



# Fentura Financial Inc. ---

January 29, 2010

Dear Fentura Shareholder:

I am pleased to inform you that Fentura reported a \$890,000 profit for the fourth quarter of 2009. As you are well aware, this is the first quarterly profit reported by your company since the Fall of 2008. While troubled loan related expense and loan loss provision remains elevated, those extraordinary expenses were offset by solid core bank operations and the favorable impact of new federal tax recapture legislation. Financial highlights for the quarter and for the full year are displayed on the reverse of this letter.

In spite of the financial difficulties we have endured during the past two years, all three Fentura subsidiary banks remain adequately capitalized. Additionally, we are finally beginning to see some signs of improved performance with certain types of loans and borrowers who have been struggling for several years. There are slight signs of improvement in the overall economy, and we have seen some indication that, in certain areas, property values are beginning to stabilize.

We are encouraged by the fourth quarter profit and optimistic about the potential for future profitability. During the quarter, Fentura fully recovered its investment in one of the newly formed Michigan banks invested in several years ago. Those funds were invested in The State Bank and West Michigan Community Bank to strengthen the capital levels of the banks. Similarly, once regulatory action is received approving the sale of Davison State Bank, the capital received from that transaction will also be used to strengthen the capital position of The State Bank and West Michigan Community Bank. Just prior to year-end, the Board of Directors of The State Bank entered into a Consent Agreement with the FDIC and Michigan Office of Financial and Insurance Regulation. The agreement establishes goals designed to address asset quality, improve earnings and strengthen the capital position of the bank.

As always, we stand prepared to respond to questions or concerns regarding your investment in Fentura Financial, Inc. or the performance of the company. In that regard, we will include a special questionnaire in your Proxy mailing package for the 2010 Annual Meeting which will allow you to submit your questions in advance of the meeting. In light of the economy and the financial challenges we face, your board has decided to change the annual meeting format for 2010. To reduce costs, the 2010 Annual Meeting will be held at 10:00 A.M. on Wednesday, April 28, 2010 at the Fenton Community and Cultural Center, located at 150 S. Leroy Street, Fenton, one block south of the Main Office of The State Bank.

We appreciate your continued support as we work diligently to return the company to consistent profitability and improve the value of your investment in the company.

Sincerely,

Donald L. Grill  
President & CEO