

**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

*continued from front cover* – Pictured with Jane are standing left to right: Dave Duprey, Celebrate Commemorate Memorial Day; Karen Beals, United Way of Seneca County; John Kenney, Waterloo Rotary Club; and Lynne Tyler, The American Red Cross of the Finger Lakes.

FOURTH QUARTER REPORT  
As of December 31, 2009

**TRUSTED**

Our conservative approach and sound financial position along with FDIC insurance coverage make us a safe, trusted option for all of your banking needs.

**Jane M. Shaffer**  
Jane Shaffer, Vice President of Sessler Wrecking, is an active and local member of LNB's Seneca County Advisory Board. Her outstanding commitment to the local community is one of the reasons we value her involvement on our local board. *continues*

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

**PROFILE**

Lyons Bancorp, Inc. is a bank holding company headquartered in Lyons, New York, with assets of \$458 million at December 31, 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. The Lyons National Bank has one subsidiary, Lyons Realty Associates Corp.

**STOCK SYMBOL**

LYBC

*Jane M. Shaffer continued* – Jane stated that “I appreciate the opportunity to further highlight my community and some of the great organizations that make it up. I believe in each one and have been an active volunteer with them. Each of these organizations’ mission is unique to themselves, but they are all community based. I feel that it is everyone’s civic responsibility to weave themselves into the fabric of their community.”

We are honored to have Jane as a contributing member of our local Advisory Board. Jane’s commitment to, and enthusiasm for local organizations, as well as that of other local Board members like Jane, help keep us connected to our communities and focused on remaining a Main Street Bank.

*continues on back cover*

**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**

Salvatore N. Franzone  
*Ciccino’s Pizzeria and Restaurant*

Kenneth (Lee) Patchen, Jr.  
*Patchen Real Estate*

Jane M. Shaffer  
*Sessler Companies*

Bryan G. vonHahmann  
*Dairylea Cooperative Inc.*

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

Daniele Bonafiglia-Wirth  
*BonaDent Dental Laboratories Inc.*

DEAR SHAREHOLDERS & FRIENDS,

We ended 2009 on a strong financial note as our quarterly earnings once again exceeded the magic million dollar mark. This helped produce a 21% increase in earnings for the full year 2009 over 2008 – \$3.7 million versus \$3.1 million.

In the fourth quarter, we earned \$1.1 million (\$1.26/share) versus \$1.0 million (\$1.22/share) in the third quarter and \$772,000 (\$.91/share) in the fourth quarter of 2008. For all of 2009, we earned a record \$4.39/share versus \$3.63 in 2008.

While Wall Street banks that received government bailouts constricted lending to Main Street borrowers, Lyons National Bank stayed true to our communities with new loans. In the fourth quarter, our loan portfolio grew by almost 5%, pushing the full year figure to slightly over 17%. More importantly, as we grew our loans outstanding, the quality of our portfolio continued to improve. For 2009, our ratio of net loans charged-off to average loans fell to 0.11% as compared to 0.35% in 2008. Our ratio of non-performing loans to period-end loans also fell – to 0.86% on December 31, 2009 as compared to 1.09% on December 31, 2008. We continued our prudent practice of increasing our Allowance for Loan Losses in times of strong earnings growth. On December 31, 2009, this reserve equaled 1.70% of loans outstanding as compared to 1.41% on December 31, 2008.

We continue to gain local market share as evidenced by our 7% deposit growth in 2009. And this was profitable growth, as we also managed to increase our net interest margin (the difference between what we earn in interest on our assets – loans and investments – and what we paid out in interest on our deposits). For 2009, our net interest margin was 3.75% as compared to 3.72% in 2008.

While generating more revenue is most important to profitability over time, we have also “stayed the course” as it relates to improving operational efficiencies. In the fourth quarter, our efficiency ratio (which measures the percentage of income used to cover expenses) fell to 66% from 69% in the third quarter. For the year as a whole, it declined to 72% from 76% in 2008.

Our financial success has translated into higher returns for you, our shareholders. Our return on average equity (ROAE) in the fourth quarter was 14.40% and for the full year registered 13.16%, an increase from the 11.93% recorded in 2008. We maintained a return on average assets (ROAA) of 0.95% in the fourth quarter and produced a full year ROAA of 0.86% in 2009 as compared to 0.79% in 2008.

We are working 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. It remains imperative that our elected officials understand the differences between Wall Street Banks and Main Street Banks and the effects broad new regulations will have on each. We will continue the fight to protect 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 Year Ended December 31, (Dollars in thousands)	
	2009	2008
Net interest income	\$ 15,137	\$ 13,502
Provision for loan losses	1,725	405
Net interest income after provision for loan losses	\$ 13,412	\$ 13,097
Securities gains	811	52
Non-interest income	5,141	3,847
Non-interest expense	14,031	12,986
Income before income taxes	\$ 5,333	\$ 4,010
Income taxes	1,594	932
Net income	\$ 3,739	\$ 3,078

Share and Per Share Data

Average common shares outstanding (basic)	852,259	847,064
Average common shares outstanding (dilutive)	852,259	847,064
Period-end common shares outstanding (common)	857,294	848,230
Period-end common shares outstanding (dilutive)	857,294	848,230
Net income per common share (basic)	\$ 4.39	\$ 3.63
Net income per common share (dilutive)	\$ 4.39	\$ 3.63
Cash dividend declared	\$ 1.18	\$ 1.14
Book value per common share (basic)	\$ 34.43	\$ 31.29
Book value per common share (dilutive)	\$ 34.43	\$ 31.29
Last stock trade	\$ 28.75	\$ 24.75

Period-end Balances

Assets	\$ 457,787	\$ 411,490
Earning assets	\$ 426,699	\$ 380,289
Loans	\$ 288,226	\$ 245,457
Allowance for loan losses	\$ 4,912	\$ 3,472
Deposits	\$ 382,334	\$ 356,767
Shareholders' equity	\$ 29,515	\$ 26,544

Average Balances

Assets	\$ 433,151	\$ 391,354
Earning assets	\$ 403,485	\$ 363,170
Loans	\$ 260,075	\$ 227,846
Allowance for loan losses	\$ 3,929	\$ 3,936
Deposits	\$ 378,249	\$ 346,619
Shareholders' equity	\$ 28,413	\$ 25,809

Key Ratios

<i>Earnings</i>		
Return on average assets	0.86%	0.79%
Return on average equity	13.16%	11.93%
Net interest margin	3.75%	3.72%
Efficiency ratio*	71.84%	76.42%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.11%	0.35%
Allowance for loan losses to period-end loans	1.70%	1.41%
Non-performing loans to period-end loans	0.86%	1.09%

\*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)	
	December 31, 2009	September 30, 2009
Net interest income	\$ 4,272	\$ 3,979
Provision for loan losses	920	265
Net interest income after provision for loan losses	\$ 3,352	\$ 3,714
Securities gains	409	28
Non-interest income	1,314	1,288
Non-interest expense	3,534	3,494
Income before income taxes	\$ 1,541	\$ 1,536
Income taxes	459	495
Net income	\$ 1,082	\$ 1,041

Share and Per Share Data

Average common shares outstanding (basic)	856,214	854,657
Average common shares outstanding (dilutive)	856,214	854,657
Period-end common shares outstanding (common)	857,294	856,115
Period-end common shares outstanding (dilutive)	857,294	856,115
Net income per common share (basic)	\$ 1.26	\$ 1.22
Net income per common share (dilutive)	\$ 1.26	\$ 1.22
Cash dividend declared	\$ 0.30	\$ 0.30
Book value per common share (basic)	\$ 34.43	\$ 34.05
Book value per common share (dilutive)	\$ 34.43	\$ 34.05
Last stock trade	\$ 28.75	\$ 35.00

Period-end Balances

Assets	\$ 457,787	\$ 448,601
Earning assets	\$ 426,699	\$ 415,916
Loans	\$ 288,226	\$ 275,508
Allowance for loan losses	\$ 4,912	\$ 4,052
Deposits	\$ 382,334	\$ 377,555
Shareholders' equity	\$ 29,515	\$ 29,150

Average Balances

Assets	\$ 450,992	\$ 433,774
Earning assets	\$ 419,985	\$ 402,914
Loans	\$ 280,236	\$ 266,449
Allowance for loan losses	\$ 4,372	\$ 3,881
Deposits	\$ 381,577	\$ 379,154
Shareholders' equity	\$ 29,806	\$ 28,582

Key Ratios

<i>Earnings</i>		
Return on average assets	0.95%	0.95%
Return on average equity	14.40%	14.45%
Net interest margin	4.04%	3.90%
Efficiency ratio*	65.53%	68.63%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.02%	0.01%
Allowance for loan losses to period-end loans	1.70%	1.47%
Non-performing loans to period-end loans	0.86%	0.88%

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