



**2007 ANNUAL REPORT**

## LETTER TO OUR SHAREHOLDERS

To Our Shareholders:

The year 2007 proved to be the most difficult year in the history of our company. The continued softening of the Michigan economy, punctuated by the sudden contraction in the residential construction industry, had a dramatic and negative impact on our loan portfolio as Fentura Financial, Inc. recorded an operating loss for the first time since the company was formed in 1987. The loss resulted from unprecedented action taken by our bank Board of Directors to add approximately \$6,000,000 more to the reserve for loan losses in 2007 than was required in 2006. Over 90% of this additional provision action was related to loans granted in support of builders, contractors and developers involved with residential land acquisition, development and construction. Our bankers are working closely with these borrowers to develop loan servicing strategies designed to minimize the further future impact on our performance to the extent possible. For the full year, Fentura Financial, Inc. reported a loss of \$467,000 or \$0.22 per diluted share compared to net income of \$5,308,000 or \$2.47 per diluted share for the year ended December 31, 2006. In addition to the extraordinary provision for loan losses described previously, net interest income declined \$2,415,000 from the prior year due to a decline in the net interest margin. In the non-interest income category, declines in deposit account service charges and gains in the sale of mortgage loans were nearly offset by a 22.3% increase in financial planning, investment management and trust income. Total overhead or operating expenses were reduced about 1% from the prior year.

As expected, given the state of the Michigan economy, total assets increased only slightly to \$628,019,000 at December 31, 2007, compared to the \$622,298,000 reported at the end on 2006. Total loans grew 4.5% to \$471,403,000.

I am pleased to report that two new directors were added to the Fentura Financial, Inc. Board during 2007. Sherri Stephens, president of Stephens Wealth Management Group, Inc. of Flint, and Doug Rotman, CPA and partner of Ferris, Busscher & Zwiers, P.C. of Holland, joined the Board on May 24, 2007. Sherri has been a director at Davison State Bank since 2005 and Doug has been a director at West Michigan Community Bank since 2004.

During the year, plans were also formalized and finalized for the creation of Livingston Community Bank to be headquartered in Brighton. Livingston Community Bank will operate as a division of The State Bank focused primarily on delivering “high touch” financial products and services to small business, wealth management and selected retail customers.

While it appears that the over capacity in the housing industry and the overall strain in the Michigan economy will continue through 2008, we want to assure you that our bankers are working diligently with our borrowers who have been negatively impacted by the economy. It is our goal to reduce our exposure to the residential construction and land development industry and further diversify our total loan portfolio. During the third quarter, we informed you of our investment in Valley Capital Bank located in Mesa, Arizona. The bank is expected to achieve higher growth rates than our Michigan based banks and offer geographic and industry type diversification to our loan portfolios.

As always, we appreciate your support of Fentura Financial, Inc., Davison State Bank, West Michigan Community Bank and The State Bank.

Sincerely,



**Forrest A. Shook**  
Chairman



**Donald L. Grill**  
President & Chief Executive Officer

# BALANCE SHEET

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

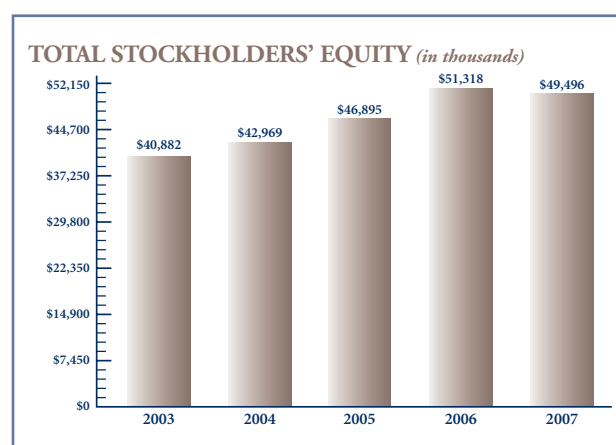
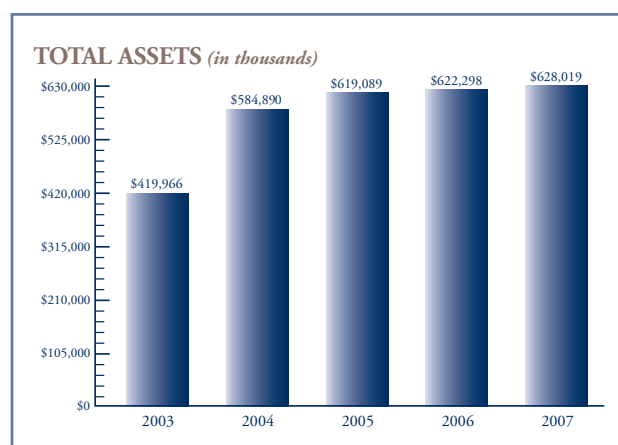
December 31,	2007	2006	2005	2004	2003
<b>ASSETS</b>					
Cash and Due From Banks	\$22,734	\$19,946	\$21,327	\$22,705	\$16,509
Federal Funds Sold and Other Short Term Investments	7,300	9,500	9,750	4,550	3,650
Securities	80,477	103,003	113,959	129,176	126,002
Loans	473,058	453,219	440,398	395,017	254,340
Less Allowance for Loan Losses	(8,554)	(6,692)	(6,301)	(5,501)	(3,414)
Other Assets	53,004	43,322	39,956	38,943	22,879
<b>Total Assets</b>	<b>\$628,019</b>	<b>\$622,298</b>	<b>\$619,089</b>	<b>\$584,890</b>	<b>\$419,966</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$543,503	\$528,555	\$528,054	\$491,065	\$348,525
Short Term Borrowings	,649	1,500	1,537	5,200	3,449
Other Borrowings	11,030	11,052	14,228	19,402	1,108
Repurchase Agreements	5,000	10,000	10,000	10,000	12,500
Subordinated Debt	14,000	14,000	14,000	12,000	12,000
Other Liabilities	4,341	5,873	4,375	4,254	1,502
<b>Total Stockholders' Equity</b>	<b>49,496</b>	<b>51,318</b>	<b>46,895</b>	<b>42,969</b>	<b>40,882</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$628,019</b>	<b>\$622,298</b>	<b>\$619,089</b>	<b>\$584,890</b>	<b>\$419,966</b>

## RISK BASED CAPITAL RATIOS

Tier 1 Capital to Risk Weighted Assets	11.60%	12.50%	10.60%	10.20%	16.90%
Total Capital to Risk Weighted Assets	10.40%	11.30%	11.90%	11.40%	18.00%
Tier 1 Capital to Average Assets	9.00%	8.60%	8.90%	8.70%	14.00%



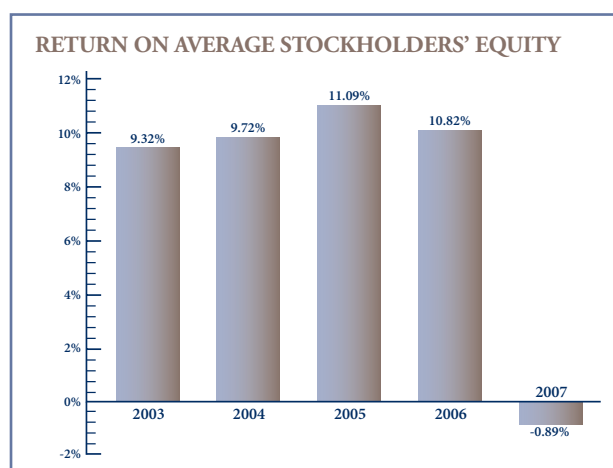
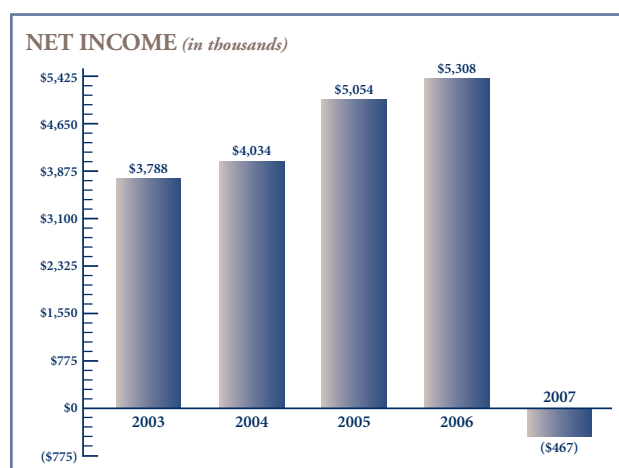
# STATEMENT OF INCOME

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

Year ended December 31,	2007	2006	2005	2004	2003
<b>SUMMARY OF INCOME</b>					
Interest Income	\$39,214	\$39,916	\$33,878	\$26,094	\$18,438
Interest Expense	18,621	16,908	11,298	8,263	5,601
Net Interest Income	20,593	23,008	22,580	17,831	12,837
Provision for Loan Losses	7,466	1,120	1,389	1,389	1,319
Net Interest Income after Provision for Loan Losses	13,127	21,888	21,191	16,442	11,518
Total Other Operating Income	7,579	7,643	6,882	7,292	6,866
Total Other Operating Expense	21,834	21,986	20,799	18,176	13,276
Income Before Income Taxes	(1,128)	7,545	7,274	5,558	5,108
Provision for Income Taxes	(661)	2,237	2,220	1,524	1,320
Net Income	(\$467)	\$5,308	\$5,054	\$4,034	\$3,788
<b>PER SHARE AMOUNTS*</b>					
Net Income Per Share—Basic	(\$0.22)	\$2.48	\$2.41	\$1.95	\$1.83
Net Income Per Share—Diluted	(\$0.22)	\$2.47	\$2.40	\$1.94	\$1.83
Cash Dividends Paid	\$1.00	\$0.94	\$0.88	\$0.84	\$0.84
Average Number of Common Shares Outstanding	2,159,586	2,141,388	2,096,002	2,072,741	2,071,521
Book Value Per Share	\$22.88	\$24.08	\$22.07	\$20.67	\$19.76
Period End Market Price	\$22.00	\$32.55	\$29.77	\$33.41	\$28.59
<b>PERFORMANCE RATIOS</b>					
Return on Average Assets	-0.08%	0.85%	0.85%	0.74%	1.00%
Return on Average Stockholders' Equity	-0.89%	10.82%	11.09%	9.72%	9.32%
Net Interest Margin	3.72%	4.11%	4.23%	3.70%	3.88%

3

\* Per share data calculated using average shares outstanding in each period. Per share amounts and average shares outstanding have been adjusted to reflect a 10% stock dividend payable on August 4, 2006, and adjusted to reflect a 10% stock dividend payable on February 13, 2004.



# 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, 2007 and 2006, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007, 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 8, 2008, 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 2007, 2006 and 2005 condensed consolidated financial statements is fairly stated in all material respects, in relation to the consolidated financial statements from which it has been derived.

Grand Rapids, Michigan  
March 8, 2008  
Crowe Chizek and Company LLC

A handwritten signature in black ink that reads "Crowe Chizek and Company LLC".

## 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.

A handwritten signature in black ink that reads "Donald L. Grill".

Donald L. Grill  
*President and CEO*

A handwritten signature in black ink that reads "Douglas J. Kelley".

Douglas J. Kelley  
*Senior Vice President and CFO*

# BOARDS OF DIRECTORS

## FENTURA FINANCIAL, INC.

FORREST A. SHOOK (Chairman)  
*President and CEO*  
NLB Corporation, Wixom, MI

KENNETH R. ELSTON  
*Chief Financial Officer*  
Altair Engineering, Inc., Troy, MI

DONALD L. GRILL  
*President and CEO*  
Fentura Financial, Inc., Fenton, MI

J. DAVID KARR  
*Owner and Attorney*  
Karr Law Office, Davison, MI

THOMAS P. MCKENNEY  
(Vice Chairman)  
*Owner, President and Attorney*  
McKenney & McKenney, Holly, MI

THOMAS L. MILLER  
*Owner, President and CEO*  
TMI, Inc., Holly, MI

BRIAN P. PETTY  
*Owner and President*  
Fenton Glass Service, Inc.  
Fenton, MI

DOUGLAS W. ROTMAN  
*Partner*  
Ferris, Busscher & Zwiers, P.C.  
Holland, MI

IAN W. SCHONSHECK  
*CEO*  
Schonsheck, Inc., Wixom, MI

SHERYL E. STEPHENS  
*Owner and President*  
Stephens Wealth Management  
Group, Inc., Flint, MI

## DAVISON STATE BANK

J. DAVID KARR (Chairman)  
*Owner and Attorney*  
Karr Law Office, Davison, MI

THOMAS G. DONALDSON  
*Vice President*  
McLaren Foundation, Flint, MI

KENNETH R. DUETSCH  
*Real Estate Broker*  
Red Carpet Keim, Davison, MI

DAVID H. FULCHER  
*Chairman*  
The Fulcher Companies, Inc.  
Davison, MI

KEVIN M. HAMMER  
*Senior Vice President*  
Davison State Bank  
Davison, MI

RONALD L. JUSTICE  
*President and CEO*  
Davison State Bank, Davison, MI

HOLLY J. PINGATORE  
*Senior Vice President*  
Fentura Financial, Inc.  
Fenton, MI

CRAIG L. STEFANKO  
*Partner and President*  
DCC Development Corporation  
Davison, MI

SHERYL E. STEPHENS  
*Owner and President*  
Stephens Wealth Management  
Group, Inc., Flint, MI

WILLIAM J. ZIRNHILT  
*Business Manager*  
St. John Evangelical Church  
Davison, MI

## LIVINGSTON COMMUNITY BANK

KENNETH E. BURCHFIELD (Chairman)  
*Senior Partner and Attorney*  
Burchfield, Park & Pollesch  
Brighton, MI

THOMAS E. BELL, JR.  
*President*  
Livingston Community Bank  
Brighton, MI

FREDERICK P. DILLINGHAM  
*Executive Director*  
Livingston County Economic  
Development Council, Howell, MI

DONALD L. GRILL  
*President and CEO*  
Fentura Financial, Inc.  
Fenton, MI

PATRICK M. HANNIFORD  
*Certified Public Accountant*  
Pfeffer Hanniford Palka  
Brighton, MI

STEVEN T. KRAUSE  
*Owner and President*  
Best Storage, Hartland, MI

JOSEPH J. SKANDALARIS, D.O.  
*Doctor of Internal Medicine*  
Internal Medical Specialist  
of Howell, Howell, MI

ROBERTA S. BALON-VAUGHN  
*Attorney at Law*  
Of Counsel Burchfield,  
Park & Pollesch  
Brighton, MI

PATRICIA L. WYLIE, D.D.S.  
*Partner and Dentist*  
Family Dental Care, PLLC  
Howell, MI

## THE STATE BANK

BRIAN P. PETTY (Chairman)  
*Owner and President*  
Fenton Glass Service, Inc.  
Fenton, MI

KENNETH E. BURCHFIELD  
*Senior Partner and Attorney*  
Burchfield, Park & Pollesch  
Brighton, MI

DONALD L. GRILL  
*CEO*  
The State Bank, Fenton, MI

MARK T. HAMEL  
*Owner*  
The French Laundry, Fenton, MI

PATRICK M. HANNIFORD  
*Certified Public Accountant*  
Pfeffer Hanniford Palka  
Brighton, MI

DENNIS E. LEYDER  
*President and  
Chief Operating Officer*  
The State Bank, Fenton, MI

VICTOR J. LUKASAVITZ  
*President and Senior Partner*  
Gould Engineering, Inc., Flint, MI

THOMAS L. MILLER  
*Owner, President and CEO*  
TMI, Inc., Holly, MI

JAMES T. PEABODY  
*Senior Vice President*  
Brown & Brown of Michigan, Inc.  
DBA Smith Peabody Stiles  
Insurance Agency  
Fenton, MI

SUSAN YEOTIS  
*Owner and REALTOR®*  
Yeotis Realty Company  
Fenton, MI

## WEST MICHIGAN COMMUNITY BANK

JAMES A. WESSELING (Chairman)  
*Senior Partner and Attorney*  
Wesseling & Brackmann, P.C.  
Hudsonville, MI

MICHAEL A. BYARS, M.D.  
*Partner*  
Georgetown Physicians, P.C.  
Hudsonville, MI

JAMES W. FREDRICKS  
*Economic Development Director*  
City of Hudsonville  
Hudsonville, MI

DONALD L. GRILL  
*President and CEO,*  
*Fentura Financial Inc.*  
*and CEO, The State Bank*  
Fentura Financial, Inc., Fenton, MI

DOUGLAS J. KELLEY  
*Chief Financial Officer*  
Fentura Financial, Inc.  
Fenton, MI and West  
Michigan Community Bank  
Hudsonville, MI

RICHARD A. PATMOS  
*Co-Owner and President*  
Sunrise Acres, Inc., Hudsonville, MI

DOUGLAS W. ROTMAN  
*Partner*  
Ferris, Busscher & Zwiers, P.C.  
Holland, MI

ROBERT E. SEWICK  
*President and CEO*  
West Michigan Community Bank  
Hudsonville, MI

JAMES H. VANDER KOLK  
*President*  
Royal Plastics, Inc.  
Hudsonville, MI

SAMUEL L. WANNER  
*Director of Finance*  
Calvin College  
Grand Rapids, MI

# CORPORATE & AFFILIATE BANK OFFICERS

## FENTURA FINANCIAL, INC.

**President & Chief Executive Officer**  
DONALD L. GRILL

**Senior Vice President,  
Corporate Governance**  
RONALD L. JUSTICE

**Senior Vice President,  
Chief Financial Officer**  
DOUGLAS J. KELLEY

**Senior Vice President**  
DENNIS E. LEYDER

**Senior Vice President,  
Information Systems**  
HOLLY J. PINGATORE

**Senior Vice President**  
ROBERT E. SEWICK

**Vice President**  
KRISTINA M. PREMO

## DAVISON STATE BANK

**President & Chief Executive Officer**  
RONALD L. JUSTICE

**Chief Financial Officer**  
ADRIENNE A. HANSON

**Senior Vice Presidents**  
KEVIN M. HAMMER  
Business Development  
JEFFREY L. LANGS  
Senior Lending Officer

**Assistant Vice President**  
MICHAEL J. FREUND  
Commercial Lending

**Officers**  
STACEY A. WEBB  
Retail Banking

## LIVINGSTON COMMUNITY BANK

**President**  
THOMAS E. BELL, JR.

**Vice Presidents**  
JEREMY T. JONES  
Retail Banking  
DAVID R. POTHIER  
Commercial Lending

**Assistant Vice Presidents**  
LYNNE M. DODSON  
Commercial Lending  
DAVID D. FRANZ  
Commercial Lending

## THE STATE BANK

**Chief Executive Officer**  
DONALD L. GRILL

**President & Chief Operating Officer**  
DENNIS E. LEYDER

**Chief Financial Officer**  
DOUGLAS J. KELLEY

**Senior Vice Presidents**  
JEFFERY L. LANGS  
Credit Administration  
HOLLY J. PINGATORE  
Information Systems  
KRISTINA M. PREMO  
Human Resources

**Vice Presidents**  
THOMAS E. BERTSCHY  
Commercial Lending  
DAVID R. BISHOP  
Mortgage Lending  
JOHN D. BRADLEY  
Retail Banking

KIMBERLY A. CADIEUX  
Retail Banking  
MICHAEL J. CANTOR  
Investment Trust  
ARTHUR C. ELBRACHT  
Commercial Lending  
ADRIENNE A. HANSON  
Accounting  
DAVID M. HENDRY  
Commercial Lending  
THOMAS B. HUFTON II  
Investment Trust  
BENJAMIN T. KRAMER  
Commercial Lending  
CATHY A. REYNOLDS  
Credit Services  
DALE N. SMALLIDGE  
Consumer Lending  
LORI L. THORNE  
Auditing  
ROGER D. WOLFIN  
Investment Trust

**Assistant Vice Presidents**  
TIMOTHY J. ALLEN  
Project Management  
LORI A. BARTON  
Credit Services  
DOLORES D. BEDELL  
Compliance  
LAWRENCE V. BORZA  
Accounting  
MARGARET A. CADY  
Retail Banking  
PATRICIA M. CALLENDER  
Operational Services  
MATTHEW D. CHAPMAN  
Information Systems  
RICHARD T. CLARK II  
Investment Trust  
BEVERLY J. DRESSELHOUSE  
Investment Trust  
MARY JO DULUDE  
Private Banking  
LINDA J. GREGORY  
Credit Services  
GORDON C. LEONARD  
Commercial Lending

ANN M. ROCKMAN  
Mortgage Lending  
**Officers**  
CAROL A. CAMPBELL  
Mortgage Lending  
LEILA K. HATHAWAY  
Auditing  
TARA L. LEE  
Loss Prevention  
LORETTA J. MANSUETI  
Accounting  
DENISE K. MCBRIDE  
Mortgage Lending  
JACQUELINE M. OCHS  
Business Services  
DONNA L. STEFFEY  
Commercial Lending  
MICHAEL J. STERNISHA  
Security  
ROBERT J. ZOLDOS  
Facilities and Distribution  
JO ANN ZUREK  
Mortgage Lending

## WEST MICHIGAN COMMUNITY BANK

**President &  
Chief Executive Officer**  
ROBERT E. SEWICK

**Executive Vice President**  
JEFFREY S. BERENS  
Chief Lending Officer

**Chief Financial Officer**  
DOUGLAS J. KELLEY

**Vice Presidents**  
DAVID R. BISHOP  
Mortgage Lending  
ROBERT T. CARLSON  
Commercial Lending  
JOHN R. JOUPPI  
Financial Planning and Trust  
THOMAS M. O'ROURKE  
Financial Planning and Trust

**Assistant Vice Presidents**  
SANDRA L. BARTOSIEWICZ  
Retail Banking  
JOHN P. CUNNINGHAM  
Credit Administration  
JEREMY T. DEUTSCHMANN  
Commercial Lending  
DAVID J. KIEKINTVELD  
Commercial Lending  
CYNTHIA L. KORNOELJE  
Retail Banking Operations

KENNETH G. MILLER  
Retail Banking  
JENNIFER A. REEVES  
Retail Banking  
LISA M. TIMMER  
Financial Planning and Trust  
**Officers**  
GRETCHEN K. DENNIS  
Marketing  
TAMMY L. SUMMERS  
Mortgage Lending

---

# CORPORATE INFORMATION

## **Fentura Financial Inc.**

175 North Leroy Street, PO Box 725, Fenton, Michigan 48430 *ph* 810.750.8725  
www.fentura.com

## **Independent Auditors**

Crowe Chizek and Company LLC  
Grand Rapids, Michigan

## **General Counsel**

Howard & Howard  
Kalamazoo, Michigan

## **Transfer Agent**

Illinois Stock Transfer Company  
Chicago, Illinois *ph* 800.757.5755

## **Stock Information**

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

## **Market Makers**

Ferris, Baker, Watts, Inc.  
655 Metro Place South, Dublin, Ohio 43017 *ph* 614.718.2224 (Thomas Dooley)

Hill, Thompson, Magid L.P.  
15 Exchange Place, Suite 800, Jersey City, New Jersey 07302 *ph* 800.631.3083

Howe Barnes Investments, Inc.  
135 South LaSalle Street, Chicago, Illinois 60603 *ph* 800.800.4693 (Nick Bach)

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* 800.762.0271

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* 201.413.2700

Stifel, Nicolaus & Company, Inc.  
2100 Raybrook Street, Suite 200, Grand Rapids, Michigan 49546 *ph* 877.619.1412 (Brandon Kanitz)



## BANK OFFICES



DavisonStateBank.com

*Main Office*

625 S State Road, Davison, MI 48423

810.658.2265

*VG's Food Center*

8503 E Davison Road, Davison, MI 48423

810.658.6472



LivingstonCommunityBank.com

*Main Office*

134 N First Street, Brighton, MI 48116

810.534.0800



TheStateBank.com

*Grand Blanc Private Banking*

8185 Holly Road, Ste. 4

Grand Blanc, MI 48439

810.603.0213

*Owen Road—Operations Center*

3202 Owen Road, Fenton, MI 48430

810.714.3920

*Grand Blanc—North*

1401 E Hill Road, Grand Blanc, MI 48439

810.603.9500

*The Loan Store*

101 N Leroy Street, Fenton, MI 48430

810.714.3945

*Grand Blanc—South*

7606 S Saginaw St, Grand Blanc, MI 48439

810.695.9601

*Main Office*

175 N Leroy St, PO Box 725

Fenton, MI 48430

810.629.2263

*Holly Office*

4043 Grange Hall Road, Holly, MI 48442

810.750.8701

*Silver Parkway Office*

15095 Silver Parkway, Fenton, MI 48430

810.750.5605

*Linden Office*

107 Main Street, Linden, MI 48451

810.750.8794

*VG's Food Center*

18005 Silver Parkway, Fenton, MI 48430

810.750.8781



wmcb.com

*Corporate Office*

5367 School Avenue, Hudsonville, MI 49426

616.669.1280

*Hudsonville Office*

3467 Kelly Street, Hudsonville, MI 49426

616.669.1280

*Downtown Holland Office*

81 E 8th Street, Holland, MI 49423

616.355.2884

*Jenison Office*

437 Baldwin Street, Jenison, MI 49428

616.457.8700

*North Holland Office*

3493 West Shore Drive, Holland, MI 49424

616.786.9730