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FIRST RELIANCE BANK

## **First Reliance Announces 2<sup>nd</sup> Quarter Net Income of \$907,708 – Up 10.30%**

*July 23, 2007 Florence, SC* - First Reliance Bancshares, Inc., (OTC Bulletin Board: FSRL), the holding company for First Reliance Bank, today announced 2<sup>nd</sup> quarter 2007 unaudited pre-tax income of \$1.3 million, an increase of \$108,783, or 9.32%, compared to \$1,167,411 reported the second quarter of 2006.

Unaudited net income increased 10.30%, to \$907,708, as compared to \$822,916 reported in the prior-year period. Earnings benefited from strong growth in both net interest income and non-interest income. Specifically, net interest income increased 6.56% to \$4.7 million in the second quarter of 2007, while non-interest income increased by 13.65% to \$1.4 million. Basic earnings per share grew 8.33%, to \$0.26 over the \$0.24 reported in the prior year

Net Income for the six months ended June 30, 2007 grew 15.63% to \$1.6 million, or \$0.45 per diluted share, compared to \$1.4 million, or \$0.39 per diluted share, for the second quarter of 2006. As was the case with the quarterly results, the higher profitability was driven primarily by higher net interest income, which increased 7.96%, and noninterest income, which increased 19.43%.

As of June 30, 2007, total assets were \$509.5 million, an increase of \$76.4 million or 17.63%, over the \$433.1 million reported for June 30, 2006. Loans increased 15.85% to \$399.9 million, funded primarily by growth in deposits. Deposits increased to \$424.8 million, up 20% from \$353.9 million reported the prior year period.

“I am excited to announce that this quarter marks a milestone of approximately \$510M in assets,” commented Rick Saunders, President & CEO. “We anticipate strong growth throughout the remaining 2 quarters of 2007 due much to our new Regional Headquarters in Lexington, SC and our new branch in Mt. Pleasant, SC. Both buildings, state-of-the-art in architecture and design, are a direct extension of our promise to remain *Easy To Do Business With*<sup>™</sup>. To guarantee our customers a convenient banking experience, these new buildings will operate under our 8-8 Mon.-Sat. banking hours, which are currently available at all of our Florence locations and will be a standard going forward. Grand opening celebration plans will be announced during the 3<sup>rd</sup> quarter of 2007.”



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“To achieve our vision of becoming ‘The largest and most profitable bank in South Carolina’, our focus will continue to remain on growing our core services households and increasing our customer retention rate. Our current customer retention rate has grown to over 93%. We believe that this is a direct result of our commitment to provide convenient products and excellent customer service. Our efforts were recently rewarded when our customers awarded us with a customer loyalty rating of 86.10%,” Saunders concluded.

*First Reliance Bank, founded in 1999, has assets of approximately \$510 million, and employs 160 highly talented associates. The bank serves the Upstate, Midlands, Piedmont, Low Country, Grand Strand, and Pee Dee regions of South Carolina. The bank has been recognized for its success including being the only company ever to be named to The Top 25 Fastest Growing Companies™ in South Carolina four times including 2002, 2004, 2005, and 2006 (SC Chamber/Elliott Davis. In June 2007, the bank was added to the Palmetto 25, a list of S.C.’s largest publicly held companies. In 2006, the bank was also recognized as one of the Top 15 Best Places to Work in South Carolina by the SC Chamber of Commerce. First Reliance Bank offers Totally FREE Checking, Totally FREE Business, FREE Coin Machines, a Nationwide NO FEE ATM Network, and a 5 Way Mortgage Service Promise. It also offers 8-8 Mon.-Sat. Extended Hours in all of their Florence locations. Its **Easy to Do Business With**™ standard has earned the young bank a customer satisfaction rating of 93% (Performance Solutions-May 2007-Audited). First Reliance Bank is traded as FSRL.OB.*

This press release contains forward-looking statements about branch openings within the meaning of the Securities Litigation Reform Act of 1995. Forward-looking statements give our expectations or forecasts of future events.

Any or all of our forward-looking statements here or in other publications may turn out to be incorrect. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results. Consequently, no forward- looking statements can be guaranteed. Our actual results may vary materially, and there are no guarantees about the performance of our stock.

We undertake no obligation to correct or update any forward-looking statements, whether as a result of new information, future results or otherwise. You are advised, however, to consult any future disclosures we make on related subjects in our reports to the SEC.

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First Reliance Bancshares, Inc.  
Consolidated Reports of Income

	Six Months Ended June 30, 2007 (Unaudited)	Six Months Ended June 30, 2006 (Unaudited)	Three Months Ended June 30, 2007 (Unaudited)	Three Months Ended June 30, 2006 (Unaudited)
Interest Income				
Loans and Fees	16,510,892	13,479,849	8,618,219	7,082,161
Investment Securities				
Taxable	446,076	530,540	211,742	260,191
Tax exempt	352,957	314,908	182,816	162,507
Federal funds sold	336,410	275,795	257,751	97,924
Other interest income	87,880	59,153	47,575	33,135
Total	<u>17,734,215</u>	<u>14,660,245</u>	<u>9,318,103</u>	<u>7,635,918</u>
Interest Expense				
Time deposits \$100,000 and over	3,152,637	2,127,855	1,760,167	1,067,676
Other deposits	4,604,489	3,372,780	2,416,821	1,828,021
Other interest expense	923,937	773,699	476,644	362,979
Total	<u>8,681,063</u>	<u>6,274,334</u>	<u>4,653,632</u>	<u>3,258,676</u>
Net Interest Income	9,053,152	8,385,911	4,664,471	4,377,242
Provision for loan losses	460,436	690,786	325,202	440,501
Net Interest Income after provision	<u>8,592,716</u>	<u>7,695,125</u>	<u>4,339,269</u>	<u>3,936,741</u>
Noninterest Income				
Service charges on deposit accounts	908,437	774,587	465,767	410,208
Gain on sale of mortgage loans	1,116,131	939,181	645,889	580,731
Brokerage fees	85,869	59,775	45,009	28,310
Credit life insurance commissions	4,606	10,608	1,307	4,179
Other charges, commissions and fees	162,788	125,874	88,325	66,108
Gain on sale of securities available for sale	5,996	-	4,975	-
Gain on sale of other real estate	20,374	17,657	11,009	17,657
Gain on sale of fixed assets	16,104	-	1,689	-
Other	296,606	263,541	159,756	145,575
Total	<u>2,616,911</u>	<u>2,191,223</u>	<u>1,423,726</u>	<u>1,252,768</u>
Noninterest Expense				
Salaries and benefits	5,227,430	4,499,706	2,631,655	2,259,071
Occupancy	655,892	561,588	318,496	272,602
Furniture and equipment related	419,763	359,273	229,102	196,695
Other operating	2,688,958	2,486,816	1,307,548	1,293,730
Total	<u>8,992,043</u>	<u>7,907,383</u>	<u>4,486,801</u>	<u>4,022,098</u>
Income before tax	2,217,584	1,978,965	1,276,194	1,167,411
Income tax expense	602,669	582,346	368,486	344,495
Net Income	<u>1,614,915</u>	<u>1,396,619</u>	<u>907,708</u>	<u>822,916</u>
Basic earnings per share	0.47	0.41	0.26	0.24
Diluted earnings per share	0.45	0.39	0.26	0.23

First Reliance Bancshares, Inc.  
Balance Sheet

	June 30 2007 <u>(Unaudited)</u>	June 30 2006 <u>(Unaudited)</u>	December 31 2006 <u>(Audited)</u>
<b>Assets:</b>			
<b>Cash and Cash Equivalents</b>			
Cash and Due From Banks	7,996,670	10,072,241	17,328,075
Federal funds sold	23,601,000	-	14,135,000
Total cash and cash equivalents	31,597,670	10,072,241	31,463,075
<b>Investment securities</b>			
Securities available for sale	34,412,589	36,101,846	35,931,271
Nonmarketable equity securities	1,995,400	2,473,850	2,187,600
Investment in trust	310,000	310,000	310,000
Total investment securities	36,717,989	38,885,696	38,428,871
Loans held for sale	6,472,908	12,336,366	6,632,010
<b>Loans receivable</b>			
Less allowance for loan losses	(4,458,077)	(3,831,630)	(4,001,881)
Loans, net	399,928,820	345,203,596	349,489,155
Premises, furniture, and equipment, net	17,862,726	11,285,542	13,770,135
Accrued interest receivable	2,421,681	2,138,115	2,464,531
Other real estate owned	855,599	1,166,985	1,386,380
Cash surrender value life insurance	10,335,086	9,910,831	10,134,036
Other assets	3,321,054	2,133,385	2,442,529
Total Assets	509,513,533	433,132,757	456,210,722
<b>Liabilities:</b>			
<b>Deposits:</b>			
Noninterest bearing transaction accounts	45,156,803	46,021,304	42,107,434
Interest bearing transaction accounts	38,442,293	25,316,061	33,243,099
Savings	77,475,956	89,859,516	78,831,730
Time deposits \$100,000 and over	147,175,381	104,737,742	111,991,864
Other time deposits	116,503,199	87,949,894	106,763,956
Total deposits	424,753,632	353,884,517	372,938,083
Securities sold under agreements to repurchase	11,130,839	5,278,809	8,120,014
Advances from Federal Home Loan Bank	26,000,000	29,800,000	28,500,000
Fed Funds Purchased	-	955,000	-
Junior subordinated debentures	10,310,000	10,310,000	10,310,000
Accrued interest payable	780,407	420,874	766,276
Other liabilities	821,571	1,087,928	1,483,086
Total Liabilities	473,796,449	401,737,128	422,117,459
<b>Shareholders' Equity:</b>			
Common Stock	34,845	34,064	34,249
Capital Surplus	25,776,154	24,984,291	25,257,814
Restricted Stock	(142,528)	(83,456)	(66,131)
Retained Earnings	10,472,671	7,008,467	8,857,755
Accumulated other comprehensive income	(424,058)	(547,737)	9,576
Total Shareholders Equity	35,717,084	31,395,629	34,093,263
Total Liabilities and Shareholders Equity	509,513,533	433,132,757	456,210,722