

The Bank of South Carolina

Dear Stockholders, Customers, Employees, and Friends:

The Bank of South Carolina Corporation, (Nasdaq: BKSC) announced unaudited earnings of \$1,840,847, or \$0.33 basic and diluted earnings per share, for the quarter ended June 30, 2019 – an increase of 6.63% from earnings for the quarter ended June 30, 2018 of \$1,726,357, or \$0.31 basic and diluted earnings per share. Unaudited earnings for the six months ended June 30, 2019 increased \$191,524, or 5.74%, to \$3,530,111 compared to \$3,338,587 for the six months ended June 30, 2018. Annualized returns on average assets and average equity for the six months ended June 30, 2019 were 1.65% and 14.99%, respectively, compared with 2018 annualized returns on average assets and average equity of 1.57% and 15.59%, respectively.

We are pleased to announce a quarterly cash dividend of \$0.16 per share representing our 119th cash dividend since opening in February 1987. We were recently cited by the American Bankers Association as the 24th most profitable community bank in the country for publicly traded thrifts and banks less than \$2 billion in total assets based on a three-year return on average equity. With strong capital growth, we remain committed to serving our customers and shareholders as the oldest bank headquartered in Charleston.

As with the first quarter of the year, the second experienced solid loan demand with strong margins, excellent control of expenses, and improvement in our mortgage origination contribution. We are ahead of our profit plan for the year and the three- and six-month periods as compared to 2018. We are looking forward to the second half of the year with the opening of our North Charleston office in the fourth 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)
	June 30, 2019	December 31, 2018
ASSETS		
Cash and due from banks	\$ 9,843,665	\$ 6,325,457
Interest-bearing deposits at the Federal Reserve	35,252,826	25,506,784
Investment securities available for sale	101,430,963	119,668,874
Mortgage loans to be sold	2,874,982	1,199,438
Loans	283,847,630	274,664,267
Less: Allowance for loan losses	(4,130,548)	(4,214,331)
Net loans	<u>279,717,082</u>	<u>270,449,936</u>
Premises, equipment and leasehold improvements, net	2,689,314	2,335,207
Right of use asset	7,218,644	—
Accrued interest receivable	1,565,145	1,561,915
Other assets	<u>1,781,824</u>	<u>2,087,587</u>
Total assets	<u>\$ 442,374,445</u>	<u>\$ 429,135,198</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing demand	\$ 138,577,128	\$ 130,940,138
Interest bearing demand	102,905,495	94,207,731
Money market accounts	85,539,479	87,300,433
Time deposits over \$250,000	8,176,688	15,909,991
Other time deposits	17,841,257	18,558,734
Other savings deposits	<u>30,769,858</u>	<u>35,461,361</u>
Total deposits	383,809,905	382,378,388
Accrued interest payable and other liabilities	1,951,281	1,294,249
Lease liability	7,218,644	—
Total liabilities	<u>392,979,830</u>	<u>383,672,637</u>
Shareholders' equity		
Common stock - no par 12,000,000 shares authorized; Issued 5,794,313 shares at June 30, 2019 and 5,777,474 shares at December 31, 2018. Shares outstanding 5,525,278 and 5,510,917 at June 30, 2019 and December 31, 2018, respectively.	—	—
Additional paid in capital	47,041,739	46,857,734
Retained earnings	4,413,687	2,650,296
Treasury stock 269,035 shares at June 30, 2019 and 266,557 shares at December 31, 2018	(2,314,107)	(2,268,264)
Accumulated other comprehensive income (loss), net of income taxes	253,296	(1,777,205)
Total shareholders' equity	<u>49,394,615</u>	<u>45,462,561</u>
Total liabilities and shareholders' equity	<u>\$ 442,374,445</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 June 30,	
	2019	2018
Interest and fee income		
Loans, including fees	\$ 4,090,423	\$ 3,704,752
Taxable securities	423,211	470,411
Tax-exempt securities	137,115	175,674
Other	162,596	73,030
Total interest and fee income	<u>4,813,345</u>	<u>4,423,867</u>
Interest expense		
Deposits	245,226	139,697
Total interest expense	<u>245,226</u>	<u>139,697</u>
Net interest income	4,568,119	4,284,170
Provision for loan losses	135,000	75,000
Net interest income after provision for loan losses	<u>4,433,119</u>	<u>4,209,170</u>
Other income		
Service charges and fees	300,553	296,372
Mortgage banking income	256,379	250,554
Gain on sales of securities	28,900	387
Other non-interest income	6,907	7,783
Total other income	<u>592,739</u>	<u>555,096</u>
Other expense		
Salaries and employee benefits	1,664,436	1,576,452
Net occupancy expense	427,247	422,059
Other operating expenses	543,099	628,867
Net other real estate owned expenses	—	24,137
Total other expense	<u>2,634,782</u>	<u>2,651,515</u>
Income before income tax expense	2,391,076	2,112,751
Income tax expense	<u>550,229</u>	<u>386,394</u>
Net income	<u>\$ 1,840,847</u>	<u>\$ 1,726,357</u>
Weighted average shares outstanding		
Basic	<u>5,517,236</u>	<u>5,492,896</u>
Diluted	<u>5,587,985</u>	<u>5,586,585</u>
Basic income per common share	<u>\$ 0.33</u>	<u>\$ 0.31</u>
Diluted income per common share	<u>\$ 0.33</u>	<u>\$ 0.31</u>

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2019	2018
Interest and fee income		
Loans, including fees	\$ 8,042,142	\$ 7,263,738
Taxable securities	886,665	940,914
Tax-exempt securities	298,836	403,741
Other	278,535	135,483
Total interest and fee income	<u>9,506,178</u>	<u>8,743,876</u>
Interest expense		
Deposits	488,984	249,527
Total interest expense	<u>488,984</u>	<u>249,527</u>
Net interest income	9,017,194	8,494,349
Provision for loan losses	145,000	130,000
Net interest income after provision for loan losses	<u>8,872,194</u>	<u>8,364,349</u>
Other income		
Service charges and fees	580,486	591,663
Mortgage banking income	380,041	390,469
Gain on sales of securities	28,900	4,735
Other non-interest income	12,095	16,174
Total other income	<u>1,001,522</u>	<u>1,003,041</u>
Other expense		
Salaries and employee benefits	3,320,960	3,149,172
Net occupancy expense	814,379	805,391
Other operating expenses	1,158,804	1,314,649
Net other real estate owned expenses	—	24,137
Total other expense	<u>5,294,143</u>	<u>5,293,349</u>
Income before income tax expense	4,579,573	4,074,041
Income tax expense	<u>1,049,462</u>	<u>735,454</u>
Net income	<u>\$ 3,530,111</u>	<u>\$ 3,338,587</u>
Weighted average shares outstanding		
Basic	<u>5,515,832</u>	<u>5,339,187</u>
Diluted	<u>5,586,813</u>	<u>5,433,360</u>
Basic income per common share	<u>\$ 0.64</u>	<u>\$ 0.63</u>
Diluted income per common share	<u>\$ 0.63</u>	<u>\$ 0.61</u>

See accompanying notes to consolidated financial statements.