

**FENTURA FINANCIAL, INC.  
P.O. BOX 725  
FENTON, MI 48430-0725**

**Contact: Donald L. Grill  
Fentura Financial, Inc.  
(810) 714-3985**

**July 20, 2007**

**For Immediate Release**

## **FENTURA FINANCIAL, INC. REPORTS SECOND QUARTER EARNINGS**

**Fenton, Michigan---July 20, 2007---Fentura Financial, Inc. (trading symbol: FETM), the holding company for The State Bank of Fenton, Michigan, Davison State Bank of Davison, Michigan, and West Michigan Community Bank of Hudsonville, Michigan, today announced earnings for the second quarter of 2007. Net income for the quarter was \$844,000 or \$.39 per diluted share, compared to net income of \$1,258,000, or \$.59 per diluted share, reported for the second quarter of 2006. Net income for the first six months of 2007 was \$1,792,000, or \$.83 per diluted share, compared to net income of \$2,465,000, or \$1.15 per diluted share, reported for the six months ended June 30, 2006. According to CEO Donald L. Grill, "The second quarter and year-to-date results reflect the continuing softness of the Michigan economy, particularly in the construction and land development sectors, negatively impacting our loan and deposit growth rates and the overall financial performance of our banks".**

### **COMPONENTS OF SECOND QUARTER RESULTS**

**Second quarter net interest income totaled \$5,392,000 compared to \$5,845,000 reported for the second quarter of 2006, a decrease of \$453,000 or 7.8%. The decrease in net interest income resulted primarily from a decline in the net interest margin caused by increases in funding costs partially offset by an increase in interest income from loan growth. The net interest margin for the quarter was 3.91% compared to 4.17% for the second quarter of 2006.**

**Non-interest income of \$2,028,000 for the quarter increased \$140,000, or 7.4% compared to the \$1,888,000 reported for the second quarter of 2006. Trust and investment services income of \$461,000 for the quarter, increased \$44,000, or 10.6% compared to the \$417,000 reported in the second quarter of 2006 primarily due to an increase in investment and financial planning revenue. Other income of \$612,000 for the quarter increased \$248,000, or 68.1% compared to the \$364,000 reported for the second quarter of 2006, primarily due to increases in lease income and gains on the sale of other real estate owned (OREO). Partially offsetting the increases for the quarter were decreases in service charges on deposits and gains on the sale of mortgage loans compared to those reported in the second quarter of 2006.**

**Second quarter 2007 non-interest expense of \$5,598,000 declined \$115,000, or 2.0% compared to the \$5,713,000 reported for the second quarter of 2006, a reflection of subsidiary bank efforts to control operating expenses, primarily salaries and benefits.**

**Provision for loan losses expense was \$649,000 for the quarter ended June 30, 2007 compared to \$240,000 for the quarter ended June 30, 2006. The provision expense increase was based on higher levels of loans being monitored for credit quality and an increase in non-performing assets. Non-performing assets totaled \$6,312,000 as of June 30, 2007 compared to \$2,245,000 at June 30, 2006. The increase was primarily in other real estate owned and in loans in the process of redemption. Michigan economic challenges including the loss of jobs and a saturated residential real estate market have caused deterioration in asset quality primarily in the commercial loan portfolio and specifically in construction and development loans. "While we remain optimistic about our ability to collect the principal associated with our non-performing loans, we feel it is appropriate to record a provision for loan losses based on current trends and credit risk of our portfolio", noted CEO Grill.**

Assets totaled of \$619,119,000 at June 30, 2007 compared to \$629,165,000 at June 30, 2006. The reliance on other borrowings and subordinated debt was reduced to \$31,104,000 at June 30, 2007, a decline of \$11,591,000, primarily a result of scheduled maturities. Total securities declined by \$11,854,000 to \$97,750,000 at June 30, 2007 as loans, including loans held for sale, at June 30, 2007 increased to \$459,136,000 compared to \$457,656,000 at June 30, 2006.

The return on average shareholders equity for the quarter ended June 30, 2007 was 6.36% compared to 10.46% reported for the second quarter of 2006. Cash dividends paid to shareholders increased 11.0% to \$540,000 compared to the \$487,000 paid during the second quarter of 2006.

## **YEAR TO DATE RESULTS**

Net interest income for the six months ended June 30, 2007 of \$10,792,000 decreased \$919,000 or 7.8% compared to the \$11,711,000 reported for the same period in 2006. Increases in interest income for the six month period in 2007 recognized from loan growth were offset by increased interest expense based on higher rates on new and re-pricing certificates of deposit. Non-interest income of \$3,893,000 for the six month period increased \$213,000, or 5.8% compared to the \$3,680,000 reported for the same period in 2006. Increased income from trust and investment services due to growth, gains on the sale of other real estate owned, and leases account for non-interest income increases in 2007. Non-interest expense of \$11,094,000 for the six months ended June 30, 2007 decreased \$183,000, or 1.6% compared to the \$11,277,000 reported for the same period in 2006. Lower salary and benefits expense in 2007 due to subsidiary banks efforts to control cost, is the primary contributor to the 2007 trend. Provision to the allowance for loan losses of \$1,088,000 for the six months ended June 30, 2007 increased \$448,000, or 70% compared to the \$640,000 provided in the same period of 2006. Provision was increased in 2007 due to increased non-performing assets and loans being monitored for credit quality.

**Fentura is a bank holding company headquartered in Fenton, Michigan. Subsidiary banks include The State Bank headquartered in Fenton with offices serving in Fenton, Linden, Holly, Grand Blanc and Brighton; Davison State Bank headquartered in Davison, Michigan with offices serving the Davison area; and West Michigan Community Bank headquartered in Hudsonville, Michigan with offices serving Hudsonville, Holland, Jenison and Grandville. Fentura Financial, Inc. shares are traded over the counter under the FETM trading symbol.**

**###**

**CAUTIONARY STATEMENT:** This press release contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements concerning future growth in earning assets and net income. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including, but not limited to, economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services, interest rates and fees for services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Further information concerning our business, including additional factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission.