

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): April 26, 2023

**LAKE SHORE BANCORP, INC.**  
(Exact name of registrant as specified in its charter)

**United States**  
(State or other jurisdiction of incorporation)

**000-51821**  
(Commission File Number)

**20-4729288**  
(IRS Employer Identification No.)

**31 East Fourth Street, Dunkirk, NY 14048**  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: **(716) 366-4070**

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
☐ Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                      | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common stock, par value \$0.01 per share | LSBK              | The Nasdaq Stock Market LLC               |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02 Results of Operations and Financial Condition.**

Lake Shore Bancorp, Inc. (the “Company”) issued a press release on April 26, 2023 disclosing its results of operations and financial condition for the first quarter of 2023.

A copy of the press release is attached as Exhibit 99.1 hereto.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

99.1 [Press release of Lake Shore Bancorp, Inc. dated April 26, 2023.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LAKE SHORE BANCORP, INC.**

|        |  |
|--------|--|
| By:    | <u>/s/ Rachel A. Foley</u>               |
| Name:  | Rachel A. Foley                          |
| Title: | Chief Financial Officer and<br>Treasurer |

Date: April 26, 2023



## **Lake Shore Bancorp, Inc. Announces 2023 First Quarter Financial Results**

DUNKIRK, N.Y. — April 26, 2023 — Lake Shore Bancorp, Inc. (the “Company”) (NASDAQ: LSBK), the holding company for Lake Shore Savings Bank (the “Bank”), reported unaudited net income of \$1.7 million, or \$0.29 per diluted share, for the 2023 first quarter compared to net income of \$1.1 million, or \$0.18 per diluted share, for the 2022 first quarter.

“We are pleased with Lake Shore’s financial results during the first quarter of 2023”, stated Kim Liddell, President and CEO. “We, like most Banks, were susceptible to the rapidly rising rate environment and increased interest expenses during the first quarter. Even with those headwinds Lake Shore performed well, a testament to its core strength of building relationships one customer at a time for the last 132 years.”

### **2023 First Quarter Financial Highlights:**

- Net income increased to \$1.7 million during the 2023 first quarter, an increase of \$623,000, or 58.7%, when compared to the 2022 first quarter. Net income during the three months ended March 31, 2023 was positively impacted by an increase in net interest income and a decrease in (credit) provision for credit losses, partially offset by an increase in non-interest expenses;
- Net interest income increased \$823,000, or 15.1%, to \$6.3 million during the 2023 first quarter in comparison to the 2022 first quarter, primarily due to an increase in the average yield earned on interest-earning assets and an increase in the average balance of interest-earning assets since March 31, 2022;
- Average loan yield increased 88 basis points when compared to the three months ended March 31, 2022, primarily due to an increase in market interest rates;
- Total deposits increased by \$25.1 million, or 4.4% since December 31, 2022, primarily due to an increase in brokered deposits and time deposits;
- Net interest margin and interest rate spread was 3.76% and 3.49%, respectively, for the 2023 first quarter as compared to 3.38% and 3.30%, respectively, for the 2022 first quarter; and
- Non-performing loans as a percent of total net loans was 0.48% and 0.51% at March 31, 2023 and December 31, 2022, respectively.

### ***Net Interest Income***

2023 first quarter net interest income increased \$823,000, or 15.1%, to \$6.3 million as compared to \$5.5 million for the 2022 first quarter.

Interest income for the 2023 first quarter was \$8.0 million, an increase of \$2.0 million, or 34.0%, compared to \$5.9 million for the 2022 first quarter. The increase was primarily due to a 108 basis points increase in the average yield on interest-earning assets due to an increase in market interest

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rates. The increase was also due to a \$54.1 million, or 10.4%, increase in the average balance of loans since March 31, 2022.

2023 first quarter interest expense was \$1.7 million, an increase of \$1.2 million, or 256.2%, from \$466,000 for the 2022 first quarter. The increase in interest expense was primarily due to a 90 basis points increase in average interest paid on interest bearing liabilities and a \$23.1 million increase in average interest-bearing liabilities. During the first quarter of 2023, there was a \$965,000 increase in interest paid on deposit accounts due to an 80 basis points increase in the average interest rate paid. The increase in the average rate paid on deposit accounts was primarily due to the increase in market interest rates since March 31, 2022. Average deposit balances were \$482.6 million, an 8.1% increase during the 2023 first quarter, resulting from an increase in certificate of deposits and brokered deposits since March 31, 2022. During the 2023 first quarter, interest expense on short-term and long-term debt increased by \$229,000, or 221.2%, compared to the 2022 first quarter, primarily due to a \$19.3 million increase in average debt outstanding.

### ***Non-Interest Income***

Non-interest income was \$554,000 for the 2023 first quarter, a decrease of \$178,000, or 24.3%, as compared to the 2022 first quarter. The decrease was primarily due to a \$232,000 net increase in unrealized losses on interest rate swap products as a result of rising interest rates. The decrease was partially offset by a \$36,000 increase in service charges and fees and debit card income and a \$7,000 increase in earnings on bank owned life insurance.

### ***Non-Interest Expense***

Non-interest expense was \$5.5 million for the 2023 first quarter, an increase of \$985,000, or 21.7%, as compared to \$4.5 million for the 2022 first quarter. Professional services expense increased by \$551,000, or 184.3%, primarily due to an increase in legal, auditing services, regulatory assessments and consulting costs during the 2023 first quarter associated with remediation activities related to regulatory concerns. Salary and employee benefits expense increased \$372,000, or 15.5%, primarily due to the addition of staffing resources, annual salary increases, an increase in the cost to attract and retain employees in our market area and an increase in employee benefits. FDIC Insurance expense increased by \$50,000, or 111.1%, during the quarter primarily due to an increase in premium assessments. Data processing costs increased \$63,000, or 20.0%, primarily due to an increase in costs related to core system maintenance and enhancements to existing IT security protocols. Advertising expense increased \$42,000, or 30.8%, primarily due to an increase in marketing costs during the first quarter of 2023. Other expenses decreased \$147,000, or 28.3%, primarily due to a one-time, insurance related expense being recorded during the first quarter of 2022.

### ***Credit Quality***

The Company adopted the Current Expected Credit Losses (“CECL”) methodology to record expected credit losses on our loan portfolio effective January 1, 2023. The adoption of CECL under current accounting guidance resulted in a pre-tax increase to the allowance for credit losses on loans of \$282,000, with an offset to the Company’s retained earnings. The Company is utilizing the vintage model to estimate its allowance for credit losses on loans. During the three months ended March 31,

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2023, the Company recorded a \$625,000 credit to the allowance for credit losses on loans due to a change in the forecasting factor from January 1, 2023.

The provision for credit losses was \$400,000 for the three months ended March 31, 2022.

Non-performing loans as a percent of total net loans decreased to 0.48% at March 31, 2023 as compared to 0.51% at December 31, 2022. The Company's allowance for credit losses as a percent of total loans was 1.17%, at March 31, 2023 and 1.23% at December 31, 2022.

### ***Balance Sheet Summary***

Total assets at March 31, 2023 were \$730.1 million, a \$30.2 million increase, or 4.3%, as compared to \$699.9 million at December 31, 2022. Cash and cash equivalents increased by \$29.1 million, or 302.2%, from \$9.6 million at December 31, 2022 to \$38.7 million at March 31, 2023. The increase was primarily due to an increase in deposit accounts and long-term borrowings. Securities available for sale was \$73.8 million at March 31, 2023 as compared to \$73.0 million at December 31, 2022. Loans receivable, net at March 31, 2023 and December 31, 2022 were \$574.4 million and \$573.5 million, respectively. Total deposits at March 31, 2023 were \$595.2 million, an increase of \$25.1 million, or 4.4%, compared to \$570.1 million at December 31, 2022 primarily due to an increase in brokered deposits and time deposits. Total borrowings increased to \$41.3 million, an increase of \$3.7 million, or 9.9% as compared to \$37.5 million as of December 31, 2022.

Stockholders' equity at March 31, 2023 was \$83.7 million, a \$2.5 million increase, or 3.1%, as compared to \$81.2 million at December 31, 2022. The increase in stockholders' equity was primarily attributed to a \$1.3 million unrealized mark-to-market gain on the available for sales securities portfolio recognized in other comprehensive income. The increase in stockholders' equity was also attributed to net income earned during the three months ended March 31, 2023, which was partially offset by the initial entry recorded to retained earnings upon the adoption of CECL.

### ***About Lake Shore***

Lake Shore Bancorp, Inc. (NASDAQ Global Market: LSBK) is the mid-tier holding company of Lake Shore Savings Bank, a federally chartered, community-oriented financial institution headquartered in Dunkirk, New York. The Bank has eleven full-service branch locations in Western New York, including five in Chautauqua County and six in Erie County. The Bank offers a broad range of retail and commercial lending and deposit services. The Company's common stock is traded on the NASDAQ Global Market as "LSBK". Additional information about the Company is available at [www.lakeshoresavings.com](http://www.lakeshoresavings.com).

### ***Safe-Harbor***

*This release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates and projections about the Company's and the Bank's industry, and management's beliefs and assumptions. Words such as anticipates, expects, intends, plans, believes, estimates and variations of such words and expressions are intended to identify forward-looking statements. Such statements reflect management's current views of future events and operations. These forward-looking statements are based on information currently available to the Company as of the date of this release. It is important to note that these forward-looking statements are not guarantees of future performance and involve and are subject to significant risks, contingencies, and uncertainties, many of which are difficult to predict and are generally beyond our control including,*

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*but not limited to, compliance with the Bank's Consent Order and an Individual Minimum Capital Requirement both issued by the Office of the Comptroller of the Currency, data loss or other security breaches, including a breach of our operational or security systems, policies or procedures, including cyber-attacks on us or on our third party vendors or service providers, economic conditions, the effect of changes in monetary and fiscal policy, inflation, unanticipated changes in our liquidity position, climate change, increased unemployment, deterioration in the credit quality of the loan portfolio and/or the value of the collateral securing repayment of loans, reduction in the value of investment securities, the cost and ability to attract and retain key employees, regulatory or legal developments, tax policy changes, and our ability to implement and execute our business plan and strategy and expand our operations. These factors should be considered in evaluating forward looking statements and undue reliance should not be placed on such statements, as our financial performance could differ materially due to various risks or uncertainties. We do not undertake to publicly update or revise our forward-looking statements if future changes make it clear that any projected results expressed or implied therein will not be realized.*

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Source: Lake Shore Bancorp, Inc.  
Category: Financial

***Investor Relations/Media Contact***

Rachel A. Foley  
Chief Financial Officer and Treasurer  
Lake Shore Bancorp, Inc.  
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**Lake Shore Bancorp, Inc.**  
**Selected Financial Information**

**Selected Financial Condition Data**

|                               | <b>March 31,<br/>2023</b>     | <b>December 31,<br/>2022</b> |
|-------------------------------|-------------------------------|------------------------------|
|                               | <b>(Unaudited)</b>            |                              |
|                               | <b>(Dollars in thousands)</b> |                              |
| Total assets                  | \$ 730,064                    | \$ 699,914                   |
| Cash and cash equivalents     | 38,739                        | 9,633                        |
| Securities available for sale | 73,751                        | 73,047                       |
| Loans receivable, net         | 574,408                       | 573,537                      |
| Deposits                      | 595,207                       | 570,119                      |
| Short-term borrowings         | 2,030                         | 12,596                       |
| Long-term debt                | 39,250                        | 24,950                       |
| Stockholders' equity          | 83,697                        | 81,184                       |

**Statements of Income**

|  | <b>Three Months Ended<br/>March 31,<br/>2023</b>        | <b>2022</b> |
|--|---|-------------|
|  | <b>(Unaudited)</b>                                      |             |
|  | <b>(Dollars in thousands, except per share amounts)</b> |             |
| Interest income  | \$ 7,951  | \$ 5,934    |
| Interest expense   | 1,660   | 466         |
| Net interest income  | 6,291   | 5,468       |
| (Credit) Provision for credit losses                           | (625)   | 400         |
| Net interest income after (credit) provision for credit losses | 6,916   | 5,068       |
| Total non-interest income                                      | 554   | 732         |
| Total non-interest expense                                     | 5,517   | 4,532       |
| Income before income taxes                                     | 1,953   | 1,268       |
| Income tax expense   | 269   | 207         |
| Net income   | \$ 1,684  | \$ 1,061    |
| Basic and diluted earnings per share                           | \$ 0.29   | \$ 0.18     |
| Dividends declared per share                                   | \$ -  | \$ 0.16     |

**Lake Shore Bancorp, Inc.**  
**Selected Financial Information**

**Selected Financial Ratios**

|   | Three Months Ended<br>March 31, |         |
|---|---------------------------------|---------|
|   | 2023                            | 2022    |
|   | (Unaudited)                     |         |
| Return on average assets  | 0.94%                           | 0.98%   |
| Return on average equity  | 8.15%                           | 7.78%   |
| Average interest-earning assets to average interest-bearing liabilities | 127.65%                         | 129.18% |
| Interest rate spread  | 3.49%                           | 3.30%   |
| Net interest margin   | 3.76%                           | 3.38%   |

|  | March 31,<br>2023 | December 31,<br>2022 |
|--|-------------------|----------------------|
|  | (Unaudited)       |                      |
| <b>Asset Quality Ratios:</b>                                     |                   |                      |
| Non-performing loans as a percent of total net loans             | 0.48%             | 0.51%                |
| Non-performing assets as a percent of total assets               | 0.39%             | 0.43%                |
| Allowance for credit losses as a percent of total loans          | 1.17%             | 1.23%                |
| Allowance for credit losses as a percent of non-performing loans | 242.08%           | 240.96%              |

|  | March 31,<br>2023 | December 31,<br>2022 |
|--|-------------------|----------------------|
|  | (Unaudited)       |                      |
| <b>Share Information:</b>                  |                   |                      |
| Common stock, number of shares outstanding | 5,693,358         | 5,705,225            |
| Treasury stock, number of shares held      | 1,143,156         | 1,131,289            |
| Book value per share                       | \$ 14.70          | \$ 14.23             |