

Dear Stockholders, Customers, Employees, and Friends,

2018 third quarter earnings were \$1,778,153 or \$0.32 basic and diluted per share for the quarter ended September 30, 2018 – an increase of 23.43% from earnings for the quarter ended September 30, 2017 of \$1,440,653 or \$0.26 basic and diluted per share. Earnings for the nine months ended September 30, 2018 increased \$1,063,614 or 26.24% to \$5,116,740 compared to \$4,053,126 for the nine months ended September 30, 2017. Returns on average assets and average equity for the nine months ended September 30, 2018 were 1.59% and 15.72%, respectively, compared to 2017 returns on average assets and average equity of 1.29% and 12.80%, respectively.

Our third quarter profits were a record in our 31+ year history. We continue to be the beneficiary of a strong economy, reduced taxes, and the Federal Reserve’s decisions to raise interest rates. Loan volume remains consistent with strong asset quality and improved margins. We are pleased to be ahead of budget and last year’s performance to date. As we continue to focus on our 2019 budget, we are excited about the opening of our North Charleston office and must consider the financial impact a new location will have in the short-term. Nonetheless, this commitment to our future will result in great contributions to our continued success. As construction ensues, we will have a better understanding of our move-in date for this branch and Mortgage Department.

We are pleased to be named, once again, the #1 bank in our state by the Financial Management Consultant Group, and a 5-Star bank by Bauer Financial. Our performance has allowed us to not only pay our regular quarterly \$.15 per share dividend, but also an additional, one-time, \$.10 per share dividend, as well. Your financial institution is managed based on the fundamentals of banking - which, if adhered to, will result in long-term, meaningful results. 2018 is proving to be an exceptional year and we are excited about finishing on a strong note.

On a personal note, we are deeply saddened by the recent loss of our friend Ron Coward, an organizer and founding Director of the Bank.

Fleetwood S. Hassell
President/CEO

SOUNDNESS

PROFITABILITY

GROWTH

Part I. Financial Information

Item 1. Financial Statements

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

	<u>(Unaudited)</u> <u>September 30,</u> <u>2018</u>	<u>(Audited)</u> <u>December 31,</u> <u>2017</u>
ASSETS		
Cash and due from banks	\$ 8,187,758	\$ 8,486,025
Interest-bearing deposits at the Federal Reserve	21,573,263	24,034,194
Investment securities available for sale	118,603,201	139,250,250
Mortgage loans to be sold	2,861,227	2,093,723
Loans	274,627,803	270,180,640
Less: Allowance for loan losses	(4,105,930)	(3,875,398)
Net loans	<u>270,521,873</u>	<u>266,305,242</u>
Premises, and equipment and leasehold improvements, net	2,314,004	2,244,525
Other real estate owned	6	435,479
Accrued interest receivable	1,471,368	1,720,920
Other assets	<u>2,844,688</u>	<u>1,996,140</u>
Total assets	<u><u>\$ 428,377,382</u></u>	<u><u>\$ 446,566,498</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand	\$ 131,015,152	\$ 139,256,748
Interest bearing demand	96,573,047	108,967,196
Money market accounts	78,552,052	77,833,728
Time deposits over \$250,000	21,861,748	18,624,924
Other time deposits	21,460,316	23,295,492
Other savings deposits	<u>33,578,943</u>	<u>34,910,212</u>
Total deposits	383,041,258	402,888,300
Accrued interest payable and other liabilities	2,036,590	913,563
Total liabilities	<u>385,077,848</u>	<u>403,801,863</u>
Shareholders' equity		
Common stock - no par 12,000,000 shares authorized; Issued 5,776,869 shares at September 30, 2018 and 5,753,743 shares at December 31, 2017. Shares outstanding 5,510,312 and 5,488,207 at September 30, 2018 and December 31, 2017, respectively		
Additional paid in capital	46,838,852	37,236,566
Retained earnings	1,295,509	8,471,780
Treasury stock: 266,557 shares as of September 30, 2018 and 265,536 shares as of December 31, 2017	(2,268,264)	(2,247,415)
Accumulated other comprehensive loss, net of income taxes	(2,566,563)	(696,296)
Total shareholders' equity	<u>43,299,534</u>	<u>42,764,635</u>
Total liabilities and shareholders' equity	<u><u>\$ 428,377,382</u></u>	<u><u>\$ 446,566,498</u></u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2018	2017
Interest and fee income		
Loans, including fees	\$ 3,905,954	\$ 3,364,293
Taxable securities	465,180	409,055
Tax-exempt securities	171,916	251,172
Other	122,536	92,512
Total interest and fee income	<u>4,665,586</u>	<u>4,117,032</u>
Interest expense		
Deposits	195,434	110,625
Total interest expense	<u>195,434</u>	<u>110,625</u>
Net interest income		
	4,470,152	4,006,407
Provision for loan losses	100,000	20,000
Net interest income after provision for loan losses	<u>4,370,152</u>	<u>3,986,407</u>
Other income		
Service charges and fees	284,046	278,204
Mortgage banking income	168,004	149,379
Gain on sales of securities	ô	45,820
Other non-interest income	6,643	8,479
Total other income	<u>458,693</u>	<u>481,882</u>
Other expense		
Salaries and employee benefits	1,595,706	1,487,207
Net occupancy expense	389,973	399,534
Other operating expenses	797,319	597,797
Net other real estate owned expenses	33,476	ô
Total other expense	<u>2,816,474</u>	<u>2,484,538</u>
Income before income tax expense		
	2,012,371	1,983,751
Income tax expense	234,218	543,098
Net Income	<u>\$ 1,778,153</u>	<u>\$ 1,440,653</u>
Weighted average shares outstanding		
Basic	5,506,649	5,475,504
Diluted	5,589,549	5,588,410
Basic income per common share		
	<u>\$ 0.32</u>	<u>\$ 0.26</u>
Diluted income per common share		
	<u>\$ 0.32</u>	<u>\$ 0.26</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2018	2017
Interest and fee income		
Loans, including fees	\$ 11,169,692	\$ 9,727,886
Taxable securities	1,406,094	1,147,811
Tax-exempt securities	575,657	778,259
Other	258,019	187,782
Total interest and fee income	13,409,462	11,841,738
Interest expense		
Deposits	444,961	313,929
Total interest expense	444,961	313,929
Net interest income	12,964,501	11,527,809
Provision for loan losses	230,000	52,500
Net interest income after provision for loan losses	12,734,501	11,475,309
Other income		
Service charges and fees	875,709	835,643
Mortgage banking income	558,473	825,003
Gain on sales of securities	4,735	45,820
Other non-interest income	22,817	23,769
Total other income	1,461,734	1,730,235
Other expense		
Salaries and employee benefits	4,744,878	4,457,778
Net occupancy expense	1,195,364	1,157,442
Other operating expenses	2,111,968	1,884,928
Net other real estate owned expenses	57,613	46,143
Total other expense	8,109,823	7,546,291
Income before income tax expense	6,086,412	5,659,253
Income tax expense	969,672	1,606,127
Net Income	\$ 5,116,740	\$ 4,053,126
Weighted average shares outstanding		
Basic	5,496,346	5,459,006
Diluted	5,579,989	5,568,799
Basic income per common share	\$ 0.93	\$ 0.74
Diluted income per common share	\$ 0.92	\$ 0.73

See accompanying notes to consolidated financial statements.