

FNBH BANCORP INC

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July 28, 2016

Dear Shareholder,

FNBH Bancorp, Inc. reports the following results as of and for the three and six months ended June 30, 2016:

- Quarterly net income of \$2,190,000, compared to \$269,000 for the second quarter of 2015
2016 second quarter net income includes \$1,300,000 of reverse provision expense compared to no reverse provision expense recorded in the second quarter 2015
- Year to date net income of \$2,950,000 compared to \$402,000 in 2015
2016 year to date net income includes \$1,600,000 of reverse provision expense compared to no reverse provision expense recognized in the same prior year period
- Total assets of \$362.0 million, increased from \$348.2 million at year-end 2015
- Tangible book value per share of \$1.39, compared to \$1.23 at year-end 2015
- Increase in total loans of \$19.5 million, or 11.4% from year-end 2015
- Reduction in nonperforming assets of \$2.1 million, or 32.4%, since year-end 2015

For additional detail on the Company's subsidiary bank, the First National Bank in Howell, please visit the FDIC's website at https://www5.fdic.gov/Call_TFR_Rpts/.

Second quarter 2016 results benefitted from payoffs received on a handful of former large nonperforming loan relationships. These payoffs allowed for the recognition of interest income and facilitated reverse provision expense to adjust the allowance for recoveries of charge-offs previously taken on these loans.

During the second quarter we continued to experience elevated levels of debit card fraud losses believed to result from the Wendy's restaurant chain compromise, as identified in recent media coverage and a Wendy's press release confirming the extent of the compromise. While relieved to know the likely cause of our elevated fraud losses, the customer inconvenience and financial impact to the Company are not soon forgotten.

Our current technology initiative includes an arsenal of new technology designed to better protect our customers and the Bank from potential fraud, including: issuance of EMV (Chip) cards to replace all customer debit cards; Guardian Text Alerts to notify card holders of specific transaction types conducted using their First National debit card; real-time monitoring of customer account activity for potential fraudulent transactions and a fraud notification service (e.g., texts and phone calls) provided by a trusted risk management partner; and mobile and on-line banking card management to suspend debit card activity, activate cards, and report lost or stolen cards.

In addition to our list of already implemented products and technology improvements (e.g., redesigned account statements and notices, expanded e-statement availability, upgraded on-line Bill Pay capabilities, upgraded teller processing technology, improved remote deposit capabilities including via smart phones), we are excited about those still to come in 2016. Stay tuned for our improved phone banking platform, website enhancements, and electronic signature and scanning (imaging) capabilities to improve our customer's experience and generate internal work-flow efficiencies.

As discussed in previous letters, we may, in the future, have the potential to record additional reverse provision expense. In addition, as core earnings improve, we will closely evaluate reinstatement of the Company's approximate \$8.0 million net deferred tax asset. While we cannot guarantee the certainty of any future reverse provision expense or reinstatement of any portion of our net deferred tax asset, if one or both of these events were to occur, we expect it would significantly enhance book value per share.

We continue to focus on the need for additional loan portfolio growth to rebuild the Bank's balance sheet in order to substantially increase earnings. We ask that our shareholders support the Bank with their loan business and loan referral opportunities. Our loan pricing remains very competitive and we eagerly pursue new lending opportunities. **Thank you for your business. Please continue to keep us top of mind and share your referrals with us.**

The Company's common stock is quoted and traded under the symbol "FNHM" on the OTCBB. If you are interested in buying or selling shares of FNBH Bancorp, Inc., please contact either Thomas Dooley or Nick Bicking with Boenning & Scattergood at 866-326-8113. *(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. Your questions and suggestions are always welcome. Please contact me or any of our Directors anytime. Our contact information is provided below.

Cordially,



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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, 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 or expectations regarding any future reverse provision expense or reinstatement of our net deferred tax asset; and descriptions of other steps we may take to improve our capital position. 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, 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, which 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, 2016 Shareholder Correspondence
(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015

(in thousands, except per share amounts)

Statement of Operations Data:

Interest income	\$ 3,305	\$ 2,514	\$ 5,981	\$ 4,954
Interest expense	131	137	266	277
Net interest income	3,174	2,377	5,715	4,677
Provision (credit) for loan losses	(1,300)	-	(1,600)	-
Noninterest income	511	614	1,035	1,178
Net gain on available for sale securities	17	-	75	(1)
Net gain (loss) on sale/write-down of other real estate owned	(19)	(18)	24	(8)
Noninterest expense	2,815	2,694	5,516	5,422
Income before income taxes	2,168	279	2,933	424
Net income	2,190	269	2,950	402

Per Share Data:

Basic and diluted net income per share	\$ 0.08	\$ 0.01	\$ 0.11	\$ 0.01
Weighted average basic and diluted shares outstanding	27,771,689	27,771,689	27,771,689	27,771,689

	June 30,	December 31,			
	2016	2015	2014	2013	2012

(in thousands)

Balance Sheet Data:

Total assets	\$ 361,989	\$ 348,169	\$ 322,826	\$ 312,290	\$ 296,871
Loans, gross	190,300	170,826	160,046	165,115	180,191
Allowance for loan losses	5,234	5,718	7,109	9,214	11,769
Securities	140,919	142,587	133,315	68,459	73,365
Deposits	321,665	313,066	290,379	285,313	287,682
Shareholders' equity	38,596	34,033	31,144	25,106	7,369

Ratios:

Allowance for loan losses to loans outstanding	2.75%	3.35%	4.44%	5.58%	6.53%
Average equity to average asset ratio	10.19%	9.74%	8.99%	3.37%	2.35%
Net interest margin (tax equivalent)	3.39%	3.15%	3.38%	3.84%	3.88%

	June 30,	December 31,			
	2016	2015	2014	2013	2012

(in thousands)

Nonperforming Loans and Assets:

Nonaccrual loans	\$ 4,111	\$ 5,464	\$ 8,304	\$ 11,067	\$ 12,839
Loans past due 90 days and still accruing	-	-	4	-	201
Total nonperforming loans	4,111	5,464	8,308	11,067	13,040
Other real estate	240	971	1,174	480	3,427
Total nonperforming assets	\$ 4,351	\$ 6,435	\$ 9,482	\$ 11,547	\$ 16,467

Nonperforming loans as a percent of total loans	2.16%	3.20%	5.19%	6.70%	7.24%
Allowance for loan losses as a percent of nonperforming loans	127.32%	104.65%	85.57%	83.26%	90.25%
Nonperforming assets as a percent of total loans and other real estate	2.54%	3.75%	5.88%	6.97%	8.97%

	June 30,	December 31,			
	2016	2015	2014	2013	2012

(in thousands)

Classified Loans:

Commercial	\$ 1	\$ 62	\$ 261	\$ 164	\$ 694
Commercial Real Estate	3,184	3,385	6,196	13,061	16,830
Consumer Real Estate	1,772	2,242	3,981	4,465	5,233
Consumer and Other	46	60	121	127	144
Total	\$ 5,003	\$ 5,749	\$ 10,559	\$ 17,817	\$ 22,901