



***Annual Shareholders' Meeting***

May 17, 2017

- ▶ **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
Reginald S. Corsi	2008
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:**      **Jack L. Mehltreter**  
                                                         **Susan C. Ballard**  
                                                         **Daniel P. Reininga**
- ▶ **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 2017**

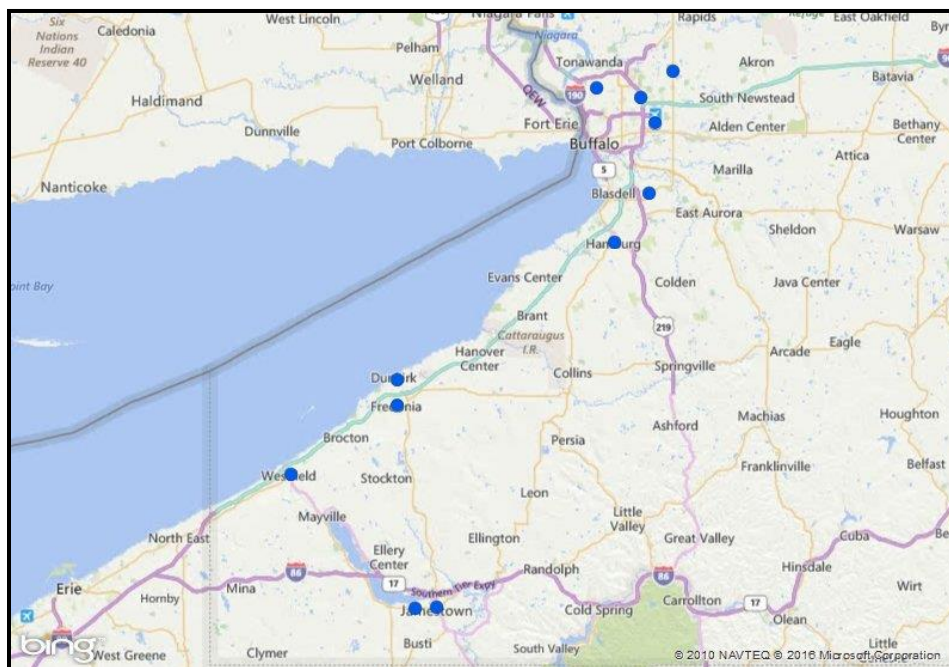
Daniel P. Reininga,  
President and Chief Executive Officer

# 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 Dunkirk, New York, with a longstanding history of community banking since 1891
- ▶ Focuses 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 \$345.0 million as of March 31, 2017
- ▶ Operates 11 full-service branch locations in two counties within Western New York
- ▶ Lake Shore ranks 5<sup>th</sup> in deposit market share in Chautauqua County with 5 branches; ranks 9<sup>th</sup> 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 2017-2022 (%)	Median HH Income 2017 (\$)	Projected HH Income Change 2017-2022 (%)
Chautauqua	5	5	222,365	14.56	(1.69)	44,514	6.01
Erie	9	6	157,677	0.39	0.96	53,508	6.67
<b>Total</b>		<b>11</b>	<b>380,042</b>				

<b>New York Franchise</b>					<b>(0.59)</b>	<b>48,246</b>	<b>6.28</b>
<b>State of New York</b>					<b>1.99</b>	<b>62,222</b>	<b>6.04</b>
<b>National</b>					<b>3.77</b>	<b>57,462</b>	<b>7.27</b>

# An Overview of Lake Shore (Con't)

Stockholder Information			
Dividends		Market Information	
Dividend Yield	2.05%	Total Market Cap (mm)	\$95.6
Ownership		Minority Market Cap (mm)	\$38.7
Mutual Holding Company	59.47%	Book Value Per Share	\$12.53
Institutional	14.34%	Price / Book	125%
Insider*	7.62%	Price / LTM EPS	41.1x



**HERE THEN. TODAY. TOMORROW.**



**Celebrated  
125 Years of  
Service in  
2016**

## HERE THEN

STRENGTH – CHARACTER – VALUES

## HERE TODAY

EXPERIENCE – COMMITMENT – FOCUS

## HERE TOMORROW

GROWTH – TECHNOLOGY – INNOVATION

## MILLENNIAL ADVISORY BOARD MEMBERS

- ▶ **Alex Czechowski, Student, SUNY at Fredonia**
- ▶ **Casey DeMarco, Assistant Vice President, Associate Relationship Manager, HSBC Bank**
- ▶ **Brandon Ihrig, Math Teacher, Amherst High School**
- ▶ **Molly Krauza, Associate Attorney, Colucci and Gallaher, PC**
- ▶ **Kale Mann, President, Soar Into Your Destiny, Inc.**
- ▶ **Dr. Sue McNamara, Assistant Professor and Internship Coordinator, SUNY at Fredonia School of Business**
- ▶ **Chrissy Ortolano, Director of Selection and Recruitment, Northwestern Mutual**
- ▶ **Chris Phillips, Account Executive and Project Manager, Accessium Group**
- ▶ **Steven Przybyla, Executive Vice President of Business Development and General Counsel, Dent Neurological Institute**

- ▶ Concierge Banking
- ▶ CardValet®
- ▶ Benefits Checking
- ▶ Online Account Opening
- ▶ Enhancements to Retail Mobile Banking
- ▶ Introduction of Business Mobile Banking
- ▶ Business Mobile Deposit Capture
- ▶ EMV “chip” technology for debit cards
- ▶ ATM Deposit Capture

# Strategic Focus to Enhance Value

- ▶ Grow deposits and diversify deposit mix, focus on low-cost core deposits
- ▶ Grow loan portfolio and diversify the mix from residential to commercial loans
- ▶ Grow and diversify non-interest income
- ▶ Control expenses
- ▶ Enhance the branch network and alternative delivery options
- ▶ Increase number of, and penetration within, customers
- ▶ Utilize capital market tools

# Positioned for Growth

- ▶ Dedicated to Community Banking Model
- ▶ Take Advantage of Market Disruption
- ▶ Focus on
  - ▶ High-Quality, Personalized Customer Service
  - ▶ Enhanced Operating Efficiency
  - ▶ Enterprise Risk Mitigation
  - ▶ Safe, Reasonable, Sustainable Growth

*After 125 years in business, we continue to be a local bank that cares about its customers and communities.*

*At Lake Shore Savings, that has always meant “Putting People First”.*

*We will continue to put our customers, communities and shareholders “First” during the next 125 years, as we adopt new technology, products and services to meet the future needs of our customers.*

Rachel A. Foley,  
Chief Financial Officer and Treasurer



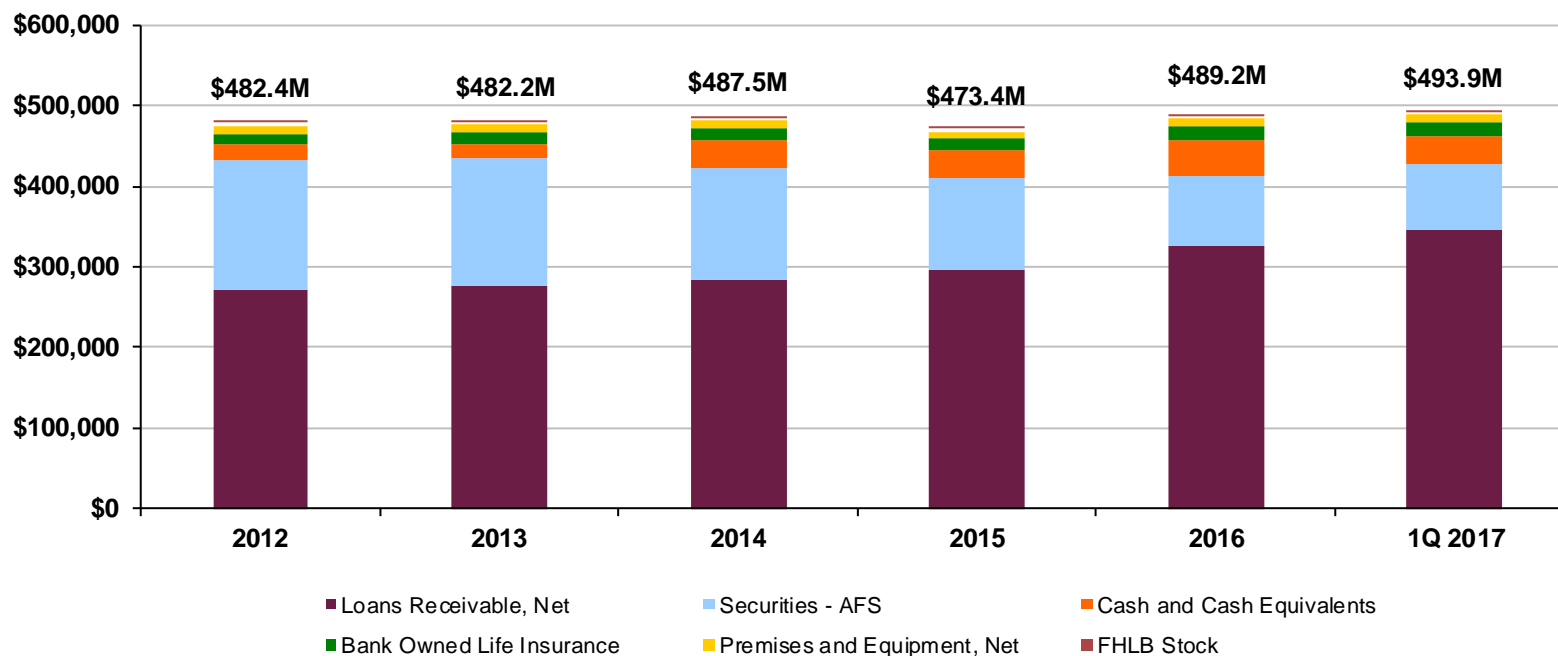
# Financial Highlights

<i>Dollars in Thousands (except per share amounts)</i>	<b>FY 2016</b>	<b>FY 2015</b>	<b>YoY Change</b>
<b>Assets</b>	\$489,174	\$473,385	<b>3.3%</b>
<b>Net Loans</b>	\$326,365	\$297,101	<b>9.8%</b>
<b>Deposits</b>	\$385,893	\$369,155	<b>4.5%</b>
<b>Net Income</b>	\$3,515	\$3,338	<b>5.3%</b>
<b>Basic Earnings Per Share</b>	\$0.58	\$0.57	<b>1.8%</b>
<b>Book Value Per Share</b>	\$12.49	\$12.31	<b>1.5%</b>
<b>Dividend Yield</b>	1.72%	2.09%	<b>(17.7%)</b>
<b>ROAA</b>	0.74%	0.70%	<b>5.7%</b>
<b>Efficiency Ratio</b>	71.9%	74.6%	<b>(3.6%)</b>
<b>Non-Performing Assets</b>	\$6,278	\$5,380	<b>16.7%</b>

<i>Dollars in Thousands (except per share amounts)</i>	<b>2017 FQ1</b>	<b>2016 FQ1*</b>	<b>QoQ Change</b>
<b>Assets</b>	\$493,867	\$474,289	<b>4.1%</b>
<b>Net Loans</b>	\$345,032	\$301,690	<b>14.4%</b>
<b>Deposits</b>	\$390,810	\$371,180	<b>5.3%</b>
<b>Net Income</b>	\$716	\$1,954	<b>(63.4%)</b>
<b>Basic Earnings Per Share</b>	\$0.12	\$0.33	<b>(63.6%)</b>
<b>Book Value Per Share</b>	\$12.53	\$12.55	<b>(0.2%)</b>
<b>Dividend Yield</b>	2.05%	2.11%	<b>(2.8%)</b>
<b>ROAA</b>	0.59%	1.65%	<b>(64.2%)</b>
<b>Efficiency Ratio</b>	74.55%	56.82%	<b>31.2%</b>
<b>Non-Performing Assets</b>	\$4,853	\$5,581	<b>(13.0%)</b>

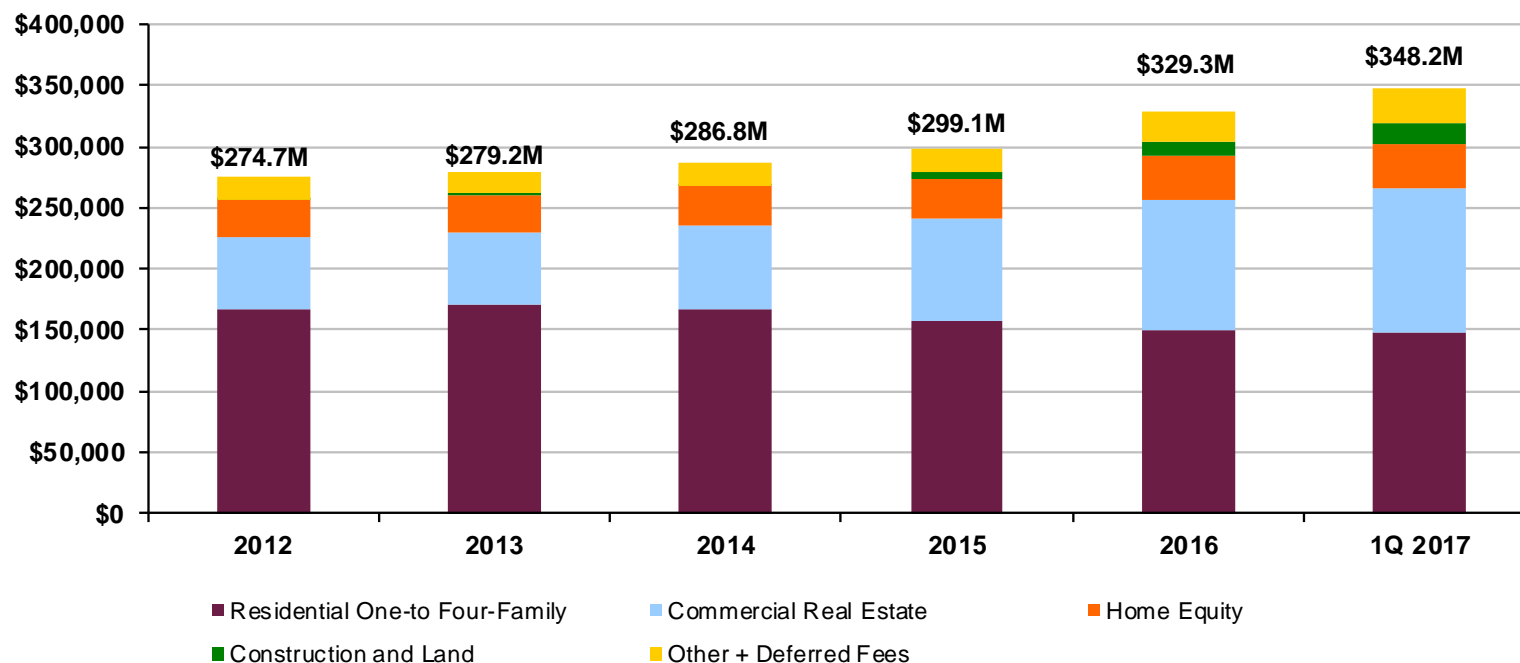
# Total Assets

- Focused on asset diversification to improve margins.



# Loan Growth

- ▶ Lake Shore continues to execute its strategic plan of organic growth primarily through loan originations.
- ▶ Net Loans increased 5.7% since December 31, 2016 primarily due to organic commercial loan growth of 14.1%.



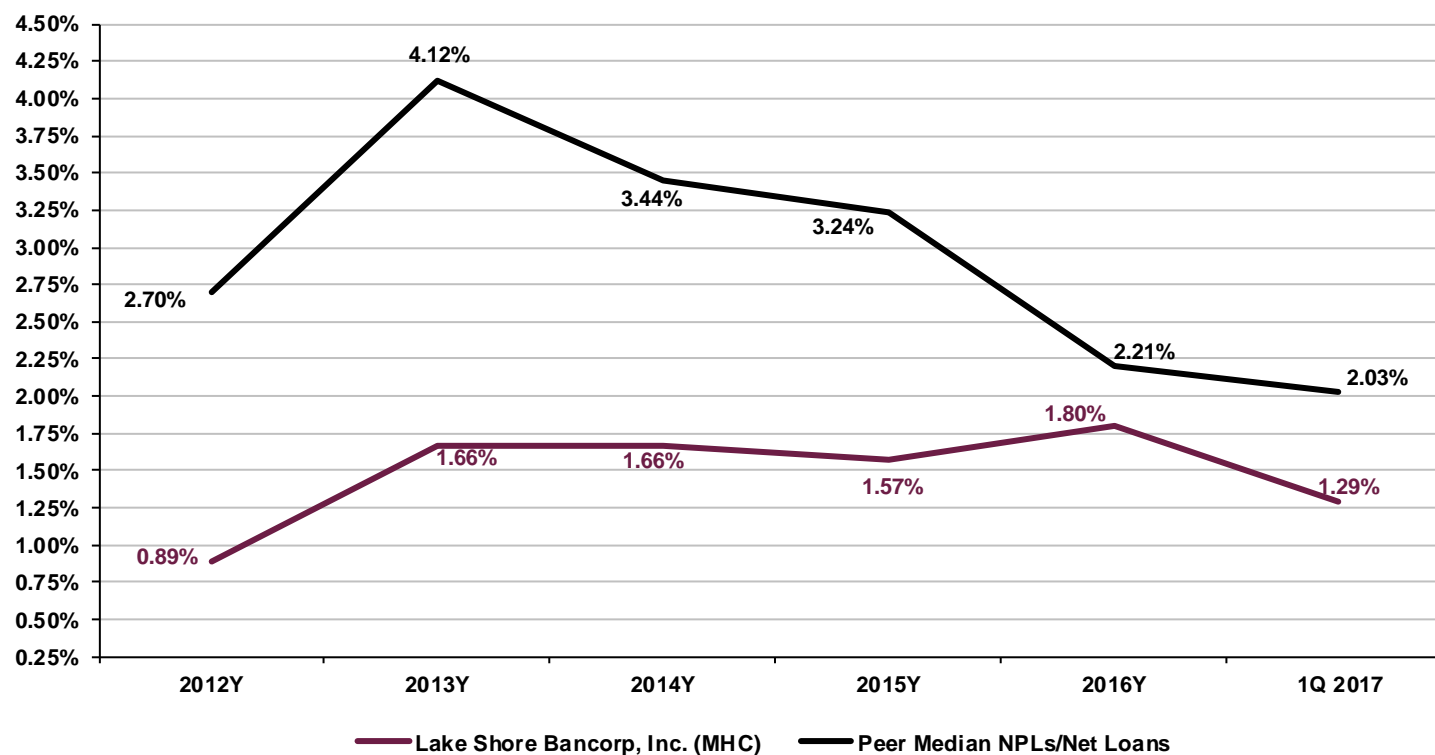
# Loan Originations

New Loans	2014	2015	2016	3/31/2017
Residential Mortgage - New & Modified	\$15.98	\$21.37	\$16.48	\$2.95
Commercial Mortgage - New & Modified	19.13	27.55	39.06	21.66
Commercial Loans	7.64	11.69	7.28	3.38
Home Equity Loans	6.08	6.40	11.45	2.47
Consumer Loans	0.38	0.33	0.36	0.05
<b>Total New Loans</b>	<b>\$49.21</b>	<b>\$67.34</b>	<b>\$74.63</b>	<b>\$30.51</b>

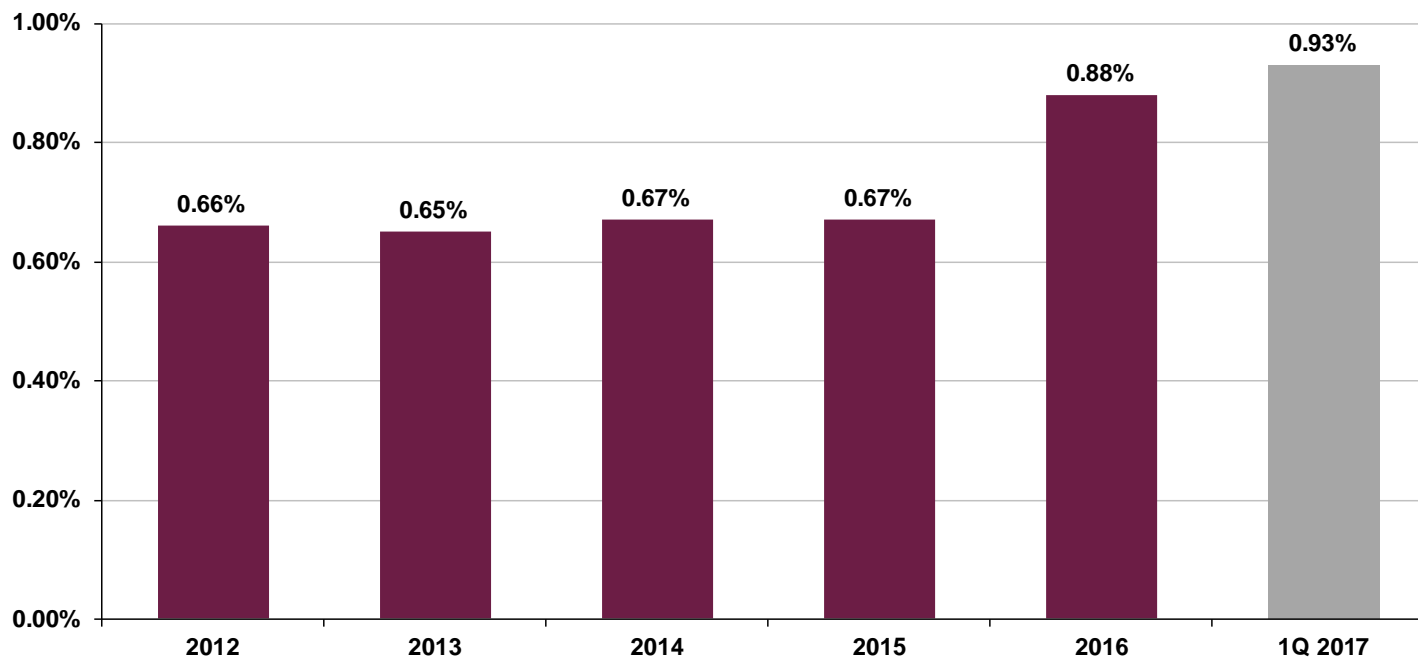
**10.8% YOY Increase as of December 31, 2016**

# NPLs/Total Net Loans

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

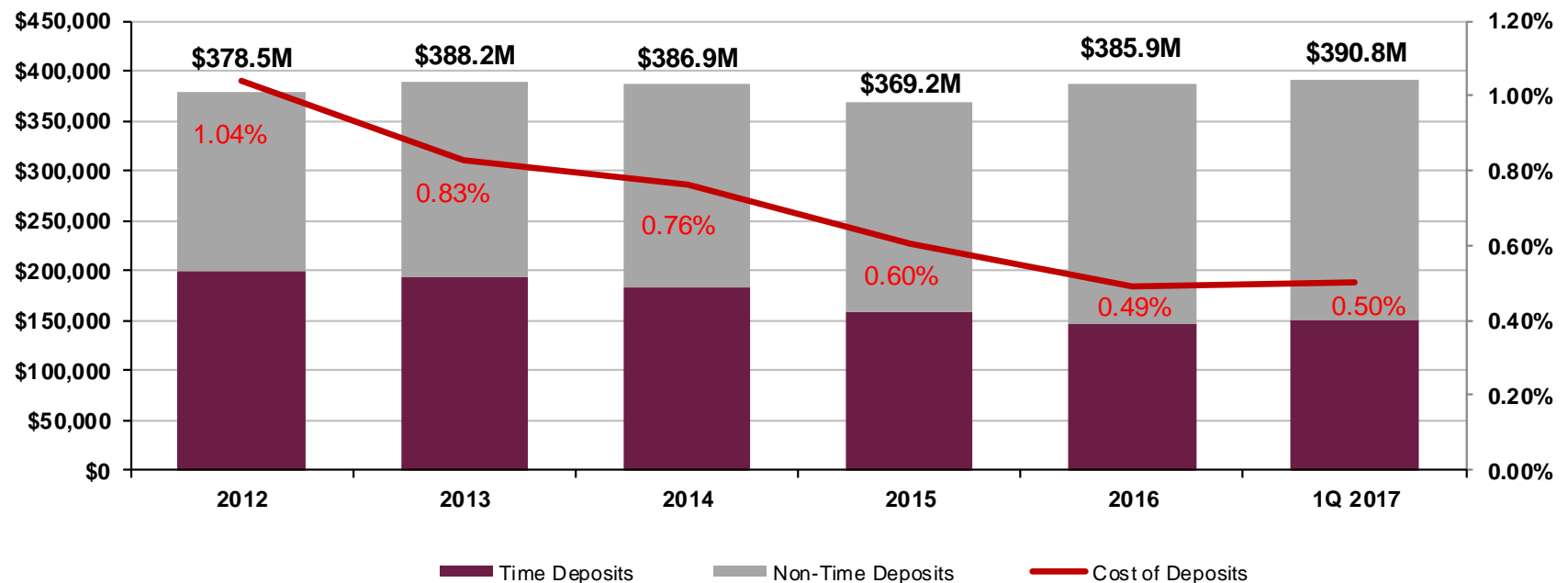


# Loan Loss Reserves / Total Net Loans



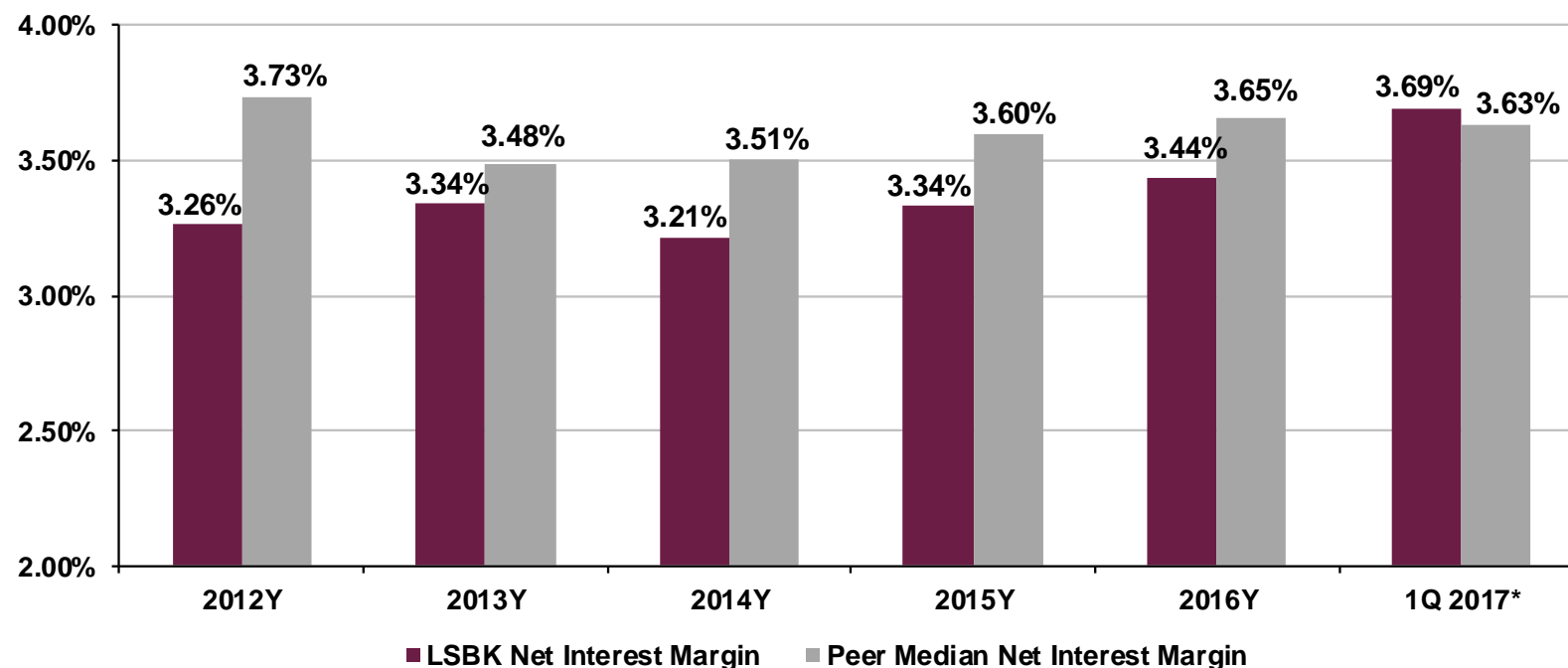
# Continued Focus on Deposit Growth

- ▶ Our focus has been on reducing our cost of funds by concentrating our efforts on growing core deposits.
- ▶ Core Deposits as of March 31, 2017 are 61.7% of total deposits, an increase of 34% since 2012.



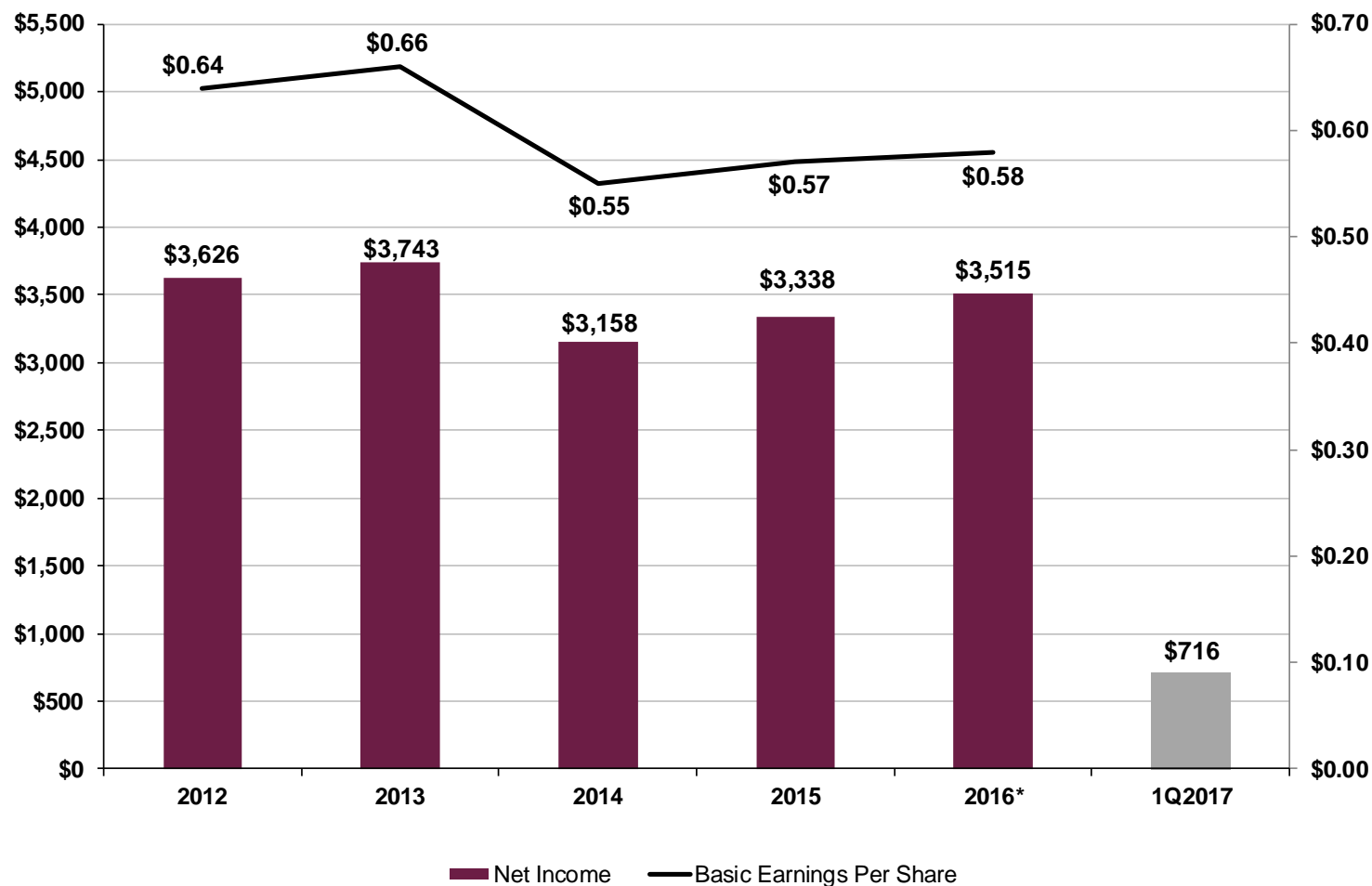
# Strong Net Interest Margin

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

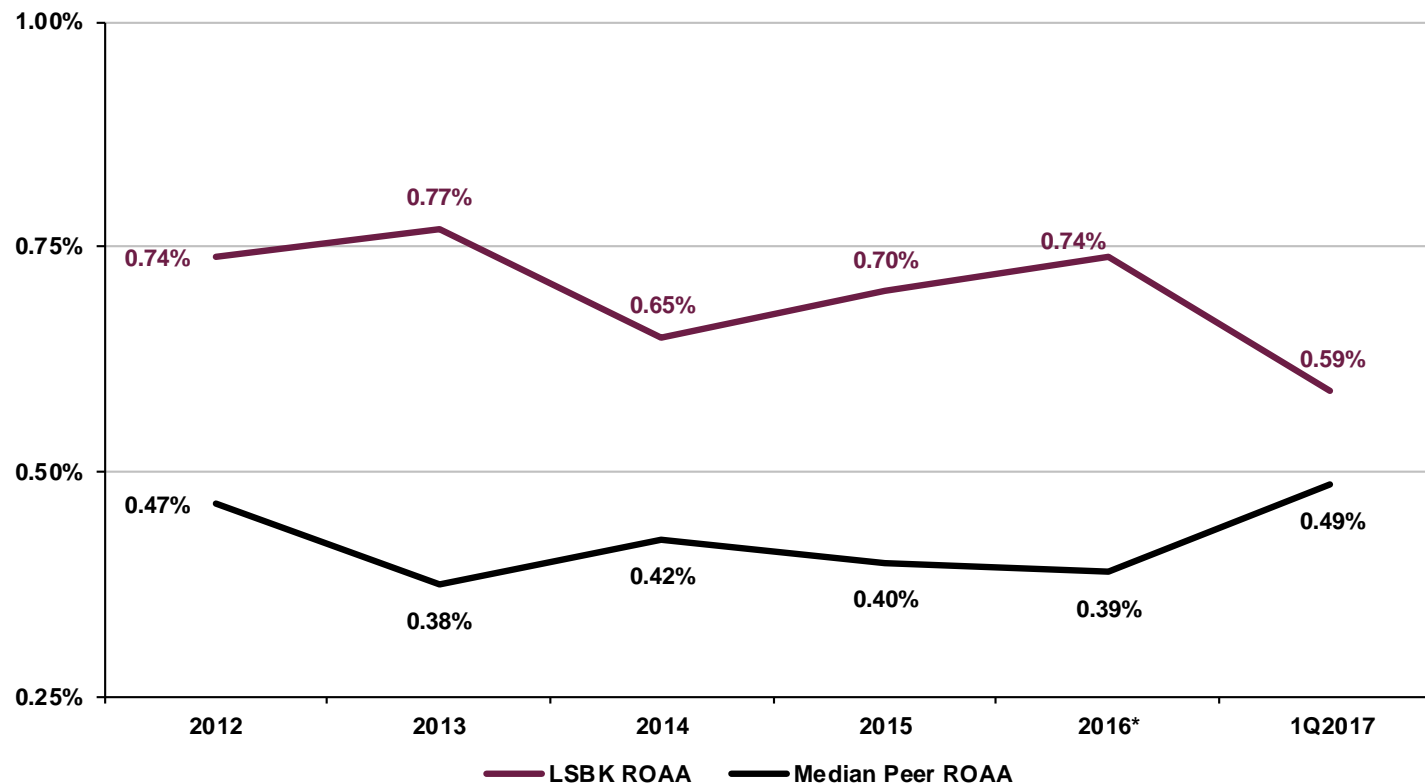




# Net Income Trends

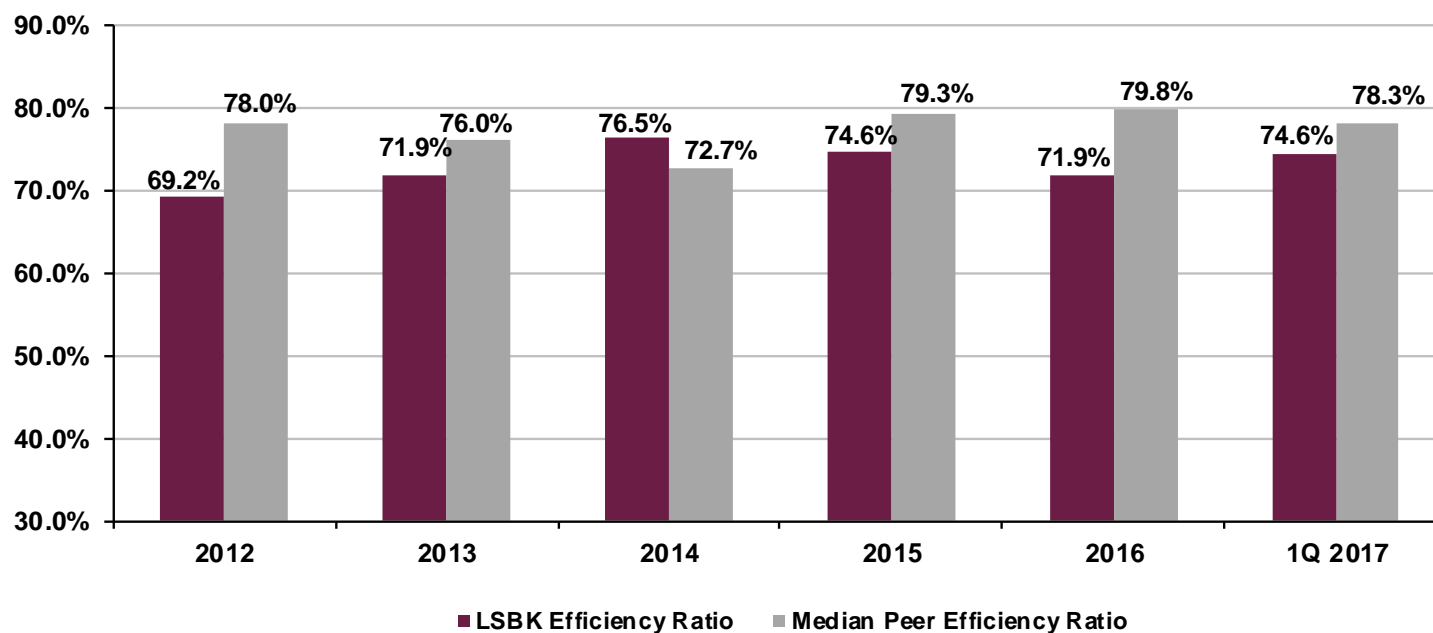


# Comparison of ROAA Results to Peers



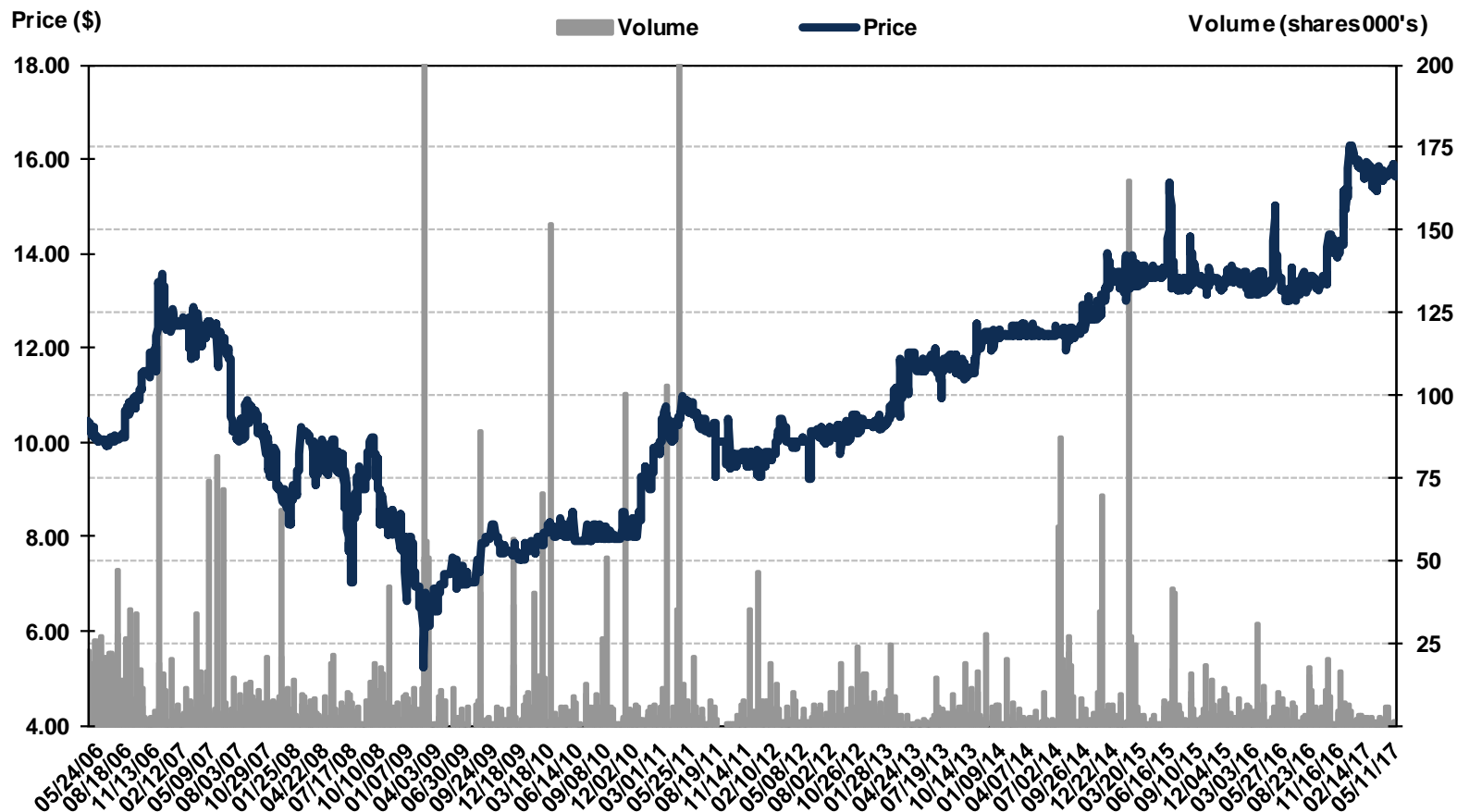
# Continued Focus on Cost Control

- ▶ Lake Shore's efficiency ratios are generally below the peer group.



# LSBK Price / Volume Chart Since IPO

Price on 5/11/17 - \$15.63



# 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	3/31/2017
<b>Tier 1 Ratio</b>	23.0%	24.4%	25.0%	24.2%	22.2%	21.5%
<b>Total RBC Ratio</b>	23.8%	25.1%	25.7%	24.9%	23.2%	22.5%
<b>Leverage Ratio</b>	12.1%	12.8%	13.2%	14.3%	14.7%	14.6%
<b>Equity / Total Assets</b>	13.9%	13.5%	14.7%	15.6%	15.5%	15.5%
<b>Dividends Per Share</b>	\$0.25	\$0.28	\$0.28	\$0.28	\$0.28	\$0.32
<b>Common Shares Outstanding</b>	5,919,132	5,915,835	5,990,042	6,003,416	6,088,674	6,115,822

# QUESTIONS & ANSWERS



# Appendix: Lake Shore Peer Data

Institution Name	Ticker	City, State	Total Assets (\$mm)
HarborOne Bancorp, Inc. (MHC)	HONE	Brockton, MA	\$2,448
Greene County Bancorp, Inc. (MHC)	GCBC	Catskill, NY	932
Provident Bancorp, Inc. (MHC)	PVBC	Amesbury, MA	796
NorthEast Community Bancorp, Inc. (MHC)	NECB	White Plains, NY	735
Magyar Bancorp, Inc. (MHC)	MGYR	New Brunswick, NJ	588
Lincoln Park Bancorp (MHC)	LPBC	Lincoln Park, NJ	339
William Penn Bancorp, Inc. (MHC)	WMPN	Levittown, PA	315
Seneca-Cayuga Bancorp, Inc. (MHC)	SCAY	Seneca Falls, NY	272
BV Financial, Inc. (MHC)	BVFL	Baltimore, MD	167
Gouverneur Bancorp, Inc. (MHC)	GOVB	Gouverneur, NY	139
Wawel Bank (MHC)	WAWL	Garfield, NJ	80
Auburn Bancorp, Inc. (MHC)	ABBB	Auburn, ME	70
Average			\$573
Median			\$327

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