



WESTERN
RESERVE
BANCORP, INC.

330-764-3131 • Fax 330-764-3311

4015 Medina Road • P.O. Box 585 • Medina, Ohio 44258-0585

www.westernreservebank.com

December 13, 2010

Dear Fellow Shareholder:

As you will note from the attached financials, our challenging year continues. At this point, it is our intention to quarantine these issues to 2010.

I need to point out that our delinquency rate remains low at 1.93% of loans. The issue remains the damaged financials of some of our borrowers, due to the economic situation. We are working with our borrowers, who show promise to survive, but that very help can sometimes cost us dearly, as required structural analysis forces large provisions to our loan loss reserve.

During these stressful times banking experts remind us that "capital is king." Please keep in mind that through this rough period, our bank remains significantly above well-capitalized levels.

Most of our shareholders are also customers and as such, I want to express our appreciation for your patience related to our systems conversion this past August. When sophisticated banking systems are converted, glitches happen, and our team had to deal with the situation as did our customers.

I just chatted with a shareholder in a local supermarket, who expressed his appreciation for a meeting whereby we discussed all this stuff. If you don't live in the banking world it's difficult to grasp the nuances of the situation affecting our bank. If you have any questions about any facet of the bank, please call me or let's meet in person. As CEO, there is no better use of my time than communicating with our owners. You can reach me at 330-721-8081 or 330-764-3131.

Sincerely,

Ed McKeon
President/CEO

WESTERN RESERVE BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

WESTERN RESERVE BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) September 30, 2010	December 31, 2009	(Unaudited) Nine Months Ended September 30, 2010	2009
Assets				
Cash and due from financial institutions	\$ 2,681,744	\$ 2,657,830	\$ 6,429,724	\$ 6,037,808
Interest-bearing deposits in other financial institutions	19,440,743	15,005,771	182,069	212,172
Federal funds sold and other short-term funds	293,000	515,000	134,823	127,541
Cash and cash equivalents	22,415,487	18,178,601	33,760	28,908
Securities available for sale	12,741,290	10,019,225	6,816,611	6,453,784
Restricted stock	966,100	826,900		
Loans held for sale	145,000	690,000	1,629,791	2,039,118
Loans	162,344,069	167,176,845	68,086	120,935
Allowance for loan losses	(3,919,077)	(2,316,715)	1,697,877	2,160,053
Loans, net	158,424,992	164,860,130	5,118,734	4,293,731
Premises and equipment, net	1,072,055	950,848	2,967,530	668,700
Bank owned life insurance	2,409,224	2,334,187	2,151,204	3,625,031
Other real estate owned	1,019,583	1,067,814		
Prepaid Federal Deposit Insurance Corporation (FDIC) premium	723,540	971,938		
Accrued interest receivable and other assets	2,448,115	2,093,310		
Total Assets	\$ 202,365,386	\$ 201,932,953	490,842	361,027
Liabilities and Shareholders' Equity				
Deposits				
Noninterest-bearing	\$ 19,863,915	\$ 22,789,030	1,850,807	1,900,677
Interest-bearing	161,115,806	155,453,259	636,164	666,180
Total deposits	180,979,721	178,242,289	2,659,939	287,095
Federal Home Loan Bank advances	1,900,000	3,400,000	326,967	293,704
Accrued interest payable and other liabilities	908,387	807,324	167,465	147,899
Total Liabilities	183,788,108	182,449,613	145,128	149,998
Shareholders' Equity				
Preferred stock, Series A, no par value, 4,700 shares authorized and issued at September 30, 2010 and December 31, 2009	4,700,000	4,700,000	104,196	19,542
Discount on Series A, preferred stock	(219,521)	(264,939)	241,518	191,487
Preferred stock, Series B, no par value, 235 shares authorized and issued at September 30, 2010 and December 31, 2009	235,000	235,000	490,842	361,027
Premium on Series B, preferred stock	21,419	25,850	145,681	142,147
Common stock, no par value, \$1 stated value, 1,500,000 shares authorized; 585,887 and 584,727 shares issued and outstanding at September 30, 2010 and December 31, 2009	585,887	584,727	132,785	107,850
Additional paid-in capital	9,978,783	9,933,257	210,893	90,374
Retained earnings	2,876,173	4,036,186	65,365	58,551
Accumulated other comprehensive income	399,537	233,259	47,705	54,442
Total Shareholders' Equity	18,577,278	19,483,340	294,635	245,570
Total Liabilities and Shareholders' Equity	\$ 202,365,386	\$ 201,932,953	4,144,406	3,994,489
			(1,502,360)	(8,431)
			(575,447)	(65,428)
			\$ (926,913)	\$ 56,997
			233,099	116,549
			\$ (1,160,012)	\$ (59,552)
			585,079	583,852
			585,079	583,852
			(\$1.98)	(\$0.10)
			(\$1.98)	(\$0.10)