



**WESTERN
RESERVE
BANCORP, INC.**

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August 17, 2011

Dear Fellow Shareholder:

ANOTHER STRONG QUARTER TO REPORT!

The dramatic shift from loss to profit continues. The major change between the two years continues to be in the provision for loan losses and this in turn reflects a continuing strengthening of our loan portfolio.

Our balance sheet reflects some contraction in our loan portfolio. We have therefore adjusted the level of deposits to the appropriate level. However, I should note that our pipeline of loans in various stages of evaluation, approval and funding indicates potential for growth for the last two quarters of the year.

We are also pleased to announce that we have recruited Mark Davey to our Board of Directors and Larry Kenny to our lending team. We are excited about the impact a successful businessman like Mark can have on our board and a successful lender like Larry can have on our loan portfolio.

I have taken the liberty of enclosing copies of their press releases with this letter.

As usual, if you have any questions or concerns please call me at 330-764-3131 or 330-721-8081.

Sincerely,

Ed McKeon
President/CEO

WESTERN RESERVE BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

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

	Six months ended June 30,	
	2011	2010
Assets		
Cash and due from financial institutions	\$ 2,998,471	\$ 2,343,069
Interest-bearing deposits in other financial institutions	14,603,905	11,923,425
Federal funds sold and other short-term funds	345,000	230,000
Cash and cash equivalents	17,947,376	14,496,494
Securities available for sale	11,808,913	12,993,197
Restricted stock	966,100	966,100
Loans	156,465,095	159,740,794
Allowance for loan losses	(3,960,646)	(4,544,316)
Loans, net	152,504,449	155,196,478
Premises and equipment, net	931,997	1,029,685
Bank owned life insurance	2,483,914	2,434,183
Other real estate owned	1,072,386	991,450
Accrued interest receivable and other assets	3,260,562	3,456,809
Total Assets	\$ 190,975,697	\$ 191,564,396
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	\$ 22,646,946	\$ 22,934,531
Interest-bearing	148,254,065	148,704,510
Total deposits	170,901,011	171,639,041
Other borrowings	-	-
Federal Home Loan Bank advances	1,500,000	1,900,000
Accrued interest payable and other liabilities	663,980	688,299
Total Liabilities	173,064,991	174,227,340
Shareholders' Equity		
Cumulative preferred stock, no par value, \$1,000 per share liquidation value: Series A, fixed rate, 4,700 shares authorized and issued at June 30, 2011 and December 31, 2010	4,700,000	4,700,000
Discount on Series A preferred stock	(174,103)	(204,381)
Series B, fixed rate, 235 shares authorized and issued at June 30, 2011 and December 31, 2010	235,000	235,000
Premium on Series B preferred stock	16,987	19,941
Common stock, no par value, \$1 stated value: 1,500,000 shares authorized; 586,848 and 586,084 shares issued and outstanding at June 30, 2011 and December 31, 2010	586,648	586,084
Additional paid-in capital	9,987,883	9,981,912
Retained earnings	2,265,539	1,809,618
Accumulated other comprehensive income	292,752	208,882
Total Shareholders' Equity	17,910,706	17,337,056
Total Liabilities and Shareholders' Equity	\$ 190,975,697	\$ 191,564,396
Interest Income		
Loans, including fees	\$ 4,071,473	\$ 4,283,431
Securities, Taxable	132,019	112,109
Securities, Tax exempt	87,024	88,843
Federal funds sold and other short-term funds	11,728	23,620
Dividends on restricted stock	23,854	21,502
	4,326,098	4,529,505
Interest Expense		
Deposits	820,465	1,111,831
Borrowings	33,945	51,264
	854,410	1,163,095
Net interest income	3,471,688	3,366,410
Provision for Loan Losses	139,834	1,567,529
Net interest income after provision for loan losses	3,331,854	1,798,881
Noninterest Income		
Services charges on deposit accounts	88,074	97,942
Net gains on sales of loans	11,141	28,668
Net gains on sales of securities	3,934	-
Other	157,519	153,785
	260,668	280,395
Noninterest Expense		
Salaries and employee benefits	1,185,209	1,224,802
Occupancy and equipment	446,728	442,360
Federal deposit insurance	162,413	148,240
Data processing	188,644	188,177
Professional fees	150,883	128,629
Taxes other than income and payroll	108,096	98,631
Directors' fees	49,600	105,635
Collection and other real estate owned	189,820	113,986
Marketing and community relations	90,101	88,298
Other	159,987	178,528
	2,731,481	2,717,286
Income (loss) before income taxes	861,041	(638,010)
Income tax expense (benefit)	249,721	(260,808)
Net income (loss)	\$ 611,320	\$ (377,202)
Preferred stock dividends and amortization, net	155,399	155,400
Net income (loss) available to common shareholders	\$ 455,921	\$ (332,602)
Earnings (loss) per common share:		
Basic	\$ 0.78	\$ (0.91)
Diluted	\$ 0.78	\$ (0.91)
Average shares outstanding (basic)	586,253	584,904
Average shares outstanding (diluted)	586,253	584,904