

The Bank of South Carolina

Dear Stockholders, Customers, Employees, and Friends,

The Bank of South Carolina Corporation, (Nasdaq: BKSC) announced earnings of \$1,612,230 or \$0.32 basic and diluted per share for the quarter ended March 31, 2018 – an increase of 31.49% from earnings for the quarter ended March 31, 2017 of \$1,226,088 or \$0.25 and \$0.24 basic and diluted per share, respectively. Returns on average assets and average equity for the three months ended March 31, 2018 were 1.51% and 15.17%, respectively, compared with 2017 returns on average assets and average equity of 1.21% and 11.95%, respectively. In addition, at its March 22, 2018 meeting, the Board of Directors of Bank of South Carolina Corporation approved a 10% stock dividend payable May 31, 2018 to shareholders of record as of April 30, 2018.

We are happy to be out of the 2018 starting blocks strong and finishing the first quarter ahead of our profit plan and 2017 first quarter earnings. Steady loan volume, continued emphasis on controlling expenses, and a reduction in income taxes highlighted the first three months of the year.

This performance along with our strong capital position has enabled us to declare not only our regular cash dividend for the 114th quarter, but also, for the second time in 3 years, a 10% stock dividend as well. Of note, the approximate 500,000 share stock dividend is approximately equivalent to the number of shares that Mr. Lane and the other Bank organizers raised to start and capitalize our Bank with \$10 million in 1986. With this stock dividend, we have approximately 5.5 million shares outstanding, with a market capitalization of roughly \$115 million.

Since the Bank began, we have built approximately \$43 million in capital and paid out approximately \$40 million in cash dividends.

On a personal note, we are deeply saddened by the unexpected passing of our friend and colleague, Leon deBrux – a banker for over 50 years who played an essential role in the lives and businesses of generations of Charlestonians.

We will continue to stay the course and look forward to the rest of the year.



Fleetwood S. Hassell

President/CEO

STRONG

SECURE

STABLE

Part I. Financial Information

Item 1. Financial Statements

**BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	(UNAUDITED) MARCH 31, 2018	(AUDITED) DECEMBER 31, 2017
ASSETS		
Cash and due from banks	\$ 6,952,114	\$ 8,486,025
Interest-bearing deposits in other banks	27,468,258	24,034,194
Investment securities available for sale	125,914,894	139,250,250
Mortgage loans to be sold	3,640,385	2,093,723
Loans	267,998,436	270,180,640
Less: Allowance for loan losses	(3,830,520)	(3,875,398)
Net loans	264,167,916	266,305,242
Premises, equipment and leasehold improvements, net	2,244,811	2,244,525
Other real estate owned	435,479	435,479
Accrued interest receivable	1,368,258	1,720,920
Other assets	2,457,074	1,996,140
Total assets	<u>\$ 434,649,189</u>	<u>\$ 446,566,498</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 141,607,977	\$ 139,256,748
Interest-bearing demand	100,596,328	108,967,196
Money market accounts	68,937,190	77,833,728
Time deposits over \$250,000	17,278,762	18,624,924
Other time deposits	23,881,449	23,295,492
Other savings deposits	38,383,858	34,910,212
Total deposits	390,685,564	402,888,300
Accrued interest payable and other liabilities	1,346,776	913,563
Total liabilities	<u>392,032,340</u>	<u>403,801,863</u>
Shareholders' equity		
Common stock-no par, 12,000,000 shares authorized; 5,755,503 and 5,753,743 shares issued at March 31, 2018 and December 31, 2017, respectively; 5,489,967 and 5,488,207 shares outstanding at March 31, 2018 and December 31, 2017, respectively	ø	ø
Additional paid in capital	46,608,558	37,236,566
Retained earnings	ø	8,471,780
Treasury stock: 265,536 shares at March 31, 2018 and December 31, 2017	(2,247,415)	(2,247,415)
Accumulated other comprehensive loss, net of income taxes	(1,744,294)	(696,296)
Total shareholders' equity	<u>42,616,849</u>	<u>42,764,635</u>
Total liabilities and shareholders' equity	<u>\$ 434,649,189</u>	<u>\$ 446,566,498</u>

See accompanying notes to consolidated financial statements.

**BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	THREE MONTHS ENDED MARCH 31,	
	2018	2017
Interest and fee income		
Loans, including fees	\$ 3,558,986	\$ 3,141,738
Taxable securities	470,503	338,847
Tax-exempt securities	228,067	270,885
Other	62,453	39,951
Total interest and fee income	<u>4,320,009</u>	<u>3,791,421</u>
Interest expense		
Deposits	109,830	96,782
Total interest expense	<u>109,830</u>	<u>96,782</u>
Net interest income	4,210,179	3,694,639
Provision for loan losses	55,000	2,500
Net interest income after provision for loan losses	<u>4,155,179</u>	<u>3,692,139</u>
Other income		
Service charges, fees and commissions	295,291	269,566
Mortgage banking income	139,915	275,105
Gains on sales of securities	4,348	0
Other non-interest income	8,391	7,203
Total other income	<u>447,945</u>	<u>551,874</u>
Other expense		
Salaries and employee benefits	1,572,720	1,470,209
Net occupancy expense	383,332	364,145
Other operating expenses	685,782	637,276
Total other expenses	<u>2,641,834</u>	<u>2,471,630</u>
Income before income tax expense	1,961,290	1,772,383
Income tax expense	<u>349,060</u>	<u>546,295</u>
Net income	<u>\$ 1,612,230</u>	<u>\$ 1,226,088</u>
Weighted average shares outstanding		
Basic	<u>5,489,087</u>	<u>5,458,475</u>
Diluted	<u>5,583,371</u>	<u>5,580,412</u>
Basic income per common share	<u>\$.29</u>	<u>\$.22</u>
Diluted income per common share	<u>\$.29</u>	<u>\$.22</u>

See accompanying notes to consolidated financial statements.