



First Quarter Report As of March 31, 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

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.BankwithLNB.com

Macedon Office

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



“Volunteering as a Seneca County Chamber of Commerce Ambassador is educational and inspiring. We connect with the community, learn the needs of local businesses and educate members and future members on how they benefit from Chamber Memberships.”

Jill D. Hansen
Customer Service Representative

WOVEN INTO THE FABRIC
OF THE COMMUNITY



Profile

Lyons Bancorp, Inc. is a bank holding company headquartered in Lyons, New York, with assets of \$471 million at March 31, 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 and Penn Yan in Yates County. The Lyons National Bank has two subsidiaries, Lyons Realty Associates Corp., and LNB Life Agency, Inc.

Stock Symbol

LYBC



Pictured, on the cover: Jill D. Hansen and Shannon K. Brown of LNB meet to discuss their future activities as Ambassadors for the Seneca County Chamber of Commerce. They show their commitment to the community through Chamber volunteerism and through participation in events that support and promote local business.

Board of Directors

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

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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

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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
Longs' 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,

WOVEN INTO THE FABRIC
OF THE COMMUNITY

LNB Bancorp, Inc. began 2010 where we left off in 2009 – with a solid earnings performance. We also closed a private placement trust preferred stock offering, raising almost \$3 million in equity. We continued to add reserves to our Allowance for Loan and Lease Losses, were proactive in addressing a problem loan, and moved steadfastly towards the construction of our newest branch in Seneca Falls/Waterloo. Who says things are slow in banking these days?

In the first quarter, we earned just over \$1 million (\$1.17/share), 30% above the \$765 thousand (\$0.90/share) recorded in the first quarter of 2009. Included in these strong earnings was an additional loan loss provision needed to address a problem loan. Allocating this provision resulted in first quarter earnings being slightly less (7%) than the total we recorded in 2009's fourth quarter, however, we stand solidly behind our principle of immediately addressing loan issues when they arise.

As usual, our increased core earnings were fueled by balance sheet growth and expense control. Average assets for the first quarter increased almost \$50 million to \$463 million from the \$414 million recorded in last year's first quarter. On a sequential quarter basis, assets increased \$12 million. Our expanding loan portfolio was the main driver of our asset growth. Year-over-year, loans increased a healthy 18%, however, the "trickle down" effect of a still weak national economy reduced our quarter-over-quarter loan increase to approximately 3%. Loan demand will be a challenge for us in 2010.

Average deposit balances increased by 8% over those reported in last year's first quarter and 4% over the fourth quarter of 2009. Our market share continues to grow in each of our branch locations.

While the current economic climate has slowed our momentum, we are keeping a tight rein on expenses. For the first quarter, our total operating expenses were approximately \$150 thousand less than those budgeted. This discipline helps negate some of the squeeze on net interest income (the result of lower current yields on

loans and investments). Our efficiency ratio did increase slightly in the first quarter; however, it remains well under last year's level.

Because of our proactive stance in addressing a deteriorating credit, our ratio of net loan charge-offs to average loans outstanding increased to 0.10% from 0.04% in the first quarter of 2009 and 0.02% in last year's fourth quarter. However, our aggressive action helped drive down the ratio of non-performing loans to period-end loans to 0.73% from 1.17% last year and 0.86% in the fourth quarter. We added \$500 thousand to our Allowance for Loan Losses in the quarter, boosting its percentage compared to period-ending loans to 1.78%. This is in excess of both our non-performing loans and our peer group comparisons.

We raised almost \$3 million in new equity in the first quarter. The issue – a private placement, 30-year, 6.00% convertible trust preferred – closed in February. Proceeds of the sale were injected into the Bank to support our expected internal and possible external growth plans.

Progress towards bringing our new Seneca Falls/Waterloo branch office on line continues. In early March, we received formal regulatory approval to expand into Seneca County, and we continue to work with local and state officials to address building code issues. Key targets include a May/June timeframe for groundbreaking and an early fall Grand Opening. Our newly formed Seneca County Advisory Board has been very helpful throughout the process and is cultivating a broad customer base for us. We are eager to open our office and pursue business in this nearby market.

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 Three Months Ended March 31, (Dollars in thousands)	
	2010	2009
Net interest income	\$ 4,242	\$ 3,329
Provision for loan losses	500	370
Net interest income after provision for loan losses	\$ 3,742	\$ 2,959
Securities gains	0	373
Non-interest income	1,161	1,170
Non-interest expense	3,511	3,415
Income before income taxes	\$ 1,392	\$ 1,087
Income taxes	389	322
Net income	\$ 1,003	\$ 765

Share and Per Share Data

Average common shares outstanding (basic)	858,041	848,003
Average common shares outstanding (dilutive)	858,041	848,003
Period-end common shares outstanding (common)	858,056	847,225
Period-end common shares outstanding (dilutive)	858,056	847,225
Net income per common share (basic)	\$ 1.17	\$ 0.90
Net income per common share (dilutive)	\$ 1.17	\$ 0.90
Cash dividend declared	\$ 0.30	\$ 0.29
Book value per common share (basic)	\$ 35.66	\$ 32.02
Book value per common share (dilutive)	\$ 35.66	\$ 32.02
Last stock trade	\$ 39.95	\$ 26.00

Period-end Balances

Assets	\$ 471,236	\$ 429,869
Earning assets	\$ 439,038	\$ 381,219
Loans	\$ 288,218	\$ 243,311
Allowance for loan losses	\$ 5,120	\$ 3,736
Deposits	\$ 409,064	\$ 382,849
Shareholders' equity	\$ 30,599	\$ 27,131

Average Balances

Assets	\$ 462,992	\$ 413,968
Earning assets	\$ 431,982	\$ 373,741
Loans	\$ 288,337	\$ 243,154
Allowance for loan losses	\$ 5,036	\$ 3,685
Deposits	\$ 396,460	\$ 366,156
Shareholders' equity	\$ 30,701	\$ 27,203

Key Ratios

<i>Earnings</i>		
Return on average assets	0.88%	0.75%
Return on average equity	13.25%	11.41%
Net interest margin	3.98%	3.61%
Efficiency ratio*	66.48%	75.92%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.10%	0.04%
Allowance for loan losses to period-end loans	1.78%	1.54%
Non-performing loans to period-end loans	0.73%	1.17%

*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)	
	March 31, 2010	December 31, 2009
Net interest income	\$ 4,242	\$ 4,272
Provision for loan losses	500	920
Net interest income after provision for loan losses	\$ 3,742	\$ 3,352
Securities gains	0	409
Non-interest income	1,161	1,314
Non-interest expense	3,511	3,534
Income before income taxes	\$ 1,392	\$ 1,541
Income taxes	389	459
Net income	\$ 1,003	\$ 1,082

Share and Per Share Data

Average common shares outstanding (basic)	858,041	856,214
Average common shares outstanding (dilutive)	858,041	856,214
Period-end common shares outstanding (common)	858,056	857,294
Period-end common shares outstanding (dilutive)	858,056	857,294
Net income per common share (basic)	\$ 1.17	\$ 1.26
Net income per common share (dilutive)	\$ 1.17	\$ 1.26
Cash dividend declared	\$ 0.30	\$ 0.30
Book value per common share (basic)	\$ 35.66	\$ 34.43
Book value per common share (dilutive)	\$ 35.66	\$ 34.43
Last stock trade	\$ 39.95	\$ 28.75

Period-end Balances

Assets	\$ 471,236	\$ 457,787
Earning assets	\$ 439,038	\$ 426,699
Loans	\$ 288,218	\$ 288,226
Allowance for loan losses	\$ 5,120	\$ 4,912
Deposits	\$ 409,064	\$ 382,334
Shareholders' equity	\$ 30,599	\$ 29,515

Average Balances

Assets	\$ 462,992	\$ 450,992
Earning assets	\$ 431,982	\$ 419,985
Loans	\$ 288,337	\$ 280,236
Allowance for loan losses	\$ 5,036	\$ 4,372
Deposits	\$ 396,460	\$ 381,577
Shareholders' equity	\$ 30,701	\$ 29,806

Key Ratios

<i>Earnings</i>		
Return on average assets	0.88%	0.95%
Return on average equity	13.25%	14.40%
Net interest margin	3.98%	4.04%
Efficiency ratio*	66.48%	65.53%
<i>Asset quality</i>		
Net loan charge-offs to average loans	0.10%	0.02%
Allowance for loan losses to period-end loans	1.78%	1.70%
Non-performing loans to period-end loans	0.73%	0.86%

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