

August 12, 2011

To Our Shareholders:

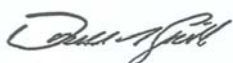
As you will note on the attached financial statements, Fentura Financial, Inc. incurred a \$245,000 net loss during the second quarter of 2011. The loss compares favorably to the \$2,780,000 loss reported for the second quarter of 2010. The year-to-year improvement was primarily the result of a substantial \$1,719,000 reduction in the provision for loan losses and a \$577,000 variance in federal tax obligation for continuing operations between the two quarters. On a year-to-date basis, the company remained profitable at net income of \$65,000, as the reported \$310,000 first quarter profit more than offset the reported second quarter loss. More importantly, the \$65,000 consolidated income through June 30, 2011 is a substantial improvement over the \$3,263,000 loss reported for the first six months of 2010.

As reported in our letter to shareholders following the completion of the first quarter of this year, West Michigan Community Bank was sold on January 31, 2011. As a result, the year-to-year comparison of balance sheets which reflects a \$151,956,000 decline in total assets reflects the impact of the sale of the bank as well as the continued asset reduction efforts at The State Bank which are designed to improve capital ratios. As you will recall, the sale of West Michigan Community Bank was completed to assist Fentura in providing the necessary capital to improve the capital ratios of The State Bank. I am pleased to inform you that during the month of July, The State Bank Tier 1 capital leverage ratio exceeded the traditional 8% regulatory requirement following a capital injection from Fentura, as a result of the continuing liquidation of assets acquired in connection with the sale of West Michigan Community Bank. Our improved financial performance, as well as the strengthened capital position and improved asset quality of The State Bank are reasons to remain optimistic about the continued turnaround in our financial performance.

It is a pleasure to inform you that by action of the Boards of Directors, Fredrick Dillingham was appointed as Director of both Fentura Financial, Inc. and The State Bank. Fred is a graduate of Eastern Michigan University, a former State Representative and State Senator and current Executive Director of the Livingston County Economic Development Council. Additionally, he has served on the Board of Directors of Livingston Community Bank which is headquartered in Brighton and is an operating division of The State Bank.

As always, we appreciate your continued support as we anticipate further performance improvement in 2011 and beyond.

Sincerely,



Donald L. Grill  
President & CEO