FENTURA FINANCIAL INC
Form 10-Q
May 14, 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 March 31, 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)

Check 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: May 1, 2003

Class - Common Stock Shares Outstanding - 1,714,945

Fentura Financial, Inc.
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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Fentura Financial, Inc.
Consolidated Balance Sheets

(000's omitted Except share data)	MARCH 31, 2003 (unaudited)	DEC 31, 2002
ASSETS		
Cash and due from banks	$18,950	$20,262
Federal funds sold	1,650	10,300
Total cash & cash equivalents	20,600	30,562
Securities-available for sale	59,294	48,981
Securities-held to maturity, (market value of $13,084 at March 31, 2003 and $14,051 at December 31, 2002)	12,717	13,722
Total securities	72,011	62,703
Loans held for sale	4,531	5,509
Loans:		
Commercial	135,077	129,562
Real estate loans - mortgage	13,380	11,944
Real estate loans - construction	29,303	27,032
Consumer loans	54,053	55,683
Total loans	231,813	224,221
Less: Allowance for loan losses	(3,219)	(3,184)
Net loans	228,594	221,037
Bank Owned Life Insurance	6,287	6,234
Bank premises and equipment	9,631	9,754
Federal Home Loan Bank stock	822	822
Accrued interest receivable	1,907	1,595
Other assets	3,160	2,267
Total assets	$347,543	$340,483
LIABILITIES		
Deposits:		
Non-interest bearing deposits	$48,334	$44,875
Interest bearing deposits	255,167	250,994
Total deposits	303,501	295,869
Borrowings	605	1,500
Federal Home Loan Bank Advances	1,124	1,124
Accrued taxes, interest and other liabilities	2,691	2,062
Total liabilities	307,921	300,555
SHAREHOLDERS' EQUITY		
Common stock - no par value 1,713,430 shares issued (1,722,126 in Dec. 2002)	29,949	30,236

Retained earnings	9,424	9,395
Accumulated other comprehensive income	249	297
Total shareholders' equity	39,622	39,928
Total Liabilities and Shareholders' Equity	$347,543	$340,483

See notes to consolidated financial statements.

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

(000's omitted except per share data)	Three Months Ended March 31, 2003	2002
INTEREST INCOME		
Interest and fees on loans	$3,923	$3,899
Interest and dividends on securities:		
Taxable	328	281
Tax-exempt	169	165
Interest on federal funds sold	26	71
Total interest income	4,446	4,416
INTEREST EXPENSE		
Deposits	1,296	1,532
Borrowings	22	27
Total interest expense	1,318	1,559
NET INTEREST INCOME	3,128	2,857
Provision for loan losses	296	33
Net interest income after Provision for loan losses	2,832	2,824
NONINTEREST INCOME		
Service charges on deposit accounts	808	554
Gain on sale of mortgages	355	142
Trust income	112	134
Gain on sale of securities	12	0
Other income and fees	288	226
Total noninterest income	1,575	1,056
NONINTEREST EXPENSE		
Salaries and employee benefits	1,836	1,707
Occupancy	293	257

Furniture and equipment	359	368
Loan and collection	59	38
Advertising and promotional	89	67
Other operating expenses	667	597
Total noninterest expense	3,303	3,034
INCOME BEFORE TAXES	1,104	846
Applicable income taxes	283	253
NET INCOME	$821	$593
Per share:		
Net income - basic	$0.48	$0.34
Net income - diluted	$0.48	$0.34

See notes to consolidated financial statements.

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

(000's omitted)	Three Months Ended March 31, 2003	Three M Ende March 200
COMMON STOCK		
Balance, beginning of period	$30,236	$30,3
Issuance of shares under Director stock purchase plan & Dividend reinvestment program	97	
Repurchase stock	(384)	(
Balance, end of period	29,949	30,6
RETAINED EARNINGS		
Balance, beginning of period	9,395	7,6
Net income	821	5
Cash dividends declared	(792)	(3
Balance, end of period	9,424	7,8
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	297	
Change in unrealized gain (loss) on securities, net of tax	(48)	(

Balance, end of period	249	
TOTAL SHAREHOLDERS' EQUITY	$39,622	$38,5

See notes to consolidated financial statements.

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

(000's omitted)	Three Months Ended March 31, 2003	2002
OPERATING ACTIVITIES:		
Net income	$821	$593
Adjustments to reconcile net income to cash Provided by Operating Activities:		
Depreciation and amortization	243	234
Provision for loan losses	296	33
Amortization (accretion) on securities	273	126
Loans originated for sale	(20,226)	(8,969)
Proceeds from the sale of loans	21,559	8,283
Gain on sale of securities	(12)	0
Gain on sales of loans	(355)	(142)
Net increase in bank owned life insurance	(53)	0
Net (increase) decrease in interest receivable & other assets	(1,205)	(280)
Net increase (decrease) in interest payable & other liabilities	655	69
Total Adjustments	1,175	(646)
Net Cash Provided By (Used In) Operating Activities	1,996	(53)
Cash Flows From Investing Activities:		
Proceeds from maturities of securities - HTM	1,000	1,000
Proceeds from maturities of securities - AFS	1,500	3,380
Proceeds from calls of securities - AFS	3,993	3,700
Proceeds from sales of securities - AFS	1,026	0

Purchases of securities - HTM	0	0
Purchases of securities - AFS	(17,162)	(10,286)
Net increase in loans	(7,853)	(1,036)
Capital expenditures	(120)	(1,156)
Net Cash Provided By (Used in) Investing Activities	(17,616)	(4,398)
Cash Flows From Financing Activities:		
Net increase (decrease) in deposits	7,632	(9,267)
Net increase (decrease) in borrowings	(895)	(1,571)
Net proceeds from stock issuance and purchase	(287)	(15)
Cash dividends	(792)	(399)
Net Cash Provided By (Used In) Financing Activities	5,658	(11,252)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	($9,962)	($15,703)
CASH AND CASH EQUIVALENTS - BEGINNING	$30,562	$41,838
CASH AND CASH EQUIVALENTS - ENDING	$20,600	$26,135
CASH PAID FOR:		
INTEREST	$1,301	$1,777
INCOME TAXES	$66	$252

See notes to consolidated financial statements.

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

(000's Omitted)	Three Months Ended March 31, 2003	2002
Net Income	$821	$593
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) arising during period	(60)	(62)
Less: reclassification adjustment for gains included in net income	12	0
Other comprehensive income (loss)	(48)	(62)
Comprehensive income	$773	$531

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 three months ended March 31, 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 ended March 31, 2003 and 2002:

	Three Months Ended March 31, 2003	2002
Basic Earnings Per Common Share:		
Numerator		
Net Income	$821,000	$593,000
Denominator		
Weighted average common shares Outstanding	1,719,560	1,735,080

Basic earnings per common share	$0.48	$0.34
	=====	=====
Diluted Earnings Per Common Share:		
Numerator		
Net Income	$ 821,000	$ 593,000
	=========	=========
Denominator		
Weighted average common shares Outstanding for basic earnings per Common share	1,719,560	1,735,080
	=========	=========
Add: Dilutive effects of assumed Exercises of stock options	6,274	3,556
	=====	=====
Weighted average common shares And dilutive potential common Shares outstanding	1,725,834	1,738,636
	=========	=========
Diluted earnings per common share	$0.48	$0.34
	=====	=====

Stock options for 5,737 and 6,841 shares of common stock for the three-month period ended March 31, 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 4,300 shares were granted under this Plan on March 31, 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	4,300	34.2
Options outstanding at March 31, 2003	27,070	$29.4

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):

	1st Quarter 2003	1st Quar 2002
Net Income		
As reported	$ 821	$59
Proforma	808	58
Basic net income per share		
As reported	0.48	0.3
Proforma	0.47	0.3
Diluted net income per share		
As reported	0.48	0.3
Proforma	0.47	0.3

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 and 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.

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

Results of Operations

As indicated in the income statement, earnings for the first quarter ended March 31, 2003 were $821,000 compared to $593,000 for the same period in 2002. Earnings increased in the first quarter due to 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 three months ended March 31, 2003 the Corporation s return on average assets (annualized) was 0.97% compared to 0.79% for the same period in 2002. Net income per share basic and diluted was $0.48 in the first three months of 2003 compared to $0.34 for net income per share basic and diluted for the same period in 2002.

Net Interest Income

Net interest income and average balances and yields on major categories of interest-earning assets and interest-bearing liabilities for the three months ended March 31, 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

	THREE MONTHS ENDED MARCH 31, 2003 COMPARED TO 2002 INCREASE (DECREASE) DUE TO:		
(000'S OMITTED)	VOL	YIELD/ RATE	TOTAL
TAXABLE SECURITIES	$236	($189)	$47
TAX-EXEMPT SECURITIES	49	(40)	9
FEDERAL FUNDS SOLD	(34)	(11)	(45)
TOTAL LOANS	257	(239)	18
LOANS HELD FOR SALE	9	15	24

TOTAL EARNING ASSETS	517	(464)	53
INTEREST BEARING DEMAND DEPOSITS	27	(41)	(14)
SAVINGS DEPOSITS	60	(85)	(25)
TIME CD'S $100,000 AND OVER	103	(56)	47
OTHER TIME DEPOSITS	(16)	(228)	(244)
OTHER BORROWINGS	(10)	5	(5)
TOTAL INTEREST BEARING LIABILITIES	164	(405)	(241)
NET INTEREST INCOME	$353	($59)	$294

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As indicated in Table 1, during the three months ended March 31, 2003, net interest income increased compared to the same period in 2002, principally because of the decrease in interest expense due to the lowering of core deposit rates and the repricing of certificates of deposits as they have matured and renewed at lower rates. Interest income increased slightly due to the increase in volume in the loan and security portfolios.

Net interest income (displayed with consideration of full tax equivalency), average balance sheet amounts, and the corresponding yields for the three months ended March 31, 2003 and 2002 are shown in Table 2. Net interest income for the three months ended March 31, 2003 was $3,244,000 an increase of $293,000 over the same period in 2002. This represents an increase of 9.9%. The primary factor contributing to the net interest income increase was reduction in interest expense due to repricing deposit rates in late 2002. 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 quarter of 2003 compared to the fourth quarter 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 2, for the three months ended March 31, 2003, the Corporation s net interest margin (with consideration of full tax equivalency) was 4.26% compared with 4.32% 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. 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 11.6% or approximately $32,212,000 compared to the first three months of 2003 to the same time period in 2002. Loans, the highest yielding component of earning assets, represented 74.5% of earning assets in 2003 compared to 77.9% in 2002. Average interest bearing liabilities increased 15.5% or $34,050,000 compared to the first three months of 2003 to the same time period in 2002. Non-interest bearing deposits amounted to 15.0% of average earning assets in the first quarter of 2003 compared with 15.0% 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 regard to the November 6th prime rate reduction of fifty basis points, which should have alleviated 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	THREE MONTHS ENDED MARCH 31 2003 AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE
Securities:				
U.S. Treasury and Government Agencies	$44,853	$287	2.60%	$21,053
State and Political (1)	21,074	256	4.93%	17,603
Other	3,855	41	4.31%	5,411
Total Securities	69,782	584	3.39%	44,067
Fed Funds Sold	9,004	26	1.17%	17,233
Loans:				
Commercial	154,258	2,609	6.86%	139,124
Tax Free (1)	5,501	88	6.48%	2,449
Real Estate-Mortgage	12,555	216	6.98%	12,284
Consumer	55,055	980	7.22%	59,363
Total loans	227,369	3,893	6.94%	213,220
Allowance for Loan Losses	(3,247)			(3,089)
Net Loans	224,122	3,893	7.04%	210,131
Loans Held for Sale	2,821	60	8.63%	2,244
TOTAL EARNING ASSETS	$308,976	$4,563	5.99%	$276,764
Cash Due from Banks	17,765			14,496
All Other Assets	19,414			17,316

TOTAL ASSETS	$342,908			$305,487
LIABILITIES & SHAREHOLDERS' EQUITY:				
Deposits:				
Interest bearing - DDA	$49,653	95	0.78%	$39,923
Savings Deposits	97,504	282	1.17%	81,621
Time CD's $100,000 and Over	32,127	279	3.52%	22,279
Other Time CD's	74,830	640	3.47%	76,241
Total Deposits	254,114	1,296	2.07%	220,064
Other Borrowings	1,702	22	5.24%	2,661
INTEREST BEARING LIABILITIES	$255,816	$1,318	2.09%	$222,725
Non-Interest bearing - DDA	46,227			41,378
All Other Liabilities	1,024			2,778
Shareholders' Equity	39,841			38,606
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$342,908			$306,423
Net Interest Rate Spread			3.90%	
Net Interest Income /Margin		$3,245	4.26%	

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

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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 ALL 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 March 31, 2003, the *ALL* was $3,219,000, or 1.36% of total loans. This compares with $3,184,000, or 1.39%, at December 31, 2002. The decrease of the *ALL* as a percentage of total loans reflects a slight increase in the allowance for loan losses and substantial increase in loan totals.

Table 2

Management believes that the allowance to gross loans percentage is appropriate given anticipated risk in the loan portfolio based on asset quality.

Table 3 also summarizes loan losses and recoveries for the first three months of 2003 and 2002. During the first three months of 2003 the Corporation experienced net charge-offs of $261,000, compared with net charge-offs of $55,000 for the three months ended March 31, 2002. As a result, the net charge-off ratio for the first three months of 2003 was .11% compared to .03% for the same period in 2002. The provision for loan losses was $296,000 in the first three months of 2003 and $33,000 for the same time period in 2002. The Corporation increased the provision in 2003 compared to 2002 to maintain the allowance for loan losses at the level management believes is necessary to provide for probable incurred losses in the loan portfolio.

Table 3

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

(000's omitted)	Three Months Ended March 31 2003	Three Months En March 31, 2002
Balance at Beginning of Period	$3,184	$3,125
Charge-Offs:		
Commercial, Financial and Agriculture	(126)	(67)
Real Estate-Mortgage	0	0
Installment Loans to Individuals	(181)	(105)
Total Charge-Offs	(307)	(172)
Recoveries:		
Commercial, Financial and Agriculture	11	74
Real Estate-Mortgage	0	0
Installment Loans to Individuals	35	43
Total Recoveries	46	117
Net Charge-Offs	(261)	(55)
Provision	296	33
Balance at End of Period	$3,219	$3,103
Ratio of Net Charge-Offs to Gross Loans	0.11%	0.03%

NON-INTEREST INCOME

Non-interest income increased during the three months ended March 31, 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 $1,575,000 for the three months ended March 31, 2003 compared to $1,056,000 for the same period in 2002. These figures represent an increase of 49.1%. 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 $808,000 in the first quarter of 2003 compared to $554,000 for the same period of 2002. This represents an increase of 45.9%. 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 $355,000 in the three months ended March 31, 2003 and $142,000 in 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 of historically low market interest rates.

Trust income decreased $22,000 in the first quarter of 2003 compared to the same period in the prior year. This 16.4% 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 $12,000 in the first quarter of 2003, due to the sale of one security. This gain made up 0.3% of the 2003 first quarter non interest income.

Other operating income increased $62,000 to $288,000 in the first three months of 2003 compared to $226,000 in the same time period in 2002. This is an increase of 27.4%. Other operating income increased due to income on the cash surrender value of life insurance and the increase in debit and ATM income.

Non-Interest Expense

Total non-interest expense was $3,303,000 in the first three months ended March 31, 2003 compared with $3,034,000 in the same period of 2002. This is an increase of 8.9%. This increase is 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 $1,836,000 in the first quarter of 2003, compared with $1,707,000, or an increase of 7.6%, for the same time period 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 three months ended March 31, 2003 furniture and equipment expenses were $359,000 compared to $368,000 for the same period in 2002, a decrease of 2.5%. The decreases in expenses are attributable to reduction in equipment maintenance contracts and equipment depreciation.

Occupancy expenses at $293,000 increased in the three months ended March 31, 2003 compared to the same period in 2002 by $36,000 or 14.0%. The increases are attributable to increases in facility repairs, a full quarter 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 $59,000, were up $21,000 during the three months ended March 31, 2003 compared to the same time period in 2002. The increase is primarily attributable to an increase in other loan expense and an increase in dealer service fees.

Advertising expenses were $89,000 in the three months ended March 31, 2003 compared with $67,000 for the same period in 2002. The increase of $22,000 or 32.8% was primarily due to the increase in media expense, shareholder expenses and promotional expenses.

Other operating expenses were $667,000 in the three months ended March 31, 2003 compared to $597,000 in the same time period in 2002, an increase of $70,000 or 11.7%. The increase is attributable to an increase in the amount of overdrawn deposit account charge-offs and an increase in other outside services and consulting expenses.

<u>Financial Condition</u>

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 $348 million at March 31, 2003 compared to December 31, 2002 total assets of $340 million. Loans comprised 68.0% of total assets at March 31, 2003 compared to 67.5% at December 31, 2002. Loans grew $6.6 million with commercial loans and real estate loans leading the advance, which together grew $9.2 million while other loan categories experienced small decreases. The ratio of non-interest bearing deposits to total deposits was 15.9% at March 31, 2003 compared to 15.2% at

December 31, 2002. Interest bearing deposit liabilities totaled $255 million at March 31, 2003 compared to $251 million at December 31, 2002. Total deposits increased $7.6 million with non-interest bearing demand deposits increasing $3.4 million and interest bearing deposits increasing $4.2 million. Short-term borrowings decreased $895 thousand due to the decrease in treasury tax & loan deposit at the end of the two periods. FHLB advance balances were unchanged comparing the two periods.

Bank premises and equipment decreased $123,000 to $9.6 million at March 31, 2003 compared to $9.7 million at December 31, 2002. The decrease is due to a small increase in depreciation expense.

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 4 reflects the levels of these assets at March 31, 2003 and December 31, 2002.

Non-performing assets increased at March 31, 2003 compared to December 31, 2002. This increase is attributable to an increase in REO-in-Redemption and an increase in non-performing loans. The non-accrual loans increased because three new loans were placed on non-accrual totaling $2,108,000. The Banks provided $296,000 to the loan loss reserve in the first quarter partially in response to the increase in non-performing assets. The majority of the non-performing assets are real estate secured loans, which could have a lesser value once liquidated. The charge-off percentage for the three months ended March 31, 2003 is .11% and it was 0.03% at December 31, 2002. The mix of the loan portfolio has transitioned over the past two years with continuing growth in the commercial loan and commercial real estate portfolios.

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 4

Non-Performing Assets and Past Due Loans

	March 31, 2003	December 31, 2002
Non-Performing Loans:		
Loans Past Due 90 Days or More & Still Accruing	$105	$72
Non-Accrual Loans	2,567	512
Renegotiated Loans	0	0
Total Non-Performing Loans	2,672	584
Other Non-Performing Assets:		
Other Real Estate	110	110
REO in Redemption	496	164
Other Non-Performing Assets	33	92
Total Other Non-Performing Assets	639	366
Total Non-Performing Assets	$3,311	$950
Non-Performing Loans as a % of Total Loans	1.15%	0.26%
Allowance for Loan Losses as a % of Non-Performing Loans	120.47%	545.21%
Accruing Loans Past Due 90 Days or More to Total Loans	0.05%	0.03%
Non-performing Assets as a % of Total Assets	0.95%	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 three 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 March 31, 2003 federal funds sold represented 0.5% of total assets, compared to 3.0% at December 31, 2002. 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 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 $5,658,000 in the first three months of 2003 due to the increase in deposits. Comparatively, in the first three months of 2002, cash used in financing activities was $11,252,000 because of decreases in deposits. Cash used in investing activities was $17,616,000 during the first three months of 2003. Cash flow from investing activities decreased for the first three months of 2003 primarily because of an increase in securities purchases and an increase in loan demand.

CAPITAL MANAGEMENT

Total shareholders equity declined 0.8% to $39,622,000 at March 31, 2003 compared with $39,928,000 at December 31, 2002. The Corporation s equity to asset ratio was 11.4% at March 31, 2003 and 11.7% at December 31, 2002. The decrease in the amount of capital resulted primarily from the decrease in common stock, due to the stock repurchase plan.

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 March 31, 2003 of $249,000. The decrease 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 5, at March 31, 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 5

	Capital Ratios			
	Regulatory Minimum For "Well Capitalized"	Fentura Financial, Inc. March 31, 2003	December 31, 2002	Mar 2
Total Capital to risk Weighted assets	10%	15.02%	15.20%	16
Tier 1 Capital to risk Weighted assets	6%	13.89%	14.10%	15
Tier 1 Capital to average Assets	5%	11.48%	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 three 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 6 sets forth the distribution of re-pricing of the Corporation s earning assets and interest bearing liabilities as of March 31, 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.

Table 6

GAP ANALYSIS MARCH 31, 2003

(000's Omitted)	Within Three Months	Three Months to One Year	One to Five Years	After Five Years
Earning Assets:				
Federal Funds Sold	$ 1,650	$ 0	$ 0	$ 0
Securities	13,844	20,840	28,438	8,889
Loans	119,152	17,628	79,140	15,893
Loans Held for Sale	4,531	0	0	0
Total Earning Assets	$139,177	$ 38,468	$ 107,578	$ 24,782
Interest Bearing Liabilities:				
Interest Bearing Demand Deposits	$ 47,554	$ 0	$ 0	$ 0

Savings Deposits	101,183	0	0	0
Time Deposits Less than $100,000	7,551	28,116	42,069	101
Time Deposits Greater than $100,000	8,201	9,122	11,270	0
Short term borrowings	605	0	0	0
Other Borrowings	16	0	77	1,031
Total Interest Bearing Liabilities	$ 165,110	$ 37,238	$ 53,416	$ 1,132
Interest Rate Sensitivity GAP	$ (25,933)	$ 1,230	$ 54,162	$ 23,650
Cumulative Interest Rate Sensitivity GAP	$ (25,933)	$ (24,703)	$ 29,459	$ 53,109
Interest Rate Sensitivity GAP	(0.84)	(1.03)	2.01	21.89
Cumulative Interest Rate Sensitivity GAP Ratio	(0.84)	(0.88)	1.12	1.21

As indicated in Table 6, 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 March 31, 2002 and the change in net interest income for the three months ended March 31, 2003 compared to the same time period in 2002. At March 31, 2002 the Corporation was negatively gapped through one year and since that time interest rates have declined further, yet net interest income increased compared to the first three 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 or at the same level as asset portfolios. 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 regard to the November 6, 2002 prime rate reduction of fifty basis points, which should alleviate any negative impact on net interest income.

FORWARD LOOKING STATEMENTS

This report contains "forward looking statements" as that term is used in the securities laws. All statements regarding the Corporation's expected financial position, performance, business and strategies are forward looking statements. These statements are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and about the Corporation itself. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "projects," variations of such words and similar expressions are intended to identify such forward looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors"), which are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecast in such forward-looking statements. The Corporation undertakes no obligation to update, amend or clarify forward looking statements as a result of new information, future events, or otherwise.

Future Factors that could cause a difference between an ultimate actual outcome and a preceding forward looking statements contained in this report include, but are not limited to, changes in interest rate and interest rate relationships, demands for products and services, the degree of competition by traditional and non-traditional competitors, changes in banking laws or regulations, changes in tax laws, changes in prices, the impact of technological advances, government and regulatory policy changes, the outcome of pending and future litigation and contingencies, trends in customer's behaviors as well as their ability to repay loans, and the local economy. 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.

ITEM 4: CONTROLS AND PROCEDURES

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-14(c) and 15d-14(c)) as of a date within 90 days of the filing date of this Form 10-Q Quarterly Report (the "Evaluation Date"), have concluded that as of the Evaluation Date, the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the company would be made known to them by others within the company, particularly during the period in which this Form 10-Q Quarterly Report was being prepared.

Changes in Internal Controls

There were no significant changes in the Corporation's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the most recent evaluation, nor any significant deficiencies or material weaknesses in such internal controls requiring corrective actions. As a result, no corrective actions were taken.

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. - None

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

99.1 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.

99.2 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

A report on Form 8-K dated January 20, 2003 was filed which contained as an exhibit a press release reporting 2002 fourth quarter earnings.

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: May 14, 2003

By /s/ Donald L. Grill

Donald L. Grill
President & CEO

Date: May 14, 2003

By /s/ Ronald L. Justice

Ronald L. Justice
Chief Financial Officer

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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 quarterly 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 quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   (b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Donald L. Grill

Donald L. Grill
Chief Executive Officer

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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 quarterly 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 quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Ronald L. Justice

Ronald L. Justice
Chief Financial Officer

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EXHIBIT INDEX

Exhibit	Description
99.1	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.
99.2	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.

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Exhibit 99.1

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 March 31, 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 March 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of Fentura Financial, Inc.

Dated: May 14, 2003

/s/ Donald L. Grill

Donald L. Grill
Chief Executive Officer

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Exhibit 99.2

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 March 31, 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 March 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of Fentura Financial, Inc.

Dated: May 14, 2003

/s/ Ronald L. Justice

Ronald L. Justice
Chief Financial Officer