

Dear Stockholders, Customers, Employees, and Friends,

2017 first quarter earnings were \$1,226,088 or \$0.25 and \$0.24 basic and diluted per share, respectively, for the quarter ended March 31, 2017 – an increase of 2.54% from earnings for the quarter ended March 31, 2016 of \$1,195,736 or \$0.24 and \$0.24 basic and diluted per share, respectively. Returns on average assets and average equity for the three months ended March 31, 2017 were 1.21% and 11.95%, respectively, compared with 2016 returns on average assets and average equity of 1.22% and 11.91%, respectively.

We are grateful to have celebrated the 30<sup>th</sup> anniversary of the bank's opening in February and are excited for the future of your bank. We are happy to be once again, the #1 rated South Carolina bank as reported by the Financial Management Consulting Group. Our ranks continue to shrink as the number of banks domiciled in our state is approaching fifty – down from over one hundred approximately twenty years ago. Our strategic decision to remain in the Low Country and grow the share of the market we are in has led to remarkable results.

In this month's American Banker magazine, we were recognized as the 37<sup>th</sup> most profitable bank (based on 3-year average Return on Equity) out of the 669 financial institutions in our country with less than \$2 billion in assets. This is certainly testimony to the business model we created over three decades ago.

As we move through the first part of the year, continued efficiencies and excellent control of expense have offset the effects of flat loan demand. We are consistent with this year's profit plan and remain ahead of earnings for the first quarter of 2016.

We are optimistic for our plans for a North Charleston office as decisions are currently being made for this future location. I am pleased to announce that Tom Johnson, V.P. has been promoted to lead our Mortgage Department and Lawson Johnson has been promoted to Branch Manager of our Meeting Street office. Please congratulate them as they learn their new duties and responsibilities.

STRONG

SECURE

STABLE



*Fleetwood S. Hassell*

*President/CEO*

Part I. Financial Information

Item 1. Financial Statements

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
<b>ASSETS</b>		
Cash and due from banks	\$ 7,122,113	\$ 8,141,030
Interest-bearing deposits in other banks	31,153,847	18,101,300
Investment securities available for sale	129,313,988	119,978,944
Mortgage loans to be sold	3,524,646	4,386,210
Loans	255,463,843	260,576,115
Less: Allowance for loan losses	(3,876,857)	(3,851,617)
Net loans	251,586,986	256,724,498
Premises, equipment and leasehold improvements, net	2,263,872	2,296,624
Other real estate owned	521,943	521,943
Accrued interest receivable	1,177,290	1,614,002
Other assets	2,131,942	2,185,085
Total assets	<u>\$ 428,796,627</u>	<u>\$ 413,949,636</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest-bearing demand	\$ 134,728,089	\$ 126,034,478
Interest-bearing demand	98,021,399	96,260,589
Money market accounts	74,670,607	77,307,662
Time deposits over \$250,000	20,442,457	17,822,136
Other time deposits	24,888,719	26,019,121
Other savings deposits	33,213,468	29,078,865
Total deposits	385,964,739	372,522,851
Accrued interest payable and other liabilities	1,186,749	813,811
Total liabilities	<u>387,151,488</u>	<u>373,336,662</u>
<b>Shareholders' equity</b>		
Common stock-no par, 12,000,000 shares authorized; 5,212,935 and 5,197,535 shares issued at March 31, 2017 and December 31, 2016, respectively; 4,971,539 and 4,956,139 shares outstanding at March 31, 2017 and December 31, 2016, respectively	—	—
Additional paid in capital	36,956,047	36,824,022
Retained earnings	7,174,548	6,643,476
Treasury stock: 241,396 shares at March 31, 2017 and December 31, 2016	(2,247,415)	(2,247,415)
Accumulated other comprehensive loss, net of income taxes	(238,041)	(607,109)
Total shareholders' equity	41,645,139	40,612,974
Total liabilities and shareholders' equity	<u>\$ 428,796,627</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 MARCH 31,	
	2017	2016
Interest and fee income		
Loans, including fees	\$ 3,141,738	\$ 3,034,043
Taxable securities	338,847	323,133
Tax-exempt securities	270,885	239,314
Other	39,951	35,575
Total interest and fee income	3,791,421	3,632,065
Interest expense		
Deposits	96,782	94,139
Total interest expense	96,782	94,139
Net interest income	3,694,639	3,537,926
Provision for loan losses	2,500	45,000
Net interest income after provision for loan losses	3,692,139	3,492,926
Other income		
Service charges, fees and commissions	269,566	260,531
Mortgage banking income	275,105	351,873
Gains on sales of securities	—	187,936
Other non-interest income	7,203	5,689
Total other income	551,874	806,029
Other expense		
Salaries and employee benefits	1,470,209	1,515,027
Net occupancy expense	364,145	376,399
Other operating expenses	637,276	631,272
Net other real estate owned expenses	—	13,450
Total other expenses	2,471,630	2,536,148
Income before income tax expense	1,772,383	1,762,807
Income tax expense	546,295	567,071
Net income	\$ 1,226,088	\$ 1,195,736
Weighted average shares outstanding		
Basic	4,962,250	4,917,334
Diluted	5,073,101	5,067,563
Basic income per common share	\$ .25	\$ .24
Diluted income per common share	\$ .24	\$ .24

See accompanying notes to consolidated financial statements.