

2008 ANNUAL MEETING

FORREST SHOOK

(DRAFT)

**SINCE I WAS FIRST ELECTED
CHAIRMAN OF FENTURA FINANCIAL,
INC.,----MY ANNUAL MEETING COMMENTS
HAVE GENERALLY BEEN FOCUSED ON
COMPANY GROWTH AND EXPANSION---
AND OUR OUTLOOK FOR THE FUTURE.
UNFORTUNATELY, OUR PERFORMANCE
DURING 2007 AND THE OUTLOOK FOR THE
MICHIGAN ECONOMY DURING 2008 AND**

**BEYOND DEMANDS THAT I CHANGE THE
THEME OF MY SPEECH THIS YEAR.**

**I THINK IT IS SAFE TO SAY THAT
BOTH THE SPEED AND THE MAGNITUDE
OF THE FINANCIAL DECLINE
EXPERIENCED BY FENTURA IN 2007 WAS A
SURPRISE TO ALL OF US---INCLUDING
YOUR BANK AND HOLDING COMPANY
DIRECTORS. THE COLLAPSE OF THE
RESIDENTIAL HOUSING INDUSTRY, THE
EVAPORATION OF NEW HOME BUYERS,
THE UNPRECEDENTED INCREASE IN
FORECLOSURES AND THE DOWNWARD**

SPIRAL OF REAL ESTATE VALUES CAUGHT US ALL OFF GUARD. THESE PROBLEMS LED TO UNPRECEDENTED ACTION BY OUR BANKERS AND BANK DIRECTORS TO ADD SUBSTANTIALLY TO THE PROVISION FOR POSSIBLE LOAN LOSSES DURING THE THIRD QUARTER---RESULTING IN THE FIRST ANNUAL OPERATING LOSS IN THE HISTORY OF FENTURA.

UNFORTUNATLY, THE ADDITIONAL LOAN LOSS PROVISION EXPENSE RESULTED IN A MODEST LOSS FOR THE FIRST QUARTER OF THIS YEAR AS WELL.

THIS SET THE STAGE FOR THE VERY DIFFICULT DECISION TO SUSPEND THE DIVIDEND THAT OTHERWISE WOULD HAVE BEEN PAID TO SHAREHOLDERS THIS MONTH. AS DON MENTIONED IN HIS SPECIAL LETTER TO YOU, THIS WAS CLEARLY ONE OF THE MOST DIFFICULT DECISIONS YOUR BOARD HAS EVER HAD TO MAKE. SINCE THE COMPANY WAS FORMED, OUR BANKS HAVE ALWAYS BEEN WELL CAPITALIZED AS MEASURED BY REGULATORY STANDARDS. THE DECISION BY THE BOARD WAS BASED ON

**THE BELIEF THAT IT WAS IN THE
COMPANY'S BEST INTEREST TO
PRESERVE AND PROTECT CAPITAL GIVEN
OUR OPERATING PERFORMANCE, THE
DECLINING TREND IN REAL ESTATE
VALUES AND CONTINUED CONCERNS
ABOUT THE OVERALL MICHIGAN AND U.S.
ECONOMY. HAVING SAID THAT----WE ARE
ANTICIPATING THAT THE
IMPLEMENTATION OF ONE OF MORE OF
THE STRATEGIC ALTERNATIVES DON
MENTIONED IN HIS SPEECH----OR THE
RETURN TO PROFITABILITY OF OUR**

**BANKS WILL ALLOW US TO RESUME
PAYING THE DIVIDEND IN THE NOT TOO
DISTANT FUTURE.**

**I BELIEVE THAT DON HAS
ADEQUATELY ADDRESSED THE
PROBLEMS OF 2007 AND THE ACTIONS WE
HAVE TAKEN TO IMPROVE OUR
PERFORMANCE. AND WHILE I DON'T
WANT TO MINIMIZE THE SERIOUSNESS OF
THE PROBLEMS, I DO WANT US TO FOCUS
ON SOME OF THE POSITIVE
PERFORMANCE TRENDS AND QUIET**

SUCSESSES WE ARE ACHIEVING IN SPITE OF THE OVERALL PROBLEMS WE FACE.

FOR EXAMPLE, OUR CORE OPERATING PERFORMANCE REMAINS PRETTY SOUND. OUR NET INTEREST INCOME OF \$20.6 MILLION IN 2007 WAS THE THIRD HIGHEST WE'VE EVER ACHIEVED. ADDITIONALLY, OUR NON INTEREST INCOME OF \$7.6 MILLION WAS THE SECOND HIGHEST ON RECORD---AND THAT WAS IN SPITE OF A DRAMATIC DECLINE IN MORTGAGE FEE INCOME CONNECTED WITH THE HOUSING DECLINE.

ANOTHER BRIGHT SPOT IN OUR FINANCIAL PERFORMANCE INVOLVES THE WEALTH MANAGEMENT AREA WHICH INCLUDES FINANCIAL PLANNING, BROKERAGE, TRUST, INVESTMENT MANAGEMENT, AND INSURANCE SERVICES. REVENUES ASSOCIATED WITH THESE PRODUCT LINES HAVE INCREASED MORE THAN 10% FOR EACH OF THE LAST TWO YEARS AND ARE EXPECTED TO APPROACH A 15% YEAR-TO-YEAR GROWTH RATE DURING 2008. SINCE WEALTH MANAGEMENT DOLLARS ARE

“OFF BALANCE SHEET” YOU DON’T SEE THEM DISPLAYED IN OUR FINANCIAL STATEMENTS----BUT IT IS IMPORTANT THAT YOU REALIZE THAT WE CURRENTLY MANAGE \$316 MILLION IN OUR WEALTH MANAGEMENT AREA. WE HAVE CREATED A CONSOLIDATED COMPANY WIDE MARKETING LOOK AND LOGO FOR THESE PRODUCTS---AND WE HAVE ADDED NEW TECHNOLOGY AND ADDITIONAL HUMAN RESOURCES IN AN ATTEMPT TO CONTINUE TO GROW THIS IMPORTANT PRODUCT LINE.

ANOTHER EMERGING GROWTH STRATEGY INVOLVES OUR INVESTMENT IN VALLEY CAPITAL BANK IN ARIZONA. PLANS FOR THIS EXCITING EXPANSION STEP WERE FIRST REPORTED TO YOU AT OUR ANNUAL MEETING LAST YEAR AND THE TRANSACTION WAS CLOSED IN SEPTEMBER OF 2007. WHILE ONLY IN ITS 5TH MONTH OF NEW OWNERSHIP, VALLEY CAPITAL BANK IS ON TRACK TO ACHIEVE PROFITABILITY THIS YEAR AND CONTRIBUTE POSITIVELY TO THE BOTTOM LINE PERFORMANCE OF

FENTURA. ADDITIONALLY, CERTAIN VALLEY CAPITAL BANK COMMERCIAL LOAN ORIGINATION AND UNDERWRITING CAPABILITIES HAVE BEEN SHARED WITH FENTURA BANKERS TO ASSIST OUR BANKS IN EXPANDING THEIR LOAN PORTFOLIOS AND GENERATING NEW SOURCES OF FEE INCOME.

OUR MOST EXCITING GROWTH AND EXPANSION INITIATIVE INVOLVES THE FORMATION OF LIVINGSTON COMMUNITY BANK. WE ACQUIRED AND RENOVATED THE FORMER METRO TITLE BUILDING IN

**DOWNTOWN BRIGHTON TO HOUSE
LIVINGSTON COMMUNITY BANK----A
DIVISION OF THE STATE BANK. THE
VERY SUCCESSFUL GRAND OPENING OF
THIS BEAUTIFUL FACILITY WAS HELD
JUST TWO WEEKS AGO AND WE HAVE
BEEN WELL RECEIVED IN THE BRIGHTON
AND LIVINGSTON COUNTY AREA. HAVING
STARTED AS A LOAN PRODUCTION
OFFICE, THIS BANK HAS GROWN TO OVER
\$60 MILLION DOLLARS IN TOTAL ASSETS
IN ITS SHORT 3 1/2 YEAR HISTORY. YOU
MET CHAIRMAN KEN BURCHFIELD,**

**PRESIDENT TOM BELL AND THE OTHER
LIVINGSTON COMMUNITY BANK
DIRECTORS EARLIER TONIGHT, AND
PICTURES FROM THE OPEN HOUSE ARE
AVAILABLE FOR VIEWING NEAR THE EXIT
AS YOU LEAVE THIS EVENING.**

**WHILE WE REMAIN CONCERNED
ABOUT ASSET QUALITY AND THE
ECONOMY, WE ANTICIPATE THAT 2008
WILL BE A SPRINGBOARD TO IMPROVED
FINANCIAL PERFORMANCE FOR YOUR
COMPANY. YOUR BOARDS OF DIRECTORS
ARE EXAMINING ALL TYPES OF**

**STRATEGIC AND TACTICAL OPTIONS TO
IMPROVE OUR PERFORMANCE. WE
RECOGNIZE THE SERIOUSNESS OF OUR
PROBLEMS AND WE ACKNOWLEDGE
THAT THE TURNAROUND IS A DAUNTING
TASK-----BUT WE ALSO BELIEVE THAT
WE HAVE THE RIGHT PEOPLE IN PLACE
TO DO THE JOB. YOU ARE REPRESENTED
BY DEDICATED AND COMMITTED
DIRECTORS WHO GIVE A SUBSTANTIAL
AMOUNT OF TIME AND ENERGY TO ASSIST
IN GUIDING OUR BANKS. SIMILARLY,
YOUR OFFICERS, MANAGERS AND**

EMPLOYEES ARE SINCERELY DEDICATED TO ACHIEVING IMPROVED FINANCIAL PERFORMANCE.

THE BANKING INDUSTRY IS EXPERIENCING TRYING TIMES, AND YOUR COMPANY IS NOT ALONE. MOST MICHIGAN BANKS AND BANK HOLDING COMPANIES ARE EXPERIENCING DEPRESSED STOCK PRICES AND WEAKENED OPERATING PERFORMANCE BECAUSE OF THE ECONOMY.

WE SINCERELY APPRECIATE YOUR PATIENCE AND YOUR SUPPORT AS WE

**WORK DILIGENTLY ON YOUR BEHALF TO
RETURN YOUR COMPANY TO
PROFITABILITY AND ONCE AGAIN
ACHIEVE THE KIND OF RETURN ON
INVESTMENT THAT YOU HAVE
HISTORICALLY ENJOYED.**

**THANK YOU FOR YOUR ATTENTION,
AND AT THIS TIME DON WILL JOIN ME AT
THE PODIUM TO ANSWER ANY QUESTIONS
THAT YOU MAY HAVE.**