

Championing the Entrepreneurial Spirit



2019 Annual Report



Board of Directors

Barbara E. Allushuski
President & CEO
Blue Heron Talent, LLC

Victor L. Ansara
President & CEO
Ansara Restaurant Group, Inc.

James Bellinson
Managing Director
Riverstone Communities

Michael A. Brillati
CEO
Salus Group

Shukri W. David
MD, MBA, FACC, Physician Chair,
Heart & Vascular Center of Excellence
St. John Providence Health System
Ascension Michigan

Thomas A. Fabbri
President & CEO
Aaro Companies

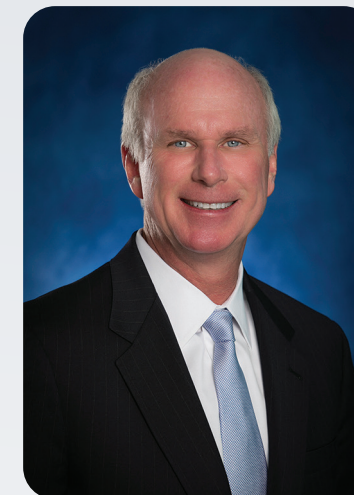
Patrick J. Fehring
President & CEO
Level One Bank

Jacob W. Haas
Owner
Airport Plaza Business Park and
Saline Construction Company

Mark J. Herman
President & COO
ANYI Management Company

Steven H. Rivera
DO, MBA, FACEP
Board of Trustees
Ascension Southeast
Michigan Hospitals,
Physician Advisor
Ascension Providence
Hospitals, Medical Staff
Leadership Ascension
Providence

Stefan Wanczyk
President & CEO
Utica Enterprises, Inc.



Patrick J. Fehring, President & CEO

To Our Shareholders

I am pleased to report 2019 was another successful year of quality growth and strong financial results for Level One Bancorp, Inc.

Net Income was \$16.1 million, an increase of 12% from the previous year. Fully diluted earnings per share grew 7% to \$2.05 while total assets grew 12% to \$1.58 billion. Following the expansion of our residential mortgage team in late 2018, our mortgage activity was enhanced significantly resulting in an increase of \$5.6 million in mortgage banking income year over year. We achieved solid loan growth of 9% including commercial and residential mortgage activity, and net charge-offs declined to 0.02% as a percentage of average loans.

We expanded our footprint and entered new markets through organic growth and the acquisition of Ann Arbor State Bank. We opened a full-service banking center in Ann Arbor and broke ground on the construction of a new banking center in Rochester Hills that is now open. Additionally, we made improvements to our Birmingham banking center by relocating to a larger and more modern space to better serve clients and achieve greater visibility in the community.

We signed a definitive agreement to acquire Ann Arbor State Bank in 2019 and completed the financial transaction on January 2, 2020. Ann Arbor is an extremely attractive market that aligns well with our growth strategy. Our combined institution grew to \$1.87 billion in assets and 16 banking centers, including two new offices in Ann Arbor and one in Jackson.

As we look ahead to 2020 and beyond, we remain committed to quality growth and profitability. We have entered uncharted territory with the uncertainties surrounding the COVID-19 pandemic. However, as a Bank that opened in the beginning of the Great Recession, we are poised and prepared to navigate the economic challenges that may lie ahead.

Thank you for your continued support of Level One Bancorp, Inc.

Sincerely,

Patrick J. Fehring
President & CEO

Executive Team

From left to right: Lani Barrett, EVP, Chief Human Resources Officer; Gregory A. Wernette, EVP, Chief Lending Officer; David C. Walker, EVP, Chief Financial Officer; Patrick J. Fehring, Chairman, President and Chief Executive Officer; Eva Scurlock, EVP, Risk Management Officer; Timothy R. Mackay, EVP, Consumer Banking Officer



2019 Highlights

- 1** - We secured a building and began planning for our first banking center in Rochester Hills.

- 2** - We celebrated the grand re-opening of our Birmingham banking center after relocating to a larger space to better serve clients.
 - We were honored as Business Development Lender of the Year by the U.S. Small Business Administration Michigan District Office.
 - We were named to American Banker Magazine's list of the Top 200 Community Banks in the Nation, coming in at #100 on the list.

- 3** - We signed a definitive merger agreement to acquire Ann Arbor State Bank.
 - For the 7th consecutive year, we were recognized as one of Metro Detroit's Best and Brightest Companies to Work For.

- 4** - We celebrated the grand opening of our first banking center in Ann Arbor.
 - We were recognized as the Community Builder of the Year by Habitat for Humanity Oakland County for our commitment to affordable housing.



Celebrating the grand re-opening of our Birmingham banking center.



Celebrating the grand opening of our Ann Arbor banking center at the Maple Village Shopping Center.

When we started Level One Bank in 2007, our vision was to provide a better way to bank for families and businesses in Michigan. With the sophisticated products and technology of a larger institution, and the personal service and local knowledge of a community bank, we have remained true to that vision.



Receiving the Community Builder of the Year Award from Habitat for Humanity Oakland County.

A Recipe For Success

Level One Bank offers a unique banking proposition that boils down to three key ingredients – we are an entrepreneurial bank, our clients have direct access to our decision makers, and our team is responsive and engaged. This is our recipe for success. It is this combination of “3 Uniques” that separate Level One Bank from the competition and the reason our clients love working with us.



Entrepreneurial Spirit

As a community bank founded just over a decade ago with investments from a team of local business leaders and passionate bankers, we understand firsthand the unique challenges entrepreneurs face when it comes to managing finances and growing a business. At the core of Level One Bank is an entrepreneurial spirit that drives the way we think, act and innovate. We are proud of our ability to think outside of the box and be nimble for our clients, often custom tailoring solutions for those who were turned away by bigger banks with a cookie-cutter approach.

Our team is continually searching for better ways to serve our clients and communities. In 2019, we made process improvements to reduce response times for small business and consumer loan applicants and rolled out an online application platform that makes it easy to apply for a loan. With our focus on the needs of our clients, we also worked to significantly reduce the amount of time it takes to open a new checking account at a banking center.



Accessible Decision Makers

While technology continues to evolve and be an important part of the client experience, we will never lose sight of the importance of human connection. Relationships are the cornerstone of our Bank and a critical component of our core values. We offer a unique experience at Level One Bank because we connect with our clients on a personal level and provide direct access to decision makers — a stark contrast to the experience at larger financial institutions. When you call Level One Bank, you

will speak to a real person who lives and works in the local community. When you come into a banking center, the team greets you by name. When you apply for a loan, the decision is made here in Michigan by people who understand your local market. Even at the leadership level, our executive team and board of directors are all local entrepreneurs who are passionate about helping local families and businesses succeed.



Responsive And Engaged Team Members

We continue to grow organically and through acquisitions, including opening a full-service banking center in Ann Arbor in October 2019, acquiring Ann Arbor State Bank in January 2020, and opening a full-service banking center in Rochester in March 2020. As we expand our team, we remain focused on hiring, retaining, and developing team members who are not only talented but good core value fits. We have a passionate team that is driven to do what’s best for the client. They are empowered to make decisions quickly and have the liberty to be creative when it comes to problem solving, resulting in a better client experience.

We are regularly investing time and resources into the development of our team. In 2019, we focused efforts on team member engagement and collaborated on ways to make Level One Bank an even better place to work. We find engaged team members to be happier, more productive, and better equipped to provide exceptional client service. Following a series of surveys and action planning committees, we made several process improvements to make work more efficient and less cumbersome for team members and clients alike.

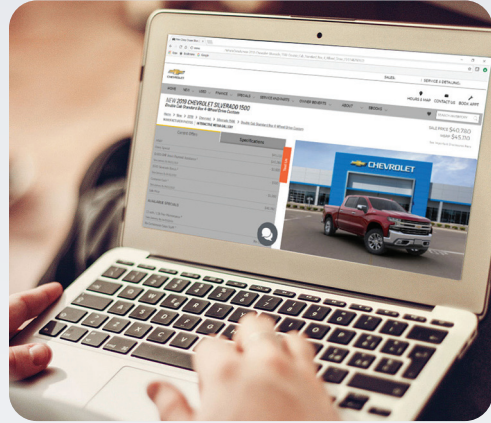


Supporting local businesses during a Level One Cash Mob event.



An aerial view of our Ann Arbor mortgage loan center across the street from The Big House.

From Our Clients



eVN Inc. Peter Stevenson, CEO

When eVN needed a bank to help fund its growth needs, Peter Stevenson, CEO of eVN, shopped most of the big banks in the area with no success. Their rigid requirements and unwillingness to understand the needs of his business led Peter to give Level One Bank a try.

“Right away, Level One Bank understood my needs. They understood the entrepreneurial side of my business and my growth goals,” said Peter.

Peter meets with his banker regularly to review business plans and discuss the needs of the business. He appreciates how proactive Level One Bank is when it comes to offering solutions and looking for ways to better support the business as it grows. “Level One Bank has literally been a partner for us. It is much more than a bank providing a service. They are an essential part of our financial team,” he explained.

eVN is a technology company that provides dynamic CGI [computer-generated imagery] for the automotive industry that drives sales, reduces costs and increases profitability. Focused on enabling high quality, ‘VIN Specific’ content to power online digital retailing, eVN provides previously unheard of emotive, personalized content throughout the sales, service and re-sale lifecycle of the vehicle.

Learn more at www.evnusa.com.



Victory Lane Quick Oil Change

Justin and Lauren Cialella, Co-Owners

Justin and Lauren Cialella, Co-owners of Victory Lane Quick Oil Change, had spread their business accounts across multiple banks and were looking to consolidate with one bank. When choosing their bank, it was all about relationship.

Level One Bank took the time to understand their business.

“We met with several senior executives who were so willing to get involved. That doesn’t happen at big banks,” Lauren explained. “And they are still involved today.”

In addition to the relationship, Justin was impressed with Level One Bank’s knowledge and solutions-oriented approach. “Level One understands small business in a way that big banks can’t unless you fit inside a certain box,” Justin explained. “We have dealt with a lot of banks, both big and small. Our business banker at Level One was by far the best we have ever encountered.”

Victory Lane Quick Oil Change is one of the oldest quick lube franchises in the industry. The company was founded in 1980 in Ann Arbor, Michigan and is well recognized for its distinctive checkered flag branding. With 40+ locations, Victory Lane Quick Oil Change is rapidly growing in select US and Canadian markets. To learn more about Victory Lane Quick Oil Change, visit www.VictoryLane.net.



CS Partners

Maria Dockins, Managing Partner

Maria Dockins, Managing Partner at CS Partners, joined Level One Bank through the acquisition of Ann Arbor State Bank. As a long-time client of Ann Arbor State Bank, Maria is excited about what Level One Bank brings to the table.

“We like the idea of working with a larger community bank,” explains Maria. “We have access to more resources and tools to support our business.”

As a company that continues to focus on growth and expansion, CS Partners will benefit from higher lending limits and a wider variety of treasury management products offered at Level One Bank.

While bank integrations can be challenging, Maria has been pleased with the process so far. “The implementation team at Level One has been fabulous,” said Maria. “They have been very responsive. The customer service has been great.”

CS Partners is an Educational Service Provider [ESP] that offers a variety of administrative and operational management services to charter schools in Michigan. By working alongside school staff, CS Partners provides a range of support services based on the needs of the school, such as payroll, human resources, financial services, compliance, school performance and more. Visit www.charterschoolpartners.com to learn more.



Community Involvement

We continued to serve and make a positive impact in our communities in 2019. Through financial support, volunteerism, financial literacy, grant programs and more, Level One Bank team members are passionate about giving back. We donated nearly \$200,000 to local non-profit organizations, leveraged over \$300,000 in homeownership grants to our neighbors in need, and dedicated over 1,400 hours of community service.



Our relationship with Habitat for Humanity continues to evolve and expand with the growth of the Bank. In addition to originating mortgage loans for Habitat and offering low-cost loan programs and grant opportunities for their clients, we offer financial support to multiple Habitat partners. For example, Level One Bank donated \$25,000 to Macomb County Habitat for Humanity to pay for damages caused by vandalism at two of their houses in 2019.



Our team members also facilitated 100 financial literacy classes in 2019, with topics ranging from budgeting and credit building with first-time homebuyers to entrepreneurship with local small businesses. We are enthusiastic about sharing our financial knowledge and expertise to help our neighbors achieve their financial goals.



Every quarter our team members mentor students at Cornerstone Schools in Detroit. We are able to build relationships with students through working on projects, reading, and experimenting. Each visit is centered around different themes such as communication, character development, career and life pathways, entrepreneurship, and exploring different cultures.

1. Making fleece blankets to deliver to children at local hospitals with the charity Fleece and Thank You.
2. Avalon Housing artists with their work on display at our Ann Arbor banking center.
3. Putting the finishing touches on a Habitat for Humanity home.
4. Wearing pink in support of Breast Cancer Awareness.
5. Mentoring a classroom of children with Cornerstone Schools Partner Morning program.

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018
[Dollars in thousands, except share data]

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 103,930	\$ 33,296
Securities available-for-sale	180,905	204,258
Federal Home Loan Bank stock	11,475	8,325
Mortgage loans held for sale, at fair value	13,889	5,595
Loans:		
Originated loans	1,158,138	1,041,898
Acquired loans	69,471	84,667
Total loans	1,227,609	1,126,565
Less: Allowance for loan losses	(12,674)	(11,566)
Net loans	1,214,935	1,114,999
Premises and equipment, net	13,838	13,242
Goodwill	9,387	9,387
Other intangible assets, net	376	447
Bank-owned life insurance	12,167	11,866
Income tax benefit	1,217	2,467
Other assets	22,780	12,333
Total assets	\$ 1,584,899	\$ 1,416,215
LIABILITIES		
Deposits:		
Noninterest-bearing demand deposits	\$ 325,885	\$ 309,384
Interest-bearing demand deposits	62,586	52,804
Money market and savings deposits	313,885	287,575
Time deposits	433,072	484,872
Total deposits	1,135,428	1,134,635
Borrowings	212,225	99,574
Subordinated notes	44,440	14,891
Other liabilities	22,103	15,355
Total liabilities	1,414,196	1,264,455
Shareholders' equity		
Common stock, no par value per share:		
Authorized—20,000,000 shares		
Issued and outstanding—7,715,491 shares at 12/31/2019 and 7,750,216 shares at 12/31/2018	89,345	90,621
Retained earnings	77,766	62,891
Accumulated other comprehensive income [loss], net of tax	3,592	(1,752)
Total shareholders' equity	170,703	151,760
Total liabilities and shareholders' equity	\$ 1,584,899	\$ 1,416,215

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

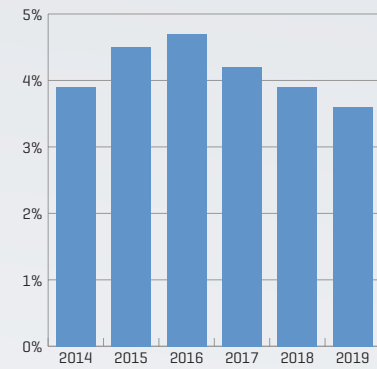
Years ended December 31, 2019, 2018 and 2017
[Dollars in thousands]

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income [Loss]	Total Shareholders' Equity
BALANCE AT JANUARY 1, 2017	\$58,306	\$39,391	\$(1,126)	\$ 96,571
Net income	—	9,841	—	9,841
Other comprehensive loss	—	—	343	343
Exercise of stock options (57,506 shares)	605	—	—	605
Stock based compensation, net of tax impact	600	—	—	600
DECEMBER 31, 2017	\$59,511	\$49,232	\$ (783)	\$ 107,960
Net income	—	14,386	—	14,386
Other comprehensive loss [excluding tax reform adjustment]	—	—	(801)	(801)
Reclass of tax reform adjustments due to early adoption of ASU 2018-02	—	168	(168)	—
Initial public offering of 1,150,765 shares of common stock, net of issuance costs	29,030	—	—	29,030
Common stock dividends declared [\$0.12 per share]	—	(895)	—	(895)
Exercise of stock options (127,494 shares)	1,279	—	—	1,279
Stock-based compensation expense, net of tax impact	801	—	—	801
DECEMBER 31, 2018	\$90,621	\$62,891	\$(1,752)	\$151,760
Net income	—	16,111	—	16,111
Other comprehensive income	—	—	5,344	5,344
Redeemed stock (90,816 shares)	(2,165)	—	—	(2,165)
Common stock dividends declared [\$0.16 per share]	—	(1,236)	—	(1,236)
Exercise of stock options (21,550 shares)	219	—	—	219
Stock based compensation, net of tax impact	670	—	—	670
DECEMBER 31, 2019	\$89,345	\$77,766	\$ 3,592	\$170,703

CONSOLIDATED STATEMENTS OF INCOME

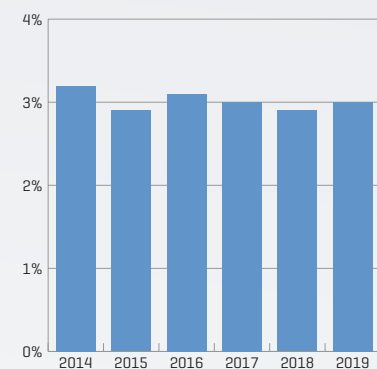
Years ended December 31, 2019, 2018 and 2017
[In thousands, except per share data]

	2019	2018	2017
Interest income			
Originated loans, including fees	\$56,956	\$49,076	\$ 39,812
Acquired loans, including fees	6,375	9,186	12,231
Securities:			
Taxable	3,509	2,939	1,746
Tax-exempt	2,305	1,657	955
Federal funds sold and other	1,303	966	863
Total interest income	70,448	63,824	55,607
Interest Expense			
Deposits	16,941	11,055	6,267
Borrowed funds	1,378	1,330	797
Subordinated notes	1,074	1,015	1,014
Total interest expense	19,393	13,400	8,078
Net interest income	51,055	50,424	47,529
Provision for loan losses	1,383	412	1,416
Net interest income after provision for loan losses	49,672	50,012	46,113
Noninterest income			
Service charges on deposits	2,547	2,556	2,543
Net gain (loss) on sales of securities	1,174	(71)	208
Mortgage banking activities	7,880	2,330	1,698
Net gain (loss) on sale of commercial loans	(45)	11	146
Other charges and fees	2,655	2,229	1,907
Total noninterest income	14,211	7,055	6,502
Noninterest expense			
Salary and employee benefits	28,775	25,781	21,555
Occupancy and equipment expense	4,939	4,425	4,208
Professional service fees	1,808	1,672	2,314
Acquisition and due diligence fees	539	—	—
Marketing expense	1,107	1,033	930
Data processing expense	2,374	2,146	1,912
Printing and supplies expense	340	441	477
Other expense	4,487	4,180	4,655
Total noninterest expense	44,369	39,678	36,051
Income before income taxes	19,514	17,389	16,564
Income tax provision	3,403	3,003	6,723
Net income	\$16,111	\$14,386	\$ 9,841
Per common share data:			
Basic earnings per common share	\$2.08	\$1.95	\$ 1.54
Diluted earnings per common share	\$2.05	\$1.91	\$ 1.49
Cash dividends declared per common share	0.16	0.12	—
Weighted average common shares outstanding—basic	7,655	7,377	6,388
Weighted average common shares outstanding—diluted	7,770	7,524	6,610



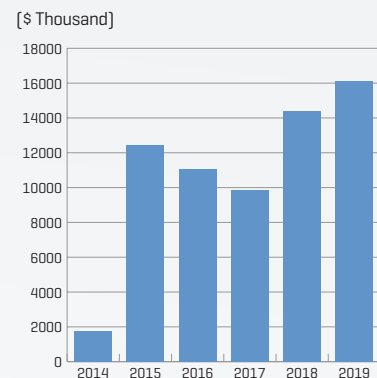
Net Interest Margin

The Company's loans are its main revenue engine, and the cost of funds increased more than the loan yield increased, resulting in the Company's net interest margin falling to 3.60%.



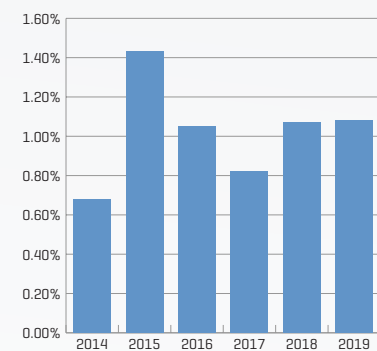
Noninterest Expense / Average Assets

Offsetting net interest revenue is noninterest expense [e.g., salaries, occupancy, data processing, etc.] and in 2019, this ratio remained consistent.



Net Income

Net income was strong at \$16.1 million in 2019.



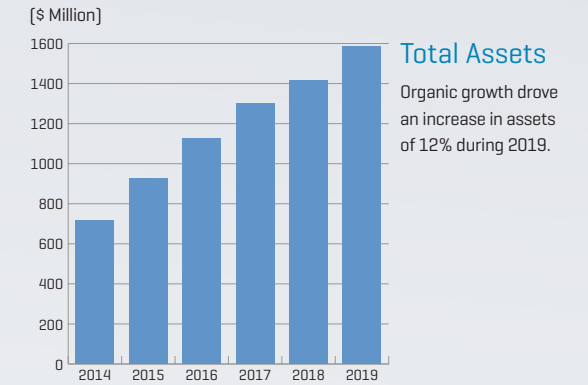
Return on Average Assets

Finally, the Company's net income as percent of average assets was 1.08% in 2019.

CONSOLIDATED STATEMENTS OF CASH FLOWS

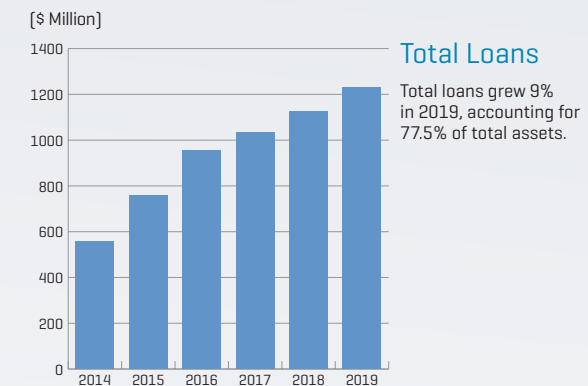
Years ended December 31, 2019, 2018 and 2017 [Dollars in thousands]

	2019	2018	2017
Cash flows from operating activities			
Net income	\$ 16,111	\$ 14,386	\$ 9,841
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of fixed assets	1,323	1,332	1,369
Amortization of core deposit intangibles	146	220	234
Stock-based compensation expense	713	815	613
Provision expense for loan losses	1,383	412	1,416
Net securities premium amortization	1,735	1,327	871
Net (gain) loss on sales of securities	(1,174)	71	(208)
Originations of loans held for sale	(272,714)	(90,361)	(64,184)
Proceeds from sales of loans	270,363	91,091	69,753
Net gain on sales of loans	(7,835)	(2,341)	(1,844)
Accretion on acquired purchase credit impaired loans	(2,313)	(3,794)	(5,340)
Gain on sale of other real estate owned and repossessed assets	-	(44)	(237)
Increase in cash surrender value of life insurance, net of 1035 exchange charge	(301)	(324)	(328)
Amortization of debt issuance costs	62	47	58
Excess tax benefits	18	108	27
Net (increase) decrease in accrued interest receivable and other assets	(9,544)	382	(1,546)
Net increase in accrued interest payable and other liabilities	6,151	4,810	1,667
Net cash provided by operating activities	4,124	18,137	12,162
Cash flows from investing activities			
Net increase in loans	(97,660)	(88,069)	(75,780)
Principal payments on securities available-for-sale	16,521	9,368	8,850
Purchases of securities available-for-sale	(56,810)	(68,694)	(74,225)
Purchases of Bank Owned Life Insurance	-	-	-
Purchases of FHLB Stock	(3,150)	(22)	(2,475)
Additions to premises and equipment	(2,019)	(1,159)	(913)
Proceeds from:			
Sale of securities available-for-sale	69,846	3,625	14,803
Sale of other real estate owned and repossessed assets	-	822	885
Net cash used in investing activities	(73,272)	(144,129)	(128,855)
Cash flows from financing activities			
Net increase in deposits	793	14,253	195,458
Change in short-term borrowings	(32,278)	61,810	(31,820)
Issuances of long-term FHLB advances	145,000	-	-
Repayment of long-term FHLB advances	-	(10,000)	(4,506)
Net proceeds from issuance of subordinated debt	29,487	-	-
Change in secured borrowing	(71)	(69)	1,514
Net proceeds from issuance of common stock related to initial public offering	-	29,030	-
Share buyback - redeemed stock	(2,165)	-	-
Common stock dividends paid	(1,160)	(662)	-
Proceeds from exercised stock options	219	1,279	605
Payments related to tax-withholding for share based compensation awards	(43)	(14)	(13)
Net cash provided by financing activities	139,782	95,627	161,238
Net change in cash and cash equivalents	70,634	(30,365)	44,545
Beginning cash and cash equivalents	33,296	63,661	19,116
Ending cash and cash equivalents	\$103,930	\$ 33,296	\$ 63,661
Supplemental disclosure of cash flow information:			
Interest paid	\$ 19,493	\$ 12,634	\$ 7,427
Taxes paid	2,916	2,120	4,625
Transfer from loans held for sale to loans held for investment	2,186	544	1,587
Transfer from loans to other real estate owned	921	108	385
Transfer from premises and equipment to other assets	-	18	1,793



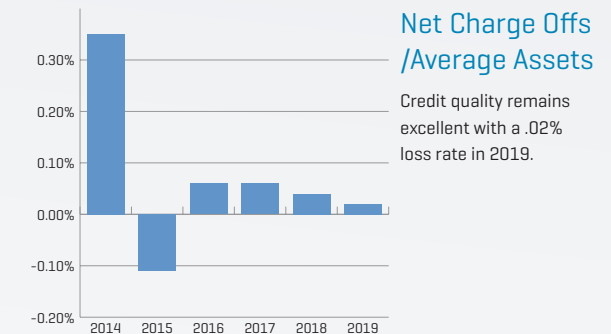
Total Assets

Organic growth drove an increase in assets of 12% during 2019.



Total Loans

Total loans grew 9% in 2019, accounting for 77.5% of total assets.



Net Charge Offs / Average Assets

Credit quality remains excellent with a .02% loss rate in 2019.

Corporate Office

32991 Hamilton Court
Farmington Hills, MI 48334
248-737-0300

Banking Center Locations

Ann Arbor

195 North Maple Road
Ann Arbor, MI 48103
734-794-5225

3930 South State Street
Ann Arbor, MI 48108
734-418-9995

125 West William Street
Ann Arbor, MI 48104
734-761-1475

Birmingham

1712 West Maple Road
Birmingham, MI 48009
248-723-4800

Bloomfield

6450 Telegraph Road
Bloomfield Hills, MI 48301
248-406-8905

37100 Woodward Avenue
Bloomfield Hills, MI 48304
248-530-7401

Detroit

1420 Washington Boulevard
Detroit, MI 48226
313-309-9980

Farmington Hills

30095 Northwestern Highway
Farmington Hills, MI 48334
248-865-1300

30201 Orchard Lake Road
Farmington Hills, MI 48334
248-737-1110

Ferndale

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

Grand Rapids

2355 Burton Street SE
Grand Rapids, MI 49506
616-827-4400

Jackson

611 North Wisner
Jackson, MI 49202
517-917-0908

Northville

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

Novi

44350 West 12 Mile Road
Novi, MI 48377
248-735-1000

Rochester

1880 South Rochester Road
Rochester Hills, MI 48307
248-710-3700

Sterling Heights

43683 Schoenherr Road
Sterling Heights, MI 48313
586-412-1800

Mortgage Loan Centers

Ann Arbor

1328 South Main Street
Ann Arbor, MI 48104
734-213-1515



888-880-5663 | contact@levelonebank.com
www.LevelOneBank.com

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect management's current views of future events and operations. These forward-looking statements are based on the information currently available to the Company as of the date of this release. It is important to note that these forward-looking statements are not guarantees of future performance and involve risk and uncertainties, including, but not limited to, the ability of the Company to implement its strategy and expand its lending operations, changes in interest rates and other general economic, business and political conditions, including changes in the financial markets, as well as other risks described in the Company's filings with the Securities and Exchange Commission. The Company does not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.