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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 0-13203

LNB Bancorp, Inc.
(Exact name of the registrant as specified on its charter)

Ohio	34-1406303
(State of Incorporation)	(I.R.S. Employer Identification No.)
457 Broadway, Lorain, Ohio	44052 - 1769
(Address of principal executive offices)	(Zip Code)

(440) 244-6000
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o   Accelerated filer þ   Non-accelerated filer o (Do not check if a smaller reporting company)   Smaller reporting company o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of common shares of the registrant outstanding on October 31, 2008 was 7,295,663.

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Consolidated Balance Sheets

	September 30, 2008 (unaudited)	December 31, 2007
	(Dollars in thousands except share amounts)	
ASSETS		
Cash and due from Banks (Note 3)	$ 45,665	$ 23,523
Interest-bearing deposits in other banks	350	100
Securities: (Note 5)		
Trading securities, at fair value	33,559	33,402
Available for sale, at fair value	172,087	179,324
Federal Home Loan Bank and Federal Reserve Stock	4,839	4,579
Total securities	210,485	217,305
Loans held for sale	5,677	4,724
Loans:		
Portfolio loans	793,542	753,598
Allowance for loan losses (Note 6)	(11,355)	(7,820)
Net loans	782,187	745,778
Bank premises and equipment, net	12,408	13,328
Other real estate owned	1,799	2,478
Bank owned life insurance	15,499	15,487
Goodwill, net (Note 4)	21,570	21,570
Intangible assets, net (Note 4)	1,176	1,280
Accrued interest receivable	4,186	4,074
Other assets	8,499	6,998
Total Assets	$ 1,109,501	$ 1,056,645
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits (Note 8)		
Demand and other noninterest-bearing	$ 90,912	$ 88,812
Savings, money market and interest-bearing demand	308,221	331,306
Certificates of deposit	496,529	436,823
Total deposits	895,662	856,941
Short-term borrowings (Note 9)	29,876	42,105
Federal Home Loan Bank advances (Note 10)	73,857	44,207
Junior subordinated debentures (Note 11)	20,620	20,620
Accrued interest payable	3,560	4,620
Accrued taxes, expenses and other liabilities	5,586	5,499
Total Liabilities	1,029,161	973,992
Shareholders' Equity		
Common stock, par value $1 per share, authorized 15,000,000 shares, issued 7,623,857 shares at September 30, 2008 and December 31, 2007	7,624	7,624
Preferred Shares, Series A Voting, no par value, authorized 750,000 shares, none issued at September 30, 2008 and December 31, 2007	—	—
Additional paid-in capital	37,745	37,712
Retained earnings	41,079	42,951
Accumulated other comprehensive income (loss)	(16)	458
Treasury shares at cost, 328,194 shares at September 30, 2008 and December 31, 2007	(6,092)	(6,092)
Total Shareholders' Equity	80,340	82,653
Total Liabilities and Shareholders' Equity	$ 1,109,501	$ 1,056,645

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Income (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
	(Dollars in thousands except share and per share amounts)			
Interest Income				
Loans	**$ 11,976**	$ 13,437	**$ 36,514**	$ 36,610
Securities:				
U.S. Government agencies and corporations	**1,861**	1,730	**5,795**	4,242
State and political subdivisions	**203**	157	**551**	443
Trading securities	**209**	418	**738**	1,068
Other debt and equity securities	**82**	78	**214**	204
Federal funds sold and short-term investments	**54**	51	**130**	338
Total interest income	**14,385**	15,871	**43,942**	42,905
Interest Expense				
Deposits	**5,135**	6,705	**17,041**	18,436
Federal Home Loan Bank advances	**646**	635	**1,769**	1,235
Short-term borrowings	**93**	347	**354**	812
Trust preferred securities	**282**	356	**890**	567
Total interest expense	**6,156**	8,043	**20,054**	21,050
Net Interest Income	**8,229**	7,828	**23,888**	21,855
Provision for Loan Losses (Note 6)	**471**	441	**5,609**	1,677
Net interest income after provision for loan losses	**7,758**	7,387	**18,279**	20,178
Noninterest Income				
Investment and trust services	**441**	547	**1,560**	1,593
Deposit service charges	**1,258**	1,239	**3,559**	3,457
Other service charges and fees	**704**	605	**2,030**	1,706
Income from bank owned life insurance	**154**	182	**735**	531
Other income	**67**	128	**736**	273
Total fees and other income	**2,624**	2,701	**8,620**	7,560
Securities gains (losses), net	**223**	2	**506**	261
Gains on sale of loans	**298**	277	**642**	546
Gains (losses) on sale of other assets, net	**13**	24	**(122)**	59
Total noninterest income	**3,158**	3,004	**9,646**	8,426
Noninterest Expense				
Salaries and employee benefits (Note 7)	**3,828**	4,104	**11,467**	11,862
Furniture and equipment	**1,049**	952	**3,080**	2,566
Net occupancy	**556**	593	**1,816**	1,683
Outside services	**522**	488	**1,996**	1,317
Marketing and public relations	**247**	321	**829**	936
Supplies, postage and freight	**408**	353	**1,092**	986
Telecommunications	**189**	232	**635**	623
Ohio Franchise tax	**225**	188	**670**	604
Intangible asset amortization	**36**	57	**104**	133
Other real estate owned	**285**	58	**892**	305
Electronic banking expenses	**237**	150	**747**	593
Loan and collection expense	**256**	236	**716**	644
Other expense	**660**	602	**1,816**	1,449
Total noninterest expense	**8,498**	8,334	**25,860**	23,701
Income before income tax expense	**2,418**	2,057	**2,065**	4,903
Income tax expense (benefit)	**595**	384	**(70)**	1,059
Net Income (Loss)	**$ 1,823**	$ 1,673	**$ 2,135**	$ 3,844
Net Income (Loss) Per Common Share				
Basic	**$ 0.25**	$ 0.23	**$ 0.29**	$ 0.56
Diluted	**0.25**	0.23	**0.29**	0.56
Dividends declared	**0.09**	0.18	**0.45**	0.54
Average Common Shares Outstanding				
Basic	**7,295,663**	7,295,663	**7,295,663**	6,889,953
Diluted	**7,295,663**	7,295,663	**7,295,663**	6,889,953

See accompanying notes to consolidated financial statements

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Consolidated Statements of Shareholders' Equity (unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	(Dollars in thousands except share and per share amounts)					
Balance, January 1, 2007	$ 6,772	$ 26,382	$ 43,728	$ (2,093)	$ (6,092)	$ 68,697
Cumulative affect of adoption of SFAS 159			(1,192)	1,192		—
Comprehensive income:						
Net Income			3,844			3,844
Other comprehensive income, net of tax:						
Change in unrealized gains and losses on securities				421		421
Total comprehensive income						4,265
Share-based compensation income		37				37
Issuance of 851,990 shares of common stock	852	11,272				12,124
Common dividends declared, $.54 per share			(3,783)			(3,783)
Balance, September 30, 2007	$ 7,624	$ 37,691	$ 42,597	$ (480)	$ (6,092)	$ 81,340
Balance, January 1, 2008	$ 7,624	$ 37,712	$ 42,951	$ 458	$ (6,092)	$ 82,653
Cumulative effect of change in accounting principle for split-dollar life insurance coverage			(725)			(725)
Comprehensive income:						
Net Income			2,135			2,135
Other comprehensive income, net of tax:						
Change in unrealized gains and losses on securities				(474)		(474)
Total comprehensive income						1,661
Share-based compensation income		33				33
Common dividends declared, $.45 per share			(3,282)			(3,282)
Balance, September 30, 2008	$ 7,624	$ 37,745	$ 41,079	$ (16)	$ (6,092)	$ 80,340

See accompanying notes to consolidated financial statements

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Consolidated Statements of Cash Flows (unaudited)

	Nine Months Ended September 30,	
	2008	2007
	(Dollars in thousands)	
Operating Activities		
Net income	**$ 2,135**	$ 3,844
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	**5,609**	1,677
Depreciation and amortization	**1,345**	1,292
Amortization of premiums and discounts	**(447)**	(28)
Amortization of intangibles	**104**	75
Amortization of loan servicing rights	**164**	133
Amortization of deferred loan fees	**55**	297
Federal deferred income tax expense	**1,459**	582
Net gain from loan sales	**(642)**	(546)
Securities gains, net	**(506)**	(261)
Share-based compensation expense, net of tax	**33**	37
Net loss on sale of other assets	**122**	(59)
Net increase in accrued interest receivable and other assets	**(2,482)**	(5,976)
Net decrease (increase) in accrued interest payable, taxes and other liabilities	**(1,698)**	1,715
Net cash provided by operating activities	**5,251**	2,782
Investing Activities		
Purchase of available-for-sale securities	**(104,018)**	(94,174)
Proceeds from sales of available-for-sale securities	**77,069**	35,428
Proceeds from maturities of available-for-sale securities	**33,974**	—
Purchase of trading securities	**(70,562)**	(31,582)
Proceeds from sale of trading securities	**70,850**	47,632
Increase in interest-bearing deposits in other banks	**(250)**	—
Purchase of Federal Home Loan Bank Stock	**(167)**	(495)
Purchase of Federal Reserve Bank Stock	**—**	(794)
Acquisition, net of cash and cash equivalents acquired	**—**	(4,912)
Net increase in loans made to customers	**(114,160)**	(79,912)
Proceeds from the sale of other real estate owned	**599**	561
Proceeds from the sale of bank premises and equipment	**6**	—
Purchase of bank premises and equipment	**(425)**	(1,735)
Net cash used in investing activities	**(107,084)**	(129,983)
Financing Activities		
Net increase (decrease) in demand and other noninterest-bearing	**2,100**	(13,345)
Net increase in savings, money market and interest-bearing demand	**(23,085)**	26,443
Net increase (decrease) in certificates of deposit	**59,706**	2,095
Net increase (decrease) in short-term borrowings	**(12,229)**	4,156
Proceeds from loan sales	**71,115**	68,160
Proceeds from Federal Home Loan Bank advances	**65,000**	213,450
Prepayment of Federal Home Loan Bank advances	**(35,350)**	(207,454)
Proceeds from issuance of junior subordinated debentures	**—**	20,620
Issuance of stock in acquisition	**—**	12,124
Dividends paid	**(3,282)**	(3,783)
Net cash provided by financing activities	**123,975**	122,466
Net increase (decrease) in cash and cash equivalents	**22,142**	(4,735)
Cash and cash equivalents, January 1	**23,523**	29,122
Cash and cash equivalents, September 30	**$ 45,665**	$ 24,387
Supplemental cash flow information		
Interest paid	**$ 20,574**	$ 20,558
Income taxes paid	**2,255**	1,968
Transfer of other real estate owned to loans	**335**	—
Transfer of loans to other real estate owned	**688**	2,373

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share amounts)

1) Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of LNB Bancorp, Inc. (the "Corporation") and its wholly-owned subsidiary, The Lorain National Bank (the "Bank"). The consolidated financial statements also include the accounts of North Coast Community Development Corporation which is a wholly-owned subsidiary of the Bank. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The Corporation prepares its financial statements in conformity with U.S. generally accepted accounting principles (GAAP). As such, GAAP requires the Corporation's management ("Management") to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas involving the use of Management's estimates and assumptions include the allowance for loan losses, the realization of deferred tax assets, fair values of certain securities, net periodic pension expense, and accrued pension costs recognized in the Corporation's consolidated financial statements. Estimates that are more susceptible to change in the near term include the allowance for loan losses and the fair value of certain securities.

Segment Information

The Corporation's activities are considered to be a single industry segment for financial reporting purposes. The Corporation is a financial holding company engaged in the business of commercial and retail banking, investment management and trust services, title insurance, and insurance with operations conducted through its main office and banking centers located throughout Lorain, eastern Erie, western Cuyahoga, and Summit counties of Ohio. This market provides the source for substantially all of the Bank's deposit, loan and trust activities and title insurance and insurance activities. The majority of the Bank's income is derived from a diverse base of commercial, mortgage and retail lending activities and investments.

Statement of Cash Flows

For purposes of reporting in the Consolidated Statements of Cash Flows, cash and cash equivalents include currency on hand, amounts due from banks, Federal funds sold, and securities purchased under resale agreements. Generally, Federal funds sold and securities purchased under resale agreements are for one day periods.

Securities

Securities that are bought and held for the sole purpose of being sold in the near term are deemed trading securities with any related unrealized gains and losses reported in earnings. The Corporation held trading securities as of September 30, 2008 and December 31, 2007. Securities that the Corporation has a positive intent and ability to hold to maturity are classified as held to maturity. As of September 30, 2008 and December 31, 2007, the Corporation did not hold any securities classified as held to maturity. Securities that are not classified as trading or held to maturity are classified as available for sale. Securities classified as available for sale are carried at their fair value with unrealized gains and losses, net of tax, included as a component of accumulated other comprehensive income, net of tax. A decline in the fair value of securities below cost that is deemed other than temporary is charged to earnings, resulting in establishment of a new cost basis for the security. Interest and dividends on securities,

including amortization of premiums and accretion of discounts using the effective interest method over the period to maturity or call, are included in interest income.

Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) Stock

These stocks are required investments for institutions that are members of the Federal Reserve and FHLB systems. The required investment in the common stock is based on a predetermined formula. These stocks are recorded at redemption value which approximates fair value.

Loans held for sale

Held for sale loans are carried at the lower of amortized cost or estimated fair value, determined on an aggregate basis for each type of loan. Net unrealized losses are recognized by charges to income. Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income.

Loans

Loans are reported at the principal amount outstanding, net of unearned income and premiums and discounts. Loans which were acquired in the Corporation’s acquisition of Morgan Bank, NA on May 10, 2007 were valued at fair market value on or near the date of acquisition. The difference between the principal amount outstanding and the fair market valuation is being amortized over the aggregate average life of each class of loan. Unearned income includes deferred fees, net of deferred direct incremental loan origination costs. Unearned income is amortized to interest income, over the contractual life of the loan, using the interest method. Deferred direct loan origination fees and costs are amortized to interest income, over the contractual life of the loan, using the interest method.

Loans are generally placed on nonaccrual status when they are 90 days past due for interest or principal or when the full and timely collection of interest or principal becomes uncertain. When a loan has been placed on nonaccrual status, the accrued and unpaid interest receivable is reversed against interest income. Generally, a loan is returned to accrual status when all delinquent interest and principal becomes current under the terms of the loan agreement and when the collectibility is no longer doubtful.

A loan is impaired when full payment under the original loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as real estate mortgages and installment loans, and on an individual loan basis for commercial loans that are graded substandard. Factors considered by Management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis. If a loan is impaired, a portion of the allowance may be allocated so that the loan is reported at the present value of estimated future cash flows using the loan’s existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Allowance for Loan Losses

The allowance for loan losses is Management’s estimate of credit losses inherent in the loan portfolio at the balance sheet date. Management’s determination of the allowance, and the resulting provision, is based on judgments and assumptions, including general economic conditions, loan portfolio composition, loan loss experience, Management’s evaluation of credit risk relating to pools of loans and individual borrowers, sensitivity analysis and expected loss models, value of underlying collateral, and observations of internal loan review staff or banking regulators.

The provision for loan losses is determined based on Management’s evaluation of the loan portfolio and the adequacy of the allowance for loan losses under current economic conditions and such other factors which, in Management’s judgment, deserve current recognition.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed generally on the straight-line method over the estimated useful lives of the assets. Upon the sale or other disposition of assets, the cost and related accumulated depreciation are retired and the resulting gain or loss is recognized. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized. Software costs related to externally developed systems are capitalized at cost less accumulated amortization. Amortization is computed on the straight-line method over the estimated useful life.

Goodwill and Core Deposit Intangibles

Intangible assets arise from acquisitions and include goodwill and core deposit intangibles. Goodwill is the excess of purchase price over the fair value of identified net assets in acquisitions. Core deposit intangibles represent the value of depositor relationships purchased. The Corporation follows Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” and SFAS No. 147 “Acquisitions of Certain Financial Institutions”. Goodwill is tested at least annually for impairment.

Core deposit intangible assets are amortized using the straight-line method over ten years and are subject to annual impairment testing.

Other Real Estate Owned

Other real estate owned (“OREO”) represent properties acquired through customer loan default. Real estate and other tangible assets acquired through foreclosure are carried as OREO on the Consolidated Balance Sheet at fair value, net of estimated costs to sell, not to exceed the cost of property acquired through foreclosure.

Investment and Trust Services Assets and Income

Property held by the Corporation in fiduciary or agency capacity for its customers is not included in the Corporation’s financial statements as such items are not assets of the Corporation. Income from the Investment and Trust Services Division is reported on an accrual basis.

Income Taxes

The Corporation and the Bank file a consolidated Federal income tax return. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when necessary to reduce deferred tax assets to amounts which are deemed more likely than not to be realized.

Comprehensive Income

The Corporation displays the accumulated balance of other comprehensive income as a separate component of shareholders' equity.

Stock-Based Compensation

A broad-based stock option incentive plan, the 2006 Stock Incentive Plan, was adopted by the Corporation's shareholders on April 18, 2006. The only options granted under this Plan were granted in 2007 and 2008. The Corporation also has nonqualified stock option agreements outside of the 2006 Stock Incentive Plan. Grants under the nonqualified stock option agreements have been made from 2005 to 2007. On January 20, 2006, the Corporation issued an aggregate of 30,000 stock appreciation rights ("SARs") to eight employees, 12,000 of which have expired due to employee terminations. The Corporation adopted SFAS No. 123R for the accounting and disclosure of the stock option agreements and the SARs.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") ratified the Emerging Issues Task Force's ("EITF") Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements,* which requires companies to recognize a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee extending to postretirement periods. The liability should be recognized based on the substantive agreement with the employee. This Issue became effective January 1, 2008. The Issue can be applied as either a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, or a change in accounting principle through retrospective application to all periods. The adoption of Issue 06-4 reduced retained earnings by $725,000 effective January 1, 2008.

FASB Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities"

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of this statement are effective as of the beginning of an entity's first fiscal year that begins or began after November 15, 2007. Early adoption was permitted as of the beginning of a fiscal year that began on or before November 15, 2007, provided the entity also elected to apply the provisions of FASB Statement No. 157, "Fair Value Measurements". The Corporation elected early adoption of SFAS 159 as of January 1, 2007 and has included disclosures in accordance with the requirements.

FASB Statement No. 156, "Accounting for Servicing of Financial Assets — an Amendment of FASB Statement No. 140"

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets — an amendment of FASB Statement No. 140" ("SFAS 156"). SFAS 156 amended FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS 156 clarifies when to separately account for servicing rights, requires separately recognized servicing rights to be initially measured at fair value, and provides the option to subsequently account for those servicing rights either under the amortization method previously required under FASB Statement No. 140 or at fair value. The provision of SFAS 156 became effective January 1, 2007. The Corporation elected the amortization method. The adoption of SFAS 156 did not have a material effect on The Corporation's consolidated balance sheet, results of operations or cash flows.

FASB Statement No. 157, Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Adoption of SFAS 157 was required effective January 1, 2007 as the Corporation elected early adoption of SFAS 159. Upon adoption of SFAS 159, the Corporation has developed a framework to measure the fair value of financial assets and financial liabilities and expanded disclosures in accordance with the requirements.

(2) Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed based on the weighted average number of shares outstanding plus the effects of dilutive stock options outstanding during the year. Basic and diluted earnings (loss) per share are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
	(Dollars in thousands except per share amounts)			
Weighted average shares outstanding used in Basic Earnings per Share	**7,295,663**	7,295,663	**7,295,663**	6,889,953
Dilutive effect of incentive stock options	**—**	—	**—**	—
Weighted average shares outstanding used in Diluted Earnings Per Share	**7,295,663**	7,295,663	**7,295,663**	6,889,953
Net Income (Loss)	**$ 1,823**	$ 1,673	**$ 2,135**	$ 3,844
Basic Earnings (Loss) Per Share	**$ 0.25**	$ 0.23	**$ 0.29**	$ 0.56
Diluted Earnings (Loss) Per Share	**$ 0.25**	$ 0.23	**$ 0.29**	$ 0.56

All outstanding options were anti-dilutive for the three and nine months ended September 30, 2008 and September 30, 2007, respectively.

(3) Cash and Due from Banks

Federal Reserve Board regulations require the Bank to maintain reserve balances on deposits with the Federal Reserve Bank of Cleveland. The required ending reserve balance was $1,216 on September 30, 2008 and $500 on December 31, 2007.

(4) Goodwill and Intangible Assets

On May 10, 2007, the Corporation completed the acquisition of Morgan Bancorp, Inc., of Hudson, Ohio and its wholly-owned subsidiary, Morgan Bank, NA. Under the terms of the transaction, the Corporation acquired all of the outstanding stock of Morgan Bancorp, Inc. in a stock and cash merger transaction valued at $27,864. The acquisition was accounted for using the purchase method of accounting, and accordingly, the purchase price was allocated to the assets purchased and the liabilities assumed based upon the estimated fair values at the date of acquisition. The purchase accounting fair values are being amortized under various methods and over the lives of the corresponding assets and liabilities. Goodwill recorded for the acquisition amounted to $18,755. Goodwill is not deductible for

tax purposes. The Corporation recorded $1,367 in core deposit intangibles related to the acquisition of Morgan Bank, NA. These core deposit intangibles were amortized $34 in the quarter ended September 30, 2008.

The estimated fair values of significant assets purchased and liabilities assumed related to the acquisition of Morgan Bank, NA were as follows:

	(Dollars in thousands)
Cash	**$ 20,652**
Loans, net of reserve for loan losses	**92,019**
Bank premises and equipment, net	**731**
Acquisition Intangibles	**20,122**
Deposits	**101,870**
Short Term Borrowings	**1,720**
FHLB Borrowings	**4,124**

The consolidated statements of income reflect the operating results of the Morgan Bank division of the Corporation since the effective date of the acquisition.

The Corporation recorded core deposit intangibles in 1997, related to the acquisition of three branch offices from another bank. These core deposit intangibles were fully amortized during the third quarter of 2007. Core deposit intangibles are amortized over their estimated useful life of 10 years. A summary of core deposit intangible assets, including those from the Morgan Bancorp, Inc. acquisition, follows:

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Core deposit intangibles	**$ 2,643**	$ 2,655
Less: accumulated amortization	**1,467**	1,375
Carrying value of core deposit intangibles	**$ 1,176**	$ 1,280

The Corporation assesses goodwill for impairment annually and more frequently in certain circumstances.

(5) Securities

The amortized cost, gross unrealized gains and losses and fair values of securities available for sale at September 30, 2008 and December 31, 2007 follows:

	At September 30, 2008			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
		(Dollars in thousands)		
Securities available for sale:				
U.S. Government agencies and corporations	$ 33,745	$ 467	$ (80)	$ 34,132
Mortgage backed securities	117,028	$ 1,385	$ (218)	118,195
State and political subdivisions	20,250	109	(768)	19,591
Equity securities	52	117	—	169
Total Securities	**$171,075**	**$ 2,078**	**$ (1,066)**	**$172,087**

	At December 31, 2007			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(Dollars in thousands)			
Securities available for sale:				
U.S. Government agencies and corporations	$ 90,046	$ 992	$ (87)	$ 90,951
Mortgage backed securities	72,534	$ 585	$ (100)	73,019
State and political subdivisions	14,961	294	(33)	15,222
Equity securities	52	80	—	132
Total Securities	$177,593	$ 1,951	$ (220)	$179,324

There are reasons why securities may be temporarily valued at less than amortized cost. One such reason is that the current levels of interest rates as compared to the coupons on the securities held by the Corporation may be higher, in which case impairment may not be due to credit deterioration. The Corporation has the ability to hold these securities until their value recovers. At September 30, 2008, the total unrealized losses of $1,066 on available for sale securities were temporary in nature due to the current level of interest rates.

The cost, gross unrealized gains and losses and fair values of trading securities at September 30, 2008 follows:

	At September 30, 2008			
	Cost	**Aggregate Unrealized Gains recorded to income for the quarter ended September 30, 2008**	**Aggregate Unrealized Losses recorded to income for the quarter ended September 30, 2008**	**Fair Value**
	(Dollars in thousands)			
Trading Securities	**$ 33,575**	**$ 7**	**$ (23)**	**$ 33,559**

(6) Loans and Allowance for Loan Losses

Loan balances at September 30, 2008 and December 31, 2007 are summarized as follows:

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Loans Held for Sale, at lower of cost or fair value;		
Real estate mortgage loans held for sale	—	1,483
Installment loans held for sale	**5,677**	3,241
Total Loans Held for Sale	**5,677**	4,724
Portfolio Loans:		
Commercial	**$ 444,956**	$ 433,081
Real estate mortgage	**96,709**	100,419
Home equity lines of credit	**95,564**	80,049
Installment	**156,313**	140,049
Total Portfolio Loans	**793,542**	753,598
Allowance for loan losses	**(11,355)**	(7,820)
Net Loans	**$ 782,187**	$ 745,778

Activity in the allowance for loan losses for the nine-month periods ended September 30, 2008 and September 30, 2007 is summarized as follows:

	September 30, 2008	September 30, 2007
	(Dollars in thousands)	
Balance at the beginning of period	**$ 7,820**	$ 7,300
Provision for loan losses	**5,609**	1,677
Allowance from merger	**—**	1,098
Loans charged-off	**(2,655)**	(2,520)
Recoveries on loans previously charged-off	**581**	396
Balance at end of period	**$ 11,355**	$ 7,951

Nonaccrual loans at September 30, 2008 were $17,932, as compared to $10,831 at December 31, 2007, and $10,942 at September 30, 2007.

(7) Stock Options and Stock Appreciation Rights

A broad based stock option incentive plan, the 2006 Stock Incentive Plan, was adopted by the Corporation's shareholders on April 18, 2006. The only options granted under this Plan were granted in 2007 and 2008. The Corporation also has nonqualified stock option agreements outside of the 2006 Stock Incentive Plan. Grants under the nonqualified stock option agreements have been made from 2005 to 2007. On January 20, 2006, the Corporation issued an aggregate of 30,000 SARs to eight employees. For the nine months ending September 30, 2008 there was no expense recorded for SARs and $60 for stock options. The number of options or SARs and the exercise prices as of September 30, 2008 follows:

	Year Issued							
	2005	2005	2006	2007	2007	2007	2007	2006
Type	Option	Option	Option	Option	Option	Option	Option	SARs
Number of Options	2,500	30,000	30,000	30,000	20,000	50,000	49,500	18,000
Strike Price	$16.50	$ 19.17	$ 19.10	$ 16.00	$ 15.35	$ 14.47	$ 14.47	$ 19.00
Number of Options Vested	2,500	30,000	20,000	10,000	—	—	—	—
Assumptions:								
Risk free interest rate	4.50%	3.92%	3.66%	4.73%	4.72%	2.94%	2.94%	2.88%
Dividend yield	4.36%	3.76%	3.77%	4.50%	4.69%	4.98%	4.98%	5.29%
Volatility	18.48%	17.30%	17.66%	16.52%	16.52%	15.68%	15.68%	21.87%
Expected Life — years	5	6	6	6	6	6	6	5

A summary of the status of stock options at September 30, 2008, and changes during the nine months then ended, is presented in the table below:

	Shares	Weighted Average Exercise Price per Share
Options outstanding, December 31, 2007	112,500	$ 17.57
Granted	99,500	14.47
Exercised	—	—
Forfeited, expired or cancelled	—	—
Options outstanding, September 30, 2008	212,000	$ 16.11
Options vested and exercisable, September 30, 2008	62,500	$ 18.53

(8) Deposits

Deposit balances at September 30, 2008 and December 31, 2007 are summarized as follows:

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Demand and other noninterest-bearing	**$ 90,912**	$ 88,812
Interest checking	**119,656**	120,052
Savings	**80,103**	81,293
Money market accounts	**108,462**	129,961
Consumer time deposits	**415,209**	344,279
Public time deposits	**68,844**	64,913
Brokered time deposits	**12,476**	27,631
Total deposits	**$ 895,662**	$ 856,941

The aggregate amount of certificates of deposit in denominations of $100,000 or more amounted to $80,520 and $159,350 at September 30, 2008 and December 31, 2007, respectively. Brokered time deposits totaling $12,476 and $27,631 at September 30, 2008 and December 31, 2007, respectively, are included in these totals.

The maturity distribution of certificates of deposit as of September 30, 2008 follows:

	Within 12 months	After 12 months but within 36 months	After 36 months but within 60 months	After 5 years	Total
			(Dollars in thousands)		
Consumer time deposits	$332,033	$ 78,223	$ 4,914	$ 39	$415,209
Public time deposits	66,451	1,676	717	—	68,844
Brokered time deposits	12,476	—	—	—	12,476
Total time deposits	$410,960	$ 79,899	$ 5,631	$ 39	$496,529

(9) Short-Term Borrowings

The Corporation has a line of credit for advances and discounts with the Federal Reserve Bank of Cleveland. The amount of this line of credit varies on a monthly basis. The line is equal to 85% of the balances of qualified home equity lines of credit that are pledged as collateral. At September 30, 2008, the Bank had pledged approximately $4,602 in qualifying home equity lines of credit, resulting in an available line of credit of approximately $3,912. No amounts were outstanding at September 30, 2008 or December 31, 2007.

Short-term borrowings include securities sold under repurchase agreements and Federal funds purchased from correspondent banks. The table below presents information for short-term borrowings for the periods ended September 30, 2008 and December 31, 2007.

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Securities sold under agreements to repurchase	**$ 29,876**	$ 22,105
Federal funds purchased	**—**	20,000
Total short-term borrowings	**$ 29,876**	$ 42,105

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(10) FHLB Advances

FHLB advances amounted to $73,857 and $44,207 at September 30, 2008 and December 31, 2007, respectively. All advances are bullet maturities with no call features. At September 30, 2008, collateral pledged for FHLB advances consisted of qualified real estate mortgage loans and home equity lines of credit of $101,581 and $87,368 respectively. The maximum borrowing capacity of the Bank at September 30, 2008 was $84,611 with unused collateral borrowing capacity of $10,695. The Bank maintains a $40,000 cash management line of credit ("CMA") with the FHLB. There were no advances under the CMA at September 30, 2008.

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
FHLB advance - 3.33%, due February 8, 2008	$ —	$ 5,000
FHLB advance - 4.47%, due April 11, 2008	—	349
FHLB advance - 2.82%, due October 16, 2008	**15,000**	—
FHLB advance - 4.99% due November 28, 2008	**5,000**	5,000
FHLB advance - 5.07%, due December 12, 2008	**500**	499
FHLB advance - 3.36%, due March 27, 2009	**10,000**	10,000
FHLB advance - 4.67%, due April 10, 2009	**349**	349
FHLB advance - 5.00%, due December 14, 2009	**500**	499
FHLB advance - 3.58%, due January 8, 2010	**10,000**	10,000
FHLB advance - 3.67%, due January 8, 2011	**10,000**	10,000
FHLB advance - 3.55%, due January 1, 2014	**66**	76
FHLB advance - 4.76%, due July 6, 2015	**2,442**	2,435
FHLB advance - 3.69%, due January 9, 2009	**15,000**	—
FHLB advance - 3.17%, due February 8, 2011	**5,000**	—
Total FHLB advances	**$ 73,857**	$ 44,207

(11) Trust Preferred Securities

On May 9, 2007, the Corporation completed two private offerings of trust preferred securities through two separate Delaware statutory trusts sponsored by the Corporation. LNB Trust I ("Trust I") sold $10.0 million of preferred securities and LNB Trust II ("Trust II") sold $10.0 million of preferred securities (Trust I and Trust II are hereafter collectively referred to as the "Trusts"). The proceeds from the offering were used to fund the cash portion of the Morgan Bancorp, Inc. acquisition. The Corporation owns all of the common securities of each of the Trusts. The subordinated notes mature in 2037. Trust I bears a floating interest rate (current three-month LIBOR plus 148 basis points). Trust II bears a fixed rate of 6.64% through June 15, 2017, and then becomes a floating interest rate (current three-month LIBOR plus 148 basis points). Interest on the notes is payable quarterly.

The subordinated notes are redeemable in whole or in part, without penalty, at the Corporation's option on or after June 15, 2012 and mature on June 15, 2037. The notes are junior in right of payment to the prior payment in full of all senior indebtedness of the Corporation, whether outstanding at May 9, 2007, the date of the Indenture for the trusts, or thereafter incurred. At September 30, 2008, the balance of the subordinated notes payable to Trust I and Trust II was $10,310 each. The interest rates in effect as of the last determination date in 2008 were 4.30% and 6.64% for Trust I and Trust II, respectively.

(12) Commitments, Credit Risk, and Contingencies

In the normal course of business, the Bank enters into commitments that involve off-balance sheet risk to meet the financing needs of its customers. These instruments are currently limited to commitments to extend credit and standby letters of credit. Commitments to extend credit involve elements of credit risk and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Bank's exposure to credit loss in the event of nonperformance by the other party to the commitment is represented by the contractual amount of the commitment. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments. Interest rate risk on commitments to extend credit results from the possibility that interest rates may have moved unfavorably from the position of the Bank since the time the commitment was made.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates of 30 to 120 days or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the Bank upon extension of credit is based on Management's credit evaluation of the applicant. Collateral held is generally single-family residential real estate and commercial real estate. Substantially all of the obligations to extend credit are variable rate. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party.

A summary of the contractual amount of commitments at September 30, 2008 follows:

	Amount (Dollars in thousands)
Commitments to extend credit	$ 92,202
Home equity lines of credit	81,835
Standby letters of credit	9,313
Total	**$ 183,350**

(13) Estimated Fair Value of Financial Instruments

The Corporation discloses estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Corporation's financial instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- The carrying value of cash and due from banks, Federal funds sold, short-term investments and accrued interest receivable and other financial assets is a reasonable estimate of fair value due to the short-term nature of the asset.
- The fair value of investment securities is based on quoted market prices, where available. If quoted market prices are not available, fair value is estimated using the quoted market prices of comparable instruments.
- For variable rate loans with interest rates that may be adjusted on a quarterly, or more frequent basis, the carrying amount is a reasonable estimate of fair value. The fair value of other types of loans is estimated by discounting future cash flows using the current rates at

which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

- The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, money market, checking and interest-bearing checking, is equal to the amount payable on demand as of September 30, for each year presented. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. For variable rate certificates of deposit, the carrying amount is a reasonable estimate of fair value.
- Securities sold under repurchase agreements, other short-term borrowings, accrued interest payable and other financial liabilities approximate fair value due to the short-term nature of the liability.
- The fair value of FHLB advances is estimated by discounting future cash flows using current FHLB rates for the remaining term to maturity.
- The fair value of junior subordinated debentures is based on the discounted value of contractual cash flows using rates currently offered for similar maturities.
- The fair value of commitments to extend credit approximates the fees charged to make these commitments; since rates and fees of the commitment contracts approximates those currently charged to originate similar commitments. The carrying amount and fair value of off-balance sheet instruments is not significant as of September 30, 2008 and December 31, 2007.

The following information pertains to assets measured by fair value on a recurring basis (in thousands):

Description	Fair Value as of September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading Securities	$ 33,559	$ 33,559	$ —	$ —
Available for Sale Securities	172,087	152,327	19,760	—
Total	$ 205,646	$ 185,886	$ 19,760	$ —

Losses of $23 were included under security gains in earnings for the quarter ended September 30, 2008 for assets held and measured at fair value as of September 30, 2008.

Limitations

Estimates of fair value are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimates of fair value are based on existing on-and-off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the Bank has a substantial Investment and Trust Services Division that contributes net fee income annually. The Investment and Trust Services Division is not considered a financial instrument and its value has not been incorporated into the fair value estimates. Other significant assets and liabilities that are not considered financial instruments include

property, plant and equipment, and deferred tax liabilities. In addition, it is not practicable for the Corporation to estimate the tax ramifications related to the realization of the unrealized gains and losses and they have not been reflected in any of the estimates of fair value. The impact of these tax ramifications can have a significant effect on estimates of fair value. The estimated fair values of the Corporation's financial instruments at September 30, 2008 and December 31, 2007 are summarized as follows:

	At September 30, 2008		At December 31, 2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Dollars in thousands)			
Financial assets				
Cash and due from banks, Federal funds sold and short-term investments	**$ 45,665**	**$ 45,665**	$ 23,523	$ 23,523
Available for sale securities	**172,087**	**172,087**	179,324	179,324
Trading securities, at fair value	**33,559**	**33,559**	33,402	33,402
Portfolio loans, net	**782,187**	**802,869**	745,778	751,578
Loans held for sale	**5,677**	**5,677**	4,724	4,724
Accrued interest receivable	**4,186**	**4,186**	4,074	4,074
Financial liabilities				
Deposits:				
Demand, savings and money market	**399,133**	**399,133**	420,118	420,118
Certificates of deposit	**496,529**	**502,288**	436,823	441,400
Total deposits	**895,662**	**901,421**	856,941	861,518
Short-term borrowings	**29,876**	**29,876**	42,105	42,105
Federal Home Loan Bank advances	**73,857**	**74,246**	44,207	43,500
Junior subordinated debentures	**20,620**	**21,568**	20,620	21,716
Accrued interest payable	**3,560**	**3,560**	4,620	4,620

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The Corporation is a financial holding company headquartered in Lorain, Ohio, deriving substantially all of its revenue from the Bank. The Corporation provides a range of products and services to commercial customers and the community, and currently operates 21 banking centers throughout Lorain, eastern Erie, western Cuyahoga and Summit counties in Ohio.

This Management's Discussion and Analysis ("MD&A") section discusses the financial condition and results of operations of the Corporation for the three months and nine months ended September 30, 2008. This MD&A should be read in conjunction with the financial information contained in the Corporation's Form 10-K for the fiscal year ended December 31, 2007 and in the accompanying consolidated financial statements and notes contained in this Form 10-Q.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Terms such as "will," "should," "plan," "intend," "expect," "continue," "believe," "anticipate" and "seek," as well as similar comments, are forward-looking in nature. Actual results and events may differ materially from those expressed or anticipated as a result of risks and uncertainties which include but are not limited to:

- significant increases in competitive pressure in the banking and financial services industries;
- changes in the interest rate environment which could reduce anticipated or actual margins;
- changes in political conditions or the legislative or regulatory environment;
- general economic conditions, either nationally or regionally (especially in northeastern Ohio), becoming less favorable than expected resulting in, among other things, a deterioration in credit quality of assets;
- changes occurring in business conditions and inflation;
- changes in technology;
- changes in trade, monetary, fiscal and tax policies;
- changes in the securities markets, in particular, continued disruption in the fixed income markets and adverse capital market conditions;
- continued disruption in the housing markets and related conditions in the financial markets;
- changes in general economic conditions and competition in the geographic and business areas in which the Corporation conducts its operations, particularly in light of the recent consolidation of competing financial institutions; as well as the risks and uncertainties described from time to time in the Corporation's reports as filed with the Securities and Exchange Commission.

Critical Accounting Policies and Estimates

The Corporation's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Corporation follows general practices within the banking industry and application of these principles requires Management to make assumptions, estimates and judgments that affect the financial statements and accompanying notes. These assumptions, estimates and judgments are based on information available as of the date of the financial statements.

The most significant accounting policies followed by the Corporation are presented in Note 1 to the Consolidated Financial Statements contained within this Form 10-Q. These policies are fundamental to the understanding of results of operation and financial conditions.

The accounting policies considered to be critical by Management are as follows:

Allowance for loan losses

The allowance for loan losses is an amount that Management believes will be adequate to absorb probable credit losses inherent in the loan portfolio taking into consideration such factors as past loss experience, changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, and current economic conditions that affect the borrower's ability to pay. Determination of the allowance is subjective in nature. Loan losses are charged off against the allowance when Management believes that the full collectibility of the loan is unlikely. Recoveries of amounts previously charged-off are credited to the allowance.

A loan is considered impaired when it is probable that not all principal and interest amounts will be collected according to the loan contract. Residential mortgage, installment and other consumer loans are evaluated collectively for impairment. Individual commercial loans exceeding size thresholds established by Management are evaluated for impairment. Impaired loans are written down by the establishment of a specific allowance where necessary. The fair value of all loans currently evaluated for impairment is collateral-dependent and therefore the fair value is determined by the fair value of the underlying collateral.

The Corporation maintains the allowance for loan losses at a level adequate to absorb Management's estimate of probable credit losses inherent in the loan portfolio. The allowance is comprised of a general allowance, a specific allowance for identified problem loans and an unallocated allowance representing estimations pursuant to either SFAS No. 5 "Accounting for Contingencies", or SFAS No. 114, "Accounting by Creditors for Impairment of a Loan."

The general allowance is determined by applying estimated loss factors to the credit exposures from outstanding loans. For commercial and commercial real estate loans, loss factors are applied based on internal risk grades of these loans. Many factors are considered when these grades are assigned to individual loans such as current and past delinquency, financial statements of the borrower, current net realizable value of collateral and the general economic environment and specific economic trends affecting the portfolio. For residential real estate, installment and other loans, loss factors are applied on a portfolio basis. Loss factors are based on the Corporation's historical loss experience and are reviewed for appropriateness on a quarterly basis, along with other factors affecting the collectability of the loan portfolio.

Specific allowances are established for all classified loans when Management has determined that, due to identified significant conditions, it is probable that a loss has been incurred that exceeds the general

allowance loss factor from these loans. The unallocated allowance recognizes the estimation risk associated with the allocated general and specific allowances and incorporates Management's evaluation of existing conditions that are not included in the allocated allowance determinations. These conditions are reviewed quarterly by Management and include general economic conditions, credit quality trends and internal loan review and regulatory examination findings. Management believes that it uses the best information available to determine the adequacy of the allowance for loan losses. However, future adjustments to the allowance may be necessary and the results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions used in making the determinations.

Income Taxes

The Corporation's income tax expense and related current and deferred tax assets and liabilities are presented as prescribed in SFAS No. 109 "Accounting for Income Taxes". SFAS No. 109 requires the periodic review and adjustment of tax assets and liabilities based on many assumptions. These assumptions include predictions as to the Corporation's future profitability, as well as potential changes in tax laws that could impact the deductibility of certain income and expense items. Since financial results could be significantly different than these estimates, future adjustments may be necessary to tax expense and related balance sheet accounts.

New Accounting Pronouncements

Management is not aware of any proposed regulations or current recommendations by the Financial Accounting Standards Board or by regulatory authorities, which, if they were implemented, would have a material effect on the liquidity, capital resources, or operations of the Corporation. Recent accounting pronouncements are discussed in Note 1 to the Consolidated Financial Statements contained within this Form 10-Q.

Summary of Earnings *(Dollars in thousands except per share data)*

The Corporation reported net income of $1,823, or $.25 per diluted share, for the third quarter of 2008 and net income of $2,135, or $.29 per diluted share, for the nine months ended September 30, 2008. This compares to net income of $1,673 or $0.23 per diluted share, for the third quarter of 2007 and net income of $3,844, or $0.56 per diluted share, for the nine months ended September 30, 2007.

The unstable interest rate environment and ever-weakening economy, which began in 2007, has evolved into the worst financial crisis since the Great Depression during the third quarter of 2008. During the third quarter of 2008, the financial crisis brought financial markets under extreme strain, liquidity shortages among our nation's largest banks, and rumors of bank failures. While the Corporation has avoided sub-prime mortgages and risky equity investments, the unstable interest rate environment and asset quality issues each continue to pose a challenge. Despite these extreme financial challenges, the Corporation has increased net interest income on a linked-quarter basis for the past two quarters, as well as increased net interest income in comparison to the same quarter last year. Net interest income for the third quarter of 2008 was $8,229, compared to $7,828 for the third quarter of 2007. On a linked-quarter basis, net interest income during the third quarter of 2008 was $90 above the prior quarter. This has been accomplished by balancing the ability to provide fair and equitable interest rates to customers, both on loans and deposits, and at the same time continuing to maintain a healthy balance sheet for shareholders.

Deposit service charges and other fees also continued to remain strong during the third quarter of 2008 and increased in comparison to the third quarter of 2007. Service charges and fees for the third quarter of 2008 were $1,962 compared to $1,844 for the third quarter of 2007.

Noninterest expense continues to be monitored and managed closely by the Corporation. As with net interest income, the uncertainty of the economy has affected noninterest expense in the form of increased utility expense, operating expense and expense associated with the reduction of other real estate owned values. The Corporation continues to see improvement, through careful planning and streamlining of efficiencies, primarily in the reduction of salary and employee benefit expense.

Results of Operations

Net Interest Income

Net interest income is the difference between interest income earned on interest-earning assets and the interest expense paid on interest-bearing liabilities. Net interest income is the Corporation's principal source of revenue, accounting for 72.27% of the revenues for the three months ended September 30, 2008. The amount of net interest income is affected by changes in the volume and mix of earning assets and interest-bearing liabilities, the level of rates earned or paid on those assets and liabilities and the amount of loan fees earned. The Corporation reviews net interest income on a fully taxable equivalent basis, which presents interest income with an adjustment for tax-exempt interest income on an equivalent pre-tax basis assuming a 34% statutory Federal tax rate. These rates may differ from the Corporation's actual effective tax rate. The net interest margin is net interest income as a percentage of average earning assets.

Three Months Ended September 30, 2008 versus Three Months Ended September 30, 2007

Net interest income, before provision for loan losses, was $8,229 for the third quarter 2008 as compared to $7,828 during the same quarter 2007. Adjusting for tax-exempt income, consolidated net interest income, before provision for loan losses, for the third quarter 2008 and 2007 was $8,342 and $7,927, respectively. The net interest margin, determined by dividing tax equivalent net interest income by average earning assets, was 3.24% for the three months ended September 30, 2008 compared to 3.31% for the three months ended September 30, 2007.

Average earning assets for the third quarter of 2008 were $1,010,388. This was an increase of $72,451, or 7.72%, over the same quarter last year. The effect of the unstable interest rate environment, especially in the third quarter of 2008, has greatly impacted the yield generated by earning assets throughout the entire banking industry. The Corporation has worked diligently to increase the level of earning assets and minimize the impact of the unstable interest rate environment. Interest income on earning assets was $14,498 for the third quarter of 2008, compared to $15,970 for the third quarter of 2007. The yield on average earning assets was 5.71% in the third quarter of 2008 as compared to 6.76% for the same period last year.

Interest income from loans was $11,997 for the third quarter of 2008, and $13,466 for the third quarter of 2007. Average portfolio loans during these periods were $790,746 and $737,853, respectively. The yield on average loans during the third quarter of 2008 was 6.04%. This was 128 basis points lower than that of the third quarter of 2007 at 7.32%. Interest income from securities was $2,501 (FTE) for the three months ended September 30, 2008. This compares to $2,504 during the third quarter of 2007. The yield on average securities was 4.53% and 5.02% for these periods, respectively.

Interest expense on interest-bearing liabilities was $6,156 for the quarter ending September 30, 2008 and $8,043 for the quarter ending September 30, 2007. Total average interest-bearing liabilities during the third quarter of 2008 were $907,753, compared to $841,952 during the same period in 2007. The cost of interest-bearing liabilities was 2.70% during the third quarter as compared to 3.79% during the same period of 2007.

Interest expense from deposits for the third quarter was $5,135 in 2008 and $6,706 in 2007. Average interest-bearing deposits during the third quarter of 2008 increased $49,079 over the third quarter 2007. The cost of average deposits was 2.61% for the third quarter of 2008 as compared to 3.66% for the third quarter of 2007. The Corporation was much less reliant on brokered time deposits during the third quarter of 2008. Average brokered time deposits were $8,477 as compared to $23,725 during the third quarter of 2007. During these same time periods, average consumer time deposits increased $90,091, while average money market accounts decreased $27,342.

Nine Months Ended September 30, 2008 versus Nine Months Ended September 30, 2007

Net interest income, before provision for loan losses, for the first nine months of 2008 was $23,888 as compared to $21,855 for the same period in 2007. Adjusting for tax-exempt income, consolidated net interest income, before provision for loan losses, for the first nine months of 2008 and 2007 was $24,202 and $22,137, respectively. The net interest margin was 3.20% for the nine months ended September 30, 2008 compared to 3.39% for the nine months ended September 30, 2007.

Interest income produced by earning assets during the first nine months of 2008 was $44,256. This compares to interest income from earning assets of $43,187 during the first nine months of 2007. Average earning assets increased $133,773, or 15.51%, to $996,256 for the first nine months of 2008 as compared to $862,483 for the first nine months of 2007. The yield on average earning assets was 5.93% for the first nine months of 2008 as compared to 6.69% for the same period last year, or a decrease of 76 basis points.

Interest income from loans was $36,583 for the first nine months of 2008, and $36,695 for the first nine months of 2007. The yield on loans for the first nine months of 2008 and 2007 was 6.32% and 7.19%, respectively. Average loans increased $89,978, or 13.18%, over the same period 2007. The Morgan Bancorp, Inc. acquisition, which was completed on May 10, 2007, contributed approximately $92,042 in loans, primarily indirect auto loans of $52,305, and commercial loans of $26,146. Average installment loans (primarily indirect auto loans) increased $36,063 and average commercial loans increased $41,564 when comparing the first nine months of 2008 to the first nine months of 2007.

Interest expense was $20,054 for the first nine months of 2008 compared to $21,050 for the first nine months of 2007. Average interest-bearing liabilities increased $128,895, or 16.88%, to $892,640 for the first nine months of 2008 as compared to $763,745 for the first nine months of 2007. Interest expense from deposits for the first nine months of the year was $17,041 in 2008 and $18,436 in 2007. Average interest-bearing deposits for the first nine months of 2008 increased $91,134 over the same period in 2007. The cost of deposits for the first nine months of 2008 decreased 68 basis points in comparison to the first nine months of 2007. During the nine month period ending September 30, 2008, average brokered time deposits decreased $25,122 while average consumer time deposits increased $108,959 in comparison to the same period in 2007. The Corporation believes that this was primarily due to consumer apprehension relative to economic conditions and concerns regarding potential large bank failures in the area.

Table 1 displays the components of net interest income for the three and nine months ended September 30, 2008 and 2007. Rates are computed on a tax equivalent basis and nonaccrual loans are included in the average loan balances.

Table 1: Condensed Consolidated Average Balance Sheets

Interest, Rate, and Rate/ Volume differentials are stated on a Fully-Tax Equivalent (FTE) Basis.

	Three Months Ended September 30,					
	2008			2007		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	(Dollars in thousands)					
Assets:						
U.S. Govt agencies and corporations	**$ 183,073**	**$ 2,070**	**4.50%**	$ 181,369	$ 2,226	4.87%
State and political subdivisions	**19,822**	**293**	**5.88%**	14,757	227	6.10%
Federal funds sold and short-term investments	**16,747**	**138**	**3.28%**	3,958	51	5.11%
Commercial loans	**437,597**	**6,991**	**6.36%**	411,647	7,939	7.65%
Real estate mortgage loans	**98,924**	**1,495**	**6.01%**	102,556	1,581	6.12%
Home equity lines of credit	**92,926**	**1,045**	**4.47%**	77,885	1,514	7.71%
Installment loans	**161,299**	**2,466**	**6.08%**	145,765	2,432	6.62%
Total Earning Assets	**$1,010,388**	**$ 14,498**	**5.71%**	$ 937,937	$ 15,970	6.76%
Allowance for loan loss	**(11,888)**			(8,071)		
Cash and due from banks	**19,160**			20,479		
Bank owned life insurance	**15,412**			15,203		
Other assets	**49,797**			54,210		
Total Assets	**$1,082,869**			$1,019,758		
Liabilities and Shareholders' Equity						
Interest-bearing demand	**$ 124,928**	**$ 265**	**0.84%**	$ 113,358	$ 356	1.25%
Savings deposits	**83,137**	**133**	**0.64%**	82,189	156	0.75%
Money market accounts	**108,528**	**459**	**1.68%**	135,870	1,269	3.71%
Consumer time deposits	**398,462**	**3,609**	**3.60%**	308,371	3,682	4.74%
Brokered time deposits	**8,477**	**98**	**4.60%**	23,725	319	5.33%
Public time deposits	**59,732**	**571**	**3.80%**	70,672	924	5.19%
Short-term borrowings	**32,918**	**93**	**1.12%**	32,142	347	4.28%
FHLB advances	**70,813**	**646**	**3.63%**	54,928	635	4.59%
Trust preferred	**20,758**	**282**	**5.40%**	20,697	355	6.80%
Total Interest-Bearing Liabilities	**$ 907,753**	**$ 6,156**	**2.70%**	$ 841,952	$ 8,043	3.79%
Noninterest-bearing deposits	**87,358**			86,393		
Other liabilities	**8,466**			9,449		
Shareholders' Equity	**79,292**			81,964		
Total Liabilities and Shareholders' Equity	**$1,082,869**			$1,019,758		
Net interest Income (FTE)		**$ 8,342**	**3.28%**		$ 7,927	3.35%
Taxable Equivalent Adjustment		**(113)**	**-0.04%**		(99)	-0.04%
Net Interest Income Per Financial Statements		**$ 8,229**			$ 7,828	
Net Yield on Earning Assets			**3.24%**			3.31%

	Nine Months Ended September 30,					
	2008			2007		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	(Dollars in thousands)					
Assets:						
U.S. Govt agencies and corporations	**$ 195,431**	**$ 6,533**	**4.47%**	$155,646	$ 5,514	4.74%
State and political subdivisions	**17,766**	**795**	**5.98%**	13,905	640	6.15%
Federal funds sold and short-term investments	**10,384**	**345**	**4.44%**	10,235	338	4.42%
Commercial loans	**435,456**	**21,309**	**6.54%**	393,892	22,123	7.51%
Real estate mortgage loans	**99,143**	**4,470**	**6.02%**	99,577	4,572	6.14%
Home equity lines of credit	**86,963**	**3,222**	**4.95%**	74,178	4,323	7.79%
Installment loans	**151,113**	**7,582**	**6.70%**	115,050	5,677	6.60%
Total Earning Assets	**$ 996,256**	**$ 44,256**	**5.93%**	$862,483	$ 43,187	6.69%
Allowance for loan loss	**(9,240)**			(7,748)		
Cash and due from banks	**20,749**			21,479		
Bank owned life insurance	**15,559**			15,023		
Other assets	**47,300**			41,306		
Total Assets	**$1,070,624**			$932,543		
Liabilities and Shareholders' Equity						
Interest-bearing demand	**$ 122,840**	**$ 836**	**0.91%**	$100,330	$ 840	1.12%
Savings deposits	**83,145**	**406**	**0.65%**	80,370	325	0.54%
Money market accounts	**116,624**	**1,780**	**2.04%**	126,166	3,477	3.68%
Consumer time deposits	**382,202**	**11,599**	**4.05%**	273,243	9,573	4.68%
Brokered time deposits	**14,365**	**562**	**5.23%**	39,487	1,531	5.18%
Public time deposits	**60,047**	**1,858**	**4.13%**	68,493	2,697	5.26%
Short-term borrowings	**29,286**	**354**	**1.61%**	25,431	812	4.27%
FHLB advances	**63,347**	**1,769**	**3.73%**	39,232	1,235	4.21%
Trust preferred securities	**20,784**	**890**	**5.72%**	10,993	560	6.81%
Total Interest-Bearing Liabilities	**$ 892,640**	**$ 20,054**	**3.00%**	$763,745	$ 21,050	3.68%
Noninterest-bearing deposits	**86,396**			83,717		
Other liabilities	**9,576**			8,626		
Shareholders' Equity	**82,012**			76,455		
Total Liabilities and Shareholders' Equity	**$1,070,624**			$932,543		
Net interest Income (FTE)		**$ 24,202**	**3.24%**		$ 22,137	3.43%
Taxable Equivalent Adjustment		**(314)**	**-0.04%**		(282)	-0.04%
Net Interest Income Per Financial Statements		**$ 23,888**			$ 21,855	
Net Yield on Earning Assets			**3.20%**			3.39%

Rate/Volume

Net interest income may also be analyzed by comparing the volume and rate components of interest income and interest expense. Table 2 is an analysis of the changes in interest income and expense between the quarters ended September 30, 2008 and September 30, 2007. Changes that are not due solely to either a change in volume or a change in rate have been allocated proportionally to both changes due to volume and rate. The table is presented on a fully tax-equivalent basis.

Table 2: Rate/Volume Analysis of Net Interest Income (FTE)

	Three Months Ended September 30, Increase (Decrease) in Interest Income/Expense 2008 and 2007		
	Volume	**Rate**	**Total**
	(Dollars in thousands)		
U.S. Govt agencies and corporations	$ 20	$ (176)	$ (156)
State and political subdivisions	77	(11)	66
Federal funds sold and short-term investments	327	(240)	87
Commercial loans	389	(1,337)	(948)
Real estate mortgage loans	(58)	(28)	(86)
Home equity lines of credit	135	(604)	(469)
Installment loans	(9)	43	34
Total Interest Income	881	(2,353)	(1,472)
Interest-bearing demand	22	(112)	(90)
Savings deposits	2	(25)	(23)
Money market accounts	(140)	(670)	(810)
Consumer time deposits	186	(259)	(73)
Brokered time deposits	(203)	(18)	(221)
Public time deposits	(118)	(235)	(353)
Short-term borrowings	2	(256)	(254)
FHLB advances	(58)	69	11
Trust preferred securities and miscellaneous	—	(74)	(74)
Total Interest Expense	(307)	(1,580)	(1,887)
Net Interest Income (FTE)	$ 1,188	$ (773)	$ 415

Consolidated net interest income (FTE) for the third quarter 2008 and 2007 was $8,342 and $7,927, respectively. Interest income decreased $1,472 during the third quarter of 2008. Interest income increased $881 attributable to volume for the third quarter of 2008. This was offset by a decrease of $2,353 attributable to rate. For the same period, interest expense decreased $1,887, with $307 attributable to a decrease in volume, and $1,580 attributable to a decrease due to rate. Careful management of the repricing of loans and deposits during this period of challenging interest rates resulted in a net increase in revenue attributable to an overall decrease in rates, without sacrificing volume. Overall, net interest income (FTE) increased $415.

	Nine Months Ended September 30, Increase (Decrease) in Interest Income/Expense 2008 and 2007		
	Volume	Rate	Total
	(Dollars in thousands)		
U.S. Govt agencies and corporations	$ 1,452	$ (433)	$ 1,019
State and political subdivisions	179	(24)	155
Federal funds sold and short-term investments	5	2	7
Commercial loans	1,457	(2,271)	(814)
Real estate mortgage loans	(19)	(83)	(102)
Home equity lines of credit	379	(1,480)	(1,101)
Installment loans	1,788	117	1,905
Total Interest Income	5,241	(4,172)	1,069
Interest-bearing demand	16	(20)	(4)
Savings deposits	13	68	81
Money market accounts	(156)	(1,541)	(1,697)
Consumer time deposits	4,457	(2,431)	2,026
Brokered time deposits	(973)	4	(969)
Public time deposits	(285)	(554)	(839)
Short-term borrowings	40	(498)	(458)
FHLB advances	806	(272)	534
Trust preferred securities and miscellaneous	554	(224)	330
Total Interest Expense	4,472	(5,468)	(996)
Net Interest Income (FTE)	$ 769	$ 1,296	$ 2,065

Consolidated net interest income (FTE) for the nine month period ended September 30, 2008 and 2007 was $24,202 and $22,137, respectively. Interest income increased $1,069 during the first nine months of 2008, with an increase of $5,241 attributable to volume, partially offset by a decrease of $4,172 attributable to rate. For the same period, interest expense decreased $996, with an increase of $4,472 attributable to volume, offset by a decrease of $5,468 due to rate. Overall, net interest income (FTE) increased $2,065.

Noninterest Income

Table 3: Details on Noninterest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
	(Dollars in thousands)		(Dollars in thousands)	
Investment and trust services	**$ 441**	$ 547	**$ 1,560**	$ 1,593
Deposit service charges	**1,258**	1,239	**3,559**	3,457
Electronic banking fees	**704**	605	**2,030**	1,706
Income from bank owned life insurance	**154**	182	**735**	531
Other income	**67**	128	**736**	273
Total fees and other income	**2,624**	2,701	**8,620**	7,560
Securities gains, net	**223**	2	**506**	261
Gains on sale of loans	**298**	277	**642**	546
Gains (losses) on sale of other assets	**13**	24	**(122)**	59
Total noninterest income	**$ 3,158**	$ 3,004	**$ 9,646**	$ 8,426

Three Months Ended September 30, 2008 as compared to the Three Months Ended September 30, 2007

Noninterest income for the three months ended September 30, 2008 was $3,158 or an increase of $154, or 5.13%, from the same period 2007. The two biggest components of noninterest income are deposit service charges and trust and investment management services. Deposit service charges and electronic banking fee income continued to grow in the third quarter of 2008 to $1,962 with an increase of $118, or 6.40%, over the same period last year. Income from trust and investment management services was $441 for the third quarter of 2008, compared to $547 for the same period in 2007.

The gain of $223 on securities during the third quarter of 2008 was a combination of a gain of $214 on the sale of available-for-sale securities, and an unrealized gain on trading securities of $9. The gain on sale of loans during the third quarter of 2008 was $298 and consisted of a $132 gain on the sale of mortgage loans to Freddie Mac, a $7 gain on the sale of loans to FHA and a gain on the sale of indirect consumer loans to investor banks of $159. Net gains of $52 were recorded on the sale of loans to Freddie Mac, and $225 on the sale of indirect loans during the third quarter of 2007.

Nine Months Ended September 30, 2008 as compared to the Nine Months Ended September 30, 2007

Noninterest income for the nine months ended September 30, 2008 was $9,646 or an increase of $1,220, or 14.48%, from the same period 2007. Deposit service charges and fees from electronic banking increased $426, or 8.25%, over the same period last year.

The first nine months of 2008 included $460 received in a partial redemption of stock issued by VISA to membership institutions as a result of the completion of an initial public offering. During the first nine months of 2008, $216 was received from the redemption of a bank-owned life insurance policy.

The gain of $506 on securities during the first nine months of 2008 was a combination of a gain on sale of available-for-sale securities of $536, offset by an unrealized loss on trading securities of $30. During the first nine months of 2008, available-for-sale securities which were due to be called or mature during 2008 were assessed and, in some cases, sold and replaced with purchases of primarily mortgage-backed securities and some agency securities. Because of the falling interest rate environment, the interest rates available on mortgage-backed securities have made these securities more attractive to holders than agency securities. Prior to the decline in interest rates, agency securities had been producing a similar yield to mortgage-backed securities, but without the prepayment option and the longer term to maturity. The Corporation sold its available-for-sale securities prior to call or maturity in order to reinvest the proceeds in other securities before any further interest rate cuts reduced the yield on securities available for purchase. The yield on the mortgage-backed securities purchased was comparable to those sold. During the first nine months of 2007, $261 was recorded to gain on securities following the early election of SFAS 159.

Noninterest Expense

Table 4: Details on Noninterest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
	(Dollars in thousands)		(Dollars in thousands)	
Salaries and employee benefits	**$ 3,828**	$ 4,104	**$ 11,467**	$ 11,862
Furniture and equipment	**1,049**	952	**3,080**	2,566
Net occupancy	**556**	593	**1,816**	1,683
Outside services	**522**	488	**1,996**	1,317
Marketing and public relations	**247**	321	**829**	936
Supplies and postage	**408**	353	**1,092**	986
Telecommunications	**189**	232	**635**	623
Ohio Franchise tax	**225**	188	**670**	604
Other real estate owned	**285**	58	**892**	305
Electronic banking expense	**237**	150	**747**	593
Other charge-offs and losses	**59**	192	**328**	387
Other expense	**893**	703	**2,308**	1,839
Total noninterest expense	**$ 8,498**	**$ 8,334**	**$ 25,860**	$ 23,701

Three Months Ended September 30, 2008 as compared to the Three Months Ended September 30, 2007

Noninterest expense increased $164, or 1.97%, for the third quarter of 2008 over the same period 2007. Other real estate owned expense of $285 during the third quarter of 2008, increased $227 over the third quarter of 2007. Due to the uncertain economic conditions and declining real estate values, the Corporation reduced the value of other real estate owned by $196 during the third quarter. Salaries and employee benefits for the third quarter of 2008 decreased $276, or 6.73%, compared to the same period in 2007. Electronic banking expense for the third quarter of 2008 increased $87 in comparison to the third quarter 2007. During the second quarter of 2008, and continuing into the third quarter of 2008, debit card services were switched to another vendor as a cost savings measure on a per transaction basis. The third quarter 2008 included conversion expense related to this conversion.

Nine Months Ended September 30, 2008 as compared to the Nine Months Ended September 30, 2007

Noninterest expense was $25,860 for the nine months ended September 30, 2008. This as an increase of $2,159, or 9.11%, as compared to $23,701 recorded for the nine months ended September 30, 2007. Included in noninterest expense was $572 related to the special shareholders meeting requested by a shareholder of the Corporation during the first quarter of 2008. This affected third party services, marketing and public relations, and postage expenses. The Corporation acquired Morgan Bancorp, Inc. during the second quarter of 2007. Salaries and benefits during the first nine months of 2008 decreased $395 in comparison to the first nine months of 2007. This decrease is particularly significant given that the salary and benefit expenses relating to the acquired Morgan Bank business had not yet been assumed by the Corporation during the first quarter of 2007. The Corporation continues to make significant investments for the future in upgrading software processes and equipment including upgrades to electronic banking.

Other real estate owned expense increased $587 on a year-to-year comparison. This expense was primarily the result of the revaluation of certain properties as a result of the decline in real estate market values during the first nine months of 2008. Any valuation adjustments that are required are expensed directly to the income statement.

Income taxes

The Corporation recognized an income tax expense of $595 during the third quarter 2008 compared to income tax expense of $384 for the same period of 2007. The Corporation's effective tax rate was 24.61% for the third quarter of 2008 as compared to 18.67% for the same period in 2007.

An income tax benefit of $70 was recognized for the nine month period ended September 30, 2008 and income tax expense of $1,059 was recognized for the nine month period ended September 30, 2007. Included in net income for the nine months ended September 30, 2008 was $1,440 of nontaxable income, including $734 related to life insurance policies and $706 of tax-exempt investment and loan interest income. After considering the tax exempt income and relatively small nondeductible expenses, income subject to tax for the nine months ended September 30, 2008 is significantly less than income before income tax expense. The new market tax credit generated by the North Coast Community Development, a wholly-owned subsidiary of the Bank, also had a significant impact on the net tax benefit and the effective tax rate.

Balance Sheet Analysis

Overview

The Corporation's assets at September 30, 2008 were $1,109,501 as compared to $1,056,645 at December 31, 2007. This is an increase of $52,856, or 5.00%, over December 31, 2007.

Securities

The composition of the Corporation's securities portfolio at September 30, 2008 and December 31, 2007 is presented in Note 5 to the Consolidated Financial Statements contained within this Form 10-Q. The Corporation continues to structure its securities portfolio in a manner intended to assist the Corporation in managing interest rate risk and its liquidity needs. Currently, the portfolio is comprised of 16.22% U.S. Government agencies, 56.15% U.S. agency mortgage-backed securities, 15.94% trading securities, 9.31% municipal securities, and 1.78% FHLB stock. Other securities represent less than 1% of the portfolio and consist of Federal Reserve Bank stock and other miscellaneous equity investments. At September 30, 2008 the available for sale securities had a net temporary unrealized gain of $1,012 representing 0.59% of the total amortized cost of the Bank's available for sale securities. Trading securities held at fair value of September 30, 2008 were $33,559, and included $16 in unrealized losses recorded against income.

Loans

The details of loan balances are presented in Note 6 to the Consolidated Financial Statements contained within this Form 10-Q. Table 5 provides further detail by loan purpose.

Table 5: Details on Loan Balances

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Real estate loans (includes loans secured primarily by real estate only):		
Construction and land development	**$ 57,233**	$ 74,379
One to four family residential	**228,822**	213,238
Multi-family residential	**25,793**	24,473
Non-farm non-residential properties	**299,105**	275,552
Commercial and industrial loans	**54,962**	56,688
Personal loans to individuals:		
Auto, single payment and installment	**122,703**	104,360
All other loans	**4,924**	4,908
Total loans	**793,542**	753,598
Allowance for loan losses	**(11,355)**	(7,820)
Net loans	**$ 782,187**	$ 745,778

Total loans at September 30, 2008 were $793,542. This is an increase of $39,944, or 5.30%, over December 31, 2007. At September 30, 2008, commercial loans represented 56.07% of total loans. Consumer loans, consisting of installment loans and home equity loans, comprised 31.74% of total portfolio loans. Consumer loans are made to borrowers on both secured and unsecured terms dependent on the maturity and nature of the loan. Real estate mortgages comprise 12.19% of total portfolio loans.

Loans held for sale, which are not included in portfolio loans, were $5,677 at September 30, 2008. Installment loans represented 100% of loans held for sale. There were no mortgage loans or commercial loans held for sale at September 30, 2008. Loans held for sale at December 31, 2007 were $4,724 and consisted of 31.40% mortgage loans held at fair market value and 68.60% installment loans. The Corporation retains the servicing rights on these loans.

Deposits

Table 6: Deposits

	Average Balances Outstanding For the Nine Months Ended September 30,					
	2008			2007		
	Average Balance	Percent of Deposits	Rate	Average Balance	Percent of Deposits	Rate
	(Dollars in thousands)					
Noninterest bearing demand	**$ 86,396**	**9.98%**	**0.00%**	$ 83,717	10.85%	0.00%
Interest-bearing demand	**122,840**	**14.19%**	**0.91%**	100,330	13.00%	1.11%
Savings deposits	**83,145**	**9.61%**	**0.65%**	80,370	10.41%	0.54%
Money market accounts	**116,624**	**13.47%**	**2.04%**	126,166	16.35%	3.68%
Consumer time deposits	**382,202**	**44.15%**	**4.05%**	273,242	35.40%	4.68%
Brokered time deposits	**14,365**	**1.66%**	**5.23%**	39,487	5.12%	5.18%
Public time deposits	**60,047**	**6.94%**	**4.13%**	68,493	8.87%	5.26%
Total Deposits	**$865,619**	**100.00%**	**2.92%**	$771,805	100.00%	3.19%

Deposit accounts and the generation of deposit accounts continue to be the primary source of funds within the Corporation's market area. The Corporation offers various deposit products to both retail and business customers. Total deposits at September 30, 2008 were $895,662, an increase of $38,721, or 4.52% over December 31, 2007.

Average deposits for the nine months ended September 30, 2008 were $865,619 compared to average deposits for the nine months ended September 30, 2007 of $771,805. Average consumer time deposits increased $108,960 over the nine month period between September 30, 2007 and September 30, 2008 despite aggressive reaction to rate cuts during the first three quarters of 2008. Average brokered time deposits decreased $25,122 during this same period as excess funds generated by this increase in deposits were used to pay down brokered time deposits as they became due.

The Corporation also utilizes its business sweep accounts to generate funds as well as the brokered CD market to provide funding comparable to other national market borrowings, which include the FHLB of Cincinnati and the Federal Reserve Bank of Cleveland.

Borrowings

The Corporation utilizes both short-term and long-term borrowings to assist in the growth of earning assets. For the Corporation, short-term borrowings include federal funds purchased and repurchase agreements. As of September 30, 2008, the short-term borrowings consisted of $29,876 of repurchase agreements. There were no federal funds purchased at September 30, 2008. Federal funds purchased as of December 31, 2007 were $20,000. Repurchase agreements increased $7,771 over December 31, 2007. Long-term borrowings for the Corporation consist of FHLB advances of $73,857 and junior subordinated debentures of $20,620. FHLB advances were $44,207 at December 31, 2007. Maturities of long-term FHLB advances are presented in Note 10 to the Consolidated Financial Statements contained within this Form 10-Q. During the second quarter of 2007, the Corporation completed a private offering of trust preferred securities, as described in Note 11 to the Consolidated Financial Statements contained within this Form 10-Q. The securities were issued in two $10 million tranches, one of which pays dividends at a fixed rate of 6.64% per annum and the other of which pays dividends at LIBOR plus 1.48% per annum.

Capital

On September 3, 2008, the Board of Directors of the Corporation declared a quarterly cash dividend of $0.09 per share on its common stock. This cash dividend reflected a reduction from the $0.18 per share dividend paid in previous quarters to shareholders of the Corporation. In today's volatile economic and credit environment and with continuing uncertainty about the future, the Corporation believes that the decision to reduce dividends represented an appropriate and prudent step to preserve capital through these challenging times.

The Corporation continues to maintain an appropriate capital position. Total shareholders' equity was $80,340 at September 30, 2008. This is a decrease of 2.80% from December 31, 2007. Net income increased total shareholders' equity by $2,135 for the nine months ended September 30, 2008. Share-based payment arrangements increased total shareholders' equity by $33, net of tax. Cash dividends payable to shareholders in the amount of $3,282 decreased total shareholders' equity in the first nine months of 2008. Other factors that decreased shareholders' equity included a $474 decrease in accumulated other comprehensive gain resulting from an increase in the fair value of available for sale securities and a decrease of $725 resulting from the cumulative effect of a change in accounting

principle for recognizing a liability for postretirement cost of insurance for split-dollar life insurance coverage.

The Corporation held 328,194 shares of common stock as treasury stock at September 30, 2008, at a cost of $6,092. The Corporation and the Bank continue to monitor growth to stay within the guidelines established by applicable regulatory authorities. At September 30, 2008 and December 31, 2007, the Corporation and Bank maintained capital ratios consistent with guidelines to be deemed well-capitalized under Federal banking regulations.

On July 28, 2005, the Corporation announced a share repurchase program of up to 5 percent, or about 332,000, of its common shares outstanding. Repurchased shares can be used for a number of corporate purposes, including the Corporation's stock option and employee benefit plans. Under the share repurchase program, share repurchases are expected to be made primarily on the open market from time-to-time until the 5 percent maximum is repurchased or the earlier termination of the repurchase program by the Board of Directors. Repurchases under the program will be made at the discretion of management based upon market, business, legal and other factors. As of September 30, 2008, the Corporation had repurchased an aggregate of 202,500 shares under this program.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

RISK ELEMENTS

Risk management is an essential aspect in operating a financial services company successfully and effectively. The most prominent risk exposures for a financial services company are credit, operational, interest rate, market, and liquidity risk. Credit risk involves the risk of uncollectible interest and principal balance on a loan when it is due. Operational risk involves fraud, legal and compliance issues, processing errors, technology and the related disaster recovery, and breaches in business continuation and internal controls. Interest rate risk includes changes in interest rates affecting net interest income. Market risk is the risk that a financial institution's earnings and capital or its ability to meet its business objectives adversely affected by movements in market rates or prices. Such movements include fluctuations in interest rates, foreign exchange rates, equity prices that affect the changes in value of available for sale securities, credit spreads, and commodity prices. The inability to fund obligations due to investors, borrowers, or depositors is liquidity risk. For the Corporation, the dominant risks are market risk, credit risk and liquidity risk.

Credit Risk Management

Uniform underwriting criteria, ongoing risk monitoring and review processes, and well-defined, centralized credit policies dictate the management of credit risk for the Corporation. As such, credit risk is managed through the Bank's allowance for loan loss policy which requires the loan officer, lending officers, and the loan review committee to manage loan quality. The Corporation's credit policies are reviewed and modified on an ongoing basis in order to remain suitable for the management of credit risks within the loan portfolio as conditions change. The Corporation uses a loan rating system to properly classify and assess the credit quality of individual commercial loan transactions. The loan rating system is used to determine the adequacy of the allowance for loan losses for regulatory reporting purposes and to assist in the determination of the frequency of review for credit exposures.

Nonperforming Assets, Delinquency and Potential Problem Loans

Total nonperforming assets consist of nonperforming loans, loans which have been restructured, and other foreclosed assets. As such, a loan is considered nonperforming if it is 90 days past due and/or in Management's estimation the collection of interest on the loan is doubtful. Nonperforming loans no longer accrue interest and are accounted for on a cash basis. The classification of restructured loans involves the deterioration of a borrower's financial ability leading to original terms being favorably modified or either principal or interest being forgiven.

Nonperforming loans at September 30, 2008 were $17,445 as compared to $10,831 at December 31, 2007, an increase of $6,614. Of this total, commercial loans were $12,687 as compared to $7,927 at December 31, 2007. These commercial loans are primarily secured by real estate and, in some cases, by SBA guarantees, and have either been charged-down to their realizable value or a specific reserve has been established for any collateral short-fall. At September 30, 2008, construction and land development represented $4,593 of the total commercial loan nonperforming, with the remaining being commercial and industrial. All nonperforming loans are being actively managed.

Management also monitors delinquency and potential commercial problem loans. Bank-wide delinquency at September 30, 2008 was 3.31% of total loans as compared to 2.26% at December 31, 2007. Total 30-90 day delinquency was 1.13% of total loans at September 30, 2008 and 0.91% at December 31, 2007. The 30-90 day delinquency as a percentage of loan type is under 2.00% for all loan types.

Other foreclosed assets were $1,799 as of September 30, 2008 as compared to $2,478 at December 31, 2007. The $1,799 is comprised of $722 in 1-4 family residential properties and $1,077 in nonfarm nonresidential properties. This compares to $837 in 1-4 family residential properties with the remainder in nonfarm nonresidential properties as of December 31, 2007.

Table 8 sets forth nonperforming assets at September 30, 2008 and December 31, 2007.

Table 8: Nonperforming Assets

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Commercial loans	**$ 12,687**	$ 7,927
Real estate mortgage	**2,950**	2,097
Home equity lines of credit	**845**	429
Installment loans	**963**	378
Total nonperforming loans	**17,445**	10,831
Other foreclosed assets	**1,799**	2,478
Total nonperforming assets	**$ 19,244**	$ 13,309
Allowance for loan losses to nonperforming loans	**65.09%**	72.20%
Nonperforming assets to total assets	**1.73%**	1.26%

Provision and Allowance for Loan Losses

The allowance for loan losses is maintained by the Corporation at a level considered by Management to be adequate and appropriate to cover probable credit losses inherent in the Corporation's loan portfolio. The amount of the provision for loan losses charged to operating expenses is the amount necessary, in the estimation of Management, to maintain the allowance for loan losses at an adequate level. Management determines the adequacy of the allowance based upon past experience, changes in portfolio

size and mix, trends in delinquency, relative quality of the loan portfolio and the rate of loan growth, assessments of current and future economic conditions, and information about specific borrower situations, including their financial position and collateral values, and other factors, which are subject to change over time. While Management's periodic analysis of the allowance for loan losses may dictate portions of the allowance be allocated to specific problem loans, the entire amount is available for any loan charge-offs that may occur. Table 9 presents the detailed activity in the allowance for loan losses and related charge-off activity for the three and nine month periods ended September 30, 2008 and 2007.

Table 9: Analysis of Allowance for Loan Losses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
	(Dollars in thousands)		(Dollars in thousands)	
Balance at beginning of period	**$ 11,874**	$ 8,115	**$ 7,820**	$ 7,300
Charge-offs:				
Commercial	**(1,097)**	(496)	**(1,540)**	(1,693)
Real estate mortgage	**—**	(31)	**(275)**	(206)
Home equity lines of credit	**(72)**	—	**(161)**	(55)
Purchased installment	**—**	(20)	**—**	(37)
Installment	**(161)**	(222)	**(486)**	(348)
DDA overdrafts	**(79)**	(73)	**(193)**	(181)
Total charge-offs	**(1,409)**	(842)	**(2,655)**	(2,520)
Recoveries:				
Commercial	**344**	107	**385**	140
Real estate mortgage	**28**	6	**28**	7
Home equity lines of credit	**1**	—	**1**	25
Installment	**34**	116	**126**	185
DDA overdrafts	**12**	8	**41**	39
Total Recoveries	**419**	237	**581**	396
Net Charge-offs	**(990)**	(605)	**(2,074)**	(2,124)
Allowance from merger	**—**	—	**—**	1,098
Provision for loan losses	**471**	441	**5,609**	1,677
Balance at end of period	$ **11,355**	$ 7,951	**$ 11,355**	$ 7,951

The allowance for loan losses at September 30, 2008 was $11,355, or 1.43%, of outstanding loans, compared to $7,951, or 1.09%, of outstanding loans at September 30, 2007. The allowance for loan losses was 65.09% and 72.66% of nonperforming loans at September 30, 2008 and 2007, respectively.

Net charge-offs for the three months ended September 30, 2008 were $990, as compared to $605 for the three months ended September 30, 2007. Net charge-offs for the nine months ended September 30, 2008 were $2,074, as compared to $2,124 for the nine months ended September 30, 2007. Annualized net charge-offs as a percent of average loans for the third quarter and first nine months of 2008 were 0.50% and 0.36% respectively, as compared to 0.33% and 0.42% respectively, for the same periods in 2007.

The provision charged to expense was $471 for the three months ended September 30, 2008 and $441 for the same period 2007. The provision for loan losses for the three and nine month periods ended September 30, 2008 was, in the opinion of Management, adequate when balancing the charge-off levels with the level of nonperforming loans, the level of potential problem loans and delinquency. The resulting allowance for loan losses is, in the opinion of Management, sufficient given its analysis of the

information available about the portfolio at September 30, 2008. The Corporation continues to aggressively address potential problem loans, and underwriting standards continue to be adjusted in response to trends and asset review findings.

Market Risk Management

The Corporation manages market risk through its Asset/Liability Management Committee ("ALCO") at the Bank level governed by policies set forth and established by the Board of Directors. This committee assesses interest rate risk exposure through two primary measures: rate sensitive assets divided by rate sensitive liabilities and earnings-at-risk simulation of net interest income over the one year planning cycle and the longer term strategic horizon in order to provide a stable and steadily increasing flow of net interest income.

The difference between a financial institution's interest rate sensitive assets and interest rate sensitive liabilities is referred to as the interest rate gap. An institution that has more interest rate sensitive assets than interest rate sensitive liabilities in a given period is said to be asset sensitive or has a positive gap. This means that if interest rates rise, a corporation's net interest income may rise and if interest rates fall, its net interest income may decline. If interest sensitive liabilities exceed interest sensitive assets then the opposite impact on net interest income may occur. The usefulness of the gap measure is limited. It is important to know the gross dollars of assets and liabilities that may re-price in various time horizons, but without knowing the frequency and basis of the potential rate changes the predictive power of the gap measure is limited.

Two more useful tools in managing market risk are earnings-at-risk simulation and economic value of equity simulation. An earnings-at-risk analysis is a modeling approach that combines the repricing information from gap analysis, with forecasts of balance sheet growth and changes in future interest rates. The result of this simulation provides Management with a range of possible net interest margin outcomes. Trends that are identified in earnings-at-risk simulation can help identify product and pricing decisions that can be made currently to assure stable net interest income performance in the future. At September 30, 2008, a "shock" treatment of the balance sheet, in which a parallel shift in the yield curve occurs and all rates increase immediately, indicates that in a +200 basis point shock, net interest income would decrease $1,863, or 7.80%, and in a -200 basis point shock, net interest income would decrease $1,933, or 8.09%. The reason for the lack of symmetry in these results is the implied floors in many of the Corporation's core funding which limits their downward adjustment from current offering rates. This analysis is done to describe a best or worst case scenario. Factors such as non-parallel yield curve shifts, Management pricing changes, customer preferences and other factors are likely to produce different results.

The economic value of equity approach measures the change in the value of the Corporation's equity as the value of assets and liabilities on the balance sheet change with interest rates. September 30, 2008, this analysis indicated that a +200 basis point change in rates would reduce the value of the Corporation's equity by 20.75% while a -200 basis point change in rates would increase the value of the Corporation's equity by 21.33%.

ITEM 4. Controls and Procedures

Management carried out an evaluation, under the supervision and with the participation of the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d- 15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2008. Based upon that evaluation, the chief executive officer along with the chief financial officer concluded that the Corporation's disclosure controls and procedures as of September 30, 2008 were: (1) designed to ensure that material information relating to the Corporation and its subsidiaries is made known to the chief executive officer and chief financial officer by others within the entities, and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in the Corporation's internal control over financial reporting (as defined by 13a-15(f) and 15(d)-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in the Corporation's Annual Report on Form 10-K.

There can be no assurance that recently enacted legislation will help stabilize the U.S. financial system.

On October 3, 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008 (the "EESA"). Pursuant to the EESA, the U.S. Treasury will have the authority to, among other things, deploy up to $750 billion into the financial system for the purpose of stabilizing and providing liquidity to the U.S. financial markets. There can be no assurance, however, as to the actual impact that the EESA will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect the Corporation's business, financial condition, results of operations, access to credit or the trading price of the Corporation's common stock.

Current market developments may adversely affect the Corporation's industry, business and results of operations.

Dramatic declines in the housing market during the prior year, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers including other financial institutions. The resulting lack of available credit, lack of confidence in the financial sector,

increased volatility in the financial markets and reduced business activity could materially and adversely affect the Corporation's business, financial condition and results of operations.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than 12 months. In recent weeks, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that the Corporation will not experience an adverse effect, which may be material, on the Corporation's ability to access capital and on the Corporation's business, financial condition and results of operations.

The soundness of other financial institutions could adversely affect the Corporation.

The Corporation's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Corporation has exposure to many different industries and counterparties, and it routinely executes transactions with counterparties in the financial industry. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by the Corporation or by other institutions. Many of these transactions expose the Corporation to credit risk in the event of default of the Corporation's counterparty or client. In addition, the Corporation's credit risk may be exacerbated when the collateral held by it cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due the Corporation. There is no assurance that any such losses would not materially and adversely affect the Corporation's results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

On July 28, 2005, the Corporation announced a share repurchase program of up to 5 percent, or about 332,000, of the common shares outstanding. Repurchased shares can be used for a number of corporate purposes, including the Corporation's stock option and employee benefit plans. Under the share repurchase program, share repurchases are expected to be made primarily on the open market from time to time until the 5 percent maximum is purchased or the earlier termination of the repurchase program by the Board of Directors. Repurchases under the program will be made at the discretion of management based upon market, business, legal and other factors. There was no repurchase activity during the quarter ended September 30, 2008. As of September 30, 2008, the Corporation had repurchased an aggregate of 202,500 shares under this program.

Item 6. Exhibits.

(a) The exhibits to this Form 10-Q are referenced in the Exhibit Index attached hereto.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LNB BANCORP, INC.
(Registrant)

Date: November 7, 2008

/s/ Sharon L. Churchill
Sharon L. Churchill
Chief Financial Officer
(Duly Authorized Officer, and Principal
Financial Officer)

LNB Bancorp, Inc.
Exhibit Index
Pursuant to Item 601 of Regulation S-K

Exhibit	
31.1	Chief Executive Officer Rule 13a -14(a)/15d -14(a) Certification.
31.2	Chief Financial Officer Rule 13a -14(a)/15d -14(a) Certification.
32.1	Certification pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

Chief Executive Officer Rule 13a -14(a)/15d -14(a) Certification.

I, Daniel E. Klimas, President and Chief Executive Officer of LNB Bancorp, Inc. (the “registrant”) certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LNB Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2008

/s/ Daniel E. Klimas

Daniel E. Klimas
President and Chief Executive Officer

EX-31.2 3 l34447aexv31w2.htm EX-31.2

Exhibit 31.2

Chief Financial Officer Rule 13a -14(a)/15d -14(a) Certification.

I, Sharon L. Churchill, Chief Financial Officer of LNB Bancorp, Inc. (the “registrant”) certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LNB Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2008

/s/ Sharon L. Churchill

Sharon L. Churchill
Chief Financial Officer

EX-32.1 4 l34447aexv32w1.htm EX-32.1

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of LNB Bancorp, Inc. (the "Corporation") for the period ending September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel E. Klimas, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Daniel E. Klimas

Daniel E. Klimas
President and Chief Executive Officer
November 7, 2008

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of LNB Bancorp, Inc. (the "Corporation") for the period ending September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon L. Churchill, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Sharon L. Churchill

Sharon L. Churchill
Chief Financial Officer
November 7, 2008