

August 8, 2005

Dear Fellow Shareholder;

Your Bank enjoyed a strong first half of the year and a number of events have had an impact upon those results. Fortunately, most of those events tended to increase our income. We will touch on the dominant issues.

Brecksville – Our new location is not yet at break-even and is not expected to accomplish that goal until late in 2006. However, their costs, at this early stage, are being well absorbed by the Bank as a whole, as you can see from our record profits for the first half. Brecksville generated \$16.6 million in deposits after only being open nine months, well above the industry norm.

Balance sheet – The Bank has been positioned for a rising interest-rate scenario for quite some time. Well, that is today's rate situation and our income is rising accordingly. When rates appear to be peaking we will make adjustments to protect our income stream.

Commercial loan improvement – A few years ago a large commercial borrower began to struggle in a similar vein to other companies in its industry. We set funds aside for a probable loan loss. In addition, we suspended accruing interest on the involved loans, and that action hurt our income in 2003 and 2004. We have worked with our customer and their situation has improved markedly. Therefore we restored most of the relationship to a normal status and that action had a positive effect upon our income statement this quarter.

Major loan transactions – We have arranged a relationship which enables us to offer our customers special types of financing that the Bank would otherwise not be able to accommodate, and the Bank earns income once the transaction is completed. We consummated a number of these transactions during the first half of the year, resulting in gains on sales of loans of \$129,000.

Incentive compensation – The Bank has had an employee incentive compensation program for some years. The concept has been that if the Bank does better than expectations, there is a payout. If the expected performance isn't there, there are no payouts to anyone, not even senior management. The Board had already approved the payment of the 2004 incentive compensation awards in January 2005, a month before the loan loss affecting 2004 was known. Therefore, the Board decided to recoup these funds for the shareholders by eliminating the incentive compensation plan for 2005. Management immediately reversed the amount that had been accrued through the first half of the year.

The challenge that we face for the rest of the year is to keep the momentum going, but that is a good problem to face.

As always, we would welcome input from fellow owners.

Sincerely,

Edward J. McKeon
President & CEO

P.M. Jones
Chairman

P.S. You can also visit our web site at www.westernreservebank.com, and get more information by clicking on “About Us” and “Shareholder Information.” Our detailed reports to the SEC are listed under “Financial and Other Reports.”

WESTERN RESERVE BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	(unaudited) June 30, 2005	December 31, 2004
Assets		
Cash and due from financial institutions	\$ 3,975,373	\$ 2,059,119
Federal funds sold and other short-term funds	4,469,000	4,877,000
Cash and cash equivalents	8,444,373	6,936,119
Securities available for sale	1,593,617	1,204,686
Loans held for sale	-	250,835
Loans	112,464,459	104,735,255
Allowance for loan losses	(1,547,414)	(1,605,933)
Loans, net	110,917,045	103,129,322
Federal Reserve Bank stock	198,300	198,300
Federal Home Loan Bank stock	285,300	278,900
Premises and equipment, net	1,373,624	1,371,248
Accrued interest receivable and other assets	1,577,401	1,880,740
Total Assets	\$ 124,389,660	\$ 115,250,150
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	\$ 12,218,436	\$ 12,668,555
Interest-bearing	96,317,214	89,158,414
Total deposits	108,535,650	101,826,969
Federal Home Loan Bank advances	3,500,000	2,500,000
Accrued interest payable and other liabilities	1,225,220	307,252
Total Liabilities	113,260,870	104,634,221
Shareholders' Equity		
Common stock, without par value, \$1 stated value:		
750,000 shares authorized; 457,035 and		
455,624 shares issued and outstanding at		
June 30, 2005 and December 31, 2004	457,035	455,624
Additional paid-in capital	9,519,502	9,484,470
Retained earnings	1,155,817	678,651
Accumulated other comprehensive (loss)	(3,564)	(2,816)
Total Shareholders' Equity	11,128,790	10,615,929
Total Liabilities and Shareholders' Equity	\$ 124,389,660	\$ 115,250,150

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

	Six months ended June 30, 2005	2004
Interest Income		
Loans, including fees	\$ 3,518,177	\$ 2,836,078
Securities	36,959	42,534
Federal funds sold and other short-term funds	63,865	22,490
Total Interest Income	3,619,001	2,901,102
Interest Expense		
Deposits	1,233,416	883,391
Borrowings	47,678	102,458
Total Interest Expense	1,281,094	985,849
Net interest income	2,337,907	1,915,253
Provision for Loan Losses	(56,400)	93,850
Net interest income after provision for loan losses	2,394,307	1,821,403
Noninterest Income		
Service charges on deposit accounts	61,821	58,941
Net gains on sales of loans	128,621	46,896
Other	73,078	67,698
Total Noninterest Income	263,520	173,535
Noninterest Expense		
Salaries and employee benefits	922,539	796,025
Premises and equipment, net	394,401	197,682
Data processing	147,822	115,733
Professional fees	170,181	109,938
Taxes other than income and payroll	50,258	47,263
Supplies, printing and postage	40,390	31,069
Community relations and contributions	41,274	41,059
Other	172,557	135,052
Total Noninterest Expense	1,939,422	1,473,821
Income before income taxes	718,405	521,117
Income tax expense	241,239	175,931
Net income	\$ 477,166	\$ 345,186
Average shares outstanding (basic)	456,151	388,053
Average shares outstanding (diluted)	471,380	398,451
Basic income per share	\$1.05	\$0.89
Diluted income per share	\$1.01	\$0.87