

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

7-31-18

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, 2017

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

SC

29501

City

State

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.

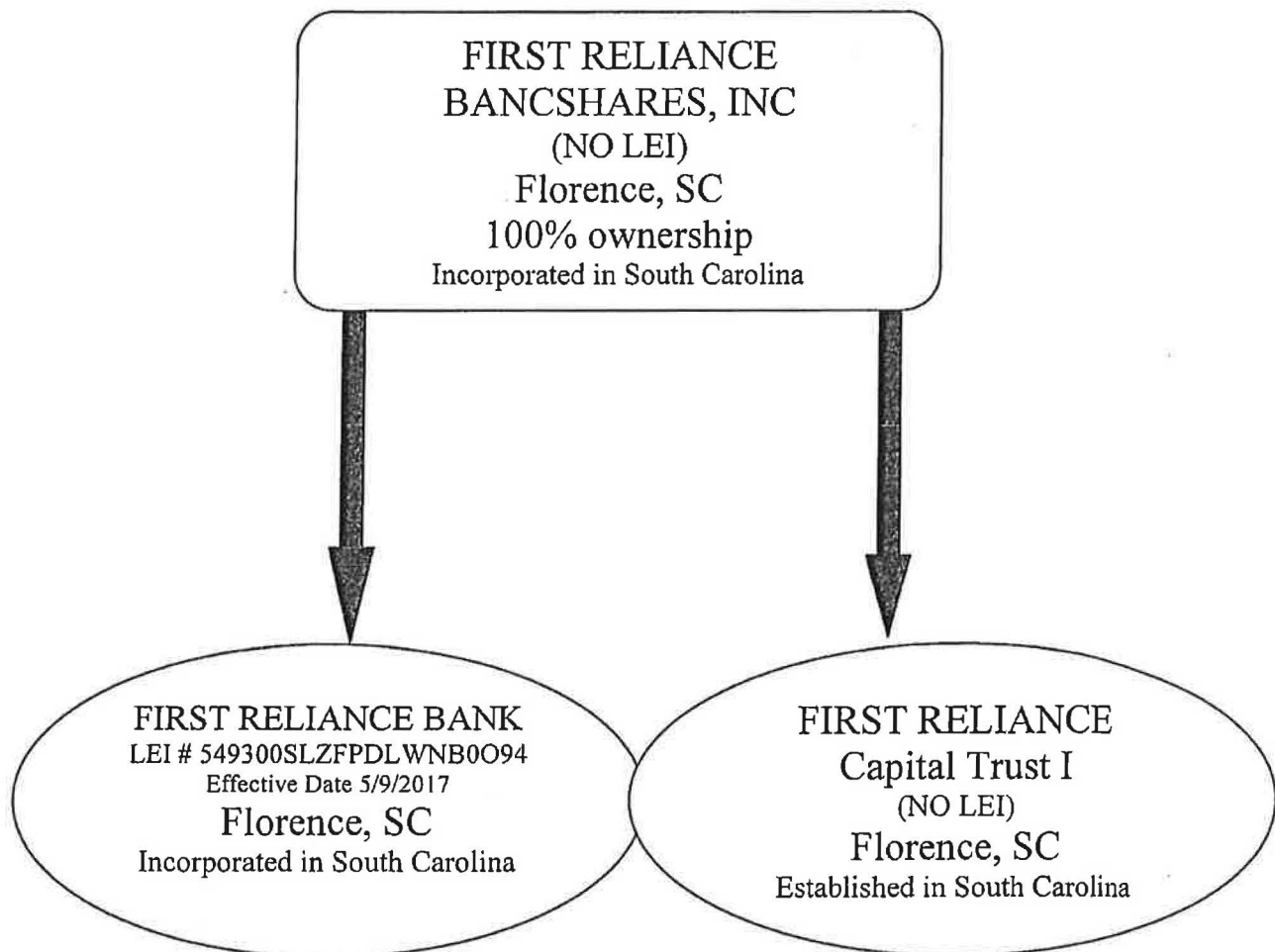
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)
Legal Title of Subsidiary Holding Company	Legal Title of Subsidiary Holding Company
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box	(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box
City State Zip Code	City State Zip Code
Physical Location (if different from mailing address)	Physical Location (if different from mailing address)

Form FR Y-6

**First Reliance Bancshares Inc
Florence, South Carolina
Fiscal Year Ending December 31, 2017**

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: 855D; 2839790).
This depository institution is held by FIRST RELIANCE BANK/SCHARES, INC. (1070531) of FLORENCE, SC.
The data are as of 1/31/2017. Data reflect information that was received and processed through 01/04/2018.

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.

Notes:

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedule 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 UNKNUNX, Office Number, and ID_NSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_NSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNKNUNX*	Office Number*	Head Office	ID_NSSD*	Comments
OK		Full Service (Head Office)	2839790	FIRST RELIANCE BANK	2170 WEST PALMETTO STREET	FLORENCE	SC	29501	FLORENCE	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	3678690	CHARLESTON PENINSULA BRANCH	25 CUMBERLAND STREET	CHARLESTON	SC	29403	CHARLESTON	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	3131595	SECOND LOOP ROAD BRANCH	411 SECOND LOOP ROAD	FLORENCE	SC	29505	FLORENCE	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	3292338	LEXINGTON BRANCH	801 N LAKE DRIVE	LEXINGTON	SC	29073	LEXINGTON	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	5106514	LONGS BRANCH	348 HWY 701 N	LONGS	SC	29565	MORRY	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	3678709	MOUNT PLEASANT BRANCH	800 S SHELBORE BLVD	MOUNT PLEASANT	SC	29564	CHARLESTON	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	5137662	DUNSMIREVILLE BRANCH	133 E 1ST NORTH STREET, SUITE A	SUMMERVILLE	SC	29583	DORCHESTER	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	
OK		Full Service	4387256	DUNSET BRANCH	2805 SUNSET BOULEVARD SUITE A	WEST COLUMBIA	SC	29160	LEXINGTON	UNITED STATES	Not Required	Not Required	FIRST RELIANCE BANK	2839790	

Form FR Y-6

First Reliance Bancshares Inc
Fiscal Year Ending December 31, 2017

Report Item 3: Securities Holders

(1) a,b,c

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-17

1a Name, City ,State, Country	1b Country of Citizenship Voting Shares in or Incorporation	1c Number and Percentage of each Class of Voting Securities
F. R. Saunders Jr. Florence, SC USA	USA	544,751 - 6.94% Common Stock

(2) a,b,c

Securities holders with ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-17

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

Form FR Y-6
First Reliance Bancshares Inc
Fiscal Year Ending December 31, 2017

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) 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)
F. R. Saunders Jr. Florence, SC	N/A	Director & President & CEO	Director & President & CEO First Reliance Bank	N/A	6.94%	None	N/A
Paul Saunders Florence, SC	N/A	Director & SVP & Asst Secretary	Director & Senior VP First Reliance Bank	N/A	1.61%	None	N/A
A Dale Porter Florence, SC	N/A	Director & VP & Senior Loan Administrator	Director & Credit Portfolio Manager First Reliance Bank	N/A	1.15%	None	N/A
John Jebaily Florence, SC	Real Estate Broker	Director	Director First Reliance Bank	Self employed Real Estate Agent Century 21/Jebaily	1.00%	None	100% Century 21/ Jebaily Properties
C. Dale Lusk Florence, SC	Physician	Director	Director First Reliance Bank	Physician with Advanced Women's Care	0.40%	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	1.01%	None	N/A
Thomas C Ewart, Sr Florence, SC	N/A	EVP & CBO	EVP & CBO First Reliance Bank	N/A	0.75%	None	N/A
Jess A. Nance Florence, SC	N/A	EVP & CCO	EVP & CCO First Reliance Bank	N/A	0.44%	None	N/A
J Munford Scott, Jr. Florence, SC	N/A	Director	Chairman of the Board First Reliance Bank	Florence Co Probate Judge	0.60%	None	N/A
Julius G Parris Florence, SC	Senior Account Manager	Director	Director First Reliance Bank	Southern Graphics Systems	0.64%	None	N/A
James R Linde Jr Florence, SC	President and CEO	Director	Director First Reliance Bank	IFinancial Holdings	0.09%	None	100% IFinancial Holdings Inc and Linde Family LP

First Reliance Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

As of December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 3,494,469	\$ 4,810,304
Interest-bearing deposits with other banks	21,136,350	22,287,560
Total cash and cash equivalents	24,630,819	27,097,864
Time deposits in other banks	102,020	101,816
Securities available-for-sale	26,894,719	17,862,635
Securities held-to-maturity (fair value of \$17,372,834 and \$20,842,142 at December 31, 2017 and 2016, respectively)	17,018,132	20,438,084
Nonmarketable equity securities	1,359,200	734,300
Total investment securities	45,272,051	39,035,019
Mortgage loans held for sale	7,885,938	5,355,532
Loans receivable	333,675,253	288,126,331
Less allowance for loan losses	(2,453,875)	(2,648,535)
Loans, net	331,221,378	285,477,796
Premises, furniture and equipment, net	18,463,156	18,873,718
Accrued interest receivable	1,094,740	961,449
Other real estate owned	1,706,765	2,870,484
Cash surrender value life insurance	14,293,702	13,964,986
Net deferred tax assets	4,461,063	8,463,657
Mortgage servicing rights	6,357,666	4,211,582
Other assets	3,132,443	1,707,519
Total assets	\$ 458,621,741	\$ 408,121,422
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing transaction accounts	\$ 86,209,099	\$ 76,175,393
Interest-bearing transaction accounts	70,642,041	76,736,892
Savings	118,996,069	115,741,395
Time deposits \$250,000 and over	13,874,405	17,757,192
Other time deposits	63,372,449	50,124,647
Total deposits	353,094,063	336,535,519
Securities sold under agreement to repurchase	13,929,651	11,088,526
Advances from Federal Home Loan Bank	22,000,000	8,000,000
Notes payable	-	6,893,211
Subordinated debentures	4,911,963	4,896,398
Junior subordinated debentures	10,310,000	10,310,000
Accrued interest payable	253,679	298,950
Other liabilities	3,969,060	3,431,091
Total liabilities	408,468,416	381,453,695
Shareholders' Equity		
Preferred stock		
Series D non-cumulative preferred stock - 599 and 600 shares issued and outstanding at December 31, 2017 and 2016, respectively	599	600
Series E cumulative perpetual preferred stock - 410,499 and 0 shares issued and outstanding at December 31, 2017 and 2016, respectively	2,955,593	-
Common stock, \$0.01 par value; 20,000,000 shares authorized, 7,887,486 and 4,679,881 shares issued and outstanding at December 31, 2017 and 2016, respectively	78,875	46,798
Capital surplus	46,941,229	25,071,543
Treasury stock, at cost, 40,177 and 39,069 shares at December 31, 2017 and 2016, respectively	(229,844)	(219,106)
Nonvested restricted stock	(868,399)	(262,153)
Retained earnings	1,573,382	2,262,742
Accumulated other comprehensive loss	(298,110)	(232,697)
Total shareholders' equity	50,153,325	26,667,727
Total liabilities and shareholders' equity	\$ 458,621,741	\$ 408,121,422

See Notes to Consolidated Financial Statements

First Reliance Bancshares, Inc. and Subsidiary

Consolidated Statements of Operations

For the years ended December 31, 2017 and 2016

	2017	2016
Interest income:		
Loans, including fees	\$ 16,321,881	\$ 14,363,973
Investment securities:		
Taxable	802,815	801,878
Tax exempt	118,969	113,099
Other interest income	<u>225,924</u>	<u>109,578</u>
Total	<u>17,469,589</u>	<u>15,388,528</u>
Interest expense:		
Time deposits	732,399	366,955
Other deposits	410,459	300,580
Other interest expense	<u>1,028,926</u>	<u>630,250</u>
Total	<u>2,171,784</u>	<u>1,297,785</u>
Net interest income	15,297,805	14,090,743
Provision for loan losses	-	9,075
Net interest income after provision for loan losses	<u>15,297,805</u>	<u>14,081,668</u>
Noninterest income:		
Service charges on deposit accounts	1,502,286	1,385,517
Income from mortgage operations	4,845,075	6,153,308
Income from bank owned life insurance	328,716	349,374
Other service charges, commissions, and fees	1,341,171	1,236,026
Gain on sale of available-for-sale securities	-	13,261
Gain on sale of premises	-	652,367
Other	<u>324,003</u>	<u>240,780</u>
Total	<u>8,341,251</u>	<u>10,030,633</u>
Noninterest expenses:		
Salaries and benefits	12,075,338	11,270,540
Occupancy	1,685,622	1,572,271
Furniture and equipment related expenses	1,646,687	1,517,840
Acquisition-related costs	501,265	-
Other	<u>4,803,246</u>	<u>4,428,482</u>
Total	<u>20,712,158</u>	<u>18,789,133</u>
Income before income taxes	2,926,898	5,323,168
Income tax expense related to ordinary operations	949,716	1,801,260
Income tax expense related to change in tax rate	<u>2,666,542</u>	-
Total income tax expense	<u>3,616,258</u>	<u>1,801,260</u>
Net (loss) income	(689,360)	3,521,908
Preferred stock dividends accrued	-	937,848
Net (loss) income available to common shareholders	<u>\$ (689,360)</u>	<u>\$ 2,584,060</u>
Average common shares outstanding, basic	5,465,868	4,438,570
Average common shares outstanding, diluted	5,465,868	4,554,138
Income (loss) per common share:		
Basic income (loss) per common share	\$ (0.13)	\$ 0.58
Diluted income (loss) per common share	(0.13)	0.57

See Notes to Consolidated Financial Statements