



2011 Annual Report



Champion the entrepreneurial spirit by delivering financial solutions driven by unparalleled service.

One by one



As we continue to grow, we will persist in making decisions locally, knowing our clients personally and contributing to a positive future for the communities we serve.

-Patrick J. Fehring, President and CEO

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

Following our fourth full year of operation, I am pleased to report that Level One Bank continues to meet our original goals for the company – superior financial performance, unparalleled customer service and a strong commitment to the communities in which we do business.

We successfully ended 2011 with earnings exceeding \$5.4 million which was a result of both robust organic growth and the acquisition we made at the end of 2010. A key factor in this success was achieving positive net loan growth while maintaining outstanding credit quality as a full-service bank. Of the 168 banks formed across the United States in 2007, the same year Level One Bank launched, we ranked in the top ten percent in return on assets and return on equity. Once again, we earned a Five-Star rating from BauerFinancial.

We are building our seventh branch location so that we can enhance our convenience for our customers and meet our promise to exceed their expectations at every point of contact. The new branch will be ideally located in Bloomfield Township, on the corner of Woodward and Quarton, and is opening in June 2012.

Most importantly, we are expanding capabilities and providing new solutions for customers in Southeast Michigan at a time when the market is poised for growth. While other financial institutions have not fully committed to this region, we continue to invest in and help to put this community back to work.

We successfully maintained Tier One capital in excess of 12%, a reflection of our financial strength. We have increased our commercial loans by \$36 million, year over year, beneficially meeting the needs of local businesses.

Thank you for your support and important contributions to Level One Bank's productive year.

Sincerely,

A handwritten signature of Patrick J. Fehring in black ink. The signature is written in a cursive style and is positioned above the printed name and title.

Patrick J. Fehring
President and CEO

Shown left to right: Patrick J. Fehring, President and CEO; Greg Wernette, EVP, CLO; David Walker, EVP, CFO and Treasurer.



Our homes, our hopes and our hearts are here in Michigan. We recognize that we are a part of something bigger than ourselves and that is contributing to the prosperity of our communities and the growth of Michigan.

-Patrick J. Fehring, President and CEO

The Sophistication of a Big Bank

Level One Bank remains committed to offering progressive products and services, competitive with banks many times our size, while staying on the forefront of technology. We listen to our clients and in the past year, have offered new products and services based on our consultative consideration of their requests.

There's only one reason we're developing new products and services – to meet the needs of our clients. Level One Bank does not operate independently from our clients; we operate *because* of our clients.

Our commercial division introduced new, sophisticated working capital financing options as well as products for clients that do business internationally. This enhanced our access to U.S. Government programs, including credit via the Export-Import Bank of the United States, Small Business Association (SBA) and United States Department of Agriculture (USDA) loans. Through our new accounts receivable financing program, growing businesses now have asset-based credit options to meet their working capital needs.

Options from our consumer division grew in the past year with the introduction of a much expanded Residential Mortgage program. While other banks have moved away from offering home loans, Level One Bank successfully launched this new offering for homeowners. We provide competitive interest rates, flexible terms, and quick approvals. Our experienced mortgage specialists help customers find the mortgage that best suits their financial requirements.

Our online banking suite and comprehensive, secure treasury management services now include:

- Convenience Pay
- Remote Deposit Capture
- Lockbox Service
- Online electronic fund transfers: ACH and Wire Transfers including International Wire Transfers
- Positive Pay Services

There's only one reason we're developing new products and services – to meet the needs of our clients. Level One Bank does not operate independently from our clients; we operate because of our clients.

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

The Heart Of A Community Bank

Our homes, our hopes and our hearts are here in Michigan. We recognize that we are a part of something bigger than ourselves and that is contributing to the prosperity of our communities and the growth of Michigan.

Throughout our nearly five-year history, we have remained loyal to our vision of building a bank that is *truly local*. From our board members and founders to our management and banking professionals, our values and services reflect this ongoing commitment. Our deposits are reinvested in the community, allowing employers to create new jobs, right here in Metro Detroit.

Operating from our current headquarters in Farmington Hills and investing in renewed (Northville) and forthcoming (Bloomfield Township) banking centers, underscores our commitment to geographic focus. Our support of and involvement in numerous area non-profits, community organizations and Chambers of Commerce throughout Metro Detroit illustrates this. Like you, Level One Bank is deeply invested in this community.

Our dedication to helping the communities we serve is celebrated further through WJR-AM Radio's "Putting Michigan Back to Work" program, spotlighting Level One Bank business clients who are investing in our region and revitalizing our economy: www.wjr.com/sectional.

We see significant opportunity ahead in Southeast Michigan. Like you, we are devoted to our community.



Level One business client recording session at WJR for our exclusive "Putting Michigan Back to Work" campaign.



Level One Bank team members working together at our Ferndale Banking Center.

The Spirit of an Entrepreneur

Level One Bank brings to its customers the same entrepreneurial spirit, mindset and vigor that has built and grown our organization – in good and challenging times. We understand as well as anyone what it takes to own and operate a thriving business in today’s complex economy. Like many of our customers, we have built our company from scratch during some of Michigan’s most difficult times.

People who find a home at Level One Bank are those who are comfortable pioneering for our customers; creating new and innovative ways to serve them. –Leslie Geupel, SVP, Human Resources & Marketing

In 2011, Level One Bank was selected as the very first community bank in Michigan to make available more than \$100 million in loans to qualifying small businesses and entrepreneurs in Michigan through funds awarded by the U.S. Department of Treasury Small Business Lending Fund (SBLF).

We remain strong, focused and profitable with an eye to what’s best to serve our customers and stakeholders more comprehensively and effectively.

Consolidated Balance Sheets - Level One Bancorp

Years ended December 31, 2011 and 2010 [Dollars in thousands, except per share data]

	2011	2010
ASSETS		
Cash & Cash Equivalents		
Cash & due from banks	\$35,858	\$12,940
Federal funds sold	-	149
Total cash and cash equivalents	35,858	13,089
Securities available for sale	48,314	50,810
Federal Home Loan Bank stock, at cost	2,553	2,772
Loans		
Covered loans	112,051	131,877
Uncovered loans	213,106	160,798
Less: Allowance for loan losses	(3,896)	(1,990)
Net loans	321,261	290,685
FDIC indemnification asset	41,633	53,825
Other assets	13,851	10,537
Total Assets	\$463,470	\$421,718
LIABILITIES AND SHAREHOLDER'S EQUITY		
Deposits		
Demand deposits	\$204,041	\$155,211
Savings	1,165	932
Time	174,252	196,165
Total deposits	379,458	352,308
Federal Home Loan Bank advances	15,092	20,256
Repurchase agreements	4,348	2,560
Accrued interest payable and other liabilities	4,979	4,191
Total Liabilities	403,877	379,315
Shareholder's Equity		
Preferred stock		
Series A, \$1,000 per share par value (\$11,301 liquidation preference), 50,000 shares authorized, 11,301 and 0 shares outstanding	11,287	-
Common stock		
no par value; 20,000,000 (2011) and 20,000,000 (2010) shares authorized; 4,782,200 shares issued and outstanding	43,029	43,000
Retained earnings (Accumulated deficit)	5,268	(180)
Accumulated other comprehensive income (loss)	9	(417)
Total shareholders' equity	59,593	42,403
Total Liabilities and Shareholders' Equity	\$463,470	\$421,718

We are honored to be able to directly help families in Southeastern Michigan purchase their homes. We have been diligent in offering not only extremely competitive Residential Mortgage products but in finding the right product for each family; one by one.

–Jeffrey M. Levine, SVP, Retail Banking and Consumer Lending

Consolidated Statements of Income - Level One Bancorp

Years ended December 31, 2011 and 2010 [Dollars in thousands, except per share data]

	2011	2010
INTEREST INCOME		
Loans, including fees	\$24,451	\$9,051
Securities	1,288	1,109
FDIC indemnification asset accretion/(amortization)	[72]	175
Federal funds sold and other	75	47
Total interest income	25,742	10,382
INTEREST EXPENSE		
Deposits	3,419	1,950
Borrowed funds	90	77
Total interest expense	3,509	2,027
Net interest income	22,233	8,355
Provisions for loan losses	5,227	728
Net interest income after provision for loan losses	17,006	7,627
NON-INTEREST INCOME		
Services charges on deposits	358	187
Net gain on sale of securities	297	299
Net gain on sale of loans	335	571
Bargain purchase gain	-	2,871
Loss Sharing	2,906	-
Other charges and fees	424	196
Total non-interest income	4,320	4,124
NON-INTEREST EXPENSE		
Salaries and benefits	6,485	3,389
Occupancy and equipment	1,341	857
Professional services	693	569
Marketing	238	205
Printing and supplies	247	128
Data processing	1,076	444
Other	2,905	979
Total non-interest expense	12,985	6,571
Income before income taxes	8,341	5,180
Income taxes	2,836	-
Net income	5,505	5,180
Less: Preferred Stock dividends	[57]	-
Net income attributable to common shareholders	\$5,448	\$5,180

Consolidated Statements of Changes in Shareholders' Equity - Level One Bancorp

Years ended December 31, 2011 and 2010 [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, 2010	\$-	\$21,892	\$(5,360)	\$(261)	\$16,271
Issuance of common stock, net [2,447,998 shares]	-	20,967	-	-	20,967
Stock based compensation expense	-	141	-	-	141
Comprehensive income	-	-	-	-	-
Unrealized loss on available-for sale securities, net of tax and reclassifications	-	-	-	[156]	[156]
Net income	-	-	5,180	-	5,180
Total comprehensive income	-	141	-	-	5,024
BALANCE AT DECEMBER 31, 2010	\$-	43,000	[180]	[417]	42,403
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]
Comprehensive income	-	-	-	-	-
Unrealized gain on available-for sale securities, net of tax and reclassifications	-	-	-	426	426
Net income	-	-	5,505	-	5,505
Total comprehensive income	-	-	-	-	5,931
BALANCE AT DECEMBER 31, 2011	\$11,287	\$43,029	\$5,268	\$9	\$59,593

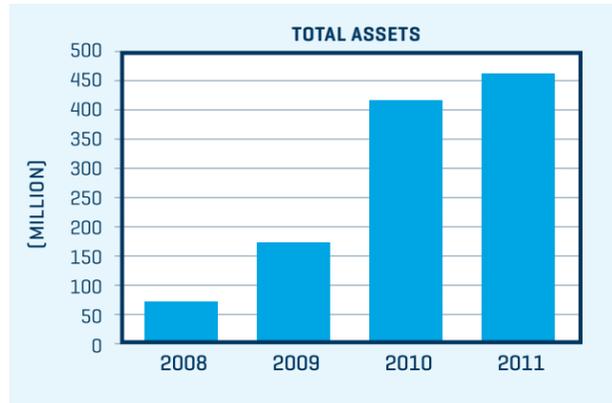
Consolidated Statements of Cash Flows - Level One Bancorp

Years ended December 31, 2011 and 2010 [Dollars in thousands, except per share data]

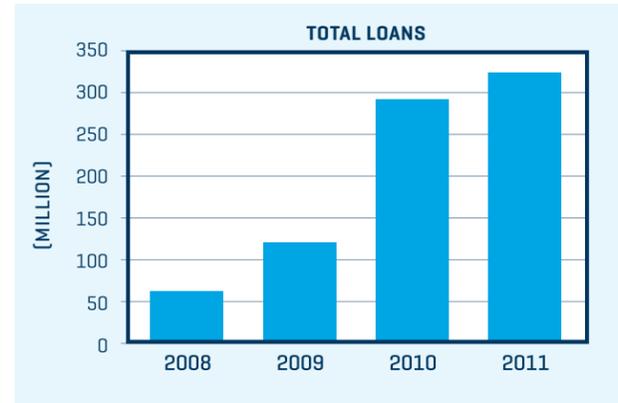
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$5,505	\$5,180
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	302	248
Core deposit premium amortization	154	139
Provision for loan losses	5,227	728
Discount on SBA/USDA retained loans	36	93
Net amortization (accretion) of securities	515	217
Net realized (gain) loss on sales of securities	[297]	[299]
Gain on acquisition	-	[2,871]
Origination of loans for sale	[14,974]	[8,446]
Proceeds from sales of loans originated for sale	13,538	9,017
Net (gain) loss on sales on loans	[335]	[571]
Net accretion on covered loans	[7,550]	-
ORE Write downs	437	-
Stock dividend from FHLB stock	67	-
Stock based compensation expense	37	141
Accretion of FDIC liability	105	25
Increase in cash surrender value of life insurance	[104]	[2]
Net change in:		
Indemnification asset	12,192	[175]
Accrued interest receivable and other assets	[102]	[22]
Accrued interest payable and other liabilities	684	[49]
Net cash from operating activities	15,437	1,853
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-sale-securities		
Sales	37,096	42,149
Maturities, prepayments and call	16,831	19,551
Purchases	[51,223]	[74,092]
Gain on Sale of ORE	13	-
Cash from bank acquisition	-	22,059
Purchase of Bank Owned Life Insurance	[1,500]	[1,500]
Purchase of restricted stock	152	153
Loan originations and payments, net	[26,785]	[38,889]
Proceeds from sale of ORE	1,527	-
Additions to premises and equipment	[3,775]	[242]
Net cash from investing activities	[27,664]	[30,811]
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	\$27,150	\$27,641
Repayment of Federal Home Loan Bank Advances	[5,164]	[18,219]
Increase in repurchase agreements	1,788	894
Issuance of Preferred stock, net of costs	11,287	-
Preferred stock dividends	[57]	-
Stock issuance net proceeds	-	20,967
Stock issuance costs	[8]	-
Net cash from financing activities	34,996	31,283
Change in cash and cash equivalents	22,769	3,825
Change and cash equivalents at beginning of year	13,089	9,264
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$35,858	\$13,089
Supplemental cash flow information		
Interest paid	\$3,457	\$2,123
Taxes paid	3,580	45
Supplemental schedule of investing activities:		
Transfer from loans to REO	\$266	\$-
Assets acquired - Paramount Bank		238,711
Liabilities assumed - Paramount Bank		211,372
Gain on FDIC assisted acquisition		2,871

Ours is a culture of growth. We are prepared to expand strategically, both organically and through acquisition, while maintaining superior financial results.

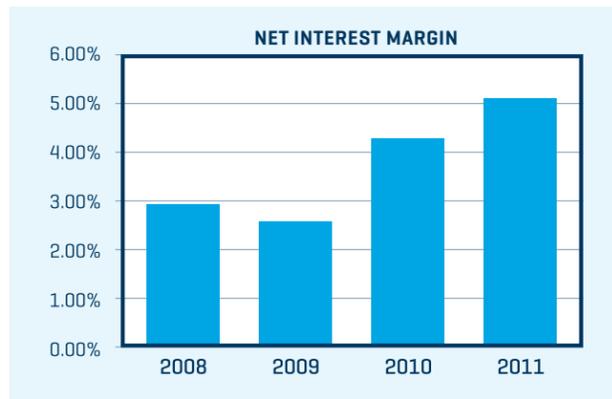
-David Walker, Executive Vice President, Chief Financial Officer and Treasurer



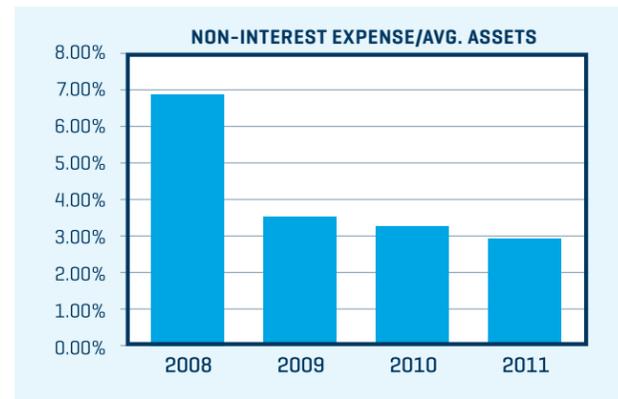
Organic growth drove an increase in assets of 10% in 2011.



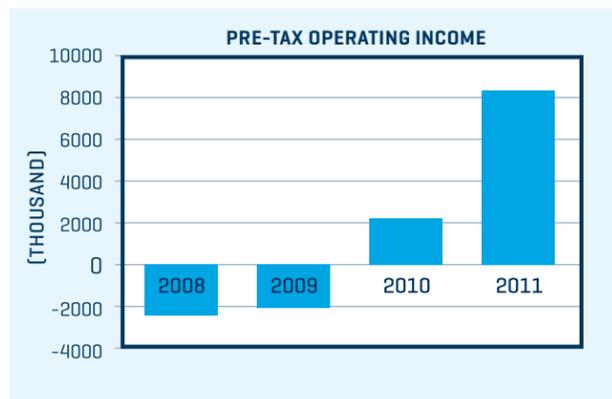
More than three quarters of the asset growth was in loans. This growth occurred despite loan paydowns from the Paramount purchase totaling almost \$20 million.



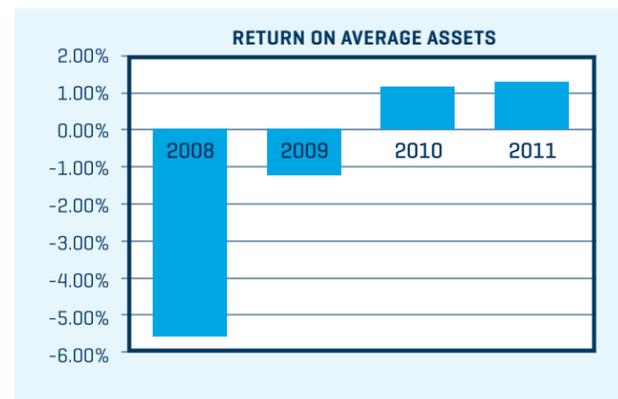
The Company's loans are its main revenue engine, and the combination of increased loan yield and decreased cost of funds resulted in the Company's net interest margin increasing to 5.10% for the year.



Offsetting this net interest revenue is non-interest expense (salaries, occupancy, data processing, etc.). In 2011, the Company improved efficiency as non-interest expense as a percent of assets declined by 0.42% to average 2.91%.



Combination of a larger balance sheet, higher net interest margin and smaller relative non-interest expense base increased the Company's operating profit from \$2.3 million in 2010 to \$8.4 million in 2011.



Finally, the Company's net income as a percent of assets held steady at 1.2%.

2011, The Year in Review

Quarter One

- Successful integration of systems, products and customers from the Paramount Bank acquisition
- Formal expansion of our full service Residential Mortgage division begins
- Level One is honored with its first Five Star BauerFinancial rating; this top rating is maintained throughout 2011

Quarter Two

- Small Business Loan Center established to extend our capability to process small loans rapidly
- In June, we were the only bank in Michigan and one of six in the United States to receive a preferred equity investment totaling \$11.3 million from the U.S. Treasury under the Small Business Lending Fund
- Our Remote Deposit Capture (RDC) business grows adding significantly to the number of business customers

Quarter Three

- After a thorough search, a building is located that is well suited to serve as our bank's headquarters for years to come; purchase takes place and planning begins
- Introduction of new Treasury Management products including Automated Clearing House (ACH) and Convenience Pay added to serve our commercial clients
- Novi retail banking center is relocated to Northville and grand reopening is celebrated with current and new customers

Quarter Four

- Successfully maintained Tier One capital in excess of 12%
- The Level One team grows to 100 talented employees
- The ground breaking and building begins on our new retail banking center in Bloomfield Township
- Introduction of our new branding with a crisp, more powerful logo to strengthen brand image
- Net income exceeds \$5.4 million placing us in the top 10% of the 168 banks that opened in the United States during 2007



Level One Board of Directors, shown from left to right: James Bellinson, Managing Director, Riverstone Communities; Michael A. Brillati – CEO of Salus Group; Mark J. Herman – President & CEO of ANYI Management Company; Stefan Wanczyk – President & CEO of Utica Enterprises, Inc.; Barbara E. Allushuski – President, Blue Heron Talent, LLC; Patrick J. Fehring – President & CEO of Level One Bank; Shukri W. David, M.D. – Section Chief, Division of Cardiology & Medical Director; Cardiovascular Network, St. John Providence Health System; Victor L. Ansara – President & CEO of Ansara Restaurant Group, Inc.; Thomas A. Fabbri, President & CEO, Aaro Companies; Steven H. Rivera, D.O., – Managing Partner, Independent Emergency Physicians, P.C.

Additional Branches:

Birmingham

1732 West Maple Road
Birmingham, MI 48009
248-723-4800

Clinton Township

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

Farmington Hills

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

Bloomfield Township

37000 Woodward Avenue
Bloomfield Township, MI 48304
Opening soon: June of 2012

Toll Free: 888-880-5663

Phone: 248-737-0300

Fax: 248-737-7195

By Email: contact@levelonebank.com

**Corporate Office and
Main Branch**

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248-737-0300

www.levelonebank.com



The talents of community artists from throughout the area are showcased and available for your purchase year round in the contemporary art studio at Level One's Banking Center in Ferndale.