

The Bank of South Carolina

Dear Stockholders, Customers, Employees, and Friends:

The Bank of South Carolina Corporation, (Nasdaq: BKSC) announced earnings of \$1,689,264, or \$0.31 and \$0.30 basic and diluted earnings per share, respectively, for the quarter ended March 31, 2019 ó an increase of 4.78% from earnings for the quarter ended March 31, 2018 of \$1,612,230, or \$0.29 basic and diluted earnings per share. Annualized returns on average assets and average equity for the three months ended March 31, 2019 were 1.59% and 14.73%, respectively, compared with 2018 annualized returns on average assets and average equity of 1.51% and 15.17%, respectively.

We are pleased to get out of the starting gate on such a positive note following a record 2018 year, and we are ahead of budget and last year's performance to-date. Our earnings and capital position allowed us to increase our regular quarterly cash dividend by approximately 7% to \$0.16 per share.

We are happy to announce the promotion of Amy Buckner to Vice President and Perry Trouche to Assistant Vice President. In addition, we were very excited to have Hugh C. Lane, III., join the Bank in January as a Loan Officer, following his time in banking in Jackson Hole, Wyoming.

A record number of banks in the Lowcountry attempting to buy business with dramatically high teaser rates make deposit building a major challenge. Your Bank has, and will continue, to build on relationships ó NOT rate alone. We strive to earn our customers' trust each and every day, and in doing so, successfully continue our 32-year history with fading memories of those banks which lacked the foundation to be built on relationships.

Exterior construction of our new North Charleston Banking Office is complete and the interior upfit is moving into full swing. We eagerly await completion in the 4th quarter!

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**

	(Unaudited)	(Audited)
	March 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	\$ 7,022,081	\$ 6,325,457
Interest-bearing deposits at the Federal Reserve	20,299,857	25,506,784
Investment securities available for sale	117,401,729	119,668,874
Mortgage loans to be sold	2,437,420	1,199,438
Loans	275,098,274	274,664,267
Less: Allowance for loan losses	<u>(3,989,422)</u>	<u>(4,214,331)</u>
Net loans	271,108,852	270,449,936
Premises, equipment and leasehold improvements, net	2,349,761	2,335,207
Right of use asset	7,276,714	ø
Accrued interest receivable	1,498,839	1,561,915
Other assets	<u>2,428,569</u>	<u>2,087,587</u>
Total assets	<u>\$ 431,823,822</u>	<u>\$ 429,135,198</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing demand	\$ 130,134,823	\$ 130,940,138
Interest bearing demand	98,760,864	94,207,731
Money market accounts	83,929,809	87,300,433
Time deposits over \$250,000	8,553,197	15,909,991
Other time deposits	19,025,602	18,558,734
Other savings deposits	<u>34,973,887</u>	<u>35,461,361</u>
Total deposits	375,378,182	382,378,388
Accrued interest payable and other liabilities	1,837,695	1,294,249
Lease liability	7,276,714	ø
Total liabilities	<u>384,492,591</u>	<u>383,672,637</u>
Shareholders' equity		
Common stock - no par 12,000,000 shares authorized; Issued 5,783,282 shares at March 31, 2019 and 5,777,474 shares at December 31, 2018. Shares outstanding 5,516,725 and 5,510,917 at March 31, 2019 and December 31, 2018, respectively.	ø	ø
Additional paid in capital	46,927,880	46,857,734
Retained earnings	3,456,884	2,650,296
Treasury stock: 266,557 shares at March 31, 2019 and December 31, 2018	(2,268,264)	(2,268,264)
Accumulated other comprehensive loss, net of income taxes	<u>(785,269)</u>	<u>(1,777,205)</u>
Total shareholders' equity	<u>47,331,231</u>	<u>45,462,561</u>
Total liabilities and shareholders' equity	<u>\$ 431,823,822</u>	<u>\$ 429,135,198</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,	
	2019	2018
Interest and fee income		
Loans, including fees	\$ 3,951,719	\$ 3,558,986
Taxable securities	463,454	470,503
Tax-exempt securities	161,721	228,067
Other	115,939	62,453
Total interest and fee income	<u>4,692,833</u>	<u>4,320,009</u>
Interest expense		
Deposits	243,758	109,830
Total interest expense	<u>243,758</u>	<u>109,830</u>
Net interest income	4,449,075	4,210,179
Provision for loan losses	10,000	55,000
Net interest income after provision for loan losses	<u>4,439,075</u>	<u>4,155,179</u>
Other income		
Service charges and fees	279,933	295,291
Mortgage banking income	123,662	139,915
Gain on sales of securities	6	4,348
Other non-interest income	5,188	8,391
Total other income	<u>408,783</u>	<u>447,945</u>
Other expense		
Salaries and employee benefits	1,656,524	1,572,720
Net occupancy expense	387,132	383,332
Other operating expenses	615,705	685,782
Total other expense	<u>2,659,361</u>	<u>2,641,834</u>
Income before income tax expense	2,188,497	1,961,290
Income tax expense	<u>499,233</u>	<u>349,060</u>
Net income	<u>\$ 1,689,264</u>	<u>\$ 1,612,230</u>
Weighted average shares outstanding		
Basic	<u>5,514,413</u>	<u>5,489,087</u>
Diluted	<u>5,592,352</u>	<u>5,583,371</u>
Basic income per common share	<u>\$ 0.31</u>	<u>\$ 0.29</u>
Diluted income per common share	<u>\$ 0.30</u>	<u>\$ 0.29</u>

See accompanying notes to consolidated financial statements.