“LNB’s expansion into the Seneca County market has and continues to provide businesses and consumers with unmatched customer service as well as supporting local community projects. Since the branch opened in June, LNB has invested over $10,000 in the market, supporting 22 local not-for-profit organizations. This philosophy, along with better servicing our customer base, is why we have expanded into Seneca County. We hope you too will enjoy banking the way it ought to be.”

Jane M. Shaffer
LNB Seneca County Advisory Board
Sessler Companies
Profile
Lyons Bancorp, Inc. is a bank holding company headquartered in Lyons, New York, with assets of $503 million at September 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

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  
Longs’ Cards and Books

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

Henry H. Martin  
Dairy farmer

Neil J. Simmons  
Simmons Vineyards

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

Gene Pierce  
Knapp Winery & Vineyard Restaurant and Glenora Wine Cellars, Inc.

Jane M. Shaffer  
Sessler Companies

Bryan G. vonHahmann  
Dairylea Cooperative Inc.

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

Pictured, on the cover, from left to right:
Salvatore N. Franzone, Ciccino’s Pizzeria and Restaurant;  
Jane M. Shaffer, Sessler Companies; Gene Pierce, Knapp Winery & Vineyard Restaurant and Glenora Wine Cellars, Inc.; Kenneth (Lee) Patchen, Jr., Patchen Real Estate;  
Jill D. Hansen, LNB Seneca County Branch Manager;  
and Jeffrey A. Friend, District Manager
Dear shareholders & friends,

I am excited and proud to report to you that the Bank reached another milestone in the third quarter – $500 million in assets! A remarkable feat in itself for a conservative upstate hometown bank, this benchmark was achieved during a period of economic stagnation and uncertainty and amidst extensive competition from other banks and non-banks alike. The overall “banking pie” is not growing, and these competitors are aggressively courting whatever banking business is available. Our growth is further testimony to our culture of building strong customer relationships through exceptional customer service and the value-added products and services offered by our focused and dedicated staff.

Equally exciting is the growth in our net income. For the three months ended September 30, our earnings per share increased 5.1% over those recorded for the prior three months ended June 30. In dollars, the Bank earned $1.056 million in the third quarter versus $1.007 million in the second quarter. 2010 year-to-date earnings per share are $3.57 versus $3.12 for the first nine months of 2009 – an increase of more than 14%.

In the third quarter, we realized sizable securities gains ($727,000) as we restructured our investment portfolio to better align it with our philosophy on the outlook for interest rates. We allocated all of these gains to the Bank’s provision for loan losses. As a result, the percentage of the Bank’s Allowance for Loan Losses to period-ending loans stands at 2.20%, well in excess of our June 30, 2010 custom peer group average of 1.53% according to The Comptroller of the Currency, our lead federal regulator. While we realized a decline in the percentage of non-performing loans to total period ending loans in the third quarter (normally affording us the opportunity to scale back our provision) it is our contention that the present economic challenges are far from being solved. Hence, we held fast to our conservative approach towards credit risk by adding slightly more than $1 million to our provision during the quarter. Year-to-date we have set aside almost $2.2 million in our provision.

For the quarter, our net interest income (the difference between the interest we earn on our loans and investments and the interest we pay our depositors) fell slightly as a result of lower re-pricing of many of our outstanding loans (mortgage refinancing) and re-investment of maturing securities at lower current rates. Having previously re-priced many of our deposits lower, the falling yields on our assets narrow our interest spread and, hence, our net interest income. This will continue to be a challenge for us, as well as all other financial institutions, until the economy gains some meaningful upward momentum.

Our non-interest expenses increased slightly in the third quarter. No one category of expense was solely responsible for the increase. We hired additional staff for our new Seneca County Branch when we opened our temporary office in mid-June. Furthermore, we broke ground at our permanent location in early September, and hope to move to that site by year’s end. As I mentioned last quarter, based on history, we will easily earn back our investment as the new branch matures.

Our increased earnings resulted in a higher return on average equity: 12.86% from 12.78% we reported in the second quarter. As always, we remain very focused on the level of earnings we generate, since they are the source of dividends we pay on our common stock. While we face the challenges of a stagnant economy, political ineptitude on all levels of government and the intended and unintended consequences of every growing regulation, we are well aware of the investment you have made in our Bank and the confidence you have shown in us. We thank you and will continue to work diligently to safeguard and grow that investment as we set our sights on that next achievable benchmark.

Sincerely,

Robert A. Schick
President and Chief Executive Officer

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*Woven into the Fabric of the Community*
## Condensed Income Statement

**As of and for the Nine Months Ended September 30**,  
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>$12,790</td>
<td>$10,865</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>2,165</td>
<td>805</td>
</tr>
<tr>
<td>Net interest income after provision for loan losses</td>
<td>$10,625</td>
<td>$10,060</td>
</tr>
<tr>
<td>Securities gains</td>
<td>727</td>
<td>402</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>3,753</td>
<td>3,827</td>
</tr>
<tr>
<td>Non-interest expense</td>
<td>10,991</td>
<td>10,497</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>$4,114</td>
<td>$3,792</td>
</tr>
<tr>
<td>Income taxes</td>
<td>1,048</td>
<td>1,135</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$3,066</td>
<td>$2,657</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share and Per Share Data</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average common shares outstanding (basic)</td>
<td>858,272</td>
<td>850,926</td>
</tr>
<tr>
<td>Average common shares outstanding (dilutive)</td>
<td>858,272</td>
<td>850,926</td>
</tr>
<tr>
<td>Period-end common shares outstanding (common)</td>
<td>858,908</td>
<td>856,115</td>
</tr>
<tr>
<td>Period-end common shares outstanding (dilutive)</td>
<td>858,908</td>
<td>856,115</td>
</tr>
<tr>
<td><strong>Net income per common share (basic)</strong></td>
<td>$3.57</td>
<td>$3.12</td>
</tr>
<tr>
<td><strong>Net income per common share (dilutive)</strong></td>
<td>$3.57</td>
<td>$3.12</td>
</tr>
<tr>
<td>Cash dividend declared</td>
<td>$0.96</td>
<td>$0.88</td>
</tr>
<tr>
<td>Book value per common share (basic)</td>
<td>$37.83</td>
<td>$34.05</td>
</tr>
<tr>
<td>Book value per common share (dilutive)</td>
<td>$37.83</td>
<td>$34.05</td>
</tr>
<tr>
<td>Last stock trade</td>
<td>$35.30</td>
<td>$35.00</td>
</tr>
</tbody>
</table>

### Condensed Income Statement

**As of and for the Three Months Ended**  
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>$4,245</td>
<td>$4,303</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>1,045</td>
<td>620</td>
</tr>
<tr>
<td>Net interest income after provision for loan losses</td>
<td>$3,200</td>
<td>$3,683</td>
</tr>
<tr>
<td>Securities gains</td>
<td>727</td>
<td>0</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>1,323</td>
<td>1,269</td>
</tr>
<tr>
<td>Non-interest expense</td>
<td>3,790</td>
<td>3,690</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>$1,460</td>
<td>$1,262</td>
</tr>
<tr>
<td>Income taxes</td>
<td>404</td>
<td>255</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$1,056</td>
<td>$1,007</td>
</tr>
</tbody>
</table>

### Share and Per Share Data

**Average common shares outstanding (basic)**  
858,564 858,204

**Average common shares outstanding (dilutive)**  
858,564 858,204

**Period-end Balances**

<table>
<thead>
<tr>
<th>Assets</th>
<th>September 30, 2010</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning assets</td>
<td>$471,387</td>
<td>$455,949</td>
</tr>
<tr>
<td>Loans</td>
<td>$300,811</td>
<td>$296,491</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>$6,622</td>
<td>$5,711</td>
</tr>
<tr>
<td>Deposits</td>
<td>$423,622</td>
<td>$423,064</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>$32,490</td>
<td>$31,819</td>
</tr>
</tbody>
</table>

**Average Balances**

<table>
<thead>
<tr>
<th>Assets</th>
<th>September 30, 2010</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning assets</td>
<td>$449,268</td>
<td>$454,062</td>
</tr>
<tr>
<td>Loans</td>
<td>$293,122</td>
<td>$293,603</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>$5,562</td>
<td>$5,321</td>
</tr>
<tr>
<td>Deposits</td>
<td>$414,132</td>
<td>$421,810</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>$32,577</td>
<td>$31,615</td>
</tr>
</tbody>
</table>

### Key Ratios

**Earnings**

- Return on average assets: 0.85% 0.83%
- Return on average equity: 12.96% 12.71%
- Net interest margin: 3.81% 3.65%
- Efficiency ratio*: 68.35% 74.26%

**Asset quality**

- Net loan charge-offs to average loans: 0.16% 0.09%
- Allowance for loan losses to period-end loans: 2.20% 1.47%
- Non-performing loans to period-end loans: 1.87% 0.88%

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

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