015, our priorities are once again clear:

- We will continue to expand and manage our balance sheet through prudent loan and deposit growth.
- Efforts to improve our efficiency will continue through managing expense levels and seeking new opportunities to enhance non-interest revenue.
- Balance sheet pricing will be managed in order to maintain an above peer group average net interest margin, ensuring that our deposit and loan rate offerings are competitive yet are balanced with our risk profile.
- A focus on maintaining trends to enhance asset quality will continue.
- We will remain true to the spirit of community banking in our markets while seeking growth and business expansion opportunities.
- We will strive for a culture and level of performance that exceeds the expectations of our shareholders, employees, customers, and communities.
- We will seek to maximize shareholder value through our performance and management actions to improve share price.

I am pleased with our operating results detailed above, and believe that our financial strength, business plan, and team of dedicated bankers have prepared the Corporation for a prosperous future.

Thank you for your support.

Ronald L. Justice

President and CEO

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