

Dear Stockholders, Customers, Employees, and Friends,

2016 third-quarter earnings were \$1,426,338 or \$.29 per share, for the quarter ended September 30, 2016 - an increase of 18.97% from earnings for the quarter ended September 30, 2015 of \$1,198,919 or \$.24 per share. Returns on average assets and average equity for the nine months ended September 30, 2016 were 1.29% and 12.73%, respectively compared with 2015 returns on average assets and average equity of 1.31% and 12.75%, respectively. Earnings for the nine months ended September 30, 2016 increased \$276,867 or 7.57% to \$3,934,183 compared to \$3,657,316 for the nine months ended September 30, 2015.

With strong lending efforts, excellent control of expenses, and greater contributions from our mortgage department, we have posted solid results for the third quarter of this year. We have experienced remarkable loan and deposit growth throughout the year and have maintained respectable margins during an extraordinarily low and prolonged interest rate environment.

In a time when questionable banking practices exist within our industry to promote unattainable sales goals, we are grateful for the outstanding contributions of our employees – those individuals who make our mission a reality every day and who have earned the admiration and respect of our customers and management. Every time we open our doors to serve our constituency further validates our brand of community banking, our model of consistency, and our culture of relationship banking – all fostered from extraordinary service, responsiveness and attention to detail.

We continue to be the beneficiary of the shrinking bank population and remain the familiar face in community banking.

Fleetwood S. Hassell
President/CEO

Part I. Financial Information

Item 1. Financial Statements

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

	(Unaudited)	(Audited)
	September 30,	December 31,
	2016	2015
ASSETS		
Cash and due from banks	\$ 7,187,028	\$ 5,295,924
Interest-bearing deposits in other banks	14,576,120	23,898,862
Investment securities available for sale	115,082,608	119,997,585
Mortgage loans to be sold	4,962,967	5,820,239
Loans	266,383,656	242,622,705
Less: Allowance for loan losses	(3,745,111)	(3,417,827)
Net loans	262,638,545	239,204,878
Premises, equipment and leasehold improvements, net	2,218,255	2,289,228
Other real estate owned	521,943	620,394
Accrued interest receivable	1,018,121	1,284,063
Other assets	1,360,838	761,339
Total assets	\$ 409,566,425	\$ 399,172,512
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 119,677,668	\$ 122,073,396
Interest-bearing demand	95,799,297	84,977,640
Money market accounts	76,942,944	70,233,422
Time deposits over \$250,000	15,513,613	25,896,768
Other time deposits	28,003,075	28,871,044
Other savings deposits	29,469,957	26,666,342
Total deposits	365,406,554	358,718,612
Accrued interest payable and other liabilities	2,100,380	1,302,188
Total Liabilities	367,506,934	360,020,800
Shareholders' Equity		
Common Stock-No par value: 12,000,000 shares authorized; shares issued 5,190,115 at September 30, 2016 and 5,157,996 at December 31, 2015; shares outstanding 4,948,719 at September 30, 2016 and 4,916,600 at December 31, 2015	ø	ø
Additional paid in capital	36,733,560	36,341,744
Retained earnings	6,024,488	4,064,834
Treasury stock; 241,396 shares at September 30, 2016 and December 31, 2015	(2,247,415)	(2,247,415)
Accumulated other comprehensive income, net of income taxes	1,548,858	992,549
Total shareholders' equity	42,059,491	39,151,712
Total liabilities and shareholders' equity	\$ 409,566,425	\$ 399,172,512

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2016	2015
Interest and fee income		
Loans, including fees	\$ 3,360,151	\$ 2,975,653
Taxable securities	379,039	333,589
Tax-exempt securities	255,231	248,119
Other	35,722	12,311
Total interest and fee income	<u>4,030,143</u>	<u>3,569,672</u>
Interest expense		
Deposits	96,467	101,199
Short-term borrowings	ø	31
Total interest expense	<u>96,467</u>	<u>101,230</u>
Net interest income	3,933,676	3,468,442
Provision for loan losses	210,000	7,500
Net interest income after provisions for loan losses	<u>3,723,676</u>	<u>3,460,942</u>
Other income		
Service charges, fees and commissions	265,769	240,306
Mortgage banking income	409,674	413,077
Other non-interest income	11,143	8,655
Total other income	<u>686,586</u>	<u>662,038</u>
Other expense		
Salaries and employee benefits	1,485,621	1,450,852
Net occupancy expense	377,075	372,727
Other operating expenses	721,572	549,163
Total other expense	<u>2,584,268</u>	<u>2,372,742</u>
Income before income tax expense	1,825,994	1,750,238
Income tax expense	399,656	551,319
Net income	<u>\$ 1,426,338</u>	<u>\$ 1,198,919</u>
Weighted average shares outstanding		
Basic	<u>4,931,185</u>	<u>4,915,610</u>
Diluted	<u>5,054,723</u>	<u>5,061,685</u>
Basic income per common share	<u>\$ 0.29</u>	<u>\$ 0.24</u>
Diluted income per common share	<u>\$ 0.28</u>	<u>\$ 0.24</u>

See accompanying notes to consolidated financial statements.