

Fentura Financial, Inc.
Condensed Consolidated Statement of Condition
(000's omitted except per share data)
Unaudited

ASSETS	June 30,	
	2011	2010
Cash and due from banks	\$ 22,481	\$ 13,119
Federal Funds Sold	<u>5,000</u>	<u>21,900</u>
Total cash and cash equivalents	27,481	35,019
Securities available for sale, at fair value	53,535	27,925
Securities held to maturity (fair value of \$3,726 at June 30, 2011 and \$4,383 at June 30, 2010)	<u>3,648</u>	<u>4,702</u>
Total securities	57,183	32,627
Loans held for sale	869	1,386
Commercial loans	43,327	46,028
Real estate loans-commercial	105,828	129,432
Real estate loans-residential	20,759	21,079
Consumer loans	<u>27,003</u>	<u>30,424</u>
Total loans	196,917	226,963
Less: allowance for loan losses	<u>(8,928)</u>	<u>(10,610)</u>
Net loans	187,989	216,353
Bank premises and equipment	10,226	10,651
Accrued interest receivable	1,025	1,154
Bank-owned life insurance	5,869	6,024
Assets of discontinued operations	9,011	139,053
Other assets	<u>3,680</u>	<u>13,022</u>
Total assets	<u>\$ 303,333</u>	<u>\$ 455,289</u>
LIABILITIES		
Noninterest bearing deposits	\$ 63,817	\$ 56,097
Interest bearing deposits	<u>204,295</u>	<u>232,523</u>
Total deposits	268,112	288,620
Short-term borrowings	627	10
Other borrowings	923	954
Subordinated debt	14,000	14,000
Liabilities of discontinued operations	76	129,579
Accrued taxes, interest and other liabilities	<u>3,184</u>	<u>4,231</u>
Total liabilities	<u>286,922</u>	<u>437,394</u>
Common stock - 2,349,501 issued (2,276,441 in 2010)	43,099	42,974
Accumulated deficit	(26,977)	(24,920)
Accumulated other comprehensive income (loss)	<u>289</u>	<u>(159)</u>
Total stockholders' equity	<u>16,411</u>	<u>17,895</u>
Total liabilities and stockholders' equity	<u>\$ 303,333</u>	<u>\$ 455,289</u>

Fentura Financial, Inc.
Condensed Consolidated Statement of Operations
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Unaudited

INTEREST INCOME	Three Months Ended June 30,	
	2011	2010
Interest and fees on loans	\$ 2,843	\$ 3,538
Interest and dividends on securities:		
Taxable	339	219
Tax-exempt	39	92
Interest on short-term securities	<u>13</u>	<u>7</u>
Total interest income	3,234	3,856
INTEREST EXPENSE		
Deposits	654	1,057
Borrowings	<u>126</u>	<u>127</u>
Total interest expense	<u>780</u>	<u>1,184</u>
NET INTEREST INCOME	2,454	2,672
Provision for loan losses	<u>730</u>	<u>2,449</u>
Net interest income after provision for loan losses	1,724	223
NONINTEREST INCOME		
Service charges on deposit accounts	290	359
Trust and investment services income	230	194
Gain on sale of loans	31	123
Other operating income	<u>403</u>	<u>660</u>
Total noninterest income	954	1,336
NONINTEREST EXPENSE		
Salaries and benefits	1,623	1,595
Occupancy of bank premises	276	311
Equipment expense	278	322
Other operating expenses	<u>793</u>	<u>1,149</u>
Total noninterest expense	<u>2,970</u>	<u>3,377</u>
INCOME (LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	(292)	(1,818)
Federal income taxes (benefit)	<u>(156)</u>	<u>421</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(136)	(2,239)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	<u>(109)</u>	<u>(541)</u>
NET INCOME (LOSS)	<u>\$ (245)</u>	<u>\$ (2,780)</u>
Per share amounts:		
NET INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:		
Basic	\$ (0.06)	\$ (0.99)
Diluted	\$ (0.06)	\$ (0.99)
NET INCOME (LOSS) PER SHARE:		
Basic	\$ (0.11)	\$ (1.22)
Diluted	\$ (0.11)	\$ (1.22)

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INTEREST INCOME	Six Months Ended June 30,	
	2011	2010
Interest and fees on loans	\$ 5,860	\$ 7,130
Interest and dividends on securities:		
Taxable	618	444
Tax-exempt	84	204
Interest on short-term securities	<u>22</u>	<u>10</u>
Total interest income	6,584	7,788
INTEREST EXPENSE		
Deposits	1,376	2,191
Borrowings	<u>252</u>	<u>253</u>
Total interest expense	<u>1,628</u>	<u>2,444</u>
NET INTEREST INCOME	4,956	5,344
Provision for loan losses	<u>1,525</u>	<u>3,584</u>
Net interest income after provision for loan losses	3,431	1,760
NONINTEREST INCOME		
Service charges on deposit accounts	586	784
Trust and investment services income	518	463
Gain on sale of loans	99	204
Other operating income	900	929
Gain on sale of investments	<u>5</u>	<u>71</u>
Total noninterest income	2,108	2,451
NONINTEREST EXPENSE		
Salaries and benefits	3,296	3,214
Occupancy of bank premises	560	632
Equipment expense	570	628
Other operating expenses	<u>1,765</u>	<u>2,181</u>
Total noninterest expense	<u>6,191</u>	<u>6,655</u>
INCOME (LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	(652)	(2,444)
Federal income taxes (benefit)	<u>(368)</u>	<u>107</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(284)	(2,551)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	<u>349</u>	<u>(712)</u>
NET INCOME (LOSS)	<u>\$ 65</u>	<u>\$ (3,263)</u>
Per share amounts:		
NET INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:		
Basic	\$ (0.12)	\$ (1.13)
Diluted	\$ (0.12)	\$ (1.13)
NET INCOME (LOSS) PER SHARE:		
Basic	\$ 0.03	\$ (1.44)
Diluted	\$ 0.03	\$ (1.44)

Financial Highlights
(000's omitted except per share data)
Unaudited

	Six Months Ended June 30,		% Change
	2011	2010	
Net Income (loss)	\$ 65	\$ (3,263)	% (101.99)
Return (loss) on average total equity	0.39	(16.08)	% (102.43)
Return (loss) on average assets	0.02	(0.66)	% (103.03)
Net interest margin	3.76	3.79	% (0.79)
Efficiency ratio	<u>87.15</u>	<u>113.78</u>	23.40 %
Per Common Share:			
Net Income (loss) - basic	\$ 0.03	\$ (1.44)	(102.08) %
Net Income (loss) - diluted	\$ 0.03	\$ (1.44)	(102.08) %
Book value	\$6.99	\$7.86	(11.07) %
Market price (last trade)	\$1.31	\$3.20	(59.06) %

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 other filings with the Securities and Exchange Commission.