

## **FNBH Bancorp, Inc. Announces Year End 2005 Results**

Management of FNBH Bancorp, Inc., holding company of First National Bank in Howell, announced the results for the year ended December 31, 2005. Net income was \$6,507,000, a \$216,000 (3.4%) increase from last year's earnings of \$6,291,000. Basic and diluted net income per share was \$2.03, an increase of \$.05 (2.5%) over last year's basic and an increase of \$.06 (3.0%) over last year's diluted. Return on assets declined to 1.39% compared to 1.41% last year and return on equity decreased to 13.63% compared to 14.51% last year.

Overall, for the year ended December 31, 2005 compared to the same period for 2004, net interest income increased by \$2,875,000 (14.8%). Net interest margin was 5.07% in 2005 compared to 4.71% in 2004. The increase in net interest income was primarily due to growth in average earning assets of \$25.9 million with higher yields on interest earning assets due to the 200 basis points of prime rate increases which occurred in 2005. This was partially offset by higher average interest bearing liabilities which also had rate increases in 2005.

The increase in net income was lowered by a provision for loan losses of \$3,037,000 for the year ended December 31, 2005 compared to a provision of \$1,190,000 for the same period in 2004. At December 31, 2005 non performing loans totaled \$5,625,000 compared to \$1,434,000 at December 31, 2004. Net chargeoffs for 2005 were \$1,992,000 compared to \$748,000 for the same period in 2004. Impaired loans at December 31, 2005 were \$10.2 million compared to \$5.9 million at December 31, 2004. Increases in the non performing loans, net chargeoffs and the need for increased specific reserves all contributed to the increase in the loan loss provision in 2005.

The above mentioned net income increased in spite of a non recurring gain of \$299,000 in 2004 which had the effect of reducing 2005 noninterest income by \$290,000 (7.1%). Noninterest expense increased \$366,000 (2.8%) due to higher loan and collection costs, higher legal fees primarily relating to loan collection efforts, and increased computer service fees.

At December 31, 2005 assets totaled \$477 million, an increase of 4.4% from December 31, 2004. Loans increased to \$373 million, a 4.3% increase over the previous year, primarily in commercial loans. Deposits increased to \$422 million, a 5.7% increase over the previous year. The Company continues to maintain a strong capital position of \$49 million at December 31, 2005, an increase of 8.2% from December 31, 2004.

FNBH Bancorp, Inc., the parent company of First National Bank, a financial services company headquartered in Howell, Michigan, is a full service bank offering commercial and retail banking services, and investment management. First National Bank, with assets over \$475 million and nine offices, has served Livingston County for over 100 years. As part of a long standing commitment to the communities we serve, the Company contributed \$180,000 in 2005 to various charitable organizations. The Company's stock is traded on the NASDAQ Bulletin Board (FNHM) and can be purchased by calling Howe Barnes Investments Inc., at 800.800.4693, Monroe Securities Inc., at 312.327.2535, or Stifel, Nicolaus & Co., Inc. at 800.676.0477.