FIRST RELIANCE BANCSHARES INC

Form 10-Q May 15, 2008

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C.

(Mark One) FORM 10-Q

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

For the Quarterly Period Ended March 31, 2008

OR

o 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 small business issuer as specified in its charter)

South Carolina 80-0030931 (State or other jurisdiction of incorporation or organization) (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:

3,513,324 shares of common stock, par value \$0.01 per share, as of May 1, 2008

Indicate 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. x Yes o No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act. (Check one):

Large acceleratedAccelerated filer o filer o
Non-accelerated filerSmaller reporting o company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No.

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Condensed Consolidated Balance Sheets

Cash and cash equivalents: 7,929,684 \$ 7,164,650 Securities available- for-sale 57,630,118 \$5,850,313 Nonmarketable equity securities 4,372,200 3,930,400 Total investment securities 62,002,318 62,510,713 Loans held for sale 18,403,137 19,600,850 Loans receivable 473,069,194 468,137,690 Less allowance for loan losses (5,539,601) (5,270,607) Loans, net 467,529,593 462,867,083 Premises and equipment, net 23,713,588 22,233,746 Accrued interest receivable 2,977,560 3,092,767 Other race state owned 327,950 196,950 Cash surrender value life insurance 10,662,027 10,540,273 Other race state owned 327,950 \$91,704,212 Liabilities and Shareholders' Equity 2 10,540,273 Total assets \$97,592,901 \$91,704,212 Liabilities and Shareholders' Equity 31,058,228 39,450,393 Savings 90,229,421 85,819,481 Interest-bearing transaction accounts		March 31, 2008]	December 31, 2007	
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Shareholders' Equity Common stock, \$0.01 par value; 20,000,000 shares authorized, 3,513,174 and 3,494,646 shares issued and outstanding at March 31, 2008 and	Other madmittes		2,700,304		014,202	
Common stock, \$0.01 par value; 20,000,000 shares authorized, 3,513,174 and 3,494,646 shares issued and outstanding at March 31, 2008 and	Total liabilities		559,806,386		554,676,308	
Common stock, \$0.01 par value; 20,000,000 shares authorized, 3,513,174 and 3,494,646 shares issued and outstanding at March 31, 2008 and	Shareholders' Equity					
and 3,494,646 shares issued and outstanding at March 31, 2008 and	Common stock, \$0.01 par value; 20,000,000 shares authorized, 3,513,174					
	and 3,494,646 shares issued and outstanding at March 31, 2008 and					
	December 31, 2007, respectively		35,132		34,946	

Nonvested restricted stock	(273,344)	(152,762)
Capital surplus	26,047,924	25,875,012
Treasury stock (10,571 shares at cost at December 31, 2007)	(156,975)	(145,198)
Retained earnings	12,039,496	11,417,275
Accumulated other comprehensive income	94,282	(1,369)
Total shareholders' equity	37,786,515	37,027,904
Total liabilities and shareholders' equity	\$ 597,592,901 \$	591,704,212

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Income (Unaudited)

Three 1	Months	Ended
N	Tarch 3	1.

		Marc	ch 31,	
	2	2008		2007
Interest income				
Loans, including fees	\$	9,099,475	\$	7,892,673
Investment securities				
Taxable		346,384		234,334
Nontaxable		327,610		170,141
Federal funds sold		1,893		78,659
Other interest income		51,290		40,305
Total		9,826,652		8,416,112
Interest expense				
Time deposits over \$100,000		2,037,053		1,392,470
Other deposits		1,902,095		2,187,668
Other interest expense		919,520		447,293
Total		4,858,668		4,027,431
Net interest income		4,967,984		4,388,681
Provision for loan losses		501,603		135,234
Net interest income after provision for loan losses		4,466,381		4,253,447
Noninterest income				
Service charges on deposit accounts		437,135		442,670
Gain on sale of mortgage loans		559,384		470,242
Brokerage fees		50,330		40,860
Income from bank owned life insurance		121,754		100,740
Other charges, commissions and fees		113,272		77,762
Gain on securities available for sale		-		1,021
Gain (loss) on sale of other real estate		-		9,365
Gain on sale of fixed assets		-		14,415
Other non-interest income		49,919		36,110
Total		1,331,794		1,193,185
Noninterest expenses				
Salaries and benefits		2,944,751		2,595,775
Occupancy expense		339,703		337,396
Furniture and equipment expense		212,959		190,661
Other operating expenses		1,236,983		1,381,410
Total		4,734,396		4,505,242
Income before taxes		1,063,779		941,390

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Income tax provision	237,656	234,183
Net income	\$ 826,123	\$ 707,207
Basic earnings per share	\$ 0.24	\$ 0.21
Diluted earnings per share	\$ 0.23	\$ 0.20

See notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income For the Three Months Ended March 31, 2008 and 2007 (Unaudited)

				Non- vested			cumulated other	
	Common Shares	1 Stock Amount	Capital surplus	restricted stock	Treasury stock	Retainedom earnings i	prehensiv income	ve Total
Balance, December 31, 2006	3,424,878	\$ 34,249	\$ 25,257,814	\$ (66,131)	\$ - \$	8 8,857,755 \$	9,576	5 34,093,263
Net income						707,208		707,208
Other comprehensive gain, net of tax expense of \$18,200							35,330	35,330
Comprehensive income								742,538
Issuance of shares to 404c plan	9,750	97	143,715					143,812
Non- vested restricted stock	4,002	40	59,996	(46,815)				13,220
Exercise of stock options	21,000	210	106,375					106,585
Balance, March 31, 2007	3,459,630	\$ 34,596	\$ 25,567,900	\$ (112,946)	\$ - \$	9,564,963 \$	44,906	6 35,099,419
Balance, December 31, 2007	3,494,646	\$ 34,946	\$ 25,875,012	\$ (152,762)	\$ (1 45,198)\$	8 11,417,275 \$	(1,369)\$	6 37,027,904
Adjustment to reflect the cumulative-effect of change accounting for Life insurance arrangements					(203,902)			(203,902)
Balance, December 31,	3,494,646	34,946	25,875,012	(152,762)	(145,198)	11,213,373	(1,369)	36,824,002

2007		
Net income	826,123	826,123
Other comprehensive gain, net of tax expense of 49,275	95,651	95,651
Comprehensive income		