

FIRST RELIANCE BANCSHARES INC
Form 10-Q
November 14, 2007

**FIRST RELIANCE BANCSHARES, INC.
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2007

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number 000-49757

FIRST RELIANCE BANCSHARES, INC.
(Exact name of the registrant as specified in its charter)

South Carolina
(State or other jurisdiction of incorporation or
organization)

80-0030931
(I.R.S. Employer Identification No.)

**2170 West Palmetto Street
Florence, South Carolina
29501**

(Address of principal
executive offices, including
zip code)

(843) 656-5000
(Issuer's telephone number, including area code)

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date:

3,487,393 shares of common stock, par value \$0.01 per share, as of September 30, 2007

Indicated by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No.

FIRST RELIANCE BANCSHARES, INC.**INDEX**

	Page No.
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets - September 30, 2007 and December 31, 2006	3
Condensed Consolidated Statements of Income - Nine months ended September 30, 2007 and 2006 and Three months ended September 30, 2007 and 2006	4
Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income- Nine months ended September 30, 2007 and 2006	5
Condensed Consolidated Statements of Cash Flows - Nine months ended September 30, 2007 and 2006	6
Notes to Condensed Consolidated Financial Statements	7-12
Item 2. Management's Discussion, and Analysis, of Financial Condition and Results of Operation	13-36
Item 3. Quantitative and Qualitative Disclosure About Market Risk	37
Item 4. Controls and Procedures	37
<u>PART II. OTHER INFORMATION</u>	
Item 1. Legal Proceedings	38
Item 1A. Risk Factors	38
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	38
Item 3. Defaults Upon Senior Securities	38
Item 4. Submission of Matters to a Vote of Securities Holders	38-39
Item 5. Other Information	39
Item 6. Exhibits	39

FIRST RELIANCE BANCSHARES, INC.
Condensed Consolidated Balance Sheets

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 12,303,957	\$ 17,328,075
Federal funds sold	-	14,135,000
Total cash and cash equivalents	12,303,957	31,463,075
Securities available-for-sale	34,101,361	35,931,271
Nonmarketable equity securities	1,905,400	2,187,600
Investment in trust	310,000	310,000
Total investment securities	36,316,761	38,428,871
Loans held for sale	9,008,486	6,632,010
Loans receivable	434,389,319	353,491,036
Less allowance for loan losses	(4,736,321)	(4,001,881)
Loans, net	429,652,998	349,489,155
Premises and equipment, net	20,828,686	13,770,135
Accrued interest receivable	2,648,767	2,464,531
Other real estate owned	134,349	1,386,380
Cash surrender value life insurance	10,436,829	10,134,036
Other assets	3,444,406	2,442,529
Total assets	\$ 524,775,239	\$ 456,210,722
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing transaction accounts	\$ 42,917,750	\$ 42,107,434
Interest-bearing transaction accounts	53,403,111	33,243,099
Savings	82,138,499	78,831,730
Time deposits \$100,000 and over	150,067,645	111,991,864
Other time deposits	112,300,558	106,763,956
Total deposits	440,827,563	372,938,083
Securities sold under agreement to repurchase	8,568,084	8,120,014
Federal funds purchased	3,000,000	-
Advances from Federal Home Loan Bank	24,000,000	28,500,000
Junior subordinated debentures	10,310,000	10,310,000
Accrued interest payable	913,244	766,276
Other liabilities	752,981	1,483,086
Total liabilities	488,371,872	422,117,459
Shareholders' Equity		
Common stock, \$0.01 par value; 20,000,000 shares authorized, 3,487,393 and 3,424,878 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	34,874	34,249
Nonvested restricted stock	(147,729)	(66,131)
Capital surplus	25,808,044	25,257,814
Treasury Stock	(145,198)	-
Retained earnings	11,057,547	8,857,755
Accumulated other comprehensive income (loss)	(204,171)	9,576

Total shareholders' equity	36,403,367	34,093,263
Total liabilities and shareholders' equity	\$ 524,775,239	\$ 456,210,722

See notes to condensed consolidated financial statements.

-3-

FIRST RELIANCE BANCSHARES, INC.

**Condensed Consolidated Statements of Income
(Unaudited)**

Nine Months Ended		Three Months Ended	
September 30,		September 30,	
2007	2006	2007	2006