

November 10, 2009

To Our Shareholders:

During the third quarter of 2009, Fentura Financial, Inc. experienced a net loss of \$847,000 or \$0.38 per share as compared to a profit of \$295,000 or \$0.14 per share for the same period in 2008. Elevated provision for loan loss expense was the primary reason for the deterioration in performance compared to the prior year. While loan loss provision expense remains high, we did sense some stabilization in loan collateral values during the quarter. Since the third quarter of 2007, eroding real estate values have dramatically weakened collateral values resulting in substantial provision for loan loss expense as a result of the weak economy and its impact on many of our borrowers.

Notwithstanding loan loss provision expense, our core bank operating performance remains sound. While net interest income during the quarter was down \$436,000 compared to the prior year, the decline was substantially offset by a \$300,000 increase in non-interest income. Although salary and benefit expense declined \$405,000 in comparing the quarters, increases in loan and collection expense and FDIC insurance expense resulted in a 4.2% increase in overall operating expense.

On a year to date basis, substantially higher loan loss provision during 2009 coupled with the valuation allowance taken against deferred tax assets during the second quarter created a 2009 net loss of \$17,871,000 or \$8.13 per share compared to a net loss of \$2,501,000 or \$1.15 per share in 2008.

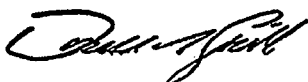
The capital depletion challenge discussed in the second quarter letter to shareholders resulted in a decision to manage toward reductions in loans, deposits and total assets to improve the capital ratio of the company and the subsidiary banks. As indicated on the Statement of Condition, total assets and net loans declined 5.5% and 11.2% respectively since the close of the third quarter 2008. While total deposit levels remained comparable, the asset reductions allowed the banks to reduce their reliance on selected high cost funding sources and improve the net interest margin.

While the financial challenges we face continue to be daunting, there are signs that the challenges may be subsiding. Most economists believe the recession has ended, although unemployment remains high and the economic recovery may be slow. We have begun to detect stabilizing residential real estate values and we have been successful in selling acquired properties at, or near "carrying values". While we continue to await regulatory action regarding the pending sale of Davison State Bank, we also continue to evaluate other initiatives that may be taken to strengthen the financial condition of the company. In spite of the problems we have faced during the past two years, our banks remain adequately capitalized and our employees continue to meet or exceed customer expectations in providing high quality financial products and services to our loyal customers.

During the third quarter, Thomas Miller, Director of both Fentura Financial, Inc. and The State Bank stepped down from his director position for personal and professional reasons. We thank Tom for his years of dedicated service to our company.

As always, we appreciate your continued support of Fentura Financial, Inc. and the subsidiary banks.

Sincerely,



Donald L. Grill  
President & CEO

**Fentura Financial Inc.**  
**Consolidated Statement of Condition**  
*(000's omitted except per share data)*  
*Unaudited*

	Sept. 30, 2009	2008
<b>ASSETS</b>		
Cash and due from banks	\$ 18,814	\$ 11,687
Federal Funds Sold	27,250	1,200
<b>Total cash and cash equivalents</b>	<u>46,064</u>	<u>12,887</u>
Securities available for sale, at fair value	48,405	49,082
Securities held to maturity (fair value of \$5,636 at Sept. 30, 2009 and \$0,000 at Sept. 30, 2008)	5,577	5,874
<b>Total securities</b>	<u>54,982</u>	<u>55,956</u>
Loans held for sale	1,434	1,461
Commercial loans	286,438	282,862
Construction loans	34,072	53,517
Consumer loans	50,438	34,792
Real estate loans	30,829	56,084
<b>Total loans</b>	<u>393,777</u>	<u>427,265</u>
Less: Allowance for loan losses	(14,465)	(10,022)
<b>Net loans</b>	<u>369,292</u>	<u>417,243</u>
Bank premises and equipment	16,111	17,189
Accrued interest receivable	2,020	2,274
Bank-owned life insurance	7,138	7,201
Goodwill	-	7,955
Assets of held for sale operations	41,196	46,550
Other assets	16,755	16,633
<b>Total assets</b>	<u>\$ 554,992</u>	<u>\$ 587,359</u>
<b>LIABILITIES</b>		
Noninterest bearing deposits	\$ 63,786	\$ 69,601
Interest bearing deposits	405,080	397,533
<b>Total deposits</b>	<u>468,866</u>	<u>467,134</u>
Short-term borrowings	34	2,375
Other borrowings	9,981	13,007
Subordinated debt	14,000	14,000
Liabilities of held for sale operations	38,164	42,936
Accrued taxes, interest and other liabilities	4,400	1,706
<b>Total liabilities</b>	<u>535,445</u>	<u>541,158</u>
Common stock - 0,000,000 issued (2,190,571 in 2008)	42,883	42,738
Retained earnings	(22,548)	4,987
Accumulated other comprehensive income (loss)	(788)	(1,524)
<b>Total stockholders' equity</b>	<u>19,547</u>	<u>46,201</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 554,992</u>	<u>\$ 587,359</u>

**Fentura Financial Inc.**  
**Consolidated Statement of Income**  
*(000's omitted except per share data)*  
*Unaudited*

	Three Months Ended Sept. 30, 2009	2008
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 5,836	\$ 7,013
Interest and dividends on securities:		
Taxable	404	468
Tax-exempt	135	148
Interest on short-term securities	1	31
<b>Total interest income</b>	<u>6,476</u>	<u>7,659</u>
<b>INTEREST EXPENSE</b>		
Deposits	2,277	2,892
Borrowings	227	350
<b>Total interest expense</b>	<u>2,504</u>	<u>3,242</u>
<b>NET INTEREST INCOME</b>	<u>3,972</u>	<u>4,408</u>
Provision for loan losses	1,940	700
<b>Net interest income (loss) after provision for loan losses</b>	<u>2,032</u>	<u>3,708</u>
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	519	651
Trust and investment services income	458	456
Gain on sale of loans	100	42
Other operating income	403	270
Gain (loss) on equity investment	-	(239)
<b>Total noninterest income</b>	<u>1,480</u>	<u>1,180</u>
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	2,129	2,534
Occupancy of bank premises	428	453
Equipment expense	385	453
Loss on equity impairment	-	233
Other operating expenses	2,038	1,104
<b>Total noninterest expense</b>	<u>4,980</u>	<u>4,777</u>
<b>NET INCOME (LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<u>(1,468)</u>	<u>111</u>
Federal income taxes (benefit)	(332)	(101)
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>(1,136)</u>	<u>212</u>
<b>NET INCOME (LOSS) FROM HELD FOR SALE OPERATIONS, NET OF TAX</b>	<u>288</u>	<u>83</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (847)</u>	<u>\$ 295</u>
<b>Per share amounts:</b>		
<b>INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:</b>		
Net income - basic	\$ (0.51)	\$ 0.10
Net income - diluted	\$ (0.51)	\$ 0.10
<b>NET INCOME (LOSS) PER SHARE:</b>		
Net income - basic	\$ (0.38)	\$ 0.14
Net income - diluted	\$ (0.38)	\$ 0.14

**Fentura Financial Inc.**  
**Consolidated Statement of Income**  
*(000's omitted except per share data)*  
*Unaudited*

	Nine Months Ended Sept. 30, 2009	2008
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 18,399	\$ 21,364
Interest and dividends on securities:		
Taxable	1,213	1,503
Tax-exempt	418	403
Interest on short-term securities	1	139
<b>Total interest income</b>	<u>20,031</u>	<u>23,409</u>
<b>INTEREST EXPENSE</b>		
Deposits	7,503	9,702
Borrowings	829	1,259
<b>Total interest expense</b>	<u>8,332</u>	<u>10,961</u>
<b>NET INTEREST INCOME</b>	<u>11,699</u>	<u>12,448</u>
Provision for loan losses	11,306	5,155
<b>Net interest income (loss) after provision for loan losses</b>	<u>393</u>	<u>7,293</u>
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	1,435	1,871
Trust and investment services income	1,285	1,428
Gain on sale of loans	612	260
Other operating income	1,473	1,089
Gain (loss) on equity investment	(1,360)	(696)
<b>Total noninterest income</b>	<u>3,445</u>	<u>3,952</u>
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	6,752	8,126
Occupancy of bank premises	1,378	1,450
Equipment expense	1,212	1,432
Loss on equity impairment	200	843
Other operating expenses	6,896	3,251
<b>Total noninterest expense</b>	<u>16,128</u>	<u>15,102</u>
<b>NET INCOME (LOSS) BEFORE TAXES</b>	<u>(12,290)</u>	<u>(3,857)</u>
Federal income taxes (benefit)	5,028	(1,659)
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>(7,316)</u>	<u>(2,967)</u>
<b>NET INCOME (LOSS) FROM HELD FOR SALE OPERATIONS, NET OF TAX</b>	<u>(655)</u>	<u>(134)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (7,971)</u>	<u>\$ (2,501)</u>
<b>Per share amounts:</b>		
<b>INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:</b>		
Net income - basic	\$ (7.88)	\$ (1.09)
Net income - diluted	\$ (7.88)	\$ (1.09)
<b>NET INCOME (LOSS) PER SHARE:</b>		
Net income - basic	\$ (8.13)	\$ (1.15)
Net income - diluted	\$ (8.13)	\$ (1.15)

**Financial Highlights**  
*\$ in thousands except per share data*  
*Unaudited*

	2009	2008	% Change
Net income	\$ (7,971)	\$ (2,501)	% 614.55
Return on average total equity	3.53	(3.83)	% (182.17)
Return on average assets	(0.15)	(0.31)	% (51.61)
Net interest margin	3.40	3.38	% 0.69
Efficiency ratio	105.60	91.93	% (14.87)
<b>Per Common Share:</b>			
Net income - basic	(\$8.13)	(\$1.15)	606.96
Net income - diluted	(\$8.13)	(\$1.15)	606.96
Book value	\$8.78	\$21.19	(58.57)
Market price (last trade)	\$2.00	\$7.25	(72.41)

**Forward Looking Statements**

This report includes "forward-looking statements" as that term is used in the securities laws. All statements regarding our expected financial position, business and strategies are forward-looking statements. In addition, the words "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. The presentation and discussion of the provision and allowance for loan losses and statements concerning future profitability or future growth or increases, are examples of inherently forward looking statements in that they involve judgments and statements of belief as to the outcome of future events. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and our future prospects include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in our market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning us and our business, including additional factors that could materially affect our financial results, is included in our other filings with the Securities and Exchange Commission.