

May 30, 2006

Dear Shareholder;

Our first quarter results were positive indeed.

Our net income was up \$164,000 or 93.8% in comparison to the same period last year, which was a strong quarter in and of itself. This year, it included a recovery relating to a 2004 loan loss. But even backing that recovery out of our numbers, we were up over 20% from the first quarter of 2005.

A major factor in our strengthening profit position is our improving net interest margin. We have positioned our bank to take advantage of the rising interest rate scenario, which we are experiencing.

Brecksville continues its strong deposit growth pattern as it gained \$4 million in deposits during a time of intense rate competition.

Although our loan portfolio grew \$2.1 million during the first quarter, big bank tactics of rate slashing and poor loan structuring has hampered that growth. We have used a more aggressive pricing approach in order to combat these tactics but we will not endanger our future earnings for a little more profit in the near term. However, we continue to strengthen our lending team and expect to see results from our efforts in the future.

One more thing... our internet banking product, complete with internet bill pay, is now free. Banking with us through the internet is now more accessible and more affordable than ever. Please visit our website, www.westernreservebank.com, to check it out.

Sincerely,

Edward J. McKeon
President & CEO

WESTERN RESERVE BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	(unaudited) March 31, 2006	December 31, 2005
Assets		
Cash and due from financial institutions	\$ 2,578,274	\$ 2,228,258
Federal funds sold and other short-term funds	4,691,173	5,114,748
Cash and cash equivalents	7,269,447	7,343,006
Securities available for sale	7,297,694	7,301,377
Loans	113,244,738	111,189,355
Allowance for loan losses	(1,606,054)	(1,541,654)
Loans, net	111,638,684	109,647,701
Restricted stock	541,300	537,200
Premises and equipment, net	1,268,081	1,303,921
Accrued interest receivable and other assets	1,698,359	1,650,798
 Total Assets	 <u>\$ 129,713,565</u>	 <u>\$ 127,784,003</u>
 Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	\$ 13,271,582	\$ 12,899,265
Interest-bearing	100,568,726	99,388,145
Total deposits	113,840,308	112,287,410
Federal Home Loan Bank advances	3,500,000	3,500,000
Accrued interest payable and other liabilities	437,289	398,254
 Total Liabilities	 117,777,597	 116,185,664
 Shareholders' Equity		
Common stock, without par value, \$1 stated value:		
750,000 shares authorized; 457,518 and		
457,331 shares issued and outstanding at		
March 31, 2006 and December 31, 2005	457,518	457,331
Additional paid-in capital	9,534,853	9,528,376
Retained earnings	1,978,907	1,639,369
Accumulated other comprehensive (loss)	(35,310)	(26,737)
Total Shareholders' Equity	<u>11,935,968</u>	<u>11,598,339</u>
 Total Liabilities and Shareholders' Equity	 <u>\$ 129,713,565</u>	 <u>\$ 127,784,003</u>

WESTERN RESERVE BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended March 31, 2006	2005
Interest Income		
Loans, including fees	\$ 2,123,273	\$ 1,653,360
Securities	75,451	11,964
Dividends on restricted stock	7,711	6,069
Federal funds sold and other short-term funds	59,349	27,170
Interest Expense	2,265,784	1,698,563
Deposits	884,803	562,144
Borrowings	31,303	20,034
	<u>916,106</u>	<u>582,178</u>
Net interest income	1,349,678	1,116,385
Provision for Loan Losses	(130,600)	28,900
Net interest income after provision for loan losses	1,480,278	1,087,485
Noninterest Income		
Service charges on deposit accounts	42,230	28,551
Net gains on sales of loans	-	77,839
Other	39,219	41,306
	<u>81,449</u>	<u>147,696</u>
Noninterest Expense		
Salaries and employee benefits	536,214	484,804
Premises and equipment, net	200,157	194,179
Data processing	82,928	74,267
Professional fees	73,055	79,831
Taxes other than income and payroll	32,446	26,309
Supplies, printing and postage	18,512	21,682
Community and shareholder relations and contributions	26,802	15,761
Other	79,474	74,414
	<u>1,049,588</u>	<u>971,247</u>
Income before income taxes	512,139	263,934
Income tax expense	172,601	88,773
Net income	<u>\$ 339,538</u>	<u>\$ 175,161</u>
 Average shares outstanding (basic)	 457,333	 455,676
Average shares outstanding (diluted)	474,025	470,948
 Basic income per share	 \$0.74	 \$0.38
Diluted income per share	\$0.72	\$0.37