

February 24, 2017

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**FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
ANNOUNCES FOURTH QUARTER 2016 RESULTS**

Alpena, Michigan - (February 24, 2017) First Federal of Northern Michigan Bancorp, Inc. (OTCQX: FFM) (the “Company”) reported consolidated net income of \$547,000, or \$0.15 per basic and diluted share, for the quarter ended December 31, 2016 compared to \$805,000, or \$0.22 per basic and diluted share, for the quarter ended December 31, 2015.

Consolidated net income for the twelve months ended December 31, 2016 was \$1.3 million, or \$0.35 per basic and diluted share, compared to \$3.4 million, or \$0.92 per basic and diluted share for the twelve months ended December 31, 2015.

Michael W. Mahler, Chief Executive Officer of the Company, commented, “We are pleased with the acceleration of loan growth as we recognized an increase of \$9.3 million in net loans during the fourth quarter of 2016 and \$13.5 million for the year. This growth was realized without relaxing underwriting standards. Our strategic plan includes growing market share in new and existing markets. The addition of lending staff late in 2015 and early this year has facilitated our achievement of this goal. We expect this momentum of growth to extend into early 2017 with the robust volume of loans in our pipelines and the quantity of commitment letters that continue to be signed by borrowers. The impact from the loan growth on the fourth quarter earnings is best demonstrated by an 86% increase in pretax, pre-provision income when compared to the same quarter last year.”

Mahler further added, “Our multiyear trend in improving asset quality metrics remains intact. During 2016, we have reduced our level of non-performing assets to 0.7% of total assets, which represents the lowest level in more than a decade. As of year-end, our Texas ratio is below 8.0% and our classified asset ratio stands at 20.4%. Reduced levels of non-performing assets, along with other cost savings measures, has resulted in a reduction of 10.2%, for the quarter, and 2.7%, for the year, in our non-interest expenses. In spite of the investment in seasoned and talented lenders, we managed to reduce compensation and employee benefits by 6.9% for the quarter and hold them static year over year.”

Performance Highlights

- Net loan growth of \$9.3 million since September 30, 2016 and \$13.5 million since December 31, 2015.
- Net interest income remained relatively unchanged for the three- and twelve-month periods ended December 31, 2016 and 2015 at \$2.4 million and \$9.3 million, respectively.
- Provision for loan loss was \$3,000 for the three months ended December 31, 2016 compared to recovery of \$510,000 for the same period in 2015 and \$95,000 for the year

ended December 31, 2016 compared to recovery of \$535,000 for the year ended December 31, 2015.

- Decreases of \$267,000, quarter over quarter, and \$273,000, year over year, in the Company's non-interest expense.
- A reduction of the deferred tax asset valuation reserve resulted in no tax expense for 2016 and a tax benefit of \$1.7 million for 2015.
- Non-performing assets declined 8.5% to \$2.4 million as of December 31, 2016 from \$2.6 million at December 31, 2015. Non-performing loans declined 29.4% to \$1.0 million at year end as compared to \$1.4 million at December 31, 2015.
- Tangible book value per share at December 31, 2016 was \$8.60 compared to \$8.68 at December 31, 2015.
- First Federal of Northern Michigan remains "well-capitalized" for regulatory purposes.

Financial Condition

- Total assets of the Company at December 31, 2016 were \$345.0 million, an increase of \$9.0 million, or 2.7%, from total assets of \$336.0 million at December 31, 2015.
 - We have experienced an increase in our net loans of \$13.5 million,
 - With an \$8.5 million increase in our commercial loan portfolio as we have focused our efforts on growing loans organically in and around our market areas.
 - We increased our mortgage loan portfolio by \$6.3 million as we continue to retain high quality adjustable rate mortgages and 10- and 15-year fixed rate loans in our mortgage portfolio. In addition, the consumer loan portfolio decreased \$1.2 million during the twelve months ended December 31, 2016.

	December 31, 2016	December 31, 2015
Mortgage Loans	\$ 82,074	\$ 75,806
Consumer Real Estate	7,647	8,726
Consumer Other	1,357	1,504
Commercial Real Estate	64,514	60,077
Commercial Other	<u>27,532</u>	<u>23,430</u>
Total gross loans	\$ 183,124	\$ 169,543
Loan Loss Reserve	<u>(1,685)</u>	<u>(1,559)</u>
Net Loans Receivable	<u>\$ 181,439</u>	<u>\$ 167,984</u>

- We experienced a decrease of \$4.0 million in our deposits held at other financial institutions during the twelve months ended December 31, 2016.
- Deposits increased \$24.9 million to \$293.4 million at December 31, 2016. While the balance of our Federal Home Loan Bank advances decreased \$15.4 million to \$17.5 million during the same period.
- Stockholders' equity was \$32.9 million at December 31, 2016 compared to \$33.3 million at December 31, 2015.
 - During 2016, the Company paid \$596,000 in shareholder dividends.
 - We experienced a decrease of \$1.2 million in the unrealized gain on available-for-sale securities, net of tax.

- Partially offsetting these decreases is our reported net income of \$1.3 million for the year ended December 31, 2016.
- First Federal of Northern Michigan's regulatory capital remains at levels in excess of regulatory requirements, as shown in the table below.

	Actual		Regulatory Minimum *		Minimum to be Well Capitalized *	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Dollars in Thousands						
Tier 1 Leverage Capital (tier 1 to quarterly average assets):	\$ 28,352	8.44%	\$ 13,439	4.00%	\$ 16,799	5.00%
Common Equity Tier 1 Risk-based Capital (core capital to risk-weighted assets):	\$ 28,352	14.71%	\$ 8,672	4.50%	\$ 12,526	6.50%
Tier 1 Risk-based Capital (tier 1 to risk-weighted assets):	\$ 28,352	14.71%	\$ 11,562	6.00%	\$ 15,416	8.00%
Total Risk-based Capital (risk-based capital to risk-weighted assets):	\$ 30,046	15.59%	\$ 15,416	8.00%	\$ 19,271	10.00%
Tangible Capital (tangible capital to tangible assets):	\$ 28,352	8.39%	\$ 6,763	1.50%	\$ 16,906	N/A

* The minimum required regulatory ratios do not include the conservation buffer that began on January 1, 2016, which will be fully phased in by January 1, 2019.

Results of Operations

- Interest income remained steady at \$2.7 million and \$10.6 million for the three and twelve month periods ended December 31, 2016 and December 31, 2015, respectively.
 - During the three months ended December 31, 2016, the yield on our interest-earning assets increased 5 basis points to 3.36% from 3.31% as of December 31, 2015.
 - The yield on our interest-earning assets decreased to 3.35% for the twelve months ended December 31, 2016 from 3.36% for the year ended December 31, 2015.
- Interest expense remained unchanged at \$318,000 for the three months ended December 31, 2016 and 2015 and increased to \$1.3 million, as of December 31, 2016, from \$1.2 million for the twelve months ended December 31, 2015.
 - The average cost of our certificates of deposit increased to 0.99% for the three months ended December 31, 2016 from 0.93% during the same period a year earlier. In addition, the cost of these funds increased to 0.99% for the year ended December 31, 2016 from 0.94% for the same period in 2015. The average balance of our certificate of deposits decreased \$3.7 million over the same period.
 - The cost of our FHLB advances decreased 10 basis points from 1.34% for the three months ended December 31, 2015 to 1.24% for the three months ended December 31, 2016. In addition, the cost of these funds increased 5 basis points from 1.29% for the year ended December 31, 2015 to 1.34% for the year ended December 31, 2016.
 - Interest-bearing core deposit balances increased \$30.5 million for the year ended December 31, 2016 while the cost for those deposits rose 1 basis point during the same period.
- Net interest margin increased to 2.96% for the three-month period ended December 31, 2016 from 2.91% for the same period in 2015, and decreased to 2.94% for the twelve months ended December 31, 2016 from 2.96% for the year in 2015 as a result of the factors mentioned above.
- Provision for loan losses for the three months ended December 31, 2016 was \$3,000 as compared to recovery of \$510,000 for the prior year period.
- For the twelve months ended December 31, 2016, provision for loan loss was \$95,000 as compared to recovery of \$535,000 for same period in 2015.

- For the three- and twelve-month periods ended December 31, 2015, the recovery of provision resulted from the collection of \$543,000 associated with a single commercial loan that was charged off in 2014.
- Non-interest income decreased to \$516,000 for the three months ended December 31, 2016 from \$548,000 for the three months ended December 31, 2015 with the following period-over-period decreases noted in 2016:
 - Other income of \$95,000 primarily related to reduced level of insurance and brokerage commission received in 2016.
 - Partially offsetting these decreases were increases of \$34,000 to gain on sale of available-for-sale securities and \$36,000 to gain on sale of bank-owned assets.
- Non-interest income remained relatively unchanged at \$2.0 million for the twelve months ended December 31, 2016 and 2015 with the following activity noted year over year:
 - Service charges and fees increased \$20,000.
 - Gain on sale of securities increased \$130,000.
 - Mortgage banking income declined \$32,000.
 - Gain on bank-owned assets decreased \$25,000.
- Non-interest expense decreased \$267,000, to \$2.3 million, for the three months ended December 31, 2016 when compared to \$2.6 million for the same period one year earlier. The following are decreases noted in the quarter over quarter period ended December 31, 2016 and 2015:
 - Compensation and employee benefits of \$108,000.
 - Federal Deposit Insurance Corporation (FDIC) premiums of \$47,000.
 - Occupancy of \$44,000.
 - Professional services of \$41,000.
 - Expenses related to real estate owned and other repossessed assets of \$168,000.
 - Offsetting these decreases was an increase in other expenses of \$117,000 primarily related to automated teller machine (ATM) expenses, dues and subscriptions, and commercial loan expenses.
- Non-interest expense decreased \$274,000, to \$9.8 million, for the twelve months ended December 31, 2016 compared to \$10.1 million for the year ended December 31, 2015. For the twelve months ended December 31, 2016 the following decreases were noted:
 - FDIC premiums of \$57,000.
 - Professional services of \$93,000.
 - Expenses related to real estate owned and other repossessed assets of \$181,000.
 - Partially offsetting these decreases was an increase of \$57,000 for service bureau expenses related to software cost associated with our Bank operating platform.

Selected Performance Ratios

Select Performance and Financial Statistics (unaudited): in thousands (except share data)				
	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net interest margin	2.96%	2.91%	2.94%	2.96%
Average interest rate spread	2.82%	2.77%	2.80%	2.83%
Total non-performing assets *	\$ 2,375	\$ 2,595	\$ 2,375	\$ 2,595
Total non-performing loans *	\$ 1,005	\$ 1,424	\$ 1,005	\$ 1,424
Non-performing assets to total assets *	0.69%	0.77%	0.69%	0.77%
Non-performing loans to total loans *	0.55%	0.84%	0.55%	0.84%
Texas ratio * (1)	7.90%	7.83%	7.90%	7.83%
Classified asset ratio * (2)	20.41%	31.13%	20.41%	31.13%
Allowance for loan losses to total loans *	0.92%	0.92%	0.92%	0.92%
Return on average assets * (3)	0.39%	1.03%	0.39%	1.03%
Return on average equity * (3)	3.83%	10.89%	3.83%	10.89%
Efficiency ratio (4)	83.00%	89.84%	88.98%	89.74%
Dividend payout ratio (basic)	27.27%	13.89%	45.37%	10.76%
Tangible book value per share *	\$ 8.60	\$ 8.68	\$ 8.60	\$ 8.68
Earnings per share	\$ 0.15	\$ 0.22	\$ 0.35	\$ 0.93
Total shares outstanding	3,727,014	3,727,014	3,727,014	3,727,014
* these are measurements as of a point in time, therefore there is no variation between the three-month and six-month periods.				
(1) Texas Ratio is defined by management as total non-performing assets divided by tangible capital plus loan loss reserves.				
(2) Classified asset ratio is calculated by dividing classified assets (substandard assets plus real estate owned & other repossessed assets) by core capital plus loan loss reserves.				
(3) Annualized.				
(4) Non-interest expense divided by net interest income plus non-interest income, excluding any gains or losses.				

Safe Harbor Statement

This news release and other releases and reports issued by the Company may contain “forward-looking statements.” The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company is including this statement for purposes of taking advantage of the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995.

First Federal of Northern Michigan Bancorp, Inc. and Subsidiaries		
Consolidated Balance Sheet		
(in thousands)		
	December 31, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Cash and cash equivalents:		
Cash on hand and due from banks	\$ 8,752	\$ 7,574
Overnight deposits with FHLB	55	29
Total cash and cash equivalents	8,807	7,603
Deposits held in other financial institutions	5,422	9,390
Securities available for sale	128,134	128,418
Securities held to maturity	700	745
Loans held for sale	-	563
Loans receivable, net of allowance for loan losses of \$1,685,485 and \$1,559,231 as of December 31, 2016 and December 31, 2015, respectively	181,439	167,984
Foreclosed real estate and other repossessed assets	1,370	1,171
Federal Home Loan Bank stock, at cost	1,636	1,636
Premises and equipment	5,939	6,329
Assets held for sale	-	271
Accrued interest receivable	1,026	1,039
Intangible assets	827	1,044
Deferred tax asset	3,314	2,615
Originated mortgage servicing rights	473	578
Bank owned life insurance	4,998	4,857
Other assets	855	1,766
Total assets	<u>\$ 344,940</u>	<u>\$ 336,009</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 293,428	\$ 268,527
Advances from Federal Home Loan Bank	17,517	32,928
Accrued expenses and other liabilities	1,106	1,213
Total liabilities	312,051	302,668
Stockholders' equity:		
Common stock (\$0.01 par value 20,000,000 shares authorized 4,034,675 shares issued).....	40	40
Additional paid-in capital	28,264	28,264
Retained earnings	8,538	7,820
Treasury stock at cost (307,750 shares).....	(2,964)	(2,964)
Accumulated other comprehensive income	(989)	181
Total stockholders' equity	32,889	33,341
Total liabilities and stockholders' equity	<u>\$ 344,940</u>	<u>\$ 336,009</u>

First Federal of Northern Michigan Bancorp, Inc. and Subsidiaries
Consolidated Statement of Income and Comprehensive Income
(in thousands)

	For the Three Months		For the Twelve Months	
	Ended December 31,		Ended December 31,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
Interest income:				
Interest and fees on loans	\$ 2,087	\$ 2,025	\$ 8,133	\$ 8,119
Interest and dividends on investments				
Taxable	357	334	1,339	1,272
Tax-exempt	23	24	93	113
Interest on mortgage-backed securities	230	295	1,023	1,107
Total interest income	<u>2,697</u>	<u>2,678</u>	<u>10,588</u>	<u>10,611</u>
Interest on deposits	236	232	941	941
Interest on borrowings	82	86	343	304
Total interest expense	<u>318</u>	<u>318</u>	<u>1,284</u>	<u>1,245</u>
Net interest income	2,379	2,360	9,304	9,366
Provision (Recovery of provision) for loan losses	3	(510)	95	(535)
Net interest income after provision for loan losses	<u>2,376</u>	<u>2,870</u>	<u>9,209</u>	<u>9,901</u>
Non-interest income:				
Service charges and other fees	250	251	967	947
Mortgage banking activities	149	154	500	532
Net gain on sale of securities	35	1	134	4
Net gain (loss) on sale of premises and equipment, real estate owned and other repossessed assets	34	(1)	55	80
Other	48	143	295	433
Total non-interest income	<u>516</u>	<u>548</u>	<u>1,951</u>	<u>1,996</u>
Non-interest expense:				
Compensation and employee benefits	1,452	1,560	5,833	5,831
FDIC Insurance Premiums	23	69	194	251
Advertising	41	29	184	164
Occupancy	267	312	1,172	1,145
Amortization of intangible assets	54	61	217	243
Service bureau charges	128	117	493	436
Professional services	126	167	462	555
Collection activity	18	12	78	94
Real estate owned & other repossessed assets	(166)	1	117	298
Other	402	284	1,096	1,102
Total non-interest expense	<u>2,345</u>	<u>2,612</u>	<u>9,846</u>	<u>10,119</u>
Income before income tax expense (benefit)	547	806	1,314	1,778
Income tax expense (benefit)	-	-	-	(1,650)
Net Income	<u>547</u>	<u>806</u>	<u>\$ 1,314</u>	<u>\$ 3,428</u>
Other Comprehensive Income:				
Unrealized (loss) gain on investment securities - available for sale securities - net of tax	(2,300)	(435)	(1,258)	(253)
Reclassification adjustment for gains (losses) realized in earnings - net of tax	55	5	88	3
Comprehensive Income	<u>\$ (1,698)</u>	<u>\$ 376</u>	<u>\$ 144</u>	<u>\$ 3,178</u>
Per share data:				
Net Income per share				
Basic	\$ 0.15	\$ 0.22	\$ 0.35	\$ 0.92
Diluted	0.15	0.22	0.35	0.92
Weighted average number of shares outstanding				
Basic	3,727,014	3,727,014	3,727,014	3,727,014
Including dilutive stock options	3,727,014	3,727,014	3,727,014	3,727,014
Dividends per common share	\$ 0.04	\$ 0.03	\$ 0.16	\$ 0.10