

November 15, 2010

To Our Shareholders:

While we incurred an operating loss during the third quarter of 2010, our performance on a year-to-date basis, reflects improvement over 2009. Extraordinary loan loss provision expense continues to offset the positive results achieved in the net interest margin and in various fee income areas.

For the quarter ended September 30, 2010, Fentura Financial, Inc. reported an operating loss of \$2,337,000, or \$1.03 per share. At the close of the third quarter of 2009, Fentura reported an operating loss of \$847,000, or \$0.38 per share. For both calendar year quarters, extraordinary loan loss provision created the operating losses as many bank borrowers continue to struggle in making their loan repayment obligations. Non-performing asset totals declined \$5,777,000 or 16.6% from the end of the third quarter 2009 through 2010. The subsidiary banks have been successful in dealing effectively with non-performing assets, in part, by selling such assets at or near carrying values. While many of our borrowers continue to experience financial stress because of the recession, we are finally beginning to see some stabilization of property values and an improvement in the financial condition of some borrowers.

On a year to date basis, the 2010 operating loss of \$5,600,000, or \$2.47 per share reflects improvement from the \$17,871,000 or \$8.13 per share loss in 2009. The improvement in the year to year performance reflects improvement in the bank's overall asset quality. Similar to the results for the quarter, extraordinary loan loss provision dominated the financial results for both year to date periods.

Asset quality problems aside, the company has achieved year over year improvement in the areas of net interest margin, non interest income and non interest expense. The 2010 year to date net interest margin of 3.66% reflects a 26 basis point improvement over the margin through the same period in 2009. Similarly, year to date 2010 non interest income of \$4,088,000 exceeded the 2009 year to date total by \$843,000 or 26.0%. The continued focus on expense control at the subsidiary banks is apparent as total operating expenses declined \$1,644,000 on a year to date basis between 2009 and 2010.

Total assets reflect a sharp decline of \$105,614,000 between September 30, 2009 and September 30, 2010. Approximately half of the decline is attributable to the sale of Davison State Bank which took place in April of 2010. The remaining portion of the decline is a result of asset and liability management strategies employed by the banks to reduce the size of the bank balance sheets to maintain adequate levels of capitalization. At

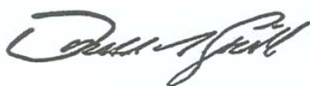
September 30, 2010, both subsidiary banks were considered adequately capitalized by regulatory standards. Continued operating losses caused a \$3,475,000 decline in shareholders equity on a year to year basis.

In late October, Fentura received authorization from the Federal Reserve Bank to form a special purpose subsidiary in connection with the planned sale of West Michigan Community Bank. This was the final regulatory approval required in connection with the proposed sale, which is now expected to take place prior to year-end 2010. As announced earlier in the year, Fentura has agreed to sell the bank to private investors in a transaction that will recover a \$9,484,000 investment in the bank and provide an approximate \$950,000 gain to Fentura. In a simultaneous transaction, Fentura will acquire certain non-performing assets from the bank to be housed and serviced from the newly formed Fentura subsidiary. As the non-performing assets are converted to performing loans or liquidated, the proceeds will be available to strengthen the capital position of The State Bank through paid-in-capital injections by Fentura. It is expected that completion of the sale will also increase the Tier 1 leverage capital ratio of Fentura from 4.61% to 6.58%.

I am pleased to announce two new appointments to the Board of Directors. JoAnne Shaw and Ronald Rybar were recently appointed as Directors of both Fentura Financial, Inc. and The State Bank. JoAnne is the founder and President of The Coffee Beanery, Ltd., originally formed in 1967 under the name Shaw Services. In 1985, with 8 retail locations, the company began franchising nationally and internationally, expanding to over 120 locations worldwide. JoAnne currently serves on the Board of Directors of the Dale Carnegie Corporation and is a member of the U of M Flint School of Management Board. She holds an honorary doctoral degree in management from Kettering University and she resides in the Fenton area. Ron Rybar is the founder and President of the Rybar Group, a Fenton Michigan based health care consulting company. He is also the founder and President of three real estate investment companies. A graduate of Kalamazoo College, Ron also holds an MBA Degree from the University of Detroit. He has served as President of the Great Lakes Chapter of Health Financial Management Association and he currently serves on the Small and Rural Hospital Council for the Michigan Health and Hospital Association. Ron currently serves as Interim CFO of Memorial Hospital headquartered in Owosso and he resides in the Fenton area.

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

Sincerely,



Donald L. Grill
President & CEO