Western Reserve Bancorp, Inc.
Audit Committee Charter

Statement of Policy

The purpose of the Audit Committee of Western Reserve Bancorp, Inc. and Western Reserve Bank (the "Company") is to oversee the accounting and financial reporting processes and the audits of the Company's financial statements. The Audit Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and related financial information provided by the Company to governmental agencies or the general public, the Company's system of internal controls and the effectiveness of its control structure, the Company's compliance with designated laws and regulations, and the Company's accounting, internal and external auditing and financial reporting processes. In discharging its responsibilities, the Audit Committee shall:

- Serve as an independent and objective party to oversee the Company's accounting and financial reporting processes, internal control system, and the audits of the Company's financial statements.

- Review and evaluate the audit procedures and results of the Company's independent auditor and internal audit function.

- Approve, engage and terminate the independent auditor and the internal auditor.

- Review and evaluate the independent auditor's qualifications, performance and independence.

- Review, evaluate and approve any non-audit services the independent auditor may perform for the Company and disclose such approved non-audit services in periodic reports to shareholders.

- Maintain free and open means of communication between the Board of Directors, the independent auditor, the internal auditor, and the management of the Company.

- Maintain free and open means of communication between employees and the Audit Committee for the processing of complaints received by the Company regarding questionable accounting or auditing matters, including suspicions of fraudulent activity.

- Report to the Board of Directors the matters considered and actions taken by the Audit Committee.

- At least annually, review and if necessary or appropriate, update this charter for consideration by the Board of Directors and perform an evaluation of the Audit Committee performance and function.

Organization

The members of the Audit Committee shall be appointed by the Board of Directors and may be removed by the Board of Directors. The Audit Committee may consult or retain its own independent legal, accounting or other advisors and shall determine the degree of independence from the Company required of those advisors. The Audit Committee shall meet at least four times per year and will report directly to the full Board any issues that arise with respect to the quality and integrity of the Company's general financial performance and reporting and regulatory compliance. The Audit Committee may also meet periodically by itself to discuss matters it determines require private Audit Committee or Board of Directors' attention. Further, the Audit Committee shall meet separately with management, with the internal auditor and with the independent auditor at least annually. There will be at least three members of the Audit Committee. A majority of the members of the Audit Committee shall be a quorum to transact business.

Resources and Authority of the Audit Committee

The Audit Committee shall have the funding, resources and authority to discharge its duties and responsibilities without seeking the approval of the Board of Directors or management of the Company, including (1) the authority, funding and resources to compensate the independent auditor engaged by the Audit Committee for the purpose of preparing or issuing the audit report and performing other audit, review and attest services for the Company, (2) the authority, funding and resources to select, retain, terminate and approve the fees and other terms of engagement of, the internal auditor, special or independent counsel, accountants and other advisors as deemed appropriate by the Audit Committee, and (3) the authority to pay all its ordinary administrative expenses incurred in carrying out its duties and responsibilities.

Qualifications

The Audit Committee shall be composed entirely of independent directors, determined by the Board of Directors under the Western Reserve Bancorp, Inc. Corporate Governance Guidelines. The members of the Audit Committee, as determined by the Board of Directors, shall also meet the independence and financial expertise requirements of the National Association of Securities Dealers ("NASD") Marketplace Rules for Audit Committee members. At least one member of the Audit Committee will have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the member's financial sophistication.

Independent Auditors

The independent auditor shall be engaged by and accountable to the Audit Committee. The independent auditor will report directly to the Audit Committee. The Audit Committee shall have the sole authority to engage, compensate, evaluate and terminate the independent auditor, to review with the independent auditor the nature, scope and sufficiency of the external audit. The Audit Committee shall review and evaluate with the independent auditor any disclosed relationships or professional services including all audit engagement fees and terms, and to take appropriate action to ensure the continuing independence of the auditor. The Audit Committee shall pre-approve, or adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditor. The Audit Committee shall also set clear policies and standards relating to the Company's hiring of employees or former employees of the independent auditor to ensure continued independence throughout the engagement of the independent auditor.

The Audit Committee shall, on an annual basis, obtain from the independent auditor a written disclosure delineating all of its relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit Committee shall engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and be responsible for taking appropriate action to oversee the independence of the independent auditor. Additionally, the Audit Committee will obtain and review a report of the independent auditor describing its internal quality-control procedures, material issues raised by the most recent internal quality-control review of the independent auditor or an inquiry or investigation by a governmental authority involving one or more audits carried out by the independent auditor in the preceding five years and any steps or procedures taken to deal with any such issues. After reviewing the independent auditor's report, the Audit Committee shall evaluate the auditor's qualifications, performance and independence. The Audit Committee shall consider the opinions of management and the internal auditor in making such evaluation.

As required by law, the Audit Committee shall confirm the regular rotation of the lead and concurring audit partner, and consider whether there should be a regular rotation of the auditor itself.

The independent auditor shall ascertain that the Audit Committee is made aware of and timely report to the Audit Committee all necessary accounting policies and practices to be used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management and the risks of using such alternative treatments, and inform the Audit Committee of other material written communications between the independent auditor and management.

The Audit Committee will have complete oversight of the work done by the independent auditor for the purpose of preparing or issuing an audit report or performing other audit,

review or attest services for the Company, including resolution of any disagreement between management and the independent auditor regarding financial reporting.

Internal Audit

The Audit Committee shall select and engage the Company's internal auditor (or an outside firm to perform internal auditing functions). The internal auditor of the Company shall directly report to the Chairman of the Audit Committee, with administrative oversight provided by an appropriate executive officer of the Company. The Audit Committee will periodically ascertain whether the administrative oversight presents independence concerns that require mitigating controls. The Audit Committee will oversee the internal audit function and determine that the internal auditor is establishing, maintaining and executing appropriate audit programs, policies and procedures that govern the examination and audit of the ledgers, records, procedures and operations of the Company and its affiliates. The Audit Committee will consult with the internal auditor as to their compliance with professional standards.

The Audit Committee will ensure that any consulting activities the internal audit function may undertake do not interfere or conflict with the function's ability to objectively monitor the system of internal control.

Complaint Procedures

The Audit Committee will establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company and its subsidiaries regarding questionable accounting or auditing matters.

Financial Reporting Oversight

In discharging its responsibilities to oversee governmental and public reporting of financial information, the Audit Committee shall:

- Review and discuss the annual audited financial statements, footnotes and related disclosures included in the Company's annual report to shareholders and its annual report on Form 10-KSB with management, the independent auditor, and the internal auditor prior to the release and filing of such documents.

- Review with the independent auditor the results of its annual examination of the financial statements, including their report thereon, and determine its satisfaction with the disclosures and content of the financial statements. This review shall cover

discussion of all items required by generally accepted auditing standards regarding required communications with audit committees.

- Ascertain that the results of any internal audit activity or regulatory reports were appropriately considered in preparing the financial statements.

- Review and discuss the quarterly financial results and information with financial management, the independent auditor, and the internal auditor to determine that the independent auditor does not take exception to the disclosure and content of the financial statements on Form 10-QSB, to determine that the results of any internal audit activity or regulatory reports were appropriately considered in preparing the financial statements, and to discuss any other matters required to be communicated to the Audit Committee by the independent auditor.

- Review and discuss the types of presentation and information to be included in earnings press releases, and any additional financial information and earnings guidance that is provided.

- Inquire of management, the internal auditor and the independent auditor about significant risks or exposures and discuss guidelines and policies to govern the steps management has taken to minimize such risk to the Company.

- Discuss with management, the internal auditor and the independent auditor the inherent risks of error or fraud in the Company's financial reporting process, and any changes in those risks.

- Review and discuss the form and content of the certification documents for the quarterly reports on Form 10-QSB and the annual report on Form 10-KSB with the internal auditor, the independent auditor, the chief financial officer and the chief executive officer.

- Review the basis for the disclosures made in the annual report to stockholders under the heading Management's Report on Internal Controls regarding the control environment of the Company and the annual filing required under the Federal Deposit Insurance Corporation Improvement Act of 1991, if applicable.

- Prepare, review and approve the annual proxy statement disclosure regarding the activities and report of the Audit Committee for the year.

- Oversee the Company's compliance with the Sarbanes-Oxley Act, including the design and operating effectiveness of disclosure controls and procedures.

- Review CEO and Board expenses for appropriateness.