



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Western Reserve Bank (wholly-owned by Western Reserve Bancorp, Inc.)

Person to be contacted regarding this report:	Cynthia A. Mahl
UST Sequence Number:	949
CPP Funds Received:	4,700,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	May 15, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2730459
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	34894
City:	Medina
State:	Ohio

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Western Reserve Bank's use of the CPP funds is an excellent example of the intended purpose of the program. From the time we received the \$4.7 million of CPP funds on May 15, 2009, the loan portfolio has grown \$16,463,000, from \$151,404,000 to \$167,867,000, or 17.4% annualized.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Most of our customers are small businesses. CRE loans increased \$9.1 mil., and business, C&I & SBA-guaranteed loans increased \$2.4 mil. We also purchased \$2.7 million in loans from other community banks in Ohio to support their lending efforts. Residential lending grew \$1.9 mil.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The Allowance for Loan Losses was increased \$501,000, from 1.20% of total loans to 1.38% of total loans, thereby fortifying the Bank in the instance of increased stresses to the loan portfolio.
<input checked="" type="checkbox"/>	Reduce borrowings	Western Reserve Bancorp's balance on its line of credit (\$500,000) was retired. This increased the availability of this facility, which is a source of capital support to the Bancorp and therefore the Bank.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The management and the Board of Directors understood that our lending to local small businesses and consumers would have to be restrained without some improvement to the Bank's capital position. It was also obvious that for all practical purposes, there were no sources of capital to the banking industry, let alone a community bank, and we were making plans to cap lending at a level which would keep capital ratios at an acceptable level. This action would have effectively eliminated one of the last sources of small business loans in this marketplace.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The receipt of the CPP funds specifically addressed the above issue (a potential cap on loan growth), and allowed this bank to continue to hang its "Open for Business" sign to small business owners during this critical time.

We believe our approval for and use of CPP funds are exactly the intent of the program.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

We have found our contacts at Treasury to be very helpful when we encountered questions or issues related to CPP. Frankly, when ar