

Dear Stockholders, Customers, Employees, and Friends,

2017 third quarter earnings were \$1,440,653 or \$0.29 and \$0.28 basic and diluted per share, respectively, for the quarter ended September 30, 2017 – an increase of 1.00% from earnings for the quarter ended September 30, 2016 of \$1,426,338 or \$0.29 and \$0.28 basic and diluted per share, respectively. Earnings for the nine months ended September 30, 2017 increased \$118,943 or 3.02% to \$4,053,126 compared to \$3,934,183 for the nine months ended September 30, 2016. Returns on average assets and average equity for the nine months ended September 30, 2017 were 1.28% and 12.66%, respectively, compared with 2016 returns on average assets and average equity of 1.29% and 12.73%, respectively.

Federal Reserve decisions to raise interest rates have resulted in an improvement in loan interest income and have mitigated the lack of loan growth throughout the first three quarters of the year. Recent loan activity and a strong pipeline; however, have positioned the bank for a favorable fourth quarter. Continued emphasis on operating expenses has resulted, once again, in a strong efficiency ratio, which is paramount for the long-term success of a community bank.

We are pleased to have increased our quarterly cash dividend to \$0.15 per share. This represents the 112th quarterly cash dividend, and is an increase of 7% over the previous dividend of \$0.14 per share - a result of the continued focus and success of your Bank. Over the past 30-plus years, we have paid over \$39 million in quarterly cash dividends to our shareholders – an amount approximately four times our original capital raised in 1986. All the while, we have retained sufficient capital levels to be recognized as a high performing, well capitalized financial institution.

We have recently made a number of personnel changes that we believe will reinforce and secure the future success of the Bank. Our investment in our people represents our ongoing commitment to have bankers who understand the long-term nature of our business and the success that our culture brings to the Bank, to our community, and to them, respectively. We are fortunate to have them and wish the very best for each of them in their new duties and responsibilities.

We remain ahead of our profit plan for the year and the first three quarters of 2016. We are pleased with the performance of the bank to date.

Fleetwood S. Hassell
President/CEO

Part I. Financial Information

Item 1. Financial Statements

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| | (Unaudited) September 30, 2017 | (Audited) December 31, 2016 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Cash and due from banks | \$ 8,009,824 | \$ 8,141,030 |
| Interest-bearing deposits at the Federal Reserve Bank | 22,159,373 | 18,101,300 |
| Investment securities available for sale | 126,496,884 | 119,978,944 |
| Mortgage loans to be sold | 3,117,830 | 4,386,210 |
| Loans | 269,132,631 | 260,576,115 |
| Less: Allowance for loan losses | (3,886,959) | (3,851,617) |
| Net loans | 265,245,672 | 256,724,498 |
| Premises, equipment and leasehold improvements, net | 2,252,832 | 2,296,624 |
| Other real estate owned | 566,632 | 521,943 |
| Accrued interest receivable | 1,328,542 | 1,614,002 |
| Other assets | 2,296,720 | 2,185,085 |
| Total assets | <u>\$ 431,474,309</u> | <u>\$ 413,949,636</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Deposits: | | |
| Non-interest-bearing demand | \$ 124,661,171 | \$ 126,034,478 |
| Interest-bearing demand | 99,066,299 | 96,260,589 |
| Money market accounts | 84,417,700 | 77,307,662 |
| Time deposits over \$250,000 | 17,695,869 | 17,822,136 |
| Other time deposits | 25,993,812 | 26,019,121 |
| Other savings deposits | 34,712,187 | 29,078,865 |
| Total deposits | 386,547,038 | 372,522,851 |
| Accrued interest payable and other liabilities | 1,217,803 | 813,811 |
| Total liabilities | <u>387,764,841</u> | <u>373,336,662</u> |
| Shareholders' equity | | |
| Common stock-no par, 12,000,000 shares authorized; 5,225,875 and 5,197,535 shares issued at September 30, 2017 and December 31, 2016, respectively; 4,984,479 and 4,956,139 shares outstanding at September 30, 2017 and December 31, 2016, respectively | — | — |
| Additional paid in capital | 37,172,768 | 36,824,022 |
| Retained earnings | 8,558,442 | 6,643,476 |
| Treasury stock: 241,396 shares at September 30, 2017 and December 31, 2016 | (2,247,415) | (2,247,415) |
| Accumulated other comprehensive income (loss), net of income taxes | 225,673 | (607,109) |
| Total shareholders' equity | <u>43,709,468</u> | <u>40,612,974</u> |
| Total liabilities and shareholders' equity | <u>\$ 431,474,309</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 SEPTEMBER 30, | |
|-----------------------------------------------------|-------------------------------------|---------------------|
| | 2017 | 2016 |
| Interest and fee income | | |
| Loans, including fees | \$ 3,364,293 | \$ 3,360,151 |
| Taxable securities | 409,055 | 379,039 |
| Tax-exempt securities | 251,172 | 255,231 |
| Other | 92,512 | 35,722 |
| Total interest and fee income | <u>4,117,032</u> | <u>4,030,143</u> |
| Interest expense | | |
| Deposits | 110,625 | 96,467 |
| Short-term borrowings | — | — |
| Total interest expense | <u>110,625</u> | <u>96,467</u> |
| Net interest income | 4,006,407 | 3,933,676 |
| Provision for loan losses | 20,000 | 210,000 |
| Net interest income after provision for loan losses | <u>3,986,407</u> | <u>3,723,676</u> |
| Other income | | |
| Service charges and fees | 278,204 | 265,769 |
| Mortgage banking income | 149,379 | 409,674 |
| Gains on sales of securities | 45,820 | — |
| Other non-interest income | 8,479 | 11,143 |
| Total other income | <u>481,882</u> | <u>686,586</u> |
| Other expense | | |
| Salaries and employee benefits | 1,487,207 | 1,485,621 |
| Net occupancy expense | 399,534 | 377,075 |
| Other operating expenses | 597,797 | 721,572 |
| Net other real estate owned expenses | — | — |
| Total other expenses | <u>2,484,538</u> | <u>2,584,268</u> |
| Income before income tax expense | 1,983,751 | 1,825,994 |
| Income tax expense | <u>543,098</u> | <u>399,656</u> |
| Net income | <u>\$ 1,440,653</u> | <u>\$ 1,426,338</u> |
| Weighted average shares outstanding | | |
| Basic | <u>4,978,515</u> | <u>4,931,185</u> |
| Diluted | <u>5,067,561</u> | <u>5,054,723</u> |
| Basic income per common share | <u>\$ 0.29</u> | <u>\$ 0.29</u> |
| Diluted income per common share | <u>\$ 0.28</u> | <u>\$ 0.28</u> |

See accompanying notes to consolidated financial statements.