

LETTER TO SHAREHOLDERS

Dear Shareholders:

While the 2011 operating results for Fentura Financial, Inc. reflect a substantial improvement over 2010, the company reported an operating loss for the year. As detailed in the attached Annual Report, Fentura reported a net loss of \$1,512,000 or \$0.65 per diluted share for 2011 which compares favorably to the 2010 net loss of \$5,385,000 or \$2.37 per diluted share. As has been the case since the onset of the so called "Great Recession", the provision for loan losses has been the major factor in determining our operating performance each year. That proved to be the case in a positive trend for the year-to-year comparison as the loan loss provision expense for 2011 declined by \$4,965,000 from the amount expensed during 2010. The year-to-year increase in non-interest income partially offset the increase in non-interest expense and the decrease in net interest income.

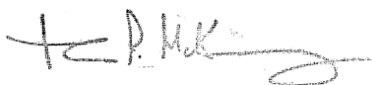
The substantial decline in total assets in comparing the 2011 year end balance sheet with 2010 reflects the sale of West Michigan Community Bank which took place on January 31, 2011. While the capital position of the company declined in connection with the operating loss mentioned above, Fentura shareholder's equity as a percentage of total assets improved to a regulatory well capitalized level following the sale of West Michigan Community Bank. Additionally, proceeds received in connection with the sale of West Michigan Community Bank allowed Fentura to inject funds into The State Bank causing the bank to also return to a regulatory well capitalized level during the year.

While it is clearly disappointing to report another operating loss, it is also clear that our financial performance continues to improve as we distance ourselves from the Great Recession and the negative impact it had on our borrowers and our loan portfolio. As our borrowing customers return to good financial health, and as we are able to further reduce our provision for loan loss expense and loan collection expense, we expect our financial performance will continue to improve. Most of our key, non credit quality related, operating performance ratios remain strong including our net interest margin. Additionally, the general improvement in the overall Michigan and local economies bodes well for further improvement in our performance.

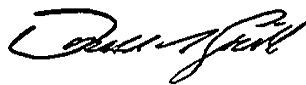
As most of you know, longtime director and former chairman Forrest Shook retired from the board during the year----as did West Michigan Community Bank Directors Douglas Rotman and James Wesseling. New directors added to the board during the year included Dr. Randy Hicks, Founder and CEO of Regional Medical Imaging, PC and Fredrick Dillingham, President and CEO of Livingston Business Development Association, Inc.. Many thanks to Forrest, Doug and Jim for their years of dedicated and loyal service to our company.

We know that we speak for all of the directors, officers and team member employees of The State Bank and Livingston Community Bank when we express our thanks for your continued support and confidence in our ability to lead the company back to profitability.

Sincerely,



Thomas P. McKenney
Chairman



Donald L. Grill
President & CEO

BALANCE SHEETS

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

DECEMBER 31	2011	2010
ASSETS		
Cash and due from banks	\$ 18,634	\$ 11,592
Federal funds sold and other short term investments	0	21,900
Investment securities	61,650	46,225
Loans	205,890	218,981
Less allowance for loan losses	(8,164)	(11,224)
Other assets	20,851	23,440
Assets of discontinued operations	0	113,314
Total assets	\$ 298,861	\$ 424,228
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 265,881	\$ 275,977
Short term borrowings	0	879
Other borrowings	923	954
Subordinated debt	14,000	14,000
Liabilities of discontinued operations	0	113,321
Other liabilities	3,397	3,042
Total stockholders' equity	14,660	16,055
Total liabilities and stockholders' equity	\$ 298,861	\$ 424,228
RISK BASED CAPITAL RATIOS		
Tier 1 capital to risk weighted assets	8.80%	6.50%
Total capital to risk weighed assets	10.10%	7.80%
Tier 1 capital to average assets	6.50%	4.90%

STATEMENTS OF OPERATIONS

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

YEAR ENDED DECEMBER 31,	2011	2010
SUMMARY OF OPERATIONS		
Interest income	\$ 13,143	\$ 15,536
Interest expense	2,983	4,552
Net interest income	10,160	10,984
Provision for loan losses	3,142	8,107
Net interest income after provision for loan losses	7,018	2,877
Total non-interest income	4,858	4,773
Total non-interest expense	13,827	13,209
Loss from continuing operations before income tax	(1,951)	(5,559)
Income tax expense (benefit)	52	(207)
Loss from continuing operations after income tax	(2,003)	(5,352)
Discontinued operations, net of tax	491	(33)
Net loss	(\$ 1,512)	(\$ 5,385)
PER SHARE AMOUNTS		
Net loss from continuing operations-basic and diluted	(\$0.86)	(\$2.36)
Net loss-basic and diluted	(\$0.65)	(\$2.37)
Cash dividends paid	\$0.00	\$0.00
Average number of common shares outstanding	2,337,140	2,272,065
Book value	\$6.14	\$6.95
Period end market price	\$2.16	\$1.75
PERFORMANCE RATIOS		
Negative return on average assets	(0.48%)	(1.15%)
Negative return on average stockholders' equity	(9.29%)	(28.52%)
Net interest margin	3.80%	3.77%

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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



We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Fentura Financial, Inc. as of December 31, 2011 and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended appearing in the Annual Report Supplement to the Proxy Statement for the annual meeting of shareholders (not presented herein). In our report dated March 16, 2012, also appearing in the Annual Report Supplement to the Proxy Statement, we expressed an unqualified opinion on those consolidated financial statements. The consolidated financial statements of Fentura Financial, Inc., for the year ended December 31, 2010 were audited by other auditors whose report dated March 9, 2011, except for Note 2, which date is March 16, 2012, also appearing in the Annual Report Supplement to the Proxy Statement for the annual meeting of the shareholders (not presented herein) expressed an unqualified opinion on those statements.

In our opinion, the information set forth in the accompanying 2011 condensed consolidated balance sheet and statement of operations is fairly stated in all material respects, in relation to the consolidated financial statements from which it has been derived.


Rehmann Robson

Troy, Michigan
March 16, 2012

MANAGEMENT RESPONSIBILITY

Management prepared and is responsible for the consolidated financial statements (not presented herein) 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, and Fentura Holdings, LLC. In the opinion of management, the statements (not presented herein) 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, credit risk evaluation, and other management oversight activities.



Donald L. Grill
President and CEO



Ronald L. Justice
Principal Financial Officer

CORPORATE INFORMATION

Fentura Financial, Inc.

175 North Leroy Street, PO Box 725, Fenton, Michigan 48430

ph 810.750.8725

fentura.com

Independent Auditors

Rehmann Robson P.C.

Troy, MI

General Counsel

Howard and Howard

Royal Oak, MI and Chicago, IL

Transfer Agent

IST Shareholder Services formerly known as 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
