

Annual Meeting of Shareholders



May 21, 2008

Safe Harbor Statement

This presentation includes "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future business, revenue and earnings. 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.

Lake Shore Bancorp Inc.

Corporate Profile

Market Data (as of May 19, 2008) – (Source - NASDAQ)

<input type="checkbox"/> Ticker Symbol	LSBK
<input type="checkbox"/> 52 – week Range	\$7.81 - \$12.60
<input type="checkbox"/> Current Price	\$10.05
<input type="checkbox"/> Market Capitalization	\$64.26 million
<input type="checkbox"/> Shares Outstanding	6.39M shares
<input type="checkbox"/> 50 Day Avg. Trading Vol.	1,414 shares
<input type="checkbox"/> Dividend Yield	2.103%
<input type="checkbox"/> Ownership	
– Insider	3.13%
– Institutional	10.58%

Other Data

<input type="checkbox"/> Return on Average Equity	3.39%
(as of December 31, 2007)	



Lake Shore Savings Facts:

- ❑ Our mission is to be a high quality, well respected financial institution in the markets that we serve.**
- ❑ We will continue to serve the financial needs of the communities in our market area by providing various residential lending and Small Business Products.**
- ❑ We will create value by providing the best customer service and developing lasting customer relationships.**

Lake Shore Savings Facts: Continued

- ☐ **We take great pride in the work skills of our employees.**
- ☐ **We have served our community for over 117 years.**

Positive Signs

- ☐ Interest rate environment is changing.
- ☐ Yield curve is moving to a favorable position.
- ☐ Lower deposit cost will improve earnings.
- ☐ Strong Mortgage Lending levels.
- ☐ New Ad agency which is focused on Brand awareness.
- ☐ Erie County Offices growing and adding to the profitability of the bank.
- ☐ Earnings Enhancement program improves fee income.

New Staff and Directors

- ☐ Retail Banking Officer - Nancy LaTulip
- ☐ Director - Paul Kolkmeyer
- ☐ Director - Reginald Corsi (if elected today)

- ☐ Both Nancy LaTulip and Paul Kolkmeyer are well known in Erie County and will help to improve market share.

New Products 2007

- ☐ Commercial Overdraft Lines of Credit.
- ☐ SBA Loans.
- ☐ Business Debit Card.
- ☐ New Home Equity Product – allows borrower to allocate a portion of a line of credit to a fixed interest rate, with remainder having a variable interest rate.

Key Events

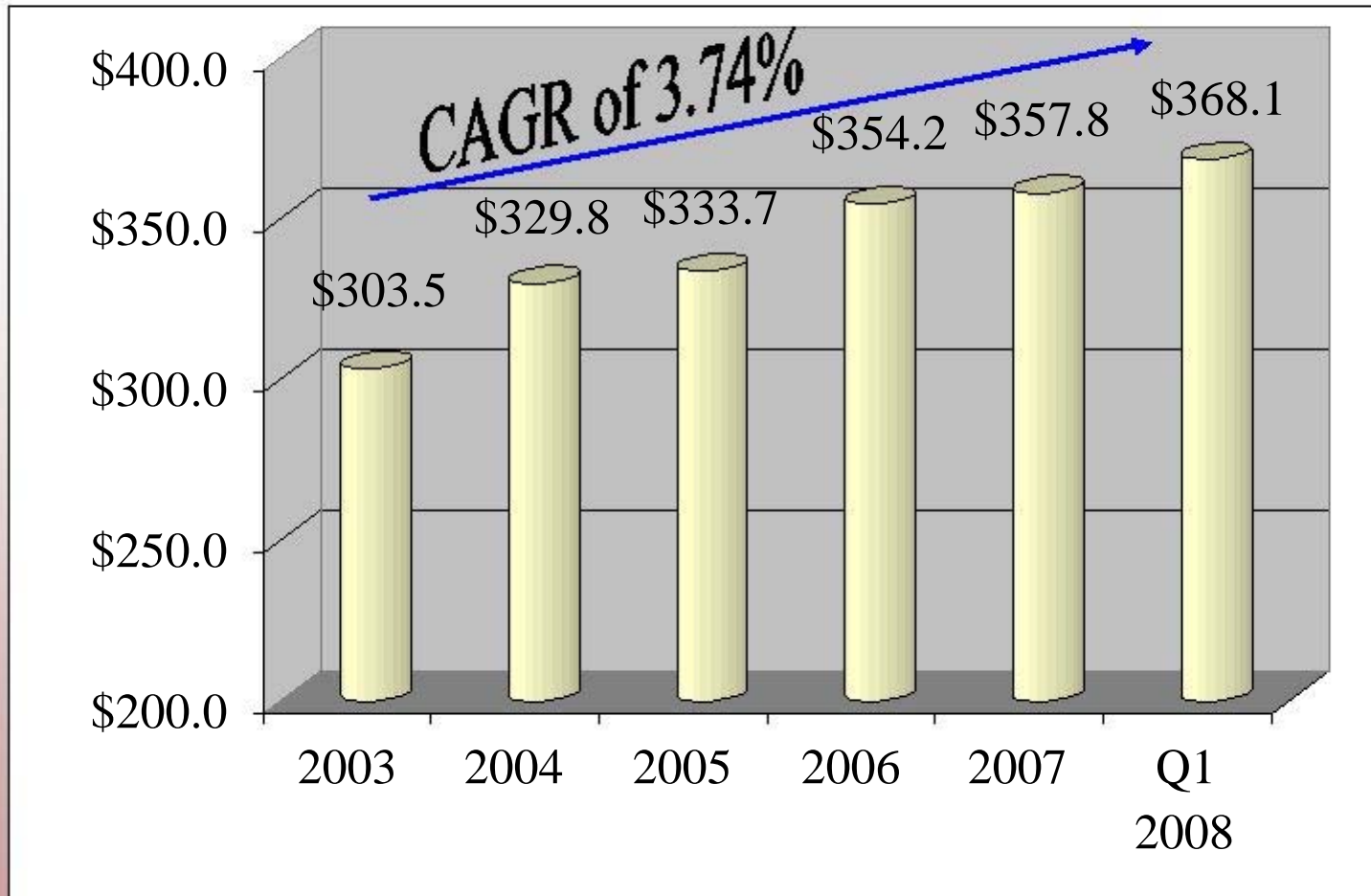
- ❑ Announcement of Retirement of two key people at Lake Shore Savings: Reg Corsi, Chief Operating Officer and Thomas Reed, Director.
- ❑ Implementation of Remote Capture for our Retail Business Customers.
- ❑ Reduction in our efficiency ratio.
- ❑ Earnings continue to improve.
- ❑ Annual dividend increased to \$0.20 cents per share from \$0.12 cents per share at this time last year.



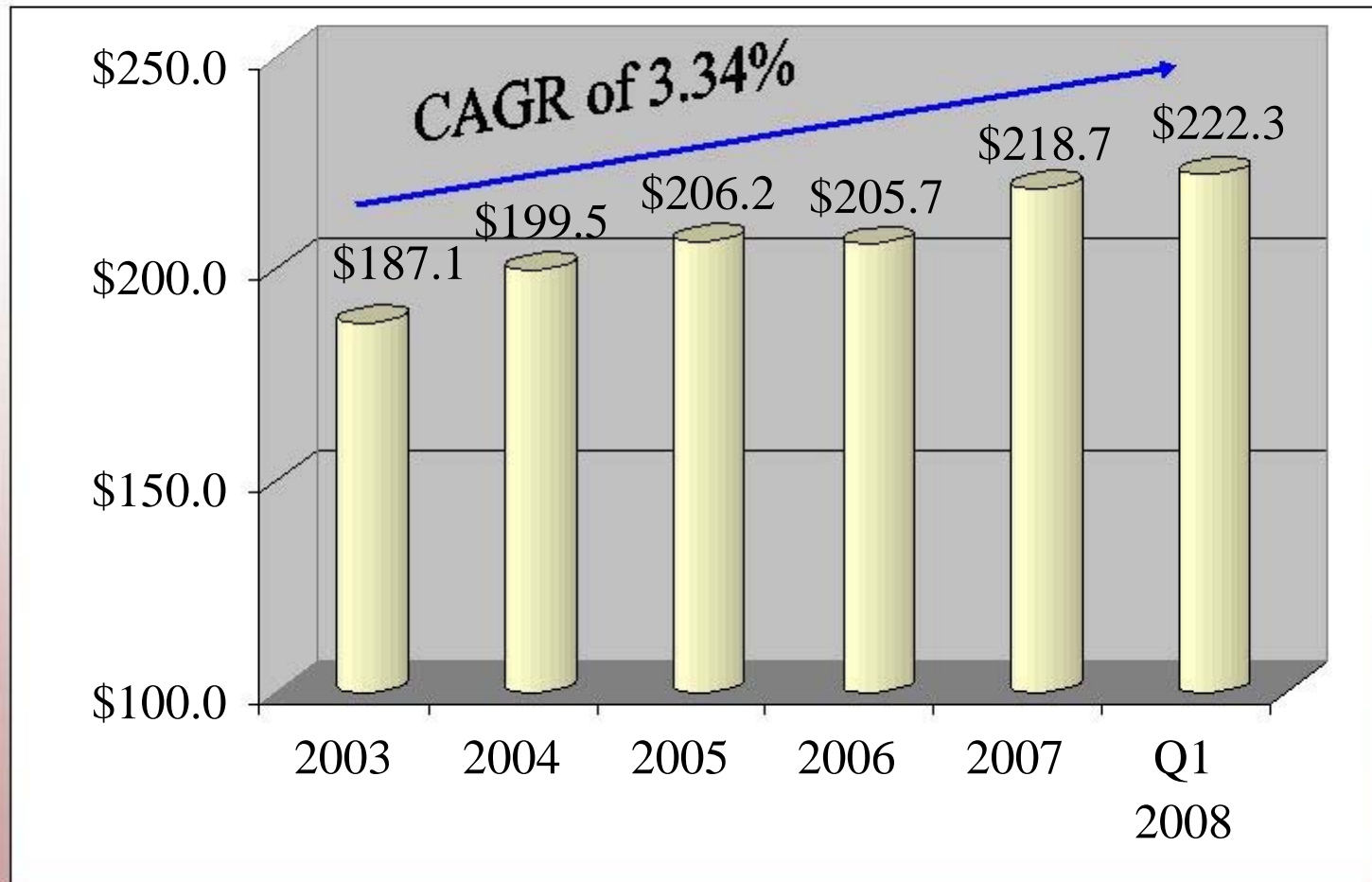
Lake Shore Bancorp, Inc.

- Financial Presentation
 - Rachel Foley, CFO

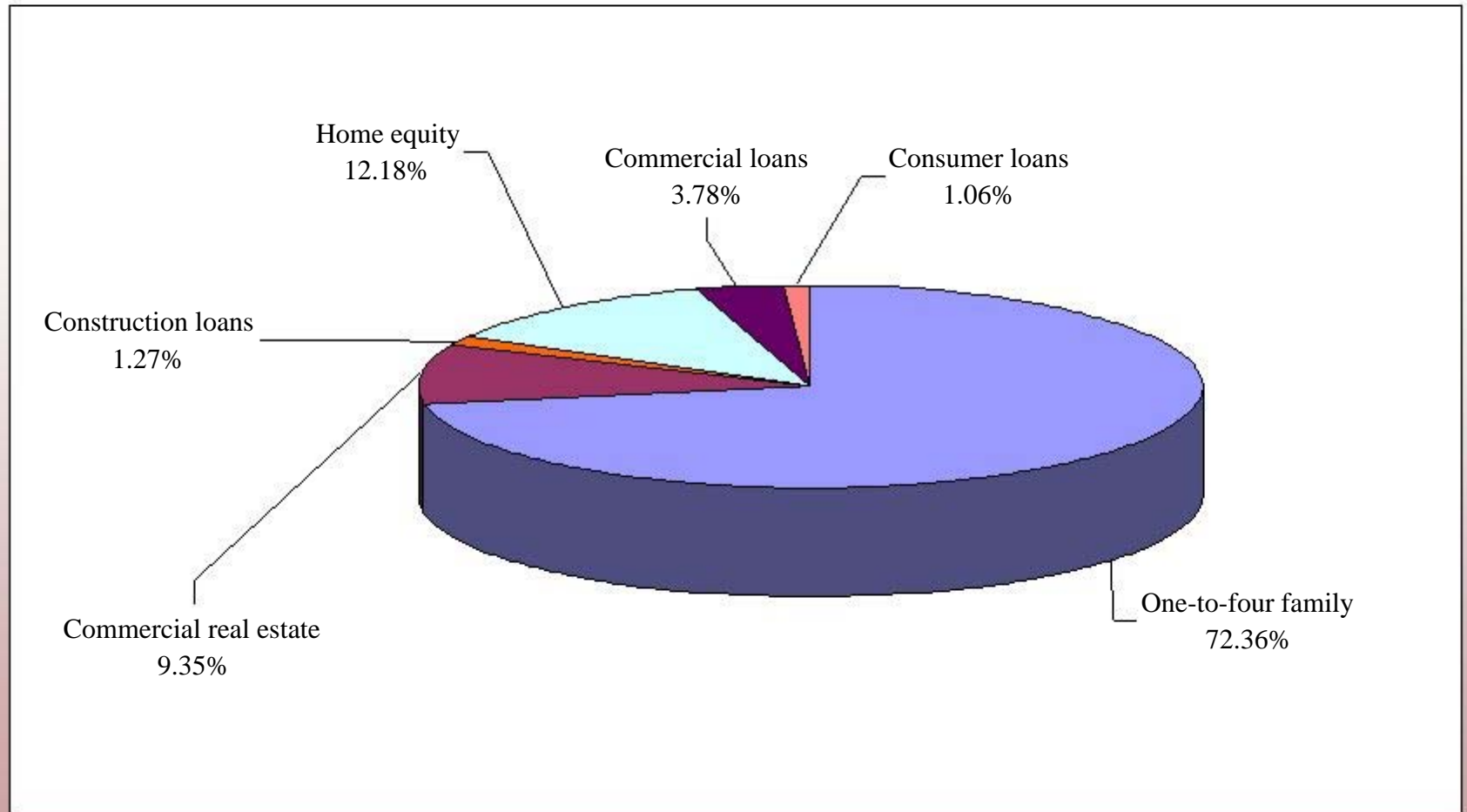
Total Assets (\$ in millions)



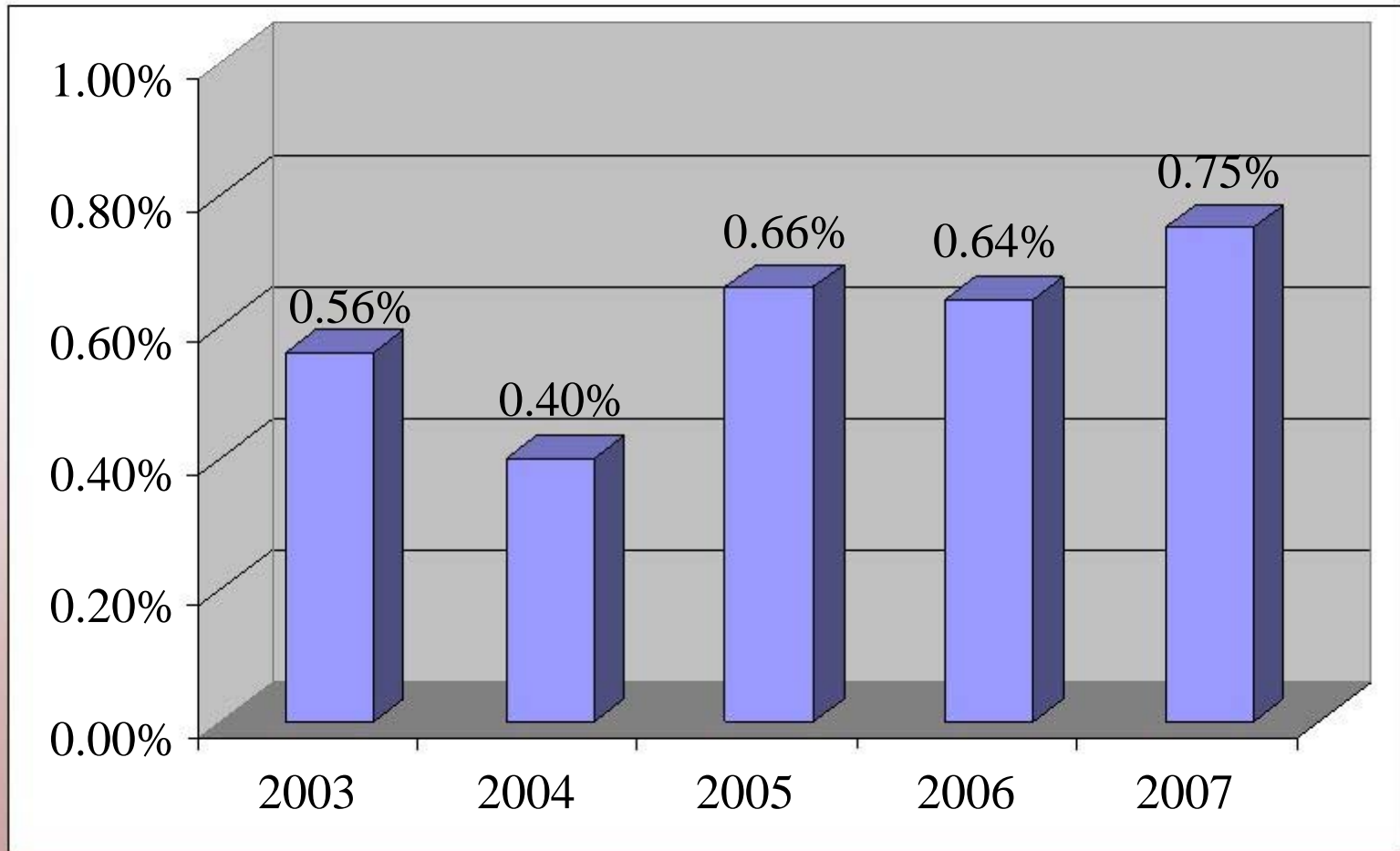
Loans, net (\$ in millions)



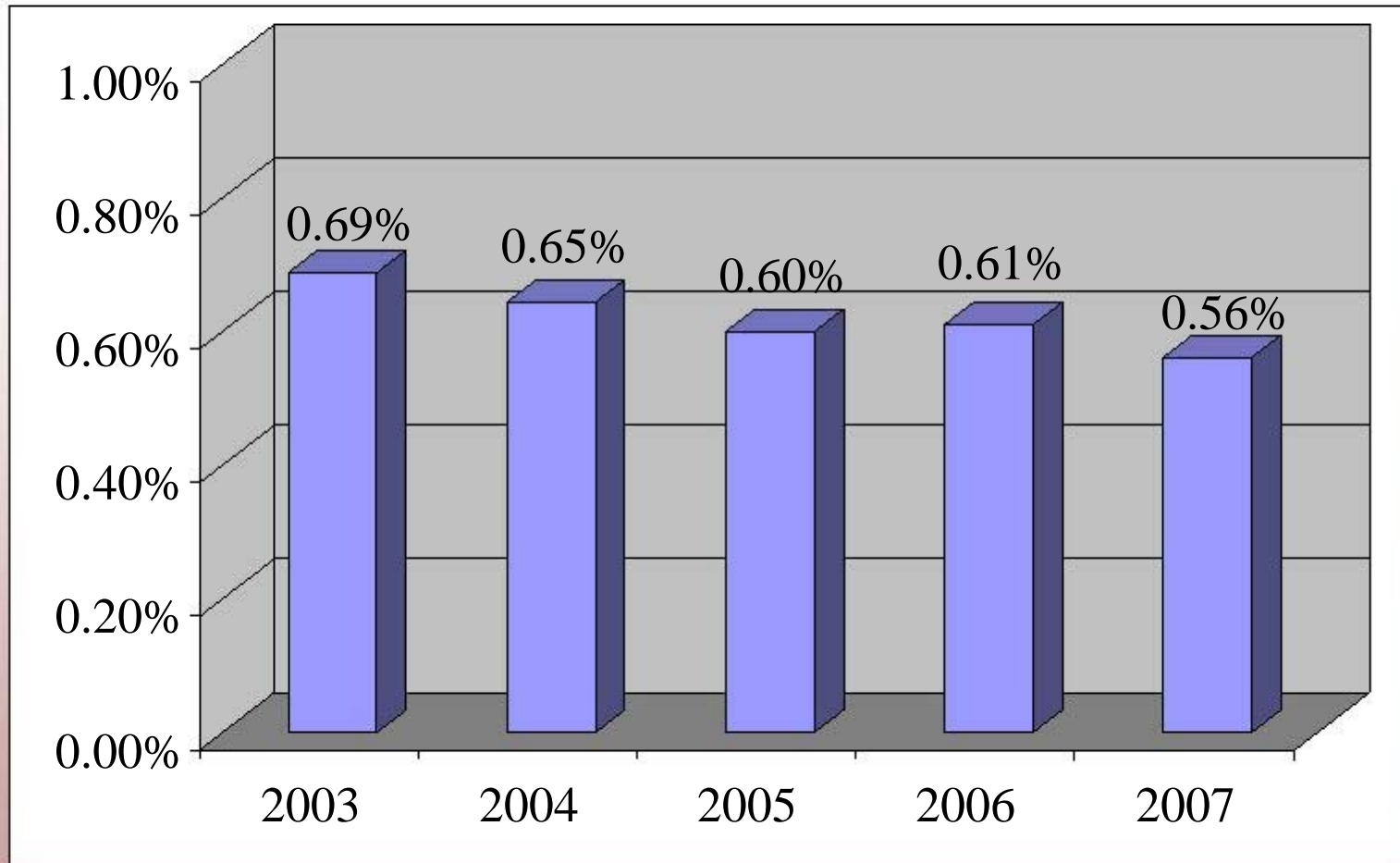
Loan Composition (as of December 31, 2007)



Non-performing Loans as a percentage of Gross Loans



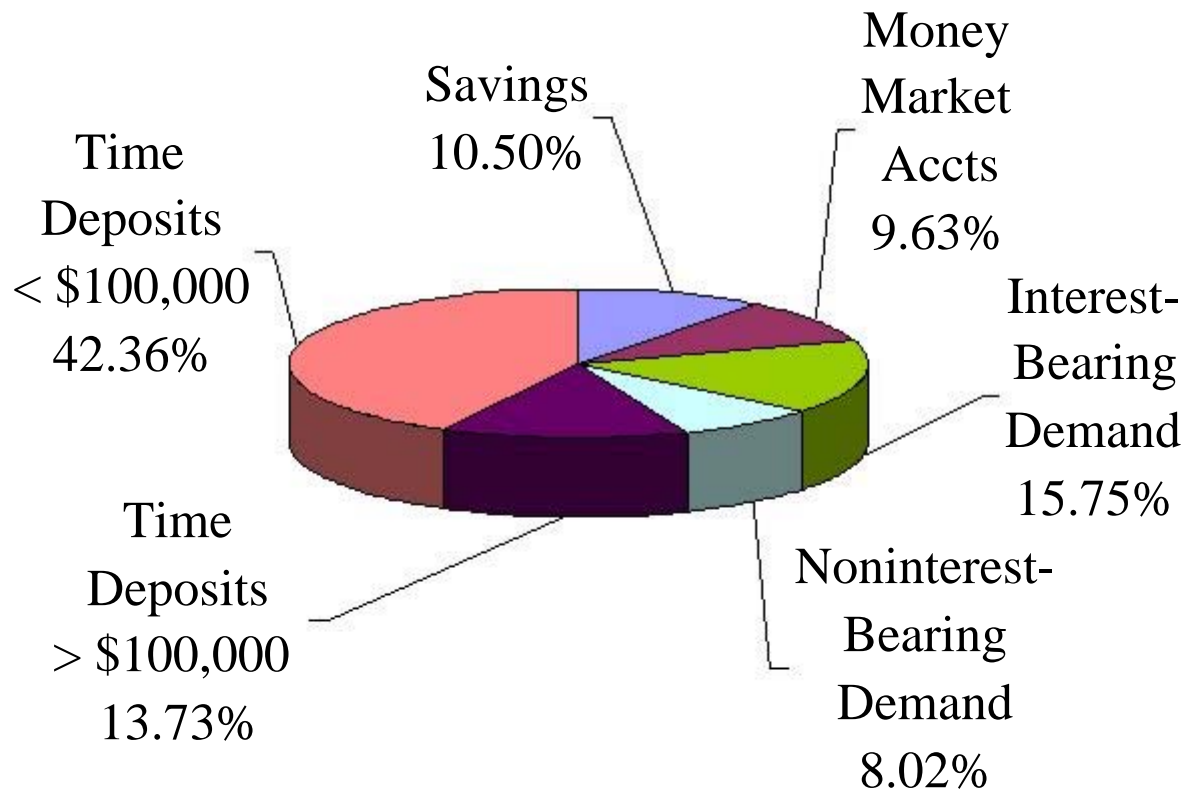
Loan Loss Reserves as a percentage of Loans



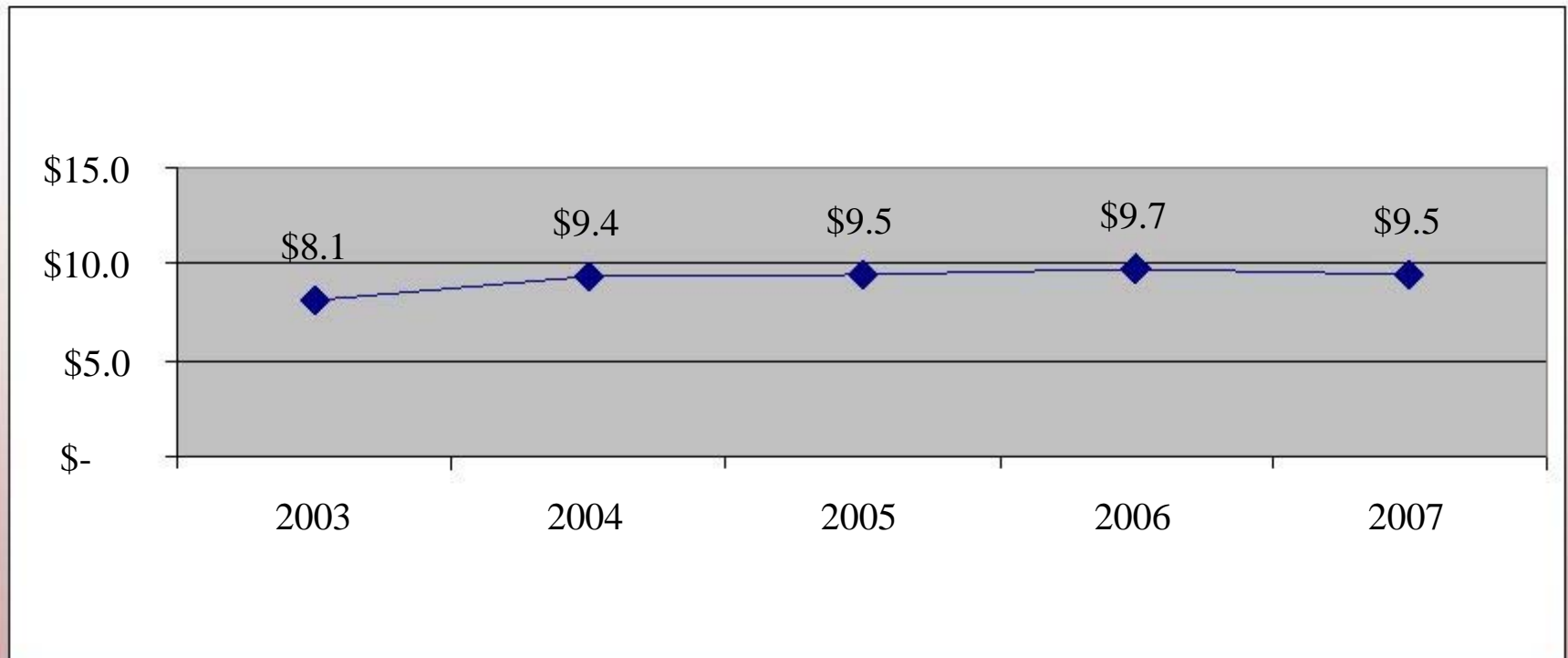
Total Deposits (\$ in millions)



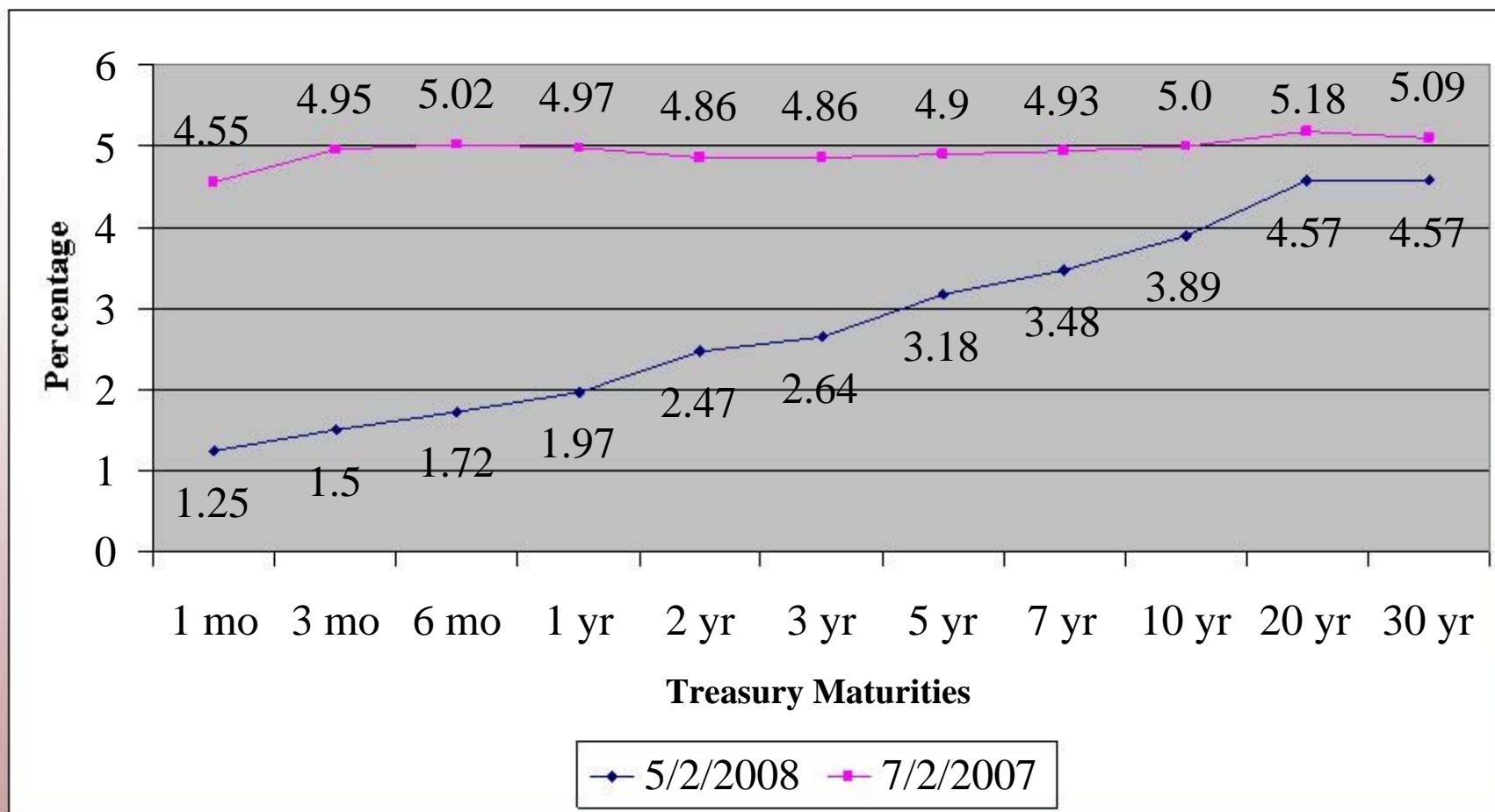
Deposit Composition (as of December 31, 2007)



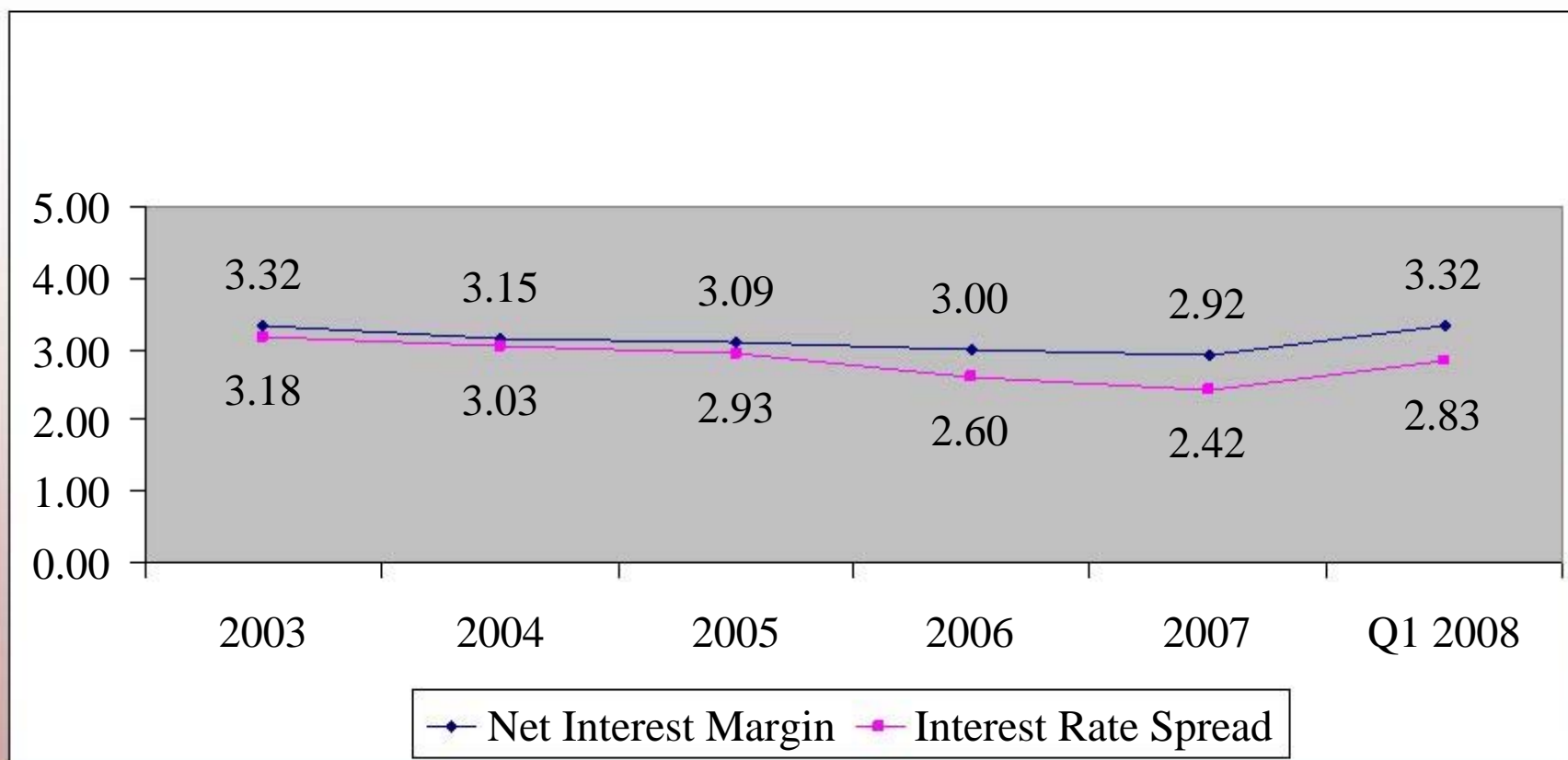
Net Interest Income (\$ in millions)



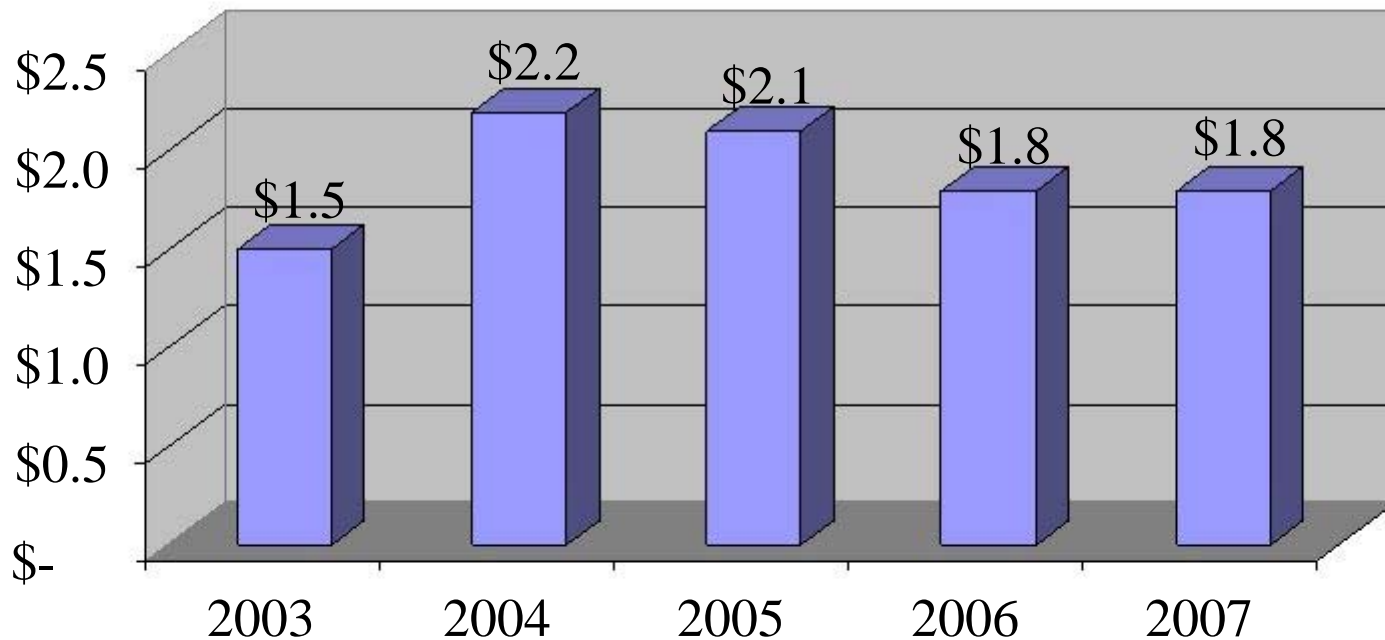
Treasury Yield



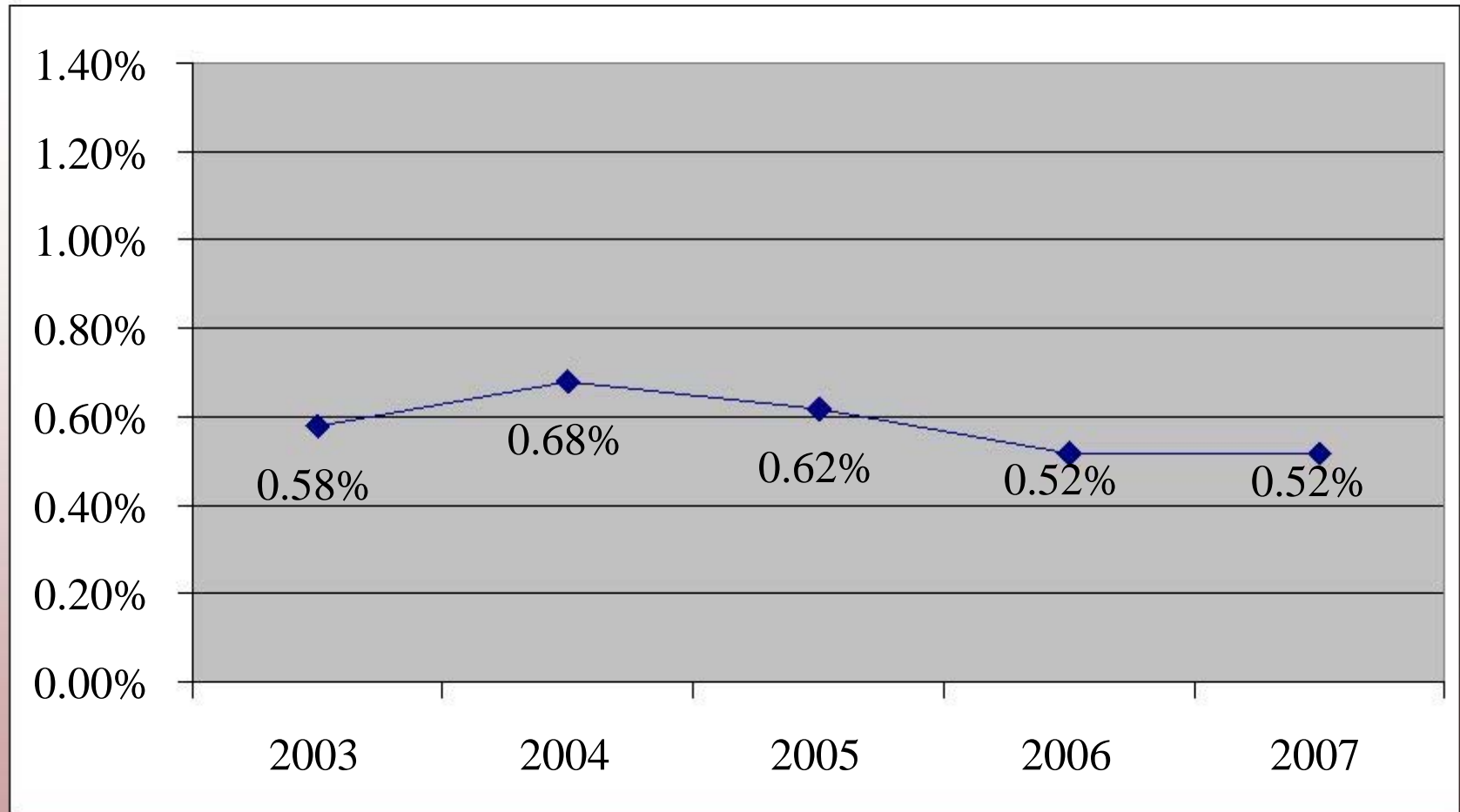
Interest Rate Margin & Spread (in percentages)



Net Income (\$ in millions)



Return on Average Assets (in percentages)



Interest Rate Floor

- Purchased August 2006.
- Cost \$221,000.
- Covers \$10 Million “notional” amount of variable rate loans tied to prime rate.
- Receive interest income if prime rate falls below 8%.
- Prime rate fell below 8% in September 2007.
- \$78,000 cumulative-to-date interest income received.

Interest Rate Floor (cont.)

- Floor product is a derivative.
- Increase or decrease in fair market value is recorded as interest income.
- Fair market value increased in 2007.
- Recorded \$298,075 of interest income in 2007.
- Future increases or decreases in the fair market value may affect the net interest income recorded on income statement.
- The floor will mature in August 2011.

1st Quarter 2008 Results

- Total Assets up \$10.3 M since Dec 31st.
 - Loans, net up \$3.6 M.
 - Cash up \$5.5M.
- Total Deposits up \$9.5M since Dec 31st.

1st Quarter 2008 Results

- \$658,000 net income compared to \$298,000 in 1st quarter of 2007, a 121% increase.
 - \$317,000 increase in interest income due to increase in fair market value of interest rate floor (compared to \$9,000 increase in 1st Q 2007).
 - \$106,000 increase in service charges and fees (compared to 1st Q 2007).
 - \$78,000 decrease in deposit interest expense.

Dividends Paid per Share

