

# Annual Meeting of Shareholders



May 23, 2007

# 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 18, 2007)

<input type="checkbox"/> Ticker Symbol	LSBK
<input type="checkbox"/> 52 – week Range	\$9.92 - \$14.50
<input type="checkbox"/> Current Price	\$12.35
<input type="checkbox"/> Market Capitalization	\$81.7 million
<input type="checkbox"/> Shares Outstanding	6,612,500
<input type="checkbox"/> 50 Day Avg. Trading Vol.	5,275
<input type="checkbox"/> Dividend Yield	0.98%
<input type="checkbox"/> Ownership	
– Insider	57.32%
– Individual	32.60%
– Institutional	10.08%

### Other Data

<input type="checkbox"/> Return on Average Equity	4.05%
(as of December 31, 2006)	



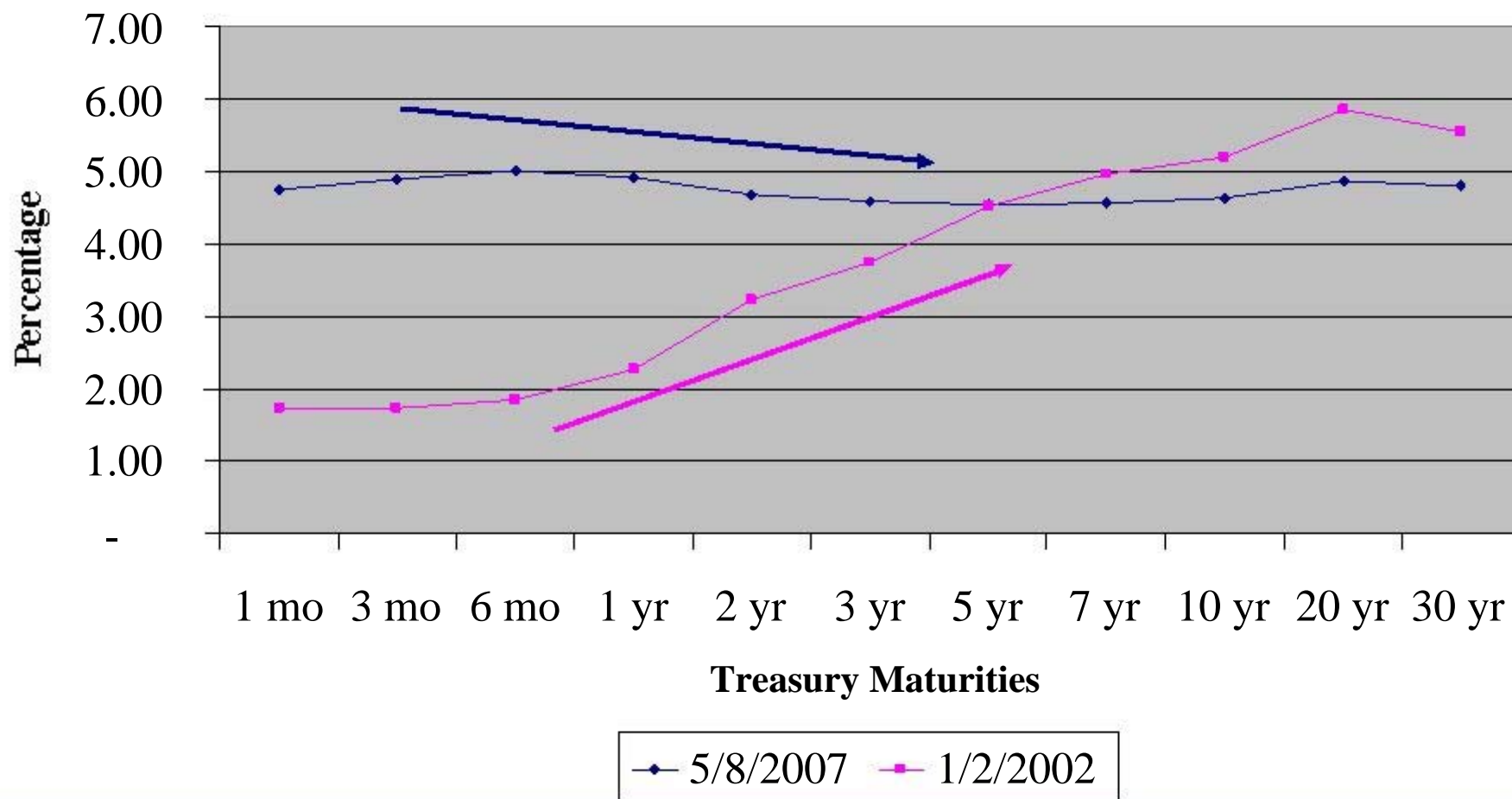
# Our Mission

- ❑ 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 products.
- ❑ We will continue to expand our commercial lending portfolio with small and mid-size business loans.
- ❑ We will create value by providing the best customer service and developing lasting customer relationships.

# Challenges

- ☐ Interest rate environment
- ☐ Yield curve flat/inverted
- ☐ Higher deposit cost due to higher short-term rates
- ☐ Maintaining our current lending level as the real estate market tries to recover from lagging sales and declining housing values
- ☐ Brand awareness for our new branches

# Treasury Yield Curve



# Opportunities

- ❑ Growth by new bank expansion into Erie County
- ❑ Increase market share in Erie County
- ❑ Grow small business and commercial loans
- ❑ Earnings enhancement study – to improve fee structure



# Strengths

- ❑ Lake Shore Savings has a great story, Established 1891
- ❑ Community based bank with a strong history of success
- ❑ Above peer deposit growth over the last 10 years
- ❑ High quality loan portfolio – with no subprime loans
- ❑ Our employees – we have long-term employees with significant banking experience



# Goals

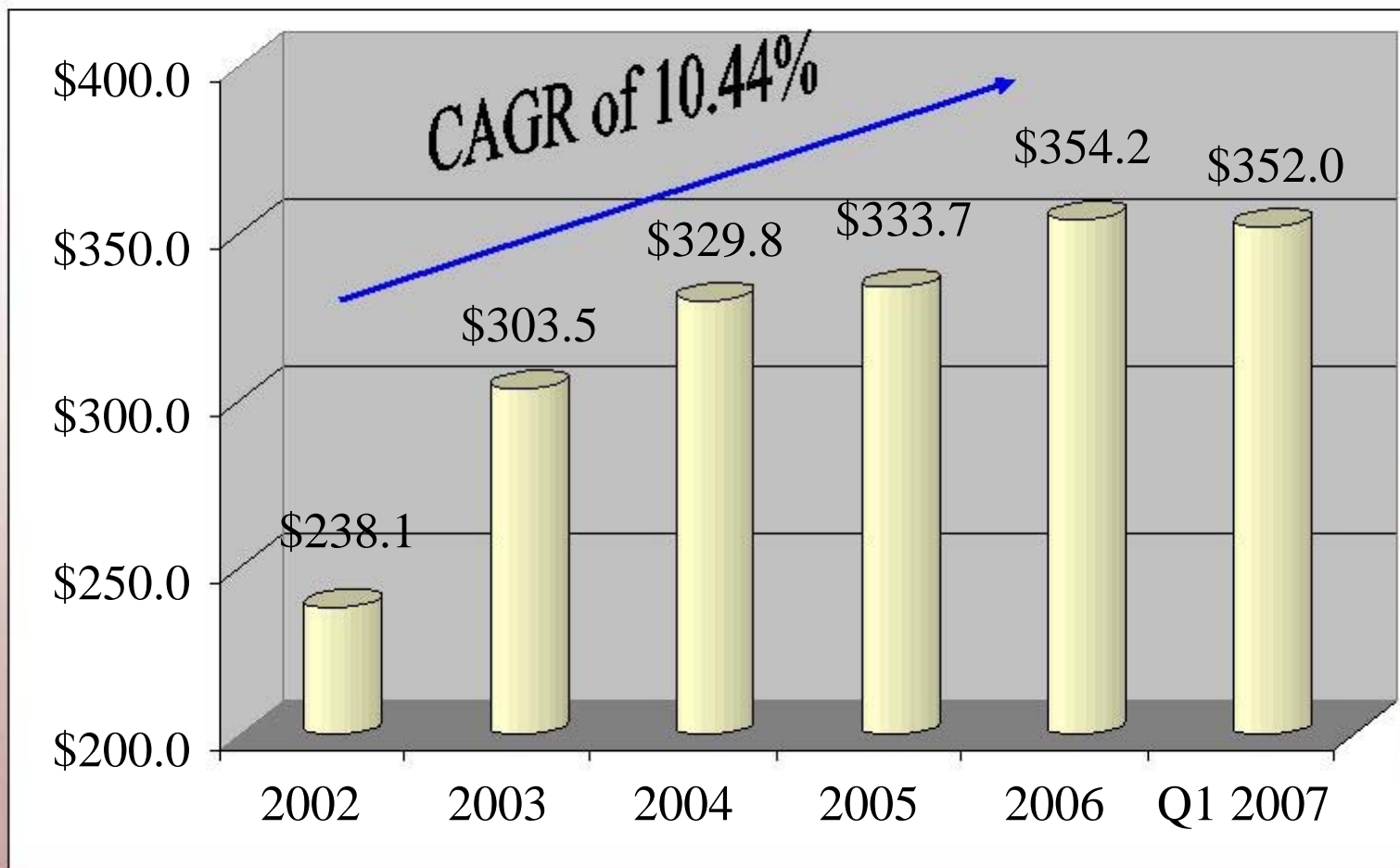
- ❑ Continue to look for opportunities to grow the bank, either by new start-ups or by acquisitions that complement our banking style
- ❑ Recruit talented employees
- ❑ Reduce our efficiency ratio
- ❑ Continue to work to improve earnings
- ❑ Enhance shareholder value



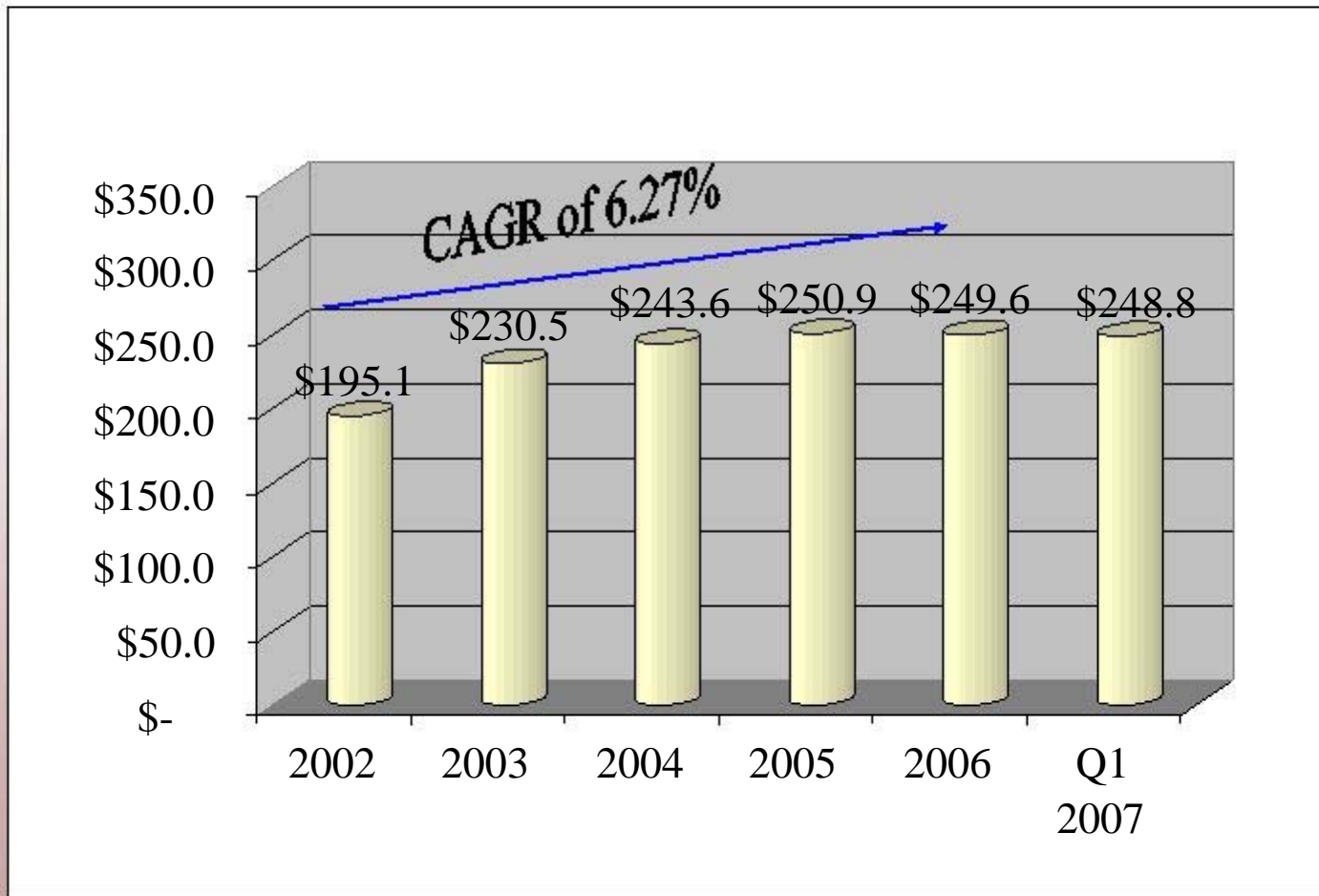
## **Lake Shore Bancorp, Inc.**

- Financial Presentation
  - Rachel Foley, CFO

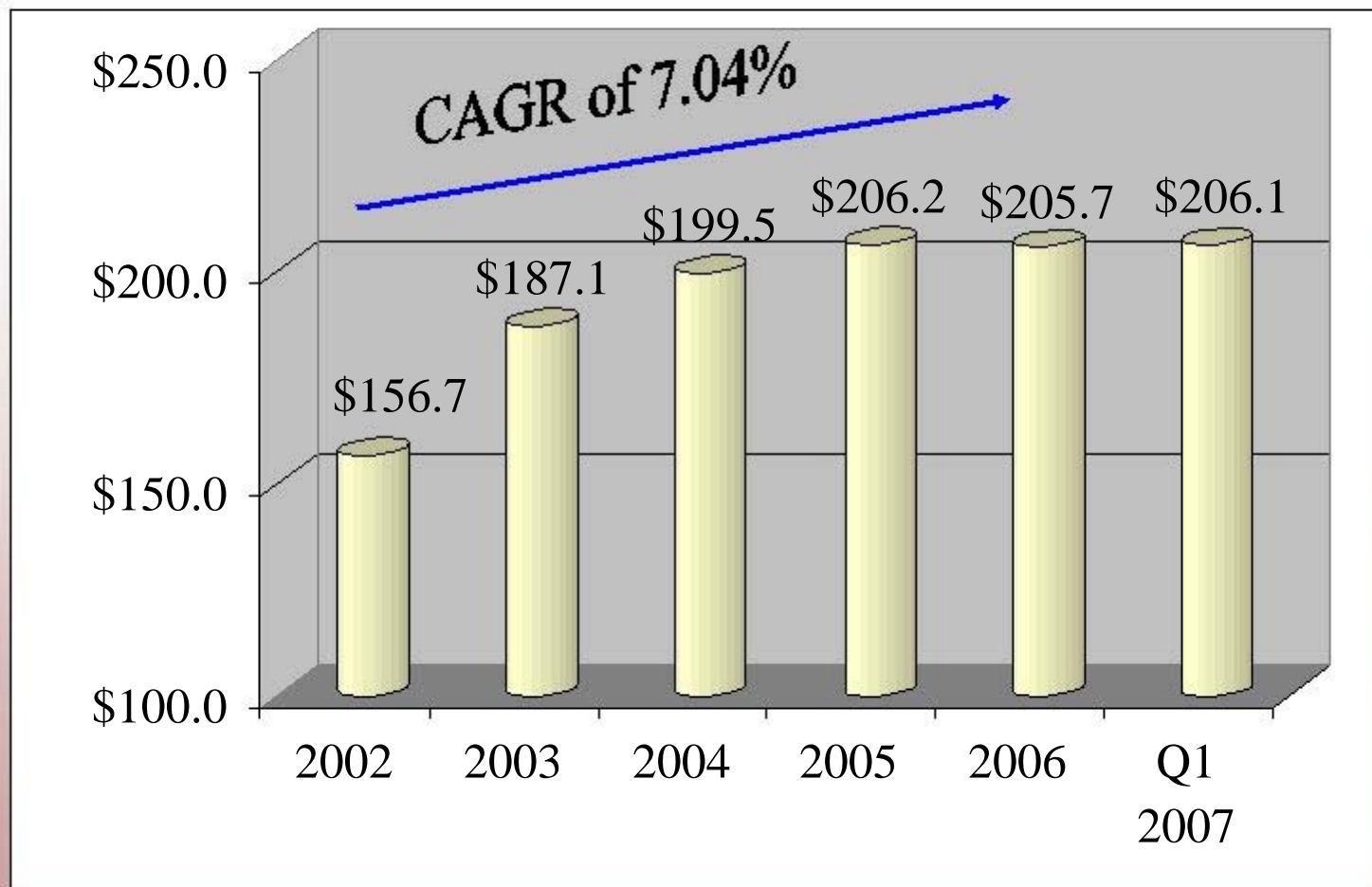
# Total Assets (\$ in millions)



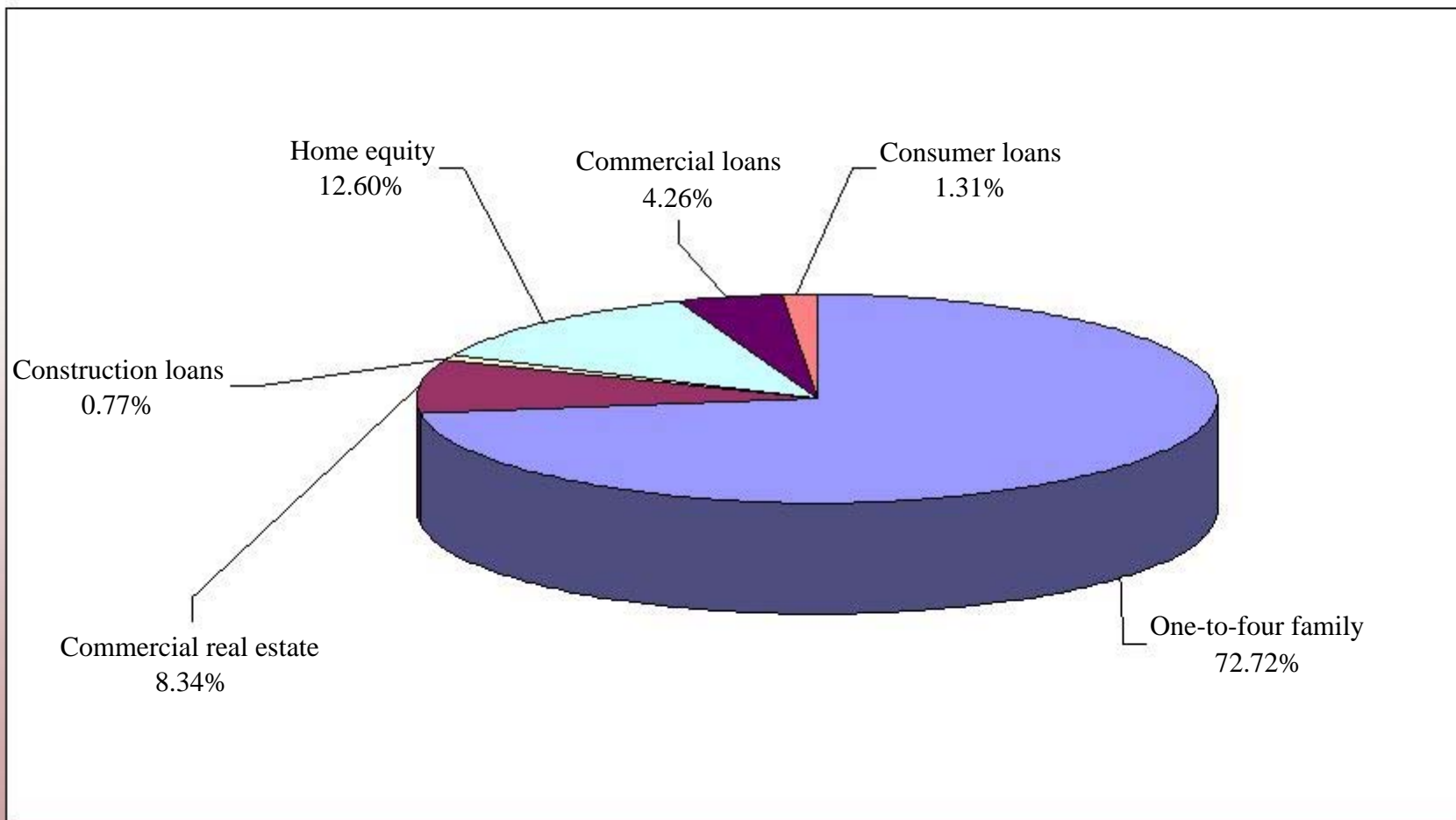
# Total Deposits (\$ in millions)



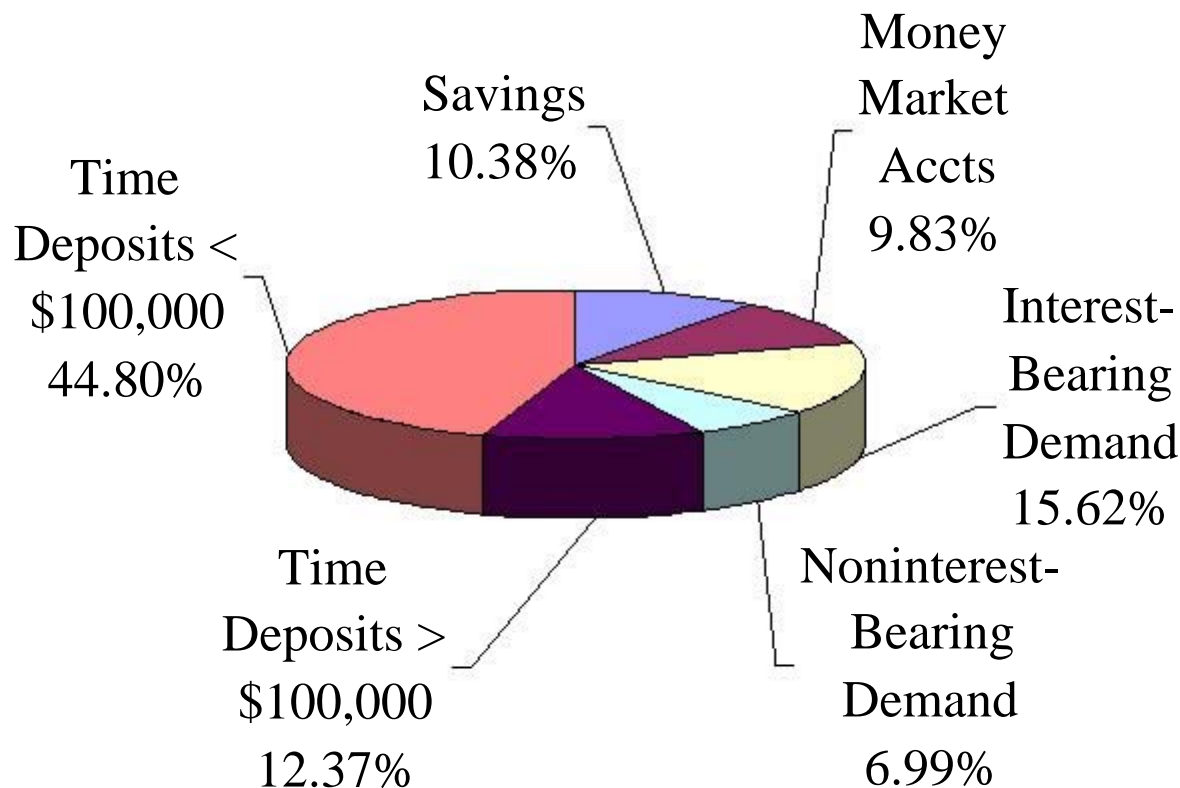
# Loans, net (\$ in millions)



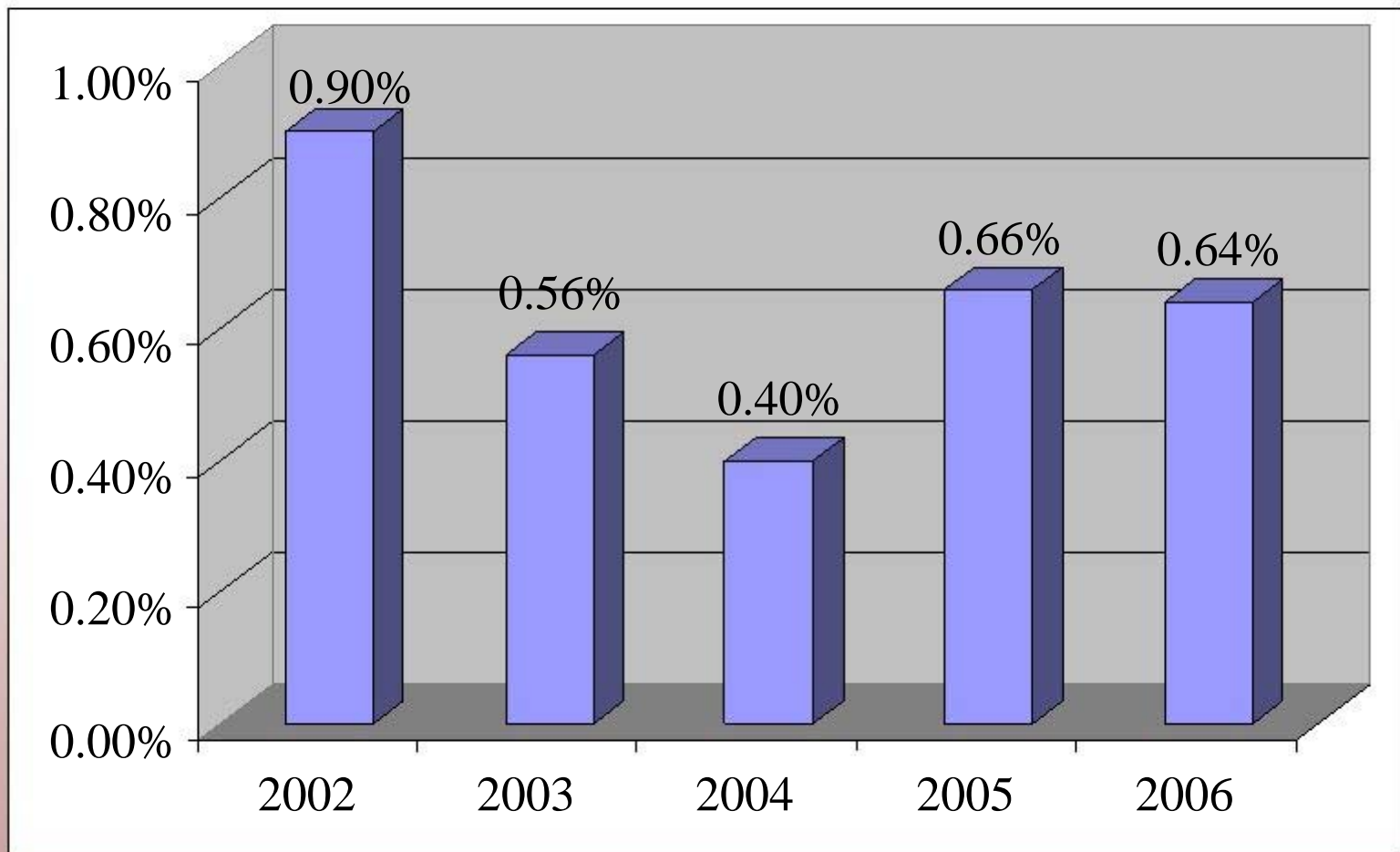
# Loan Composition (as of December 31, 2006)



# Deposit Composition (as of December 31, 2006)

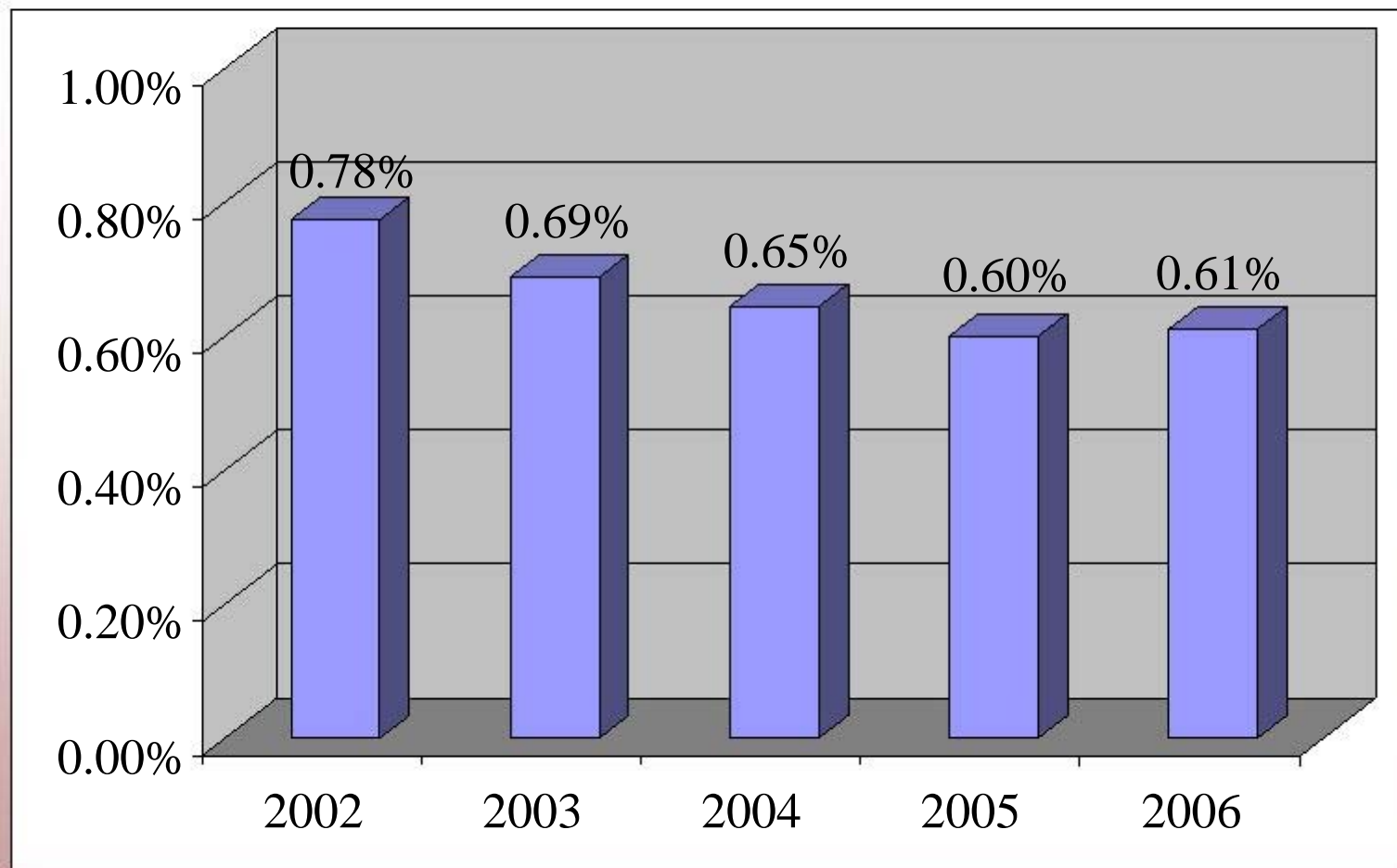


# Non-performing Loans as a percentage of Gross Loans

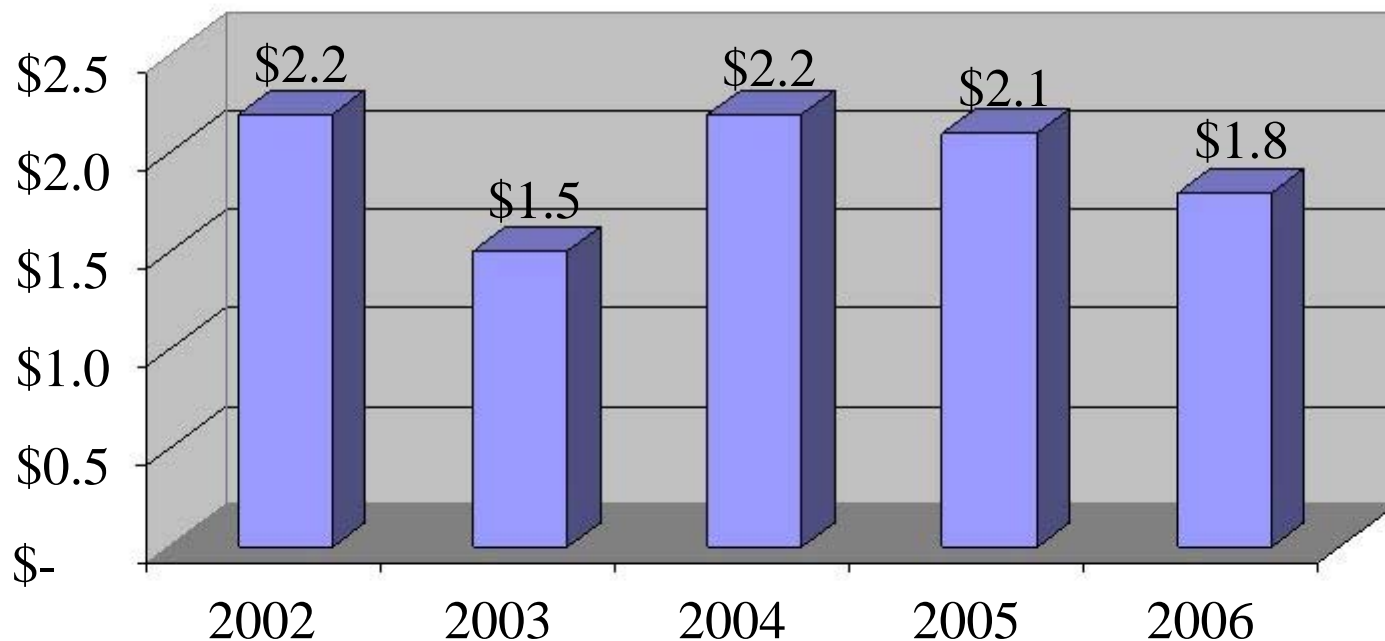




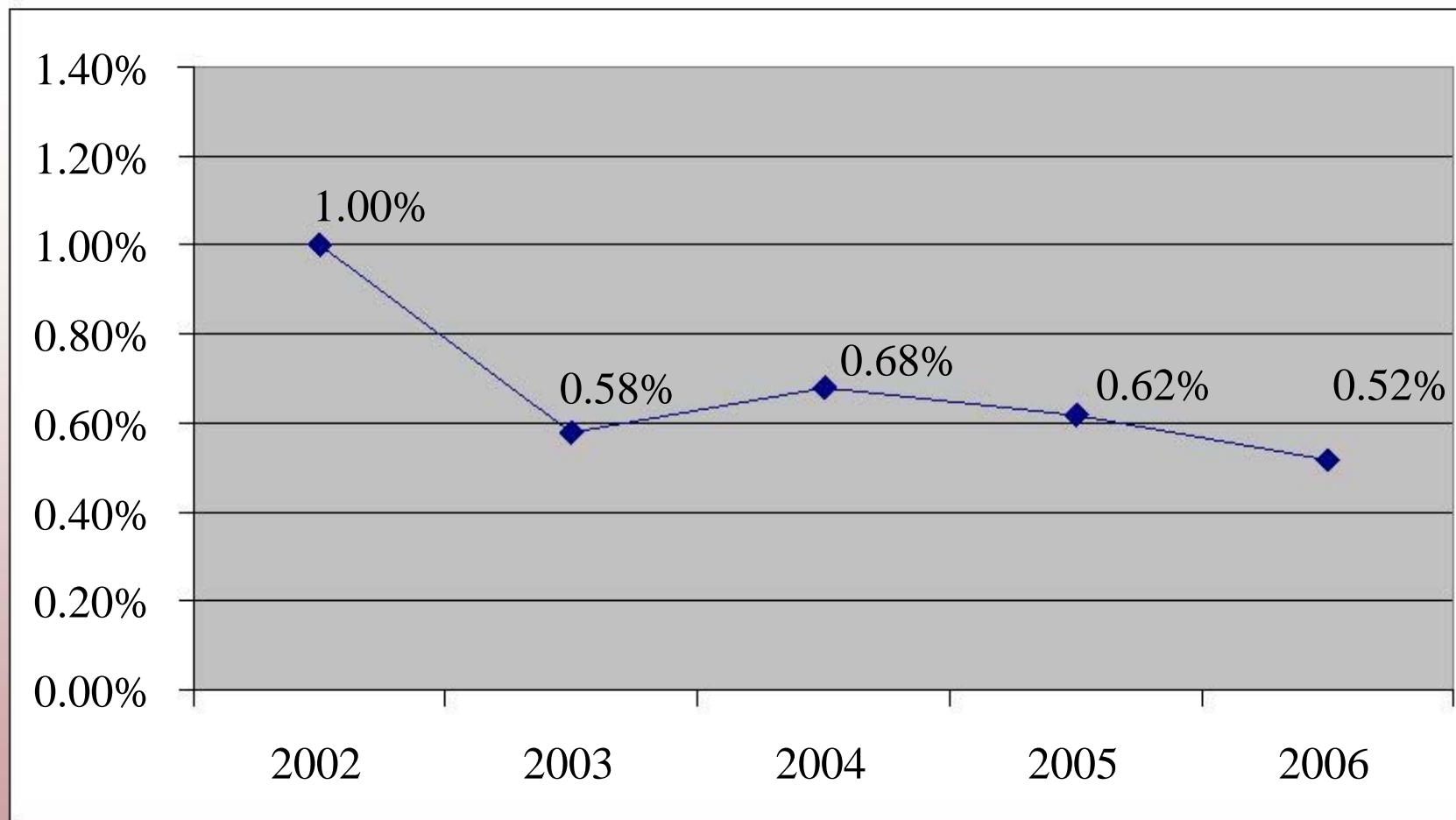
# Loan Loss Reserves as a percentage of Loans



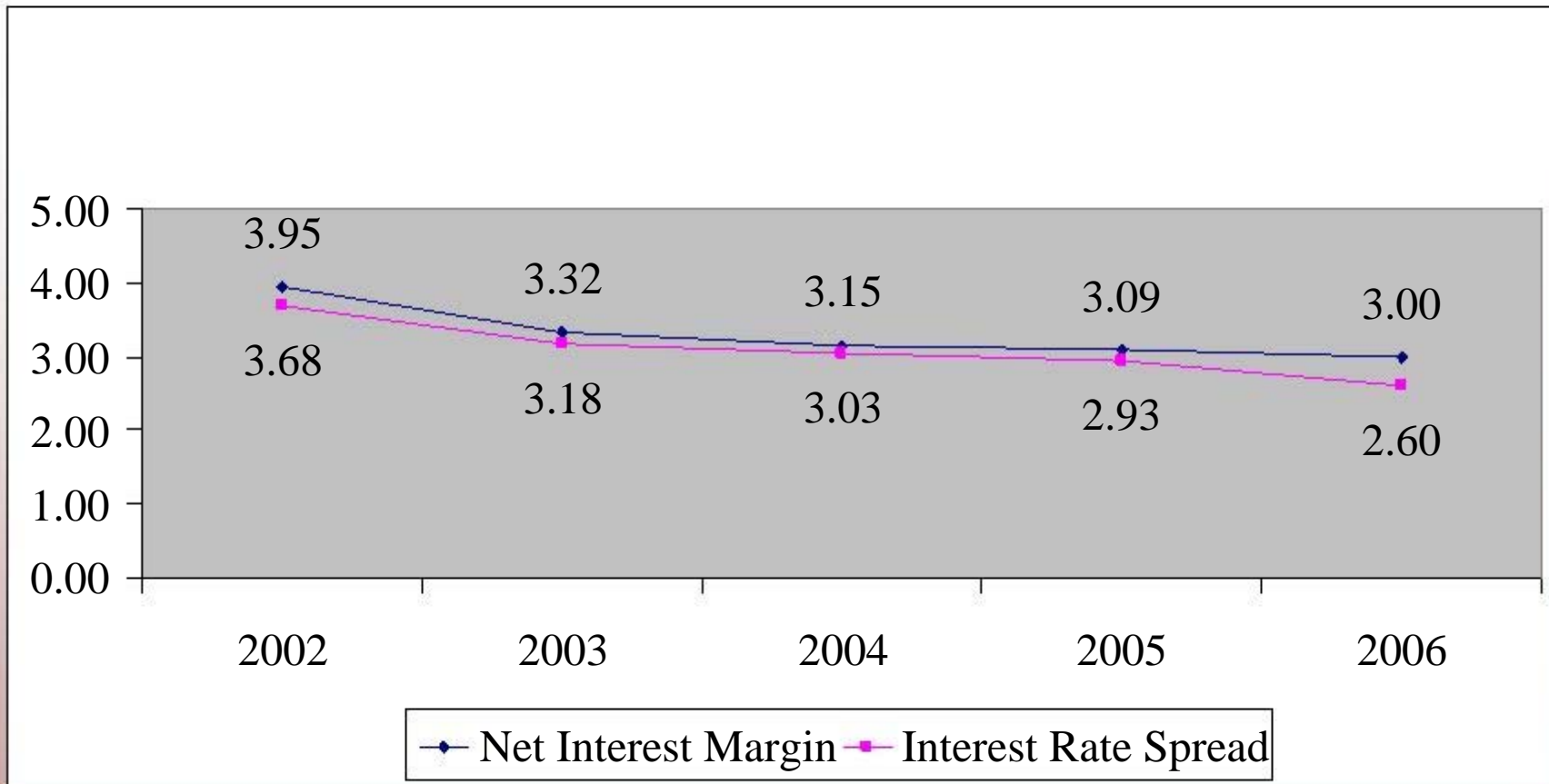
# Net Income (\$ in millions)



# Return on Average Assets (in percentages)



# Interest Rate Margin & Spread (in percentages)



# Net Interest Income (\$ in millions)

