



WESTERN  
RESERVE  
BANCORP, INC.

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May 26, 2010

Dear Fellow Shareholder:

At our annual meeting on April 28, I stated that we anticipated first quarter results that would begin to demonstrate a bounce-back from the 2009 profitability situation. On May 12, as I was about to go to print with this letter as part of the first quarter report, we became aware that a customer misrepresented the existence of collateral related to two loans totaling \$572,000. As a result of this situation, we charged off the balances of these two loans.

Since we had not filed our first quarter financials with the SEC, we were required to move this event into the first quarter, which more than reversed our profitability for the quarter, as demonstrated by the attached financials.

We are very disappointed in this situation and intend to pursue every avenue of collection available to us.

Sincerely,

Edward J. McKeon  
President/CEO

WESTERN RESERVE BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (Unaudited)	December 31, 2009
<b>Assets</b>		
Cash and due from financial institutions	\$ 2,875,304	\$ 2,657,830
Interest-bearing deposits in other financial institutions	18,102,101	15,005,771
Federal funds sold and other short-term funds	257,000	515,000
Cash and cash equivalents	21,234,405	18,178,601
Securities available for sale	9,721,504	10,019,225
Restricted stock	861,100	826,900
Loans held for sale	-	690,000
Loans	167,036,527	167,176,845
Allowance for loan losses	(2,322,328)	(2,316,715)
Loans, net	164,714,199	164,860,130
Premises and equipment, net	1,004,341	950,848
Bank owned life insurance	2,359,204	2,334,187
Other real estate owned	1,067,814	1,067,814
Prepaid Federal Deposit Insurance Corporation (FDIC) premiums	905,989	971,938
Accrued interest receivable and other assets	2,048,538	2,033,310
<b>Total Assets</b>	<b>\$ 203,917,094</b>	<b>\$ 201,932,953</b>

Liabilities and Shareholders' Equity

<b>Deposits</b>		
Noninterest-bearing	\$ 19,892,283	\$ 22,789,030
Interest-bearing	161,008,670	155,453,259
Total deposits	180,900,953	178,242,289
Federal Home Loan Bank advances	2,900,000	3,400,000
Accrued interest payable and other liabilities	823,296	807,324
<b>Total Liabilities</b>	<b>184,624,249</b>	<b>182,449,613</b>
<b>Shareholders' Equity</b>		
Preferred stock, Series A, no par value, 4,700 shares authorized and issued at March 31, 2010 and December 31, 2009	4,700,000	4,700,000
Discount on Series A preferred stock	(249,800)	(264,939)
Preferred stock, Series B, no par value, 235 shares authorized and issued at March 31, 2010 and December 31, 2009	235,000	235,000
Premium on Series B preferred stock	24,373	25,850
Common stock, no par value, \$1 stated value, 1,500,000 shares authorized; 585,071 and 584,727 shares issued and outstanding at March 31, 2010 and December 31, 2009	585,071	584,727
Additional paid-in capital	9,972,003	9,933,257
Retained earnings	3,742,051	4,056,186
Accumulated other comprehensive income	284,147	233,259
<b>Total Shareholders' Equity</b>	<b>19,292,845</b>	<b>19,483,340</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 203,917,094</b>	<b>\$ 201,932,953</b>

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

	2010	2009
<b>Interest Income</b>		
Loans, including fees	\$ 2,131,924	\$ 1,941,754
Securities, Taxable	58,028	70,737
Securities, Tax exempt	44,383	41,545
Federal funds sold and other short-term funds	9,359	19,311
Dividends on restricted stock	10,354	9,127
	2,254,048	2,082,474
<b>Interest Expense</b>		
Deposits	555,610	718,159
Borrowings	30,869	55,167
	586,479	773,326
<b>Net interest income</b>	<b>1,667,569</b>	<b>1,309,148</b>
Provision for Loan Losses	785,830	138,000
Net interest income after provision for loan losses	881,739	1,171,148
<b>Noninterest Income</b>		
Service charges on deposit accounts	51,064	49,081
Net gains on sales of loans	14,305	9,043
Other	80,169	58,326
	145,538	116,450
<b>Noninterest Expense</b>		
Salaries and employee benefits	634,946	616,671
Premises and equipment, net	215,472	224,464
FDIC insurance	71,845	58,934
Data processing	93,654	93,907
Professional fees	67,249	56,656
Taxes other than income and payroll	50,165	48,494
Directors' fees	69,135	33,800
Collection and other real estate owned	81,315	33,088
Marketing and advertising	24,248	27,637
Community and shareholder relations and contributions	14,940	12,538
Other	65,240	66,388
	1,388,209	1,272,577
<b>Income (loss) before income taxes</b>	<b>(360,932)</b>	<b>15,021</b>
Income tax (benefit)	(144,497)	(15,642)
<b>Net income (loss)</b>	<b>\$ (216,435)</b>	<b>\$ 30,663</b>
Dividends and amortization, net on preferred stock	77,700	-
<b>Net income (loss) available to common shareholders</b>	<b>\$ (294,135)</b>	<b>\$ 30,663</b>
Average shares outstanding (basic)	584,731	583,337
Average shares outstanding (diluted)	584,731	583,337
Basic earnings (loss) per common share	(\$0.50)	\$0.05
Diluted earnings (loss) per common share	(\$0.50)	\$0.05