First Federal of Northern Michigan Bancorp, Inc.
Form 10QSB
November 14, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number 000-31957

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
(Exact name of registrant as specified in its charter)

MARYLAND	32-0135202
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 S. SECOND AVENUE, ALPENA, MICHIGAN	49707
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (989) 356-9041

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X .

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, Par Value $0.01	Outstanding at November 8, 2005
(Title of Class)	3,111,176 shares

Transitional Small Business Disclosure Format: Yes No X .

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FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
FORM 10-QSB
QUARTER ENDED SEPTEMBER 30, 2005

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PART I - FINANCIAL INFORMATION

Interim Financial Information required by Rule 10-01 of Regulation S-X and Item 303 of Regulation S-B is included in this Form 10-QSB as referenced below:

When used in this Form 10-QSB or future filings by First Federal of Northern Michigan Bancorp, Inc. (the "Company") with the Securities and Exchange Commission ("SEC"), in the Company's press releases or other public or stockholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including regional and national economic conditions, changes in levels of market interest rates, credit and other risks of lending and investment activities and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

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PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS
FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	September 30,
	(Unaudite
ASSETS	
Cash and cash equivalents:	
Cash on hand and due from banks	$ 6,626,0
Overnight deposits with FHLB	451,7
Total cash and cash equivalents	7,077,8
Securities AFS	47,175,3
Securities HTM	1,800,0
Loans held for sale	196,5
Loans receivable, net of allowance for loan losses of $1,345,977 and $1,213,938 as of September 30, 2005 and December 31, 2004, respectively	200,078,4
Foreclosed real estate and other repossessed assets	463,0
Real estate held for investment	375,1
Federal Home Loan Bank stock, at cost	4,765,0
Premises and equipment	7,124,6
Accrued interest receivable	1,583,0
Intangible assets	2,619,5
Goodwill	1,049,8
Other assets	2,539,5
Total assets	$276,847,8
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities:	
Deposits	$194,103,4
Advances from borrowers for taxes and insurance	215,1
Federal Home Loan Bank advances & Note Payable	42,890,2
Accrued expenses and other liabilities	3,066,8
Total liabilities	240,275,6

Commitments and contingencies	
Stockholders' equity:	
Common stock ($0.01 par value 20,000,000 shares authorized and $1.00 par value 20,000,000 authorized, respectively; 3,111,176 and 1,659,480 shares issued and outstanding, respectively)	31,1
Additional paid-in capital	23,545,0
Retained earnings, restricted	
Retained earnings	14,608,1
Unallocated ESOP	(1,325,4
Accumulated other comprehensive loss	(286,6
Total stockholders' equity	36,572,1
Total liabilities and stockholders' equity	$276,847,8

See accompanying notes to consolidated financial statements.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

	For the Three Months Ended September 30,		For the Nin Ended Septe
	2005	2004	2005
	(Unaudited)		(Unaudi
Interest income:			
Interest and fees on loans	$3,395,050	$2,996,936	$ 9,747,198
Interest and dividends on investments	444,203	396,283	1,189,863
Interest on mortgage-backed securities	59,803	52,593	189,906
Total interest income	3,899,056	3,445,812	11,126,967
Interest expense:			
Interest on deposits	1,127,496	961,131	3,134,668
Interest on borrowings	555,162	661,266	1,790,875
Total interest expense	1,682,658	1,622,397	4,925,543
Net interest income	2,216,398	1,823,415	6,201,424
Provision for loan losses	3,800	67,600	266,058
Net interest income after provision for loan losses ..	2,212,598	1,755,815	5,935,366
Non Interest income:			
Service charges and other fees	262,239	259,934	747,563
Mortgage banking activities	155,811	210,836	383,498
Gain on sale of available-for-sale investments	--	6,968	13,127
Net gain on sale of premises and equipment, real estate owned and other repossessed assets	(7,746)	(13,370)	(26,611)
Other	20,555	23,176	30,712
Insurance & Brokerage Commissions	724,993	764,557	2,205,524

Total other income	1,155,852	1,252,101	3,353,813
Non interest expenses:			
Compensation and employee benefits	1,571,682	1,474,165	4,705,438
SAIF Insurance Premiums	5,913	5,618	18,810
Advertising	58,635	52,643	133,419
Occupancy	340,841	309,664	967,492
Amortization of intangible assets	85,149	74,922	236,035
Service Bureau Charges	87,348	88,326	262,064
Insurance & Brokerage Commission Expense	290,261	335,876	888,464
Professional Services	40,845	35,728	180,761
Donation to First Federal Community Foundation	--	--	679,940
Other	341,708	264,649	908,856
Other expenses	2,822,382	2,641,591	8,981,279
Income before income tax expense	546,068	366,325	307,900
Income tax expense	182,723	122,455	102,850
Net income	$ 363,345	$ 243,870	$ 205,050
Per share data:			
Basic earnings per share	$ 0.12	$ 0.08	$ 0.07
Weighted average number of shares outstanding	3,100,511	3,065,667	3,088,961
Diluted earnings per share	$ 0.07	$ 0.08	$ 0.07
Weighted average number of shares outstanding, including dilutive stock options	3,110,617	3,087,906	3,106,686
Dividends per common share	$ 0.050	$ 0.054	$ 0.154

See accompanying notes to consolidated financial statements.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity (Unaudited)
For the Nine months Ended September 30, 2005

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unallocated ESOP
Balance at December 31, 2004	$1,659,480	$ 5,356,782	$14,787,580	$ --
Merger of Alpena Bancshares, MHC pursuant to reorganization (920,000 shares)	(920,000)	1,127,769	--	--
Exchange of common stock pursuant to reorganization (739,480 shares ($1.00 par) for 1,366,155 shares ($0.01 par)	(725,819)	723,996	--	--
Proceeds from stock offering, net of				

related expenses of $1,038,928 and issuance of 1,699,869 shares of common stock ($0.01 par)	16,999	15,942,763	--	--
Stock donated to First Federal Community Foundation pursuant to conversion (33,997 shares)	340	339,630	--	--
Stock options exercised (11,155 shares)	112	60,258	--	--
Forfeiture of shares in connection with RRP stock	--		--	--
Unallocated ESOP	--	--	--	(1,387,090)
Common Stock held by ESOP committed to be released		(6,164)	--	61,640
Net income for the period	--	--	205,050	--
Subsidiary retained earnings	--	--	--	--
Changes in unrealized gain on available-for-sale securities of subsidiary	--	--	--	--
Total comprehensive income	--	--	--	--
Dividends declared	--	--	(384,508)	--
Balance at September 30, 2005	$ 31,112	$23,545,034	$14,608,122	$(1,325,450)

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	For Nine Month September	
	2005	
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 205,050	$
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	619,541	
Provision for Loan Loss	266,058	
Amortization and accretion on securities	127,058	
Gain on sale of investment securities	(13,128)	
Originations of loans held for sale	(16,538,548)	(
Principal amount of loans sold	17,437,708	
Purchase of real estate held for sale	(61,504)	
Proceeds from sale of real estate held for sale	246,340	

Loss on sale of real estate held for investment	2,801
Proceeds from sale of premises and equipment	6,500
Gain (loss) on sale of premises and equipment	25,717
Change in accrued interest receivable & other assets	(968,947)
Change in accrued expenses and other liabilities	600,442
Stock donated to charitable foundation	339,970
ESOP shares committed to be released	55,476
Net cash provided by (used in) operating activities	2,350,534
Net (Increase) decrease in loans	(4,956,562)
Proceeds from maturity & sale of available-for-sale securities	6,068,772
Purchase of securities available for sale	(13,517,560)
Purchase of securities held to maturity	--
Purchase of Federal Home Loan Bank Stock	(98,900)
Purchase of premises and equipment	(746,355)
Net cash provided by (used in) investing activities	(13,250,605)
Net Increase (decrease) in deposits	11,614,274
Dividend paid on common stock	(384,508)
Net increase (decrease) in advances from borrowers	170,576
Additions to advances from Federal Home Loan Bank and Notes Payable	6,500,000
Repayments of Federal Home Loan Bank advances and Notes Payable	(19,500,000)
Proceeds from exercise of stock options	60,370
Net proceeds from stock offering	15,959,762
Merger of Alpena Bancshares, MHC	207,769
Cash paid for fractional shares in conversion	(1,823)
Purchase of shares for ESOP	(1,387,090)
Net cash provided by (used in) financing activities	13,239,330
Net increase (decrease) in cash and cash equivalents	2,339,259
Cash and cash equivalents at beginning of period	4,738,559
Cash and cash equivalents at end of period	$ 7,077,818

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting and include the accounts of First Federal of Northern Michigan Bancorp, Inc., and its wholly owned subsidiary, First Federal of Northern Michigan (the "Bank") and its wholly owned subsidiaries Financial Service and Mortgage Corporation ("FSMC") and the InsuranCenter of Alpena ("ICA"). FSMC invests in real estate that includes leasing, selling, developing, and maintaining real estate properties. ICA is a licensed insurance agency engaged in the business of property, casualty and health insurance. All significant intercompany balances and transactions have been eliminated in the consolidation.

These interim financial statements are prepared without audit and reflect all adjustments, which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at September 30, 2005, and its results of operations and statement of cash flows for the periods presented. All such adjustments are normal and recurring in nature. The accompanying consolidated financial statements do not purport to contain all the necessary financial disclosures required by generally accepted accounting principles that might otherwise be necessary and should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Annual Report for the year ended December 31, 2004. Results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

CRITICAL ACCOUNTING POLICIES

Our accounting and reporting policies are prepared in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. We consider accounting policies that require significant judgment and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. Changes in underlying factors, assumptions or estimates could have a material impact on our future financial condition and results of operations. Based on the size of the item or significance of the estimate, the following accounting policies are considered critical to our financial results.

Allowance for Loan Losses. The allowance for loan losses is calculated with the objective of maintaining an allowance sufficient to absorb estimated probable loan losses. Management's determination of the adequacy of the allowance is based on periodic evaluations of the loan portfolio and other relevant factors. However, this evaluation is inherently subjective, as it requires an estimate of the loss content for each risk rating and for each impaired loan, an estimate of the amounts and timing of expected future cash flows, and an estimate of the value of collateral.

We have established a systematic method of periodically reviewing the credit quality of the loan portfolio in order to establish an allowance for losses on loans. The allowance for losses on loans is based on our current judgments about the credit quality of individual loans and segments of the loan portfolio. The allowance for losses on loans is established through a provision for loan losses based on our evaluation of the losses inherent in the loan portfolio, and considers all known internal and external factors that affect loan collectibility as of the reporting date. Our evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience, our knowledge of inherent losses in the portfolio that are probable and reasonably estimable and other factors that warrant recognition in providing an appropriate loan loss allowance. Management believes this is a critical accounting policy because this evaluation involves a high degree of complexity

and requires us to make subjective judgments that often require assumptions or estimates about various matters. Historically, we believe our estimates and assumptions have proven to be relatively accurate

The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze delinquency trends, which have remained stable, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general reserve. The principal assumption used in deriving the allowance for loan losses is the estimate of loss content for each risk rating.

Mortgage Servicing Rights. We sell to investors a portion of our originated one- to four-family residential real estate mortgage loans. When we acquire mortgage servicing rights through the origination and sale of mortgage loans with servicing rights retained, we allocate a portion of the total cost of the mortgage loans to the mortgage servicing rights based on their relative fair value. As of September 30, 2005, we were servicing loans sold to others totaling $138.2 million. We amortize capitalized mortgage servicing rights as a reduction of servicing fee income in proportion to, and over the period of, estimated net servicing income by use of a method that approximates the level-yield method. We periodically evaluate capitalized mortgage servicing rights for impairment using a model that takes into account several variables including expected prepayment speeds and prevailing interest rates. If we identify impairment, we charge the amount of the impairment to earnings by establishing a valuation allowance against the capitalized mortgage servicing rights asset. The primary risk of material changes to the value of the servicing rights resides in the potential volatility in the economic assumptions used, particularly the prepayment speed. We monitor this risk and adjust the valuation allowance as necessary to adequately record any probable impairment in the portfolio. Management believes the estimation of these variables makes this a critical accounting policy. For purposes of measuring impairment, the mortgage servicing rights are stratified based on financial asset type and interest rates. In addition, we obtain an independent third-party valuation of the mortgage servicing portfolio on a quarterly basis. In general, the value of mortgage servicing rights increases as interest rates rise and decreases as interest rates fall. This is because the estimated life and estimated income from a loan increase as interest rates rise and decrease as interest rates fall. The key economic assumptions made in determining the fair value of the mortgage servicing rights at September 30, 2005 included the following:

Annual constant prepayment speed (CPR):	8.74%
Weighted average life remaining of the underlying loans (in months):	251
Discount rate used:	8.00%

At September 30, 2005, we calculated the value of our mortgage servicing rights to be $1.7 million and the weighted average life remaining of those rights was 58 months. The book value of our mortgage servicing rights as of September 30, 2005 was $775,000 which was $925,000 less than the independent valuation and $85,000 lower than the December 31, 2004 value. Because the fair value exceeded the book value, there was no need to establish a valuation allowance.

Impairment of Intangible Assets. Goodwill arising from business acquisitions represents the value attributable to unidentifiable intangible elements in the business acquired. The fair value of goodwill is dependent upon many factors, including our ability to provide quality, cost-effective services in the face of competition. Because of these many factors, management believes this is a critical accounting policy.

A significant portion of our intangible assets, including goodwill, relates to the acquisition premiums recorded with the purchase of the InsuranCenter of Alpena ("ICA") and certain branches over the last several years. A decline in earnings as a result of business or market conditions or a run-off of insurance customers over sustained periods could lead to an impairment of goodwill that could adversely affect earnings in future periods. Intangible assets are reviewed periodically for impairment by comparing the fair value of the intangible asset to the book value of the intangible asset. If the book value is in excess of the fair value, impairment is indicated and the intangibles must be written down to their fair value.

In connection with our acquisition in 2003 of ICA, we allocated the excess of the purchase price paid over the fair value of net assets acquired to intangible assets, including goodwill. These intangible assets included the ICA customer list and a third-party contract to which ICA is a party. From the date of acquisition through April 30, 2005 we amortized the value assigned to the customer list and contract over a period of 20 years. On May 1, 2005 the former owner of ICA resigned, however the Bank entered into a 10 year consulting contract with the former owner. As a result, the amortization period for these intangible assets was reduced to a 10 year period beginning May 1, 2005. Goodwill is not amortized. The impairment test of goodwill and identified intangible assets that have an indefinite useful life, performed as of September 30, 2005 and December 31, 2004 in accordance with SFAS No. 142, did not indicate that an impairment charge was required. Based upon managements' review on September 30, 2005, it was determined that there was no impairment of the customer list, the third-party contract or to the true goodwill. If, through testing, we determine that there is impairment based, for example, on significant runoff of the customer list or material changes to the third-party contract, then we may determine to reduce the recorded value of those intangible assets, which would increase expense and reduce our earnings.

In connection with branch office acquisitions, we assigned the excess of the purchase price over the fair value of the assets acquired to a core deposit intangible. The core deposit intangible is tested periodically for impairment. Our original estimates for the expected life of the deposits have proven to be relatively accurate as evidenced by the fact that no impairment has been recorded. If we determine through testing that a significant portion of the acquired customers no longer do business with us, then the asset would be deemed to be impaired thereby requiring a charge to earnings to the extent appropriate given all of the known factors. We amortize core deposit intangibles over a period of between 10 and 15 years.

NOTE 2--REORGANIZATION.

On April 1, 2005, Alpena Bancshares, Inc. the Company's predecessor, completed the second-step mutual-to-stock conversion of Alpena Bancshares, M.H.C., in which shares of common stock representing Alpena Bancshares, M.H.C.'s ownership interest in Alpena Bancshares, Inc. were sold to investors. As a result of the conversion and stock offering, Alpena Bancshares, M.H.C. ceased to exist, its net assets of $207,000 were transferred into First Federal of Northern Michigan, and First Federal of Northern Michigan Bancorp, Inc. became the new holding company for First Federal of Northern Michigan. As a result, First Federal of Northern Michigan Bancorp, Inc. became wholly owned by public stockholders.

The plan of conversion and reorganization of Alpena Bancshares, M.H.C. and the issuance and contribution of cash and common stock to First Federal Community Foundation, a charitable foundation established by the Company, were approved by the stockholders of Alpena Bancshares, Inc. and the members of Alpena Bancshares, M.H.C. on March 23, 2005.

First Federal of Northern Michigan Bancorp, Inc. accepted orders to purchase 1,699,869 shares of common stock at a purchase price of $10.00 per share. As a part of the conversion, public stockholders of the Company as of the consummation date received 1.8477 shares of First Federal of Northern Michigan Bancorp, Inc. common stock in exchange for each of their existing shares of Company common stock. Cash was issued in lieu of any fractional shares. The share exchange occurred on April 1, 2005.

As a result of the consummation of the offering, the existing publicly traded shares of the predecessor company, Alpena Bancshares, Inc., have ceased trading. First Federal of Northern Michigan Bancorp, Inc.'s common stock began trading on the Nasdaq National Market under the symbol "FFNM" on April 4, 2005. All references to the number of shares outstanding for purposes of calculating per share amounts are revised to give retroactive recognition to the exchange ratio applied in the conversion.

NOTE 3--DIVIDENDS.

Payment of dividends on the common stock is subject to determination and declaration by the Board of Directors and depends upon a number of factors, including capital requirements, regulatory limitations on the payment of dividends, the Company's results of operations and financial condition, tax considerations and general economic conditions.

On September 13, 2005, the Company declared a cash dividend on its common stock, payable on or about October 21, 2005, to shareholders of record as of September 30, 2005, equal to $0.05 per share. The dividend on all shares outstanding totaled $155,559.

NOTE 4--1996 STOCK OPTION PLAN AND 1996 RECOGNITION AND RETENTION PLAN

As a result of the completion of the second-step conversion and the 1.8477 share exchange ratio in connection with the stock offering, at September 30, 2005 the Company had outstanding stock options for 37,645 shares with a weighted exercise price of $5.76 compared to outstanding options for 23,711 shares at a weighted exercise price of $10.60 at December 31, 2004. During the nine months ended September 30, 2005, the Board of Directors granted no options. On September 26, 2005 options were exercised for 11,155 shares. At September 30, 2005, options had exercise prices ranging between $5.21 - $7.44 per share and a weighted average remaining contractual life of 1.11 years.

For the nine months ended September 30, 2005, options for 1,848 shares (after application of the 1.8477 share exchange ratio as a result of the stock conversion) were vested. The expense associated with those vested options would have been $1,040 had the Company elected to adopt FAS 148.

During the nine months ended September 30, 2005 the Company did not award any shares under the Recognition and Retention Plan ("RRP"). Shares of common stock granted under the RRP and shares of common stock issued pursuant to the exercise of stock options under the stock option plan may be acquired by the Company through open market purchases, from authorized but unissued shares of common stock or from reacquired shares held by the Company as treasury stock.

NOTE 5 - SEGMENT REPORTING

The Company's principal activities include banking through its wholly owned subsidiary, First Federal of Northern Michigan (the Bank), and the sale of insurance products through its indirect wholly owned subsidiary, ICA, purchased in 2003. The Bank provides financial products including retail and commercial loans as well as retail and commercial deposits. ICA received commissions from the sale of various insurance products including health, life, and property. The segments were determined based on the nature of the products provided to customers.

The financial information for each operating segment is reported on the basis used internally to evaluate performance and allocate resources. The allocations have been consistently applied for all periods presented. Revenues and expenses between affiliates have been transacted at rates that unaffiliated parties would pay. The only transaction between the segments thus far relates to a deposit on behalf of ICA included in the Bank. The interest income and interest expense for this transaction has been eliminated. All other transactions are with external customers. The performance measurement of the operating segments is based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The information presented is also not necessarily indicative of the segment's financial condition and results of operations if they were independent entities.

NOTE 5 - SEGMENT REPORTING (CONTINUED)

	For the Three Months September 3		
	Bank	ICA	Eliminations
INTEREST INCOME	$ 3,899	$ 3	$ (3)
INTEREST EXPENSE	1,686	--	(3)
NET INTEREST INCOME - Before provision for loan losses	2,213	3	--
PROVISION FOR LOAN LOSSES	4	--	--
NET INTEREST INCOME - After provision for loan losses	2,209	3	--
OTHER INCOME	430	726	--
OPERATING EXPENSES	2,125	697	--
INCOME - Before federal income tax	514	32	--
FEDERAL INCOME TAX	172	11	--
NET INCOME	$ 342	$ 21	$ --
DEPRECIATION AND AMORTIZATION	$ 176	$ 56	$ --
ASSETS	$273,782	$3,542	$(476)
EXPENDITURES RELATED TO LONG-LIVED ASSETS:			
Goodwill	$ --	$ --	$ --

Intangible assets	--	--	--
Property and equipment	146	2	--
TOTAL	$ 146	$ 2	$ --

	For the Three Months September 3		
	Bank	ICA	Eliminations
INTEREST INCOME	$ 3,445	$ 2	$(2)
INTEREST EXPENSE	1,624	--	(2)
NET INTEREST INCOME - Before provision for loan losses	1,821	2	--
PROVISION FOR LOAN LOSSES	68	--	--
NET INTEREST INCOME - After provision for loan losses	1,753	2	--
OTHER INCOME	487	766	--
OPERATING EXPENSES	1,916	725	--
INCOME - Before federal income tax	324	43	--
FEDERAL INCOME TAX	111	12	--
NET INCOME	$ 213	$ 31	$--
DEPRECIATION AND AMORTIZATION	$ 169	$ 39	$--
ASSETS	$251,153	$3,328	$(5)
EXPENDITURES RELATED TO LONG-LIVED ASSETS:			
Goodwill	$ --	$ --	$--
Intangible assets	--	--	--
Property and equipment	37	22	--
TOTAL	$ 37	$ 22	$--

	For the Nine Months September 3		
	Bank	ICA	Eliminations
INTEREST INCOME	$ 11,127	$ 7	$ (7)
INTEREST EXPENSE	4,933	--	(7)
NET INTEREST INCOME - Before provision for loan losses	6,194	7	--
PROVISION FOR LOAN LOSSES	266	--	--
NET INTEREST INCOME - After provision for loan losses	5,928	7	--
OTHER INCOME	1,144	2,210	--

OPERATING EXPENSES	6,860	2,121	--
INCOME - Before federal income tax	212	96	--
FEDERAL INCOME TAX	71	32	--
NET INCOME	$ 141	$ 64	$ --
DEPRECIATION AND AMORTIZATION	$ 500	$ 120	$ --
ASSETS	$273,782	$3,542	$(476)
EXPENDITURES RELATED TO LONG-LIVED ASSETS:			
Goodwill	$ --	$ --	$ --
Intangible assets	--	--	--
Property and equipment	735	11	--
TOTAL	$ 735	$ 11	$ --

	For the Nine Months September 3		
	Bank	ICA	Eliminations
INTEREST INCOME	$ 9,798	$ 5	$(5)
INTEREST EXPENSE	4,576	--	(5)
NET INTEREST INCOME - Before provision for loan losses	5,222	5	--
PROVISION FOR LOAN LOSSES	214	--	--
NET INTEREST INCOME - After provision for loan losses	5,008	5	--
OTHER INCOME	1,356	2,243	--
OPERATING EXPENSES	6,048	2,065	--
INCOME - Before federal income tax	316	183	--
FEDERAL INCOME TAX	108	59	--
NET INCOME	$ 208	$ 124	$--
DEPRECIATION AND AMORTIZATION	$ 526	$ 101	$--
ASSETS	$251,153	$3,328	$(5)
EXPENDITURES RELATED TO LONG-LIVED ASSETS:			
Goodwill	$ --	$ --	$--
Intangible assets	47	--	--
Property and equipment	971	41	--
TOTAL	$ 1,018	$ 41	$--

RECENT ACCOUNTING PRONOUNCEMENTS -

In March 2004, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 105, Application of Accounting Principles to Loan Commitments, which provides guidance regarding loan commitments that are accounted for as derivative instruments. In this SAB, the Securities and Exchange Commission determined that an interest rate lock commitment should generally be valued at zero at inception. The rate locks will continue to be adjusted for changes in value resulting from changes in market interest rates. This standard did not have a material effect on our financial condition or results of operations.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("Statement No. 123R"), which requires entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The cost is recognized as an expense over the period during which the employee is required to provide service in exchange for the award, which is usually the vesting period. The scope of Statement No. 123R includes the recognition and retention plan and the stock option plan we expect to adopt in 2006. For shares awarded under the recognition and retention plan, we will recognize the grant-date fair value of the shares as compensation expense on a straight-line basis over the applicable vesting period, which is the same accounting required prior to Statement No. 123R. For options granted under the stock option plan, we will recognize the grant-date fair value of the options as compensation expense on a straight-line basis over the applicable vesting period. This accounting treatment differs significantly from the previous accounting for fixed stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," which generally required expense recognition only when the exercise price of the option was less than the market price of the underlying stock on the grant date. As required by Statement No. 123R, we will estimate the fair value of our stock options on each grant date, using an appropriate valuation approach such as the Black-Scholes option pricing model. Statement No. 123R did not change existing accounting principles applicable to employee stock ownership plans. The provisions of this Statement will be effective for the Company beginning in the first quarter of 2006. The Company is currently evaluating the impact this new Standard will have on its financial position, results of operations or cash flows, although the effect is not expected to be material.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion compares the consolidated financial condition of the Company at September 30, 2005 and December 31, 2004, and the results of operations for the three- and nine-month periods ended September 30, 2005 and 2004. This discussion should be read in conjunction with the interim financial statements and footnotes included herein.

OVERVIEW

OPERATING RESULTS: Operating results increased by $119,000 to $363,000 for the quarter ended September 30, 2005, from $244,000 for the quarter ended September

30, 2004. Year to date 2005 net income was $205,000 compared to the first nine months of 2004 when net income was $332,000. The Bank's return on average assets (ROA) for the twelve months ended September 30, 2005 was 30 basis points compared to 34 basis points for the same period one year earlier. Management uses ROA as a tool to measure the performance of the Bank. ROA is reviewed on a trailing twelve-month basis each month by management and the Board of Directors. The decline in year-to-date earnings can be broken down into two off-setting key components: our contribution of cash and stock to First Federal Community Foundation and an increase in our net interest margin.

CONTRIBUTION TO FIRST FEDERAL COMMUNITY FOUNDATION - On April 1, 2005 the Company made a one-time contribution of cash and common stock to First Federal Community Foundation totaling $679,940. This contribution was pursuant to the plan of conversion and reorganization which was approved on March 23, 2005.

NET INTEREST MARGIN - The Company's Net Interest Margin (N.I.M.) which represents net interest income divided by average interest earning assets increased to 3.28% for the nine months ended September 2005 from 3.10% for the nine months ended September 30, 2004. The increase was mainly due to increasing yields on variable rate loans period over period.

CAPITAL EXPENDITURES: On August 31, 2005 the Company broke ground on a new bank branch to replace an existing leased branch in Lewiston, Michigan. As of September 30, 2005 the Company had expended approximately $236,000 on the new branch, including the cost of the land. The total cost of the construction project is expected to be approximately $1,130,000. The Company believes that the new branch, which is expected to open for business in early 2006, will further enhance its expansion into the Lewiston market.

FINANCIAL CONDITION

ASSETS: Total assets increased $14.0 million, or 5.0%, to $276.8 million at September 30, 2005 from $262.8 million at December 31, 2004. Cash and cash equivalents increased by $2.3 million, or 49.4%, to $7.1 million at September 30, 2005 from $4.7 million at December 31, 2004. Investment securities available for sale increased $6.9 million, or 17.3%, in the first nine months of 2005. The increase in bonds beyond premium amortizations and discount accretions was the result of $393,000 of unrealized loss on available for sale securities, $1.2 million of mortgage-backed securities payments received, and net investing activities of $8.7 million in agency securities. Net loans receivable increased $4.7 million, or 2.4%, to $200.1 million at September 30, 2005 from $195.4 million at December 31, 2004. The growth of net loans was attributable primarily to growth in the commercial loan portfolios which grew by $6.3 million during the period from December 31, 2004 through September 30, 2005. The mortgage loan portfolio decreased $2.1 million during this same time period, while the consumer loan portfolio grew by $600,000.

LIABILITIES: Deposits increased $11.6 million, or 6.0%, to $194.1 million at September 30, 2005 from $182.5 million at December 31, 2004. Borrowings, consisting mainly of Federal Home Loan Bank advances, decreased $13.1 million, or 23.4%, to $42.9 million at September 30, 2005 from $56.0 million at December 31, 2004. The Bank, through an infusion of capital of $11.5 million from the Company in the second quarter of 2005, paid down overnight advances as a temporary alternative to purchasing low-yielding investment securities. In the quarter ended September 30, 2005, the Company was able to fund securities purchases of $4.0 million through deposit growth as well as pay down additional FHLB advances, resulting in the net decrease in borrowed funds of $13.1 million for the first nine months of 2005.

EQUITY: Stockholders' equity increased by $14.8 million, or 68.0%, to $36.6 million at September 30, 2005 from $21.8 million at December 31, 2004. The increase in stockholders' equity reflects the issuance of 1,699,869 new shares at $10.00 per share in the second step conversion and stock offering, less costs of the transaction.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2004

GENERAL: Net income increased by $119,000 to $363,000 for the three months ended September 30, 2005 from $244,000 for the same period ended September 30, 2004. The increase for the three month period was attributable to an increase in net interest income after provision for loan loss of $457,000 which was partially offset by a decrease in non-interest income and an increase in non-interest expense.

INTEREST INCOME: Interest income was $3.9 million for the three months ended September 30, 2005, compared to $3.4 million for the comparable period in 2004. The increase in interest income for the three month period over the prior year was due to an increase in average balances of commercial loans, and an increase in yield on adjustable rate loans. Fixed rate commercial mortgage loans generated an additional $175,000 in interest income for the quarter ended September 30, 2005 as compared to the same period a year ago due to an increase in average balance of $7.1 million period over period. Adjustable rate commercial loans, which are tied to the prime rate, generated an additional $166,000 in interest income for the quarter ended September 30, 2005 as compared to the same quarter a year ago, due in part to an increase in average balance of $4.6 million and in part to an increase in the prime rate of 200 basis points from 4.75% at September 30, 2004 to 6.75% at September 30, 2005. An increase in yield on other adjustable rate loans, consisting primarily of adjustable mortgage and home equity line of credit (HELOC) loans also contributed to the increase in interest income for the quarter ended September 30, 2005 as compared to the same period one year ago.

INTEREST EXPENSE: Interest expense was $1.7 million for the three month period ended September 30, 2005, compared to $1.6 million for the same period in 2004. The 3.7% increase in interest expense was attributable to an increased cost of funds on interest-bearing deposits for the period ended September 30, 2005 compared to September 30, 2004. The average balance of interest-bearing deposits increased by $12.5 million or 7.5% when compared to September 30, 2004 and the cost of those deposits increased by 5 basis points. The average balance of FHLB borrowings decreased from $56.7 million for the three month period ended September 30, 2004 to $47.8 million for the same period ended September 30, 2005 and the cost of those borrowings decreased by 2 basis points, due primarily to the maturity of high-cost advances.

NET INTEREST INCOME: Net interest income increased to $2.2 million for the three month period ended September 30, 2005 compared to $1.8 million for the same period in 2004. For the three months ended September 30, 2005, average interest-earning assets increased $18.7 million, or 7.8%, when compared to the same period in 2004. Average interest-bearing liabilities increased $3.6 million, or 1.6%, for the same period. The yield on average interest-earning assets increased to 6.0% for the three month period ended September 30, 2005 from 5.87% for the same period ended in 2004 as the cost of average interest-bearing liabilities increased to 2.93% from 2.88% for the three month periods ended September 30, 2005 and September 30, 2004, respectively. The increase in yields on interest earning assets exceeded the impact of the increase in the cost of funds creating an increase in the net interest margin of

24 basis points to 3.44% for the three month period ended September 30, 2005 from 3.20% for same period in 2004.

PROVISION FOR LOAN LOSSES: The allowance for loan losses is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The provision for loan losses amounted to $4,000 for the three month period ended September 30, 2005 and $68,000 for the comparable period in 2004. The decrease in the provision was due to declining loan balances in the quarter ended September 30, 2005, which resulted in a lower required provision for the quarter.

NON INTEREST INCOME: Other income was $1.2 million for the three month period ended September 30, 2005, a decrease of $100,000 or 7.7%, from the same period in 2004. The primary reason for the decrease was a $55,000 decrease in mortgage banking activities for the three month period ended September 30, 2005 as compared to the same period in 2004.

NON INTEREST EXPENSE: Non interest expense was $2.8 million for the three month period ended September 30, 2005, a $181,000 or 6.8% increase from the same period in 2004. The increase was primarily due to an increase of $98,000 in compensation and employee benefits for the three month period ended September 30, 2005 as compared to the same period in 2004.

INCOME TAXES: Federal income taxes increased to $183,000 for the three month period ended September 30, 2005 compared to $122,000 for the same period in 2004. The increase for the three month period was attributable to an increase in pre-tax income.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2004

GENERAL: Net income decreased $127,000 to $205,000 for the nine months ended September 30, 2005 from $332,000 for the same period ended September 30, 2004. While net interest income was higher than the same period one year earlier by $974,000, non-interest income was lower by $245,000. Non-interest expense increased $868,000 primarily due to the $679,940 one-time contribution to the First Federal Community Foundation and a $245,000 increase in compensation and employee benefits period over period. The income tax expense for the nine months ended September 30, 2005 decreased by $64,000 as compared to the same period in 2004 due to the decrease in pre-tax income period over period.

INTEREST INCOME: Interest income was $11.1 million for the nine months ended September 30, 2005, compared to $9.8 million for the comparable period in 2004. This increase of $1.3 million, or 13.6%, in interest income was due to an increase in average balances of commercial loans, and an increase in yield in adjustable rate loans. Adjustable rate commercial loans, which are tied to the prime rate, generated an additional $400,000 in interest income for the nine months ended September 30, 2005 as compared to the year earlier, due in part to an increase in average balance of $4.6 million and in part to an increase in the prime rate of 200 basis points from 4.75% at September 30, 2004 to 6.75% at September 30, 2005. An increase in yield on other adjustable rate loans, consisting primarily of adjustable mortgage and home equity line of credit loans also contributed to the increase in interest income for the nine months ended September 30, 2005 as compared to the same period one year earlier.

INTEREST EXPENSE: Interest expense was $4.9 million for the nine month period ended September 30, 2005 compared to $4.6 million for the same period in 2004. The 7.8% increase in interest expense was attributable to an increased cost of funds on interest-bearing deposits for the period ended September 30, 2005 compared to September 30, 2004. The average balance of interest-bearing deposits increased by $20.1 million or 13.0% when compared to September 30, 2004 and the cost of those deposits increased by 13 basis points. The average

balance of FHLB borrowings decreased from $55.0 million for the period ended September 30, 2004 to $52.1 million for the period ended September 30, 2005, while the cost of those borrowings decreased by 1 basis point, due primarily to maturing advances which were replaced by lower cost of funds advances.

NET INTEREST INCOME: Net interest income increased by $974,000 for the nine month period ended September 30, 2005 compared to the same period in 2004. For the nine months ended September 30, 2005, average interest-earning assets increased $26.8 million, or 11.9% when compared to the same period in 2004. Average interest-bearing liabilities increased $17.3 million, or 8.2% for the same period. The yield on average interest-earning assets increased to 5.87% for the nine month period ended September 30, 2005 from 5.79% for the same period ended in 2004 while the cost of average interest-bearing liabilities declined to 2.89% from 2.90% for the nine month periods ended September 30, 2005 and September 30, 2004, respectively. The net result of the 8 basis point increase in asset yields and 1 basis point decrease in the cost of funds was a net interest rate margin increase of 18 basis points to 3.28% for the nine month period ended September 30, 2005, from 3.10% for same period in 2004.

DELINQUENT LOANS AND NONPERFORMING ASSETS. The following table sets forth information regarding loans delinquent 90 days or more and real estate owned/other repossessed assets of the Bank at the dates indicated. As of the dates indicated, the Bank did not have any material restructured loans within the meaning of SFAS 15.

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
	(Dollars in thousands)	
Total non-accrual loans (1)	$1,154	$ 478
Accrual loans delinquent 90 days or more:		
One- to four-family residential	832	960
Other real estate loans	130	--
Consumer/Commercial	470	280

Total accrual loans delinquent 90 days or more ..	$1,432	$1,240
Total nonperforming loans (2)	2,586	1,718
Total real estate owned-residential mortgages (3)	385	9
Total real estate owned-Consumer and other (3)	78	20
Total nonperforming assets	$3,049	$1,747
Total nonperforming loans to loans receivable	1.29%	0.87%
Total nonperforming assets to total assets	1.10%	0.66%

(1) For the nine months ended September 30, 2005 and the twelve months ended December 31, 2004, the interest that would have been reported was $61,218 and $75,307 respectively were these loans not in non-accrual status.

(2) All of the Bank's loans delinquent more than 90 days are classified as nonperforming.

(3) Represents the net book value of property acquired by the Bank through foreclosure or deed in lieu of foreclosure. Upon acquisition, this property is recorded at the lower of its fair market value or the principal balance of the related loan.

PROVISION FOR LOAN LOSSES: The provision for loan losses amounted to $266,000 for the nine month period ended September 30, 2005 and $214,000 for the comparable period in 2004. At September 30, 2005, the percent of nonperforming loans increased to 129 basis points from 87 basis points at December 31, 2004. As a percent of total assets, nonperforming loans increased to 110 basis points at September 30, 2005 from 66 basis points at December 31, 2004. Although total nonperforming assets increased $1.3 million from December 31, 2004 to September 30, 2005 management believes the provision for loan loss is adequate. The two main areas of increase in nonperforming assets were non-accrual loans, the increase in which represents mostly well-collateralized mortgage loans, and total real estate owned-residential mortgages, which have been written down to the net realizable value of the collateral.

NON INTEREST EXPENSE: Non interest expense was $9.0 million for the nine month period ended September 30, 2005, an $868,000 or 10.7% increase from the same period in 2004. The increase was primarily due to the $679,940 one-time contribution to the First Federal Community Foundation and to a $ 245,000, or 5.5% increase in compensation and employee benefits from the nine month period ended September 30, 2004 to the comparable period in 2005.

INCOME TAXES: Federal income tax expense decreased to $103,000 for the nine months ended September 30, 2005 compared to $167,000 for the same period in 2004. The decrease for the nine month period was attributable to a decrease in pre-tax income.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are the Bank's deposits, FHLB advances, and proceeds from principal and interest payments and prepayments on loans and mortgage-backed and investment securities. While maturities and scheduled amortization of loans and mortgage-backed securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

Liquidity represents the amount of an institution's assets that can be quickly and easily converted into cash without significant loss. The most liquid assets are cash, short-term U.S. Government securities, U.S. Government agency securities and certificates of deposit. The Bank is required to maintain sufficient levels of liquidity as defined by OTS regulations. This requirement may be varied at the direction of the OTS. Regulations currently in effect require that the Bank must maintain sufficient liquidity to ensure its safe and sound operation. The Banks's objective for liquidity is to be above 20%. Liquidity as of September 30, 2005 was $83.1 million, or 43.4%, compared to $83.4 million, or 47.6% at December 31, 2004. The levels of these assets are dependent on the Bank's operating, financing, lending and investing activities during any given period. The liquidity calculated by the Bank includes additional borrowing capacity available with the FHLB. This borrowing capacity is based on the FHLB stock owned by the Bank along with pledged collateral. As of September 30, 2005, the Bank had unused borrowing capacity totaling $53.0 million at the FHLB based on the FHLB stock ownership.

The Bank intends to retain for its portfolio certain originated residential mortgage loans (primarily adjustable rate, balloon and shorter term fixed rate mortgage loans) and to generally sell the remainder in the secondary market. The Bank will from time to time participate in or originate commercial real estate loans, including real estate development loans. During the nine month period ended September 30, 2005 the Bank originated $42.3 million in residential mortgage loans, of which $25.6 million were retained in portfolio while the remainder were sold in the secondary market or are being held for sale. This compares to $46.6 million in originations during the first nine months of 2004 of which $27.5 million were retained in portfolio. The Bank also originated $25.9 million of commercial loans and $9.8 million of consumer loans in the first nine months of 2005 compared to $26.5 million of commercial loans and $14.3 million of consumer loans for the same period in 2004. Of total loans receivable, excluding loans held for sale, mortgage loans comprised 53.7% and 56.1%, commercial loans 33.4% and 31.0% and consumer loans 13.0 % and 13.0% at September 30, 2005 and December 31, 2004, respectively.

At September 30, 2005, the Bank had outstanding loan commitments of $53.7 million. These commitments included $11.2 million for permanent one-to-four family dwellings, $14.0 million for non-residential loans, $2.8 million of undisbursed loan proceeds for construction of one-to-four family dwellings, $8.6 million of undisbursed lines of credit on home equity loans, $1.4 million of unused credit card lines and $11.7 million of unused commercial lines of credit, $2.2 million of undisbursed commercial construction, $70,000 of unused Letters of Credit and $1.7 million in unused bounce protection.

Deposits are a primary source of funds for use in lending and for other general business purposes. At September 30, 2005 deposits funded 70.1% of the Company's total assets compared to 69.4% at December 31, 2004. Certificates of deposit scheduled to mature in less than one year at September 30, 2005 totaled $61.4 million. Management believes that a significant portion of such deposits will remain with the Bank. The Bank monitors the deposit rates offered by competition in the area and sets rates that take into account the prevailing market conditions along with the Bank's liquidity position. Moreover, management believes that the growth in assets is not expected to require significant in-flows of liquidity. As such, the Bank does not expect to be a market leader in rates paid for liabilities. Borrowings may be used to compensate for seasonal or other reductions in normal sources of funds or for deposit outflows at more than projected levels. Borrowings may also be used on a longer-term basis to support increased lending or investment activities. At September 30, 2005 the Bank had $41.8 million in FHLB advances. FHLB borrowings as a percentage of total assets were 15.1% at September 30, 2005 as compared to 20.8% at December 31, 2004. The Bank has sufficient available collateral to obtain additional advances of $5.4 million. When this is combined with current FHLB stock ownership the Bank could obtain up to an additional $53.0 million in advances from the FHLB.

Stockholders' equity at September 30, 2005 was $36.7 million, or 13.3% of total assets, compared to $21.8 million, or 8.3% of total assets, at December 31, 2004 (See "Consolidated Statement of Changes in Stockholders' Equity"). The Bank is subject to certain capital-to-assets levels in accordance with OTS regulations. The Bank exceeded all regulatory capital requirements at September 30, 2005. The following table summarizes the Bank's actual capital with the regulatory capital requirements and with requirements to be "Well Capitalized" under prompt corrective action provisions, as of September 30, 2005:

	Actual		Regulatory Minimum		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
Capital Requirements:						
Tangible equity capital	$32,850	12.03%	$ 4,097	1.50%	$ 5,462	2.00%
Tier 1 (Core) capital	$32,850	12.03%	$10,925	4.00%	$13,656	5.00%
Total risk-based capital	$34,258	18.65%	$14,698	8.00%	$18,373	10.00%
Tier 1 risk-based capital	$32,850	17.88%	$ 7,349	4.00%	$11,024	6.00%

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FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
FORM 10-QSB
QUARTER ENDED SEPTEMBER 30, 2005

PART I - FINANCIAL INFORMATION

ITEM 3 - CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms and in timely alerting them to material information relating to the Company (or its consolidated subsidiaries) required to be included in its periodic SEC filings.

There were no significant changes made in the Company's internal control over financial reporting or in other factors that could significantly affect the Company's internal controls over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
FORM 10-QSB
QUARTER ENDED SEPTEMBER 30, 2005

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings:

There are no material legal proceedings to which the Company is a party or of which any of its property is subject. From time to time the Company is a party to various legal proceedings incident to its business.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds:

No equity securities were sold during the quarter ended September 30, 2005 that were not registered under the Securities Act. No repurchases of common stock were made during the quarter.

Of the net proceeds of approximately $16.0 million from the sale of common stock, $4.5 million were invested in federal agency obligations, $8.4 million were used to fund loans and deposit withdrawals, and the remaining $3.1 million were initially used to pay down variable rate FHLB advances, but have since been invested in additional federal agency obligations. In addition, approximately $1.1 million will be used to fund the Bank's new branch in Lewiston.

Item 3 - Defaults upon Senior Securities:

Not applicable.

Item 4 - Submission of Matters to a Vote of Security Holders:

Not applicable

Item 5 - Other Information:

Not applicable

Item 6 - Exhibits and Reports on Form 8-K

Exhibit 31.1 Certification by Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification by Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Statement of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 Statement of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
FORM 10-QSB
QUARTER ENDED SEPTEMBER 30, 2005

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

By: /s/ Martin A. Thomson

Martin A. Thomson
President and Chief Executive Officer

Date: November 14, 2005

By: /s/ Amy E. Essex

Amy E. Essex, Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 14, 2005

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Exhibit Index

Exhibit No.	Description
Exhibit 31.1	Certification by Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification by Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Statement of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Statement of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002