

Dear Stockholders, Customers, Employees, and Friends,

2017 second quarter earnings were \$1,386,385 or \$0.28 and \$0.27 basic and diluted per share, respectively, for the quarter ended June 30, 2017 – an increase of 5.66% from earnings for the quarter ended June 30, 2016 of \$1,312,110 or \$0.27 and \$0.26 basic and diluted per share, respectively. Earnings for the six months ended June 30, 2017 increased \$104,627 or 4.17% to \$2,612,473 compared to \$2,507,846 for the six months ended June 30, 2016. Returns on average assets and average equity for the six months ended June 30, 2017 were 1.26% and 12.47%, respectively, compared with 2016 returns on average assets and average equity of 1.26% and 12.37%, respectively.

We are pleased with our second quarter results despite loan demand not materializing as budgeted. We have met this head-on with continued emphasis on expense control and reasonable contributions from our Mortgage Department. Asset quality of our loan portfolio remains job one and as a result, the need for provisioning to our reserve for loan losses has been dramatically less than in 2016. We remain ahead of our profit goal for the quarter and the year to date.

We continue to invest in our greatest assets – our people; specifically, we had Emily Bailey and Zachary Shaw complete their second year of Banker’s School in Greenwood South Carolina. In addition, Maggie Harken and Lauren Nilan have both successfully completed their first year. Tom Johnson, Vice President of our Mortgage Department, continues to build a first-rate department by naming Carson Williams as Sales Manager. We have also recently invested in new business software for our mortgage originators, which we believe will create more non-interest income for the Bank.

The Bank has been the beneficiary of recent rate increases and we believe in the near future, the interest rate environment should return to traditional levels. Our consistency of success continues as a result of remaining true to the fundamentals of our industry and knowing, as time goes on, we will continue to build the Bank one account at a time for people and businesses that search for and value a true banking relationship.

*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) June 30, 2017	(Audited) December 31, 2016
<b>ASSETS</b>		
Cash and due from banks	\$ 8,746,291	\$ 8,141,030
Interest-bearing deposits at the Federal Reserve Bank	23,881,649	18,101,300
Investment securities available for sale	132,660,381	119,978,944
Mortgage loans to be sold	2,232,201	4,386,210
Loans	260,229,745	260,576,115
Less: Allowance for loan losses	(3,927,515)	(3,851,617)
Net loans	<u>256,302,230</u>	<u>256,724,498</u>
Premises, equipment and leasehold improvements, net	2,270,977	2,296,624
Other real estate owned	475,800	521,943
Accrued interest receivable	1,551,357	1,614,002
Other assets	2,183,113	2,185,085
Total assets	<u>\$ 430,303,999</u>	<u>\$ 413,949,636</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest-bearing demand	\$ 132,051,130	\$ 126,034,478
Interest-bearing demand	94,401,633	96,260,589
Money market accounts	81,827,246	77,307,662
Time deposits over \$250,000	17,959,145	17,822,136
Other time deposits	26,559,417	26,019,121
Other savings deposits	33,493,698	29,078,865
Total deposits	<u>386,292,269</u>	<u>372,522,851</u>
Accrued interest payable and other liabilities	958,771	813,811
Total liabilities	<u>387,251,040</u>	<u>373,336,662</u>
<b>Shareholders' equity</b>		
Common stock-no par, 12,000,000 shares authorized; 5,211,285 and 5,197,535 shares issued at June 30, 2017 and December 31, 2016, respectively; 4,969,889 and 4,956,139 shares outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Additional paid in capital	37,015,422	36,824,022
Retained earnings	7,865,149	6,643,476
Treasury stock: 241,396 shares at June 30, 2017 and December 31, 2016	(2,247,415)	(2,247,415)
Accumulated other comprehensive income (loss), net of income taxes	419,803	(607,109)
Total shareholders' equity	<u>43,052,959</u>	<u>40,612,974</u>
Total liabilities and shareholders' equity	<u>\$ 430,303,999</u>	<u>\$ 413,949,636</u>

See accompanying notes to consolidated financial statements.

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

	THREE MONTHS ENDED JUNE 30,	
	2017	2016
Interest and fee income		
Loans, including fees	\$ 3,221,855	\$ 3,208,836
Taxable securities	399,909	290,486
Tax-exempt securities	256,202	240,171
Other	55,319	31,176
Total interest and fee income	<u>3,933,285</u>	<u>3,770,669</u>
Interest expense		
Deposits	106,522	92,981
Short-term borrowings	—	7
Total interest expense	<u>106,522</u>	<u>92,988</u>
Net interest income	3,826,763	3,677,681
Provision for loan losses	30,000	140,000
Net interest income after provision for loan losses	<u>3,796,763</u>	<u>3,537,681</u>
Other income		
Service charges, fees and commissions	287,873	265,736
Mortgage banking income	400,519	296,891
Gains on sales of securities	—	160,391
Other non-interest income	8,087	6,554
Total other income	<u>696,479</u>	<u>729,572</u>
Other expense		
Salaries and employee benefits	1,500,362	1,480,420
Net occupancy expense	393,763	380,311
Other operating expenses	649,855	576,150
Net other real estate owned expenses	46,143	—
Total other expenses	<u>2,590,123</u>	<u>2,436,881</u>
Income before income tax expense	1,903,119	1,830,372
Income tax expense	<u>516,734</u>	<u>518,262</u>
Net income	<u>\$ 1,386,385</u>	<u>\$ 1,312,110</u>
Weighted average shares outstanding		
Basic	<u>4,967,907</u>	<u>4,929,722</u>
Diluted	<u>5,072,908</u>	<u>5,056,523</u>
Basic income per common share	<u>\$ 0.28</u>	<u>\$ 0.27</u>
Diluted income per common share	<u>\$ 0.27</u>	<u>\$ 0.26</u>

See accompanying notes to consolidated financial statements.