

FENTURA FINANCIAL INC
Form 10-Q
November 14, 2005

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 000-23550

Fentura Financial, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Michigan

(State or Other Jurisdiction of
Incorporation or Organization)

38-2806518

(I.R.S. Employer Identification No.)

175 N Leroy, 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 Securities 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. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes 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: November 1, 2005

Class	Common Stock	Shares Outstanding
		1,930,061

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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)	September 30, 2005 (unaudited)	Dec 31, 2004
ASSETS		
Cash and due from banks	\$ 22,885	\$ 22,705
Federal funds sold	8,300	4,550
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Total cash & cash equivalents	31,185	27,255
Securities-available for sale	94,705	110,391
Securities-held to maturity, (fair value of \$13,557 at September 30, 2005 and \$18,788 at December 31, 2004)	13,663	18,786
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Total securities	108,368	129,177
Loans held for sale	2,442	1,587
Loans:		
Commercial	241,190	229,012
Real estate loans - construction	81,156	61,278
Real estate loans - mortgage	39,529	32,705
Consumer loans	72,541	70,435
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Total loans	434,416	393,430
Less: Allowance for loan losses	(6,294)	(5,501)
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Net loans	428,122	387,929
Bank Owned Life Insurance	6,417	6,861
Bank premises and equipment	14,245	13,812
Federal Home Loan Bank stock	2,300	2,252
Accrued interest receivable	2,550	2,335
Goodwill	7,955	7,955
Acquisition intangibles	1,162	1,433
Other assets	4,441	4,294
	<hr/>	<hr/>
Total assets	\$ 609,187	\$ 584,890
LIABILITIES		
Deposits:		
Non-interest bearing deposits	\$ 81,532	\$ 80,631
Interest bearing deposits	435,404	410,434
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Total deposits	516,936	491,065
Borrowings	1,950	5,200
Federal Home Loan Bank Advances	16,267	19,402
Repurchase Agreements	10,000	10,000
Subordinated debentures	14,000	12,000
Accrued taxes, interest and other liabilities	3,893	4,254
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Total liabilities	563,046	541,921
SHAREHOLDERS' EQUITY		
Common stock - no par value		

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Fentura Financial, Inc.

Consolidated Balance Sheets

1,926,704 shares issued (1,889,463 in Dec. 2004)	34,359	33,110
Retained earnings	12,882	10,514
Accumulated other comprehensive income (loss)	(1,100)	(655)
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Total shareholders' equity	46,141	42,969
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$ 609,187	\$ 584,890
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See notes to consolidated financial statements.

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

(000's omitted except per share data)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2005	2004	2005	2004
INTEREST INCOME				
Interest and fees on loans	\$ 7,749	\$ 5,969	\$ 21,516	\$ 15,799
Interest and dividends on securities:				
Taxable	801	699	2,464	2,274
Tax-exempt	227	188	704	531
Interest on federal funds sold	36	50	54	71
Total interest income	8,813	6,906	24,738	18,675
INTEREST EXPENSE				
Deposits	2,538	1,896	6,449	5,110
Short-term borrowings	35	0	134	0
Other borrowings	463	331	1,301	893
Total interest expense	3,036	2,227	7,884	6,003
NET INTEREST INCOME	5,777	4,679	16,854	12,672
Provision for loan losses	404	383	1,002	1,019
Net interest income after Provision for loan losses	5,373	4,296	15,852	11,653
NON-INTEREST INCOME				
Service charges on deposit accounts	907	975	2,571	2,847
Gain on sale of mortgage loans	282	124	630	365
Trust and investment services income	254	254	842	703
Gain/(Loss) on sale of securities	2	0	(108)	0
Other income and fees	439	344	1,303	1,224
Total non-interest income	1,884	1,697	5,238	5,139
NON-INTEREST EXPENSE				
Salaries and employee benefits	3,094	2,675	9,062	7,332
Occupancy	441	425	1,325	1,193
Furniture and equipment	495	572	1,576	1,559
Loan and collection	87	56	255	240
Advertising and promotional	153	128	509	386
Other operating expenses	1,002	969	2,937	2,702
Total non-interest expense	5,272	4,825	15,664	13,412
INCOME BEFORE TAXES	1,985	1,168	5,426	3,380
Federal income taxes	686	312	1,681	882
NET INCOME	\$ 1,299	\$ 856	\$ 3,745	\$ 2,498

Per share:

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Fentura Financial, Inc.

Consolidated Statements of Income (Unaudited)

Net income - basic	\$ 0.68	\$ 0.45	\$ 1.97	\$ 1.33
Net income - diluted	\$ 0.68	\$ 0.45	\$ 1.97	\$ 1.32
Cash Dividends declared	\$ 0.24	\$ 0.23	\$ 0.72	\$ 0.69

See notes to consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2005	September 30, 2004
(000's omitted)		
COMMON STOCK		
Balance, beginning of period	\$ 33,110	\$ 32,769
Issuance of shares under		
Director stock purchase plan	483	315
Dividend reinvestment program (14,222 shares) and (3,162 shares)	766	0
Stock Offering (23,019 shares and 0 shares)		
Repurchase stock	0	(122)
Balance, end of period	34,359	32,962
RETAINED EARNINGS		
Balance, beginning of period	10,514	8,238
Net income	3,745	2,498
Cash dividends declared	(1,377)	(1,305)
Balance, end of period	12,882	9,431
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	(655)	(125)
Change in unrealized gain (loss) on securities, net of tax	(445)	(248)
Balance, end of period	(1,100)	(373)
TOTAL SHAREHOLDERS' EQUITY	\$ 46,141	\$ 42,020

See notes to consolidated financial statements.

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

(000's omitted)	Nine Months Ended September 30,	
	2005	2004
OPERATING ACTIVITIES:		
Net income	\$ 3,745	\$ 2,498
Adjustments to reconcile net income to cash		
Provided by Operating Activities:		
Depreciation and amortization	1,058	1,511
Provision for loan losses		