

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

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

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

www.lyonsbank.com

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

SECOND QUARTER REPORT
As of June 30, 2009



RESPONSIBLE

Responsible banking practices have kept LNB in a strong financial position. We did not participate in the practices that caused the current banking problem and we chose not to participate in the Federal bailout program.

Paul Marble

Paul Marble, owner of Marble's Automotive and Glass, is actively involved in the Penn Yan community as well as an active member of LNB's Penn Yan Advisory Board. Paul's involvement

continues

PROFILE

Lyons Bancorp, Inc. is a bank holding company headquartered in Lyons, New York, with assets of \$429 million at June 30, 2009. 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 and Penn Yan in Yates County. Subsidiaries of The Lyons National Bank are Lyons Realty Associates Corp. and LNB Life Agency, Inc.

STOCK SYMBOL

LYBC

Paul Marble continued – with associations such as: Finger Lakes Health Board of Directors, Cornerstone of Care Campaign, as well as the Finger Lakes Council of Boy Scouts, contributes to the well being of his community. Paul and other local community leaders like him, serve on LNB's Board and Advisory boards. Their involvement with the Bank contributes significantly to the financial success of the Bank as well as assisting us in better serving our community. If you want a bank that is connected to your community, stop by one of our offices or feel free to ask one of our local Board members and your local community leader about us.

Front Cover – Pictured with Paul are Ruth Benedict, Executive Director, Finger Lakes Health Foundation and Harold Gray, Cornerstone of Care Campaign Director.

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 & 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

Joseph A. Fragnoli
Super Casuals

Carl W. Fribolin
White Springs Winery

Bernard G. Lynch
Lynch Furniture

Jane M. Shaffer
Sessler Companies

Bryan G. vonHahmann
Dairylea Cooperative Inc.

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

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)

DEAR SHAREHOLDERS & FRIENDS,

It's a very good time to be a conservative-minded community bank! Our long standing commitment to sound banking practices, our approach to personal one-on-one customer relationships, and our foresight to build a solid infrastructure continues paying handsome dividends.

When we adjust for the one-time \$250,000 bank-owned life insurance settlement we received in the second quarter of 2008, our basic core operating earnings for the first six months of 2009 increased more than 22% over those recorded for the same period last year – \$1,615,827 versus \$1,320,973. This equates to \$1.90 versus an adjusted \$1.55 on a per share basis. When including the one-time insurance settlement, earnings are up 2.86% versus the originally reported \$1,570,973 and \$1.84 per share. On a sequential quarter basis, earnings increased 11%.

We also totally covered our one-time special FDIC assessment of approximately \$200,000 in the second quarter. You'll recall that the FDIC assessed all banks, even the conservative ones like Lyons National, for the well-publicized transgressions of a few. Helping us cover this cost was our increased residential mortgage activity and the profits on those mortgages that we sell while retaining servicing rights.

Driving our earnings was an increase in both our consumer and commercial loan portfolios. Our annual Spring Loan Sale fueled an increase in consumer installment and home equity loan portfolios. As our larger banking brethren have "pulled in their horns" due to their funding and capital issues, we have the luxury of picking and choosing among the various commercial and agricultural loan opportunities that have come our way. Total loans on June 30, 2009 were \$260 million versus \$226 million on June 30, 2008.

In keeping with our conservative approach to credit risk and our strategy of reserving for potential losses when earnings are strong, we once again made a provision for loan losses (\$540,000) that was well in excess of our actual net losses of approximately \$190,000. Our total reserve for loan and lease losses as a percentage of period-ending loans is 1.47%. Our year-to-date net loan losses equate to 0.08% (eight-hundredths of one percent) of average loans outstanding. The ratio of our non-performing loans to

period-end loans continued to fall and now stand at 0.97% versus the year ago level of 1.47%.

Retail and commercial deposits are also growing solidly. Over the past year, total deposits increased from \$340 million to \$379 million – more than 10%. This growth is in spite of our decision to allow municipal deposits to run down because the return we receive for these deposits in the federal funds market is about the same as their cost. We continue to eschew raising deposits in the more volatile secondary broker market.

We have purposely kept the average life of our investment portfolio short to provide us with liquidity and position us for the time when interest rates begin to raise. As a result, the increase in the market value of the portfolio, as well as our increased earnings, has added to our shareholders' equity.

We continue to emphasize the importance of efficiency with our staff. They have responded well, as expected. For the first six months of 2009, our efficiency ratio improved to 74.30% as compared to almost 78% for the first six months of last year.

The upward movement of our stock price reflects many of our efforts, as does the more positive tone of the general market. Even so, our dividend yield is still a healthy 3.63%.

While the country's first quarter crisis mode has somewhat abated, plenty of challenges remain for community banks like us. The FDIC is again talking about another possible special assessment; Congress and the President still don't seem to understand that there is a difference between Main Street banks and Wall Street banks, at least as it pertains to costly new regulations; and the far reaching effects of increasing unemployment have not been totally played out. However, we remain confident that our deeply ingrained conservative culture will guide us through the uncertainty of the immediate 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,	
	2009	2008
Net interest income	\$ 6,886,336	\$ 6,467,821
Provision for loan losses	540,000	150,000
Net interest income after provision for loan losses	\$ 6,346,336	\$ 6,317,821
Securities gains	373,577	80,242
Non-interest income	2,539,722	2,068,494
Non-interest expense	7,003,742	6,460,584
Income before income taxes	\$ 2,255,893	\$ 2,005,973
Income taxes	640,066	435,000
Net income	\$ 1,615,827	\$ 1,570,973

Share and Per Share Data

Average common shares outstanding (basic)	849,030	853,250
Average common shares outstanding (dilutive)	849,030	853,250
Period-end common shares outstanding (common)	854,521	847,114
Period-end common shares outstanding (dilutive)	854,521	847,114
Net income per common share (basic)	\$ 1.90	\$ 1.84
Net income per common share (dilutive)	\$ 1.90	\$ 1.84
Cash dividend declared	\$ 0.58	\$ 0.56
Book value per common share (basic)	\$ 32.44	\$ 29.20
Book value per common share (dilutive)	\$ 32.44	\$ 29.20
Last stock trade	\$ 32.30	\$ 29.60

Period-end Balances

Assets	\$ 429,515,812	\$ 384,181,632
Earning assets	\$ 399,029,620	\$ 349,553,132
Loans	\$ 260,309,960	\$ 225,858,397
Allowance for loan losses	\$ 3,822,124	\$ 3,937,508
Deposits	\$ 379,262,376	\$ 340,206,707
Shareholders' equity	\$ 27,718,490	\$ 24,735,744

Average Balances

Assets	\$ 423,765,523	\$ 388,319,450
Earning assets	\$ 394,793,624	\$ 357,852,183
Loans	\$ 246,587,997	\$ 219,783,688
Allowance for loan losses	\$ 3,727,477	\$ 3,879,559
Deposits	\$ 376,096,163	\$ 346,643,832
Shareholders' equity	\$ 27,619,424	\$ 25,747,783

Key Ratios

<i>Earnings</i>		
Return on average assets	0.77%	0.81%
Return on average equity	11.80%	12.27%
Net interest margin	3.52%	3.63%
Efficiency ratio*	74.30%	77.97%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.08%	0.03%
Allowance for loan losses to period-end loans	1.47%	1.74%
Non-performing loans to period-end loans	0.97%	1.47%

*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	
	June 30, 2009	March 31, 2009
Net interest income	\$ 3,557,227	\$ 3,329,109
Provision for loan losses	170,000	370,000
Net interest income after provision for loan losses	\$ 3,387,227	\$ 2,959,109
Securities gains/(losses)	0	373,577
Non-interest income	1,369,858	1,169,864
Non-interest expense	3,588,343	3,415,399
Income before income taxes	\$ 1,168,742	\$ 1,087,151
Income taxes	318,191	321,875
Net income	\$ 850,551	\$ 765,276

Share and Per Share Data

Average common shares outstanding (basic)	850,046	848,003
Average common shares outstanding (dilutive)	850,046	848,003
Period-end common shares outstanding (common)	854,521	847,225
Period-end common shares outstanding (dilutive)	854,521	847,225
Net income per common share (basic)	\$ 1.00	\$ 0.90
Net income per common share (dilutive)	\$ 1.00	\$ 0.90
Cash dividend declared	\$ 0.29	\$ 0.29
Book value per common share (basic)	\$ 32.44	\$ 32.02
Book value per common share (dilutive)	\$ 32.44	\$ 32.02
Last stock trade	\$ 32.30	\$ 26.00

Period-end Balances

Assets	\$ 429,515,812	\$ 429,869,296
Earning assets	\$ 399,029,620	\$ 381,218,999
Loans	\$ 260,309,960	\$ 243,310,777
Allowance for loan losses	\$ 3,822,124	\$ 3,736,286
Deposits	\$ 379,262,376	\$ 382,848,558
Shareholders' equity	\$ 27,718,490	\$ 27,131,427

Average Balances

Assets	\$ 433,455,293	\$ 413,968,088
Earning assets	\$ 404,399,007	\$ 373,740,693
Loans	\$ 249,984,705	\$ 243,153,549
Allowance for loan losses	\$ 3,769,607	\$ 3,684,878
Deposits	\$ 385,927,582	\$ 366,155,506
Shareholders' equity	\$ 28,031,174	\$ 27,203,099

Key Ratios

<i>Earnings</i>		
Return on average assets	0.79%	0.75%
Return on average equity	12.17%	11.41%
Net interest margin	3.53%	3.61%
Efficiency ratio*	72.83%	75.92%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.04%	0.04%
Allowance for loan losses to period-end loans	1.47%	1.54%
Non-performing loans to period-end loans	0.97%	1.17%

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