

FIRST QUARTER 2009 REPORT TO SHAREHOLDERS

For the first quarter of 2009, Fentura Financial, Inc. reported an operating loss of \$1,659,000 or \$0.76 per share, as compared to a \$628,000 or \$0.29 per share loss reported following the first quarter of 2008. The current period loss was primarily a result of two factors. First, as real estate values continue to drop, we are required to reduce the carrying value of real estate collateral we have acquired through foreclosure or other debt settlement actions. Additionally, we are required to reduce the carrying balance of troubled real estate loans as the value of the collateral declines due to market conditions. Second, we recorded a preliminary book value loss on the sale of Davison State Bank of \$700,000, along with the accrual of \$150,000 in related transaction costs in conjunction with an agreement to sell this bank. While the sale is not expected to close until the third quarter of this year, accounting standards require that we recognize the impact of the transaction during the first quarter. As was mentioned at the Annual Shareholder Meeting, the sale of Davison State Bank results in certain future tax benefits that are projected to offset this loss during future quarters.

Total assets remained relatively flat compared to year-end 2008, but declined about 5% from the first quarter of 2008. On a year-to-year basis, net loans declined about \$20 million while total deposits declined about \$8 million. Loan demand has clearly softened because of the economy. Additionally, we are working hard to reduce troubled loan balances and price deposits to achieve the proper balance with loan outstandings and liquidity needs. We have included new line items on the balance sheet entitled Assets and Liabilities of Held for Sale Operations which reflect the assets and liabilities to be removed from the balance sheet in connection with the planned sale of Davison State Bank.

Clearly, this recession continues to plague our overall financial performance as the provision for loan losses and asset write downs continue to exceed our underlying "core earnings from operations" which remains sound. Economists are beginning to suggest, and there are signs that this recession may be at or near the bottom of the cycle. However, a GM bankruptcy in addition to the Chrysler bankruptcy, will create new challenges for the Michigan economy. As the economy and real estate values stabilize, our financial performance will begin to improve.

For those of you who were unable to attend the Annual Shareholder Meeting, I do want you to know that the speeches delivered at the annual meeting are on our website for your review at www.fentura.com. As always, if you have any questions you can contact me directly at donalddg@fentura.com or at (810) 714-3985.

Sincerely,



Donald L. Grill
President & CEO