



Shareholder Letter

Dear Shareholders:

During the third quarter of 2007, FNBH incurred a loss of \$4,117,000 or \$1.34 per share compared to net income of \$1,399,000 or \$.44 per share during the third quarter of 2006. The year to date results show a loss of \$6,351,000 or \$2.07 per share through September 30, 2007 compared to net income of \$4,355,000 or \$1.36 per share for the same period in 2006.

The decline in net income quarter over quarter and year over year is primarily the result of the loss recorded on the sale of certain loans, the writedown of certain other loans that remain in the portfolio, as well as the increased loan loss provision. Together these items decreased net income by \$7,891,000 (before federal taxes) in the third quarter of 2007 compared to the third quarter of 2006. For the nine months ended September 30, 2007, these items decreased net income by \$14,010,000 (before federal taxes) over the same period in 2006. The loan loss provision increased in 2007 due to the writedown of loans that were transferred to held for sale and increased charge-offs on other commercial loans. The allowance for loan losses at September 30, 2007 is \$8.8 million compared to \$7.6 million at December 31, 2006 and \$7.2 million at September 30, 2006. The increase in the allowance is necessary due to the slowdown in the economy, especially in the areas of land development and residential building. Nonperforming loans at September 30, 2007 were \$11,471,000 compared to \$16,605,000 at June 30, 2007 and \$12,199,000 at December 31, 2006. The decrease in nonperforming loans is primarily attributable to the sale of loans in the third quarter of 2007.

Earnings were also reduced in 2007 as compared to 2006 due to net interest margin compression. The price paid on deposit funds has increased from 2.82% at September 30, 2006 to 3.53% at September 30, 2007 and the rate earned on loans has decreased to 7.42% from 7.71% for the same period in 2006. Competition has impacted the rates paid on deposits while the higher average level of nonperforming loans has impacted the rate earned on loans.

Total assets at September 30, 2007 were \$439 million down from the \$474 million reported at December 31, 2006 and the \$466 million reported at September 30, 2006. Loan demand has slowed and the investment portfolio has also decreased as a result of lower deposit balances, especially in the high yield certificates of deposit.

It is difficult to become the President of the Bank in August and report the results summarized above for September. Having to explain the results is even more difficult. Suffice it to say, the economy in Michigan and particularly here in Livingston County has put a lot of pressure on some of our borrowers. This, in turn, has resulted in the Bank taking the necessary steps to properly value its assets and reflect that valuation in our financial statements.

What is essential in a business cycle like this is to address problems, establish plans to effectively deal with these problems and put strategies in place to prepare for the future. I believe this is precisely what we have done in the third quarter and continue to do so at this time. In spite of the losses recorded to date, our Bank continues to operate profitably and has a strong capital position. We are focused on strengthening our products and services and being the best bank in Livingston County.

I am proud to report a continuation of our dividend in the fourth quarter. As we move into the new year, the Bank will review our budgets, including our dividend payments. While we expect our core banking operations to be profitable, our level of profitability will be challenged due to difficulties in the local economy and the competition in our marketplace. Dividends are an essential part of our operating strategy, but our policy must be reviewed in light of the environment we are in.

On a personal note, I am happy to be back in Michigan and am proud to be the leader of a terrific group of people that comprise the First National Bank in Howell. We are working hard to improve the products and services we bring to our customers. We are optimistic about the future and hope that we can continue to earn your trust. Your comments and suggestions are always welcome.

James R. McAuliffe
President and CEO

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FNBH BANCORP INC

STATEMENT OF CONDITION
September 30, 2007



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Member FDIC

Owned by FNBH Bancorp Inc.



Livingston County's Community Bank

CONSOLIDATED | Balance Sheets

(Unaudited)

| | September 30 2007 | December 31 2006 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| ASSETS | | |
| Cash and due from banks | \$7,954,455 | \$16,373,845 |
| Short term investments | 15,586,384 | 2,747,642 |
| Total cash and cash equivalents | 23,540,839 | 19,121,487 |
| Certificates of deposit | 3,927,000 | 4,711,000 |
| Investment securities: | | |
| Investment securities held to maturity, net (fair value of \$15,772,518 at September 30, 2007 and \$17,030,269 at December 31, 2006) | 15,616,625 | 16,808,685 |
| Investment securities available for sale, at fair value | 15,912,433 | 24,480,256 |
| Mortgage-backed securities/CMO's available for sale, at fair value | 8,207,062 | 11,930,591 |
| FHLBI and FRB stock, at cost | 994,950 | 994,950 |
| Total investment securities | 40,731,070 | 54,214,482 |
| Loans: | | |
| Commercial | 309,120,346 | 328,665,048 |
| Consumer | 23,362,684 | 27,720,360 |
| Real estate mortgage | 25,164,193 | 28,195,754 |
| Total loans | 357,647,223 | 384,581,162 |
| Less allowance for loan losses | (8,758,068) | (7,597,900) |
| Net loans | 348,889,155 | 376,983,262 |
| Premises and equipment, net | 9,282,372 | 9,704,111 |
| Other real estate owned, held for sale | 531,350 | 1,629,250 |
| Accrued interest and other assets | 12,143,849 | 7,532,112 |
| Total assets | \$439,045,635 | \$473,895,704 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Demand (non-interest bearing) | \$58,481,418 | \$62,681,088 |
| NOW | 46,404,967 | 41,275,379 |
| Savings and money market | 115,616,675 | 113,906,147 |
| Time deposits | 161,171,117 | 170,126,892 |
| Brokered certificates of deposit | 11,236,693 | 17,554,785 |
| Total deposits | 392,910,870 | 405,544,291 |
| Other borrowings | 1,152,190 | 13,480,813 |
| Accrued interest, taxes, and other liabilities | 3,665,445 | 4,878,126 |
| Total liabilities | 397,728,505 | 423,903,230 |
| Stockholders' Equity: | | |
| Common stock, no par value. Authorized 4,200,000 shares; 3,045,723 shares issued and outstanding at September 30, 2007 and 3,074,528 shares issued and outstanding at December 31, 2006 | 6,121,296 | 6,005,835 |
| Retained earnings | 34,390,289 | 43,625,997 |
| Deferred directors' compensation | 838,403 | 725,186 |
| Accumulated other comprehensive loss, net | (32,858) | (364,544) |
| Total stockholders' equity | 41,317,130 | 49,992,474 |
| Total liabilities and stockholders' equity | \$439,045,635 | \$473,895,704 |

CONSOLIDATED | Statements of Income

(Unaudited)

| | Three months ended Sept. 30 | | Nine months ended Sept. 30 | |
|------------------------------------------------------------|-----------------------------|-------------|----------------------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| Interest and dividend income: | | | | |
| Interest and fees on loans | \$6,838,871 | \$7,300,165 | \$21,400,512 | \$21,620,016 |
| Interest and dividends on investment securities: | | | | |
| U.S. Treasury, agency securities, and CMO's | 317,134 | 397,632 | 976,189 | 1,221,039 |
| Obligations of states and political subdivisions | 167,477 | 186,290 | 517,083 | 562,767 |
| Corporate bonds | — | — | — | 17,560 |
| Other securities | 10,666 | 12,445 | 34,959 | 40,730 |
| Interest on certificates of deposit | 47,853 | 63,359 | 141,222 | 207,667 |
| Interest on short term investments | 57,272 | 45,584 | 108,982 | 153,184 |
| Total interest and dividend income | 7,439,273 | 8,005,475 | 23,178,947 | 23,822,963 |
| Interest expense: | | | | |
| Interest on deposits | 2,820,155 | 2,679,747 | 8,702,488 | 7,099,660 |
| Interest on other borrowings | 123,703 | 112,238 | 384,410 | 188,063 |
| Total interest expense | 2,943,858 | 2,791,985 | 9,086,898 | 7,287,723 |
| Net interest income | 4,495,415 | 5,213,490 | 14,092,049 | 16,535,240 |
| Provision for loan losses | 4,364,000 | 785,000 | 11,837,666 | 2,139,000 |
| Net interest income after provision for loan losses | 131,415 | 4,428,490 | 2,254,383 | 14,396,240 |
| Noninterest income: | | | | |
| Service charges and other fee income | 822,497 | 914,783 | 2,463,169 | 2,745,478 |
| Trust income | 101,738 | 86,505 | 295,987 | 249,972 |
| Gain on sale of mortgage loans | 11,063 | 10,216 | 34,856 | 37,408 |
| Gain (loss) on available for sale securities | 5,836 | — | (547,571) | — |
| Other | 652 | 1,950 | 2,710 | 2,617 |
| Total noninterest income | 941,786 | 1,013,454 | 2,249,151 | 3,035,475 |
| Noninterest expense: | | | | |
| Loss on sale/writedown of commercial loans held for sale | 4,311,528 | — | 4,311,528 | — |
| Salaries and employee benefits | 1,563,380 | 1,754,079 | 5,091,489 | 6,121,041 |
| Net occupancy expense | 290,383 | 273,297 | 874,107 | 867,229 |
| Equipment expense | 124,974 | 125,313 | 366,307 | 394,813 |
| Professional and service fees | 462,718 | 450,845 | 1,526,467 | 1,428,592 |
| Computer service fees | 137,576 | 81,506 | 425,862 | 245,033 |
| Printing and supplies | 55,916 | 68,916 | 239,132 | 225,501 |
| Director fees | 62,654 | 86,330 | 242,764 | 253,072 |
| Advertising | (8,345) | 81,014 | 137,276 | 235,377 |
| Other | 516,116 | 519,235 | 1,330,738 | 1,417,104 |
| Total noninterest expense | 7,516,900 | 3,440,535 | 14,545,670 | 11,187,762 |
| Income (loss) before federal income taxes (credit) | (6,443,699) | 2,001,409 | (10,042,136) | 6,243,953 |
| Federal income taxes (credit) | (2,326,552) | 602,721 | (3,691,239) | 1,888,920 |
| Net income (loss) | \$(4,117,147) | \$1,398,688 | \$(6,350,897) | \$4,355,033 |
| Per share statistics: | | | | |
| Basic EPS | \$(1.34) | \$0.44 | \$(2.07) | \$1.37 |
| Diluted EPS | \$(1.34) | \$0.44 | \$(2.07) | \$1.36 |
| Dividends | \$0.21 | \$0.21 | \$0.63 | \$0.63 |
| Basic average shares outstanding | 3,071,552 | 3,168,227 | 3,075,073 | 3,190,429 |
| Diluted average shares outstanding | 3,071,552 | 3,168,428 | 3,075,073 | 3,199,629 |

FNBH Bancorp's stock price can be found on the NASDAQ Bulletin Board under the symbol FNBH. Purchases can be made by calling Howe Barnes Hoelzer & Arnett at 800-800-4693, Monroe Securities, Inc. at 800-766-5560, Stifel, Nicolaus & Co., Inc., at 800-676-0477 or Hill, Thompson, Magid & Co., Inc. at 866-291-6316.