

LETTER TO SHAREHOLDERS

To Our Shareholders:

Following this letter, you will find a detailed discussion of our 2009 financial performance results along with our audited financial statements. The “Great Recession” which carried over into 2009, continued to negatively impact many of our customers, and accordingly, our company financial performance. The following themes summarize our performance for the year:

- Further declines in property values, continued stress in the housing industry and further weakening of the Michigan economy required a \$7.0 Million increase in Loan Loss Provision in 2009.
- Loan collection action necessitated by borrower inability to repay caused a \$2.7 Million increase in loan and collection expense.
- Core earnings (setting aside extra ordinary provision for loan losses and loan collection expense) remain positive at all subsidiary banks.
- Capital levels continued to meet regulatory adequately capitalized requirements at all subsidiary banks.

While 2009 proved to be another extremely disappointing year, we have finally begun to see some signs of improvement in the overall economy, in loan credit quality and in our financial performance. For example:

- Fentura reported a profit for the 4th quarter of 2009 --- the first quarterly profit reported by your company since the fall of 2008.
- All three subsidiary banks are exceeding Board established goals to reduce problem loan levels and reduce loan concentrations in high risk categories.
- Total non-performing loans declined from year end 2008.
- The pace and the price of reselling real estate acquired in connection with troubled loans have improved from 2008.
- The banks have been able to reduce the reliance on brokered or time based Certificates of Deposit and maintained a comparable year to year net interest margin with improvement shown for the 4th quarter of 2009 versus the 4th quarter of 2008.
- Reorganization and expense reduction efforts announced early in 2009 resulted in a \$1.8 million savings in operating expenses due primarily to staff eliminations and across the board salary and wage reductions and a suspension of retirement benefit contributions.

The company continues to evaluate strategic alternatives to improve its financial condition. The proposed acquirer of Davison State Bank is still awaiting Governmental approval for that transaction which was announced during the first quarter of 2009. The capital reclaimed in connection with the sale will be re-deployed to strengthen the net worth position of the remaining subsidiary banks.

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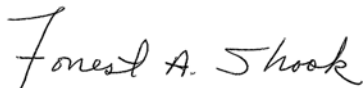
(Letter to Shareholders continued)

After a thorough evaluation, the Board of Directors decided against raising additional capital during the year though the sale of preferred or common stock. Other major strategic alternatives remain under investigation and consideration. Each alternative will be evaluated on a case-by-case basis for possible future implementation. Additional strategic initiatives will only be considered and/or implemented if it is deemed to be in the best interest of the shareholders in strengthening the financial condition and improving the future financial performance of the company.

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 have included a special questionnaire in your Proxy mailing package for the 2010 Annual 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,



Forrest A. Shook
Chairman



Donald L. Grill
President & CEO

FINANCIAL PERFORMANCE SUMMARY

Fentura Financial, Inc. posted a \$17.0 million loss in 2009 compared to a loss of \$12.2 million in 2008. Additional loan loss provision of \$7.0 million, additional loan and collection expense of \$2.7 million and additional FDIC deposit insurance assessments of \$1.4 million all contributed to the larger loss in 2009. Salary and benefit reductions of \$1.8 million provided a partial offset.

Net Interest Income declined \$0.9 million due to a reduction in interest income of \$4.4 million, partially offset by a \$3.5 million reduction in interest expense. The Net Interest Income decline was primarily due to an overall reduction in loans and deposits. Net loans declined \$73.9 million or 17.6% while total deposits declined \$28.6 million or 6.1%. The balance sheet shrinkage was a result of the overall economy and the strategic direction from the Board of each subsidiary bank to maintain adequate levels of capitalization.

The provision for loan losses and the expenses incurred collecting problem loans increased \$9.7 million over 2008. The increased 2009 provision was necessary to provide specific reserves for non-performing loans and to recognize continued deterioration of collateral values securing non-performing loans. Management believes the allowance for loan losses at December 31, 2009 of \$10.7 million was sufficient to cover all loan losses in the portfolio at that time.

Total Non-Interest Income of \$4.7 million reflected a \$1.1 million or 30.0% improvement over 2008. Improvement on the gain of sale of mortgage loans, and a reduction of impairment losses primarily contributed to the year-to-year improvement. Controllable Non-Interest expense declined \$2.3 million, net of the loan and collection and FDIC insurance assessment increases mentioned above.

Total assets declined \$56.6 million in connection with the reduction of loan and deposit balances discussed previously. Total stockholders equity declined to \$20.5 million, however, all three subsidiary banks remain adequately capitalized in accordance with regulatory standards.

BALANCE SHEET

Fentura Financial, Inc.-Condensed Consolidated Balance Sheets (\$ in thousands)

DECEMBER 31	2009	2008	2007	2006	2005
ASSETS					
Cash and Due From Banks	\$ 18,459	\$ 13,626	\$ 19,741	\$ 17,772	\$ 18,740
Federal Funds Sold and Other Short Term Investments	23,650	0	7,300	7,400	9,750
Securities	49,064	53,830	72,132	92,974	105,310
Loans	356,261	429,728	439,718	419,766	399,464
Less Allowance for Loan Losses	(10,726)	(10,455)	(7,592)	(6,138)	(5,734)
Other Assets	47,452	46,225	49,795	40,450	36,791
Assets of discontinued operations	37,919	45,650	46,925	50,074	54,768
Total Assets	\$522,079	\$578,604	\$628,019	\$622,298	\$619,089
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits	\$ 440,775	\$ 469,364	\$ 500,647	\$ 482,904	\$ 478,182
Short Term Borrowings	164	1,500	649	1,500	1,536
Other Borrowings	7,981	13,707	11,031	11,052	14,228
Repurchase Agreements	0	0	5,000	10,000	10,000
Subordinated Debt	14,000	14,000	14,000	14,000	14,000
Liabilities of discontinued operations	35,217	42,174	43,044	45,924	50,085
Other Liabilities	3,410	1,735	4,152	5,600	4,163
Total Stockholders' Equity	20,532	36,124	49,496	51,318	46,895
Total Liabilities and Stockholders' Equity	\$522,079	\$578,604	\$628,019	\$622,298	\$619,089
RISK BASED CAPITAL RATIOS					
Tier 1 Capital to Risk Weighted Assets	6.50%	10.20%	10.40%	11.30%	10.60%
Total Capital to Risk Weighed Assets	7.80%	11.40%	11.60%	12.50%	11.90%
Tier 1 Capital to Average Assets	5.00%	8.80%	9.00%	8.60%	8.90%

STATEMENT OF INCOME

Fentura Financial, Inc.-Condensed Consolidated Statements of Income (\$ in thousands, except per share data)

YEAR ENDED DECEMBER 31,	2009	2008	2007	2006	2005
SUMMARY OF INCOME					
Interest Income	\$ 26,150	\$ 30,520	\$ 36,023	\$ 36,448	\$ 30,640
Interest Expense	10,587	14,052	17,361	15,582	10,310
Net Interest Income	15,563	16,468	18,662	20,866	20,330
Provision for Loan Losses	14,723	7,715	6,795	1,120	1,189
Net Interest Income after Provision for Loan Losses	840	8,753	11,867	19,746	19,141
Total Other Operating Income	4,655	3,580	6,668	6,824	6,567
Total Other Operating Expense	20,495	26,750	19,650	19,758	18,905
Income (Loss) Before Income Taxes	(15,000)	(14,417)	(1,115)	6,812	6,803
Income Tax Expense (Benefit)	994	(2,448)	(627)	2,020	2,090
Discontinued operations, net of tax	(986)	(196)	21	516	341
Net Income (Loss)	(\$ 16,980)	(\$ 12,165)	(\$ 467)	\$ 5,308	\$ 5,054
PER SHARE AMOUNTS*					
Net Income (Loss) Per Share-Basic	(\$7.70)	(\$5.60)	(\$0.22)	\$2.48	\$2.41
Net Income (Loss) Per Share-Diluted	(\$7.70)	(\$5.60)	(\$0.22)	\$2.47	\$2.40
Cash Dividends Paid	\$0.00	\$0.00	\$1.00	\$0.94	\$0.88
Average Number of Common Shares Outstanding	2,205,419	2,174,226	2,159,586	2,141,388	2,096,002
Book Value Per Share	\$9.13	\$16.53	\$22.88	\$24.08	\$22.07
Period End Market Price	\$1.36	\$6.75	\$22.00	\$32.55	\$29.77
PERFORMANCE RATIOS					
Return on Average Assets	-3.02%	-2.03%	-0.08%	0.85%	0.85%
Return on Average Stockholders' Equity	-61.18%	-25.13%	-0.89%	10.82%	11.09%
Net Interest Margin	3.42%	3.32%	3.66%	4.11%	4.23%

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Fentura Financial, Inc.
Fenton, Michigan



We have audited, in accordance with the standards of the Public Accounting Oversight Board (United States), the consolidated balance sheets of Fentura Financial, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2009, and appearing in the Annual Report Supplement to the proxy statement for the annual meeting of the stockholders, not appearing herein. In our report dated March 12, 2010, also appearing in the Annual Report Supplement to the proxy statement, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying 2009 and 2008 condensed consolidated financial statements is fairly stated in all material respects, in relation to the consolidated financial statements from which it has been derived. We expressed an unqualified opinion on those consolidated financial statements with an explanatory paragraph describing substantial doubt about the Corporation's ability to continue as a going concern.

Grand Rapids, Michigan
March 12, 2010

Crowe Horwath LLP

MANAGEMENT REPORT

Management prepared and is responsible for the consolidated financial statements, as well as the integrity and consistency of other related data contained in the Annual Report of Fentura Financial, Inc. and its wholly owned subsidiaries, The State Bank, Davison State Bank and West Michigan Community Bank. In the opinion of management, the statements have been prepared in accordance with generally accepted accounting principles to reflect, in all material respects, the financial events and transactions that occurred during the respective periods.

The Corporation maintains an internal control structure that is designed to provide reasonable assurance as to the integrity of financial records and the protection of assets. The internal control structure includes written policies and procedures, proper delegation of authority, organizational division of responsibilities, and careful selection and training of qualified personnel. The effectiveness of, and compliance with, established control procedures is monitored through a continuous program of internal audit and credit risk evaluation.

Donald L. Grill

Donald L. Grill
President and CEO

Douglas J. Kelley

Douglas J. Kelley
Senior Vice President and CFO

CORPORATE INFORMATION

Fentura Financial, Inc.

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ph 810.750.8725

fentura.com

Independent Auditors

Crowe Horwath LLP
Grand Rapids, MI

General Counsel

Howard and Howard
Kalamazoo, MI

Transfer Agent

Illinois Stock Transfer Company
Chicago, IL **ph** 800.757.5755

Stock Information

Fentura Financial, Inc., shares are listed as Over the Counter Bulletin Board stock under the symbol FETM.OB

Market Makers

Ferris, Baker, Watts, Inc.

655 Metro Place South, Dublin, Ohio 43017 **ph** 614.718.2224

Boenning and Scattergood

9916 Brewster Lane, Powell, Ohio 43065 **ph** 866.326.8113

Howe Barnes Investments Inc.

222 South Riverside Plaza, 7th Floor, Chicago, Illinois 60606 **ph** 312.655.3000

Hudson Securities, Inc.

111 Town Square Plaza, Suite 1500A, Jersey City, New Jersey 07310 **ph** 800.624.0050

Knight Equity Markets, L.P.

545 Washington Boulevard, Jersey City, New Jersey 07310 **ph** 800.544.7508

Monroe Securities, Inc.

100 North Riverside Plaza, Suite 1620, Chicago, Illinois 60606 **ph** 312.327.2530

Pershing LLC

One Pershing Plaza, Jersey City, New Jersey 07399 **ph** 201.413.2000

Stifel, Nicolaus & Company, Inc.

5181 Cascade Road S.E., Grand Rapids, Michigan 49546 **ph** 800.676.0477

BANK OFFICES



DavisonStateBank.com

Main Office 810.658.2265
625 S. State Road, Davison, MI 48423

VG's Food Center 810.658.6472
8503 E. Davison Road, Davison, MI 48423



LivingstonCommunityBank.com

Main Office 810.534.0800
134 N. First Street, Brighton, MI 48116



TheStateBank.com

Grand Blanc-North 810.603.9500
1401 E Hill Road, Grand Blanc, MI

Grand Blanc-South 810.695.9601
7606 S Saginaw Street, Grand Blanc, MI 48439

The Loan Store 810.714.3945
101 N Leroy Street, Fenton, MI 48430

Holly Office 810.750.8701
4043 Grange Hall Road, Holly, MI 48442

Main Office 810.629.2263
175 N Leroy Street, PO Box 725 Fenton, MI 48430

Linden Office 810.750.8794
107 Main Street, Linden, MI 48451

Silver Parkway Office 810.750.5605
15095 Silver Parkway, Fenton, MI 48430

Owen Road Operations Center 810.714.3920
3202 Owen Road, Fenton, MI 48430

VG's Food Center 810.750.8781
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