

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

ASSETS	September 30,	
	2010	2009
Cash and due from banks	\$ 14,787	\$ 18,814
Federal Funds Sold	<u>39,700</u>	<u>27,250</u>
Total cash and cash equivalents	54,487	46,064
Securities available for sale, at fair value	54,786	49,405
Securities held to maturity (fair value of \$4,750 at September 30, 2010 and \$5,636 at September 30, 2009)	<u>4,471</u>	<u>5,577</u>
Total securities	59,257	54,982
Loans held for sale	1,877	1,434
Commercial loans	228,731	270,542
Construction loans	15,439	34,072
Real estate loans	23,719	30,829
Consumer loans	<u>42,806</u>	<u>50,438</u>
Total loans	310,695	385,881
Less: Allowance for loan losses	<u>(15,037)</u>	<u>(14,485)</u>
Net loans	295,658	371,396
Bank premises and equipment	15,254	16,111
Accrued interest receivable	1,582	2,020
Bank-owned life insurance	7,070	7,138
Goodwill	-	-
Assets of held for sale operations	-	41,195
Other assets	<u>14,193</u>	<u>14,652</u>
Total assets	<u>\$ 449,378</u>	<u>\$ 554,992</u>
LIABILITIES		
Noninterest bearing deposits	\$ 68,361	\$ 63,786
Interest bearing deposits	<u>340,882</u>	<u>405,080</u>
Total deposits	409,243	468,866
Short-term borrowings	116	34
Other borrowings	5,954	9,981
Subordinated debt	14,000	14,000
Liabilities of held for sale operations	-	38,164
Accrued taxes, interest and other liabilities	<u>3,993</u>	<u>4,400</u>
Total liabilities	<u>433,306</u>	<u>535,445</u>
Common stock - 2,289,912 issued (2,225,214 in 2009)	43,002	42,883
Retained earnings	<u>(27,257)</u>	<u>(22,548)</u>
Accumulated other comprehensive income (loss)	<u>327</u>	<u>(788)</u>
Total stockholders' equity	<u>16,072</u>	<u>19,547</u>
Total liabilities and stockholders' equity	<u>\$ 449,378</u>	<u>\$ 554,992</u>

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

INTEREST INCOME	Three Months Ended September 30,	
	2010	2009
Interest and fees on loans	\$ 5,030	\$ 5,936
Interest and dividends on securities:		
Taxable	340	404
Tax-exempt	54	135
Interest on short-term securities	<u>12</u>	<u>1</u>
Total interest income	5,436	6,476
INTEREST EXPENSE		
Deposits	1,451	2,277
Borrowings	<u>203</u>	<u>227</u>
Total interest expense	1,654	2,504
NET INTEREST INCOME	3,782	3,972
Provision for loan losses	<u>2,905</u>	<u>1,940</u>
Net interest income (loss) after provision for loan losses	877	2,032
NONINTEREST INCOME		
Service charges on deposit accounts	378	519
Trust and investment services income	376	458
Gain on sale of loans	214	100
Other operating income	<u>522</u>	<u>403</u>
Total noninterest income	1,490	1,480
NONINTEREST EXPENSE		
Salaries and benefits	2,013	2,129
Occupancy of bank premises	430	428
Equipment expense	395	385
Loss on equity impairment	-	-
Other operating expenses	<u>2,116</u>	<u>2,038</u>
Total noninterest expense	4,954	4,980
NET INCOME (LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	(2,587)	(1,468)
Federal income taxes (benefit)	<u>(250)</u>	<u>(332)</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(2,337)</u>	<u>(1,136)</u>
NET INCOME (LOSS) FROM HELD FOR SALE OPERATIONS, NET OF TAX	-	289
NET INCOME (LOSS)	<u>\$ (2,337)</u>	<u>\$ (847)</u>
Per share amounts:		
INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:		
Net income - basic	\$ (1.03)	\$ (0.51)
Net income - diluted	\$ (1.03)	\$ (0.51)
NET INCOME (LOSS) PER SHARE:		
Net income - basic	\$ (1.03)	\$ (0.38)
Net income - diluted	\$ (1.03)	\$ (0.38)

Fentura Financial Inc.
Consolidated Statement of Income
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Unaudited

INTEREST INCOME	Nine Months Ended September 30,	
	2010	2009
Interest and fees on loans	\$ 15,536	\$ 18,399
Interest and dividends on securities:		
Taxable	929	1,213
Tax-exempt	282	418
Interest on short-term securities	<u>27</u>	<u>1</u>
Total interest income	16,774	20,031
INTEREST EXPENSE		
Deposits	4,862	7,503
Borrowings	<u>598</u>	<u>829</u>
Total interest expense	5,460	8,332
NET INTEREST INCOME	11,314	11,699
Provision for loan losses	<u>8,314</u>	<u>11,306</u>
Net interest income (loss) after provision for loan losses	3,000	393
NONINTEREST INCOME		
Service charges on deposit accounts	1,255	1,435
Trust and investment services income	1,103	1,285
Gain on sale of loans	442	612
Other operating income	1,595	1,473
Gain (loss) on equity investment	-	(1,360)
Total noninterest income	4,395	3,445
NONINTEREST EXPENSE		
Salaries and benefits	6,191	6,752
Occupancy of bank premises	1,310	1,378
Equipment expense	1,152	1,212
Loss on equity impairment	-	200
Other operating expenses	<u>5,238</u>	<u>6,586</u>
Total noninterest expense	13,891	16,128
NET INCOME (LOSS) BEFORE TAXES	(6,496)	(12,290)
Federal income taxes (benefit)	<u>(524)</u>	<u>5,028</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(5,972)</u>	<u>(17,318)</u>
NET INCOME (LOSS) FROM HELD FOR SALE OPERATIONS, NET OF TAX	372	(553)
NET INCOME (LOSS)	<u>\$ (5,600)</u>	<u>\$ (17,871)</u>
Per share amounts:		
INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS:		
Net income - basic	\$ (2.64)	\$ (7.88)
Net income - diluted	\$ (2.64)	\$ (7.88)
NET INCOME (LOSS) PER SHARE:		
Net income - basic	\$ (2.47)	\$ (8.13)
Net income - diluted	\$ (2.47)	\$ (8.13)

Financial Highlights

\$ in thousands except per share data

Unaudited	September 30,	
	2010	2009
Net Income	\$ (5,600)	\$ (17,871) %
Return on average total equity	(40.89)	(59.04) %
Return on average assets	(1.80)	(3.12) %
Net interest margin	3.66	3.40 %
Efficiency ratio	88.43	106.50
Per Common Share:		
Net Income - basic	(\$2.47)	(\$8.13)
Net Income - diluted	(\$2.47)	(\$8.13)
Book value	\$6.93	\$8.78
Market price (last trade)	\$1.90	\$2.00

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 statement 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 effect 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.

% Change

(68.66) %
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