



WESTERN  
RESERVE  
BANCORP, INC.

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4015 Medina Road • P.O. Box 585 • Medina, Ohio 44258-0585  
www.westernreservebank.com

August 18, 2006

Fellow Shareholder:

I am pleased to report our six-month progress and to announce an exciting event.

As you can see from the enclosed financial report, our net income is up 23% over the same period last year. Two major factors in that result are the Bank's improved net interest margin and our Brecksville bank's improved profit and loss status.

As we previously discussed, Brecksville's strong deposit growth was the dominant factor in the bank's overall deposit gain. This allowed management to release some higher interest deposits as they matured, which also improved our margin. However, loan growth, which had been significant since our inception, has moderated. This has affected the structure of our balance sheet in that some of the increase in deposits is temporarily deployed in our investment portfolio.

In recognition of your support of our company, we are pleased to announce that the Board of Directors has approved a five-for-four stock split. Shareholders of record as of September 5, 2006 are eligible for the new shares. The actual settlement will take place on September 22, 2006. You will receive a check for any fractional share resulting from the stock split.

We look forward to the second half of the year and to sending you your new shares. If you have any questions, please feel free to call Cindy Mahl, our Chief Financial Officer or me at 330-764-3131.

Sincerely,

Edward J. McKeon  
President & CEO

WESTERN RESERVE BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS

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

	(unaudited) June 30, 2006	December 31, 2005	Six months ended June 30, 2006	2005
<b>Assets</b>				
Cash and due from financial institutions	\$ 2,562,877	\$ 2,228,258	\$ 4,372,866	\$ 3,518,177
Federal funds sold and other short-term funds	13,784,799	5,114,748	148,914	24,489
Cash and cash equivalents	16,347,676	7,343,006	15,425	12,470
Securities available for sale	4,031,855	7,301,377	150,361	63,865
Loans held for sale	306,012	-	4,687,566	3,619,001
Loans	112,956,595	111,189,355	1,870,644	1,233,416
Allowance for loan losses	(1,603,649)	(1,541,654)	62,953	47,678
Loans, net	111,352,946	109,647,701	1,933,597	1,281,094
Restricted stock	559,500	537,200	2,753,969	2,337,907
Premises and equipment, net	1,227,720	1,303,921	(60,780)	(56,400)
Accrued interest receivable and other assets	1,963,180	1,650,798		
<b>Total Assets</b>	<u>\$ 135,788,889</u>	<u>\$ 127,784,003</u>	2,814,749	2,394,307
<b>Liabilities and Shareholders' Equity</b>				
<b>Deposits</b>				
Noninterest-bearing	\$ 14,633,966	\$ 12,899,265	88,186	61,821
Interest-bearing	105,104,153	99,388,145	-	128,621
Total deposits	119,738,119	112,287,410	96,293	73,078
Federal Home Loan Bank advances	3,500,000	3,500,000	184,479	263,520
Accrued interest payable and other liabilities	373,885	398,254		
<b>Total Liabilities</b>	123,612,004	116,185,664		
<b>Shareholders' Equity</b>				
Common stock, without par value, \$1 stated value: 750,000 shares authorized; 457,644 and 457,331 shares issued and outstanding at June 30, 2006 and December 31, 2005	457,644	457,331	53,595	41,274
Additional paid-in capital	9,539,567	9,528,376	37,209	40,390
Retained earnings	2,226,281	1,639,369	193,489	172,557
Accumulated other comprehensive (loss)	(46,607)	(26,737)	2,116,624	1,939,422
<b>Total Shareholders' Equity</b>	<u>12,176,885</u>	<u>11,598,339</u>	882,604	718,405
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 135,788,889</u>	<u>\$ 127,784,003</u>	295,692	241,239
			\$ 586,912	\$ 477,166
			457,427	456,151
			474,738	471,380
			\$ 1.28	\$ 1.05
			\$ 1.24	\$ 1.01