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FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
ANNOUNCES SECOND QUARTER 2017 RESULTS

Alpena, Michigan - (July 28, 2017) First Federal of Northern Michigan Bancorp, Inc. (OTCQX: FFNM) (the "Company") reported consolidated net income of $520,000, or $0.14 per share, for the quarter ended June 30, 2017 compared to $197,000, or $0.05 per share, for the quarter ended June 30, 2016. Annualized return on average assets was 0.61% and return on average equity was 6.10% for the six months ended June 30, 2017 compared to 0.24% and 2.30%, respectively for the prior year period.

Consolidated net income for the six months ended June 30, 2017 was $910,000, or $0.24 per share, compared to $457,000, or $0.12 per share for the six months ended June 30, 2016.

Listed below are highlights related to the Company's results for the three and six months ended June 30, 2017:

- Net loan growth of $6.4 million during the six-month period ended June 30, 2017.
- Quarter over quarter increase of $264,000 to net interest income and an increase of $431,000 in net interest income for the six month period year over year.
- Increase in non-interest income of $75,000 quarter over quarter, primarily related to mortgage banking activities and gain on sale of bank owned properties.
- Quarter over quarter decrease in the Company's non-interest expense of $7,000 and $117,000 for the six month period year over year.
- Tangible book value per share at June 30, 2017 was $9.04 compared to $9.02 at June 30, 2016.
- First Federal of Northern Michigan remains "well-capitalized" for regulatory purposes.

Michael W. Mahler, Chief Executive Officer of the Company, commented, "We are pleased that our concentrated effort to grow loans and fund them through our bond portfolio has resulted in a 10% and 8% increase to net interest income for the three and six months ended June 30, 2017. This repositioning of the balance sheet has resulted in an increase to our net interest margin to 3.09% from 2.91% year over year. The successful conversion of the bond portfolio into the loan portfolio will continue to produce long term and sustainable earnings enhancement which will drive shareholder value."

Mahler continued, "As a result of the $6.4 million in net loan growth and continued reductions to non-interest expenses, we have experienced an increase of $530,000, or 103%, to pre-tax, pre-provision income for the first six months of the year when compared to the prior year period. The improvement to our earnings profile paved the way for the dividend increase announced during the second quarter of 2017."

Financial Condition

Total assets of the Company at June 30, 2017 were $342.2 million, a decrease of $2.7 million, or less than 1.0%, from total assets of $344.9 million at December 31, 2016. Net loans receivable increased $6.4 million to $187.8 million at June 30, 2017. When compared to December 31, 2016, we have seen an $8.3 million increase in our commercial loan portfolio as we have focused our efforts on growing loans organically in our market areas. Partially offsetting the increase in commercial loans are decreases of $1.1 million and $653,000 in our mortgage and consumer loan portfolios, respectively.

Mahler added, “With the continued evaluation of the markets we serve and our focus on organic lending opportunities, the Bank made the decision late in the quarter to enter into a new market by hiring a well-established lender in Petoskey Michigan. We view this market as a long term strategic priority as the demographics and economic activity of the Petoskey region are very attractive. With the addition of a seasoned lender from Petoskey we believe our Bank will be able to capitalize on the area’s economic expansion.”

	June 30, 2017	December 31, 2016
Mortgage Loans	$ 80,969	$ 82,074
Consumer Real Estate	6,859	7,647
Consumer Other	1,492	1,357
Commercial Real Estate	68,740	64,514
Commercial Other	31,611	27,532
Total gross loans	$ 189,671	$ 183,124
Loan Loss Reserve	(1,845)	(1,685)
Net Loans Receivable	$ 187,826	$ 181,439

Deposits decreased $9.6 million during the first six months of 2017 to $283.8 million at June 30, 2017. While the balance of our Federal Home Loan Bank advances increased $4.7 million during the six months ended June 30, 2017.

Stockholders’ equity was $34.4 million at June 30, 2017 compared to $32.9 million at December 31, 2016. The increase was due primarily to net income of $910,000 and a decrease of $960,000 in the unrealized loss on available for sale securities net of tax, partially offset by the payment of $335,000 in dividends to shareholders. 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):	$ 28,860	8.52%	$ 13,563	4.00%	$ 16,954	5.00%
Common Equity Tier 1 Risk-based Capital (core capital to risk-weighted assets):	$ 28,860	14.77%	$ 8,790	4.50%	$ 12,697	6.50%
Tier 1 Risk-based Capital (tier 1 to risk-weighted assets):	$ 28,860	14.77%	$ 11,720	6.00%	$ 15,627	8.00%
Total Risk-based Capital (risk-based capital to risk weighted assets):	$ 30,705	15.72%	$ 15,627	8.00%	$ 19,534	10.00%
Tangible Capital (tangible capital to tangible assets):	$ 28,860	8.46%	$ 6,827	1.50%	$ 17,066	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 increased to $2.8 million for the three months ended June 30, 2017 from $2.6 million for the year earlier period, due mainly to an $11.9 million increase to the average balance of interest-earning assets, which lead to an 18 basis point increase in our yield on interest-earning assets from 3.31% to 3.49% period over period. Interest income increased to $5.6 million for the six-month period ended June 30, 2017 from $5.2 million for the same period in 2016, due mainly to an $11.0 million increase to the average balance of interest-earning assets and in turn an increase of 14 basis points in our yield on interest-earning assets from 3.32% for the six months ended June 30, 2016 to 3.46% for the same period in 2017.

Interest expense decreased to $306,000 for the three months ended June 30, 2017 from $321,000 for the three months ended June 30, 2016. Interest expense for the six months ended June 30, 2017 decreased to $613,000 from $639,000 for the six months ended June 30, 2016. The decrease in interest expense for both the three- and six-month periods was due primarily to a decrease of $3.2 million and $6.5 million, respectively, in the average balance of our Federal Home Loan Bank advances.

The Company's net interest margin increased to 3.11% for the three-month period ended June 30, 2017 from 2.90% for the same period in 2016, and increased to 3.09% for the six-month period ended June 30, 2017 from 2.91% for the same period in 2016 as a result of the factors mentioned above.

The provision for loan losses for the three months ended June 30, 2017 was $48,000 compared to $25,000 for the prior year period. For the six months ended June 30, 2017, the provision for loan losses was $134,000 compared to $57,000 for the six months ended June 30, 2016. During the quarter ended June 30, 2017, we had net recoveries of $16,000 compared to $31,000 of net recoveries during the quarter ended June 30, 2016, in large part due to the decline in the number of loans in foreclosure. The direct effect of $4.1 million and $6.4 million in loan net loan growth for the three- and six- month periods ended June 30, 2017, respectively, is the principal factor for the increase in provision expense for the three- and six- month period ended June 30, 2017.

Non-interest income increased to $498,000 for the three months ended June 30, 2017 from $423,000 for the three months ended June 30, 2016 with the following period over period decreases in 2016:

- Mortgage banking activities of $19,000,
- Gain on sale of bank owned property of $37,000, which includes gain on sale of real estate owned through foreclosures,
- Gain on sale of available for sale securities of $10,000.

Non-interest income decreased to $890,000 for the six months ended June 30, 2017 from $908,000 for the year earlier period, mainly due to a decrease of $111,000 in other income related to life insurance proceeds received during the six months ended June 30, 2016. Partially offsetting this decrease were increases of $20,000 in mortgage banking income, $27,000 in gain on sale of available for sale securities, and $51,000 in gain on sale of bank owned properties during the six months ended June 30, 2017.

Non-interest expense remained unchanged at $2.5 million for the three months ended June 30, 2017 when compared to the three months ended June 30, 2016. Non-interest expense decreased $117,000 for the six months ended June 30, 2017 compared to the year earlier period. For the six-month period ended June 30, 2017, the following decreases were noted when compared to the six-month period ended June 30, 2016:

- $25,000 related to Federal Deposit Insurance Corporation premiums,
- $38,000 in occupancy expenses,
- $13,000 in amortization of intangible assets,
- $34,000 in professional services.

Selected Performance Ratios

Select Performance and Financial Statistics (unaudited): in thousands (except share data)	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016
Net interest margin	3.11%	2.90%	3.09%	2.91%
Average interest rate spread	2.99%	2.76%	2.97%	2.77%
Total non-performing assets *	$ 2,841	$ 3,641	$ 2,841	$ 3,641
Total non-performing loans *	$ 2,103	$ 2,588	$ 2,103	$ 2,588
Non-performing assets to total assets *	0.83%	1.09%	0.83%	1.09%
Non-performing loans to total loans *	1.12%	1.52%	1.12%	1.52%
Texas ratio * (1)	9.25%	11.39%	9.25%	11.39%
Classified asset ratio * (2)	21.46%	32.72%	21.46%	32.72%
Allowance for loan losses to total loans *	0.98%	0.98%	0.98%	0.98%
Return on average assets * (3)	0.61%	0.24%	0.61%	0.24%
Return on average equity * (3)	6.10%	2.30%	6.10%	2.30%
Efficiency ratio (4)	83.43%	91.75%	83.81%	90.64%
Dividend payout ratio (basic)	35.87%	75.81%	36.88%	65.20%
Tangible book value per share *	$ 9.04	$ 9.02	$ 9.04	$ 9.02
Earnings per share	$ 0.14	$ 0.05	$ 0.24	$ 0.12
Total shares outstanding	3,726,925	3,726,925	3,726,925	3,726,925

* 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)				
	June 30, 2017		December 31, 2016	
	(Unaudited)			
ASSETS				
Cash and cash equivalents:				
Cash on hand and due from banks	$	10,940	$	8,752
Overnight deposits with FHLB		789		55
Total cash and cash equivalents		11,729		8,807
Deposits held in other financial institutions		4,458		5,422
Securities available for sale		118,449		128,134
Securities held to maturity		650		700
Loans receivable, net of allowance for loan losses of $1,845,267 and $1,685,485 as of June 30, 2017 and December 31, 2016, respectively		187,826		181,439
Foreclosed real estate and other repossessed assets		738		1,370
Federal Home Loan Bank stock, at cost		1,636		1,636
Premises and equipment		5,743		5,939
Accrued interest receivable		1,041		1,026
Intangible assets		731		827
Deferred tax asset		2,819		3,314
Originated mortgage servicing rights		429		473
Bank owned life insurance		5,064		4,998
Other assets		850		855
Total assets	$	342,164	$	344,940
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Deposits	$	283,839	$	293,428
Advances from Federal Home Loan Bank		22,191		17,517
Accrued expenses and other liabilities		1,710		1,106
Total liabilities		307,742		312,051
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		9,112		8,538
Treasury stock at cost (307,750 shares)		(2,964)		(2,964)
Accumulated other comprehensive loss		(29)		(989)
Total stockholders' equity		34,423		32,889
Total liabilities and stockholders' equity	$	342,164	$	344,940

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Interest income:				
Interest and fees on loans	$ 2,158	$ 1,984	$ 4,284	$ 3,972
Interest and dividends on investments				
Taxable	404	315	796	652
Tax-exempt	20	23	43	47
Interest on mortgage-backed securities	252	263	507	554
Total interest income	2,834	2,585	5,630	5,225
Interest on deposits	235	236	480	465
Interest on borrowings	71	85	133	174
Total interest expense	306	321	613	639
Net interest income	2,528	2,264	5,017	4,586
Provision for loan losses	48	25	134	57
Net interest income after provision for loan losses	2,480	2,239	4,883	4,529
Non-interest income:				
Service charges and other fees	243	239	463	469
Mortgage banking activities	126	107	227	206
Net gain on sale of securities	15	5	33	6
Net gain on sale of premises and equipment, real estate owned and other repossessed assets	64	26	71	20
Other	50	46	96	207
Total non-interest income	498	423	890	908
Non-interest expense:				
Compensation and employee benefits	1,493	1,427	2,889	2,890
FDIC Insurance Premiums	46	51	85	110
Advertising	45	49	83	83
Occupancy	279	284	576	614
Amortization of intangible assets	48	54	96	109
Service bureau charges	128	117	257	241
Professional services	95	124	196	230
Collection activity	1	23	28	45
Real estate owned & other repossessed assets	6	28	42	47
Other	316	307	611	611
Total non-interest expense	2,457	2,464	4,863	4,980
Income before income tax expense	521	198	910	457
Income tax expense	-	-	-	-
Net Income	521	198	$ 910	$ 457
Other Comprehensive Income:				
Unrealized gain on available for sale securities - net of tax	609	530	982	1,260
Reclassification adjustment for gains realized in earnings - net of tax	(10)	(2)	(22)	(2)
Comprehensive Income	1,120	726	$ 1,870	$ 1,715
Per share data:				
Net Income per share				
Basic	$ 0.14	$ 0.05	$ 0.24	$ 0.12
Dividends per common share	$ 0.05	$ 0.04	$ 0.09	$ 0.08