FENTURA FINANCIAL INC
Form 10-Q
August 12, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _______________ to _______________

Commission file number 0-23550

Fentura Financial, Inc.

(Exact name of registrant as specified in its charter)

Michigan	**38-2806518**
------------------------	------------------------
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

One Fenton Sq, P.O. Box 725, Fenton, Michigan 48430
(Address of Principal Executive Offices)

(810) 629-2263
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
X Yes ___ No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
___ Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: August 1, 2003

Class - Common Stock Shares Outstanding - 1,710,408

Fentura Financial, Inc.
Index to Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Fentura Financial, Inc.
Consolidated Balance Sheets

(000's omitted Except share data)	JUNE 30, 2003 (unaudited)	DEC 31, 2002
ASSETS		
Cash and due from banks	$21,373	$20,262
Federal funds sold	33,050	10,300
Total cash & cash equivalents	54,423	30,562
Securities-available for sale	74,311	48,981
Securities-held to maturity, (market value of $13,418 at June 30, 2003 and $14,051 at December 31, 2002)	12,940	13,722
Total securities	87,251	62,703
Loans held for sale	3,434	5,509
Loans:		
Commercial	135,631	129,562
Real estate loans - mortgage	15,086	11,944
Real estate loans - construction	28,984	27,032
Consumer loans	53,775	55,683
Total loans	233,476	224,221
Less: Allowance for loan losses	(3,065)	(3,184)
Net loans	230,411	221,037
Bank Owned Life Insurance	6,348	6,234
Bank premises and equipment	9,477	9,754
Federal Home Loan Bank stock	833	822
Accrued interest receivable	1,567	1,595
Other assets	3,233	2,267
Total assets	$396,977	$340,483
LIABILITIES		
Deposits:		
Non-interest bearing deposits	$55,944	$44,875
Interest bearing deposits	283,287	250,994
Total deposits	339,231	295,869
Borrowings	1,533	1,500
Federal Home Loan Bank Advances	1,108	1,124
Repurchase Agreements	12,500	0
Accrued taxes, interest and other liabilities	2,489	2,062
Total liabilities	356,861	300,555
SHAREHOLDERS' EQUITY		
Common stock - no par value		

1,708,537 shares issued (1,722,126 in Dec. 2002)	29,779	30,236
Retained earnings	9,939	9,395
Accumulated other comprehensive income	398	297
Total shareholders' equity	40,116	39,928
Total Liabilities and Shareholders' Equity	$396,977	$340,483

See notes to consolidated financial statements.

3

Fentura Financial, Inc.
Consolidated Statements of Income (Unaudited)

(000's omitted except per share data)	Three Months Ended June 30, 2003	2002	S 2003
INTEREST INCOME			
Interest and fees on loans	$3,978	$3,974	$7,902
Interest and dividends on securities:			
Taxable	331	255	659
Tax-exempt	172	147	341
Interest on federal funds sold	35	74	61
Total interest income	4,516	4,450	8,963
INTEREST EXPENSE			
Deposits	1,293	1,352	2,589
Borrowings	28	24	50
Total interest expense	1,320	1,376	2,639
NET INTEREST INCOME	3,197	3,074	6,324
Provision for loan losses	668	69	964
Net interest income after Provision for loan losses	2,529	3,005	5,360
NONINTEREST INCOME			
Service charges on deposit accounts	934	594	1,742
Gain on sale of mortgages	434	150	788
Trust income	121	144	233
Gain on sale of securities	19	0	31
Gain on sale of fixed assets	201	0	201
Other income and fees	344	273	633
Total noninterest income	2,053	1,161	3,628
NONINTEREST EXPENSE			
Salaries and employee benefits	1,762	1,606	3,598
Occupancy	269	265	561
Furniture and equipment	365	387	723
Loan and collection	84	50	143
Advertising and promotional	98	58	187
Other operating expenses	774	714	1,456
Total noninterest expense	3,352	3,080	6,668
INCOME BEFORE TAXES	1,228	1,086	2,320
Applicable income taxes	318	311	589
NET INCOME	$910	$775	$1,731
Per share:			
Net income - basic	$0.53	$0.45	$1.01
Net income - diluted	$0.53	$0.45	$1.01

See notes to consolidated financial statements.

Fentura Financial, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(000's omitted)	Six Months Ended June 30, 2003	Six Mo Ende June 200
COMMON STOCK		
Balance, beginning of period	$30,236	$30,6
Issuance of shares under Director stock purchase plan & Dividend reinvestment program	200	1
Repurchase stock	(657)	(1
Balance, end of period	29,779	30,6
RETAINED EARNINGS		
Balance, beginning of period	9,395	7,6
Net income	1,731	1,3
Cash dividends declared	(1,187)	(7
Balance, end of period	9,939	8,2
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	297	
Change in unrealized gain (loss) on securities, net of tax	101	1
Balance, end of period	398	1
TOTAL SHAREHOLDERS' EQUITY	$40,116	$39,0

See notes to consolidated financial statements.

5

Fentura Financial, Inc.
Consolidated Statements of Cash Flows (Unaudited)

(000's omitted)	Six Months Ended June 30, 2003	2002
OPERATING ACTIVITIES:		
Net income	$1,731	$1,369
Adjustments to reconcile net income to cash Provided by Operating Activities:		
Depreciation and amortization	486	494
Provision for loan losses	964	102
Amortization (accretion) on securities	485	243
Loans originated for sale	(47,748)	(16,683)
Proceeds from the sale of loans	50,611	17,093
Gain on sale of securities	(31)	0
Gain on sales of loans	(788)	(292)
Net increase in bank owned life insurance	(114)	(5,071)
Net (increase) decrease in interest receivable & other assets	(938)	(240)
Net increase (decrease) in interest payable & other liabilities	375	(57)
Total Adjustments	3,302	(4,411)
Net Cash Provided By (Used In) Operating Activities	5,033	(3,042)
Cash Flows From Investing Activities:		
Proceeds from maturities of securities - HTM	1,803	4,712
Proceeds from maturities of securities - AFS	2,540	3,964
Proceeds from calls of securities - AFS	16,962	3,700
Proceeds from sales of securities - AFS	10,998	0
Purchases of securities - HTM	(1,030)	(945)
Purchases of securities - AFS	(56,133)	(10,644)
Net increase in loans	(10,338)	(2,848)
Capital expenditures	(209)	(1,368)
Net Cash Provided By (Used in) Investing Activities	(35,407)	(3,329)
Cash Flows From Financing Activities:		
Net increase (decrease) in deposits	43,362	1,717
Net increase (decrease) in borrowings	17	(719)
Net increase (decrease) in repurchase agreements	12,500	0
Net proceeds from stock issuance and purchase	(457)	41
Cash dividends	(1,187)	(799)
Net Cash Provided By (Used In) Financing Activities	54,235	158
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	$23,861	($6,213)
CASH AND CASH EQUIVALENTS - BEGINNING	$30,562	$41,838
CASH AND CASH EQUIVALENTS - ENDING	$54,423	$35,625

CASH PAID FOR:

INTEREST	$2,650	$2,695
INCOME TAXES	$513	$821

See notes to consolidated financial statements.

6

Fentura Financial, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

(000's Omitted)	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months E[nded] June 30, 2003
Net Income	$910	$1,731	$1,731
Other comprehensive income (loss), net of tax:			
Unrealized holding gains (losses) arising during period	149	132	132
Less: reclassification adjustment for gains included in net income	19	0	31
Other comprehensive income (loss)	168	168	101
Comprehensive income	1,078	$943	$1,832

Fentura Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Basis of presentation

The consolidated financial statements include Fentura Financial, Inc. (the Corporation) and its wholly owned subsidiaries, The State Bank in Fenton, Michigan and Davison State Bank in Davison, Michigan (the Banks). Intercompany transactions and balances are eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions for Form 10Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Corporation s annual report on Form 10-K for the year ended December 31, 2002.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

Note 2. Earnings per common share

A reconciliation of the numerators and denominators used in the computation of basic earnings per common share and diluted earnings per common share is presented below. Earnings per common share are presented below for the three months and six months ended June 30, 2003 and 2002:

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months June 30 2003	
Basic Earnings Per Common Share:				
Numerator				
Net Income	$910,000	$775,000	$1,731,000	$1
Denominator				
Weighted average common shares Outstanding	1,712,611	1,733,535	1,716,066	1
Basic earnings per common share	$0.53	$0.45	$1.01	
Diluted Earnings Per Common Share:				
Numerator				
Net Income	$910,000	$775,000	$1,731,000	$1
Denominator				
Weighted average common shares Outstanding for basic earnings per Common share	1,712,611	1,733,535	1,716,066	1
Add: Dilutive effects of assumed Exercises of stock options	6,216	4,857	6,245	
Weighted average common shares And dilutive potential common Shares outstanding	1,718,827	1,738,392	1,722,311	1
Diluted earnings per common share	$0.53	$0.45	$1.01	

Stock options for 5,737 and 6,841 shares of common stock for the three and six month period ended June 30, 2003 and 2002 were not considered in computing diluted earnings per common share because they were not dilutive.

Note 3. Stock Option Plans

The Nonemployee Director Stock Option Plan grants options to nonemployee directors to purchase the Corporation's common stock on April 1 each year. The purchase price of the shares is the fair market value at the date of the grant, and there is a three-year vesting period before options may be exercised. Options to acquire no more than 6,720 shares of stock may be granted under the Plan in any calendar year and options to acquire not more than 67,200 shares in the aggregate may be outstanding at any one time.

The Employee Stock Option Plan grants options to eligible employees to purchase the Corporation's common stock at or above, the fair market value of the stock at the date of the grant. Awards granted under this plan are limited to an aggregate of 72,000 shares. The administrator of the plan is a committee of directors. The administrator has the power to determine the number of options to be granted, the exercise price of the options and other terms of the options, subject to consistency with the terms of the plan. Options covering 13,250 shares were granted under this Plan on June 26, 2003.

The following table summarizes stock option activity:

	Number of Options	Weighte Average P
Options outstanding at December 31, 2001	22,583	$25.8
Options granted 2002	2,947	26.5
Options forfeited 2002	(2,760)	29.3
Options outstanding at December 31, 2002	22,770	26.2
Options granted 2003	13,250	34.2
Options outstanding at June 30, 2003	36,020	$28.9

The stock option plans are accounted for in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) as permitted under Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation* (SFAS 123). In accordance with APB 25, no compensation expense is required nor has been recognized for the options issued under existing plans. Had the Corporation chosen not to elect APB 25, SFAS 123 would apply and compensation expense would have been recognized, and the Corporation s earnings would have been as follows (in thousands, except per share data):

	Three Months Ended June 30, 2003	2002	Six Months Ended 2003
Net Income			
As reported	$ 910	$ 775	$1,731
Proforma	893	761	1,705
Basic net income per share			
As reported	0.53	0.45	1.01
Proforma	0.52	0.44	0.99
Diluted net income per share			
As reported	0.53	0.45	1.01
Proforma	0.52	0.44	0.99

Proforma net income includes compensation cost for the Corporation s stock option plan based on the fair values of the grants as of the dates of the awards consistent with the method prescribed by SFAS 123. The fair value of each option grant is estimated using the Black-Scholes option-pricing model. Assumptions used in the model for options granted during 2003 were as follows: an expected life of 6 years, a dividend yield of 3.8%, a risk free return of 3.77% and expected volatility of 31%. Assumptions used in the model for options granted during 2002 were as follows: an expected life of 6 years, a dividend yield of 3.8%, a risk free return of 4.62% and expected volatility of 31%.

Note 4. Commitments and contingencies

There are various contingent liabilities that are not reflected in the financial statements including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the Corporation s consolidated financial condition or results of operations.

9

Note 4. Commitments and contingencies

Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Certain of the Corporation s accounting policies are important to the portrayal of the Corporation s financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances, which could affect these judgments include, but without limitation, changes in interest rates, in the performance of the economy or in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for loan losses, determining the fair value of securities and other financial instruments and the valuation of mortgage servicing rights.

As indicated in the income statement, earnings for the six months ended June 30, 2003 were $1,731,000 compared to $1,369,000 for the same period in 2002. Net income for the second quarter of 2003 was $910,000 compared to $775,000 for the same period in 2002. Earnings increased as a result of an increase in non-interest income and an increase in net interest income. The Corporation continues to focus on core banking activities and new opportunities in current and surrounding markets. Management believes that the softening of the economy that began in 2001 and projected economic uncertainty may continue to place pressure on net interest income and asset quality.

The banking industry uses standard performance indicators to help evaluate a banking institution s performance. Return on average assets is one of these indicators. For the six months ended June 30, 2003 the Corporation s return on average assets (annualized) was 1.01% compared to 0.90% for the same period in 2002. Net income per share basic and diluted was $1.01 in the first six months of 2003 compared to $0.79 for net income per share basic and diluted for the same period in 2002. Net income per share basic and diluted was $0.53 in the second quarter 2003 compared to $0.45 for net income per share basic and diluted for the same period in 2002.

<u>Net Interest Income</u>

Net interest income and average balances and yields on major categories of interest-earning assets and interest-bearing liabilities for the three months ended June 30, 2003 and 2002 are summarized in Table 3.and for the six months ended June 30, 2003 and 2002 are summarized in Table 2. The effects of changes in average interest rates and average balances are detailed in Table 1 below.

Table 1

	SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO 2002 INCREASE (DECREASE) DUE TO:		
(000'S OMITTED)	VOL	YIELD/ RATE	TOTAL
TAXABLE SECURITIES	$501	($378)	$123
TAX-EXEMPT SECURITIES	124	(74)	50
FEDERAL FUNDS SOLD	(56)	(28)	(84)

TOTAL LOANS	549	(563)	(14)
LOANS HELD FOR SALE	35	23	58
TOTAL EARNING ASSETS	1,153	(1,020)	133
INTEREST BEARING DEMAND DEPOSITS	38	(56)	(18)
SAVINGS DEPOSITS	125	(141)	(16)
TIME CD'S $100,000 AND OVER	202	(94)	108
OTHER TIME DEPOSITS	3	(372)	(369)
OTHER BORROWINGS	(337)	337	0
TOTAL INTEREST BEARING LIABILITIES	31	(326)	(295)
NET INTEREST INCOME	$1,122	($694)	$428

10

As indicated in Table 1, during the six months ended June 30, 2003, net interest income increased compared to the same period in 2002, principally because of the increase in securities interest income and the decrease in interest expense due to the repricing of certificates of deposit as they matured and renewed at lower rates. Interest income increased slightly in the loan portfolio and decreased slightly in the core deposit portfolio.

Net interest income (displayed with consideration of full tax equivalency), average balance sheet amounts, and the corresponding yields for the six months ended June 30, 2003 and 2002 are shown in Table 2. Net interest income for the six months ended June 30, 2003 was $6,558,000 an increase of $627,000 over the same period in 2002. This represents an increase of 10.6%. The primary factor contributing to the net interest income increase was reduction in interest expense due to repricing time deposit rates. Management s actions to reprice loans and deposits to improve the margin and short-term rate stability contributed substantially to the improvement during the first six months of 2003 compared to the first six months of 2002.

Management reviews the economic forecasts and strategy on a monthly basis. Accordingly, the Corporation will continue to strategically manage the balance sheet structure to create stability in net interest income. The Corporation expects to continue to seek out new loan opportunities while continuing to maintain sound credit quality.

As indicated in Table 3, for the three months ended June 30, 2003, the Corporation s net interest margin (with consideration of full tax equivalency) was 4.21% compared with 4.51% for the same period in 2002. This decline is attributable to the impact of interest rate reductions by the Federal Reserve Board in late 2002 and the end of the second quarter in 2003. The decrease in interest rates has impacted the net interest income in the short term because loans repriced more quickly than deposits thus reducing net interest income.

Average earning assets increased 13.4% or approximately $36,915,000 comparing the first six months of 2003 to the same time period in 2002. Loans, the highest yielding component of earning assets, represented 74.4% of earning assets in 2003 compared to 78.6% in 2002. Average interest bearing liabilities increased 15.8% or $35,066,000 comparing the first six months of 2003 to the same time period in 2002. Non-interest bearing deposits amounted to 15.4% of average earning assets in the first six months of 2003 compared with 15.1% in the same time period of 2002.

Management continually monitors the Corporation s balance sheet to insulate net interest income from significant swings caused by interest rate volatility. If market rates change in 2003, corresponding changes in funding costs will be considered to avoid any potential negative impact on net interest income. Management has adjusted both loan and deposit rates in response to the June 27th prime rate reduction of twenty-five basis points, which should alleviate any negative impact on net interest income. The Corporation s policies in this regard are further discussed in the section titled Interest Rate Sensitivity Management .

Table 2

AVERAGE BALANCES AND RATES (000's omitted)(Annualized) ASSETS		SIX MONTHS ENDED JUNE 30, 2003		
	AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE
Securities:				
U.S. Treasury and Government Agencies	$44,865	$587	2.64%	$19,503
State and Political (1)	21,034	517	4.95%	16,609
Other	3,303	72	4.40%	5,385
Total Securities	69,202	1,176	3.43%	41,497
Fed Funds Sold	10,613	61	1.16%	17,371
Loans:				
Commercial	156,565	5,284	6.81%	138,732
Tax Free (1)	5,370	174	6.54%	3,054
Real Estate-Mortgage	13,299	449	6.81%	12,053
Consumer	53,937	1,926	7.20%	60,353
Total loans	229,171	7,833	6.89%	214,192
Allowance for Loan Losses	(3,251)			(3,119)
Net Loans	225,920	7,833	6.99%	211,073
Loans Held for Sale	2,926	127	8.75%	1,937
TOTAL EARNING ASSETS	$311,912	$9,197	5.95%	$274,997
Cash Due from Banks	17,609			14,717
All Other Assets	20,021			17,531
TOTAL ASSETS	$346,291			$304,126
LIABILITIES & SHAREHOLDERS' EQUITY:				
Deposits:				
Interest bearing - DDA	$48,246	186	0.78%	$40,696
Savings Deposits	100,520	590	1.18%	83,309
Time CD's $100,000 and Over	31,710	535	3.40%	21,520
Other Time CD's	74,244	1,278	3.47%	74,114
Total Deposits	254,720	2,589	2.05%	219,639
Other Borrowings	2,210	50	4.56%	2,225
INTEREST BEARING LIABILITIES	$256,930	$2,639	2.07%	$221,864
Non-Interest bearing - DDA	48,141			41,569
All Other Liabilities	1,046			1,695
Shareholders' Equity	40,174			38,998
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$346,291			$304,126
Net Interest Rate Spread			3.87%	
Net Interest Income /Margin		$6,558	4.24%	

(1) Presented on a fully taxable equivalent basis using a federal income tax rate of 34%.

12

Table 3

AVERAGE BALANCES AND RATES (000's omitted)(Annualized) ASSETS	THREE MONTHS ENDED JUNE 30, 2003 AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE
Securities:				
U.S. Treasury and Government Agencies	$44,912	$300	2.68%	$17,957
State and Political (2)	20,998	261	4.98%	15,614
Other	2,758	31	4.51%	5,358
Total Securities	68,668	592	3.46%	38,929
Fed Funds Sold	12,211	35	1.15%	17,508
Loans:				
Commercial	158,847	2,675	6.75%	137,983
Tax Free (2)	5,241	86	6.61%	3,658
Real Estate-Mortgage	14,036	233	6.66%	11,823
Consumer	53,532	945	7.08%	61,341
Total loans	231,656	3,939	6.82%	214,805
Allowance for Loan Losses	(3,256)			(3,150)
Net Loans	228,400	3,939	6.92%	211,655
Loans Held for Sale	3,069	68	8.89%	1,989
TOTAL EARNING ASSETS	$315,604	$4,634	5.89%	$273,231
Cash Due from Banks	17,452			14,938
All Other Assets	19,886			18,583
TOTAL ASSETS	$349,686			$303,602
LIABILITIES & SHAREHOLDERS' EQUITY:				
Deposits:				
Interest bearing - DDA	$46,871	91	0.78%	$41,466
Savings Deposits	103,407	308	1.19%	85,190
Time CD's $100,000 and Over	29,421	256	3.49%	20,760
Other Time CD's	75,659	638	3.38%	71,794
Total Deposits	255,358	1,293	2.03%	219,210
Other Borrowings	2,726	28	4.12%	1,788
INTEREST BEARING LIABILITIES	$258,084	$1,321	2.05%	$220,998
Non-Interest bearing - DDA	50,032			41,766
All Other Liabilities	1,066			1,450
Shareholders' Equity	40,504			39,388
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$349,686			$303,602
Net Interest Rate Spread			3.84%	
Net Interest Income /Margin		$3,313	4.21%	

(2) Presented on a fully taxable equivalent basis using a federal income tax rate of 34%.

13

ALLOWANCE AND PROVISION FOR LOAN LOSSES

The Corporation maintains formal policies and procedures to control and monitor credit risk. Management believes the allowance for loan losses is adequate to provide for probable incurred losses in the loan portfolio. The Corporation s loan portfolio has no significant concentrations in any one industry or any exposure in foreign loans. The Corporation has not extended credit to finance highly leveraged transactions nor does it intend to do so in the future. Employment levels and other economic conditions in the Corporation s local markets may have a significant impact on the level of loan losses. Management continues to identify and devote attention to credits that are not performing as agreed. Of course, deterioration of economic conditions could have an impact on the Corporation s credit quality, which could impact the need for greater provision for loan losses and the level of the allowance for loan losses as a percentage of gross loans. Non-performing loans are discussed further in the section titled Non-Performing Assets .

The allowance for loan losses (*ALL)* reflects management s judgment as to the level considered appropriate to absorb probable losses in the loan portfolio. Fentura s subsidiary banks methodology in determining the adequacy of the *ALL* includes a review of individual loans, historical loss experience, current economic conditions, portfolio trends, and other pertinent factors. Although portions of the allowance have been allocated to various portfolio segments, the *ALL* is general in nature and is available for the portfolio in its entirety. At June 30, 2003, the *ALL* was $3,065,000, or 1.31% of total loans. This compares with $3,184,000, or 1.42%, at December 31, 2002. The decrease of the *ALL* as a percentage of total loans reflects a small decrease in the allowance for loan losses and a large increase in total loans. Management believes that the allowance to gross loans percentage is appropriate given identified risk in the loan portfolio based on asset quality.

Table 4 also summarizes loan losses and recoveries for the first six months of 2003 and 2002. During the first six months of 2003 the Corporation experienced net charge-offs of $1,083,000 or .91% of loans (annualized) compared with net charge-offs of $152,000 or .13% in the first six months of 2002. The charge-off of one large commercial credit relationship comprised $846,000 of the $1,083,000 net charge-offs for the period. The provision for loan losses was $964,000 in the first six months of 2003 and $102,000 for the same time period in 2002. The provision was increased primarily as a result of the unanticipated charges to the allowance related to the commercial credit relationship noted. The loss resulted from borrower falsification of borrowing base reports related to accounts receivables and inventory.

Table 4

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

(000's omitted)	Six Months Ended June 30 2003	Six Months End June 30, 2002
Balance at Beginning of Period	$3,184	$3,125
Charge-Offs:		
Commercial, Financial and Agriculture	(915)	(148)
Real Estate-Mortgage	0	0
Installment Loans to Individuals	(254)	(233)
Total Charge-Offs	(1,169)	(381)
Recoveries:		
Commercial, Financial and Agriculture	27	149
Real Estate-Mortgage	0	0

Installment Loans to Individuals	59	80
Total Recoveries	86	229
Net Charge-Offs	(1,083)	(152)
Provision	964	102
Balance at End of Period	$3,065	$3,075
Ratio of Net Charge-Offs to Gross Loans	0.46%	0.07%

NON-INTEREST INCOME

Non-interest income increased during the six months ended June 30, 2003 as compared to the same period in 2002, primarily due to the increase in gain on sale of mortgages, and an increase in service charges on deposit accounts. Overall non-interest income was $3,628,000 for the six months ended June 30, 2003 compared to $2,224,000 for the same period in 2002. These figures represent an increase of 63.1%. Non-interest income increased 76.8% in the second quarter of 2003 compared with the same period in 2002. The increase was due to higher gain on sale of mortgages and higher service charges on deposits in the second quarter of 2003. The income statement provides a detailed breakdown of the components of non-interest income.

The most significant category of non-interest income is service charges on deposit accounts. These fees were $1,742,000 in the first six months of 2003 compared to $1,148,000 for the same period of 2002. This represents an increase of 51.7%. In the second quarter of 2003 service charges increased 57.2% over the same period in 2002. Increases are attributable to service charges from growth in core deposits and the introduction of a new overdraft privilege product.

Gains on the sale of mortgage loans originated by the Banks and sold in the secondary market were $788,000 in the six months ended June 30, 2003 and $292,000 in the same period in 2002. In the second quarter of 2003 gain on the sale of mortgages increased 189.3% over the same period in 2002. The change is due to an increase in loans sold in the secondary market due to the increase in residential mortgage refinance activity and new loan volumes due to the downward movement to historically low market interest rates.

Trust income decreased $45,000 in the first six months of 2003 compared to the same period in the prior year. In the second quarter of 2003 trust fees decreased 56.5% compared with the same period in 2002. The decrease in fees is attributable to the decline in the value of assets under management and the loss of several trust accounts within the Corporation s Trust Department.

Gain on sale of securities increased $31,000 in the first six months of 2003, due to the bank selling some low yielding securities and purchasing higher yielding securities in the second quarter and selling a single security in the first quarter. This gain made up 0.9% of the 2003 first six months non interest income.

Gain on sale of fixed assets increased in the second quarter of 2003 due to the sale of the North Fenton branch. The gain on the sale was $201,000.

Other operating income increased $127,000 to $633,000 in the first six months of 2003 compared to $506,000 in the same time period in 2002. This is an increase of 25.1%. Other operating income increased due to the cash surrender value of life insurance and the increase in debit and ATM income.

Non-Interest Expense

Total non-interest expense was $6,667,000 in the first six months ended June 30, 2003 compared with $6,121,000 in the same period of 2002. This is an increase of 8.9%. In the second quarter of 2003 total non-interest expenses were $3,352,000 compared to $3,080,000 in the same quarter in 2002. These increases are largely attributable to an increase in salaries and benefits expense and other operating expenses.

Salary and benefit costs, Fentura s largest non-interest expense category, were $3,598,000 in the first six months of 2003, compared with $3,314,000, or an increase of 8.6%, for the same time period in 2002. In the second quarter of 2003 salary and benefits costs were $1,762,000 compared with $1,606,000, or an increase of 9.7% for the same quarter in 2002. Increased costs are primarily a result of a modest salary increase for employees and an increase in employee benefit costs and commission expenses paid to mortgage originators.

During the first six months ended June 30, 2003 furniture and equipment expenses were $723,000 compared to $746,000 for the same period in 2002, a decrease of 3.1%. In the second quarter of 2003 equipment expenses decreased 5.7% from the second quarter of 2002. The decreases in expenses are attributable to reduction in equipment maintenance contracts and equipment depreciation.

Occupancy expenses at $561,000 increased in the six months ended June 30, 2003 compared to the same period in 2002 by $39,000 or 7.5%. Occupancy expenses increased 1.5% in the second quarter of 2003 compared to 2002. The increases are attributable to increases in facility repairs, a full half a year of expenses pertaining to the opening of the Grand Blanc and Silver Lake Parkway offices in 2002 and maintenance contracts expense.

Loan and collection expenses, at $143,000, were up $55,000 during the six months ended June 30, 2003 compared to the same time period in 2002. In the second quarter loan and collection expense increased 68.0% compared to the second quarter of 2002. The increase is primarily attributable to an increase in other loan expense pertaining to the large charged off loan and an increase in dealer service fees.

Advertising expenses were $187,000 in the six months ended June 30, 2003 compared with $125,000 for the same period in 2002. Advertising expenses increased 68.9% in the second quarter of 2003 compared to the same quarter in 2002. The increases were primarily due to the increase in media, shareholder and promotional expenses.

Other operating expenses were $1,456,000 in the six months ended June 30, 2003 compared to $1,326,000 in the same time period in 2002, an increase of $130,000 or 9.8%. Other operating expenses were $774,000 in the second quarter of 2003 compared to $714,000 in the same period in 2002. The increases are attributable to an increase in the amount of overdrawn deposit account charge-offs and an increase in other outside services and consulting expenses.

Financial Condition

Proper management of the volume and composition of the Corporation s earning assets and funding sources is essential for ensuring strong and consistent earnings performance, maintaining adequate liquidity and limiting exposure to risks caused by changing market conditions. The Corporation s securities portfolio is structured to provide a source of liquidity through maturities and generate an income stream with relatively low levels of principal risk. The Corporation does not engage in securities trading. Loans comprise the largest component of earning assets and are the Corporation s highest yielding assets. Customer deposits are the primary source of funding for earning assets while short-term debt and other sources of funds could be further utilized if market conditions and liquidity needs change.

The Corporation s total assets were $397 million at June 30, 2003 compared to December 31, 2002 total assets of $340 million. Loans comprised 59.7% of total assets at June 30, 2003 compared to 67.5% at December 31, 2002. Loans grew $7.2 million with commercial loans and real estate loans leading the advance, which together grew $9.1 million while other loan categories experienced small decreases. The ratio of non-interest bearing deposits to total deposits was 16.5% at June 30, 2003 compared to 15.2% at December 31, 2002. Interest bearing deposit liabilities totaled $283 million at June 30, 2003 compared to $251 million at December 31, 2002. Total deposits increased $43.4 million with non-interest bearing demand deposits increasing $11.1 million and interest bearing deposits increasing $32.3 million. Short-term borrowings increased $33 thousand due to the slight increase in treasury tax & loan deposits at the end of the two periods. FHLB advance balances decreased slightly during the period due to a principal payment being made on the advance. The Corporation entered into repurchase agreements during the period for $12.5 million.

Bank premises and equipment decreased $277,000 to $9.5 million at June 30, 2003 compared to $9.7 million at December 31, 2002. The decrease is due to depreciation expense and reduction in property resulting from the sale of the North Fenton office.

NON-PERFORMING ASSETS

Non-performing assets include loans on which interest accruals have ceased, loans that have been renegotiated, and real estate acquired through foreclosure. Past due loans are loans which were delinquent 90 days or more, but have not been placed on non-accrual status. Table 5 reflects the levels of these assets at June 30, 2003 and December 31, 2002.

Non-performing assets increased at June 30, 2003 compared to December 31, 2002. This increase is primarily due to an increase in Other Real Estate and REO-in-Redemption, which increased $931,000 in the first six months of 2003. One property directly related to the $846,000 charged off commercial credit, comprises $599,000 of the increase in the period. The majority of the properties are commercial and marketability is dependent on the real estate market. Non-performing assets decreased significantly as compared to March 31, 2003 primarily due to the decrease in non-performing loans, which resulted from an $862,000 charge to the allowance for loan losses in the second quarter. The Corporation provided $668,000 to the loan loss reserve in the second quarter.

The level and composition of non-performing assets are affected by economic conditions in the Corporation s local markets. Non-performing assets, charge-offs, and provisions for loan losses tend to decline in a strong economy and increase in a weak economy, potentially impacting the Corporation s operating results. In addition to non-performing loans, management carefully monitors other credits that are current in terms of principal and interest payments but, in management s opinion, may deteriorate in quality if economic conditions change. Based on the current economic conditions, management continues to closely monitor credit quality.

Table 5

Non-Performing Assets and Past Due Loans

	June 30, 2003	December 31, 2002
Non-Performing Loans:		
Loans Past Due 90 Days or More & Still Accruing	$75	$72
Non-Accrual Loans	485	512
Renegotiated Loans	0	0
Total Non-Performing Loans	560	584
Other Non-Performing Assets:		
Other Real Estate	873	110
REO in Redemption	332	164
Other Non-Performing Assets	29	92
Total Other Non-Performing Assets	1,234	366
Total Non-Performing Assets	$1,794	$950
Non-Performing Loans as a % of Total Loans	0.24%	0.26%
Allowance for Loan Losses as a % of Non-Performing Loans	547.32%	545.21%
Accruing Loans Past Due 90 Days or More to Total Loans	0.03%	0.03%
Non-performing Assets as a % of Total Assets	0.45%	0.28%

LIQUIDITY AND INTEREST RATE RISK MANAGEMENT

Asset/Liability management is designed to assure liquidity and reduce interest rate risks. The goal in managing interest rate risk is to maintain a strong and relatively stable net interest margin. It is the responsibility of the Asset/Liability Management Committee (ALCO) to set policy guidelines and to establish short-term and long-term strategies with respect to interest rate exposure and liquidity. The ALCO, which is comprised of key members of management, meets regularly to review financial performance and soundness, including interest rate risk and liquidity exposure in relation to present and prospective markets, business conditions, and product lines. Accordingly, the committee adopts funding and balance sheet management strategies that are intended to maintain earnings, liquidity, and growth rates consistent with policy and prudent business standards.

Liquidity maintenance together with a solid capital base and strong earnings performance are key objectives of the Corporation. The Corporation s liquidity is derived from a strong deposit base comprised of individual and business deposits. Deposit accounts of customers in the mature market represent a substantial portion of deposits of individuals. The Banks deposit base plus other funding sources (federal funds purchased, other liabilities and shareholders equity) provided primarily all funding needs in the first six months of 2003. While these sources of funds are expected to continue to be available to provide funds in the future, the mix and availability of funds will depend upon future economic conditions. The Corporation does not foresee any difficulty in meeting its funding requirements.

Primary liquidity is provided through short-term investments or borrowings (including federal funds sold and purchased) while the securities portfolio provides secondary liquidity. As of June 30, 2003 federal funds sold represented 8.3% of total assets, compared to 3.0% at December 31, 2002. The Corporation had excess liquidity at June 30, 2203 due to a large short-term deposit from a local municipality. The Corporation regularly monitors liquidity to ensure adequate cash flows to cover unanticipated reductions in the availability of funding sources.

Interest rate risk is managed by controlling and limiting the level of earnings volatility arising from rate movements. The Corporation entered into a leverage strategy in the second quarter, which was purchasing securities funded by repurchase agreements. This strategy helped leverage more capital of the Corporation and limit volatility if interest rates dropped further. The Corporation regularly performs reviews and analysis of those factors impacting interest rate risk. Factors include maturity and re-pricing frequency of balance sheet components, impact of rate changes on interest margin and prepayment speeds, market value impacts of rate changes, and other issues. Both actual and projected performance are reviewed, analyzed, and compared to policy and objectives to assure present and future financial viability.

As indicated in the statement of cash flows, cash provided by financing activities was $54,235,000 in the first six months of 2003 due to the increase in deposits. Comparatively, in the first six months of 2002, cash provided in financing activities was $158,000 because of increases in deposits. Cash used in investing activities was $35,407,000 during the first six months of 2003. Cash flow from investing activities decreased for the first six months of 2003 primarily because of an increase in securities purchases and an increase in loan demand.

NEWLY ISSUED BUT NOT EFFECTIVE ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) recently issued two new accounting standards, Statement 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities,* and Statement 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities,* both of which generally become effective in the quarter beginning July 1, 2003. Because the Corporation does not have these instruments or is only nominally involved in these instruments, the new accounting standards will not materially affect the Corporation s operating results or financial condition.

CAPITAL MANAGEMENT

Total shareholders   equity increased 0.5% to $40,116,000 at June 30, 2003 compared with $39,928,000 at December 31, 2002. The Corporation s equity to asset ratio was 10.1% at June 30, 2003 and 11.7% at December 31, 2002. The increase in the amount of capital resulted primarily from the net income from the Corporation, partially offset by dividends declared.

As indicated on the balance sheet at December 31, 2002 the Corporation had accumulated other comprehensive income of $297,000 compared to accumulated other comprehensive income at June 30, 2003 of $398,000. The increase in the income position is attributable to the fluctuation of the market price of securities held in the available for sale portfolio.

Regulatory Capital Requirements

Bank holding companies and their bank subsidiaries are required by banking industry regulators to maintain certain levels of capital. These are expressed in the form of certain ratios. These ratios are based on the degree of credit risk in the Corporation s assets. All assets and off-balance sheet items such as outstanding loan commitments are assigned risk factors to create an overall risk-weighted asset total. Capital is separated into two levels, Tier I capital (essentially total common shareholders   equity less goodwill) and Tier II capital (essentially the allowance for loan losses limited to 1.25% of gross risk-weighted assets). Capital levels are then measured as a percentage of total risk weighted assets. The regulatory minimum for Tier I capital to risk weighted assets is 4% and the minimum for Total capital (Tier I plus Tier II) to risk weighted assets is 8%. The Tier I leverage ratio measures Tier I capital to average assets and must be a minimum of 4%. As reflected in Table 6, at June 30, 2003 and at December 31, 2002, the Corporation was well in excess of the minimum capital and leverage requirements necessary to be considered a well capitalized banking company.

The FDIC has adopted a risk-based insurance premium system based in part on a bank s capital adequacy. Under this system a depository institution is classified as well capitalized, adequately capitalized, or undercapitalized according to its regulatory capital levels. Subsequently, a financial institution s premium levels are based on these classifications and its regulatory supervisory rating (the higher the classification the lower the premium). It is the Corporation s goal to maintain capital levels sufficient to retain a designation of well capitalized .

Table 6

	Capital Ratios			
	Regulatory Minimum For "Well Capitalized"	Fentura Financial, Inc. June 30, 2003	December 31, 2002	Jun 2
Total Capital to risk Weighted assets	10%	14.53%	15.20%	15
Tier 1 Capital to risk Weighted assets	6%	13.49%	14.10%	14
Tier 1 Capital to average Assets	5%	11.47%	12.60%	12

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information concerning quantitative and qualitative disclosures about market risk contained on page 47 in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2002, is here incorporated by reference.

Fentura Financial, Inc. faces market risk to the extent that both earnings and the fair value of its financial instruments are affected by changes in interest rates. The Corporation manages this risk with static GAP analysis and has begun simulation modeling. For the first six months of 2003, the results of these measurement techniques were within the Corporation s policy guidelines. The Corporation does not believe that there has been a material change in the nature of the Corporation s primary market risk exposures, including the categories of market risk to which the Corporation is exposed and the particular markets that present the primary risk of loss to the Corporation, or in how those exposures are managed in 2003 compared to 2002.

The Corporation s market risk exposure is mainly comprised of its vulnerability to interest rate risk. Prevailing interest rates and interest rate relationships in the future will be primarily determined by market factors, which are outside of the Corporation s control. All information provided in this section consists of forward-looking statements. Reference is made to the section captioned Forward Looking Statements in this quarterly report for a discussion of the limitations on the Corporation s responsibility for such statements.

INTEREST RATE SENSITIVITY MANAGEMENT

Interest rate sensitivity management seeks to maximize net interest income as a result of changing interest rates, within prudent ranges of risk. The Corporation attempts to accomplish this objective by structuring the balance sheet so that re-pricing opportunities exist for both assets and liabilities in roughly equivalent amounts at approximately the same time intervals. Imbalances in these re-pricing opportunities at any point in time constitute a bank s interest rate sensitivity. The Corporation currently does not utilize derivatives in managing interest rate risk.

An indicator of the interest rate sensitivity structure of a financial institution s balance sheet is the difference between rate sensitive assets and rate sensitive liabilities, and is referred to as GAP .

Table 7 sets forth the distribution of re-pricing of the Corporation s earning assets and interest bearing liabilities as of June 30, 2003, the interest rate sensitivity GAP, as defined above, the cumulative interest rate sensitivity GAP, the interest rate sensitivity GAP ratio (i.e. interest rate sensitive assets divided by interest rate sensitive liabilities) and the cumulative sensitivity GAP ratio. The table also sets forth the time periods in which earning assets and liabilities will mature or may re-price in accordance with their contractual terms.

20

Table 7

GAP ANALYSIS JUNE 30, 2003

(000's Omitted)	Within Three Months	Three Months to One Year	One to Five Years	After Five Years
Earning Assets:				
Federal Funds Sold	$ 33,050	$ 0	$ 0	$ 0
Securities	28,439	5,619	39,832	13,361
Loans	123,093	16,938	78,464	14,981
Loans Held for Sale	3,434	0	0	0
Total Earning Assets	$188,016	$ 22,557	$ 118,296	$ 28,342
Interest Bearing Liabilities:				
Interest Bearing Demand Deposits	$ 51,038	$ 0	$ 0	$ 0
Savings Deposits	126,736	0	0	0
Time Deposits Less than $100,000	8,934	25,274	40,754	107
Time Deposits Greater than $100,000	9,249	8,935	12,260	0
Short term borrowings	1,533	0	0	0
Other Borrowings	0	16	76	1,016
Repurchase Agreements	0	2,500	10,000	0
Total Interest Bearing Liabilities	$197,490	$ 36,725	$ 63,090	$ 1,123
Interest Rate Sensitivity GAP	$ (9,474)	$ (14,168)	$ 55,206	$ 27,219
Cumulative Interest Rate Sensitivity GAP	$ (9,474)	$ (23,642)	$ 31,564	$ 58,783
Interest Rate Sensitivity GAP	(0.95)	(0.61)	1.88	25.24
Cumulative Interest Rate Sensitivity GAP Ratio	(0.95)	(0.90)	1.11	1.20

As indicated in Table 7, the short-term (one year and less) cumulative interest rate sensitivity gap is negative. Accordingly, if market interest rates increase, this negative gap position would have a short- term negative impact on interest margin. Conversely, if market rates continue to decline this should theoretically have a short-term positive impact. However, gap analysis is limited and may not provide an accurate indication of the impact of general interest rate movements on the net interest margin since the re-pricing of various categories of assets and liabilities is subject to the Corporation's needs, competitive pressures, and the needs of the Corporation's customers. In addition, various assets and liabilities indicated as re-pricing within the same period may in fact re-price at different times within such period and at different rate volumes. These limitations are evident when considering the Corporation's Gap position at June 30, 2002 and the change in net interest margin for the six months ended June 30, 2003 compared to the same time period in 2002. At June 30, 2002 the Corporation was negatively gapped through one year and since that time interest rates have declined further, yet net interest margin decreased compared to the first six months of 2003 to the same period in 2002. This occurred because certain deposit categories, specifically interest bearing demand and savings, have been repriced at the same time but not at the same level as the asset portfolios resulting in a decrease in net interest margin. Additionally, simulation modeling, which measures the impact of upward and downward movements of interest rates on interest margin and the market value of equity, indicates that an upward movement of interest rates would not significantly impact net interest income. Management has adjusted both loan and deposit rates in response to the June 27,, 2003 prime rate reduction of twenty-five basis points, which should alleviate any negative impact on net interest income.

FORWARD LOOKING STATEMENTS

This report includes "forward-looking statements" as that term is used in the securities laws. All statements regarding our expected financial position, business and strategies are forward-looking statements. In addition, the words "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. The presentation and discussion of the provision and allowance for loan losses and statements concerning future profitability or future growth or increases, are examples of inherently forward looking statements in that they involve judgments and statements of belief as to the outcome of future events. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and our future prospects include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in our market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning us and our business, including additional factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission.

ITEM 4: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Corporation's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-Q Quarterly Report, have concluded that the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation would be made known to them by others within the Corporation, particularly during the period in which this Form 10-Quarterly Report was being prepared.

(b) Changes in Internal Controls. During the period covered by this report, there have been no changes in the Corporation's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings. - None

Item 2. Changes in Securities and Use of Proceeds. - None

Item 3. Defaults Upon Senior Securities. - None

Item 4. Submission of Matters to a Vote of Securities Holders.

The annual meeting of shareholders of the Registrant was held on April 30, 2003. The shareholders voted on the following matters at the meeting:

(a) Election of two directors for terms expiring at the 2006 annual meeting:

Director Nominee:	For:	Withhold	Abstain
Forrest A. Shook	1,408,598.828	1,645.00	0
Donald L. Grill	1,405,863.828	4,380.00	0

Item 5. Other Information. - The Audit Committee of the Board of Directors approved the categories of all non-audit services performed by the Registrant's independent accountants during the period covered by this report.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

31.1 Certificate of the President and Chief Executive Officer of Fentura Financial, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of the Chief Financial Officer of Fentura Financial, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certificate of the Chief Executive Officer of Fentura Financial, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certificate of the Chief Financial Officer of Fentura Financial, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on 8-K

Report on Form 8-K dated March 31, 2003 and filed April 2, 2003 furnishing information announcing a dividend for the quarter ended March 31, 2003.

Report on Form 8-K dated April 18, 2003 furnishing press releases announcing a dividend and the results of the quarter ended March 31, 2003.

Report on Form 8-K dated May 5, 2003 furnishing a press release announcing a reorganization of the Registrant's Board of Directors

23

PART II OTHER INFORMATION

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Fentura Financial, Inc.

Date: August 12, 2003

By /s/ Donald L. Grill

Donald L. Grill
President & CEO

Date: August 12, 2003

By /s/ Ronald L. Justice

Ronald L. Justice
Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
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Exhibit 31.1

I, Donald L. Grill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fentura Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting;

Dated: August 12, 2003

/s/ Donald L. Grill

Donald L. Grill
President and Chief Executive Officer

Exhibit 31.2

I, Ronald L. Justice, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fentura Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting;

Dated: August 12, 2003

/s/ Ronald L. Justice

Ronald L. Justice
Chief Financial Officer

Exhibit 32.1

I, Donald L. Grill, Chief Executive Officer of Fentura Financial Inc. certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 fairly presents, in all material respects, the financial condition and results of operations of Fentura Financial, Inc.

Dated: August 12, 2003

/s/ Donald L. Grill

Donald L. Grill
Chief Executive Officer

Exhibit 32.2

I, Ronald L. Justice, Chief Financial Officer of Fentura Financial, Inc. certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 fairly presents, in all material respects, the financial condition and results of operations of Fentura Financial, Inc.

Dated: August 12, 2003

/s/ Ronald L. Justice

Ronald L. Justice
Chief Financial Officer