

2012 Annual Report







We are looking forward to the opportunities before us.

-Patrick J. Fehring, President and CEO

To the Shareholders, Clients and Employees of Level One Bank:

I am pleased to share with you our successful results for the year 2012. The year marked our fifth full year in operation, serving our clients in the local community. As we continue building our bank together, we remain true to our focus on quality growth; building our organization on a foundation with truly committed bankers providing relationship based services.

2012 was a solid year and our third consecutive year with earnings of more than \$5 million. This translated to \$0.99/share based on the average shares outstanding during the year – a performance that places us in the top quartile of peer banks. Total assets for the year grew by 7% to reach \$496 million. Our deposits grew by 4% to \$395 million and total loans grew 7%, reaching \$345 million. The fourth quarter, in particular, saw significant loan activity and we are optimistic that this trend will continue in 2013. Throughout all of this growth, we remain steadfast to our prudent credit standards, ensuring the high quality of our loan portfolio. During our five-year history, our organic loan portfolio has generated very few charge-offs.

Our business lines in the commercial and retail sectors continue to expand in scope and services. We also moved more aggressively in the residential mortgage area to meet the needs of our clients and the marketplace. During 2012, our first full year of residential mortgage activity, we originated over \$93 million in new residential mortgage loans, generating fee income of \$2.2 million.

Level One Bank remains committed to Southeastern Michigan. We are a part of the excitement of the region's resurgence, providing new capital for growing businesses and loans to support the recovering housing market. We are proud of our growth in Oakland County and are looking forward to the opportunities before us. Supporting our growth in 2012, we opened a highly visible new Banking Center in Bloomfield Township and relocated our headquarters within the Farmington Hills community.

As we move ahead in 2013, I want to thank you for your support and contribution to our continued success.

Sincerely,

A handwritten signature in black ink that reads "Patrick J. Fehring". The signature is written in a cursive, flowing style with a large initial "P" and "F".

Patrick J. Fehring
President and CEO

Level One's newly relocated headquarters building in Farmington Hills.



Our leaders are entrepreneurs as well as bankers.

-Gregory A. Wernette, Executive Vice President and Chief Lending Officer

Building a Better Way

Level One Bank is fulfilling its promise to serve as a different kind of community bank, with a core focus of *building a better way*. Our leaders – from our board members to our executive team – are entrepreneurs as well as bankers. We face many of the same decisions and dynamics that our clients face. For them, we bring a unique perspective and are positioned to provide effective, customized banking solutions.

We serve Southeastern Michigan and continue to extend our reach throughout Oakland County and into Wayne, Macomb and contiguous counties. The promise and signs of recovery in our service areas have led to new opportunities for our clients, many of whom are also extending their reach internationally. In order to support their growth, we have expanded our banking services to include international financing solutions, including SBA and EX-IM bank loan programs. We also introduced Convenience Pay for businesses and municipalities to provide greater ease of online bill payment for their customers and constituents via a range of customized options.



Level One Bank Executive Team (left to right):
Gregory A. Wernette, EVP, CLO; David Walker, EVP, CFO and Treasurer; Patrick J. Fehring, President and CEO; Leslie Geupel, SVP, HR & Marketing; Jeff Levine, SVP, Retail and Consumer Lending; Eva Scurlock, SVP, Senior Credit Officer

Patrick J. Fehring and Bloomfield Township Supervisor, Leo Savoie (left) commemorate the opening of Level One's newest banking center.



Quality Growth

While operating on a foundation of stability, Level One Bank upholds two primary approaches to growth: organic and acquisition. In late 2012, our corporate offices moved to a larger headquarters in Farmington Hills, Michigan, bringing together team members formerly housed in two separate locations. Designed to foster increased teamwork and efficiencies, the move has brought new energy to our bank; enhancing customer service while allowing room for further expansion. Additionally, as part of our growth strategy, we continue to seek acquisitions that will extend our reach to new communities, reinforce our financial position, and complement our company culture.

In 2012, Level One added to and strengthened our foundation and infrastructure along with our core business lines to increase services and capacities. We experienced significant growth in deposits, while adding a strategically located banking center in Bloomfield Township designed to create a great customer experience.

The move has brought new energy to our bank; enhancing customer service.

-David Walker, Executive Vice President, Chief Financial Officer and Treasurer





Level One employees and friends participate in the American Diabetes Association Tour de Cure.

Relationship Focused

We are committed to personalized local banking, combining a one-on-one approach with the knowledge and ability to provide customized banking solutions. We listen and understand our clients because of our own humble beginnings as entrepreneurs with a dream.

We are builders of client relationships and supporters of our clients' businesses. That includes connecting our clients and other centers of influence. Our WJR-AM 760 "Putting Michigan Back to Work" campaign prominently featured Level One clients who are growing, thriving and making a difference in the Michigan economy. Some of whom we helped overcome adversity during the recent recession. We see ourselves and our clients as innovators with shared goals and priorities.

Our focus on relationships also extends to our team members and into the communities we serve, where we are engaged and sincerely interested. Some of the organizations we are involved with include: Farmington-Farmington Hills Foundation for Youth & Families, Farmington Family YMCA, HAVEN, Jewish Federation of Metropolitan Detroit, JVS Detroit, Gleaners Community Food Bank, American Diabetes Association, and Detroit Public Television.

We're building our bank around our clients – the Michigan entrepreneur, the investor and the local family.

Level One Bank has been integral to our accomplishments. Like us, Level One is innovative and focused on Michigan.

-Lisa Glush, Founder, President, CEO Macprofessionals – International Technology Integration Firm and Level One client



Consolidated Balance Sheets - Level One Bancorp, Inc.

Years ended December 31, 2012 and 2011 [Dollars in thousands, except per share data]

	2012	2011
ASSETS		
Cash & Cash Equivalents		
Cash & due from banks	\$18,947	\$35,858
Securities available for sale	74,136	48,314
Federal Home Loan Bank stock	2,545	2,553
Mortgage Loans Held for Sale	6,427	1,771
Loans		
Covered loans	89,295	112,051
Uncovered loans	260,785	211,335
Less: Allowance for loan losses	[5,011]	[3,896]
Net loans	345,069	319,490
FDIC indemnification asset	24,814	41,633
Premises and Equipment, net	9,945	4,532
Other assets	14,019	9,319
Total assets	\$495,902	\$463,470
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Demand deposits	\$228,179	\$204,041
Savings	3,553	1,165
Time	163,508	174,252
Total deposits	395,240	379,458
Federal Home Loan Bank advances	10,000	15,092
Repurchase agreements	5,847	4,348
FDIC true-up payable	3,373	3,170
Other liabilities	2,683	1,809
Total liabilities	417,143	403,877
Shareholders' Equity		
Preferred stock		
Series A, \$1,000 per share par value (\$11,301 liquidation preference), 50,000 shares authorized, 11,301 and 11,301 shares outstanding	11,287	11,287
Common stock		
No par value; 20,000,000 shares authorized; 6,264,088(2012) and 4,782,200 (2011) shares issued and outstanding	57,057	43,029
Retained earnings	10,357	5,268
Accumulated other comprehensive income	58	9
Total shareholders' equity	78,759	59,593
Total liabilities and shareholders' equity	\$495,902	\$463,470

Consolidated Statements of Income - Level One Bancorp, Inc.
Years ended December 31, 2012 and 2011 *(Dollars in thousands, except per share data)*

	2012	2011
INTEREST INCOME		
Loans, including fees	\$26,944	\$24,451
Securities	1,359	1,288
FDIC indemnification asset amortization	[2,651]	[72]
Federal funds sold and other	76	75
Total interest income	25,728	25,742
INTEREST EXPENSE		
Deposits	2,665	3,419
Borrowed funds	112	90
Total interest expense	2,777	3,509
Net interest income	22,951	22,233
Provisions for loan losses	1,854	5,227
Net interest income after provision for loan losses	21,097	17,006
NON-INTEREST INCOME		
Services charges on deposits	480	358
Net gain on sale of securities	731	297
Net gain on sale of residential mortgage loans	2,223	222
Net gain on sale of commercial loans	437	113
Loss Sharing	58	2,906
Other charges and fees	689	424
Total non-interest income	4,618	4,320
NON-INTEREST EXPENSE		
Salaries and benefits	10,274	6,485
Occupancy and equipment	1,795	1,341
Professional services	670	693
Marketing	390	238
Printing and supplies	345	247
Data processing	1,229	1,076
Other	3,209	2,905
Total non-interest expense	17,912	12,985
Income before income taxes	7,803	8,341
Income taxes	2,580	2,836
Net income	5,223	5,505
Less: Preferred Stock dividends	134	57
Net income attributable to common shareholders	\$5,089	\$5,448

Consolidated Statements of Changes in Shareholders' Equity - Level One Bancorp, Inc.
Years ended December 31, 2012 and 2011 *(Dollars in thousands, except per share data)*

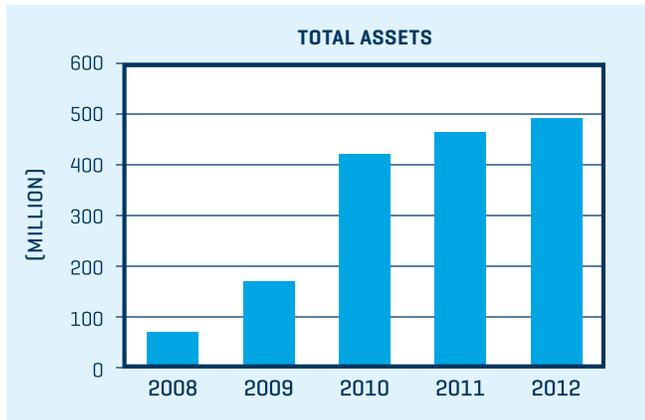
	Preferred Stock	Common Stock	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
BALANCE AT JANUARY 1, 2011	\$-	\$43,000	\$(180)	\$(417)	\$42,403
Net income	-	-	5,505	-	5,505
Preferred stock, net of issuance costs (11,301 shares)	11,287	-	-	-	11,287
Preferred stock dividends	-	-	[57]	-	[57]
Stock based compensation expense	-	37	-	-	37
Issuance costs	-	[8]	-	-	[8]
Other comprehensive income	-	-	-	426	426
BALANCE AT DECEMBER 31, 2011	\$11,287	43,029	5,268	9	59,593
Net income	-	-	5,223	-	5,223
Issuance of common stock (1,481,888 shares)	-	14,819	-	-	14,819
Preferred stock dividends	-	-	[134]	-	[134]
Stock based compensation expense	-	58	-	-	58
Issuance costs	-	[849]	-	-	[849]
Other comprehensive income	-	-	-	49	49
BALANCE AT DECEMBER 31, 2012	\$11,287	\$57,057	\$10,357	\$58	\$78,759

Consolidated Statements of Cash Flows - Level One Bancorp, Inc.
 Years ended December 31, 2012 and 2011 *(Dollars in thousands, except per share data)*

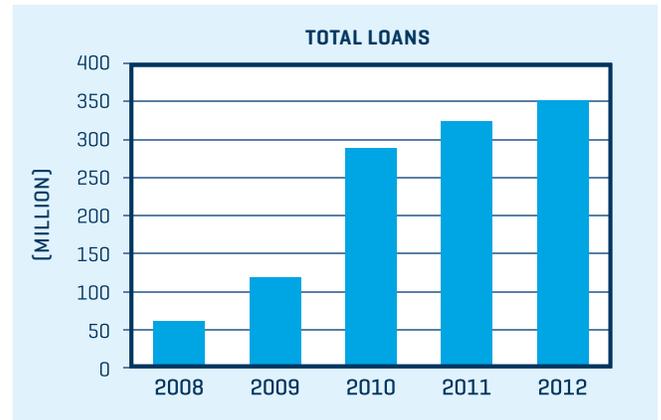
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$5,223	\$5,505
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	399	302
Core deposit premium amortization	131	154
Provision for loan losses	1,854	5,227
Discount on SBA/USDA retained loans	96	36
Net amortization [accretion] of securities	1,047	515
Net realized [gain] loss on sales of securities	[731]	[297]
Origination of loans for sale	(87,730)	(14,974)
Proceeds from sales of loans originated for sale	85,734	13,538
Net [gain] loss on sales on loans	(2,660)	(335)
Net accretion on covered loans	(9,176)	(7,550)
ORE Write downs	196	437
Stock based compensation expense	58	37
Accretion of FDIC true up liability	203	105
Increase in cash surrender value of life insurance	(105)	(104)
Net change in:		
Indemnification asset	16,819	12,192
Accrued interest receivable and other assets	(5,813)	(35)
Accrued interest payable and other liabilities	873	684
Net cash from operating activities	6,418	15,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-sale securities		
Sales	36,338	37,096
Maturities, prepayments and call	25,791	16,831
Purchases	(88,218)	(51,223)
Purchase of Bank Owned Life Insurance	-	(1,500)
Redemption of FHLB stock	8	152
Loan originations and payments, net	(21,360)	(26,785)
Gain on sale of ORE	(162)	(13)
Proceeds from sale of ORE	4,061	1,553
Additions to premises and equipment	(5,812)	(3,775)
Net cash from investing activities	(49,354)	(27,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	\$15,782	\$27,150
Repayment of Federal Home Loan Bank advances	(5,092)	(5,164)
Increase in repurchase agreements	1,499	1,788
Issuance of preferred stock, net of costs	-	11,287
Preferred stock dividends	(134)	(57)
Issuance of common stock, net of costs	13,970	(8)
Net cash from financing activities	26,025	34,996
Change in cash and cash equivalents	(16,911)	22,769
Change and cash equivalents at beginning of year	35,858	13,089
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$18,947	\$35,858
Supplemental cash flow information		
Interest paid	\$2,808	\$3,457
Taxes paid	6,300	3,580
Supplemental schedule of investing activities:		
Transfer from loans to REO	\$3,006	\$266

We continue to invest for the future in people, processes, and technology, while generating strong returns in the present.

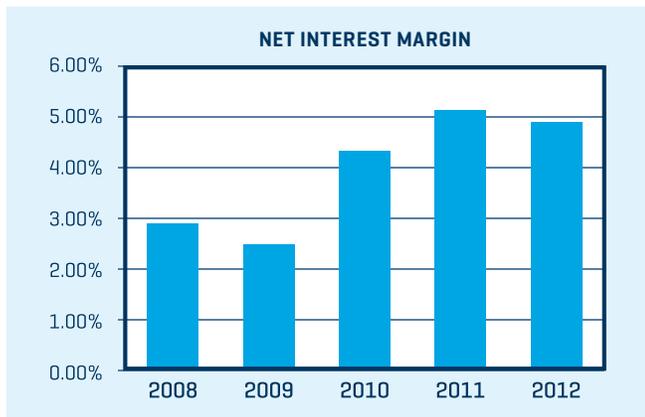
-Patrick J. Fehring, President and CEO



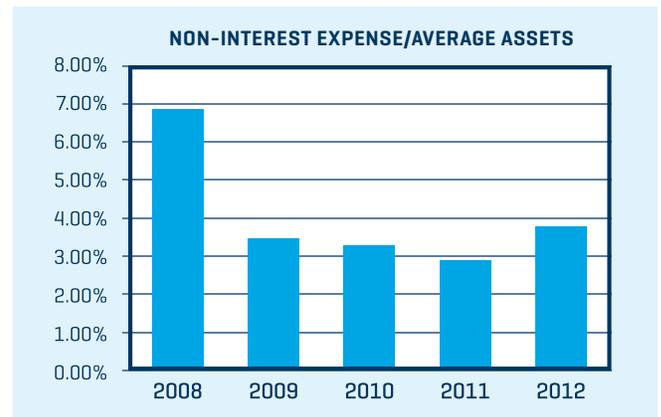
Organic growth drove an increase in assets of 7% in 2012.



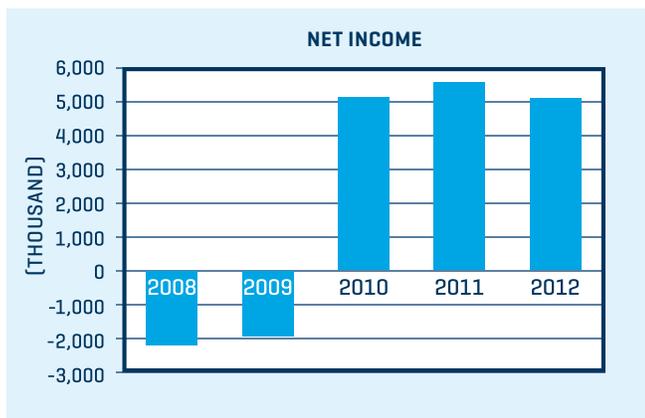
More than three quarters of the asset growth was in loans. This growth occurred despite loan paydowns from the Paramount purchase totaling more than \$20 million.



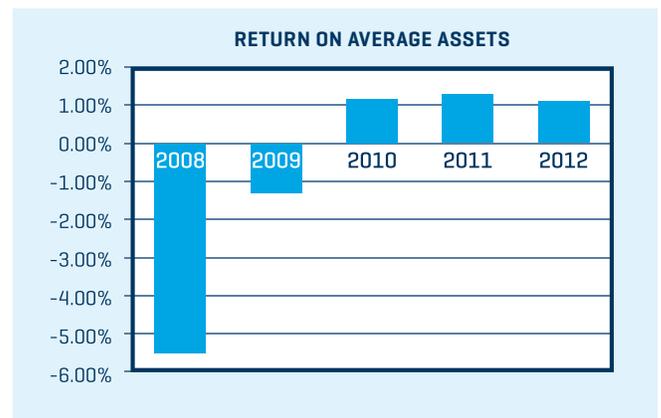
The Company's loans are its main revenue engine, and the loan yield declined more than the cost of funds decreased, resulting in the Company's net interest margin dipping below 5%.



Offsetting net interest revenue is non-interest expense (e.g., salaries, occupancy, data processing, etc.). In 2012, the Company increased its non-interest expense as a result of investing in the Company's future.



The combination of a larger balance sheet, high net interest margin, and increased investments in the Company's future, propelled the Company to its third year in a row of more than \$5 million in net income.



Finally, the Company's net income as a percent of assets exceeded 1% for the third year in a row.

2012 – The Year in Review

Quarter One

- Honored as 2011's "Community Lender of the Year" by SEM Resource Capital for making SBA 504 loans available to local Michigan businesses
- Named by the Edward Lowe Foundation as one of 2012's "Michigan 50 Companies to Watch"

Quarter Two

- Inaugurated the opening of our newest banking center in Bloomfield Township with two grand opening events for clients and the surrounding community
- Reached a new quarterly residential mortgage volume of \$20 million

Quarter Three

- Achieved seventh consecutive Five Star BauerFinancial rating
- Level One's new branding efforts were recognized with an international marketing award, the Silver Davey, for outstanding creative work by small firms

Quarter Four

- Level One celebrated its 5th Birthday
- Systems were successfully migrated and employees moved into a new headquarters building



Level One Board of Directors:

[Front row, from left to right]: Michael A. Brillati, CEO, Salus Group; Barbara E. Allushuski, President, Blue Heron Talent, LLC; Thomas A. Fabbri, President & CEO, Aaro Companies; Stefan Wanczyk, President & CEO, Utica Enterprises, Inc.; Shukri W. David, M.D., Section Chief, Division of Cardiology & Medical Director, Cardiovascular Network, St. John Providence Health System; Steven H. Rivera, D.O., Managing Partner, Independent Emergency Physicians, P.C.

[Back row, left to right]: Lead Board Director, James Bellinson, Managing Director, Riverstone Communities; Mark J. Herman, President & CEO of ANYI Management Company; Patrick J. Fehring, President & CEO, Level One Bank; Victor L. Ansara, President & CEO, Ansara Restaurant Group, Inc.



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Bloomfield Township..... 37100 Woodward Avenue • Bloomfield Township, MI 48304 • 248-530-7401

Clinton Township..... 39600 Garfield Road • Clinton Township, MI 48038 • 586-412-1800

Farmington Hills..... 30201 Orchard Lake Road • Farmington Hills, MI 48334 • 248-737-1110
31000 Northwestern Highway • Farmington Hills, MI 48334 • 248-538-7600

Ferndale..... 22635 Woodward Avenue • Ferndale, MI 48220 • 248-414-6500

Northville..... 20550 Haggerty Road • Northville, MI 48167 • 248-380-6590