FNBH BANCORP INC

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February 14, 2017

Dear Shareholder,

FNBH Bancorp, Inc. reports the following annual and fourth quarter results for 2016:

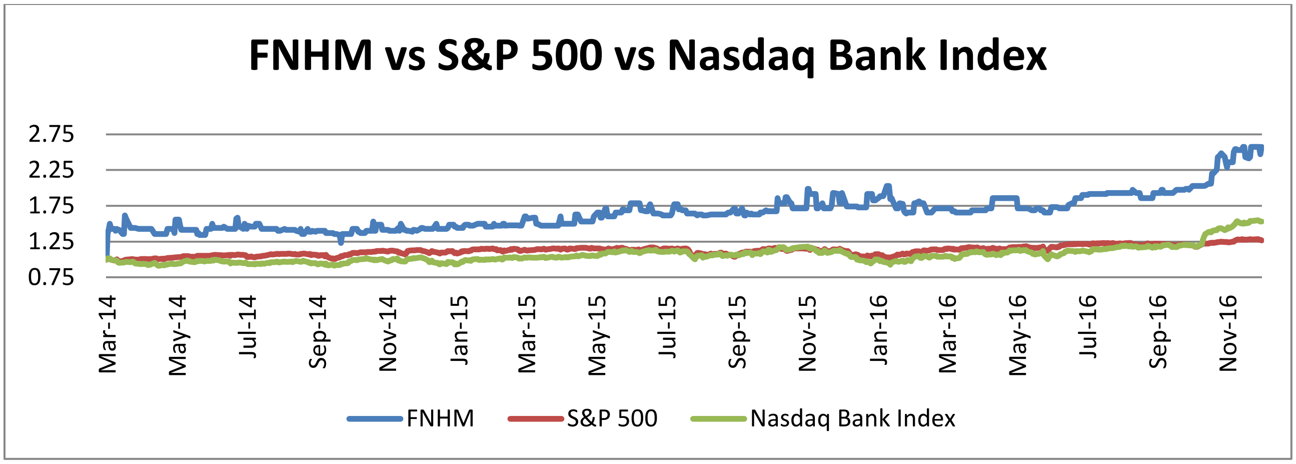
- Annual net income of $11,940,000 compared to $3,406,000 in 2015
    - *2016 net income includes a $7,052,000 tax benefit for reinstatement of net deferred tax assets*
    - *2016 net income includes $3,100,000 of reverse provision expense compared to $2,250,000 of reverse provision expense in 2015*
- Quarterly net income of $7,356,000 compared to $1,274,000 for fourth quarter 2015
    - *2016 fourth quarter net income includes a $7,052,000 tax benefit for reinstatement of net deferred tax assets*
    - *2016 fourth quarter net income includes a $919,000 loss on available for sale securities*
    - *2016 and 2015 fourth quarter net income each includes $750,000 of reverse provision expense*
- Total assets of $399.3 million at year-end 2016 increased from $348.2 million at year-end 2015
- Tangible book value per share of $1.63 at year-end 2016 compared to $1.23 at year-end 2015
- Increase in total loans of $55.7 million, or 32.6% since year-end 2015
- Reduction in nonperforming assets of $4.2 million, or 64.7%, since year-end 2015

Reinstatement of the Company's net deferred tax assets follows management's evaluation of financial results and favorable profitability trends over the past four years which provide significant objective and verifiable positive evidence that the Company has more likely than not returned to a level of sustained profitability sufficient to realize its net deferred tax assets in future years, including full utilization of its remaining net operating loss carry forward. Accordingly, the valuation allowance previously carried against the net deferred tax assets was reversed at December 31, 2016. If proposed changes to the Federal tax code are enacted into law, including a reduction in the corporate income tax rate from 34% to 15% - 20% as contemplated by the Trump administration, the valuation of the Company's net deferred tax assets would likely be reduced.

The $919,000 fourth quarter investment security loss relates to an accounting charge for other-than-temporary-impairment recognized on approximately $43 million of available for sale investment securities which were identified for sale prior to year-end. These securities were sold in January 2017 to provide funding for more attractive (i.e., higher yielding) loan and investment opportunities and to retire $20.5 million of outstanding Federal Home Loan Bank borrowings. Actual losses realized upon sale of these securities in January 2017 approximated only $729,000 due to lower prevailing interest rates. Accordingly, January 2017 results include $190,000 of gain recognized on sale of available for sale securities to adjust the impairment charge recorded at December 31, 2016.

The Company's board and management seek to exercise prudent financial stewardship of your ownership interest. Accordingly, emphasis is placed on optimizing intermediate and long term financial economic objectives without undue concern for quarterly reported earnings.

The following graph compares the performance of a $1.00 investment in FNBH Bancorp, Inc. common stock with that of the S&P 500 and the Nasdaq Bank Index since March 1, 2014, the approximate date our recapitalization was completed.



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/.

In addition to 2016 earnings and asset quality improvement, our Company accomplished the following:

- Recognition as the *"Best Bank"* in *The Livingston County Press & Argus' "People's Choice"* awards
- Significant new technology enhancements providing greater banking convenience and a substantially improved customer experience
- Closed $105 million of new dollar loan commitments, increased from $51 million in 2015
- Recovered $2.2 million of previously charged off loans
- Hired Chief Lending Officer, Marty Smith
- Expanded our indirect lending program, products and dealership network
- Continued efficiency improvements

As mentioned in our last letter, Jerry Moyer, our Chief Lending Officer over the past 8 years, retired at the end of 2016. We are forever thankful to Jerry for his important contributions to the Bank's survival through the Great Recession and to our subsequent success.

We continue to focus on generating additional loan portfolio growth to rebuild the Bank's balance sheet in order to increase earnings. We are encouraged by the success we've experienced thus far and again remind our shareholders to 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.*)

- Tim Padala at 734-741-3906 or Mike Sammon at 312-242-0433 with FIG Partners LLC. (*Products and services are offered through FIG Partners LLC. FIG Partners LLC 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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FNBH BANCORP, INC.
SUMMARY FINANCIAL DATA
December 31, 2016 Shareholder Correspondence
(Unaudited)

	Three months ended December 31		Twelve months ended December 31	
	2016	**2015**	**2016**	**2015**
	(in thousands, except per share amounts)			
Income Statement Data:				
Interest income	$ 2,965	$ 2,826	$ 12,167	$ 10,301
Interest expense	136	136	533	550
Net interest income	2,829	2,690	11,634	9,751
Provision (credit) for loan losses	(750)	(750)	(3,100)	(2,250)
Noninterest income	493	533	2,025	2,264
Gain on loan sale	123	-	123	-
Net gain (loss) on available for sale securities	(919)	-	(835)	4
Net gain (loss) on sale/write-down of other real estate owned	(20)	-	(46)	66
Noninterest expense	2,896	2,671	11,113	10,867
Income before income taxes	360	1,302	4,888	3,468
Net income	7,356	1,274	11,940	3,406
Per Share Data:				
Basic and diluted net income per share	$ 0.26	$ 0.05	$ 0.43	$ 0.12
Weighted average basic and diluted shares outstanding	27,771,689	27,771,689	27,771,689	27,771,689

	December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
			(in thousands)		
Balance Sheet Data:					
Total assets	$ 399,281	$ 348,169	$ 322,826	$ 312,290	$ 296,871
Loans, gross	226,507	170,826	160,046	165,115	180,191
Allowance for loan losses	4,826	5,718	7,109	9,214	11,769
Securities	143,720	142,587	133,315	68,459	73,365
Deposits	332,065	313,066	290,379	285,313	287,682
Shareholders' equity	45,151	34,033	31,144	25,106	7,369
Ratios:					
Allowance for loan losses to loans outstanding	2.13%	3.35%	4.44%	5.58%	6.53%
Average equity to average asset ratio	10.39%	9.74%	8.99%	3.37%	2.35%
Net interest margin (tax equivalent)	3.37%	3.15%	3.38%	3.84%	3.88%

	December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
			(in thousands)		
Nonperforming Loans and Assets:					
Nonaccrual loans	$ 2,103	$ 5,464	$ 8,304	$ 11,067	$ 12,839
Loans past due 90 days and still accruing	-	-	4	-	201
Total nonperforming loans	2,103	5,464	8,308	11,067	13,040
Other real estate	170	971	1,174	480	3,427
Total nonperforming assets	$ 2,273	$ 6,435	$ 9,482	$ 11,547	$ 16,467
Nonperforming loans as a percent of total loans	0.93%	3.20%	5.19%	6.70%	7.24%
Allowance for loan losses as a percent of nonperforming loans	229.48%	104.65%	85.57%	83.26%	90.25%
Nonperforming assets as a percent of total loans and other real estate	1.33%	3.75%	5.88%	6.97%	8.97%

	December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
			(in thousands)		
Classified Loans:					
Commercial	$ -	$ 62	$ 261	$ 164	$ 694
Commercial Real Estate	847	3,385	6,196	13,061	16,830
Consumer Real Estate	1,325	2,242	3,981	4,465	5,233
Consumer and Other	21	60	121	127	144
Total	$ 2,193	$ 5,749	$ 10,559	$ 17,817	$ 22,901