

Board of Governors of the Federal Reserve System



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)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

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. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

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.

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.

Signature of Holding Company Director and Official

03/24/2017

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. _____

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate 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.

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

December 31, 2016

Month / Day / Year

NA

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

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

City

SC

State

29501

Zip Code

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

Is confidential treatment requested for any portion of this report submission?

0=No

1=Yes

0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report

☐

2. a letter justifying this request has been provided separately

☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

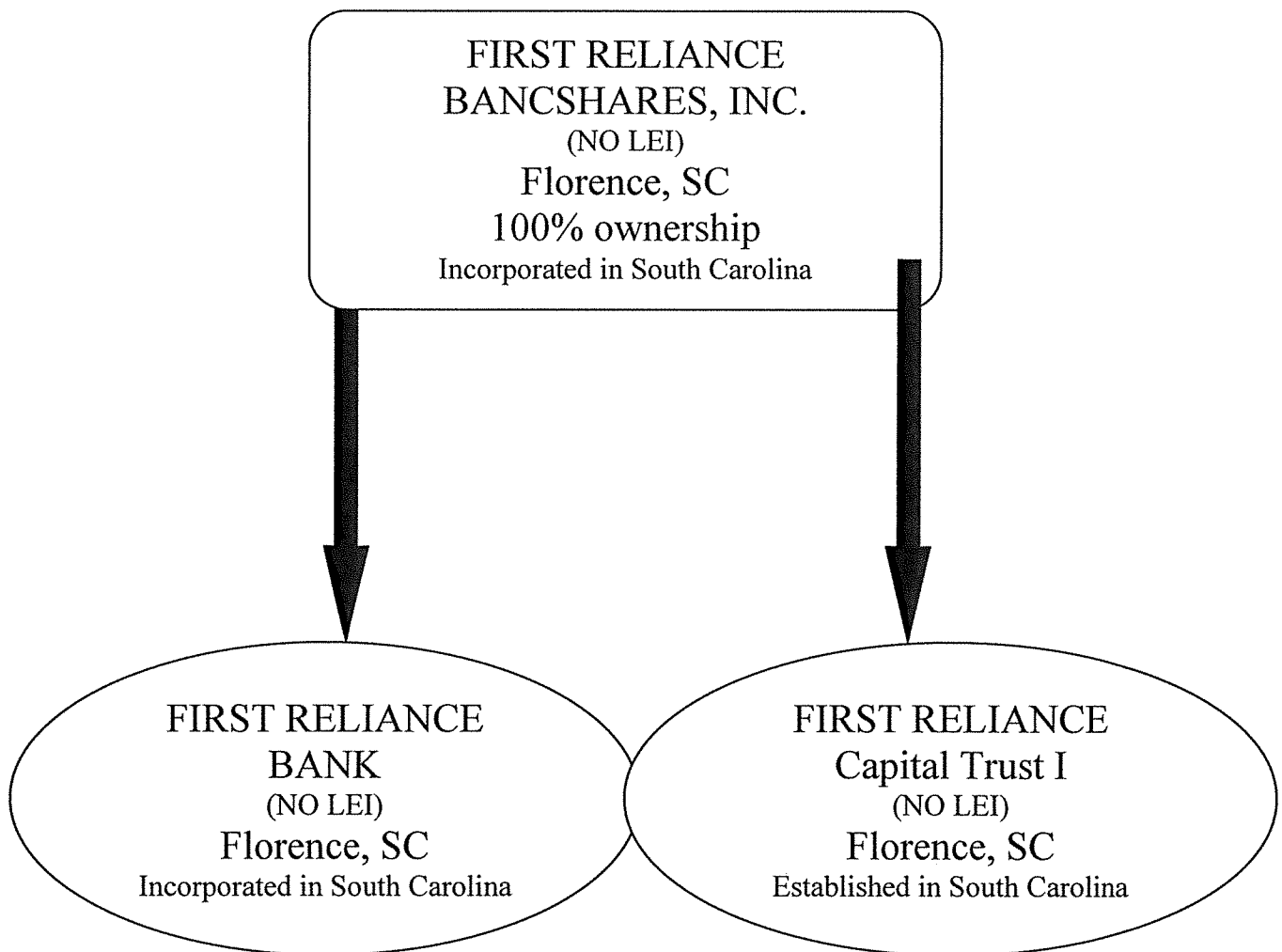
<div>Legal Title of Subsidiary Holding Company</div> <div>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</div> <div>CityStateZip Code</div> <div>Physical Location (if different from mailing address)</div>	<div>Legal Title of Subsidiary Holding Company</div> <div>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</div> <div>CityStateZip Code</div> <div>Physical Location (if different from mailing address)</div>
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Form FR Y-6

First Reliance Bancshares Inc
Florence, South Carolina
Fiscal Year Ending December 31, 2016

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 12/31/2016. Data reflects information that was received and processed through 01/10/2017.

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	
ADD	10/4/2016	Full Service	5106514	LORIS BRANCH	348 HWY 701 N	LORIS	SC	29569	HORRY	UNITED STATES	583309	13	FIRST RELIANCE BANK	2839790	

Form FR Y-6

**First Reliance Bancshares Inc
Fiscal Year Ending December 31, 2016**

Report Item 3: Securities Holders

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-16

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 Blakely, GA USA	USA	313,203 - 6.69% Common Stock
Bob Harris Florence, SC USA	USA	244,981 - 5.23% Common Stock
F. R. Saunders Jr. Florence, SC USA	USA	544,751 - 11.64% Common Stock

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

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First Reliance Bancshares Inc
Fiscal Year Ending December 31, 2016

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	11.64%	None	N/A
Paul Saunders Florence, SC	N/A	Director & SVP & Asst Secretary	Director & Senior VP First Reliance Bank	N/A	2.69%	None	N/A
A Dale Porter Florence, SC	N/A	Director & VP & Senior Loan Administrator	Director & Credit Portfolio Manager First Reliance Bank	N/A	1.93%	None	N/A
John Jebaily Florence, SC	Real Estate Broker	Director	Director First Reliance Bank	Self employed Real Estate Agent Century 21/Jebaily	1.67%	None	100% Century 21/ Jebaily Properties
C. Dale Lusk Florence, SC	Physician	Director	Director First Reliance Bank	Physician with Advanced Women's Care	0.68%	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	Chairman of the Board First Reliance Bank	Florence Co Probate Judge	0.76%	None	N/A
Julius G Parris Florence, SC	Senior Account Manager	Director	Director First Reliance Bank	Southern Graphics Systems	0.75%	None	N/A
James R Lingle Jr Florence, SC	President and CEO	Director	Director First Reliance Bank	iFinancial Holdings	0.06%	None	100% iFinancial Holdings Inc and Lingle Family LP

First Reliance Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

As of December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 4,810,304	\$ 3,703,357
Interest-bearing deposits with other banks	22,287,560	16,357,619
Total cash and cash equivalents	27,097,864	20,060,976
Time deposits in other banks	101,816	101,612
Securities available-for-sale	17,862,635	11,255,855
Securities held-to-maturity (Estimated fair value of \$20,842,142 and \$26,270,623 at December 31, 2016 and 2015, respectively)	20,438,084	25,470,171
Nonmarketable equity securities	734,300	813,400
Total investment securities	39,035,019	37,539,426
Mortgage loans held for sale	5,355,532	8,070,283
Loans receivable	288,126,331	259,806,101
Less allowance for loan losses	(2,648,535)	(2,693,985)
Loans, net	285,477,796	257,112,116
Premises, furniture and equipment, net	18,873,718	22,856,744
Accrued interest receivable	961,449	979,347
Other real estate owned	2,870,484	2,506,733
Cash surrender value life insurance	13,964,986	13,615,610
Net deferred tax assets	8,463,657	9,950,018
Mortgage servicing rights	4,211,582	1,015,403
Other assets	1,707,519	1,502,230
Total assets	\$ 408,121,422	\$ 375,310,498
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing transaction accounts	\$ 76,175,393	\$ 68,147,262
Interest-bearing transaction accounts	76,736,892	76,304,111
Savings	115,741,395	99,870,631
Time deposits \$250,000 and over	17,757,192	14,990,007
Other time deposits	50,124,647	44,612,452
Total deposits	336,535,519	303,924,463
Securities sold under agreement to repurchase	11,088,526	8,201,396
Advances from Federal Home Loan Bank	8,000,000	10,000,000
Notes payable	6,893,211	-
Junior subordinated debentures	10,310,000	10,310,000
Subordinated debentures	4,896,398	-
Accrued interest payable	298,950	54,002
Other liabilities	3,431,091	2,586,907
Total liabilities	381,453,695	335,076,768
Commitments and contingencies - Notes 4 and 18		
Shareholders' Equity		
Preferred stock		
Series A cumulative perpetual preferred stock - 15,349 shares issued and outstanding at December 31, 2015	-	15,179,709
Series B cumulative perpetual preferred stock - 767 shares issued and outstanding at December 31, 2015	-	767,000
Series D non-cumulative preferred stock - 600 and 612 shares issued and outstanding at December 31, 2016 and 2015, respectively	600	612
Common stock, \$0.01 par value; 20,000,000 shares authorized, 4,679,881 and 4,680,481 shares issued and outstanding at December 31, 2016 and 2015, respectively	46,798	46,804
Capital surplus	25,071,543	26,007,698
Treasury stock, at cost, 39,069 and 38,663 shares at December 31, 2016 and 2015, respectively	(219,106)	(217,230)
Nonvested restricted stock	(262,153)	(326,481)
Retained earnings (deficit)	2,262,742	(1,259,166)
Accumulated other comprehensive income (loss)	(232,697)	34,784
Total shareholders' equity	26,667,727	40,233,730
Total liabilities and shareholders' equity	\$ 408,121,422	\$ 375,310,498

See Notes to Consolidated Financial Statements

First Reliance Bancshares, Inc. and Subsidiary

Consolidated Statements of Operations

For the years ended December 31, 2016 and 2015

	2016	2015
Interest income:		
Loans, including fees	\$ 14,363,973	\$ 13,866,514
Investment securities:		
Taxable	801,878	925,411
Tax exempt	113,099	113,599
Other interest income	109,578	129,247
Total	<u>15,388,528</u>	<u>15,034,771</u>
Interest expense:		
Time deposits	366,955	327,768
Other deposits	300,580	209,324
Other interest expense	630,250	303,036
Total	<u>1,297,785</u>	<u>840,128</u>
Net interest income	14,090,743	14,194,643
Provision for loan losses	<u>9,075</u>	<u>777,678</u>
Net interest income after provision for loan losses	<u>14,081,668</u>	<u>13,416,965</u>
Noninterest income:		
Service charges on deposit accounts	1,385,517	1,430,808
Income from mortgage operations	6,153,308	2,949,877
Income from bank owned life insurance	349,374	333,046
Other service charges, commissions, and fees	1,236,026	1,161,788
Gain on sale of available-for-sale securities	13,261	9,562
Gain on sale of premises	652,367	-
Other	240,780	328,365
Total	<u>10,030,633</u>	<u>6,213,446</u>
Noninterest expenses:		
Salaries and benefits	11,270,540	9,747,542
Occupancy	1,572,271	1,628,527
Furniture and equipment related expenses	1,517,840	1,583,048
Other	4,428,482	4,185,607
Total	<u>18,789,133</u>	<u>17,144,724</u>
Income before income taxes	5,323,168	2,485,687
Income tax expense (benefit)	<u>1,801,260</u>	<u>(6,326,661)</u>
Net income	3,521,908	8,812,348
Preferred stock dividends accrued	<u>937,848</u>	<u>1,450,440</u>
Net income available to common shareholders	<u>\$ 2,584,060</u>	<u>\$ 7,361,908</u>
Average common shares outstanding, basic	4,438,570	4,491,053
Average common shares outstanding, diluted	4,554,138	4,595,204
Income per common share:		
Basic income per common share	\$ 0.58	\$ 1.64
Diluted income per common share	0.57	1.60

See Notes to Consolidated Financial Statements

First Reliance Bancshares, Inc. and Subsidiary**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Net income	<u>\$ 3,521,908</u>	<u>\$ 8,812,348</u>
Other comprehensive loss, net of tax:		
Securities available-for-sale		
Unrealized holding losses arising during the period	(354,501)	(54,140)
Income tax benefit	<u>120,530</u>	<u>18,408</u>
Net of income taxes	<u>(233,971)</u>	<u>(35,732)</u>
Reclassification adjustment for gains realized in net income	(13,261)	(9,562)
Income tax expense	<u>4,509</u>	<u>3,251</u>
Net of income taxes	<u>(8,752)</u>	<u>(6,311)</u>
Other comprehensive loss attributable to securities available-for-sale	<u>(242,723)</u>	<u>(42,043)</u>
Securities held-to-maturity		
Amortization of net unrealized gains capitalized on securities transferred from available-for-sale	(37,513)	(67,950)
Income tax benefit	<u>12,755</u>	<u>23,103</u>
Net of income taxes	<u>(24,758)</u>	<u>(44,847)</u>
Other comprehensive loss	<u>(267,481)</u>	<u>(86,890)</u>
Comprehensive income	<u>\$ 3,254,427</u>	<u>\$ 8,725,458</u>

See Notes to Consolidated Financial Statements