Lyons Bancorp Inc.
It's all about *people*. LNB & *you*.

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

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

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

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

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

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

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

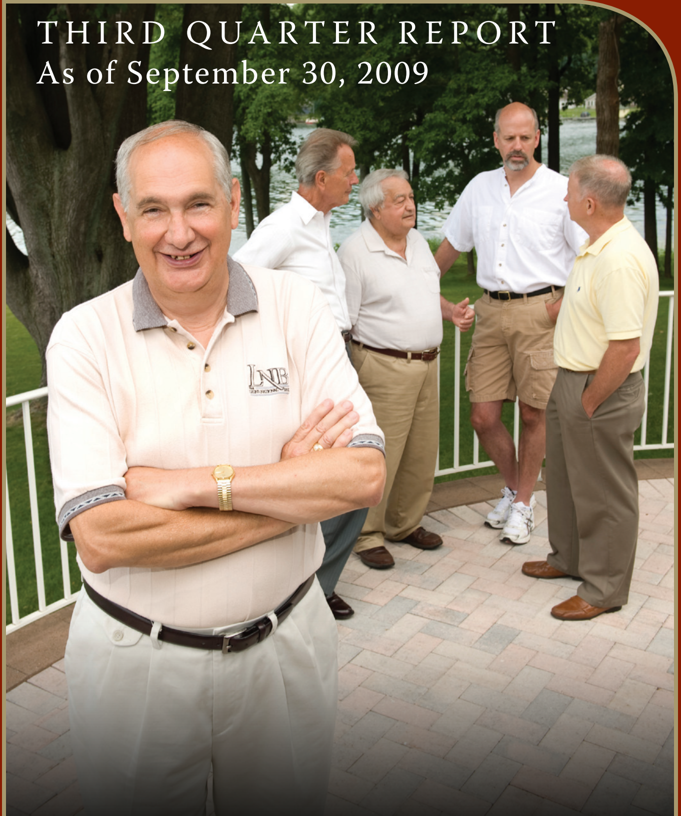
Ontario Office
Tops Plaza
6256 Furnace Road
Ontario, NY 14519
(315) 524-9661

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

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

www.lyonsbank.com

THIRD QUARTER REPORT
As of September 30, 2009



CONSISTENT

We've never stopped lending. LNB has consistently provided solid consumer and business loans vital for the restoration of our local economy and will continue to do so going forward.

Theodore J. Marshall

Ted Marshall, President of Patriot Tank Lines, is an active and local member of LNB's Board of Directors. Ted is also a Board member of the Port Bay Improvement Association. His participation

continues

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PROFILE

Lyons Bancorp, Inc. is a bank holding company headquartered in Lyons, New York, with assets of $449 million at September 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

The Lyons National Bank
It's all about *people*. LNB & *you*.

Lyons Realty Assoc. Corp.
It's all about *people*. LNB & *you*.

Theodore J. Marshall continued – with this association as well as the Weedsport Village Board and Weedsport Volunteer Fire Department reinforce the importance of helping to improve the quality of life in the communities we live and serve in. We feel Ted's participation, along with that of other local Board members like Ted, help us to stay connected with our communities and follow through with consistent banking decisions.

Front Cover – Pictured with Ted are members of the Port Bay Improvement Association. Standing left to right: David Buisch, Secretary; Joe Gallo, President; Tom Connor, Treasurer and Daniel Drechsler, Vice President.

BOARD OF DIRECTORS

CONSISTENT

DEAR SHAREHOLDERS & FRIENDS,

I'm proud to report to you for the first time ever, our quarterly earnings exceeded $1 million. I suspect it won't be the last. Continued growth, focusing on efficiencies and our commitment to sound banking practices are the drivers behind our financial strength.

For the third quarter, we earned $1,040,709 versus $850,551 for the second quarter of this year; a quarter-over-quarter increase of 22%. On a per share basis, this equates to $1.22 versus $1.00 in the second quarter.

Subsequently, for the first nine months of 2009 we earned $2.66 million versus $2.31 million for the same period in 2008; a 15% increase. On a per share basis, this equates to $3.12 versus $2.71 in 2008. As I mentioned in our second quarter report, included in our 2008 numbers was a one-time insurance settlement of $250,000. After adjusting for that settlement, our year-over-year improvement in earnings increases to 29%.

We continue to experience strong loan and deposit growth. Our loan portfolio has grown 17% from this same time last year. We continue to increase our market share in the communities we serve by taking advantage of the contraction by our larger banking brethren who continue to experience capital constraints. In fact, their withdrawal from the marketplace is so broad that it is allowing us the opportunity to selectively choose our new credit relationships. Therefore, while we have grown all segments of our loan portfolio – retail, commercial and agricultural – the quality of our overall loan portfolio remains strong. The percentage of our non-performing loans to period-end loans on September 30, 2009 was 0.88%. This compares to 0.97% on June 30, 2009 and 1.31% on September 30, 2008. The percentage of loans charged off was 0.09% through the first nine months of 2009 as we took advantage of our strong earnings to rid ourselves of a few lingering problem loans. As a way of comparison, our regulatory agency, The Comptroller of the Currency (OCC), has stated that any percentage at or under 0.12% is an acceptable ratio. As we have in the past, we continued to add to our Provision for Loan Losses. Subsequently, we maintained our Allowance (reserve) for Loan Losses to period-ending loans percentage at a ratio of 1.47%.

Our branch staff continues to do an excellent job in growing deposits. For the first nine months of 2009 our deposits are up over 10% as compared to the same period in 2008. More importantly, we experienced excellent growth in our core accounts – checking, savings and money markets, in the 3rd quarter. Unlike many of our peers and especially the Wall Street and large regional banks, we fund our asset growth almost exclusively with more dependable and stable local deposits. This is yet another testimony to the hard work of our branch staff, which in-turn helped to increase our net interest margin in the third quarter to 3.90% from 3.53% in the second quarter.

As I mentioned earlier, one of the drivers of our current financial success is our focus on gaining efficiencies in our operations. In the third quarter, our efficiency ratio (which measures the percentage of income used to cover expenses) fell to 66%. This is down from 73% in the second quarter. For the nine months of 2009 our ratio is just over 71% as compared to 77% for the same time last year. We are pleased with our progress to-date in this regard and will continue to look for opportunities to improve even further.

Obviously, our financial success has translated into higher returns for you our shareholders. Our return on average equity (ROAE) grew to 14.45% in the third quarter from 12.17% in the second quarter. Year-to-date 2009 our ROAE is 12.71% as compared to 12.03% for the same period last year. Our return on average assets (ROAA) for the third quarter was 0.95% as compared to 0.79% in the second quarter. For the first nine months of 2009, our ROAA was 0.83% as compared to 0.79% for the first nine months of 2008.

We continue to work closely with our state and national associations to have our voice heard as Congress crafts new regulations pertaining to the overhaul of the financial industry. While the progress in helping the powers-to-be understand the differences between Wall Street Banks and Main Street Banks and the effects broad new regulations will have on each is slow and grinding, it's progress nevertheless. Our energy level is high to continue the fight as we understand the value of our franchise and the benefits it provides to our staff, the communities we serve and you our shareholders.

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 Nine Months Ended September 30, 2009	As of and for the Nine Months Ended September 30, 2008
Net interest income	$ 10,864,829	$ 9,972,287
Provision for loan losses	805,000	240,000
Net interest income after provision for loan losses	$ 10,059,829	$ 9,732,287
Securities gains	401,967	68,832
Non-interest income	3,827,591	2,984,665
Non-interest expense	10,497,405	9,784,544
Income before income taxes	$ 3,791,982	$ 3,001,240
Income taxes	1,135,446	695,000
Net income	$ 2,656,536	$ 2,306,240
Share and Per Share Data		
Average common shares outstanding (basic)	850,926	851,216
Average common shares outstanding (dilutive)	850,926	851,216
Period-end common shares outstanding (common)	856,115	847,200
Period-end common shares outstanding (dilutive)	856,115	847,200
Net income per common share (basic)	$ 3.12	$ 2.71
Net income per common share (dilutive)	$ 3.12	$ 2.71
Cash dividend declared	$ 0.88	$ 0.85
Book value per common share (basic)	$ 34.05	$ 30.45
Book value per common share (dilutive)	$ 34.05	$ 30.45
Last stock trade	$ 35.00	$ 28.50
Period-end Balances		
Assets	$ 448,600,902	$ 387,813,707
Earning assets	$ 418,258,924	$ 358,239,155
Loans	$ 275,507,671	$ 234,790,971
Allowance for loan losses	$ 4,051,984	$ 4,003,039
Deposits	$ 377,554,779	$ 341,026,463
Shareholders' equity	$ 29,150,018	$ 25,794,369
Average Balances		
Assets	$ 427,138,527	$ 388,669,712
Earning assets	$ 399,751,826	$ 357,580,776
Loans	$ 253,281,260	$ 223,431,116
Allowance for loan losses	$ 3,779,253	$ 3,914,265
Deposits	$ 377,126,657	$ 345,169,879
Shareholders' equity	$ 27,943,906	$ 25,609,703
Key Ratios		
Earnings		
Return on average assets	0.83%	0.79%
Return on average equity	12.71%	12.03%
Net interest margin	3.63%	3.73%
Efficiency ratio*	71.45%	77.00%
Asset quality		
Net loan charge-offs to average loans	0.09%	0.04%
Allowance for loan losses to period-end loans	1.47%	1.70%
Non-performing loans to period-end loans	0.88%	1.31%

*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 September 30, 2009	As of and for the Three Months Ended June 30, 2009
Net interest income	$ 3,978,493	$ 3,557,227
Provision for loan losses	265,000	170,000
Net interest income after provision for loan losses	$ 3,713,493	$ 3,387,227
Securities gains	28,390	0
Non-interest income	1,287,869	1,369,858
Non-interest expense	3,493,663	3,588,343
Income before income taxes	$ 1,536,089	$ 1,168,742
Income taxes	495,380	318,191
Net income	$ 1,040,709	$ 850,551
Share and Per Share Data		
Average common shares outstanding (basic)	854,657	850,046
Average common shares outstanding (dilutive)	854,657	850,046
Period-end common shares outstanding (common)	856,115	854,521
Period-end common shares outstanding (dilutive)	856,115	854,521
Net income per common share (basic)	$ 1.22	$ 1.00
Net income per common share (dilutive)	$ 1.22	$ 1.00
Cash dividend declared	$ 0.30	$ 0.29
Book value per common share (basic)	$ 34.05	$ 32.44
Book value per common share (dilutive)	$ 34.05	$ 32.44
Last stock trade	$ 35.00	$ 32.30
Period-end Balances		
Assets	$ 448,600,902	$ 429,515,812
Earning assets	$ 418,258,924	$ 399,029,620
Loans	$ 275,507,671	$ 260,309,960
Allowance for loan losses	$ 4,051,984	$ 3,822,124
Deposits	$ 377,554,779	$ 379,262,376
Shareholders' equity	$ 29,150,018	$ 27,718,490
Average Balances		
Assets	$ 433,774,548	$ 433,455,293
Earning assets	$ 404,481,111	$ 404,399,007
Loans	$ 266,449,525	$ 249,984,705
Allowance for loan losses	$ 3,881,116	$ 3,769,607
Deposits	$ 379,154,042	$ 385,927,582
Shareholders' equity	$ 28,582,289	$ 28,031,174
Key Ratios		
Earnings		
Return on average assets	0.95%	0.79%
Return on average equity	14.45%	12.17%
Net interest margin	3.90%	3.53%
Efficiency ratio*	66.34%	72.83%
Asset quality		
Net loan charge-offs to average loans	0.01%	0.04%
Allowance for loan losses to period-end loans	1.47%	1.47%
Non-performing loans to period-end loans	0.88%	0.97%

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