



Lake Shore Bancorp, Inc.

Annual Meeting of Shareholders May 23, 2012

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. 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.

Stock Profile

Market Data (as of May 15, 2012) – (Source - NASDAQ)

➤ Ticker Symbol	LSBK
➤ 52 – week Range	\$ 8.29 - \$ 10.88
➤ Current Price	\$10.00
➤ Market Capitalization	\$59.4 million
➤ Minority Shares Outst .	2.3 million shares
➤ 50 Day Avg. Trading Vol.	855 shares
➤ Annual Cash Dividend	\$0.28 per share
➤ Dividend Yield	2.80%
➤ Ownership	
❖ Mutual Holding Company (Lake Shore, MHC)	61.2%
❖ Insiders (including directors, executives, and ESOP plan)	8.1%
❖ Institutional	7.2%
❖ Other	23.5%

Lake Shore Savings Fast Facts

❖ **Lake Shore Savings has been in business for over 121 years.**

❖ **As of March 31, 2012**

✓ Total Assets	\$494.1 million
✓ Total Deposits	\$388.0 million
✓ Total Loans Receivable, net	\$270.4 million

❖ **10 branch locations throughout Chautauqua and Erie Counties.**

Loan Originations 2011

2011 New Loans

(\$'s in millions)

Residential Mortgage – New & Modified	\$ 25.80
Commercial Mortgage – New & Modified	15.08
Commercial Loans	4.61
Home Equity Loans	6.20
Consumer Loans	0.58
Total New Loans in 2011	\$ 52.27 million

Our strategy is to originate and serve.

2011 Deposits, Earnings, Dividends

➤ 2011 Deposit Growth of \$4.0 million

10.4% Growth in Core Deposits
(includes all deposits except time deposits)

Core Deposits	2010	\$ 144.9 million
----------------------	-------------	-------------------------

Core Deposits	2011	\$ 159.9 million
----------------------	-------------	-------------------------

➤ Record Earnings of \$3.7 million in 2011

➤ Increased Dividends

❖ **\$0.07 per share, 16.7% increase since 2010**

Operational and Strategic Review

- **Regulatory Oversight Transition from the OTS to OCC and Federal Reserve.**
- **Enterprise Risk Management.**
- **2011 Operational Highlights.**
- **2012 Goals and Objectives.**
- **2012 Equity Incentive Plan.**

Regulatory Oversight Transition from the OTS to OCC and Federal Reserve

➤ Dissolution of OTS

- ❖ OCC is the primary regulator for the Bank.**
- ❖ Federal Reserve is the primary regulator for the Holding Companies.**

➤ Dodd Frank Act

- ❖ Many rules are not yet finalized.**
- ❖ Dodd Frank Act preservation of the MHC Dividend Waiver for “grandfathered MHCs” may be altered by the Federal Reserve Final Rule.**
- ❖ Uncertainty of future MHC Dividend Waiver.**

Enterprise Risk Management

➤ Formalized an extensive model to ...

✓ Identify

✓ Measure

✓ Monitor

✓ Control

...Enterprise Risk.

2011 Operational Highlights

- **Evaluate potential branch locations:**
 - ❖ **Opportunities from First Niagara's acquisition of local HSBC branches.**
 - ❖ **Develop customer base with new advertising campaign, "Discover the Bank You Have Always Wanted!"**
 - ❖ **Clicks instead of Bricks.**
- **Leadership Training Skills Development.**
- **Extensive Training and Certification Programs:**
 - ❖ **Branch Managers and Personal Bankers.**

2011 Operational Highlights (cont.)

- **Implemented formal procedures to evaluate new products.**
- **5 Year Comprehensive Technology Plan**
 - ❖ **Incorporate into our Strategic Business Plan.**
- **Research software for Human Resource Information System, Vendor Compliance and AML/BSA Automation.**
- **Begin implementation of internal Asset-Liability modeling.**

2012 Goals and Objectives

- **Systems Implementation – Operational Efficiencies.**
- **Digital Interaction Customer Relationship.**
- **Commercial Division Activities.**
- **Continued Leadership Development.**

Operational Efficiencies

➤ Implementation of ...

- ✓ Human Resource Information System
- ✓ Vendor Compliance Software
- ✓ AML/BSA Tracking Software
- ✓ Asset Liability Model

Creating efficiencies in these processes and establishing a digital foundation to leverage the efficiencies as we grow the Bank.

Digital Interaction – Customer Relationship

- **Clicks instead of bricks.**
- **Considering the experience our customers want.**
- **Energize the Lake Shore Savings Bank Electronic Banking Experience.**

Digital Interaction – Customer Relationship (cont.)

➤ **Digital experience may include ...**

❖ **Various Components of Mobile Banking**

❖ **Website Upgrade:**

- **Desktop**
- **Tablets**
- **Smart Phones**

❖ **Online Account Opening**

❖ **Person to Person Payment Systems**

❖ **Social Media Strategy**

Commercial Division Activities

- **Small Business relationship banking**
 - ❖ **Flexibility created by Dodd Frank Act.**
- **Growth of our commercial lending portfolio**
 - ❖ **The right kind of interest!**

2012 Equity Incentive Plan

- **Promote the long term financial success of the organization.**
- **Attract, retain and reward individuals who contribute to the success of our organization and align their interest with those of the Company's shareholders.**



Lake Shore Bancorp, Inc.

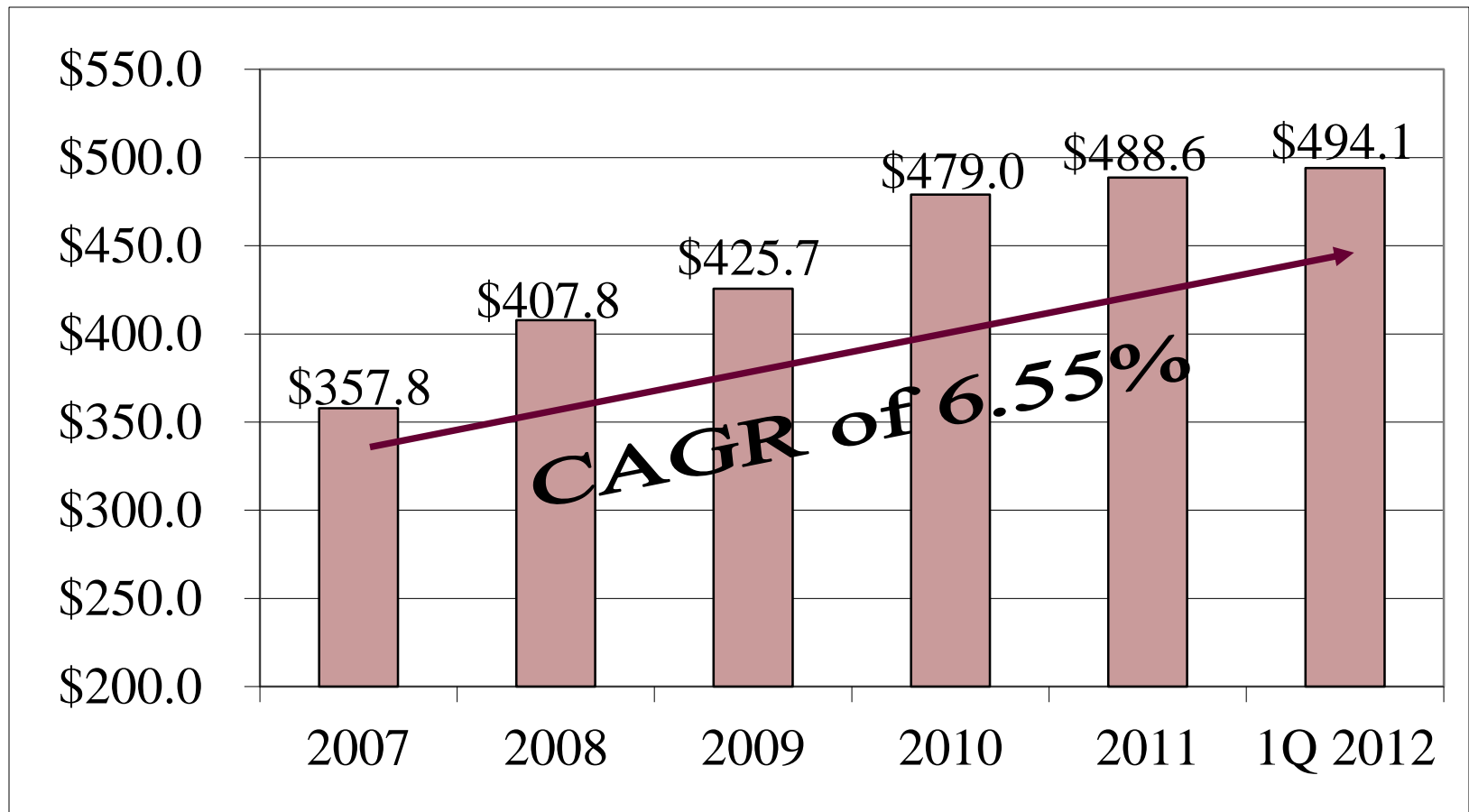
Financial Presentation

Rachel Foley

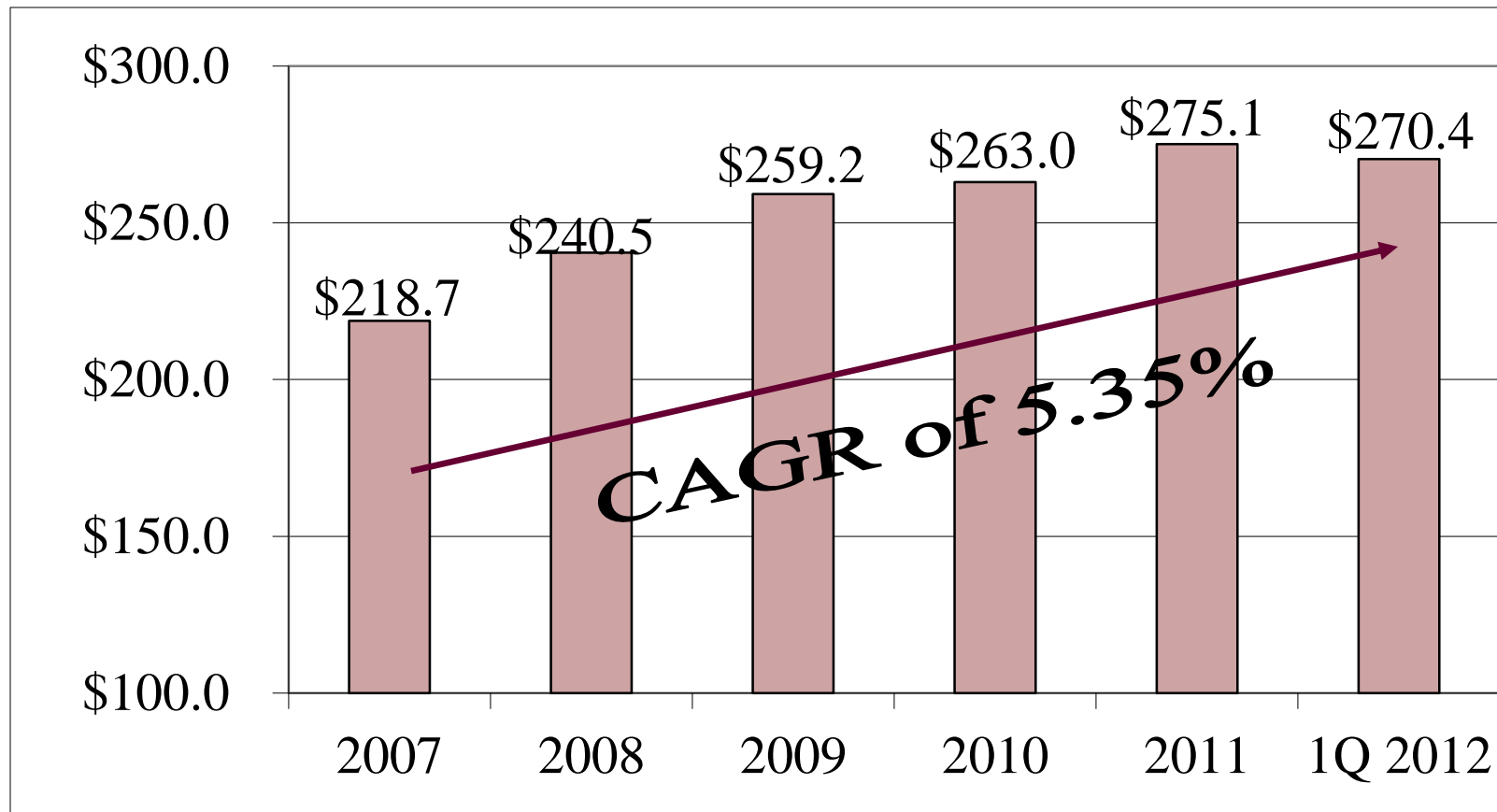
Chief Financial Officer

Total Assets

(\$ in millions)

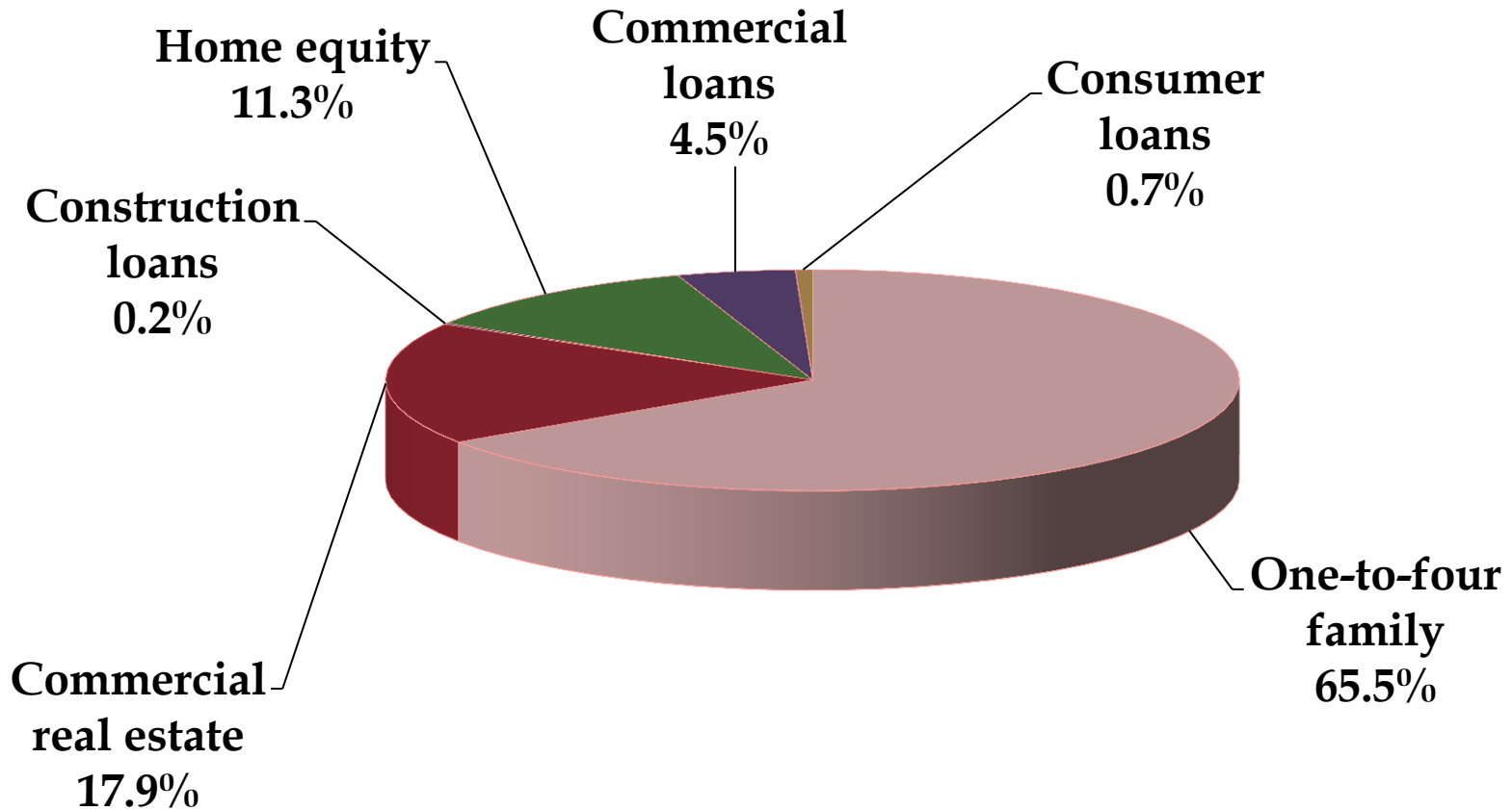


Loans, net (\$ in millions)



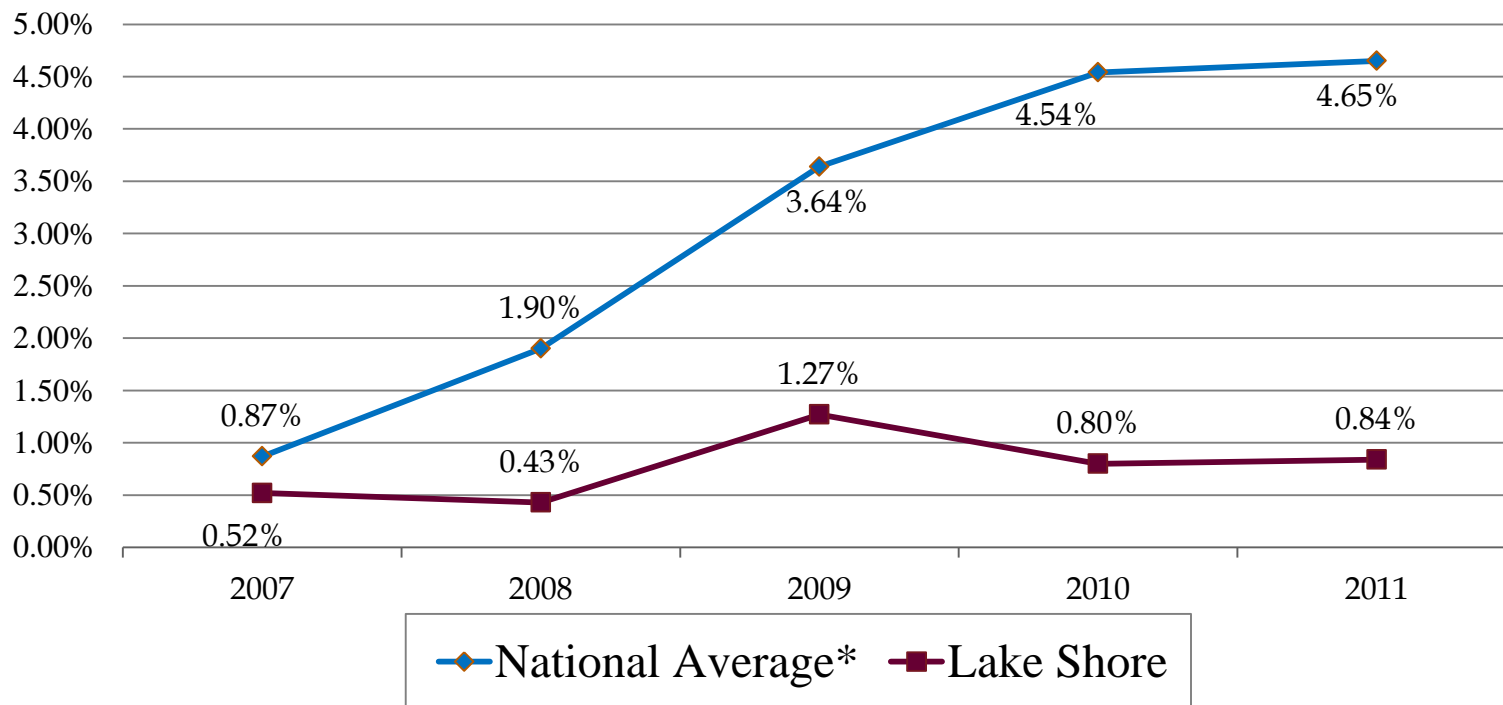
Loan Composition

(as of March 31, 2012)



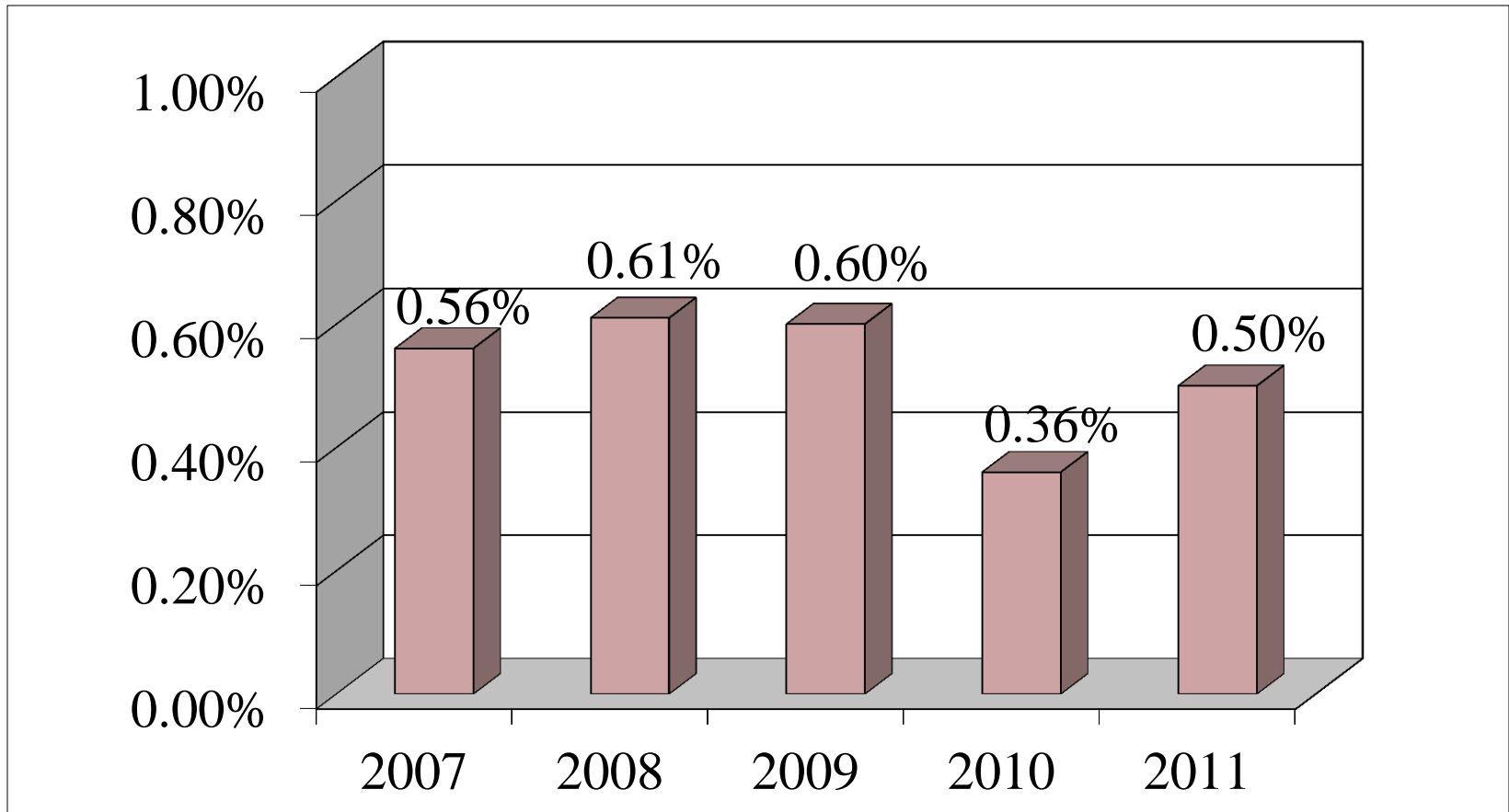
Non-performing Loans as a Percentage of Loans

Source: SNL.com



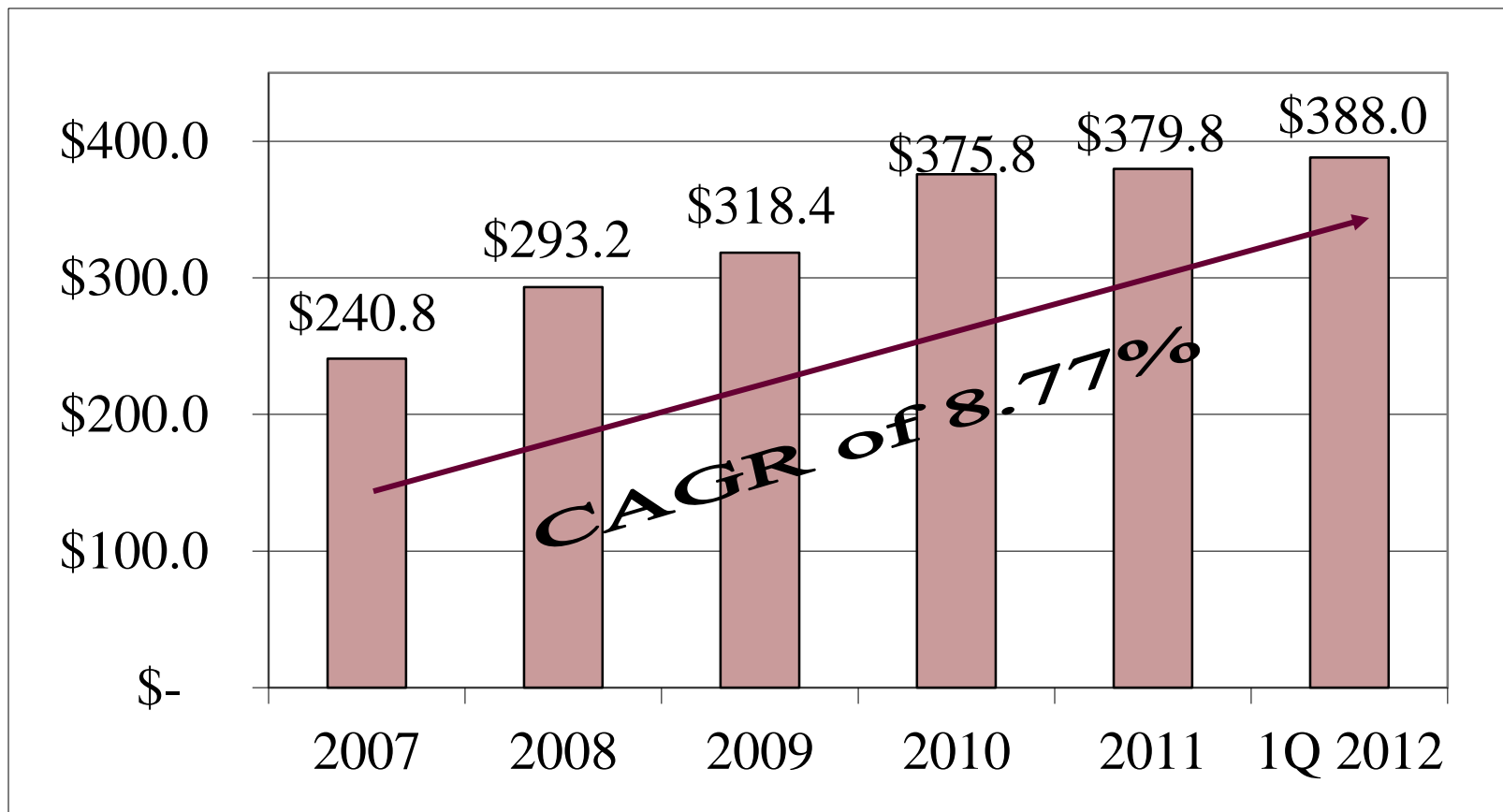
*Average of publicly traded banks throughout the U.S. under \$1 billion in total assets.

Loan Loss Reserves as a Percentage of Loans

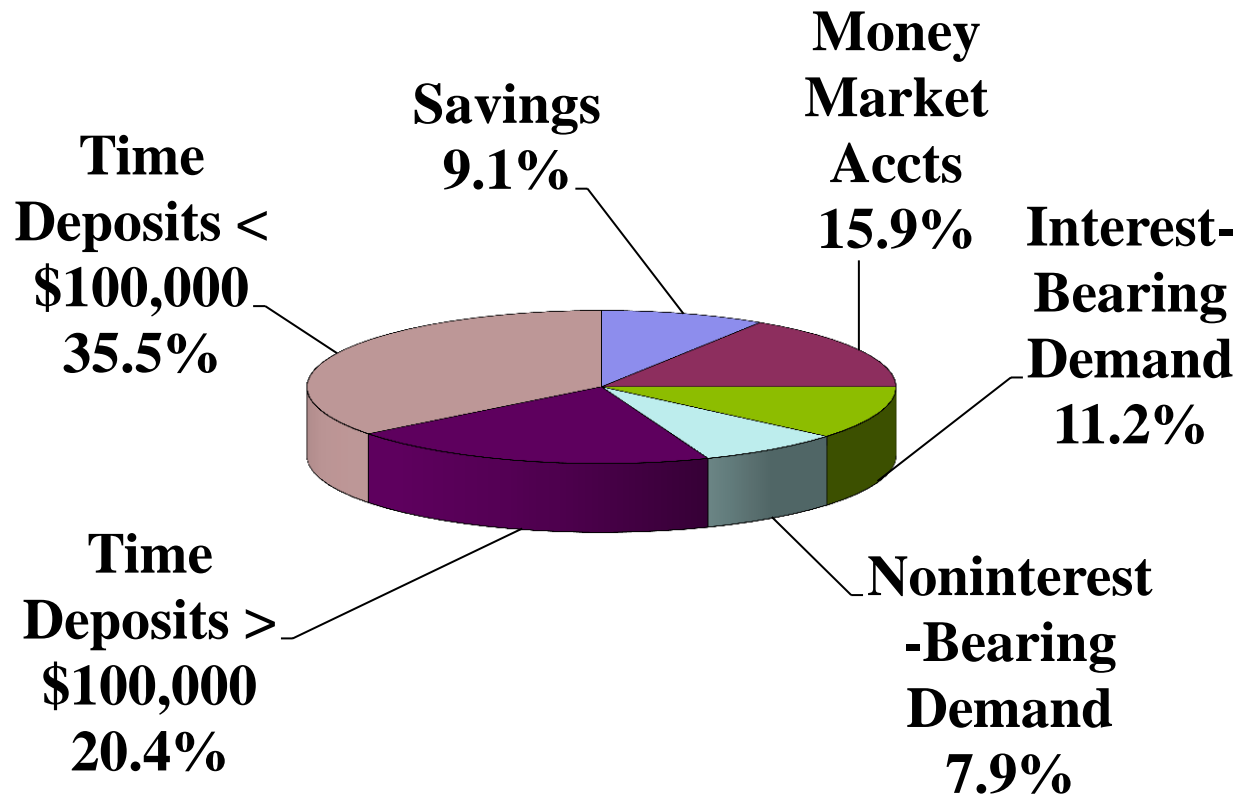


Total Deposits

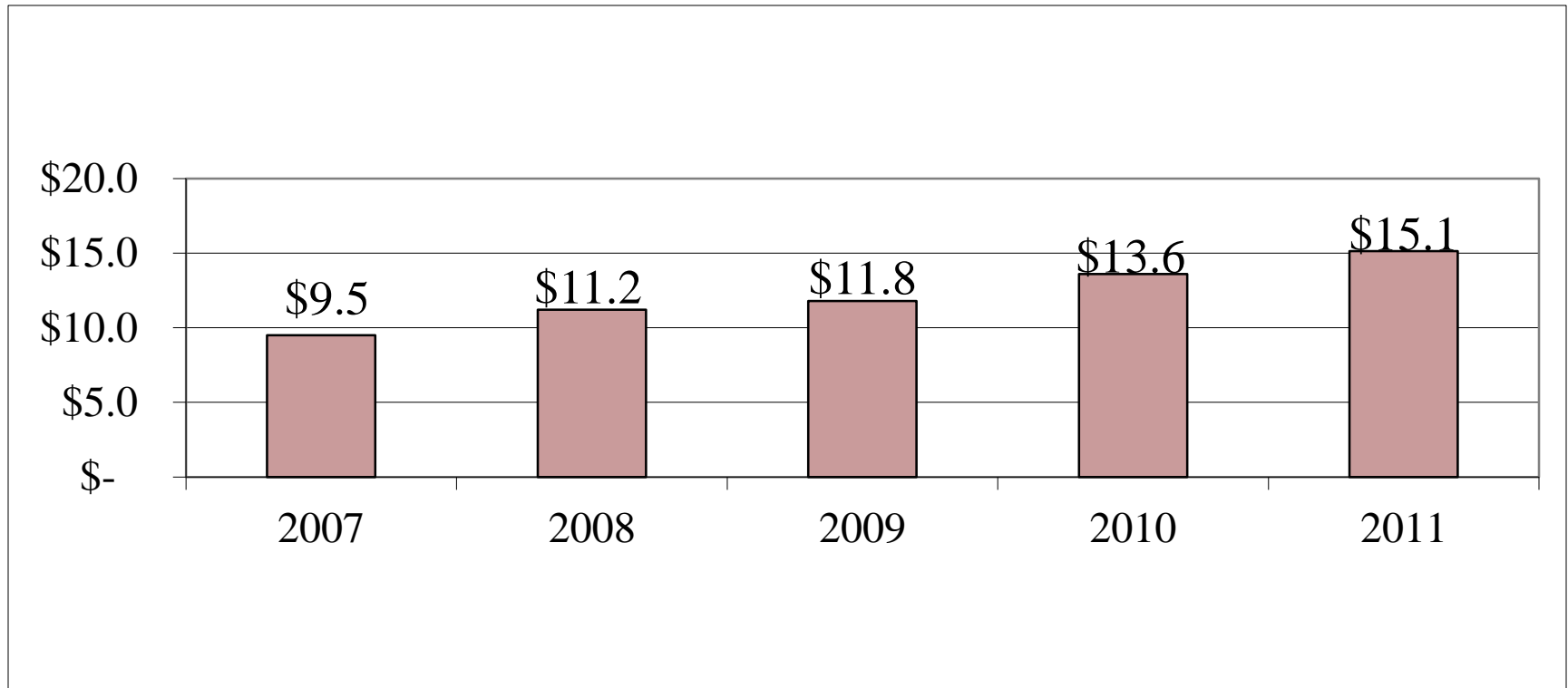
(\$ in millions)



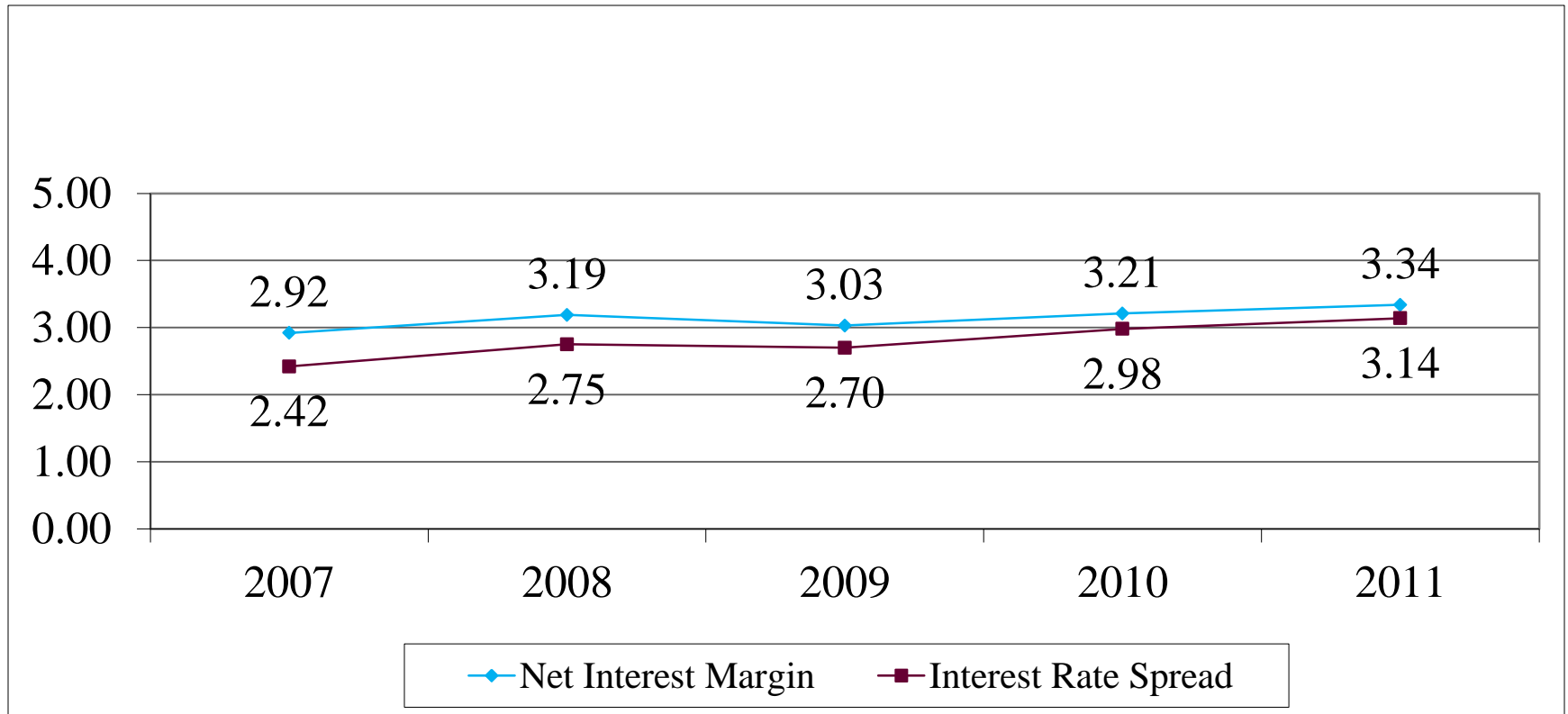
Deposit Composition (as of March 31, 2012)



Net Interest Income (\$ in millions)

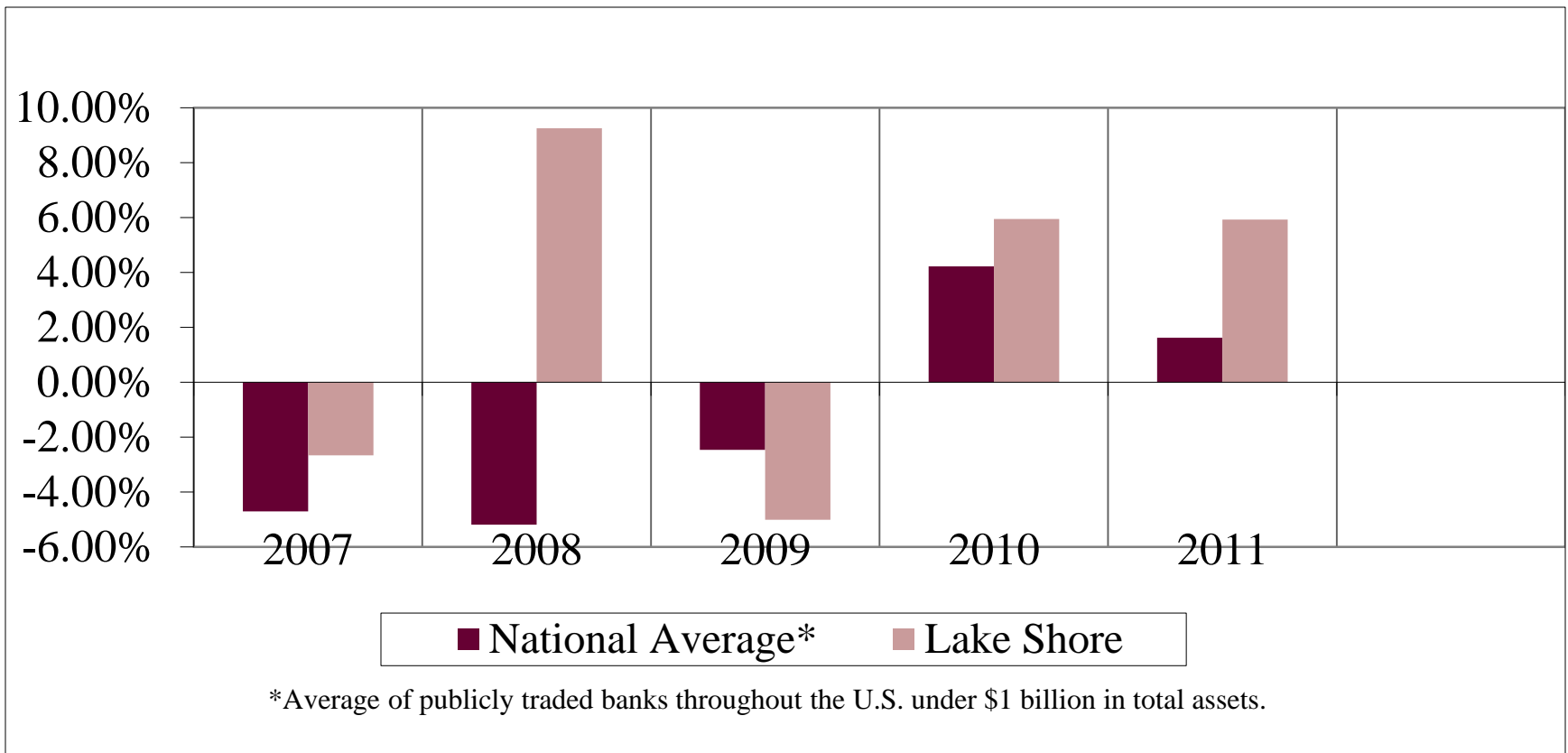


Interest Rate Margin & Spread (in percentages)

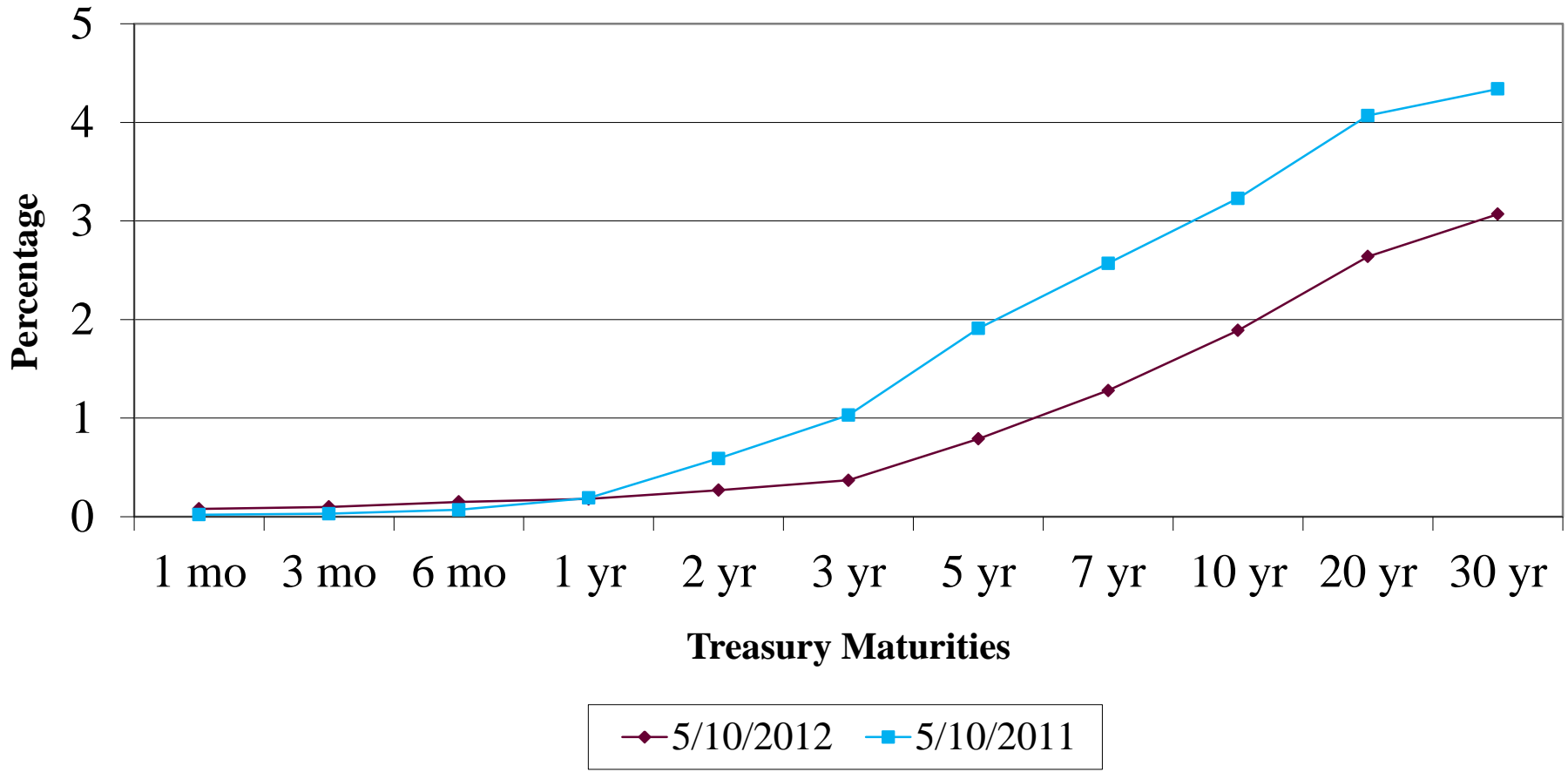


Percentage Change in Net Interest Margin

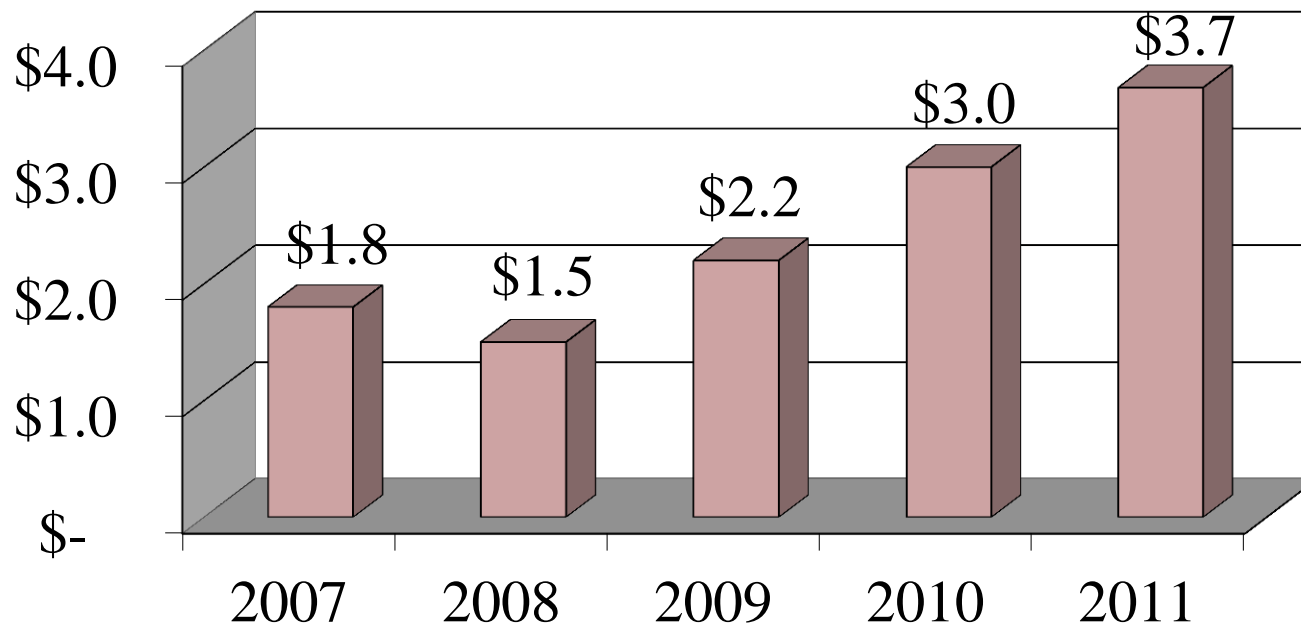
Source: SNL.com



Treasury Yield

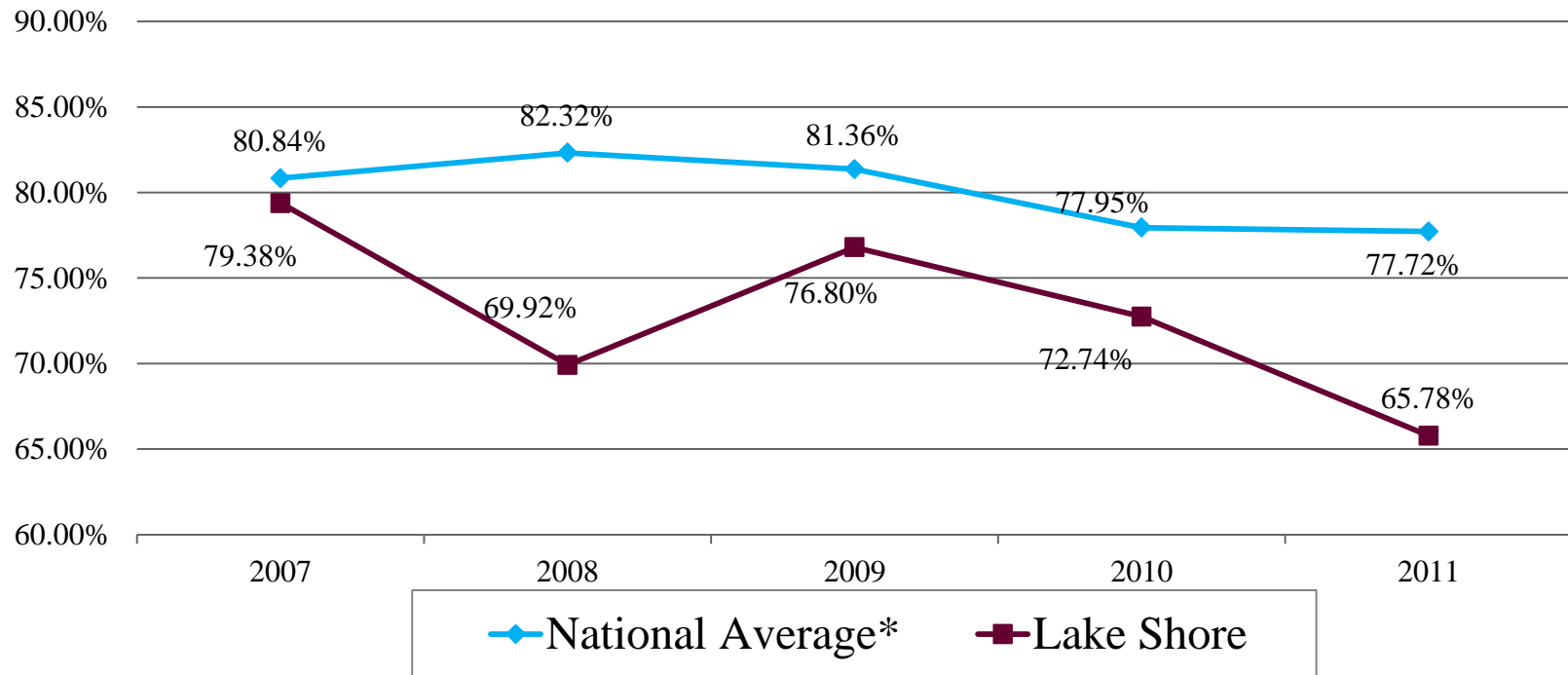


Net Income (\$ in millions)



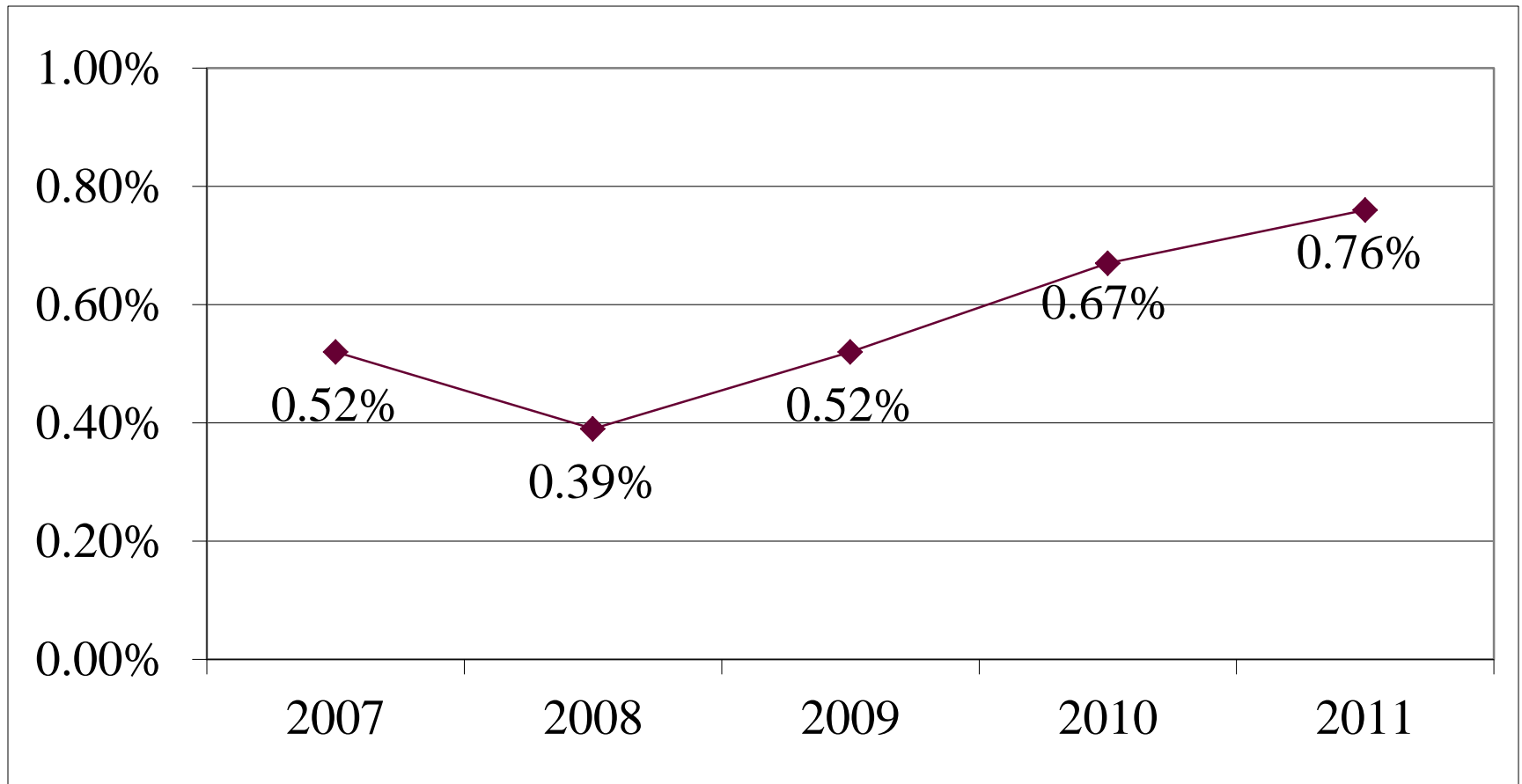
Efficiency Ratio

Source: SNL.com
(in percentages)

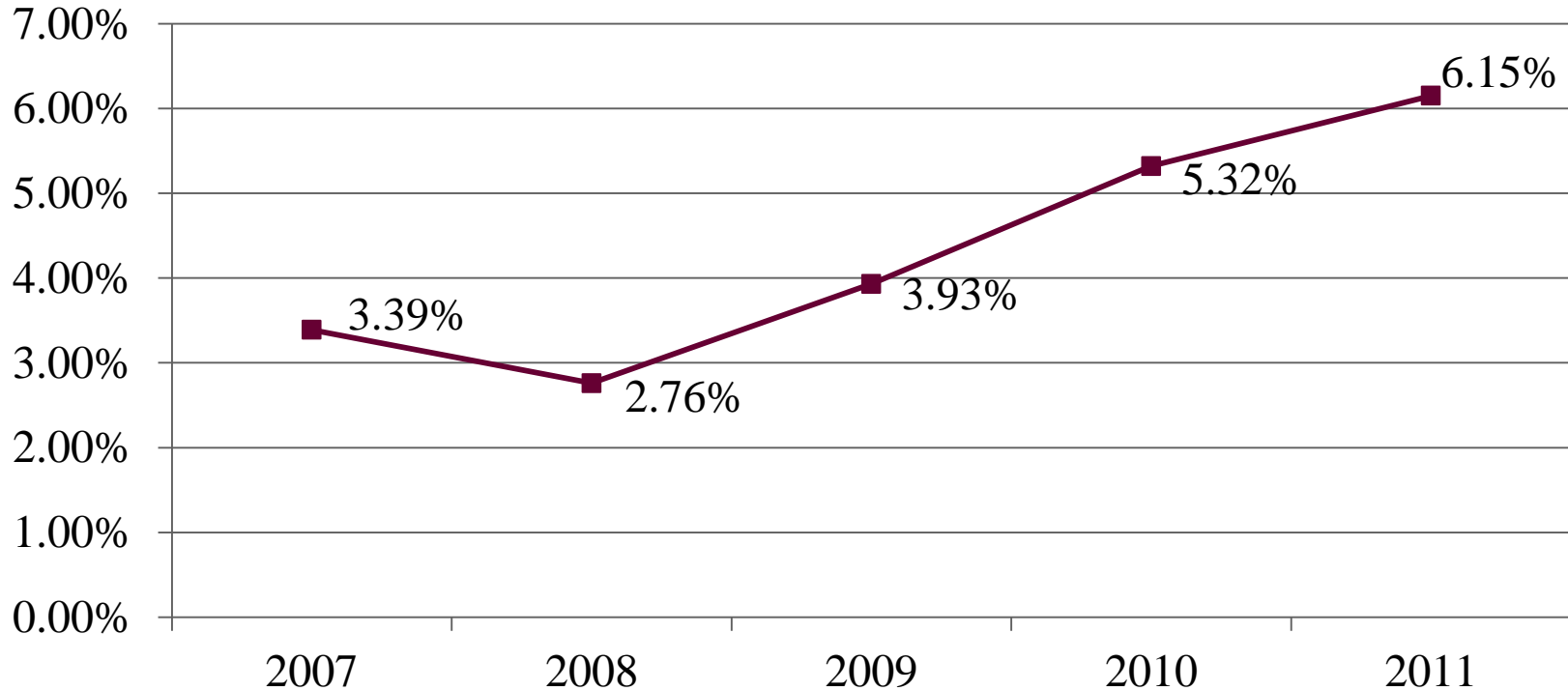


*Average of publicly traded banks throughout the U.S. under \$1 billion in total assets .

Return on Average Assets (in percentages)



Return on Average Equity (in percentages)



Regulatory Capital Requirements

Actual		To be Well Capitalized under Prompt Corrective Action Provisions	
Amount	Ratio	Amount	Ratio

(Dollars in Thousands)

As of December 31, 2011:

Total capital (to risk-weighted assets)	\$54,773	21.81 %	\$≥25,118	≥10.0 %
Tier 1 capital (to adjusted total assets)	53,420	11.18	≥23,881	≥5.0
Tangible equity (to tangible assets)	53,420	11.18	N/A	N/A
Tier 1 capital (to risk-weighted assets)	53,420	21.27	≥15,071	≥6.0

As of December 31, 2010:

Total capital (to risk-weighted assets)	\$49,862	20.44 %	\$≥24,397	≥10.0 %
Tier 1 capital (to adjusted total assets)	48,915	10.28	≥23,789	≥5.0
Tangible equity (to tangible assets)	48,915	10.28	N/A	N/A
Tier 1 capital (to risk-weighted assets)	48,915	20.05	≥14,638	≥6.0

1st Quarter 2012 Balances vs. 2011 Year End Balances

➤ **Total Assets up \$5.5 million**

- ❖ **Cash & Cash Equivalents up \$6.0 million**

- ❖ **Investments up \$3.9 million**

 - **Increases primarily due to increased deposits.**

- ❖ **Loans, net down \$4.7 million**

 - **Decrease primarily due to strategic decision made by the Company not to match lower competitor rates in an effort to avoid increased interest rate risk related to long-term, fixed rate residential real estate loans.**

➤ **Total Deposits up \$8.2 million**

- ❖ **Increases in checking and money market accounts.**

1st Quarter 2012 vs. 1st Quarter 2011 Results

➤ Net Income

❖ \$1.0 million - 1st quarter 2012, a 6%, or \$50,000 increase over same period in 2011.

Increase primarily due to:

❖ \$92,000 increase in Interest Income earned on Loan portfolio

❖ \$238,000 decrease in Interest Expense due to low interest rates paid on deposits and borrowings

❖ \$55,000 decrease in Provision for Loan Loss, compared to same period in 2011

1st Quarter 2012 vs. 1st Quarter 2011 Results (cont.)

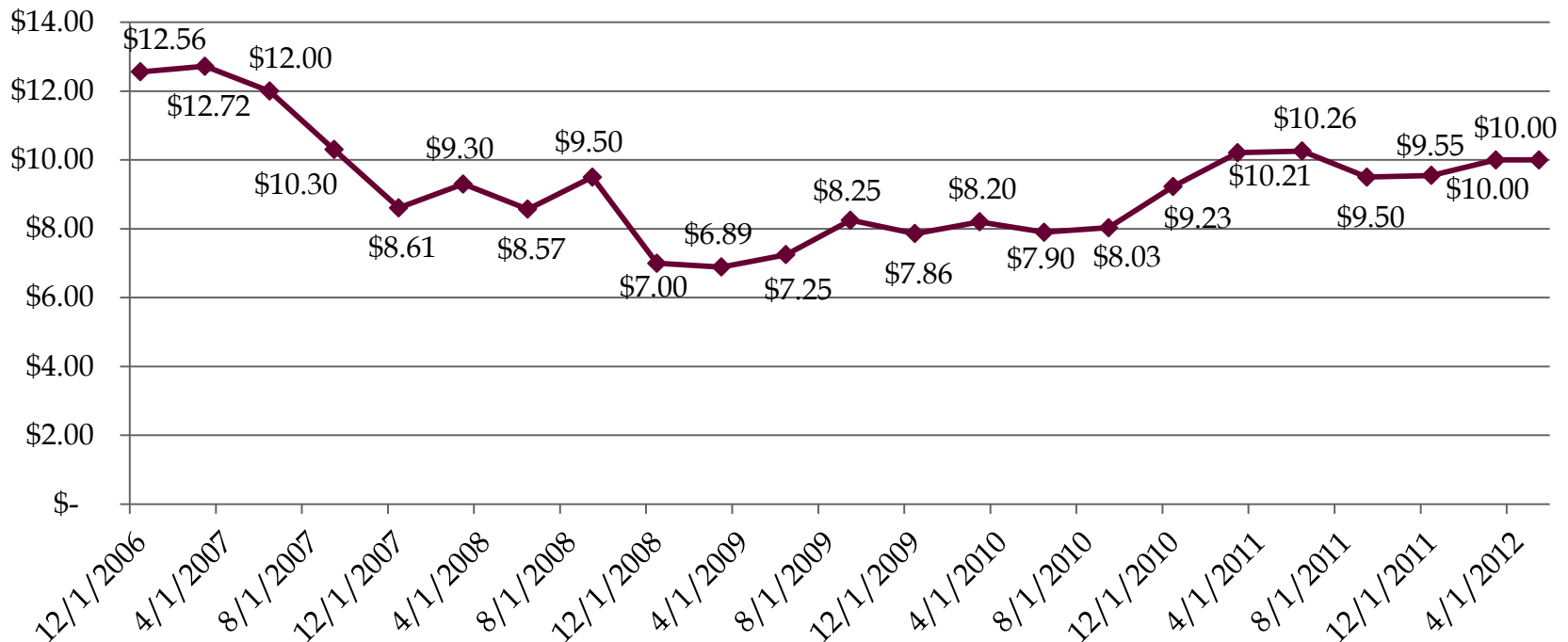
- **Increase offset by:**
 - ❖ **\$142,000 decrease in Interest Income earned on our investment portfolio due to low interest rates.**
 - ❖ **\$59,000 decrease in non-interest income.**
 - ❖ **\$65,000 increase in non-interest expense.**

- **Asset Quality remains strong**
 - ❖ **Nonperforming Loans as a % of Net Loans – 0.88%**

LSBK Closing Stock Price

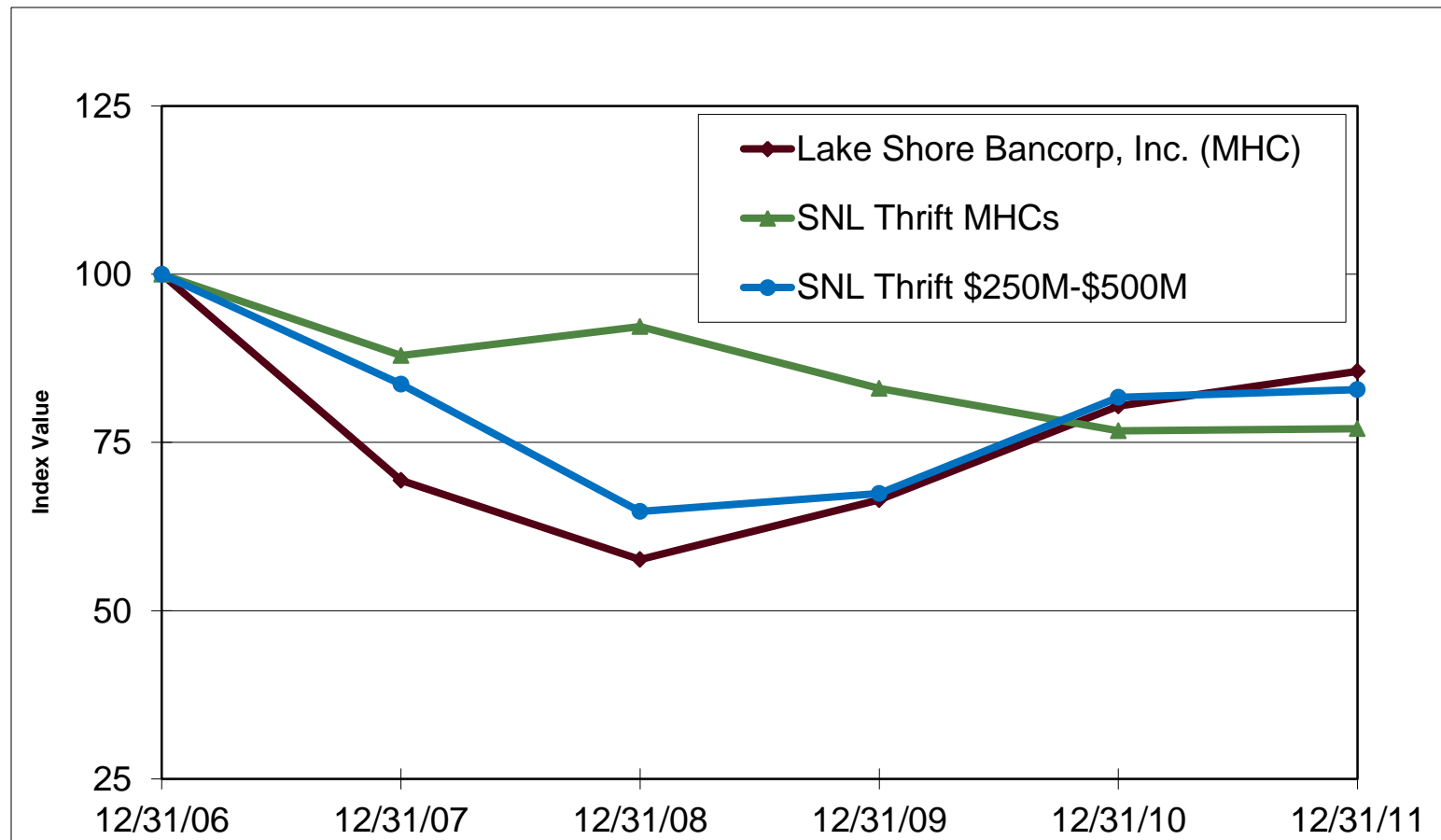
December 31, 2006 thru May 15, 2012

Source: Nasdaq.com



Lake Shore Bancorp, Inc. Total Return

Source: SNL.com



Conclusion

Questions?

Thank you for your
continued confidence in
Lake Shore Bancorp, Inc.!