

2011 ANNUAL MEETING

DON GRILL

After three consecutive years of struggling to find the right words to use in discussing our financial performance---I am pleased to say that the preparation came a little easier this year. While Fentura still reported a loss for the full year---we reached a point along the way---where it felt like we finally started to turn the corner---and as you already know, both the State Bank and Fentura Financial, inc. achieved a profit during the fourth quarter of 2010.

The last three years proved to be a very difficult period of time for our economy, the banking industry and for our company. The collapse of the housing industry in 2007 and 2008 had a devastating impact on many of our borrowers! The near meltdown of Wall Street in 2009 rocked the financial world---and collapsing real estate values in 2009 and 2010 had a devastating impact on home values, commercial property values---and of course, loan collateral values.

This confluence of events created what turned out to be unprecedented operating losses for our company---so reflecting on the magnitude of those problems heightens the excitement that we all share as we finally start talking about---“turning the corner”.

I’m proud to say that we are currently stabilizing our balance sheet, improving our operating margins and strengthening our capital position.---but getting to that point was not an easy task!---as a tremendous amount of planning, negotiating---and good old fashioned hard work---was required on the part of our employees---our management team and our directors---and I believe Forrest will expand on that in his comments later.

In summarizing my thoughts about the financial performance of the company for 2010, I’m going to avoid the “banker tendency” to spend too much time talking about problem assets, credit quality trends, loan loss provision, net charge-offs and the like. Rather, what I intend to do is give you some big picture highlights to help you understand where we’re at today and why we feel like we are turning the corner.

Ironically, our biggest accomplishments in 2010 related to our efforts to shrink the company. The irony comes from the fact that during the go-go years we tried to grow the company rapidly---but during the great recession we soon concluded that we needed to shrink the company to survive.

As you all know by now, we sold Davison State Bank in a transaction that closed on March 31, 2010. Additionally we finalized all the negotiations necessary for the sale of West Michigan Community Bank during 2010---and completed that sale on January 31, 2011. The sale of those banks allowed the holding company to reclaim or recover the capital extended previously to establish and acquire the banks. Re-capturing the capital and shrinking the company improved the equity position of both the holding company and the State Bank. Specifically, those transactions resulted in an approximate 35% improvement in the capital ratios of Fentura---and cash injections into the State Bank by Fentura are expected to return the State Bank to a well capitalized status during the second or third quarters of this year. Both sales were completed without investment banker involvement---other than initial information gathering and assistance with fairness opinions to affirm the value of the transactions. Importantly, both banks were sold at a premium to book value.

On an operating basis---setting aside the impact of the extraordinary loan loss provision connected with troubled borrowers---our operations remained sound throughout the year. In fact, our net interest margin for 2010 improved by 22 basis points over 2009. This was primarily a result of concerted efforts on the part of our lenders and retail bankers to promote products and pricing more favorable to the bank, while maintaining important customer relationships.

Non-interest income of \$4.8 million for the year reflected a \$1.4 million improvement over 2009---as substantial adjustments in security values required in 2009 did not carry over into 2010.

Your bankers also continued their frugal ways in controlling operating expenses as total non interest expense declined 11% or approximately \$1.6 million from the prior year.

While we previously reduced and capped wage and salary adjustments, our employees remain committed to their jobs and to the success of our company. They are also excited about the turnaround in our

performance which should allow us to again appropriately reward them for their loyalty and important contribution to our success.

Moving on to 2011, I am pleased to inform you that---earlier today we formally released our first quarter results---announcing a \$310,000 profit for the first quarter of this year! With a solid margin, a strengthening balance sheet and improving asset quality---coupled with the gain from the sale of West Michigan Community Bank---we achieved solid financial results for the quarter. So as the economy continues to improve---and as we continue to successfully resolve our problem loans---you should expect to see further evidence of the turnaround in our financial performance in the quarters to come.

From my point of view, the last three years have been an incredible challenge ---and in many respects a fight for our very survival---but with the corporate restructuring essentially complete---and with consecutive profitable quarters under our belt---we truly feel like we have finally “turned the corner”----and now our challenge is to again achieve the level of financial performance that we enjoyed for so many years prior to the great recession.

FORREST SHOOK

Like me---I'm sure---you've been waiting---for quite some time---for the turnaround in our financial performance. Together, we've watched our company experience operating losses that surpass a level any of us would have thought possible three or four years ago.

This so called "great recession" created havoc in the banking industry---first with the Wall Street banks and more recently with the community banks. So far in Michigan, ten small banks have failed and several others are under the threat of failure.

Many of the surviving banks---including some of our largest competitors designed their survival plans around the issuance of new stock. While this is, of course, a valid way to improve the capital position of a struggling company, it generally dilutes the value of existing shareholders to the extent that a near term stock price recovery is no longer possible.

As you know by now, your board chose a different course in developing a survival plan for Fentura. We believed that shrinking the asset size of the company while maintaining the existing capital base would stabilize our financial condition and financial performance.

As Don mentioned in his comments, the strategic portion of that plan has pretty well been completed with the sale of Davison State Bank and West Michigan Community Bank---coupled with the orchestrated shrinkage of the State Bank.

But selling those banks was no easy task! Identifying buyers was difficult! Negotiating the deals proved to be very difficult! And obtaining regulator approval---at times seemed impossible!

So please understand that this successful restructuring of your company---really was a major undertaking. I want to recognize don for his vision in developing our strategic plan and thank all of the directors and officers for their resolve in getting the deals done. Throughout the process, we never lost sight of our primary objective---we stayed together as a team---and in the end---we successfully implemented all of the important strategic objectives. We outlined for you at last year's annual meeting.

I want to commend don for the leadership he displayed throughout the strategic planning process. He has been at the helm of our company since 1996 and is pointing toward a well deserved retirement in the next year or so. In connection with that transition, Ron Justice returned from West Michigan Community Bank,--- following the sale of the bank,---and was named president and chief operating officer of the State Bank. During the next year, we expect Ron and Don to work closely together in this leadership transition.

Given the turnaround in our performance, the timing couldn't be better for Ron to return to Fenton and take a more active leadership role in our bank. So at this time, I would like to ask him to provide you with some insight into our future direction as we attempt to return to our historical performance and profitability levels.

RON JUSTICE

Thank you Forrest, and I agree - the timing couldn't be better to return to The State Bank and I am delighted to be back in Fenton. Having spent most of my professional career at State Bank, it feels like I have returned home.

I value the opportunity provided to me through my experiences at both Davison State Bank and West Michigan Community Bank, it was time well spent with many lessons learned as we weathered the very difficult economic storm we experienced during the last few years. I know I am a better person and hopefully a better banker based on those experiences.

Our strategy to sell both DSB and WMCB had an emotional side for me. While supportive of the need to reduce the size of the Company to improve our capital position, I know first hand that we were saying goodbye to good people and good bankers. But goodbye's are made easier when you know what lies ahead is a brighter future - and our strategy accomplished that, for the Banks and the People we lost through these sales - but also for the Bank and the team that remains at TSB.

Both Don and Forrest discussed the turnaround we have begun to experience, and I, along with the rest of the team am filled with optimism and excitement about the future of TSB and Fentura.

Based on these current financial trends, the Bank's senior management team recently completed a bank-level strategic planning process to guide us through 2011 and to build the foundation for the years that follow. The Plan addresses many strategies but generally, the initiatives support further stabilization of the balance sheet, including controlled loan and core deposit growth, improving profitability through revenue expansion objectives and cost controls through work flow efficiencies, staff motivation, and the promotion of the Bank in our markets.

Currently, the Bank has an opportunity for continued balance sheet stabilization by redeploying liquid assets into its loan portfolio without impacting our capital position (because, in reality - loan growth will simply be a transfer from one asset category to another with no change to total assets). Growing quality loans enhances

certain ratios measured internally and by our regulators, and more importantly improves earnings and our net interest margin. Additionally, the Bank has an opportunity to replace maturing non-core funding (non-local brokered deposits) with core relationship deposits. This opportunity also improves certain ratios measured internally and by our regulators, and will improve earnings and net interest margin as well, because the rate being paid on the maturing deposits is significantly higher than current market rates.

Although our goal is to attract these new loans and deposits in all our markets, we recognize that the greatest opportunity lies in Livingston County. The county has the highest median household income in the State and the lowest unemployment rate. These demographics, along with others, support a strong opportunity for growth and accordingly, a good portion of our promotion and sales efforts will be directed to the Livingston County area.

I have already mentioned that planned balance sheet stabilization will improve profitability. Additionally, improved profitability is planned through strategies to grow other non-interest related revenues sources. Specifically, we plan to continue to promote and grow our Wealth Management practice and have planned a comprehensive review of our fee structure for deposit relationships and for other information services. We also plan to review the abilities of our technology systems to further reduce manual processes to create efficiencies to reduce our operating costs and we plan to improve facility efficiencies and related expenses.

We also recognize that economic pressures and resulting Company performance over the last several years has impacted our culture and the morale of our staff. We know our team is key to our success and accordingly, we have planned initiatives to improve our operating environment and to recognize and reward our team.

Finally, the same economic pressures and resulting performance that have impacted our internal operating environment, affected the external environment as well. Key to our mission is meeting the needs of our clients and the communities we serve. This in turn allows growth and supports our ability to provide an

appropriate return to you, our shareholders. Our financial pressures forced us to price ourselves at a less than competitive level and to take a more conservative approach to our contributions of time and resources to the community. This, along with concerns regarding our financial strength, impacted our image and reputation. So the 2011 Strategic Plan includes initiatives to insure that you, our clients, and those in the community know that we have turned the corner and are returning to an appropriate level of support and competitiveness.

In conclusion, I too want to thank you for your continued support and patience as we worked through the turbulent waters of the past three years, stabilized, and positioned ourselves to prosper as we move forward.

FORREST'S FINAL REMARKS

On a personal note, I want you to know it is my intention to step down from the board of directors of Fentura Financial, Inc. And the State Bank sometime during the next year. While I contemplated retiring from the board a year or two ago---I was determined to stay on as long as necessary to achieve the turnaround that we are now experiencing. I've been on the Fentura and State Bank boards for 15 years and I have truly enjoyed the experience and feel that it has been a privilege to serve you, our shareholders in this capacity.----and I want to thank you for your support and confidence---especially during these past few years.

At this time Don will join me and we will respond to questions that have been submitted.