

APR 5 2016

Board of Governors of the Federal Reserve System

COPY



FRB RICHMOND

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2015

Month / Day / Year

N/A

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

I. Jeff A Paolucci

Name of the Holding Company Director and Official

EVP & CFO

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Reporter's Name, Street, and Mailing Address

First Reliance Bancshares Inc

Legal Title of Holding Company

2170 West Palmetto Street

(Mailing Address of the Holding Company) Street / P.O. Box

Florence

SC

29501

City

State

Zip Code

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Valerie McPherson

Assistant Controller

Name

Title

843-674-3243

Area Code / Phone Number / Extension

843-656-2099

Area Code / FAX Number

vmcpherson@firstreliance.com

E-mail Address

firstreliance.com

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

04/04/2016

Date of Signature

For holding companies not registered with the SEC—

Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID  
C.I.

3070312

Does the reporter request confidential treatment for any portion of this submission?

Yes Please identify the report items to which this request applies:

- In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
- The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

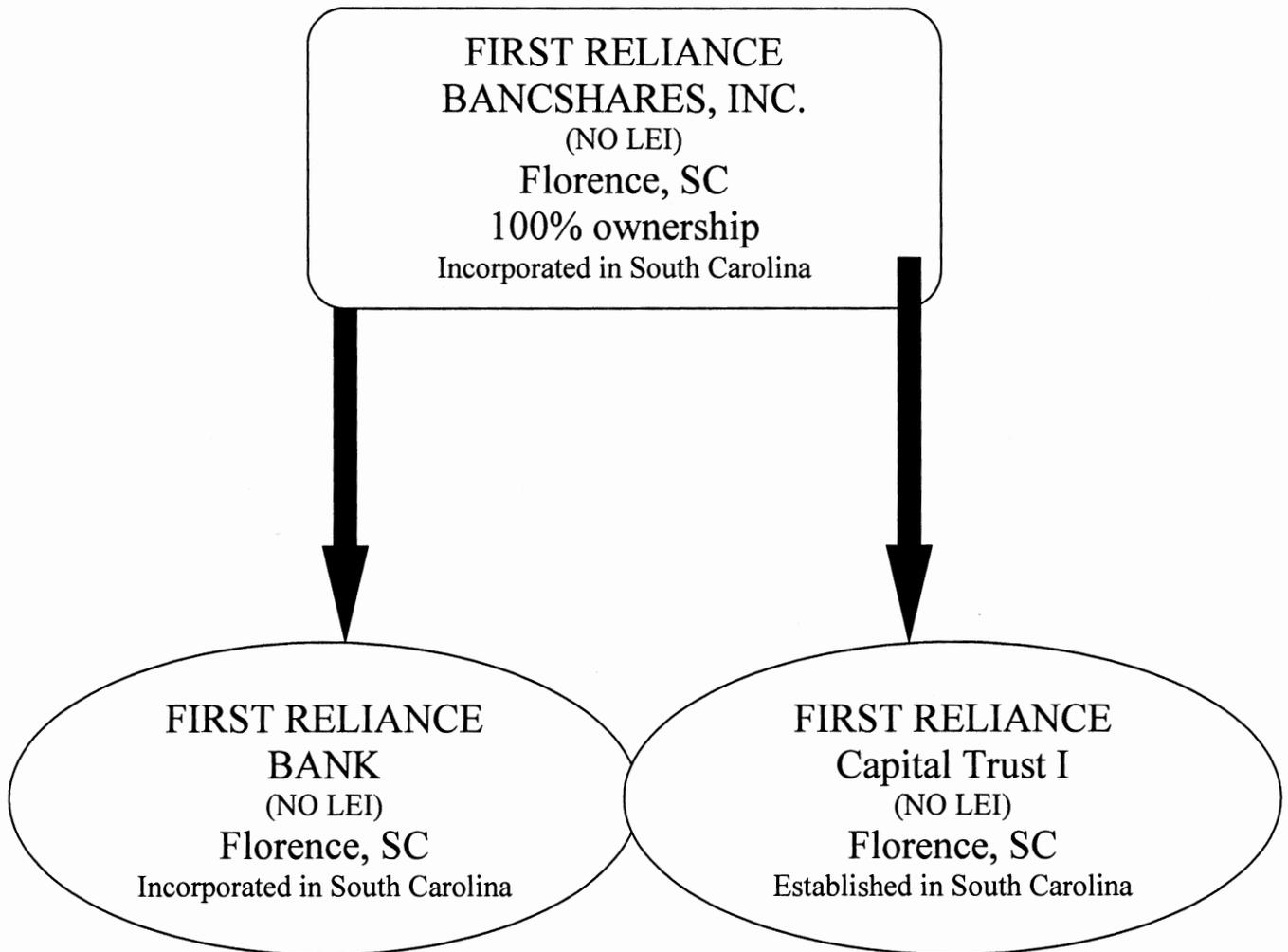
No

**Form FR Y-6**

**First Reliance Bancshares Inc  
Florence, South Carolina  
Fiscal Year Ending December 31, 2015**

Report item:

- 1: Then bank holding company is not registered with the SEC.
- 2a: Organizational Chart



- 2b: Domestic branch listing provided to the Federal Reserve Bank.

**Results:** A list of branches for your depository institution: FIRST RELIANCE BANK (ID\_RSSD: 2839790).  
 This depository institution is held by FIRST RELIANCE BANCSHARES, INC. (3070312) of FLORENCE, SC.  
 The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

**Reconciliation and Verification Steps**

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

**Actions**

**OK:** If the branch information is correct, enter 'OK' in the **Data Action** column.  
**Change:** If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.  
**Close:** If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.  
**Delete:** If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.  
**Add:** If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

**Submission Procedure**

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.  
 If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

**Note:**  
 To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.  
 The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

\* FDIC UNINUM, Office Number, and ID\_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	2839790	FIRST RELIANCE BANK	2170 WEST PALMETTO STREET	FLORENCE	SC	29501	FLORENCE	UNITED STATES	76181	0	FIRST RELIANCE BANK	2839790	
OK		Full Service	3678697	CHARLESTON PENINSULA BRANCH	25 CUMBERLAND STREET	CHARLESTON	SC	29401	CHARLESTON	UNITED STATES	442569	4	FIRST RELIANCE BANK	2839790	
OK		Full Service	3121595	SECOND LOOP ROAD BRANCH	411 SECOND LOOP ROAD	FLORENCE	SC	29505	FLORENCE	UNITED STATES	364430	1	FIRST RELIANCE BANK	2839790	
OK		Full Service	3292338	LEXINGTON BRANCH	801 N LAKE DRIVE	LEXINGTON	SC	29072	LEXINGTON	UNITED STATES	430213	2	FIRST RELIANCE BANK	2839790	
OK		Full Service	3678709	MOUNT PLEASANT BRANCH	800 S SHELMORE BLVD	MOUNT PLEASANT	SC	29464	CHARLESTON	UNITED STATES	451738	6	FIRST RELIANCE BANK	2839790	
OK		Full Service	4287256	SUNSET BRANCH	2805 SUNSET BOULEVARD SUITE A	WEST COLUMBIA	SC	29169	LEXINGTON	UNITED STATES	493148	11	FIRST RELIANCE BANK	2839790	

Form FR Y-6

First Reliance Bancshares Inc  
Fiscal Year Ending December 31, 2015

Report Item 3: Securities Holders

(1) a,b,c and (2) a,b,c

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Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-15

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1a Name, City ,State, Country	1b Country of Citizenship Voting Shares in or Incorporation	1c Number and Percentage of each Class of Voting Securities
Spence Limited LP 49 Liberty Street Blakely, GA USA	USA	348,203 - 7.44% Common Stock
F. R. Saunders Jr. 1901 Kensington Street Florence, SC USA	USA	251,426 - 5.37% Common Stock

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Report Item 3: (2)a,b,c = N/A

**Form FR Y-6**  
**First Reliance Bancshares Inc**  
**Fiscal Year Ending December 31, 2015**

**Report Item 4: Insiders**  
**(1), (2), (3)(a)(b)(c), and 4 (a)(b)(c)**

(4)(c)  
List names of other companies (includes Partnerships) if 25% or more of voting securities are held ( list names of companies and percentage of voting securities held)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c)
F. R. Saunders Jr. Florence, SC	N/A	Director & President & CEO	Director & President & CEO First Reliance Bank	N/A	5.37%	None	N/A
Paul Saunders Florence, SC	N/A	Director & SVP & Asst Secretary	Director & Senior VP First Reliance Bank	N/A	2.77%	None	N/A
A Dale Porter Florence, SC	N/A	Director & VP & Senior Loan Administrator	Director & Credit Portfolio Manager First Reliance Bank	N/A	2.05%	None	N/A
Leonard Hoogenboom Florence, SC	CPA	Chairman of the Board of Directors	Chairman of the Board of Directors First Reliance Bank	Owner of Hoogenboom & Co.	0.60%	None	100% Hoogenboom & Co
John Jebaily Florence, SC	Real Estate Broker	Director	Director First Reliance Bank	Self employed Real Estate Agent Century 21/Jebaily	1.52%	None	100% Century 21/ Jebaily Properties
C. Dale Lusk Florence, SC	Physician	Director	Director First Reliance Bank	Physician with Advanced Women's Care	0.48%	None	25% Advanced Women's Care Corporation
Jeffery A. Paolucci Florence, SC	N/A	Director EVP, CFO & Secretary	Director EVP & CFO First Reliance Bank	N/A	1.70%	None	N/A
Thomas C Ewart, Sr Florence, SC	N/A	EVP & CBO	EVP & CBO First Reliance Bank	N/A	1.26%	None	N/A
Jess A. Nance Florence, SC	N/A	EVP & CCO	EVP & CCO First Reliance Bank	N/A	0.73%	None	N/A
J Munford Scott, Jr. Florence, SC	N/A	Director	Director First Reliance Bank	Florence Co Probate Judge	0.71%	None	N/A
Julius G Parris Florence, SC	Senior Account Manager	Director	Director First Reliance Bank	Southern Graphics Systems	0.52%	None	N/A
James R Lingle Jr Florence, SC	President and CEO	Director	Director First Reliance Bank	iFinancial Holdings	0.08%	None	100% iFinancial Holdings Inc and Lingle Family LP

**First Reliance Bancshares, Inc. and Subsidiary**  
**Consolidated Balance Sheets**  
**As of December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 3,703,357	\$ 4,955,110
Interest-bearing deposits with other banks	<u>16,357,619</u>	<u>17,891,077</u>
Total cash and cash equivalents	<u>20,060,976</u>	<u>22,846,187</u>
Time deposits in other banks	101,612	101,409
Securities available-for-sale	11,255,855	13,045,588
Securities held-to-maturity (Estimated fair value of \$26,270,623 and \$32,242,017 at December 31, 2015 and 2014, respectively)	25,470,171	31,384,418
Nonmarketable equity securities	<u>813,400</u>	<u>1,502,400</u>
Total investment securities	<u>37,539,426</u>	<u>45,932,406</u>
Mortgage loans held for sale	8,070,283	1,970,068
Loans receivable	259,806,101	255,381,014
Less allowance for loan losses	<u>(2,693,985)</u>	<u>(3,002,922)</u>
Loans, net	<u>257,112,116</u>	<u>252,378,092</u>
Premises, furniture and equipment, net	22,856,744	23,395,306
Accrued interest receivable	979,347	1,034,316
Other real estate owned	2,506,733	2,444,253
Cash surrender value life insurance	13,615,610	13,282,565
Net deferred tax assets	9,950,018	3,198,771
Mortgage servicing rights	1,015,403	-
Other assets	<u>1,502,230</u>	<u>1,172,948</u>
Total assets	<u>\$ 375,310,498</u>	<u>\$ 367,756,321</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest-bearing transaction accounts	\$ 68,147,262	\$ 65,445,513
Interest-bearing transaction accounts	76,304,111	57,229,738
Savings	99,870,631	88,822,371
Time deposits \$250,000 and over	14,990,007	27,814,120
Other time deposits	<u>44,612,452</u>	<u>46,006,876</u>
Total deposits	303,924,463	285,318,618
Securities sold under agreement to repurchase	8,201,396	7,573,403
Advances from Federal Home Loan Bank	10,000,000	25,000,000
Junior subordinated debentures	10,310,000	10,310,000
Accrued interest payable	54,002	806,079
Other liabilities	<u>2,586,907</u>	<u>2,380,554</u>
Total liabilities	<u>335,076,768</u>	<u>331,388,654</u>
<b>Commitments and contingencies - Notes 4 and 17</b>		
<b>Shareholders' Equity</b>		
Preferred stock		
Series A cumulative perpetual preferred stock - 15,349 shares issued and outstanding	15,179,709	15,179,709
Series B cumulative perpetual preferred stock - 767 shares issued and outstanding	767,000	767,000
Series D non-cumulative preferred stock - 612 shares issued and outstanding	612	-
Common stock, \$0.01 par value; 20,000,000 shares authorized, 4,680,481 and 4,739,823 shares issued and outstanding at December 31, 2015 and 2014, respectively	46,804	47,398
Capital surplus	26,007,698	30,914,242
Treasury stock, at cost, 38,249 and 35,176 shares at December 31, 2015 and 2014, respectively	(217,230)	(205,512)
Nonvested restricted stock	(326,481)	(385,330)
Retained earnings (deficit)	(1,259,166)	(10,071,514)
Accumulated other comprehensive income	<u>34,784</u>	<u>121,674</u>
Total shareholders' equity	<u>40,233,730</u>	<u>36,367,667</u>
Total liabilities and shareholders' equity	<u>\$ 375,310,498</u>	<u>\$ 367,756,321</u>

**See Notes to Consolidated Financial Statements**

**First Reliance Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Operations**  
**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Interest income:</b>		
Loans, including fees	\$ 13,866,514	\$ 13,758,531
Investment securities:		
Taxable	925,411	1,120,902
Tax exempt	113,599	114,081
Other interest income	<u>129,247</u>	<u>80,517</u>
Total	<u>15,034,771</u>	<u>15,074,031</u>
<b>Interest expense:</b>		
Time deposits	327,768	706,565
Other deposits	209,324	129,677
Other interest expense	<u>303,036</u>	<u>323,314</u>
Total	<u>840,128</u>	<u>1,159,556</u>
<b>Net interest income</b>	14,194,643	13,914,475
Provision for loan losses	<u>777,678</u>	<u>706,891</u>
<b>Net interest income after provision for loan losses</b>	<u>13,416,965</u>	<u>13,207,584</u>
<b>Noninterest income:</b>		
Service charges on deposit accounts	1,430,808	1,624,575
Income from mortgage operations	3,110,229	953,743
Income from bank owned life insurance	333,046	336,872
Other service charges, commissions, and fees	1,161,788	1,076,560
Gain on sale of available-for-sale securities	9,562	5,321
Other	<u>328,365</u>	<u>284,518</u>
Total	<u>6,373,798</u>	<u>4,281,589</u>
<b>Noninterest expenses:</b>		
Salaries and benefits	9,747,542	7,317,950
Occupancy	1,628,527	1,529,855
Furniture and equipment related expenses	1,583,048	1,690,837
Other	<u>4,345,959</u>	<u>5,624,164</u>
Total	<u>17,305,076</u>	<u>16,162,806</u>
<b>Income before income taxes</b>	2,485,687	1,326,367
Income tax benefit	<u>(6,326,661)</u>	<u>(3,081,244)</u>
<b>Net income</b>	8,812,348	4,407,611
Preferred stock dividends accrued	1,450,440	1,220,205
Deemed dividends on preferred stock resulting from net accretion of discount and amortization of premium	<u>-</u>	<u>31,218</u>
<b>Net income available to common shareholders</b>	<u>\$ 7,361,908</u>	<u>\$ 3,156,188</u>
Average common shares outstanding, basic	4,491,053	4,612,758
Average common shares outstanding, diluted	4,595,204	4,688,981
<b>Income per common share:</b>		
Basic income per common share	\$ 1.64	\$ 0.68
Diluted income per common share	1.60	0.67

See Notes to Consolidated Financial Statements

**First Reliance Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Net income</b>	<b>\$ 8,812,348</b>	<b>\$ 4,407,611</b>
<b>Other comprehensive loss, net of tax:</b>		
<b>Securities available-for-sale</b>		
Unrealized holding losses arising during the period	(54,140)	(46,077)
Income tax benefit	<u>18,408</u>	<u>15,665</u>
Net of income taxes	<u>(35,732)</u>	<u>(30,412)</u>
Reclassification adjustment for gains realized in net income	(9,562)	(5,321)
Income tax expense	<u>3,251</u>	<u>1,809</u>
Net of income taxes	<u>(6,311)</u>	<u>(3,512)</u>
<b>Other comprehensive loss attributable to securities available-for-sale</b>	<u>(42,043)</u>	<u>(33,924)</u>
<b>Securities held-to-maturity</b>		
Amortization of net unrealized gains capitalized on securities transferred from available-for-sale	(67,950)	(73,361)
Income tax benefit	<u>23,103</u>	<u>24,943</u>
Net of income taxes	<u>(44,847)</u>	<u>(48,418)</u>
<b>Other comprehensive loss</b>	<u>(86,890)</u>	<u>(82,342)</u>
<b>Comprehensive income</b>	<b>\$ 8,725,458</b>	<b>\$ 4,325,269</b>

See Notes to Consolidated Financial Statements