



Annual Shareholders' Meeting

May 16, 2018

- ▶ **Call to Order - Gary W. Winger, Chairman**
- ▶ **Introduction of Officers, Directors and Director Nominees**
- ▶ **Secretary's Report**
- ▶ **Presentation of Proposals**
- ▶ **Executive Management Report to Shareholders**
- ▶ **Vote Report**
- ▶ **Adjournment**

Board of Directors

	Director Since
Susan C. Ballard	2012
Tracy S. Bennett	2010
Sharon E. Brautigam, Nominating and Corporate Governance Committee Chairperson	2004
David C. Mancuso, Asset/Liability Committee Chairman	1998
John (“Jack”) L. Mehlretter	2016
Daniel P. Reininga, President and Chief Executive Officer and Loan Committee Chairman	1994
Kevin M. Sanvidge, Compensation Committee Chairman	2012
Gary W. Winger, Chairman of the Board	1997
Nancy L. Yocum, Vice Chairperson of the Board and Audit/Risk Committee Chair	1995

Business of Annual Shareholders Meeting

- ▶ **Election of Three Directors for a 3-year term ending in 2021 and One Director for a 2-year term ending in 2020:**
 - ▶ **David C. Mancuso (2021)**
 - ▶ **Jack L. Mehltreter (2020)**
 - ▶ **Gary W. Winger (2021)**
 - ▶ **Nancy L. Yocum (2021)**

- ▶ **An advisory vote on executive compensation (“Say-on-Pay”)**

- ▶ **Ratification of the appointment of Baker Tilly Virchow Krause, LLP as independent registered public accounting firm for 2018**



Executive Management Presentation

Daniel P. Reininga

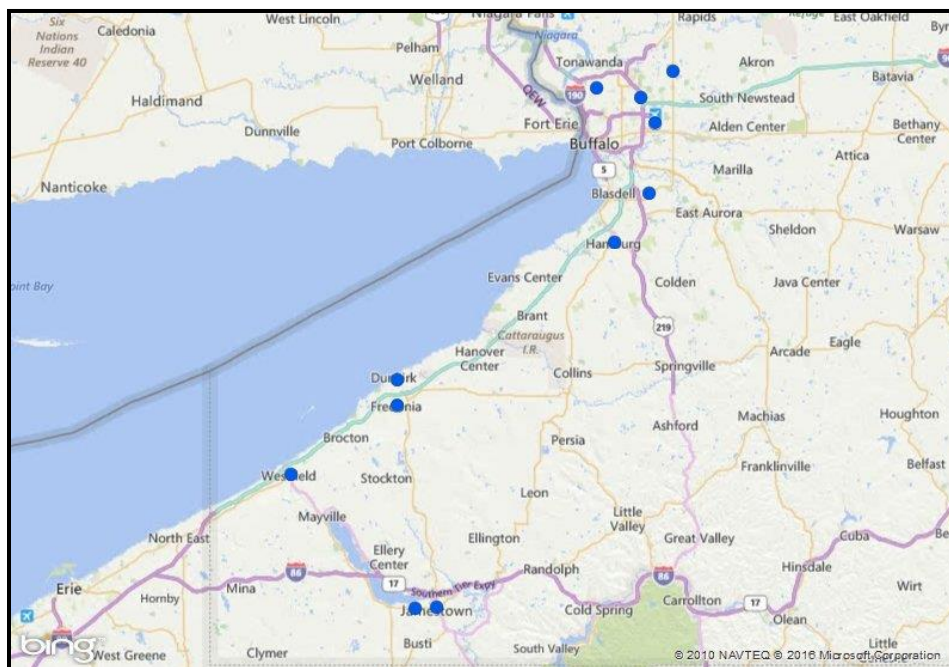
**President and
Chief Executive
Officer**

Safe Harbor Statement

This presentation includes “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the Safe Harbor Provision and are including this statement for the purpose of such Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements include, but are not limited to, statements concerning future business, revenue and earnings. They often include words such as “believe,” “expect,” “anticipate,” “estimate,” and “intend” or future or conditional verbs, such as “will,” “would,” “should,” “could,” or “may”. These statements are not historical facts or guarantees of future performance, events or results. There are risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such forward-looking statements. Information on factors that could affect the Company’s business and results is discussed in the Company’s periodic reports filed with the Securities and Exchange Commission. Forward looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise forward looking information, whether as a result of new, updated information, future events or otherwise.

An Overview of Lake Shore



- ▶ Lake Shore Savings Bank is a federally chartered, community-oriented financial institution headquartered in Western New York, with a longstanding history of community banking since 1891
- ▶ Current focus on organic growth of loan portfolio primarily through commercial real estate and commercial business loans
 - ▶ Since going public, net loans have increased from \$205.3 million on June 30, 2006 to \$371.2 million as of March 31, 2018
- ▶ Operates 11 full-service branch locations in two counties within Western New York
- ▶ Lake Shore ranks 5th in deposit market share in Chautauqua County with 5 branches; ranks 9th in Erie County with 6 branches
- ▶ Converted to MHC structure on April 4, 2006, raising \$29.8 million in gross proceeds and trades on NASDAQ under the symbol LSBK

County	Rank	Branches	Company Deposits in Market (\$000)	Deposit Market Share (%)	Projected Population Change 2018-2023 (%)	Median HH Income 2018 (\$)	Projected HH Income Change 2018-2023 (%)
Chautauqua	5	5	229,294	14.56	(2.22)	47,802	11.39
Erie	9	6	167,953	0.44	0.48	58,035	8.93

Total		11	397,247				
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New York Franchise					(1.08)	52,128	10.35
State of New York					1.30	66,418	8.76
National					3.50	61,045	8.86

An Overview of Lake Shore (Cont.)

Stockholder Information (NASDAQ: LSBK)			
Dividends		Market Information	
Dividend Yield	2.37%	Total Market Cap (mm)	\$102.4
Ownership		Minority Market Cap (mm)	\$41.2
Mutual Holding Company	59.88%	Book Value Per Share	\$12.90
Institutional	14.52%	Price / Book	131%
Insider*	7.59%	Price / MRQ EPS	28.2x

Dividend and Market Information as of May 8, 2018 with closing price of \$16.90.

Ownership as of March 31, 2018.



We are *this*
community's
bank

Serving
Western New
York for over
126 Years

- ▶ Assets topped **\$500** million for the first time in 2017! Currently stand at **\$530** million at the end of the first quarter of 2018!
- ▶ Continue to capitalize on merger related disruptions in the Western New York marketplace.
- ▶ We are a local bank, operated locally. New entrants to the market are headquartered in Pennsylvania or Ohio.
- ▶ Strategically focused on serving Western New York
- ▶ Experienced Management with thorough knowledge of our service area – over 200 years of banking experience among Senior Management Team members

With continued opportunity for growth
Western New York is clearly the
RIGHT PLACE
for a locally headquartered,
service oriented financial institution like
Lake Shore Savings Bank

Executing On Our Strategy for Growth

- ▶ Continued focus on sustainable profitable growth
- ▶ Commercial loan portfolio growth
- ▶ Strategically focused on gathering core, low cost deposits
- ▶ Manage (Mitigate) Enterprise Risk and Interest Rate Risk
 - ▶ Effective Enterprise Risk Management process
 - ▶ Shorter duration loans favorably impact interest rate risk
- ▶ Commitment to an efficient operating profile

We have been here for Western New York's businesses and families through it all – in challenging economic times and in times of growth and prosperity.

As always, we're here at the **RIGHT TIME** to help our customers and community members benefit from the region's current economic upswing.

Deployed Unique Products and Services Responding to Customers' Changing Needs

- ▶ *Business Money Market Savings* was introduced in May
- ▶ *LS Ultimate Money Market Savings* was introduced in August
- ▶ *LS Premium Money Market Savings* was introduced in November
- ▶ Continue with highly successful *HELOC product*
- ▶ Implemented *Retail On-Line Banking* upgrades
- ▶ *Card Valet* integration to the **LS Mobiliti** app

Branch Delivery Channel Activities

- ▶ Solid community based customer relationship approach to develop core business
- ▶ **Richard Greco: Snyder Branch Sales Manager**
 - ▶ Been in banking since 1997
 - ▶ A graduate of University at Buffalo and currently lives in Snyder
- ▶ **Scott Swan: KenTon Branch Sales Manager**
 - ▶ US Army Veteran
 - ▶ Banker for over 7 years
 - ▶ Community Volunteer

Branch Delivery Channel Activities (cont.)

- ▶ Universal Banker Concierge Approach
- ▶ Committed to providing financial solutions tailored to each customer's needs. There is no one size fits all, there is no incentivized pressure sale of the day.

**WHAT IS BEST FOR THE CUSTOMER
IS BEST FOR LAKE SHORE SAVINGS BANK.**

Secure and Up to Date Technology

- ▶ Online banking enhancements support branch business development efforts and meet customers' technology needs, while maintaining superior customer service
- ▶ Security Upgrades
 - ▶ Completed conversion to EMV chip cards for debit cards
 - ▶ Password Upgrades for online banking
- ▶ Identified Replacement Loan Origination System
- ▶ Business Mobiliti and Business Mobile Capture

Customer solutions and one-to-one interactions are a defining factor of a true community bank such as Lake Shore Savings Bank.

By “*Putting People First*” in all we do, we become the **RIGHT BANK** for Western New York businesses and consumers.

Governance and Diversity

- ▶ Board of Directors have strong governance controls and complete internal self-assessments
- ▶ Diverse board with 30% female representation
 - ▶ First female director appointed 23 years ago in 1995
- ▶ Board member backgrounds are diverse – have directors with Information Security, Legal, Banking, Real Estate, Business and Accounting expertise
- ▶ Active Millennial Advisory Board

Summary

We are well positioned to achieve continued success:

- ▶ Ample Business Opportunities in Western New York
- ▶ Strong loan pipelines
- ▶ Talented, service-oriented team

*This is the **RIGHT PLACE** and the **RIGHT TIME**.
And **Lake Shore Savings Bank**
is the **RIGHT BANK**.*

Financial Highlights

Rachel A. Foley

Chief Financial Officer and Treasurer

Financial Highlights

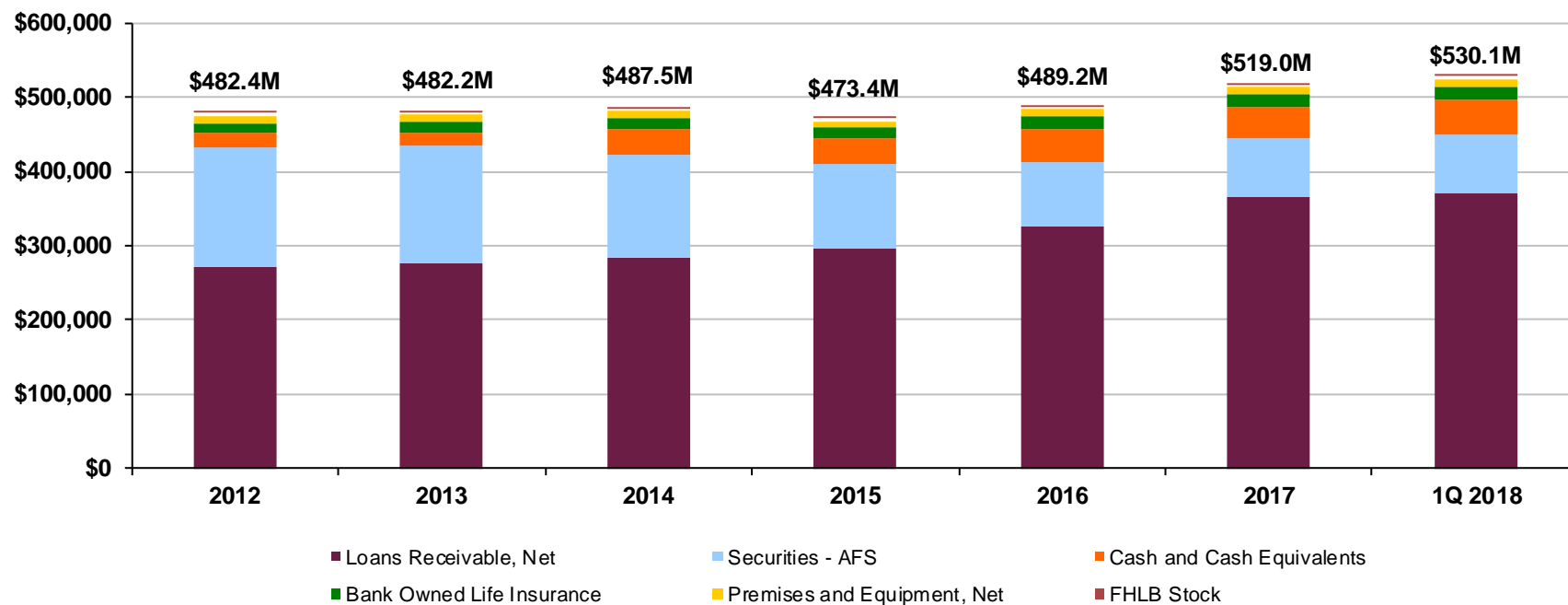
<i>Dollars in Thousands (except per share amounts)</i>	FY 2017	FY 2016	YoY Change
Assets	\$518,977	\$489,174	6.1%
Net Loans	\$365,063	\$326,365	11.9%
Deposits	\$405,153	\$385,893	5.0%
Net Income	\$3,378	\$3,515	(3.9%)
Basic Earnings Per Share	\$0.55	\$0.58	(5.2%)
Book Value Per Share	\$12.85	\$12.49	2.9%
Dividend Yield	1.87%	1.72%	8.7%
ROAA	0.67%	0.74%	(9.5%)
Efficiency Ratio	73.89%	71.93%	2.7%
Non-Performing Assets	\$4,268	\$6,278	(32.0%)

<i>Dollars in Thousands (except per share amounts)</i>	2018 FQ1	2017 FQ1	QoQ Change
Assets	\$530,084	\$493,867	7.3%
Net Loans	\$371,166	\$345,032	7.6%
Deposits	\$417,752	\$390,810	6.9%
Net Income	\$936	\$716	30.7%
Basic Earnings Per Share	\$0.15	\$0.12	25.0%
Book Value Per Share	\$12.87	\$12.53	2.7%
Dividend Yield	2.38%	2.05%	16.1%
ROAA	0.72%	0.59%	22.0%
Efficiency Ratio	76.36%	74.55%	2.4%
Non-Performing Assets	\$5,021	\$4,853	3.5%

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Total Assets

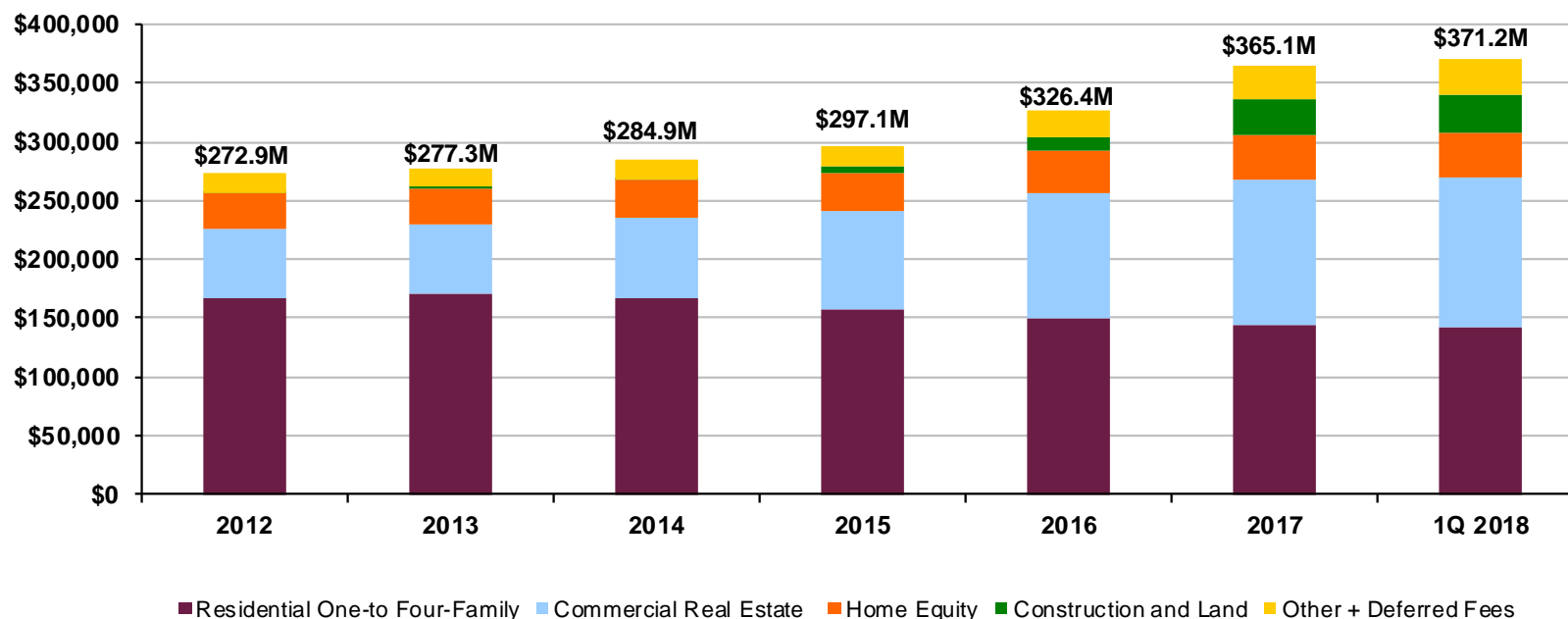
- Focused on asset diversification to improve margins.



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Loan Growth

- ▶ Lake Shore continues to execute its strategic plan of organic growth primarily through loan originations.
- ▶ From December 31, 2016 through March 31, 2018, net loans increased 13.7% primarily due to net organic commercial loan growth of 30%.



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Loan Originations

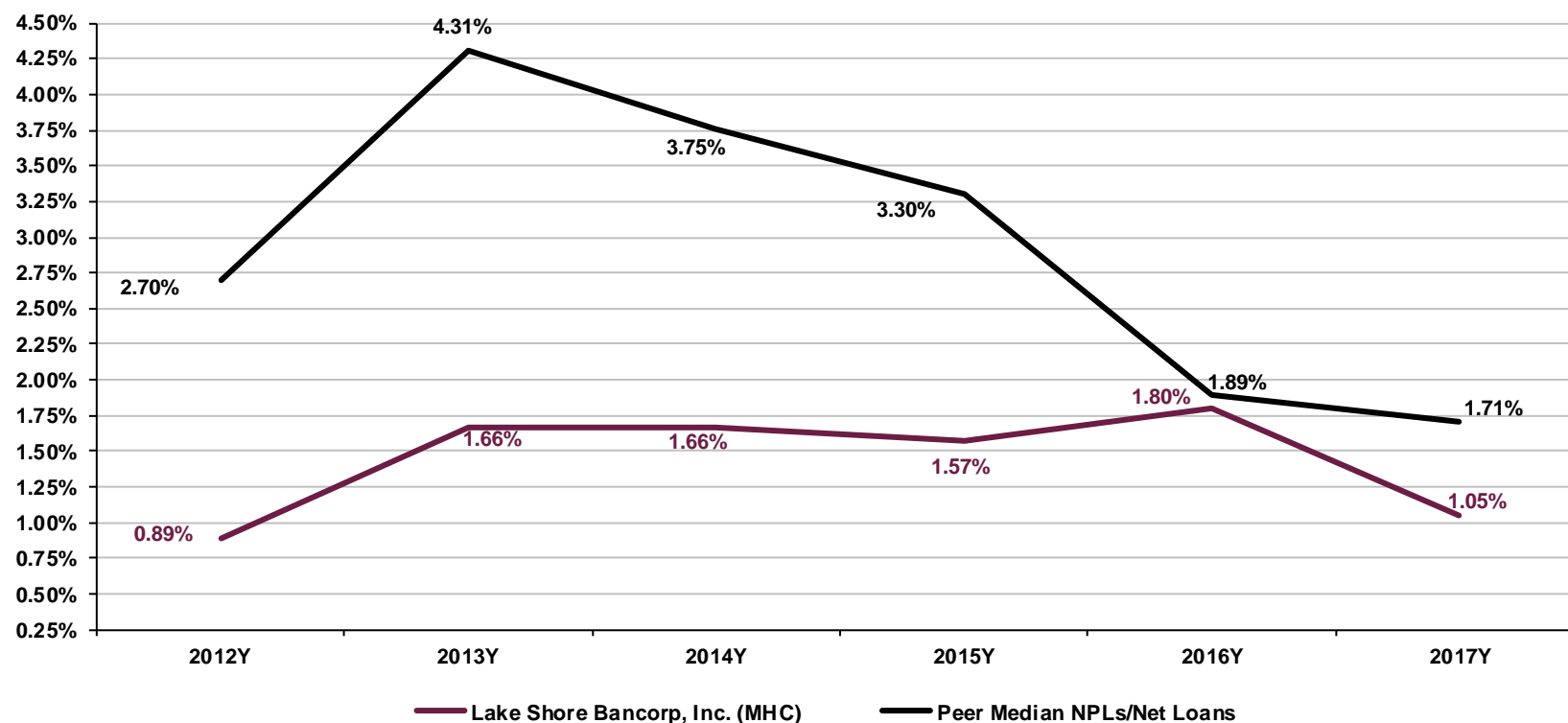
New Loans	2014	2015	2016	2017	3/31/2018
Residential Mortgage - New & Modified	\$15.98	\$21.37	\$16.48	\$18.65	\$2.79
Commercial Mortgage - New & Modified	19.13	27.55	39.06	49.64	18.45
Commercial Loans	7.64	11.69	7.28	14.63	4.30
Home Equity Loans	6.08	6.40	11.45	15.54	2.37
Consumer Loans	0.38	0.33	0.36	0.45	0.11
Total New Loans	\$49.21	\$67.34	\$74.63	\$98.91	\$28.02

32.5% YOY Increase as of December 31, 2017

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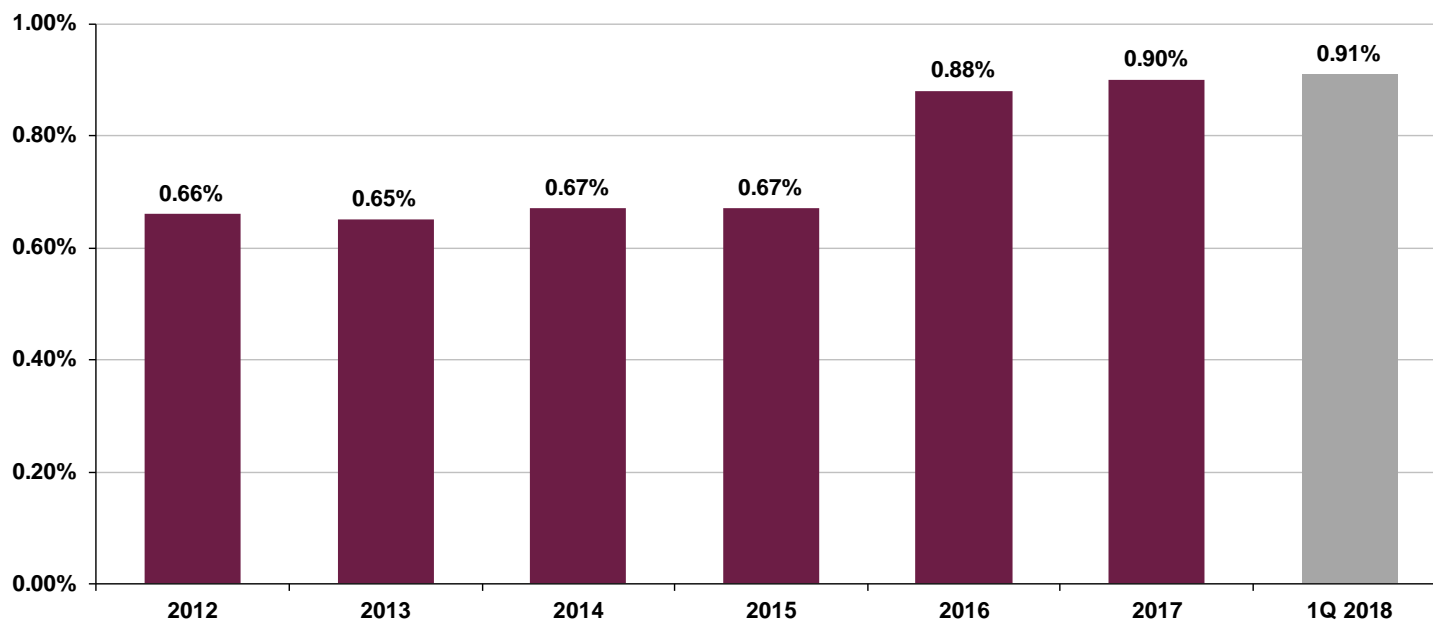
NPLs/Total Net Loans

▶ Lake Shore's nonaccrual loans have consistently remained at lower levels compared to its peers.



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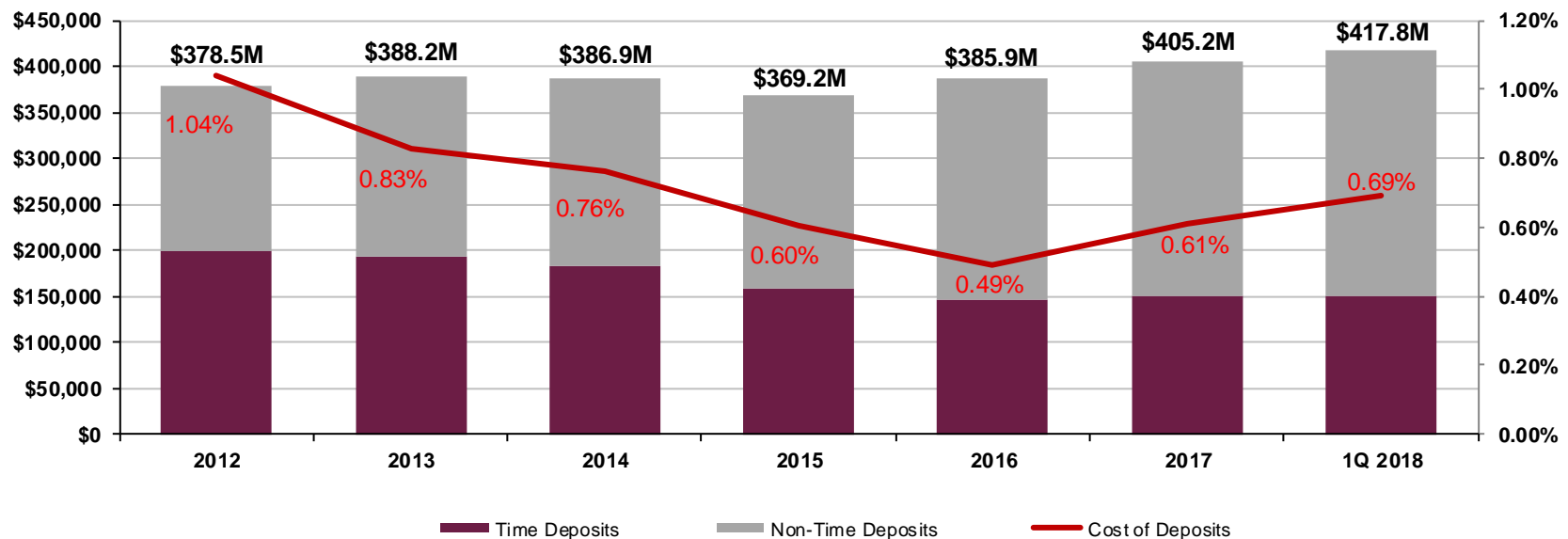
Loan Loss Reserves / Total Net Loans



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Continued Focus on Deposit Growth

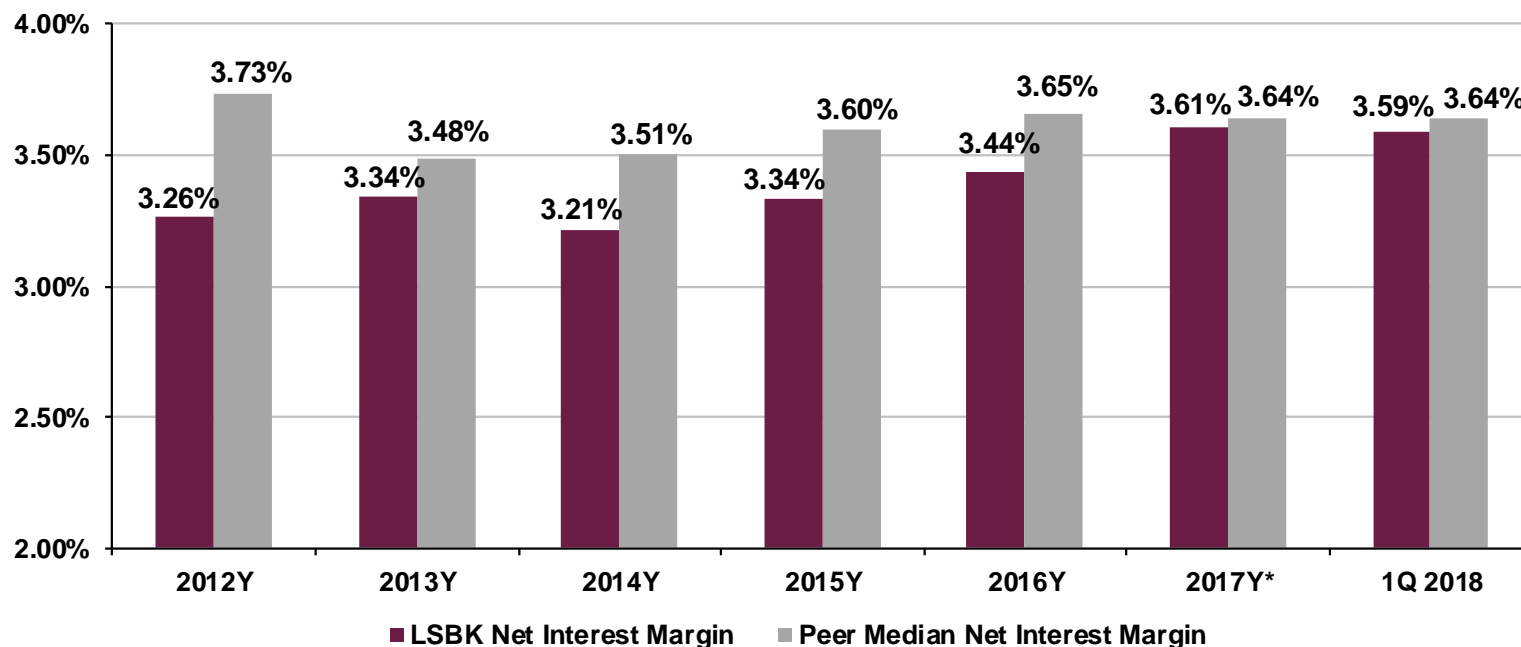
- ▶ Our focus has been on reducing our cost of funds by concentrating our efforts on growing core deposits.
- ▶ Core Deposits as of March 31, 2018 were 64.2% of total deposits, an increase of 48.9% since 2012.



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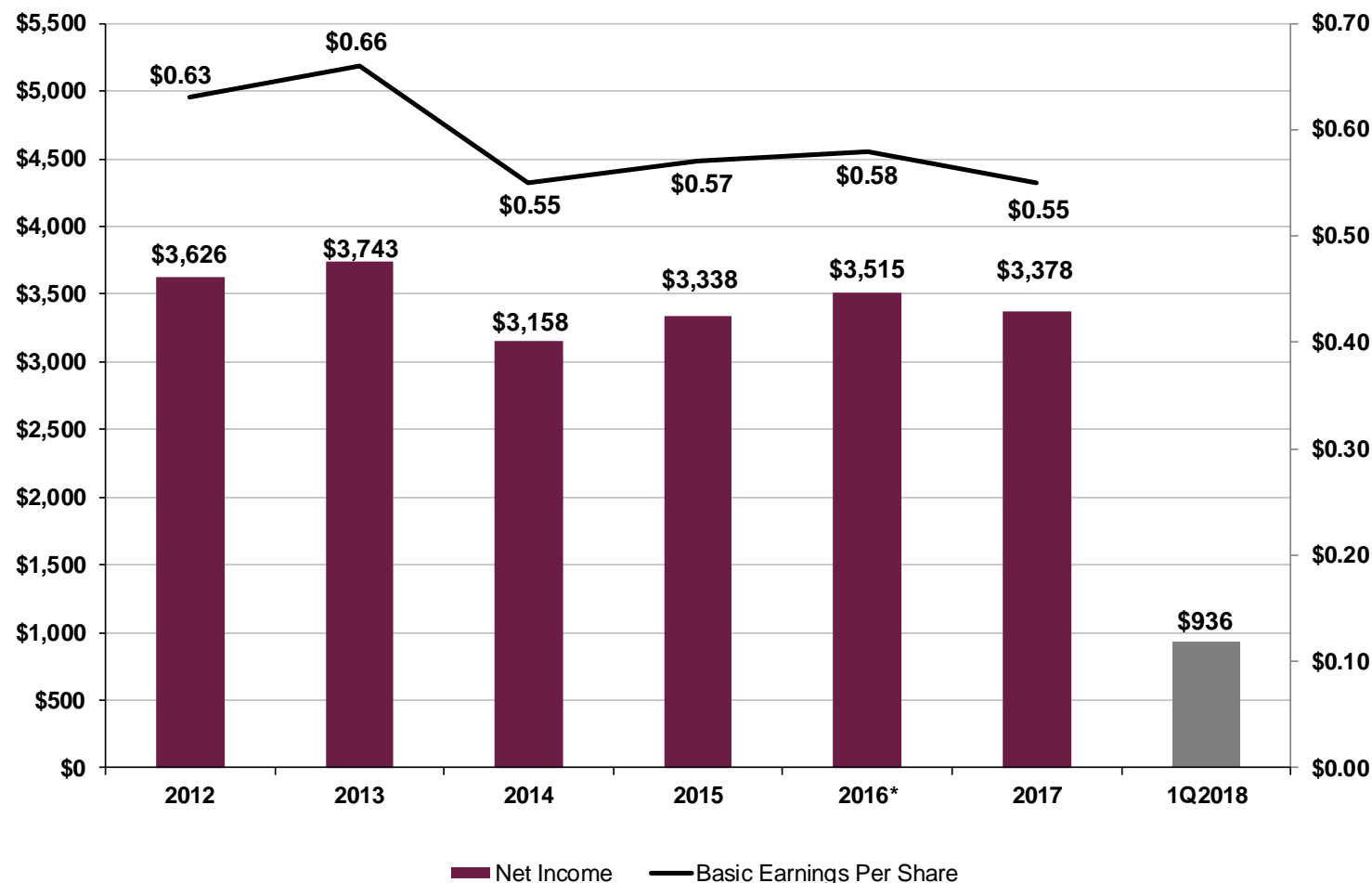
Strong Net Interest Margin

- ▶ Despite operating in an environment that places significant pressure on spread and margin, Lake Shore's margin has been increasing due to changes to the loan/deposit mix.



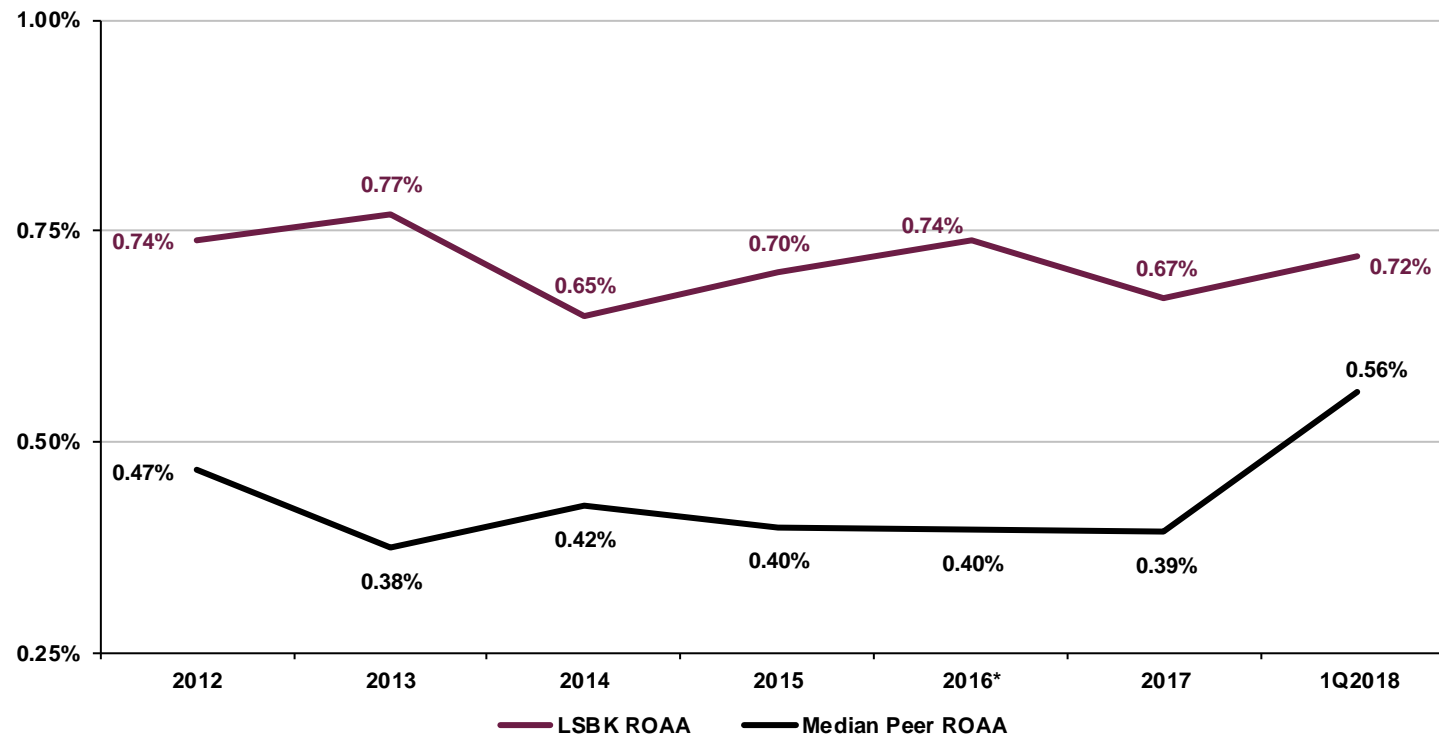
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Net Income Trends



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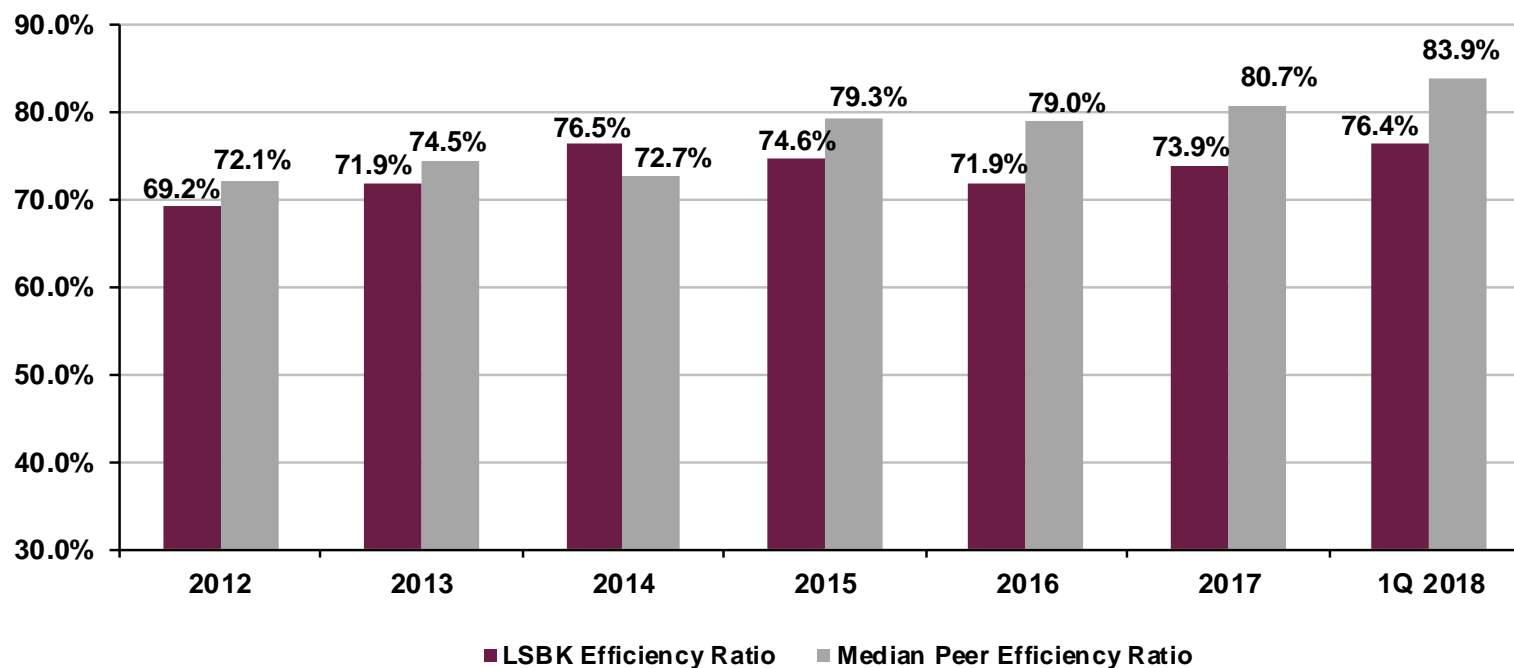
Comparison of ROAA Results to Peers



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Continued Focus on Cost Control

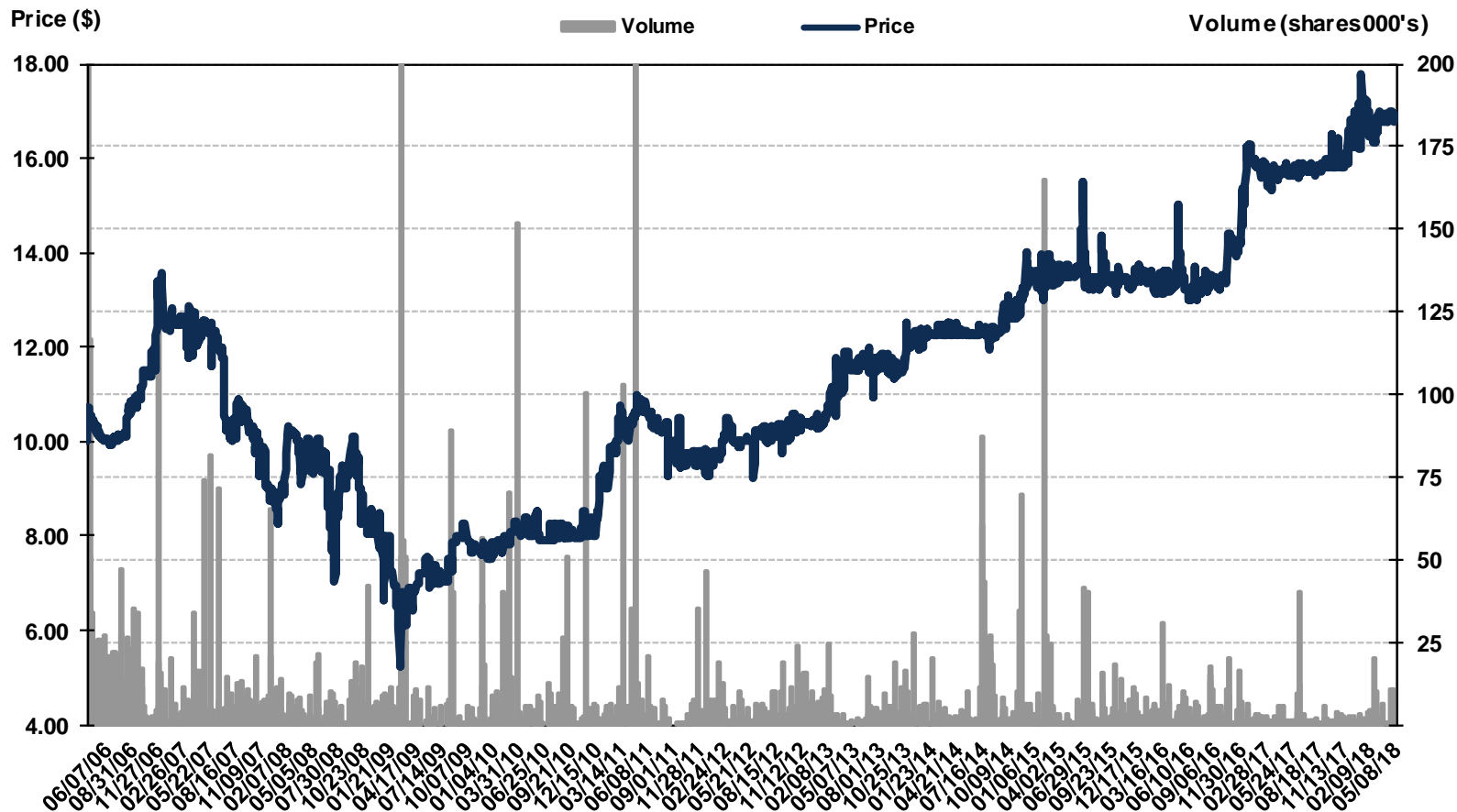
- ▶ Lake Shore's efficiency ratio is generally below the peer group.



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LSBK Price / Volume Chart Since IPO

Price on 5/8/18 - \$16.90



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Creating Shareholder Value

- ▶ High Capital Ratios enable organic growth without diluting shareholder value
- ▶ Consistent dividend payment history
- ▶ Stock buyback program currently in place

	2012	2013	2014	2015	2016	2017	3/31/2018
Tier 1 Ratio	23.0%	24.4%	25.0%	24.2%	22.2%	20.8%	20.4%
Total RBC Ratio	23.8%	25.1%	25.7%	24.9%	23.2%	21.8%	21.3%
Leverage Ratio	12.1%	12.8%	13.2%	14.3%	14.7%	14.4%	14.4%
Equity / Total Assets	13.9%	13.5%	14.7%	15.6%	15.5%	15.1%	14.8%
Dividends Per Share*	\$0.25	\$0.28	\$0.28	\$0.28	\$0.28	\$0.32	\$0.40
Common Shares Outstanding	5,919,132	5,915,835	5,990,042	6,003,416	6,088,674	6,098,323	6,073,970

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QUESTIONS & ANSWERS



Appendix: Lake Shore Peer Data

Institution Name	Ticker	City, State	Total Assets (\$mm)
HarborOne Bancorp, Inc. (MHC)	HONE	Brockton, MA	\$2,685
Greene County Bancorp, Inc. (MHC)	GCBC	Catskill, NY	\$1,061
PDL Community Bancorp (MHC)	PDLB	Bronx, NY	\$926
Provident Bancorp, Inc. (MHC)	PVBC	Amesbury, MA	\$902
NorthEast Community Bancorp, Inc. (MHC)	NECB	White Plains, NY	\$815
Magyar Bancorp, Inc. (MHC)	MGYR	New Brunswick, NJ	\$597
Lincoln Park Bancorp (MHC)	LPBC	Lincoln Park, NJ	\$383
William Penn Bancorp, Inc. (MHC)	WMPN	Levittown, PA	\$301
Seneca-Cayuga Bancorp, Inc. (MHC)	SCAY	Seneca Falls, NY	\$291
Seneca Financial Corp. (MHC)	SNNF	Baldwinsville, NY	\$176
BV Financial, Inc. (MHC)	BVFL	Baltimore, MD	\$168
SSB Bancorp, Inc. (MHC)	SSBP	Pittsburgh, PA	\$158
Gouverneur Bancorp, Inc. (MHC)	GOVB	Gouverneur, NY	\$135
Auburn Bancorp, Inc. (MHC)	ABBB	Auburn, ME	\$73
Average			\$619
Median			\$342

- ▶ Call to Order
- ▶ Introduction of Proposal to Elect Directors
- ▶ Tabulation of Votes
- ▶ Adjournment