



Second Quarter Report
As of June 30, 2010

Main Office

35 William Street
Lyons, NY 14489
(315) 946-4871

Newark Office

750 West Miller Street
Newark, NY 14513
(315) 331-0296

Clyde Office

4 Williams Street
Clyde, NY 14433
(315) 923-2100

Ontario Office

Tops Plaza
6256 Furnace Road
Ontario, NY 14519
(315) 524-9661

Geneva Office

399 Exchange Street
Geneva, NY 14456
(315) 781-5000

Penn Yan Office

205 Liberty Street
Penn Yan, NY 14527
(315) 536-2300

Jordan Office

2 North Main Street
Jordan, NY 13080
(315) 689-9530

Seneca County Office

Interim Location
2041 Routes 5 & 20
Seneca Falls, NY 13148
(315) 568-1500

Lyons Office

Corner Routes 14&31
Lyons, NY 14489
(315) 946-4505

Wolcott Office

5996 New Hartford Street
Wolcott, NY 14590
(315) 594-6002

Macedon Office

359 NYS Route 31
Macedon, NY 14502
(315) 986-9681

www.BankwithLNB.com



“LNB’s generous support of the YMCA will both assist in the revitalization and expansion of its cardio fitness center providing greater access to its members; as well as attracting and recruiting new members to the organization.”

Marty Burns
Board President
Geneva Family YMCA

WOVEN INTO THE FABRIC
OF THE COMMUNITY



Profile

Lyons Bancorp, Inc. is a bank holding company headquartered in Lyons, New York, with assets of \$488 million at June 30, 2010.

Lyons Bancorp, Inc. has one banking subsidiary, The Lyons National Bank.

The Lyons National Bank is a community bank with offices in Clyde, Lyons, Macedon, Newark, Ontario and Wolcott in Wayne County, Jordan in Onondaga County, Geneva in Ontario County, Penn Yan in Yates County and Seneca Falls in Seneca County. The Lyons National Bank has two subsidiaries, Lyons Realty Associates Corp., and LNB Life Agency, Inc.

Stock Symbol

LYBC



Pictured, on the cover, from left to right: Marty Burns, President, Geneva Family YMCA Board of Directors, is congratulated by Bob Schick, President and CEO, and Tara Rago, Geneva Branch Manager, of The Lyons National Bank at the ground breaking ceremony for the YMCA’s new cardio area expansion.

Board of Directors

Robert A. Schick
President & Chief Executive Officer
Lyons Bancorp, Inc. & The Lyons National Bank

David J. Breen, Jr.
General Manager
Herrema’s Market Place

Clair J. Britt, Jr.
Executive Vice President & Senior Commercial Lending Officer
The Lyons National Bank

Andrew F. Fredericksen, CPA
Senior Partner
Fredericksen & Sirianni, LLP

Dale H. Hemminger
President & General Manager
Hemdale Farms & Greenhouses

James A. Homburger
Real Estate Broker

Thomas L. Kime
Executive Vice President & Chief Operating Officer
The Lyons National Bank

Theodore J. Marshall
President of Patriot Tank Lines
Past President & Chief Executive Officer Marshall Companies

James E. Santelli
Retired Vice President & Co-owner, Santelli Lumber Co.

John J. Werner, Jr.
Retired President & Chief Executive Officer
Lyons Bancorp, Inc. & The Lyons National Bank

Carol A. Snook
Banking Officer & Corporate/Executive Secretary
The Lyons National Bank

Geneva Advisory Board

Peter J. D’Amico, Jr.
D’Amico Chrysler Dodge Jeep

Jason S. Feinberg
Finger Lakes Health

Robert S. Flowers
Hobart and William Smith Colleges

Joseph A. Fragnoli
Super Casuals

Carl W. Fribolin
White Springs Winery

Bernard G. Lynch
Lynch Furniture

Penn Yan Advisory Board

Bonnie B. Curbeau
Curbeau Realty

Michael D. Linehan
Yates County Chamber of Commerce

James H. Long
Long’s Cards and Books

Paul W. Marble, Jr.
Marble’s Automotive and Glass

Henry H. Martin
Dairy farmer

Neil J. Simmons
Simmons Vineyards

William H. Sutherland
Sutherland Corporation (retired)

Seneca County Advisory Board

Daniele Bonafiglia-Wirth
BonaDent Dental Laboratories Inc.

Salvatore N. Franzone
Ciccino’s Pizzeria and Restaurant

Kenneth (Lee) Patchen, Jr.
Patchen Real Estate

Eugene Pierce
Glenora Wine Cellars, Inc.

Jane M. Shaffer
Sessler Companies

Bryan G. vonHahmann
Dairylea Cooperative Inc.

Earl (Red) T. Wadhams
Wadhams Enterprises, Inc.

Dear shareholders & friends,

As we enter the second year of recovery, the American economy is grappling with high unemployment and underemployment and is struggling to find traction. We, however, continue to produce stable returns for our shareholders. In recent months though, the rate of growth in those returns has slowed from previous years. For the first six months of 2010, we earned \$2.34 per share versus \$1.90 for the same period in 2009 — a 23% increase. On a consecutive quarter basis, earnings in the 2nd quarter of this year were the same as those of the 1st quarter — \$1.17 per share.

The stellar year-over-year earnings increase was driven by a 12% gain in earning assets (loans and investments), an increase in our net interest margin (the difference between the interest we earn on our earning assets and the interest we pay on our deposits), and improved efficiency, a result of holding operating expenses steady as we grew.

Although we continue to produce record earnings in 2010, the stagnation of the economy has slowed the pace of growth in our earning assets and related net income. In 2010's second quarter, earning assets increases slowed to approximately 5%. Weaker demand for loans, coupled with the fact we have already lowered most of our deposit rates, resulted in a dip in our net interest margin. As a result of those facts and the upfront expenses relating to the opening of our new Seneca County branch, our efficiency ratio edged slightly higher in the second quarter. Based on history, we will easily earn back our investment as the new branch matures.

We had the opportunity to maintain a stronger earnings growth rate. However, because of the economic uncertainty we face, we again held fast to our conservative approach to credit risk and our strategy of reserving for potential losses. For the quarter ending June 30, 2010, we added an additional \$620,000 to our Allowance for Loan and Lease Losses. So far in 2010, we have added \$1.12 million to the Allowance, double

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OF THE COMMUNITY

what we provided for the first six months of 2009. At June 30, 2010, the ratio of the Allowance to total period-end loans was 1.93% as compared to 1.47% at June 30, 2009.

We are not located in an area that experiences “boom/bust” cycles and have not experienced significant loan charge-offs as have many of our peers. Nevertheless, the stagnation of the national economy is having an effect on some of our corporate and agricultural customers. We continue to be pro-active in addressing potential troubled loans, and in the 2nd quarter, we placed such a loan on non-accrual status. This resulted in our ratio of non-performing loans to period-end loan increasing to 1.98% from 0.91% at June 30, 2009 and 0.68% at March 31, 2010.

The foreseeable future will pose a different set of challenges to banks like ours as the economy struggles and both the intended and unintended consequences of new regulations reveal themselves. While current conditions may not be ideal, we continue to provide our shareholders stable and meaningful returns on their investment. More importantly, I am confident that we have the talent, systems, and policies in place that will ensure our success long into the future.

Sincerely,



Robert A. Schick
President and Chief Executive Officer

Lyons Bancorp, Inc. and Subsidiaries
Consolidated Financial Information Unaudited

Condensed Income Statement	As of and for the Six Months Ended June 30, (Dollars in thousands)	
	2010	2009
Net interest income	\$ 8,545	\$ 6,886
Provision for loan losses	1,120	540
Net interest income after provision for loan losses	\$ 7,425	\$ 6,346
Securities gains	0	374
Non-interest income	2,430	2,540
Non-interest expense	7,201	7,004
Income before income taxes	\$ 2,654	\$ 2,256
Income taxes	644	640
Net income	\$ 2,010	\$ 1,616

Share and Per Share Data		
Average common shares outstanding (basic)	858,123	849,030
Average common shares outstanding (dilutive)	858,123	849,030
Period-end common shares outstanding (common)	858,194	854,521
Period-end common shares outstanding (dilutive)	858,194	854,521
Net income per common share (basic)	\$ 2.34	\$ 1.90
Net income per common share (dilutive)	\$ 2.34	\$ 1.90
Cash dividend declared	\$ 0.63	\$ 0.58
Book value per common share (basic)	\$ 37.08	\$ 32.44
Book value per common share (dilutive)	\$ 37.08	\$ 32.44
Last stock trade	\$ 36.67	\$ 32.30

Period-end Balances		
Assets	\$ 487,729	\$ 429,516
Earning assets	\$ 455,949	\$ 399,030
Loans	\$ 296,491	\$ 260,310
Allowance for loan losses	\$ 5,711	\$ 3,822
Deposits	\$ 423,064	\$ 379,262
Shareholders' equity	\$ 31,819	\$ 27,718

Average Balances		
Assets	\$ 474,319	\$ 423,766
Earning assets	\$ 443,083	\$ 394,794
Loans	\$ 290,984	\$ 246,588
Allowance for loan losses	\$ 5,179	\$ 3,727
Deposits	\$ 409,205	\$ 376,096
Shareholders' equity	\$ 31,161	\$ 27,619

Key Ratios		
<i>Earnings</i>		
Return on average assets	0.85%	0.77%
Return on average equity	13.01%	11.80%
Net interest margin	3.89%	3.52%
Efficiency ratio*	67.44%	74.30%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.11%	0.08%
Allowance for loan losses to period-end loans	1.93%	1.47%
Non-performing loans to period-end loans	1.98%	0.91%

*Calculated by dividing total non-interest expense by net interest income plus non-interest income (adjusted for certain items).

Lyons Bancorp, Inc. and Subsidiaries
Consolidated Financial Information Unaudited

Condensed Income Statement	As of and for the Three Months Ended (Dollars in thousands)	
	June 30, 2010	March 31, 2010
Net interest income	\$ 4,303	\$ 4,242
Provision for loan losses	620	500
Net interest income after provision for loan losses	\$ 3,683	\$ 3,742
Securities gains	0	0
Non-interest income	1,269	1,161
Non-interest expense	3,690	3,511
Income before income taxes	\$ 1,262	\$ 1,392
Income taxes	255	389
Net income	\$ 1,007	\$ 1,003

Share and Per Share Data		
Average common shares outstanding (basic)	858,204	858,041
Average common shares outstanding (dilutive)	858,204	858,041
Period-end common shares outstanding (common)	858,194	858,056
Period-end common shares outstanding (dilutive)	858,194	858,056
Net income per common share (basic)	\$ 1.17	\$ 1.17
Net income per common share (dilutive)	\$ 1.17	\$ 1.17
Cash dividend declared	\$ 0.33	\$ 0.30
Book value per common share (basic)	\$ 37.08	\$ 35.66
Book value per common share (dilutive)	\$ 37.08	\$ 35.66
Last stock trade	\$ 36.67	\$ 39.95

Period-end Balances		
Assets	\$ 487,729	\$ 471,236
Earning assets	\$ 455,949	\$ 439,038
Loans	\$ 296,491	\$ 288,218
Allowance for loan losses	\$ 5,711	\$ 5,120
Deposits	\$ 423,064	\$ 409,064
Shareholders' equity	\$ 31,819	\$ 30,599

Average Balances		
Assets	\$ 485,521	\$ 462,992
Earning assets	\$ 454,062	\$ 431,982
Loans	\$ 293,603	\$ 288,337
Allowance for loan losses	\$ 5,321	\$ 5,036
Deposits	\$ 421,810	\$ 396,460
Shareholders' equity	\$ 31,615	\$ 30,701

Key Ratios		
<i>Earnings</i>		
Return on average assets	0.83%	0.88%
Return on average equity	12.78%	13.25%
Net interest margin	3.80%	3.98%
Efficiency ratio*	68.38%	66.48%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.01%	0.10%
Allowance for loan losses to period-end loans	1.93%	1.78%
Non-performing loans to period-end loans	1.98%	0.68%

*Calculated by dividing total non-interest expense by net interest income plus non-interest income (adjusted for certain items).