

LNB  **LOCAL**



Profile

Lyons Bancorp, Inc. is a financial holding company headquartered in Lyons, New York, with assets of \$1.63 billion as of December 31, 2021. Lyons Bancorp, Inc. has a 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, Canandaigua, Farmington and Geneva in Ontario County, Penn Yan in Yates County, Waterloo in Seneca County, Fairport in Monroe County, and Auburn in Cayuga County. The Lyons National Bank has a subsidiary, Lyons Realty Associates Corp.

Vision

The vision of The Lyons National Bank is to be the employer and financial institution of choice and to foster an environment of opportunity, growth, and prosperity for our employees, customers, shareholders, and local communities.

Mission

The Lyons National Bank is an independent, hometown, community bank with an expanding geographic market. Our mission is to safely and profitably serve all of our customers and communities with the most professional service available. We will accomplish this by making a commitment to our most valuable assets—our employees—to treat them with integrity, compensate them appropriately and provide them with the necessary systems, technology, and appropriate training to enable them to become well-respected professionals. Our employees, in turn, will provide our growing customer base with superior service and respect and will be leaders in promoting the quality of life in the communities we serve.

Our Culture—WOW!

WOW! is having a positive attitude and personal conviction to provide customers and fellow employees with a level of service that exceeds their expectations during each and every encounter.



LNB Loves Local



7

New York State counties are served by LNB: Cayuga, Monroe, Onondaga, Ontario, Seneca, Wayne, Yates.



16

full-service offices serve the banking needs of individuals, organizations, and businesses throughout the region.



4,800+

area residents joined LNB for their banking needs, making 2021 the second-highest year for attracting new-to-bank customers.



LNB is dedicated to the people and businesses of the Finger Lakes Region. Through board service, volunteerism, donations, advisory boards, and promotional campaigns, LNB continues to make a true and tangible impact on the hometown communities we serve.

A MESSAGE FROM OUR CEO

With much hard work and dedication, Lyons Bancorp and The Lyons National Bank team had its best performance to date in 2021. This was true financially — we set an all-time earnings record for the Bank. And it was even more true in the service accomplishments of the entire LNB team — the collective drive and commitment of our staff, our officers, our community-based

Advisory Board members, and our Board of Directors enabled us to provide outstanding service to our customers and our communities at a time when they needed it most. While doing so, we also maintained our commitment to deliver consistently strong results to our shareholders. These results were achieved despite the uncertain times we operated in. We took a proactive — and prudent — approach to assist our customers.

The efforts put forth by everyone produced an increase in earnings for 2021 of \$5.2 million at the holding company level, a 51% increase in earnings, and a record year of earnings at \$15.5 million resulting in a return on equity of 15.6%. We achieved these earnings while growing assets to \$1.62 billion for a growth of 12.5%. This strong performance was achieved while continuing to take a conservative approach to risk management and financial preparedness. We modified our enterprise risk management process and model in 2021 — we optimized the data collected and improved the ability to analyze large data sets and identify trends more effectively. At the same time, Credit Administration is enhancing our credit risk and provisioning model which will be fully functional in 2022. LNB achieved our total loan growth goal and maintained solid loan quality measurements, with retail delinquencies of 30 days or more at just over a quarter of 1% and commercial loans at just over a half of 1%. These are historically low and below that of our peers. LNB, despite these sound results, chose not to follow a current industry trend of pulling funds from loan loss reserves and using these reserves to enhance current earnings. With the uncertainty and challenges still facing the economy and the world stage, we continued to fund our loan loss reserve, which stands at 1.61% and above most peer levels, as well as funding a cybersecurity reserve of \$1.5 million — \$1.1 million was funded in 2021 alone. Although we achieved strong earnings and demonstrated a solid and diverse loan portfolio, the Board and management felt it advisable to maintain a monthly provision and build our loan loss reserve.

In 2021, LNB remained focused on customer service and core growth. Doing so resulted in the second highest year of new customers coming to



Thomas L. Kime

*President & CEO,
The Lyons National Bank*

LNB, even counting years with new LNB branches opening. If you do not count the years we opened a new branch, 2021 would be our highest year of new-to-bank customers and our strongest growth year to date, with a record \$1.6 billion in assets. This speaks volumes to how well our staff and



“In generating strong earnings, we chose to continue to build our customer base and invest in our staff, technology, and the Bank’s future, all while remaining well reserved.”

officers took care of both our current customers and the people who came to LNB looking for a personal banking relationship. In turn, LNB’s commitment to our staff led us to maintain our staffing levels, add new talent for future growth, and keep our branches open. We also reinvested a higher level of earnings back into support for our staff with additional bonuses and incentives paid

during the year, as well as increased funding of our employees’ long-term retirement plans, while at the same time investing significantly in new technology, software, and services. In generating strong earnings, we chose to continue to build our customer base and invest in our staff, technology, and the Bank’s future, all while remaining well reserved.

LNB has invested heavily in technology and offers a full array of convenient digital banking services. We offer Zelle® for real-time banking with friends and family anywhere, anytime and CardValet® to protect your card use and keep track of transactions. We also offer cash management solutions for retail and business mobile banking and many other online banking services, such as the NotifiSM platform. These digital banking services allow our customers to apply for a mortgage, to receive alerts to keep them informed on account activity, to monitor their electronic cards, to turn their card on or off with ease, to see postings to accounts (usually before they exit the location where they just made the transaction), and to add location parameters to help mitigate fraud risk, just to expand on a few. As noted earlier, the Bank currently allocates over \$1 million a year for technology and cybersecurity, in addition to our technology partner’s budget of \$750 million for research and development, to ensure we provide the best and most secure digital services.

At the same time, if customers want to come to the bank in person to talk to a bank employee who has both the expertise and desire to help, our branches are open and our frontline staff is sincerely glad to assist. Branches are staffed with local, licensed professionals who can help with all financial services. We are the top choice for many of these services across the greater Finger Lakes marketplace.

Our combination of hometown personal customer service and technology is evident across all of LNB but is especially so in our residential mortgage arena. LNB mortgage customers are able to apply online, check on the status of their loan from their phone, upload documents from their homes, and also visit branches to ask questions and get guidance on buying a new home. In this challenging real estate market, we were able to help a record number of local customers and families navigate the mortgage process in 2021. We are very proud to again be the number one mortgage lender in four of our local counties, while increasing activity in all of our markets. Further, LNB was awarded its third consecutive RISE Award® by Freddie Mac, recognizing our work with low-to-moderate income borrowers and first-time homebuyers in our communities.

LNB’s model of community banking has never been stronger. It includes all of the LNB staff and officers, along with our 14-member Board of Directors and the 42 members of our Advisory



“LNB’S model of community banking has never been stronger.”

Boards. As the Bank and our marketplace grows, this group of business professionals and community leaders keep us focused on what is important to each of the unique communities that we serve. This goes beyond business and retail needs and includes local service needs. Every year, the staff, management, and Boards reevaluate the donations we made to local causes. In 2021, LNB made contributions to those organizations that had the most critical needs. Members of the Board of Directors and the Advisory Boards added not just their suggestions but also their own generous contributions to those given by the Bank.

I am fortunate to work with, and for, people who really support the Bank’s mission to “exceed the expectations of every customer every time” —

I would also add “every need.” I would like to thank the entire LNB team that has done so much to meet the needs of our customers and community to be successful in these challenging times. The entire management team and I appreciate it very much.

I would also like to thank all of our customers, both legacy and new customers, for choosing LNB to be your bank. We look forward to earning and keeping your trust for years to come.

Sincerely,

Thomas L. Kime

A VIEW FROM THE CHAIR

ANOTHER WOW! PERFORMANCE AND DEALING WITH COVID-RELATED CHANGES

The only constant in life is change.” Unless you are living the life of a hermit — in which case you are missing out by not reading this report — you have lived to experience its truth. The statement itself is old, as it, or something similar, is credited to 6th

century BC philosopher Heraclitus. Speakers paraphrase it to make their points. Such was the case at the 2018 World Economic Forum’s Annual Meeting in Davos, Switzerland, when Canadian Prime Minister Justin Trudeau said, “The pace of change has never been this fast,

yet it will never be this slow again.” The essence of Mr. Trudeau’s speech was about changes induced by rapidly advancing digital and cyber technology.

We all know that about two years after the Canadian Prime Minister’s talk, COVID-19 was unleashed onto the world stage, and life changed in ways no one could have foreseen. These changes have affected and will continue to affect how we live our lives and how we run our businesses. Some of these changes are positive while others present tremendous challenges.

I will talk about one of those challenges we face here at The Lyons National Bank in a moment, but first I need to congratulate Tom Kime and our staff at the Bank for the record-setting year it produced in 2021. Year-over-year earnings were up a whopping 51%. Earnings per diluted share in 2021 totaled \$4.62 versus \$3.12 in 2020.

It’s true that in 2020 we purposely added generously to our loan reserves at the expense of our bottom line. That was the prudent strategy to follow as no one at that time could have predicted the depth nor the tail of the worldwide pandemic. The Bank’s remarkable 2021 financial performance was not the result of unwinding our conservative reserve stance from the year before as many other banks chose to do. Rather, we will absorb the extra reserves we set aside in 2020 through future loan growth. Last year’s record-setting financial performance is a result of growth: growth on the balance sheet and growth in our customer base. 2021 was the second-best year in the Bank’s history for adding new customers. Think about that. While 2021 was a little brighter than the darkness that prevailed in 2020, many businesses were still shuttered to some degree and many folks were still in

Robert A. Schick

*Board Chairman &
President, Lyons Bancorp, Inc.*



hibernation. Yet LNB had one of its best years ever, attracting new customers to our way of banking! Here's something else to ponder. The overall population of our marketplace is not growing. So where did these new customers come from?

Yes, the government used the banking system to distribute its stimulus programs to individuals and businesses and paid the banks accordingly. Last year, Tom outlined in his report to the shareholders the long hours our staff worked in



**We will need to
use our ingenuity
... to attract the
next generation
of the best and
brightest bankers
to join our ranks.**

2020 to facilitate programs such as the Paycheck Protection Program (PPP) to get the money into the hands of the folks who needed it then and there. Our people worked equally hard last year on the second round of PPP loans, as well as other initiatives. Accordingly, salary expenses increased proportionally, offsetting some of the one-time government income we received for participating in PPP. Like 2016, when we received the benefits of a tax decrease, Tom's strategy was again to

spend some of the one-time PPP fee income on technology that will foster even more future growth and better efficiency. Most importantly, he made the Board-supported conscious decision to reward the staff for another job well done. Our tag line, It's All About People, is much more than a marketing tool. It's our culture of taking care of people. And that caring starts with our staff. My and the Board's congratulations go out to them all.

As mentioned earlier, COVID has brought about changes that were not on the radar screen prior to the pandemic. No business will escape these changes and the challenges they present. One such challenge is the shift in the U.S. workforce in both numbers and attitude. A recent article in the *Wall Street Journal* noted that last year workers quit their jobs at a record rate. They quit because job opportunities were plentiful, and they could find higher wages elsewhere. Some workers liked the flexibility of working remotely, and when told to return to the office, they quit. Others fled densely populated cities for space and a better quality of life in more rural areas. While escaping high taxes remains the number one reason people migrated to other states, less populated states like Montana have noted an increase in folks reporting they moved there for a perceived better life. The advances in technology have all but removed geographic boundaries. Some employees left their jobs upset about vaccine mandates or were simply disenchanted with pre-pandemic office life. Still others used COVID as a reason to follow their entrepreneurial urge. According to a recent report from the Pew Research Center, roughly 16 million of the 150 million workers in the U.S. today are self-employed, the majority of whom work alone or employ just a handful of people. The number of self-employed climbs even higher once you factor in freelancers and gig workers, and that brings the total to 59 million people in 2021 or

36% of the total workforce. Looking further ahead, a recent survey from FreshBooks®, a cloud-based accounting software company, found that 40% of people expect to work for themselves within the next two years, with that number climbing to over 50% when it comes to people aged 35 or younger. Some working seniors, who were past retirement age but had stayed at jobs that they enjoyed, left the workforce because of their age group's susceptibility to COVID. Whatever the reason, the pandemic provided employees with new ways to evaluate their job status. Many made changes.

Whatever the individual reason a person quit his or her job, COVID helped to change the dynamics of the workforce from an employer's market to an employee's market. With the recently announced growth in the U.S. population at just one-tenth of one percent, this is not a dynamic that is about to reverse course in the near future.

The decrease in the pool of potential new employees and the change in work attitude will be a major challenge for us. As our financial results from last year point out, the cornerstone of our success was driving growth by holding true to our business model of being a high-touch, relationship-driven bank. To continue growing and prospering, we need more new employees who share the values and attributes of our current staff. But to stubbornly ignore what may be a seismic and lasting transformation in attitudes toward work choices is dangerous. We will need to use our ingenuity and be willing to find common ground in order to attract the next generation of the best and brightest bankers to join our ranks.

Staying on the theme of change: In November, Dale Hunt was appointed to the Board of Directors of both Lyons Bancorp and The Lyons National Bank, as well as Lyons Realty Associates Corp., the Bank's real estate trust. Dale lives in Farmington

with his wife Patricia. The Hunts are horse fanciers, and until recently, they owned a portfolio of both commercial and residential properties. Previously, Dale was a member of the Bank's Farmington Advisory Board. Dale will stand for election to the Board at our annual shareholder meeting.

Speaking of the shareholder meeting: At this time it is our intention to return to an in-person meeting at the Ohmann Theatre in Lyons on Wednesday, June 15, at 4:30 p.m. If we can make the technology work in the historic theatre, we will also present virtually. Cross your fingers!

In closing, I want to thank the shareholders who participated last fall in our \$10 million Shareholders' Rights Offering. Their investment provided us with new capital which helped sustain our growth momentum. I trust that they, and all of our shareholders, are pleased with the recent market performance of our stock. Soon, hopefully very soon, the pandemic will lessen into a controllable endemic and some sense of normalcy will return. When it does, we — armed with added capital in the vault, an experienced team of professionals with know-how and determination, and a new generation of energetic and smart bankers joining our ranks — will be back out looking for new landscapes to cultivate LNB WOW! growth.

Change may be constant but our long history of financial success has been built on continued growth driven by our employees, and there's no reason to change that!

Stay healthy and stay safe!

Robert A. Schick

BOARD OF DIRECTORS



Carol A. Snook

Assistant Vice President & Corporate/Executive Secretary, LNB



Robert A. Schick

Chairman of the Board & President, Lyons Bancorp, Inc.



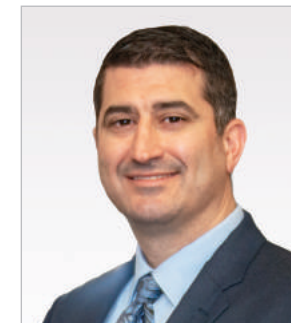
Thomas L. Kime

President & CEO, The Lyons National Bank



Clair J. Britt, Jr.

Executive Vice President & Chief Commercial Lending Officer, LNB



Joseph P. Bartolotta, Esq.

Senior Managing Director, R&M Real Estate Group



David J. Breen, Jr.

Retired Supermarket Executive



John A. Colaruotolo

President & Owner, Anco Builders, LLC



Joseph A. Fragnoli

President & Owner, Super Casuals



Kaye E. Stone-Gansz

President & CEO, Stone Goose Enterprises; President, LaGasse Machine & Fabrication, Inc.; President, Keg Rag Cellars



Dale H. Hemminger

Principal, Hemdale Farms, Inc.



James A. Homburger

Real Estate Broker & Investor



Dale L. Hunt

President, Hunt Properties



Teresa M. Jackson

Owner, Dudley Poultry Company



Case A. Marshall

Vice President & Chief Financial Officer, Marshall Companies



Bradley A. Person

President & General Manager, Nuttall & Spacemaker Companies



A Leading Local Lender



The Home Mortgage Disclosure Act (HMDA) ranks LNB as the

#1

lender in Cayuga, Seneca, Wayne, and Yates Counties.



Thirty-five grants totaling

\$350,000

were awarded to first-time homeowners.

LNB has long been one of the Finger Lakes Region's leading mortgage lenders. With a dedicated team of mortgage specialists at each of our sixteen full-service locations, we're prepared to not just meet the needs of our growing communities but far exceed industry standards and customer expectations.

2021 FINANCIAL HIGHLIGHTS



Chad J. Proper

Senior Vice President & CFO
The Lyons National Bank

RESULTS OF OPERATIONS

Fiscal 2021 was a record year despite the financial and pandemic-related challenges that began in 2020 and appear to be continuing into 2022. Even with the ongoing challenges, we are pleased to report that net income in 2021 was \$15.5 million, representing an increase of \$5.3 million or 34.2%. Net income in 2021 represented diluted earnings per common share of \$4.62, compared to \$3.12 in 2020, an increase of \$1.50 or 48%. Basic earnings per common share increased by \$1.55 or 49%, from \$3.16 in 2020 to \$4.71 in 2021.



Our provision for loan losses is based upon our assessment of a variety of factors, such as recurring items that include, but are not limited to, the general economic environment and changes in the volume of our loan portfolio. From time to time, it also includes items considered non-recurring such as the pandemic-related activities.

As previously reported, the negative impacts of the pandemic manifested themselves primarily in our provision for loan losses in 2020, which was an increase from 2.3 million in 2019 to \$6.3

million in 2020. The provision for loan losses in 2021 was \$1.3 million. We felt it prudent not to reverse any portion of the provision recorded in 2020 and record a modest provision for loan losses in 2021 to ensure our allowance for loan losses at December 31, 2021, was sufficient to address the lingering uncertainties from the pandemic. The increase in our provision for loan losses of \$4 million in 2020 resulted in a decrease in diluted earnings per share of \$1.00 in 2020.

Programs associated with the pandemic continued to provide us with revenue in 2021 as they had in 2020, which was included in interest income. Net income expressed as a return on average assets was 0.99% and as a return on average shareholders' equity was 15.62% in 2021, compared to 0.78% and 10.47%, respectively, in 2020.

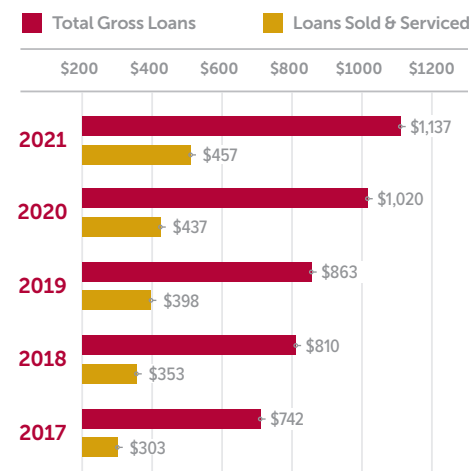
As one would expect, our largest source of income is net interest income which is the difference between the interest income we earn on our interest-earning assets (primarily loans and investment securities) and the interest paid on our interest-bearing liabilities (primarily deposit accounts and borrowings). Net interest income for 2021 was \$47.5 million, an increase of \$8.0 million or a robust 20.3% over the 2020 total of \$39.5 million. This increase was due primarily to the strong growth of both our investment and loan portfolios funded by deposit growth. The growth of quality assets remains a high priority for us in this period of low interest rates. The average balance of our interest earning assets increased \$252.7 million or 20.2% to \$1.504 billion during 2021 as compared to

\$1.251 billion during 2020. This compares to an increase of \$185.1 million or 17.4% in 2020 as compared to 2019. Average interest-bearing liabilities increased \$146.9 million or 16.8% to \$1.019 billion in 2021 compared to \$872.5 million in 2020. This compares to an increase of \$92.7 million or 11.9% in 2020 compared to 2019.

Average noninterest-bearing deposits increased \$98.8 million in 2021 and \$81.8 million in 2020. Strong Demand Deposit Account (DDA) balances, which help stabilize and mitigate costs, contribute to net interest income. DDAs or noninterest-bearing deposits are critical in providing additional funding for our asset growth.

Our tax-equivalent margin remained constant, measuring 3.18% in both 2021 and 2020, as the decrease in asset yields and the decrease in funding costs were comparable.

LOAN BREAKDOWN (\$ MILLIONS)



	2021		
	AVERAGE BALANCE (\$)	INTEREST INC/EXP (\$)	AVERAGE YIELD/COST (%)
INTEREST-EARNING ASSETS: (Thousands \$)			
<i>Residential real estate</i>	484,598	16,683	3.44%
<i>Commercial and agricultural real estate</i>	334,490	15,544	4.65%
<i>Commercial and agricultural loans</i>	211,066	11,729	5.56%
<i>Consumer installment loans</i>	33,665	1,785	5.30%
TOTAL LOANS	1,063,819	45,741	4.30%
<i>Investments</i>	363,114	5,898	1.62%
<i>Federal funds sold & other interest-earning assets</i>	76,953	96	0.12%
TOTAL INTEREST-EARNING ASSETS	1,503,886	51,735	3.44%
<i>Noninterest-earning assets</i>	67,842		
TOTAL ASSETS	1,571,728		

INTEREST-BEARING LIABILITIES: (Thousands \$)

<i>Interest-bearing checking</i>	173,451	234	0.14%
<i>Money market and savings accounts</i>	611,274	1,699	0.28%
<i>Time deposits</i>	213,831	1,370	0.64%
<i>Borrowings</i>	0	18	0
<i>Junior subordinated debentures</i>	20,896	878	4.20%
TOTAL INTEREST-BEARING LIABILITIES	1,019,452	4,199	0.41%
<i>Noninterest-bearing deposits</i>	430,101		
<i>Other noninterest-bearing liabilities</i>	22,799		
TOTAL LIABILITIES	1,472,352		
<i>Total equity</i>	99,376		
TOTAL LIABILITIES AND EQUITY	1,571,728		
<i>Net interest spread</i>			3.03%
<i>Net interest income/margin on earning assets</i>		47,536	
<i>Tax equivalent adjustment</i>		267	
<i>Net interest income/margin on a tax equivalent basis</i>		47,803	3.18%

See the discussion above concerning the provision for loan losses recorded in 2021 and 2020. At December 31, 2021, our nonperforming loans totaled 0.31% of total loans, as compared to 0.33% at December 31, 2020. These ratios continue to compare favorably to our peer group ratio of 0.41% at December 31, 2021. Our net charge-offs to average loans during 2021 totaled 0.04%, down slightly from the prior year amount of 0.05%.

Our allowance for loan losses as a percentage of total loans remained relatively consistent, totaling 1.61% and 1.70% at December 31, 2021, and 2020, respectively. These loan-related asset quality metrics continue to demonstrate high quality in our loan portfolio coupled with an allowance for loan losses considered adequate to cover losses in the loan portfolio given our growth and the continued uncertainties stemming from the pandemic.

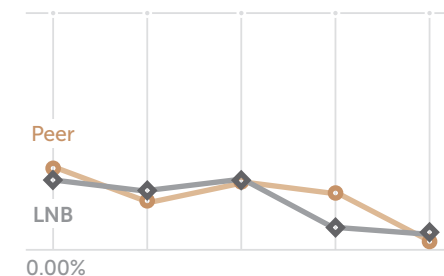
	2020		
	AVERAGE BALANCE (\$)	INTEREST INC/EXP (\$)	AVERAGE YIELD/COST (%)
	375,542	13,887	3.70%
	305,260	14,943	4.89%
	236,821	10,636	4.49%
	36,348	2,111	5.81%
	953,971	41,577	4.36%
	224,342	4,817	2.15%
	72,897	153	0.21%
	1,251,210	46,547	3.72%
	67,800		
	1,319,010		

	143,888	375	0.26%
	452,012	1,768	0.39%
	260,304	4,379	1.68%
	7,598	141	1.85%
	8,727	370	4.24%
	872,529	7,033	0.81%
	331,311		
	17,036		
	1,220,876		
	98,134		
	1,319,010		
			2.91%
	39,514		
	237		
	39,751		3.18%

Noninterest income remains an important revenue source for us given the interest rate environment, which continues to put pressure on margins. Noninterest income includes, but is not limited to, loan servicing income, cardholder income, service charges, financial services revenue, and gains (losses) on sales of loans and securities. In 2021, noninterest income represented 22% of all revenue sources and totaled \$14.7 million, a decrease of \$1.7

NET CHARGED-OFF LOANS TO AVERAGE LOANS

2017	2018	2019	2020	2021
0.10%	0.09%	0.10%	0.05%	0.04%
0.11%	0.08%	0.10%	0.09%	0.03%



million or 10.7% from the \$16.4 million recorded in 2020. The decrease in noninterest income in 2021 was primarily due to a \$2.2 million decrease in the gain on the sale of loans, as we held more loans on our books, and a \$592,000 loss on the sales of securities compared to a gain on the sale of securities in 2020 of \$217,000. These decreases were partially offset by a \$625,000 increase in cardholder fees due to increased volume.

Noninterest expense consists primarily of compensation and employee benefits, occupancy expenses, advertising, data processing, professional fees, FDIC insurance, and other operating expenses. In 2021, total noninterest expense was \$41.5 million, an increase of \$4.3 million or 11.6% compared to \$37.2 million recorded in 2020. Increases in salaries and wages totaled \$1.2 million and were primarily the result of annual wage and merit increases, as well as a performance/appreciation payment to employees. Other notable increases: professional fees totaling \$721,000 that includes a best-practice initiative to increase future revenue; a data processing increase totaling \$489,000; and a net increase in other expenses totaling \$917,000 that include a cybersecurity/fraud reserve account.

2021 FINANCIAL HIGHLIGHTS CONT.

ANALYSIS OF FINANCIAL CONDITION

The last twelve months showed another year of controlled high-quality loan growth with total assets increasing 14.3% to \$1.626 billion at December 31, 2021, from \$1.423 billion at December 31, 2020. Stockholders' equity rose 14.9% to \$109.7 million at December 31, 2021, from \$95.5 million at December 31, 2020. In September of 2021, we completed a Rights Offering which increased stockholders' equity by \$9.1 million net of related offering expenses. As previously reported, we completed the sale of approximately \$16 million of subordinated promissory notes in October 2020 to accredited investors at the holding company level. The Bank used the proceeds from the sale of the notes for general corporate purposes, to provide capital to support organic growth of the Bank, and to fund potential future initiatives.

On September 17, 2021, Lyons Bancorp, Inc. successfully completed a \$9,372,322 common stock offering to its current common and preferred shareholders in the form of a Rights Offering. The Company sold 237,274 shares of common stock. Each shareholder was entitled to one subscription right for each 13 common shares and for each 13 shares of common stock underlying the Company's Series "A" convertible preferred stock held as of the close of business on August 2, 2021. The Company offered the shares at \$39.50 per share, a 6% discount from the trading price of Lyons Bancorp, Inc. common stock (stock symbol LYBC), as of the record date. The Company

plans to use the proceeds from the stock sale to continue its growth in markets it currently serves and to expand into additional markets in the Finger Lakes area. The net proceeds of the offering, after deducting offering expenses of \$291,153, totaled \$8,962,532.

Total loans were \$1.136 billion at December 31, 2021, an increase of \$117.3 million or 11.5% from \$1.019 billion at December 31, 2020. The increase in loans was primarily attributable to a \$119 million increase in 1-4 family residential real estate loans and growth from the CARES Act Paycheck Protection Program (PPP). Of the \$166 million, in the two rounds of PPP loans originated in 2020 and 2021, \$156 million of PPP loans were forgiven under the CARES Act, resulting in only \$10 million of PPP loans remaining on the balance sheet at year-end. As of December 2021, the bank originated 1,177 PPP loans in the first round and 661 PPP loans in the second round, resulting in a total of 1,838 PPP loans. The PPP loans include both new and existing customers of which the bank had no loan deferrals under Section 4013 of the CARES act. All of the customers currently on deferment chose principal deferment only and have returned to paying interest monthly. We continue to support our strategy of maintaining balance within the loan portfolio between consumer and agricultural/commercial loans, ending the year with 46% consumer-related loans versus 54% agricultural/commercial-related loans, essentially unchanged from last year.

We maintain an investment portfolio to provide us with a critical liquidity source and to generate earnings while not sacrificing asset quality and creating undue risk. Our investment portfolio consists primarily of United States Agency debt, mortgage-backed securities either guaranteed by the U.S. government or issued by the Federal Home Loan Bank, and state and local government debt. As of December 31, 2021, our investment portfolio totaled \$391.9 million, an increase of \$99.6 million over the total of \$292.3 million at December 31, 2020. Increases were shown in all investment security types when comparing 2021 to 2020. The securities portfolio classifications include: available for sale (which may be sold to satisfy liquidity purposes as needed), held-to-maturity, and restricted equity.

Deposits generated within our local markets continue to be the major source of funds for our lending and investment activities. Total deposits at December 31, 2021, were \$1.471 billion, an increase of \$184.9 million or 14.4% over \$1.286 billion at December 31, 2020. We continued to experience strong growth in our core retail and commercial deposit bases within most of our branches. The increase in core deposits in 2021 more than fully funded our lending activity. Public deposit balances represented 17% of total deposits at December 31, 2021, compared to 16% at December 31, 2020.

We continue to have capital levels in excess of regulatory minimums. Total equity was \$109.7

million at December 31, 2021. The message from the Board of Directors remains unchanged—we are maintaining our commitment to providing a safe and meaningful return to our shareholders. We declared cash dividends of \$1.34 per share



"Deposits generated within our local markets continue to be the major source of funds for our lending and investment activities."

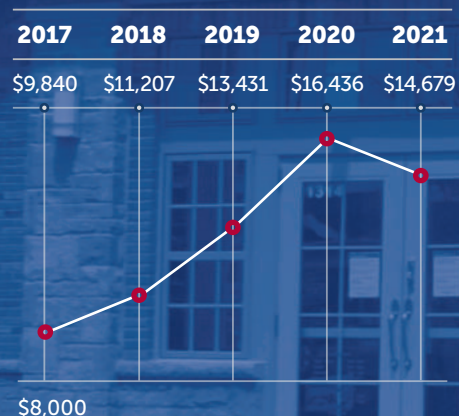
during 2021 compared to \$1.24 in 2020. The 2021 dividend represents a yield of 3.1% based on our year-end market price of \$43.20 per share—the same yield that was reported in 2020 based on a December 31, 2020, market price of \$40.00.

Please refer to our Consolidated Financial Report as of and for the year ended December 31, 2021, for more information regarding our 2021 operating results and financial position.

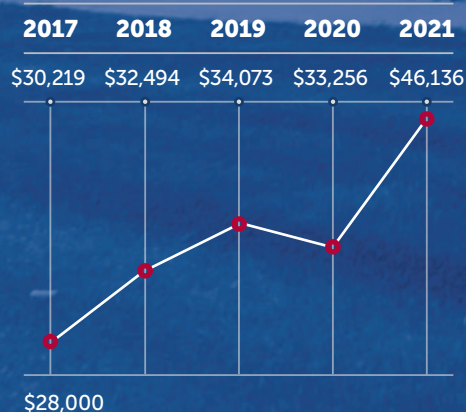
NET INTEREST INCOME (BEFORE PROVISION)



FEE INCOME



NET INTEREST INCOME (AFTER PROVISION FOR LOAN LOSSES)



Selected Financial Data

Year Ended December 31

	2021	2020	2019	2018	2017
FINANCIAL STATEMENT HIGHLIGHTS (Thousands \$)					
Assets	1,626,165	1,423,147	1,163,683	1,081,697	1,031,844
Loans, gross	1,136,959	1,109,696	862,509	810,136	741,860
Deposits	1,470,870	1,285,967	1,029,485	945,837	893,256
Other borrowings	0	0	25,000	42,000	50,000
Junior subordinated debentures	20,903	5,155	6,190	6,190	6,190
Total equity	109,648	95,462	86,792	78,009	73,842
Interest and dividend income	51,735	46,547	44,985	40,589	35,700
Interest expense	4,199	7,033	8,571	5,962	3,981
Net interest income	47,536	39,514	36,414	34,627	31,719
Provision for loan losses	1,340	6,258	2,341	2,133	1,500
Net interest income (after provision for loan losses)	46,196	33,256	34,073	32,494	30,219
Net securities gains	(592)	217	(222)	(35)	(17)
Net income	15,524	10,268	11,005	9,992	8,009

PER SHARE INFORMATION (\$)

Basic earnings per share	4.71	3.16	3.38	3.06	2.43
Diluted earnings per share	4.62	3.12	3.33	3.03	2.42
Cash dividends declared	1.34	1.24	1.22	1.14	1.05
Book value per share (incl. Conv. Pref.)	30.98	28.99	26.38	23.61	22.31
Book value per share (excl. Conv. Pref.)	30.63	28.53	25.82	22.95	21.60

Per share data reflect a 2-for-1 stock split in the form of a stock dividend, effective October 30, 2015.

Ratios presented throughout the Annual Report narrative use net income attributable to Lyons Bancorp, Inc.

SELECTED RATIOS

Return on average assets	0.99%	0.78%	0.98%	0.95%	0.80%
Return on average shareholders' equity	15.62%	10.47%	12.99%	13.37%	10.99%
Leverage ratio (Bank)	8.51%	8.41%	8.44%	8.50%	8.33%
Dividend payout ratio	29.81%	40.53%	37.43%	38.69%	44.95%

OTHER SELECTED DATA (Whole Numbers)

Employees (full-time equivalent)	229	226	217	215	213
Banking offices	16	16	15	15	14

ADVISORY BOARDS

LNB's Advisory Boards are comprised of community leaders who live and operate their businesses in the communities we serve. These trusted advisors offer insight regarding important issues facing their local community and provide valuable feedback that helps keep LNB well-aligned with the local economy as well as with the people of the community.



Our Advisory Board members choose to serve because they understand the impact hometown banking has on our local business communities.

Thank you to each of our Advisory Board members. We appreciate your service and guidance.

CANANDAIGUA

J. David Damaske

Parkview Fairways Golf Course

Alexandra M. Farnsworth

Randall Farnsworth Auto Group

Gail D. Herman

The Medicine Shoppe Pharmacy

Kurt M. Koczent

Thompson Health

Jack W. Moran

Roseland Bowl Family Fun Center

Charles W. Potter

J&T Properties of Canandaigua

Justin Sensenig

Sensenig's Landscape Supply

CAYUGA COUNTY

Richard L. Beauchine, CPA

Waterloo Container

John F. Bouck

Bouck Real Estate

Keith R. Cuttler

East Hill Medical Center

Mark A. DiVietro, O.D.

Silbert Optical

Christopher J. Geherin

Builder's Choice Lumber Company

FARMINGTON

Megan Larmouth Avila

Pioneer Millworks and New Energy Works

Barbara J. Cole

Town of Victor

Thomas G. Ewing

Ewing Graphics, Inc.

John E. Garvey

Retired Ontario County Administrator

Tyler W. Wolk

Rochester Insulated Glass

GENEVA

Stephen J. Blowers

Blowers Agri Service, Inc.

Peter J. D'Amico, Jr.

D'Amico Chrysler Dodge Jeep

Jason S. Feinberg, MD

Finger Lakes Health

Matthew D. Horn

MRB Group

Bernard G. Lynch

Lynch Furniture

Anne D. Nenneau

CCN International

PENN YAN

Bonnie B. Curbeau

Curbeau Realty

Ryan T. Kennedy

Morgan Marine

James H. Long

Long's Cards and Books

Paul W. Marble, Jr.

Marble's Automotive and Glass

Henry H. Martin

Town of Benton Dairy Farmer

Steven D. Perry

Knapp & Schlappi Lumber Co., Inc.

Neil J. Simmons

Simmons Vineyards

PERINTON PARK

James W. Diem

Alliance Insurance Group

Donald R. Fox, Esq.

Partner, Evans & Fox, LLP

Martha M. Malone

Fairport OCED

Terrence A. O'Neil

Green Lantern

Howard I. Sharp

RV & E Bike and Skate

J. Lincoln Swedrock, P.E.

BME Associates

SENECA COUNTY

Salvatore N. Franzone

Ciccino's Pizzeria and Restaurant

Rodney D. Littlejohn, DDS, MS

Littlejohn & Barbi Orthodontics

Kenneth W. Padgett, DO

New York Chiropractic College

Erica L. Paolicelli

Three Brothers Wineries & Estates

Eugene F. Pierce

Glenora Wine Cellars, Inc., and Knapp Winery

Raymond A. Tuuri, Jr.

Finger Lakes Equipment Rental

Stephen J. Wadhams

Wadhams Enterprises, Inc.

EXECUTIVE & MANAGEMENT TEAM

Thomas L. Kime
President & Chief Executive Officer

Clair J. Britt, Jr.
Executive Vice President & Chief Commercial Lending Officer

Stephen V. DeRaddo
Executive Vice President & Chief Credit/Branching Officer

Todd F. Juffs
Executive Vice President & Chief Technology/Cybersecurity Officer

Chad J. Proper
Senior Vice President & Chief Financial Officer

Robert W. Sollenne
Senior Vice President & Chief Operating Officer

Jeffrey A. Friend
Senior Vice President & Director of Branch & Market Development

Kimberly A. Kelley
Senior Vice President & Director of Human Resources

Joshua N. Miller
Senior Vice President & Director of Retail Loans/Mortgage Division

Robert S. Flowers
Vice President & Legal/Business Development Officer

Barbara L. Hennessy
Vice President & Director of Marketing

Amanda M. McDonald
Vice President & Senior Credit Administrator

Deborah A. Odell
Vice President & Director of Training

Melonie L. Tiffany
Vice President & Director of Internal Audit

BANK OFFICERS AND SUPERVISORS

ADMINISTRATION

Thomas D. Muller
Senior Vice President & Project Administrator

Jenna L. DeBrock
Banking Officer & Executive Administrative Assistant

Carol A. Snook
Assistant Vice President & Corporate/Executive Secretary

BRANCH DIVISION

Demetrius Murphy
Vice President & Branch Manager, Auburn

Greg T. Noel
Assistant Vice President & Branch Operations Manager

Tara R. Rago
Vice President & Branch Manager, Canandaigua

Charles K. Parkhurst
Assistant Vice President & Branch Manager, Farmington

Thomas R. David
Assistant Vice President & Cash Management E-Business Solutions Officer

Daniela A. Qualdieri
Assistant Vice President & Branch Manager, Perinton

Julieann B. Downey
Assistant Vice President & Branch Manager, Lyons

Susan L. Snyder
Assistant Vice President & Senior Assistant Branch Manager, Penn Yan

Cheryl M. Gregory
Assistant Vice President & Branch Manager, Ontario

Michele L. Waeghe
Assistant Vice President & Branch Manager, Macedon

Steven J. Hasseler
Assistant Vice President & Branch Manager, Newark

Leah S. Hodge
Banking Officer & Branch Manager, Penn Yan

Emily E. Hilimire
Assistant Vice President & Branch Manager, Seneca County

Meghan A. Nagel
Banking Officer & Assistant Branch Manager, Lyons

Kelsey L. Journell
Assistant Vice President & Branch Manager, Geneva

Allison M. Verkey
Banking Officer & Branch Manager, Clyde

Susan L. Lockwood
Assistant Vice President & Branch Manager, Wolcott

BANK OFFICERS AND SUPERVISORS CONT.

COMMERCIAL LENDING

Ryan M. Hallings

Senior Vice President & Team Leader/
Agricultural/Commercial Loan Officer

Anna M. Bridger

Vice President & Commercial Loan Officer

Mark J. DeBacco

Vice President & Commercial Loan Officer

Stephen V. D'Orazio

Vice President & Commercial Loan Officer

Michael A. Fratto

Vice President & Commercial Loan Officer

James H. King

Vice President & Commercial Loan Officer

Scott A. MacKenzie

Vice President & Team Leader/
Agricultural/Commercial Loan Officer

Michael E. Rusinko

Assistant Vice President & Commercial Loan Officer

Kraig M. vonHahmann

Assistant Vice President & Agricultural/
Commercial Loan Officer

HUMAN RESOURCES

Danielle M. Ayers

Banking Officer & Human Resources Specialist

CREDIT ADMINISTRATION & COMPLIANCE

Pamela J. Lee

Vice President & Loan Portfolio Monitoring Officer

Joyce A. Marble

Vice President & Compliance/BSA Officer

RETAIL & RESIDENTIAL MORTGAGE LENDING

Angela M. Merola

Vice President & Collections Manager

Craig A. Schojan

Vice President & Senior Mortgage Underwriter

James M. Allison

Assistant Vice President & Mortgage Specialist

Joseph M. Arbogast

Assistant Vice President & Mortgage Specialist

Valorie A. Heinzman

Assistant Vice President & Mortgage Specialist

Timothy H. Lead

Assistant Vice President & Mortgage Underwriter

Craig R. Mietz

Assistant Vice President & Mortgage Specialist

SECURITY/FACILITIES

Michael J. Colacino

Vice President & Director of Security and Facilities

OPERATIONS & IT

Hope A. Alexanian

Vice President & Retail Loan Operations Supervisor

Cheryl M. Graham

Vice President & Deposit Operations Supervisor

Lynnette M. Zelas

Vice President & Commercial Loan Operations Supervisor

Karen D. Lombardozzi

Assistant Vice President & Systems Administrator

FINANCIAL SERVICES

Robert T. Koczent

Vice President & Director of Financial Services

David J. DeRaddo

Assistant Vice President & Financial Services Representative

Kim M. Emperato

Banking Officer & Financial Services Representative

Donna J. Johnson

Banking Officer & Financial Services Representative

FINANCE

Shannon M. Romano

Assistant Vice President & Senior Assistant Controller

Michael J. George

Banking Officer & Assistant Corporate Controller

CULTIVATING FROM WITHIN

PROMOTIONS

The following LNB team members were recognized for their drive, hard work, and commitment to excellence. Congratulations on your promotions, and thank you for your contributions.



Robert W. Solenne
Senior Vice President &
Chief Operating Officer

*Promoted from Senior Vice
President & Director of
Performance Improvement*



Joyce A. Marble
Vice President &
Compliance & BSA Officer

*Promoted from Assistant Vice
President & Compliance &
BSA Officer*



Amanda M. McDonald
Vice President & Senior
Credit Administrator

*Promoted from Vice President &
Senior Credit Underwriter*



Kelsey L. Journell
Assistant Vice President &
Branch Manager, Geneva

*Promoted from Banking Officer &
Branch Manager*



Susan L. Snyder
Assistant Vice President
& Senior Assistant Branch
Manager, Penn Yan

*Promoted from Banking Officer &
Assistant Branch Manager*



Michael J. George
Banking Officer & Assistant
Corporate Controller

*Promoted from Assistant
Corporate Controller*



Leah S. Hodge
Banking Officer &
Branch Manager, Penn Yan

*Promoted from Mortgage &
Commercial Loan Processor*



Meghan A. Nagel
Banking Officer & Assistant
Branch Manager, Lyons

*Promoted from Assistant
Branch Manager*



Paul R. Rowan
Banking Officer &
Mortgage Underwriter

*Promoted from Mortgage
Underwriter*



LNB Shows Love for Local Businesses

At LNB, we believe that small businesses are the heartbeat of our communities. To show our love and support, we created the 2021 Fun in the Sun Sweepstakes.



Through this initiative, LNB purchased more than \$21,000 in gift cards from more than 100 neighborhood businesses across seven counties. These gift cards were then awarded to sweepstakes winners from Memorial Day through Labor Day.

At LNB, it's "all about people;" and it's all about supporting the local businesses that not only fuel our local economy, but make our region a special and vibrant place to live and work.



A W! Culture

LNB's WOW! commitment to "exceed the expectations of every customer every time" includes a broadened focus of building a workplace culture where employees across every department and at every level can learn, grow and thrive as their authentic selves. We would like to thank each member of our team for making LNB a truly special place to be.

GEM Award Recognizes The Team

As president of the Bank, I have the honor of awarding a number of employees each year for their outstanding efforts. It is not a responsibility that I take lightly.

This year, more than any other, it was particularly difficult to narrow the field down to just a handful of team members. During 2021, our employees balanced their personal lives, undoubtedly stressed by factors outside of their control, with their work lives with strength and dedication. Their hard work and commitment played a significant role in the Bank's unprecedented success.

To recognize their contributions, employees were given a year-end Going the Extra Mile (GEM) monetary award. Our employees are our greatest asset, and this acknowledgement was a token of our appreciation for a job well done.

Tom Kime | *President*

AUBURN

63 Genesee Street, Suite 3
Auburn, NY 13021
(315) 612-3456

311 Grant Avenue Road
Auburn, NY 13021
(315) 567-0200

CANANDAIGUA

3225 East Lake Road,
Suite 215
Canandaigua, NY 14424
(585) 394-2265

CLYDE

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

FARMINGTON

1423 Hathaway Drive
Farmington, NY 14425
(585) 433-8700

GENEVA

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

JORDAN

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

LYONS

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

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

MACEDON

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

NEWARK

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

ONTARIO

6280 Furnace Road,
Suite 200
Ontario, NY 14519
(315) 524-9661

PENN YAN

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

PERINTON PARK

1314 Fairport Road
Fairport, NY 14450
(585) 433-2900

SENECA COUNTY

2433 State Route 414
Waterloo, NY 13165
(315) 539-4100

WOLCOTT

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

It's all about people.