

August 9, 2021

Dear Shareholder,

FNBH Bancorp, Inc. announces 2021 second quarter and year-to-date financial results and a definitive agreement to merge with Arbor Bancorp, Inc. (Bank of Ann Arbor), Ann Arbor, Michigan.

FNBH Bancorp, Inc. reports the following results as of and for the three and six months ended June 30, 2021

- Quarterly net income of \$1.4 million compared to \$2.2 million in 2020
 - 2020 included certain non-recurring items related to the Company's previously terminated merger transaction with Arbor Bancorp, Inc.
 - Net interest income was flat compared to 2020 as interest from increased earning assets offset a 93-basis point decrease in the net interest margin.
 - Gain on residential mortgage loan sales decreased from \$944,000 in 2020 to \$469,000 in 2021 as shorter-term salable residential mortgage loans were placed into the Bank's portfolio during 2021 to deploy excess liquidity.
 - 2020 results included \$500,000 of provision expense in response to uncertainties surrounding the Covid-19 pandemic. No provision expense has been recognized in 2021.
- Year to date net income of \$2.9 million compared to \$3.3 million in 2020
 - Net interest income increased by \$234,000 compared to 2020 as interest from increased earning assets more than offset a 94-basis point decrease in the net interest margin.
 - 2020 results included \$500,000 of provision expense in response to uncertainties surrounding the Covid-19 pandemic. No provision expense has been recognized in 2021.
 - 2020 included certain non-recurring items related to the Company's previously terminated merger transaction with Arbor Bancorp, Inc.
- Total assets of \$646.9 million, increased from \$554.5 million at year-end 2020
 - June 30, 2021 cash and cash equivalents totaled \$111.6 million.
- Increase in investments available for sale of \$39.8 million from year-end 2020
- Increase in total portfolio loans of \$37.5 million from year-end 2020, attributable to Round 2 PPP loans and residential mortgage loans (purchased and originated)
 - \$49.2 million in funded Paycheck Protection Program ("PPP") loans at June 30, 2021.
- Tangible book value per share of \$2.39, compared to \$2.29 at year-end 2020
- Slight increase in nonperforming assets to \$1.8 million from \$1.7 million at year-end 2020
 - The Bank's Classified Asset Ratio measured 10.6% and 9.4% on June 30, 2021 and December 31, 2020, respectively.
 - The June 30, 2021 Allowance for Loan Loss equals 1.82% of total outstanding portfolio loans (2.06% of outstanding non-PPP portfolio loans).

For additional information on the Company's subsidiary bank, First National Bank in Howell, please visit the FFIEC's central data repository public data website at <https://cdr.ffiec.gov/public/>.

As indicated last quarter, the prolonged low interest rate environment coupled with an abundance of liquidity throughout the economy and the Company's continued asset growth (\$92.4 million, or 16.7%, since year-end 2020) present significant challenges to the Bank's net interest margin. In response, management continues to consider opportunities to prudently deploy excess liquidity into higher yielding assets to improve our net interest margin and resultant profitability.

We are actively processing forgiveness applications for the second round of PPP loans originated in early 2021 (445 loans to Livingston County small businesses totaling \$43.6 million). We encourage PPP borrowers to contact Bank staff with any questions regarding the forgiveness process and submit their information as timely as possible.

FNBH Bancorp, Inc. announces pending sale to Arbor Bancorp, Inc.

Arbor Bancorp, Inc. ("Arbor"), the holding company for Bank of Ann Arbor, and FNBH Bancorp, Inc., the holding company for First National Bank in Howell, recently announced they have entered into a definitive agreement for Arbor to acquire FNBH Bancorp, Inc. in an all-cash transaction.

Under the terms of the agreement, FNBH Bancorp, Inc. shareholders will receive \$4.20 in cash for each share of FNBH Bancorp, Inc. common stock outstanding, subject to adjustment in certain limited circumstances. This results in a deal value of approximately \$116.5 million.

The transaction is expected to be completed during the fourth quarter of 2021, subject to the satisfaction of customary closing conditions, including regulatory approvals and the approval of the shareholders of FNBH Bancorp, Inc. Additional details will be forthcoming regarding our special shareholder meeting to approve the transaction. A copy of the merger agreement will be provided in advance of that shareholder meeting, and the description of the merger agreement in this letter is qualified in its entirety by the full merger agreement.

Please visit our website at www.fnbh.com for additional details on the pending merger.

The Company's common stock is quoted and traded under the symbol "FNHM" on the OTC Pink Open Market. If you are interested in buying shares of FNBH Bancorp, Inc., please contact one of the following:

- Thomas Dooley or Nick Bicking with D|A|Davidson at 800-394-9230. (Products and services are offered through DA Davidson. D|A|Davidson is not affiliated with FNBH Bancorp, Inc.)
- Eugene Bodo at Boenning & Scattergood at 610-862-5368. (Products and services are offered through Boenning & Scattergood. Boenning & Scattergood is not affiliated with FNBH Bancorp, Inc.)

We thank you for your investment and your commitment to community banking, including your loan and deposit business and customer referrals.

Your questions or suggestions are always welcome. Please contact me or any of our Directors anytime. Our contact information is provided below.

Best wishes for a safe, fulfilling and rewarding summer!


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Discussions and statements in this letter that are not statements of historical fact, including, without limitation, statements that include terms such as “will,” “may,” “should,” “believe,” “expect,” “forecast,” “anticipate,” “estimate,” “project,” “intend,” “likely,” “optimistic” and “plan,” and statements about future or projected financial and operating results, plans, projections, objectives, expectations, and intentions and other statements that are not historical facts, are forward-looking statements. Forward-looking statements include, but are not limited to, statements about the impact of the COVID-19 pandemic; the pending merger transaction; descriptions of plans and objectives for future operations, products or services; projections of our future revenue, earnings or other measures of economic performance; forecasts of credit losses and other asset quality trends; statements about our business and growth strategies; and expectations about economic and market conditions and trends. These forward-looking statements express our current expectations, forecasts of future events, or long-term goals and, by their nature, are subject to assumptions, risks, and uncertainties. Although we believe that the expectations, forecasts, and goals reflected in these forward-looking statements are reasonable, actual results could differ materially for a variety of reasons. For example, there is no assurance the merger with Arbor Bancorp, Inc. will obtain the necessary regulatory approvals or that the merger will otherwise be completed; there is significant uncertainty regarding the economic impact of the COVID-19 pandemic on our business and the markets we serve; our loan portfolio may not perform as we expect; we may not be successful with our cost reduction, loan growth, and other initiatives; and/or economic conditions could deteriorate in a manner that further hurts our financial condition or performance.

Our results of operations, cash flows, financial position, and prospects could also be materially and adversely affected by additional factors that are not presently known to us, that we currently consider to be immaterial, or that develop after the date of this letter. We cannot assure you that our future results will meet expectations. While we believe the forward-looking statements in this letter are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. We do not undertake, and expressly disclaim, any obligation to update or alter any statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

FNBH BANCORP, INC.
SUMMARY FINANCIAL DATA
June 30, 2021 Shareholder Correspondence
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020

(in thousands, except per share data)

Income Statement Data:

Interest income	\$ 4,857	\$ 4,938	\$ 9,708	\$ 9,639
Interest expense	171	250	348	513
Net interest income	4,686	4,688	9,360	9,126
Provision for loan losses	-	500	-	500
Noninterest income	734	1,441	1,454	2,090
Gain on sales of loans held for sale	469	944	1,136	1,400
Net gain on sales of available for sale securities	8	2	8	2
Net loss on repossessed assets	(20)	(18)	(21)	(15)
Noninterest expense	4,190	3,843	8,319	7,980
Income before income taxes	1,687	2,714	3,618	4,123
Net income	1,351	2,225	2,897	3,278

Per Share Data:

Earnings per basic common share	\$ 0.05	\$ 0.08	\$ 0.10	\$ 0.12
Weighted average common shares outstanding	27,759,795	27,771,691	27,765,710	27,771,691

	June 30,	December 31,			
	2021	2020	2019	2018	2017

(in thousands)

Balance Sheet Data:

Total assets	\$ 646,866	\$ 554,508	\$ 435,231	\$ 412,384	\$ 400,575
Portfolio loans, gross	419,699	382,229	357,414	323,793	267,245
Allowance for loan losses	7,632	7,630	5,911	5,655	4,897
Securities	95,274	55,500	35,466	44,270	71,906
Deposits	576,903	487,211	375,858	360,644	347,625
Other borrowings	-	-	-	-	5,000
Shareholders' equity	66,360	63,699	56,441	49,623	46,244

Ratios:

Allowance for loan losses to loans outstanding	1.82%	2.00%	1.65%	1.75%	1.83%
Average equity to average asset ratio	10.63%	12.00%	12.64%	12.08%	12.19%
Net interest margin (tax equivalent)	3.17%	3.91%	4.40%	4.17%	3.49%

	June 30,	December 31,			
	2021	2020	2019	2018	2017

(in thousands)

Nonperforming Loans and Assets:

Nonaccrual loans	\$ 1,657	\$ 1,675	\$ 1,350	\$ 1,176	\$ 2,157
Loans past due 90 days and still accruing	135	-	-	16	-
Total nonperforming loans	1,792	1,675	1,350	1,192	2,157
Other real estate owned and repossessed assets	10	-	165	62	50
Total nonperforming assets	\$ 1,802	\$ 1,675	\$ 1,515	\$ 1,254	\$ 2,207

Nonperforming loans to total portfolio loans	0.43%	0.44%	0.38%	0.37%	0.81%
Allowance for loan losses to nonperforming loans	426.02%	455.63%	437.93%	474.50%	227.06%
Nonperforming assets to total portfolio loans, other real estate and repossessed assets	0.43%	0.44%	0.42%	0.39%	0.83%

	June 30,	December 31,			
	2021	2020	2019	2018	2017

(in thousands)

Classified Loans:

Commercial	\$ -	\$ -	\$ -	\$ -	\$ 27
Commercial Real Estate	6,649	5,522	2,184	348	1,239
Consumer Real Estate	658	602	208	721	937
Consumer and Other	98	114	52	159	8
Total	\$ 7,405	\$ 6,238	\$ 2,444	\$ 1,228	\$ 2,211