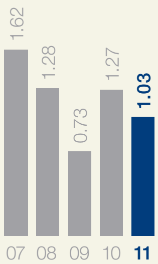
The Bank of South Carolina

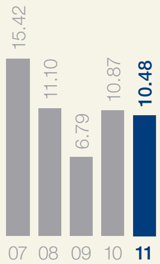
25th ANNIVERSARY

2011 Annual Report

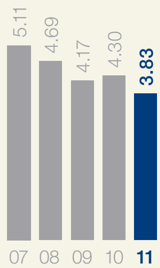
ROA
(in percent)



ROE
(in percent)



Net Interest Margin
(in percent)



Dear Shareholders, Customers, Employees and Friends,

February 26, 2012 was the 25th anniversary of The Bank of South Carolina opening for business; and what a remarkable period of time to be in the banking business! Nevertheless, we have done well during this period due to our focus on the basics of banking and having exceptional employees who are committed to the success of the company.

We were pleased with 2011 earnings of $3,189,318 or $.72 per share, an increase of 2.53% over 2010 earnings of $3,110,513 or $.70 per share. 2011 earnings were the third best in the company's history. Fourth quarter 2011 earnings of $834,952 or $.20 per share increased slightly over fourth quarter 2010 earnings of $833,203 or $.19 per share. Our returns on average assets and average equity for the year were 1.03% and 10.48%, respectively, compared to 2010 returns on average assets and average equity of 1.17% and 10.87%, respectively. We are told this is high performance banking in this environment.

Since we feel we will be in this low rate environment for several years, we have to be efficient and are proud to have an efficiency ratio of 62.21%. We had good deposit growth during the year with deposits increasing 20.24% from year end 2010 to $301,127,515 at year end 2011. Loan growth was up and down during the year; however, we had some loan demand at the end of the fourth quarter which gave us a 2.73% increase in outstanding loans for the year.

Our Mortgage Department's volume improved in the last half of the year due to the unprecedented low interest rate environment. Our originations for the year were $60,049,882, as compared to the prior year's volume of $83,127,187.

We feel the local economy is slowly beginning to improve, and we are in a good position to capitalize on the opportunities the market produces.

Reflecting back on our 25 years in business, many things stand out, but the wonderful customers and employees who have made this bank are the keys to the success we have enjoyed. Our bank has done better in difficult times because we stuck to the basics during the good times. On a personal note, it has been a privilege and an honor to lead our bank for its entire history with the extraordinary support of our employees.

We look forward to the challenges and opportunities of 2012.

Hugh C. Lane, Jr.
President & Chief Executive Officer

Sheryl G. Sharry
Executive Vice President & Chief Financial Officer

Fleetwood S. Hassell
Executive Vice President

The Bank of South Carolina

March 6, 2012

Dear Shareholder:

The Annual Meeting of Shareholders of Bank of South Carolina Corporation will be held at 5:30 p.m. on Tuesday, April 10, 2012, at the Confederate Home and College, 62 Broad Street in the City of Charleston, South Carolina. Enclosed you will find the formal Notice of Annual Meeting of Shareholders, Proxy Card, and Proxy Statement detailing the matters which will be acted upon. Again this year, we are incorporating the enclosed Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, as our Annual Report to Shareholders.

We urge you to sign and date the Proxy Card and return it as soon as possible in the enclosed postage-paid envelope. Should you decide to attend the meeting and vote in person, you may withdraw your Proxy.

We appreciate your continued interest and investment in Bank of South Carolina Corporation.

Sincerely,

Hugh C. Lane, Jr.
President

P.O. BOX 538 : CHARLESTON, SC 29402 : P 843 724 1500 : F 843 724 1513

PROXY MATERIAL OF
BANK OF SOUTH CAROLINA CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 10, 2012

To the Shareholders of Bank of South Carolina Corporation:

The Annual Meeting of Shareholders of Bank of South Carolina Corporation (the "Company") will be held at the Confederate Home and College, 62 Broad Street, Charleston, South Carolina, on Tuesday, April 10, 2012, at 5:30 p.m., for the following purposes:

1. To elect seventeen Directors of Bank of South Carolina Corporation to serve until the Company's 2013 Annual Meeting of Shareholders;

2. To ratify the appointment by the Audit Committee of the Company's Board of Directors of Elliott Davis, LLC as independent certified public accounting firm for the year ended December 31, 2012;

3. To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on February 24, 2012, will be entitled to vote at this meeting or any adjournment thereof. Information relating to the matters to be considered and voted on at the Annual Meeting is set forth in the proxy statement accompanying this Notice.

You may revoke your Proxy at any time prior to its exercise by written notice to the Company prior to the meeting or by attending the meeting personally and voting. The Board of Directors of the Company solicits the accompanying form of Proxy.

PLEASE SIGN AND DATE THE ACCOMPANYING PROXY AND PROMPTLY RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

By Order of the Board of Directors

Richard W. Hutson, Jr., Secretary

February 23, 2012

BANK OF SOUTH CAROLINA CORPORATION
256 Meeting Street
Charleston, South Carolina 29401

PROXY STATEMENT

The Board of Directors of Bank of South Corporation are using this Proxy Statement to solicit Proxies from its Shareholders for the 2012 Annual Meeting of Shareholders. The Company is making this Proxy Statement and the enclosed form of Proxy available to its Shareholders on or about March 6, 2012.

The information provided in this Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. The Board encourages you to read it carefully.

INFORMATION ABOUT THE ANNUAL MEETING

Time and Place of the Annual Meeting

The Annual Meeting will be held as follows:
Date: Tuesday, April 10, 2012
Time: 5:30 p.m. Eastern Standard Time
Place: Confederate Home and College, 62 Broad Street, Charleston, South Carolina

Matters to be Considered at the Annual Meeting

At the meeting you will be asked to consider and vote upon the following proposals:

Proposal 1: To elect seventeen Directors of Bank of South Carolina Corporation to serve until the Company's 2013 Annual Meeting of Shareholders.

Proposal 2: To ratify the appointment by the Audit Committee of the Company's Board of Directors of Elliott Davis, LLC independent public accounting firm for the year ended December 31, 2012.

Proposal 3: To transact such other business as may properly come before the meeting and any adjournment or postponement of the meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS' MEETING TO BE HELD APRIL 10, 2012

This Proxy Statement and the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission, are available at http://banksc.com.

YOUR VOTE IS IMPORTANT TO US, SINCE BROKERS CAN NO LONGER VOTE ON BEHALF OF SHAREHOLDERS FOR THE ELECTION OF DIRECTORS WITHOUT YOUR INSTRUCTIONS.

Who is Entitled to Vote?

The Board of Directors of the Company has fixed the close of business on February 24, 2012, as the record date for Shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders. Only holders of record of Bank of South Carolina Corporation's Common Stock on that date are entitled to notice of and to vote at the Annual Meeting. Each Shareholder is entitled to one vote for each share of Bank of South Carolina Corporation Common Stock that the Shareholder owns; provided, however, that the Shareholders have cumulative voting rights for the election of Directors. The right to cumulate votes means that the Shareholders are entitled to multiply the number of votes they are entitled to cast by the number of Directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates. On February 24, 2012, there were 4,444,940 shares of Bank of South Carolina Corporation's Common Stock outstanding and entitled to vote at the Annual Meeting.

How Do I Vote at the Annual Meeting?

Proxies are solicited to provide all Shareholders of record on the voting record date an opportunity to vote on matters scheduled for the Annual Meeting and described in these materials. You are a Shareholder of record if your shares of Bank of South Carolina Corporation Common Stock are held in your name. If you are a beneficial owner of Bank of South Carolina Corporation Common Stock held by a broker, bank or other nominee (i.e., in "street name"), please see the instructions in the following question.

Shares of Bank of South Carolina Corporation Common Stock can only be voted if the Shareholder is present in person or by Proxy at the Annual Meeting. To ensure your representation at the Annual Meeting, the Board recommends that you vote by Proxy even if you plan to attend the Annual Meeting. You can always change your vote at the meeting if you are a Shareholder of record.

Voting instructions are included in this material. Shares of Bank of South Carolina Corporation Common Stock represented by properly executed Proxies will be voted by the individuals named on the Proxy (selected by The Board of Directors) in accordance with the Shareholder's instructions. Where properly executed Proxies are returned with no specific instructions as how to vote at the Annual Meeting, the persons named in the Proxy will vote the shares **"For"** the election of each of the Director nominees, **"For"** the ratification of the appointment of Elliott Davis, LLC. If any other matters are properly presented at the Annual Meeting for action, the persons named in the enclosed Proxy and acting thereunder will have the discretion to vote on these matters in accordance with their best judgment.

As a Shareholder of Bank of South Carolina Corporation Common Stock, you may receive more than one Proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children. In this case, you will receive three separate Proxy cards to vote.

What if My Shares Are Held in Street Name?

If you are a beneficial owner of shares held in street name by a broker, your broker, as the record holder of the shares, is required to vote the share in accordance with your instructions. If your Common Stock is held in street name, you will receive instructions from your broker that you must follow in order to have your shares voted. Your broker may allow or require you to deliver your voting instructions via the telephone or the Internet. Please see the instructions that are provided by your broker. If you do not give your instructions to your broker, your broker may nevertheless vote the shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items. In the case of non-discretionary items, shares not voted are treated as “broker non-votes” and not entitled to vote. The proposal to elect Directors described in this Proxy Statement is considered a non-discretionary item under the rules governing brokers that are members of the New York Stock Exchange; therefore, you must provide instructions to your broker in order to have your shares voted in the election of Directors.

If your shares are held in street name, you will need proof of ownership to be admitted to the Annual Meeting. A recent brokerage statement or a letter from the record holder of your shares are examples of proof of ownership. If you want to vote your shares of Common Stock held in street name in person at the Annual Meeting, you will have to get a written Proxy in your name from the broker, bank or other nominee who holds your shares.

The solicitation of Proxies on behalf of the Board of Directors is conducted by Directors, officers and regular employees of the Company and its wholly owned subsidiary, The Bank of South Carolina (the "Bank"), at no additional compensation over regular salaries. The cost of printing and mailing of all Proxy materials has been paid by the Company. Brokers and others involved in handling and forwarding the Proxy materials to their customers having beneficial interests in the stock of the Company registered in the names of Nominees will be reimbursed for their reasonable expenses in doing so.

How Many Shares Must Be Present to Hold the Meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by Proxy, of at least a majority of the shares of Bank of South Carolina Common Stock entitled to vote at the Annual Meeting as of the record date shall constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a Quorum is Not Present at the Meeting?

If a quorum is not present at the scheduled time of the meeting, a majority of the Shareholders present or represented by Proxy may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for 30 days or more. An adjournment will have no effect on the business that may be conducted at the meeting.

Will Cumulative Voting Apply for the Election of Directors?

The solicitation of Proxies on behalf of the Board of Directors includes a solicitation for discretionary authority to cumulate votes.

May I Revoke My Proxy?

Any Shareholder executing a Proxy for the meeting on the Proxy Form provided may revoke the Proxy in writing delivered to the President of the Company prior to the meeting or by attending the meeting and voting in person.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth, as of February 24, 2012, the voting record date, information regarding share ownership of:

- those persons or entities (or groups of affiliated persons or entities) known by management to beneficially own more than five percent of Bank of South Carolina Corporation's Common Stock;
- each non-employee Director (including Director nominees) of Bank of South Carolina Corporation; and
- each employee Director (including Director nominees) of Bank of South Carolina Corporation

Persons and groups who beneficially own more than five percent of Bank of South Carolina Corporation's Common Stock are required to file with the SEC, and provide a copy to the Company, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To the extent known to the Board of Directors of the Company, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares of Bank of South Carolina Corporation Common Stock as of the close of business on the voting record date, February 24, 2012.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In accordance with Rule 13d-3 of the Securities Act, a person is deemed to be the beneficial owner of any shares of Common Stock if he or she has voting and/or investment power with respect to those shares. Therefore, the table below includes shares owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership over which shares the persons named in the table may possess voting and/or investment power.

Title of class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Hugh C. Lane, Jr. (1) 30 Church Street Charleston, SC 29401	532,529 (2)	11.98%
Common Stock	The Bank of South Carolina Employee Stock Ownership Plan and Trust ("the ESOP") 256 Meeting Street Charleston, SC 29401	250,614(3)	5.41%

(1) To the extent known to the Board of Directors, Beverly G. Jost, Kathleen L. Schenck, Charles G. Lane and Hugh C. Lane Jr., collectively, have beneficial ownership of 724,598 shares or 16.30% of the outstanding shares. As more fully described in the following footnotes, Hugh C. Lane, Jr. is the only one of the above who has a beneficial ownership interest in more than 5% percent of the Company's Common Stock. Hugh C. Lane, Jr. disclaims any beneficial interest in those shares in which other members of his family have a beneficial interest other than those shares his wife owns directly and those for which he serves as Trustee or she serves as custodian (as more fully described in the following footnote).

(2) To the extent known to the Board of Directors, Hugh C. Lane, Jr., an Executive Officer and Director of the Bank and the Company, directly owns and has sole voting and investment power with respect to 256,317 shares; as Trustee for two trust accounts holding an aggregate of 104,531 shares, he has sole voting and investment power with respect to such shares; as a Co-Trustee for one trust account holding 1,663 shares, he has joint voting and investment power with respect to such shares; as a Trustee for the Mills Bee Lane Memorial Foundation, he has shared voting and investment power with respect to 10,814 shares; he is indirectly beneficial owner of 14,040 shares owned by his wife, 106,173 shares held by him for an emancipated son, held by him as Co-Trustee for the ESOP he has shared voting and investment power with respect to 10,000 unallocated shares, and 28,991 shares owned by the ESOP in which he has a vested interest. All of the shares beneficially owned by Hugh C. Lane, Jr. are currently owned. Hugh C. Lane, Jr. has had beneficial ownership of more than 5% of the Bank's Common Stock since October 23, 1986, and more than 10% since November 16, 1988.

(3) The Trustees of the ESOP, David R. Schools, a Director of the Bank and the Company, Fleetwood S. Hassell, an Executive Officer and Director of the Bank and the Company, Sheryl G. Sharry, an Executive Officer and Director of the Bank and the Company and Hugh C. Lane, Jr., an Executive Officer and Director of the Bank and the Company, disclaim beneficial ownership of the 250,614 shares owned by the ESOP with all shares allocated to members of the Plan each of whom under the terms of the Plan has the right to direct the Trustees as to the manner in which voting rights are to be exercised.

Title of Class	**Name and Address of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
Executive Officer Directors			
Common Stock	Fleetwood S. Hassell 30 New Street Charleston, SC 29401	85,328[1]	1.92%
Common Stock	Hugh C. Lane, Jr. 30 Church Street Charleston, SC 29401	532,529[1]	11.98%
Common Stock	Sheryl G. Sharry 1550 Kentwood Drive James Island, SC 29412	71,650[1]	1.61%

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Non-Employee Directors and Nominees			
Common Stock	David W. Bunch 6605 Seewee Road Awendaw, SC 29429	1,184	.03%
Common Stock	Graham M. Eubank, Jr. 791 Navigators Run Mt. Pleasant, SC 29464	861	.02%
Common Stock	Glen B. Haynes, DVM 101 Drayton Drive Summerville, SC 29483	5,203	.12%
Common Stock	William L. Hiott 1831 Capri Drive Charleston, SC 29407	172,193(1)	3.87%
Common Stock	Katherine M. Huger 1 Bishop Gadsden Way, C-17 Charleston, SC 29412	8,856(1)	.20%
Common Stock	Richard W. Hutson, Jr. 124 Tradd Street Charleston, SC 29401	1,677	.04%
Common Stock	Charles G. Lane 10 Gillon Street Charleston, SC 29401	204,024(1)	4.59%
Common Stock	Louise J. Maybank 8 Meeting Street Charleston, SC 29401	50,332(1)	1.13%
Common Stock	Dr. Linda J. Bradley McKee, CPA 3401 Waterway Blvd. Isle of Palms, SC 29451	947	.02%
Common Stock	Alan I. Nussbaum, MD 37 Rebellion Road Charleston, SC 29407	863	.02%

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Non-Employee Directors and Nominees (Continued)			
Common Stock	Edmund Rhett, Jr. MD 17 Country Club Drive Charleston, SC 29412	4,460[(1)]	.10%
Common Stock	Malcolm M. Rhodes, MD 7 Guerard Road Charleston, SC 29407	3,065	.07%
Common Stock	David R. Schools 317 Coinbow Drive Mount Pleasant, SC 29464	10,330[(1)]	.23%
Common Stock	Steve D. Swanson 615 Pitt Street Mount Pleasant, SC 29464	2,500	.06%
Common Stock	All Directors, Nominees, and Executive Officers as a group (17 persons)	1,065,971	23.98%

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(1) To the extent known to the Board of Directors, each of the following Directors and nominees for election as Director (each of whom directly owns and has sole voting and investment power of all shares beneficially owned by him or her except as set forth in this footnote) indirectly owns the following number of shares: Fleetwood S. Hassell – an aggregate of 37,323 shares owned by his wife, owned by a non-emancipated son, held by him as Trustee for the revocable trust of his father, held by him as a co-Trustee with Charles G. Lane for the children of Hugh C. Lane, Jr., 10,000 unallocated shares held by him as a trustee of the ESOP, and 28,490 shares owned by the ESOP, in which he has a vested interest; Hugh C. Lane, Jr. - an aggregate of 262,518 shares owned by his wife, owned by a non-emancipated son, held by him as Trustee for the Beverly Glover Lane Trust, held by him as Co-Trustee for the Hugh C. Lane Irrevocable Trust, held by him as Trustee for the Marital Trust for the benefit of Beverly Glover Lane, held by him as a Trustee of Mills Bee Lane Memorial Foundation, 10,000 unallocated shares held by him as a trustee of the ESOP, and 28,991 shares owned by the ESOP in which he has a vested interest; Sheryl G. Sharry 10,000 unallocated shares held by her as a trustee of the ESOP; 28,126 shares owned by the ESOP, in which she has a vested interest; William L. Hiott, Jr. - an aggregate of 8,855 shares directly owned by his wife; Katherine M. Huger - 804 shares owned by her husband; Charles G. Lane - an aggregate of 84,226 shares owned by his wife, held by him as a co-Trustee with Fleetwood S. Hassell for the children of Hugh C. Lane, Jr., held by him as Co-Trustee under the Irrevocable Trust of Hugh C. Lane and held by him as a Trustee of Mills Bee Lane Memorial Foundation, and shares held by custodian for his children; Louise J. Maybank – 17,991 shares held by her as a co-Trustee for a Family Charitable Trust; and Edmund Rhett, Jr., MD - 831 shares owned by his wife; David R. Schools – 10,000 unallocated shares held by him as a trustee of the ESOP. All such indirectly owned shares are included in the totals of the number of shares set forth in the above table and beneficially owned by the Directors and nominees.

Equity Compensation Plan Information
The following table summarizes the total outstanding options and the weighted-average exercise price of the Company's equity compensation Plan as of December 31, 2011:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [1]
1998 Omnibus Stock Incentive Plan approved by Shareholders [2]	40,766	$13.39	-
2010 Omnibus Stock Incentive Plan approved by Shareholders[3]	127,500	10.54	172,500
Total	168,266	$11.23	172,500

1 In accordance with the 1998 Omnibus Stock Incentive Plan, no options may be granted under this Plan after April 14, 2008, due to its expiration. Options granted before this date shall remain valid in accordance with their terms.

2 The number of securities to be issued upon exercise of the outstanding options represents the total outstanding options under the 1998 Omnibus Stock Incentive Plan. As per the agreement the above options shall remain valid in accordance with their terms.

3 The 2010 Omnibus Stock Incentive Plan was approved by the Shareholders at the 2010 Annual Meeting. There were 300,000 shares reserved under this Plan. On September 24, 2010, options for 33,000 shares were granted to 21 employees (other than Executive Officers) with options for 750 shares forfeited with the resignation of one employee in 2010. On March 24, 2011, options for 5,000 shares were granted to 1 employee and on June 23, 2011, options for 96,000 shares were granted to 22 employees including Sheryl G. Sharry and Fleetwood S. Hassell, both Executive Officers who each received options for 10,000 shares. During the year ended December 31, 2011, options for 5,750 shares were forfeited with the resignation of two employees.

PROPOSAL 1: TO ELECT SEVENTEEN DIRECTORS OF BANK OF SOUTH CAROLINA CORPORATION TO SERVE UNTIL THE COMPANY'S 2013 ANNUAL MEETING OF SHAREHOLDERS.

The Board of Directors consists of 17 members elected annually. The Board of Directors proposes that the 17 nominees described below, each of whom is currently serving as Director, be re-elected for a new term expiring at the 2013 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

Each of the nominees has consented to be named as a nominee. If any of them should become unavailable to serve as a Director (which is not now expected), the Board may designate a substitute nominee.

The Board of Directors believes that it is necessary for each of the Company's Directors to possess many qualities and skills. When searching for new candidates, the Nominating Committee (Corporate Governance Committee) considers the evolving needs of the Board of Directors and searches for candidates that fill any current or anticipated future gap. The Board of Directors also believes that all Directors must possess a considerable amount of business management (such as experience as a Chief Executive or Chief Financial Officer) and educational experience. The Nominating Committee first considers management experience and then considers issues of judgment, background, stature, conflicts of interest, integrity, ethics and commitment to the goal of maximizing Shareholder value when considering Director candidates. The Nominating Committee focuses on issues of diversity, such as diversity in gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Nominating Committee does not have a formal policy with respect to diversity; however the Board of Directors and the Nominating Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board of Directors, the Nominating Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing Directors for re-election, the individual's contributions to the Board of Directors are also considered.

All Board members bring to the Board of Directors a wealth of leadership experience derived form their extensive business and Board experiences. The process undertaken by the Nominating Committee in recommending qualified Director candidates is described below under "Corporate Governance-Director Nomination Process" (see pages 14 -16 of this Proxy Statement). Certain individual qualifications and skills of our Directors that contribute to the Board of Directors effectiveness as a whole are described in the following paragraphs.

The name of each Nominee designated by the Board of Directors of the Company for election as a Director of the Company and certain information provided by such Nominee to the Company are set forth in the table below. Five of the current Nominees served as initial Directors of the Bank from October 22, 1986, when the Bank's charter was issued until the first Annual Meeting of Shareholders on April 14, 1987, and were elected to serve a one year term at such Annual Meeting. All of the above five Directors of the Bank were elected to serve one-year terms at subsequent Annual Meetings. All of the above five Directors of the Bank were elected Directors of the Company upon its organization in 1995. Alan I. Nussbaum, MD and Edmund Rhett, Jr., MD, were first elected as Directors of the Company during 1999. Dr. Linda J. Bradley McKee, CPA was first elected as a Director of the Company during 2002. They were all re-elected as Directors of the Company to serve one year terms at subsequent Annual Meetings. Graham M. Eubank, Jr., Richard W. Hutson, Jr. and Malcolm M. Rhodes, MD were elected pursuant to the By-Laws of the Company on December 16, 2004, and were elected to serve one year terms at subsequent Annual Meetings. Fleetwood S. Hassell was first elected by the Shareholders on April 11, 2006 at the Annual Meeting, and was elected to serve one year terms at subsequent Annual Meetings. Glen B. Haynes, DVM was first elected by the Shareholders on April 10, 2007, at the Annual Meeting and was elected to serve a one year term at subsequent Annual Meetings. David W. Bunch and David R. Schools were first elected by the shareholders on April 14, 2009, at the Annual Meeting and were elected to serve a one year term at subsequent Annual Meetings. Sheryl G. Sharry, an Executive Officer was first elected by the shareholders on April 13, 2010, and was elected to serve a one year term at subsequent Annual Meetings.

Steve D. Swanson a nominee for the Board of Directors, served on the Board from 2002 to 2007. He resigned from the Board of Directors in 2007, due to restrictions placed on him by a covenant as the result of the sale of his business. The restrictions that precluded him from serving on the Board are no longer applicable allowing him to be recommended for nomination by the Nominating Committee of the Board of Director. This recommendation was approved by the Board of Directors on December 16, 2010. He was elected to serve a one year term at the 2011 Annual Meeting.

The names of the nominees along with their present positions, principal occupations and Directorships held during the past five years, their ages and the year first elected as a Director, are set forth below.

Executive Officer Directors and Nominees

Fleetwood, S. Hassell   Age 52   First elected to the Board 2006

Mr. Hassell has been with The Bank of South Carolina since its organization in 1986. He began as an Assistant Vice President for commercial lending and business development. Mr. Hassell held the position of Vice President and Senior Vice President and currently is an Executive Vice President and Senior Lender. Born and raised in Charleston, SC, Mr. Hassell graduated from Porter Gaud High School and earned a BS and MBA from the University of South Carolina School of Business. Mr. Hassell began his banking career in 1983 as a management trainee at the Citizens and Southern National Bank of South Carolina. He was elected to the Board of Directors of the Bank of South Carolina and its parent Company in 2006. In addition to serving on the Board of the Bank and the Company, Mr. Hassell has served on the Boards of the Kidney Foundation, Crime Stoppers, Atlantic Coast Conservation Association, Trident Tech Foundation, Charleston Breakfast Rotary Club (President), Charleston Day School (Treasurer), Porter Gaud School Alumni, the Preservation Society, and South Carolina Bankers Association. In January 2012, Mr. Hassell was appointed to the South Carolina State Board of Financial Institutions.

Given Mr. Hassell's experience in banking, his strong background in commercial lending and business development and his current participation and contributions made to the Board of Directors and its committees, the Nominating Committee recommended his re-election to the Board.

Hugh C. Lane, Jr.   Age 64   First elected to the Board 1995

Mr. Lane, brother of Charles G. Lane, has been with The Bank of South Carolina since its organization in 1986. He has served as President and Chief Executive Officer of the Bank since 1986 and of the Company since 1995. He has served as Chairman of the Board of Directors of The Bank of South Carolina since its organization in 1986, and Chairman of Bank of South Carolina Corporation since its organization in 1995. Mr. Lane was born in Charleston, SC. He graduated from Choate School in Wallingford, Connecticut and earned a BA in economics from the University of Pennsylvania. Mr. Lane began his banking career at Citizens and Southern National Bank of Georgia in Atlanta. His banking career also included working in the Bond, Leasing and International Departments at the Chemical Bank in New York, City Executive of Citizens and Southern National Bank, Sumter South Carolina, and Executive Vice President, heading the Citizens and Southern National Bank's Southern Region. Mr. Lane also served on the Board of Directors of Citizens and Southern National Bank of South Carolina for 14 years. Mr. Lane serves as an Administrator and Trustee of the Bank of South Carolina Employee Stock Option Plan and Trust. In addition to his responsibilities at The Bank of South Carolina, Mr. Lane has served as a member of the Advisory Committee for the ACE Basin National Estuarine Research Reserve System and is currently Chairman of the Charleston County Conservation Bank Board. He is a Trustee and past Chairman of the Belle W. Baruch Foundation, Trustee and past Chairman of the Board at Wofford College, past Chairman of South Carolina Independent Colleges & Universities, Trustee and past President of Charleston Museum, past Co-Chairman of the Community Relations Committee, past member of Advisory Committee for the Storm Eye Institute of the Medical University of South Carolina, and past member of the Board of Trident Urban League. He has been the recipient of Honorary Doctorates from Southern University and The Citadel. He has also received the "Distinguished Citizen Award" from Wofford College National Alumni Council, the Avery Citizenship Award for outstanding community service, the Joseph P. Riley Leadership Award, and the Order of the Palmetto presented by the Governor of South Carolina.

The Nominating Committee has recommended the re-election of Hugh C. Lane, Jr. to the Board of Directors based on his background in economics, banking experience, knowledge of the financials of the Company, and his strong commitment to the local community. In addition the Committee considered his current contribution to the Board and his continued devotion to serving the Shareholders of the Company.

Sheryl G. Sharry Age 57 First elected to the Board 2010

Mrs. Sharry has been with The Bank of South Carolina since its organization in 1986. She has served as Assistant Vice President – Operations Department, Vice President – Operations & Technology, Senior Vice President – Operations & Technology, and is currently Chief Financial Officer, Executive Vice President and Treasurer. Mrs. Sharry serves as an Administrator and Trustee of the Bank of South Carolina Employee Stock Option Plan and Trust. Mrs. Sharry became a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation in 2010. Mrs. Sharry has lived in South Carolina for 47 years. She is a graduate of the College of Charleston, South Carolina Bankers School, the School of Bank Investments and Financial Management. Mrs. Sharry started her banking career at Citizens and Southern National Bank of South Carolina where she served as Utility Staff, CSR, teller and CSR trainer, and Operations Officer-Internal Operations Department. Mrs. Sharry has attended classes covering Network Security and Administration, Administration of the Bank's core software, ITI; Information Technology Risk Assessment, Internet Banking Compliance, Cyber Crime, Liquidity Contingency Planning, Asset Liability Management and Interest Rate Risk, Budgeting and Forecasting, Bank Insurance, Stress Testing, and Income Tax Issues. In 2010 she attended an SEC Reporting Skills Workshop and in 2011 she completed The Darden/SNL Executive Program in Bank Financial Leadership. She is Chairman of the South Carolina Bankers Association Disaster Recovery Committee and is a member of Financial Managers Society, and South Carolina InfraGard.

Sherry Sharry was recommended for election to the Board of Directors by the Nominating Committee based on her strong background in operations and technology of the Company, experience in banking, in-depth knowledge of the financials of the Company, and continued devotion to the success of the Company.

<u>Non-Employee Directors and Nominees</u>

David W. Bunch Age 61 First elected to the Board 2009

Mr. Bunch has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2009. He was born in Charleston, South Carolina and graduated from North Charleston High School and Clemson University. He has been employed by XO Bunch Organizations since 1973, serving as President, Hughes Motors, Inc.; Vice-President, Bunch Leasing Co.; Vice-President, Florence Truck Center, Inc.; Partner, Bunch Truck & Equipment, LLC; Partner, Bunch & Sons-Real Estate; Managing member, Wando Properties, LLC; and President, Double D Leasing Co., Inc. In addition to serving on Board of Directors of the Bank of South Carolina Corporation and The Bank of South Carolina, Mr. Bunch served as Board member of South Carolina Federal Savings Bank. He is a past President of the Rotary Club of North Charleston, a Paul Harris Fellow of the Rotary Club of North Charleston, a member of South Carolina Trucking Association, a member of the Executive Association of Greater Charleston, a member of the Hibernian Society, and a member of North Charleston United Methodist Church.

The Nominating Committee has recommended the re-election of David Bunch to the Board of Directors based on his strong knowledge of business including successfully starting and running several companies, his participation on the Loan Committee, and his service on various Boards with the Company and community.

Graham M. Eubank, Jr. Age 44 First elected to the Board 2005

Mr. Eubank has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2005. He was born in Fayetteville, North Carolina and raised in Charleston, South Carolina. He attended private schools and received a BS in Management from Clemson University. He is also a graduate of the National Automobile Dealers Association Dealer Candidate Academy. In 1992, Mr. Eubank began working with his family's business, Palmetto Ford, Inc., where he has held many positions including New Car Sales Manager, Used Car Sales Manager and Parts and Service Director. Currently Mr. Eubank is President and CEO of the Palmetto Car and Truck Group which is comprised of Ford, Lincoln, Mercury, Hyundai, Mama's Used Cars and Quick Lane Auto and Tire Center. In addition to serving on the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation, Mr. Eubank has served on the Board of Carolina Ford Dealer Advertising Association, the Board of the East Cooper Rotary Club and the Board of The Boy Scouts of America. In addition he has served as President of the Trident New Car Dealers Association and President of the South Carolina Automobile Dealers Association.

Graham Eubank has been on the Board of Directors since 2005. He has served on various committees including the Audit Committee, Compensation Committee and the Nominating Committee. His background in business has been an asset to the current Board. For these reasons Mr. Eubank has been recommended for re-election to the Board of Directors by the Nominating Committee.

Glen B. Haynes, DVM Age 57 First elected to the Board 2007

Dr. Haynes has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2007. He was born in Charlottesville, Virginia and has lived in Summerville, South Carolina for 27 years. He is a graduate of Virginia Tech where he received a BS in Biology. He received a DVM from the University of Georgia and attended a South Carolina Bankers School program specific for bank Directors. In addition to serving on the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation, Dr. Haynes has served as President of the Summerville Rotary Club, President of Frances Willis SPCA, Chairman of the South Carolina Board of Veterinary Medical Examiners, and President of Trident Veterinary Medical Association. Dr. Haynes is a member of the American Veterinary Medical Association and a member of St. Paul's Episcopal Church where he served on the vestry.

Dr. Haynes has been committed to the success of the Company, serving on the Audit and Loan Committees for several years. In recommending Dr. Haynes for re-election to the Board of Directors the Nominating Committee considered this experience as well as his strong ties to the Summerville community and his work ethic demonstrated in running his own practice.

William L. Hiott, Jr. Age 67 First elected to the Board 1995

Mr. Hiott has been with The Bank of South Carolina since its organization in 1986. He served as Executive Vice President and Cashier of the Bank from 1986 until his retirement in April 2010. He also served as Executive Vice President and Treasurer of the Company from its organization in 1995 until retirement in April 2010. He has served on the Board of Directors of The Bank of South Carolina since its organization in 1986 and Bank of South Carolina Corporation since its organization in 1995. Mr. Hiott was born and raised in Colleton County, South Carolina where he graduated from Walterboro High School. He received a BS in Accounting from Charleston Southern University. He is a graduate of South Carolina Bankers School and a graduate of the University of Wisconsin's Bank Administration Graduate School. Mr. Hiott began his banking career at Citizens and Southern National Bank of South Carolina where he held the position of Vice President of Operations. In addition to serving on the Board of the Bank and the Company, Mr. Hiott has served on the Boards of the Harry Hampton Memorial Wildlife Fund (Chairman), SC Nature Conservancy, and the Low Country Open Land Trust (Treasurer). He has also served on the SC Department of Natural Resources Marine Advisory Board (Vice-Chairman), DNR SC Governor's Cup Advisory Board, DNR Waterfowl Advisory Board (Chairman), and the DNR Migratory Waterfowl Stamp Advisory Board (Chairman).

The Nominating Committee recommended Mr. Hiott for re-election to the Board of Directors based on his experience in banking, in-depth knowledge of the financials of the Company, his strong commitment to the local community, and his current contributions to the Board.

Katherine M. Huger Age 70 First elected to the Board 1995

Mrs. Huger has been a member of the Board of Directors of The Bank of South Carolina since its organization in 1986, and a member of the Board of Directors of the Bank of South Carolina Corporation since its organization in 1995. Born in Buffalo, New York, Mrs. Huger has lived in Charleston, South Carolina for 40 years. Mrs. Huger studied economics, international economic relations and international finance, receiving an AB degree from Bryn Mawr College, and MA and MALD degrees from The Fletcher School of Law and Diplomacy, Tufts University. Mrs. Huger served as an Assistant Professor of Economics at Charleston Southern University from 1972-2004. In addition to serving on the Board of the Bank and the Company, Mrs. Huger has served on the Boards of the Charleston Museum, the Charleston Horticulture Society, the Charleston Foreign Affairs Forum, and the Junior League of Charleston. Currently, she volunteers at the Gibbes Art Museum and Water Mission International, a non-profit organization serving needs in developing nations.

The Nominating Committee has recommended the re-election of Katherine Huger to the Board of Directors. The Committee recognized Mrs. Huger's commitment to the success of the Company as shown by her 25 years of service as well as her willingness to serve on the Audit Committee, Loan Committee, and the Executive/Long range Planning Committee. In addition, her extensive background in economics and finance and her community involvement were factors in the Committee's recommendation.

Richard W. Hutson, Jr. Age 54 First elected to the Board 2005

Mr. Hutson has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2005. Mr. Hutson was born and raised in Charleston, South Carolina. He majored in economics and received a BA from The University of the South. In addition to serving on the Board of the Bank and the Company, Mr. Hutson has served on the Boards of the SC Historical Society and the Historic Charleston Foundation. In addition, Mr. Hutson has served as President of the SC Historical Society, Commodore of the Carolina Yacht Club, and President of the Charleston Club. Mr. Hutson is the Manager of William M. Means Company Insurance LLC.

Richard W. Hutson, Jr. has served on the Audit Committee and the Loan Committee. His experience on these committees, in addition to his business background in running a large insurance company, led the Nominating Committee to recommend Mr. Hutson for re-election to the Board. The Committee also considered his strong ties to the Charleston community and his experience of serving on other Boards.

Charles G. Lane Age 57 First elected to the Board 1995

Mr. Lane has been a member of the Board of Directors of The Bank of South Carolina since its organization in 1986, and a member of the Board of Directors of Bank of South Carolina Corporation since its organization in 1995. Mr. Lane was born and raised in Charleston, South Carolina. He is a graduate of Clemson University. Mr. Lane served on the Advisory Board of Citizens and Southern National Bank of Greenville, South Carolina. In addition, Mr. Lane served on the Boards of Ducks Unlimited, Delta Waterfowl, The Nature Conservancy, The Coastal Conservation League, The Donnelley Foundation, and the ACE Basin Task Force. Mr. Lane served as The First Chairman of the South Carolina Conservation Bank. Mr. Lane is a Managing Member of Holcombe, Fair and Lane, LLC, a commercial real estate company.

Charles G. Lane, brother of Hugh C. Lane, Jr., has been with the Company since its organization. He has served on the Executive Committee, the Long Range Planning Committee (currently Executive/Long Range Planning), and the Loan Committee. His has devoted 25 years to ensuring the success of the Company. His experiences in the real estate market and the local community have been valuable to the Board in its decision making. Based on these aspects the Nominating Committee has recommended the re-election of Charles Lane to the Board.

Louise J. Maybank Age 72 First elected to the Board 1995

Mrs. Maybank has been a member of the Board of Directors of The Bank of South Carolina since its organization in 1986, and a member of the Board of Directors of Bank of South Carolina Corporation since its organization in 1995. Born in Edgecombe, North Carolina, Mrs. Maybank has lived in Charleston, South Carolina for 53 years. Mrs. Maybank is currently Chairman of the Charleston County Greenbelt Advisory Board. In addition she has served on the Board of Directors of the Lowcountry Open Land Trust, The Historic Charleston Foundation, the Coastal Community Foundation and the Junior League of Charleston. She also served on the City of Charleston's Planning and Zoning Board and the Board of Adjustments. She served as a Trustee of Charleston Day School and Episcopal High School.

Louise J. Maybank has served on the Board of the Bank and the Company since their organization. She has served on the Planning Committee, Loan Committee and the Nominating Committee and has dedicated her time to ensuring the success of the Company. The Nominating Committee considered all of Mrs. Maybank's service to the Company as well as her strong community involvement in recommending her for re-election to the Board.

Linda J. Bradley McKee, PhD, CPA, Age 61 First elected to the Board 2002

Dr. McKee has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2002. Born in Hereford, Texas, Dr. McKee has lived in Charleston for 18 years. Dr. McKee earned a BS in Mathematics from the University of Texas at Arlington, a MS in Accounting from Texas Tech, and a PhD in Accounting from the University of North Texas. She is an Associate Professor of Accounting at the College of Charleston. In addition to serving on the Board of the Bank and the Company, she also served on the Board of Directors of Hospice of Colorado Springs. She served as President of the Charleston Estate Planning Council and Program Director of Charleston Tax Roundtable. Dr. McKee is a member of First Methodist Church. She is also a member of the following professional organizations: AICPA, American Accounting Association, Taxation Division of American Accounting Association, Charleston Estate Planning Council, and Charleston Tax Roundtable.

Dr. McKee is considered by the Board of Directors to be a financial expert under applicable guidelines of the Securities and Exchange Commission. She has an extensive background in accounting and taxation and has been an asset to the Board and the Audit Committee. For the above reasons the Nominating Committee has recommended Dr. McKee for re-election to the Board of Directors.

Alan I. Nussbaum, MD Age 60 First elected to the Board 1999

Dr. Nussbaum has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 1999. Born and raised in Charleston, South Carolina, Dr. Nussbaum graduated from Porter Gaud High School. He received a BA from Johns Hopkins University and a MD from Harvard Medical School. Dr. Nussbaum completed his internship in Internal Medicine at Duke University Medical Center and completed his residency in Internal Medicine from Duke University Medical Center. In addition, Dr. Nussbaum completed a Fellowship in Rheumatology and Immunology from the Medical University of South Carolina. Dr. Nussbaum is a Clinical Associate Professor in the Department of Medicine at the Medical University of South Carolina and has a private practice, Rheumatology Associates, PA. Dr. Nussbaum has served both as Assistant Chairman and Chairman of the Department of Medicine at Roper Hospital. He has served as Chairman of the Quality Management Committee at Roper Hospital and is currently Chairman of the Board of Directors of Roper Hospital. He has served on the Board of the Charleston Community Concert Association, as Vice-President and President of Synagogue Emanu-El, and has been a Board member of the Hebrew Orphan Society.

The Nominating Committee has recommended the re-election of Dr. Alan Nussbaum to the Board of Directors based on the commitment that he has made to the Board, the Executive Committee and the Audit Committee. In addition to having his own medical practice and serving on several Boards in the medical community, Dr. Nussbaum served as Chairman of the Audit Committee and is dedicated to the success of the Company.

Edmund Rhett, Jr., MD Age 64 First elected to the Board 1999

Dr. Rhett has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 1999. Dr. Rhett was born in Charleston, SC and raised in Atlanta, Georgia. He has lived in the Charleston area for 34 years. Dr. Rhett received a BA from The University of the South and a MD from the Medical College of Georgia. He has a private gynecological practice, Rhett Women's Center. Dr. Rhett has been on the Board of Directors of the Canterbury house for 29 years and has served as President of its Board for 17 years. In addition he has served on the Boards of both the East Cooper Regional Medical Center and Charleston Day School. Dr. Rhett is a member of the Carolina Yacht Club and the Country Club of Charleston.

The Nominating Committee has recommended Dr. Rhett for election to the Board of Directors. Dr. Rhett has served on the Board since 1999. He has served on the Mount Pleasant local Advisory Board in addition to serving on the Nominating Committee, Audit Committee and the Investment Committee. He has a successful private gynecological practice and has committed 29 years to serving on the Board of the Canterbury House. His success in running his practice and his dedication to service of the local community was very important considerations in the Nominating Committee's recommendation.

Malcolm M. Rhodes, MD Age 53 First elected to the Board 2005

Dr. Rhodes has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2005. Born and raised in Charleston, South Carolina, Dr. Rhodes graduated from Porter Gaud High School. He received a BA from Duke University and a MD from the Medical University of South Carolina. He is a Fellow of the American Board of Pediatrics and has been a partner at Parkwood Pediatric Group since 1988. He is on the clinical faculty at MUSC and active staff at Roper and Bon-Secours St. Francis Hospitals, serving on the Credentials Committee. He and his wife own The Charleston Angler. In addition to serving on the Board of Directors of the Bank and the Company, Dr. Rhodes currently represents South Carolina on the Atlantic States Marine Fisheries Commission where he is Chairman of the Governor's Appointees, and serves on the Executive Committee and Administrative Oversight Committee. He is Chairman of the Board of Trustees of Ashley Hall School and treasurer of the Carolina Gold Rice Foundation. He is Secretary of The Agricultural Society of South Carolina and the SC State Board of Coastal Conservation Association. He has served as a Trustee of Charleston Stage Company, Chairman of the Shad and River Herring Board and on the vestry of St. Philip's Church where he is still actively involved.

The Nominating Committee has recommended the re-election of Dr. Rhodes to the Board of Directors based on the commitment that Dr. Rhodes has made to the Board and the Audit Committee. In addition the Nominating Committee also considered Dr. Rhodes' knowledge of business including running a medical practice and serving on staff of several local hospitals. Dr. Rhodes currently serves as Chairman of the Audit Committee and is dedicated to the success of the Company.

David R. Schools Age 53 First elected to the Board 2009

Mr. Schools has been a member of the Board of Directors of The Bank of South Carolina and Bank of South Carolina Corporation since 2009. Born and raised in Charleston, South Carolina, Mr. Schools graduated from Porter Gaud High School. He received his Bachelor of Science Degree in Business Administration from the College of Charleston. In addition Mr. Schools completed the Cornell University Food Executive Program. Mr. Schools joined Piggly Wiggly Carolina/Greenbax Enterprises in 1984 and has served as the Manager of Training and Development, Director of Personnel, Vice President, Director of Human Resources and as Senior Vice President, Chief Operating Officer. Currently, Mr. Schools is President and CEO of the Piggly Wiggly Carolina/Greenbax Enterprises. In addition to serving on the Boards of the Bank and the Company, Mr. Schools is a member of the Boards of Greenbax Enterprises, Inc., Trident United Way and The Country Club of Charleston where he also serves as Treasurer. He is a former Director of the Charleston Metro Chamber of Commerce, Ashley Hall School, and the South Carolina Chamber of Commerce. Mr. Schools served as a member of the Trident United Way Campaign Cabinet from 2007-2010.

Given Mr. Schools significant background and extensive experience in the food and grocery industry and outstanding community involvement, Mr. Schools has been recommended by the Nominating Committee for re-election to the Board. The Nominating Committee also considered his contributions made to the Board and the Audit Committee.

Steve D. Swanson Age 44 First elected to the Board 2002-2007 Re-elected 2011
Mr. Swanson is a Founder and Managing Partner at Eladian Partners, a multi-asset class trading firm built on sophisticated quantitative investment strategies, advanced predictive technology, and market micro-structure expertise. Prior to Eladian Partners, Mr. Swanson founded Automated Trading Desk (ATD), a pioneering electronic trading firm based in South Carolina. As President and CEO, Mr. Swanson grew the business from pure proprietary trading to creating a fully automated market maker servicing the broker-dealer community. After its acquisition by Citigroup in 2007, Mr. Swanson became responsible for global equity and option electronic trading operations.

Mr. Swanson serves on the Board of the College of Charleston Foundation, the College of Charleston School of Business Board, and on the Honors College Advisory Board. He is a past chairman of the NASDAQ Quality of Markets Committee, and a past member of the SIFMA Trading and Markets Committee. Prior to the acquisition of ATD, Mr. Swanson served on the Board of Trustees at Ashley Hall as well as The Bank of South Carolina and the Bank of South Carolina Corporation.

The Nominating Committee has recommended the election of Mr. Swanson to the Board of Directors based on the contributions made to the Board in the past and his extensive business experience. The committee also considered his strong commitment to the community.

No Director or Executive Officer was involved in any legal proceedings, nor have any members been convicted in criminal proceedings in the past 10 years. In addition there are no pending legal proceedings against any Executive Officer or Director.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

Board of Directors

Bank of South Carolina Corporation's Board of Directors conducts its business through Board meetings and through its committees. Hugh C. Lane, Jr. presently serves as Chairman of the Board of Directors. The Board of Directors of the Company held 8 meetings (including all regularly scheduled and special meetings) during the year ended December 31, 2011. No Directors attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which they served.

Board Leadership Structure

The Board believes that the Company's President and Chief Executive Officer is best situated to serve as Chairman because he is the Director most familiar with the Company's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy.
Independent Directors and management have different perspectives and roles in strategy development. The Company's independent Directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings Company-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and executions, and facilitates information flow between management and the Board, which are essential to effective governance.

One of the key responsibilities of the Board is to develop strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer together with an independent Lead Director having the duties described below is the best interest of stockholders as it provides the appropriate balance between strategy development and independent oversight of management.

Lead Director

Alan I. Nussbaum, MD, an Independent Director was selected by the Board of Directors to serve as the Lead Director of all meetings of the non-management Directors held in Executive Session. Dr. Nussbaum has held this position since April 12, 2011. Non-management Directors of the Board are required to meet on a regular scheduled basis without the presence of management (IM-5605-2 NASDAQ Corporate Governance Rules). The Lead Director chairs these sessions.

Risk Management

The Board has an active role, as a whole and also at the committee level, in overseeing the management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity and operations, as well as the risks associated with each. The Audit Committee oversees the management of financial risks. The Nominating Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks.

Committees and Committee Charters

The Board has four committees: the Executive/Long-Range Planning Committee, the Compensation Committee, the Nominating Committee, and the Audit and Compliance Committee. Each Committee serves in a dual capacity as a Committee of the Company and the Bank.

The following table lists the membership of the standing committees of the Board of Directors.

Director	Audit/Compliance	Executive/Long -Range Planning	Compensation Committee	Nominating Committee
David W. Bunch				
Graham M. Eubank, Jr.	X		X	X
Fleetwood S. Hassell		X		
Glen B. Haynes, DVM	X			
William L. Hiott, Jr.		X		
Katherine M. Huger				
Richard W. Hutson, Jr.	X			
Charles G. Lane		X		
Hugh C. Lane, Jr.		X		
Louise J. Maybank		X		X
Dr. Linda J. Bradley McKee	X			
Alan I. Nussbaum, MD		X	X	
Edmund Rhett, Jr., MD		X		X
Malcolm M. Rhodes, MD	X			
David R. Schools	X		X	X
Sheryl G. Sharry		X		
Steve D. Swanson				

The Audit and Compliance Committee (the "Audit Committee") presently consists of six members of the Board of Directors. During 2011, the Audit Committee held 4 meetings. The Audit Committee operates under a written Charter adopted by the Board of Directors. The Charter was attached as Exhibit A to the 2004 Proxy Statement. Members are considered to be independent of the Company under applicable rules and regulations, including Rule 4200(a) (15) of the National Association of Securities Dealers. The Board of Directors has determined that Linda J. Bradley McKee, PhD CPA, a member of the Audit Committee, qualifies as a financial expert under the applicable guidelines of the Securities and Exchange Act.

The Audit Committee has the responsibility of reviewing the Company's financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities, and determining that all examinations required by law are performed. The Committee recommends to the Board of Directors the appointment of the independent auditors for the next fiscal year, reviews and approves the auditors' audit plan, and reviews with the independent auditors the results of the audit and management's response. The Board of Directors has adopted an Audit Committee Charter, which outlines the Committee's responsibilities for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts. The Charter amended by the Board of Directors at any time.

The Executive/Long-Range Planning Committee consists of the President of the Company, two Executive Officers and five designated Directors. Alan I. Nussbaum, MD an Independent Director serves as Chairman of the Committee. During 2011, the Executive/long-Range Planning Committee held 4 meetings. In addition to long-range and strategic planning, the principal function of the Committee is to exercise all authority of the Board of Directors in the management and affairs of the Company and the Bank. In addition, the Committee acts on behalf of the entire Board of the Company between the regular Board Meetings.

The Compensation Committee consists of independent Directors of the Company. The function of the Compensation Committee is to recommend the compensation of Executive Officers to the Directors of the Company. The Compensation Committee does not use the services of a compensation consultant. The Committee reviews the salaries of individuals with similar positions at similar sized banks within South Carolina. The Compensation Committee met 1 time in 2011.

The Nominating Committee consists of independent Directors of the Company. The function of the Nominating Committee is to recommend a slate of proposed Directors to the Board of Directors of the Company. The Nominating Committee has adopted a written Charter. A copy of this Charter may be obtained at the Company's internet website http://www.banksc.com. The Nominating Committee met 1 time during 2011.

Nominations, other than those made by the Nominating Committee of the Company, shall be made in writing and shall be delivered or mailed to the President of the Company not less than 14 days nor more than 50 days prior to any meeting of Shareholders calling for election of Directors; provided however, that if less than 21 days notice of the meeting is given to Shareholders, such nomination shall be mailed or delivered to the President of the Company not later than the close of business on the 7th day following the day on which the Notice of Meeting was mailed. Nominations not made according to these procedures will be disregarded.

The Nominating Committee has a policy with regard to consideration of any Director candidates recommended by security holders and that policy is to consider any and all such recommendations. The Nominating Committee has adopted specific minimum qualifications which the Nominating Committee believes must be met by a Nominating Committee recommended Nominee for a position on the Company's Board of Directors, and those are that such Nominee must be recognized as successful in such Nominee's business or community efforts, have a recognized reputation for honesty and integrity, have demonstrated a commitment to the community in which the Company and its subsidiary Bank operates and have demonstrated in meetings with the Nominating Committee a commitment to the best interests of the Company, its subsidiary Bank, and their officers, Directors, employees and Shareholders. The Nominating

Committee's process for identifying and evaluating Nominees for Director of the Company and its subsidiary Bank, including Nominees recommended by security holders, is to investigate whether or not such Nominee meets the specific minimum qualifications adopted as a policy by the Nominating Committee through contacts the members of the Nominating Committee have in their community. There are no differences in the manner in which the Nominating Committee evaluates Nominees for Director based on whether the Nominee is recommended by a security holder.

The Company does not utilize or pay a fee to any third party (compensation consultant) to evaluate Nominees for Director.

Director Independence The Board is comprised of a majority (75%) of Independent Directors in compliance with SEC and NASDAQ rules. All members of the Audit Committee, the Compensation Committee, and the Nominating Committee are independent pursuant to SEC and NASDAQ rules. The members of these committees do not have any relationship to The Bank of South Carolina or Bank of South Carolina Corporation that may interfere with the exercise of their independence from management. None of the members of these committees are current or former Officers or employees of The Bank of South Carolina or Bank of South Carolina Corporation. All members of the Board are independent except Hugh C. Lane, Jr., President and Chief Executive Officer, Sheryl G. Sharry, Chief Financial Officer, Executive Vice President and Treasurer, Fleetwood S. Hassell, Executive Vice President and Charles G. Lane, brother of Hugh C. Lane.

Code of Business Conduct and Ethics A Code of Ethics for officers, Directors and employees was attached to the 2004 10KSB. The Code of Ethics requires the officers, Directors and employees to maintain the highest standards of professional ethical conduct. The Code includes guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting and procedures for promoting compliance with, and reporting violations of the Code.

Shareholder Communication with the Board of Directors The Board of Directors has adopted a process by which security holders may send communications to the Board of Directors of the Company. That process is for any security holder to send a written communication to Hugh C. Lane, Jr., President, Bank of South Carolina Corporation, 256 Meeting Street, Charleston, South Carolina 29401, or to fax such communication to Hugh C. Lane, Jr., President, at (843) 724-1513. A security holder is free to address any communication to any Director at the address of such Director set forth in this Proxy Statement. Any communication from a security holder received by the President shall be sent to all Members of the Executive Committee and, if any member of the Executive Committee so directs, will be sent to all members of the Board of Directors.

In addition, any Shareholder or interested party who has any concerns or complaints relating to accounting, internal accounting controls or auditing matters, may contact the Audit Committee by writing the following address:

Bank of South Carolina Corporation Audit Committee
c/o Malcolm M. Rhodes, MD., Chairman
Bank of South Carolina Corporation
7 Guerard Road
Charleston, SC 29407

Annual Meeting Attendance by Directors Directors are expected to attend the Annual Meeting of Shareholders, but the Company does not have a formal policy regarding attendance.

Related Party Transactions The Company entered into a rental contract with Holcombe, Fair and Lane, LLC. Charles G. Lane, Director of the Bank and the Corporation and brother of Hugh C. Lane, President and Chief Executive Officer, is a Managing Member of Holcombe, Fair and Lane, LLC. The contract is a two year lease on office space at a rate of $2,060 a month. The Company does not have any other existing continuing contractual relationships with any Director, Nominee for election as Director or Executive Officer of the Company or the Bank, or any Shareholder owning, directly or indirectly, more than 5% of the shares of Common Stock of the Company, or any associate of the foregoing persons. Directors, Executive Officers,
Nominees for election as Directors, and members of the immediate family of any of the foregoing have had in the past, have at present, and will have in the future, customer relationships with the Bank. Such transactions have been and will continue to be made in the ordinary course of business, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and such transactions did not and will not involve more than the normal risk of collectability or present other unfavorable features.

DIRECTOR COMPENSATION

The following table sets forth the information regarding the compensation earned by each Director who served on the Board of Directors during the year ended December 31, 2011. The officers of the Company other than the Secretary do not receive payment for their participation on the Board or its Committees.

Transactions and Relations with Directors, Executive Officers, and their Associates and Affiliates of Directors

DIRECTOR COMPENSATION		
NAME	**FEES EARNED OR PAID IN CASH**	**TOTAL**
David W. Bunch	$6,450	$6,450
Graham M. Eubank, Jr.	$5,400	$5,400
Fleetwood S. Hassell	-	-
Glen B. Haynes, DVM	$7,750	$7,750
William L. Hiott, Jr.	$7,350	$7,350
Katherine M. Huger	$6,450	$6,450
Richard W. Hutson, Jr.	$4,950	$4,950
Charles G. Lane, Jr.	$7,050	$7,050
Hugh C. Lane, Jr.	-	-
Louise J. Maybank	$7,200	$7,200
Dr. Linda J. Bradley McKee, CPA	$4,650	$4,650
Alan I. Nussbaum, MD	$6,700	$6,700
Edmund Rhett, Jr. MD	$6,850	$6,850
Malcolm M. Rhodes, MD	$5,950	$5,950
David R. Schools	$5,400	$5,400
Sheryl G. Sharry	-	-
Steve D. Swanson	$3,450	$3,450

Non-Executive-Officer Directors of the Company received $150.00 for each meeting of the Board of Directors of the Company attended and non-officer Directors of the Bank received $300.00 for each meeting of the Board of Directors of the Bank attended and $150.00 for each Company or Bank Board Committee meeting attended.

<u>Section 16A Beneficial Ownership Reporting Compliance</u>

No Director of the Bank or the Company filed a Form 4 in an untimely manner.

Executive Compensation-Compensation Discussion and Analysis
This section discusses the Company's compensation program, including how it relates to the Executive Officers named in the compensation tables which follow in this section. The Executive Officers of the Company and the Bank consist of:

- Hugh C. Lane, Jr., President and Chief Executive Officer, Director
- Sheryl G. Sharry, Chief Financial Officer, Executive Vice President and Treasurer, Director
- Fleetwood S. Hassell, Executive Vice President, Director

Set forth below is an analysis of the objectives of the Company compensation program, the material compensation policy made under this program and the material factors that the Compensation Committee considers in making those decisions.

Overview of Compensation Program

The Compensation Committee of the Board of Directors, which consists solely of independent Directors, has the responsibility for developing, implementing and monitoring adherence to the Company's compensation philosophies and program. David R. Schools, Fleetwood S. Hassell, Sheryl G. Sharry and Hugh C. Lane, Jr., currently serve as Plan Administrators and as Trustees for the Employee Stock Ownership Plan (ESOP). Any employee of the Bank is eligible to become a participant in the ESOP upon reaching 21 years of age and credited with one year of service (1,000 hours of service). The employee may enter the Plan on the January 1^{st} that occurs nearest the date on which the employee first satisfies the age and service requirements described above. No contributions by employees are permitted. The amount and time of contributions to the Plan are at the sole discretion of the Board of Directors of the Bank. The contribution for all participants is based solely on each participant's respective regular or base salary and wages paid by the Bank including commissions, bonuses and overtime, if any. On April 14, 1998, the shareholders approved the 1998 Omnibus Stock Incentive Plan. The plan was established to assist Company in recruiting and retaining employees with ability and initiative by enabling employees to participate in its future success and to associate their interests with those of the Company and the Shareholders. This plan expired on April 14, 2008. The remaining outstanding options granted under this plan can still be exercised in accordance with the plan. The Shareholders approved the 2010 Omnibus Stock Incentive Plan on April 13, 2010. Like the 1998 Plan, under the 2010 Plan any employee of the Company or the Bank is eligible to participate in the Plan if the Executive Committee(Plan administrators), in its sole discretion, determines that such a person has contributed or can be expected to contribute to the profits or growth of the Company or the Bank. No member of the Committee may participate in this Plan during the time that his participation would prevent the Committee from being "disinterested" for purposes of the Securities and Exchange Commission Rule 16b-3.

The Company's compensation program is based upon the following philosophies:

- Preserve the financial strength, safety and soundness of the Company and the Bank;
- Reward and retain key personnel by compensating them in the midpoint salary ranges at comparable financial institutions and making them eligible for the Employee Stock Ownership Plan and the Omnibus Stock Incentive Plans; and
- Focus management on maximizing earnings while managing risk by maintaining high asset quality, managing interest rate risk within Board guidelines, emphasizing cost control, and maintaining appropriate levels of capital.

The Company's primary forms of compensation for Executive Officers include base salary, the Employee Stock Ownership Plan, and the 1998 and 2010 Omnibus Stock Incentive Plan. The Company does not have an employment agreement with any officer or employee. The Company currently believes that the named Executive Officers receive sufficient compensation that employment agreements are not necessary to induce them to remain with the Company.

During the fiscal year ended December 31, 2011, the Company had no plans or arrangements pursuant to which any Executive Officer, Director or principal Shareholder received contingent remuneration or personal benefits other than the contingent remuneration and life, disability, dental and health insurance benefits. Life, disability, dental and health insurance benefits are available for all employees of the Bank who work at least 30 hours a week.

The Company does not have any agreement with its Executive Officers that provide for cash severance payments upon termination of employment or in connection with a change in control.

Base Salary

The Compensation Committee sets the base salary for the three Executive Officers. The Committee seeks to set a fair and reasonable compensation level by taking into account the influence of the market conditions, the Company's performance, the individuals' performance, and comparative salaries at similarly sized banks within South Carolina. The salary is reviewed annually. The Executive Officers annually review the performance of all other officers and employees. The Executive Officers take into account a combination of factors, including: competitive market salary, experience and tenure, breadth of responsibility, the individuals' overall performance and the performance of the Company and the Bank.

The following table sets forth all remuneration paid during the years ended December 31, 2011, 2010, and 2009 by the Bank to the three Executive Officers of the Company and the Bank whose cash remuneration from the Bank exceeded $100,000.00 dollars for their services in all capacities. Such Executive Officers receive no compensation from the Company as Executive Officers or as Directors or in any other capacity.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (1)	Bonus (2)	Stock Awards (3)	Option Awards (4)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation (5)	Total
Hugh C. Lane, Jr. President and Chief Executive Officer	2011	$230,101.70	$100.00					$13,596.13	$243,797.83
	2010	$220,101.55	$100.00					$12,626.61	$232,828.16
	2009	$210,101.45	$100.00					$6,676.21	$216,877.66
Fleetwood S. Hassell Executive Vice President	2011	$165,101.54	$100.00		10,000			$9,755.44	$174,956.98
	2010	$155,101.39	$100.00					$4,610.75	$159,812.14
	2009	$145,101.29	$100.00					$13,517.02	$158,718.31
Sheryl G. Sharry (7)Chief Financial Officer, Executive Vice President and Treasurer	2011	$147,301.46	$100.00		10,000			$8,703.68	$156,105.14
	2010	$137,364.25	$100.00					$7,876.60	$145,340.85
	2009	$127,301.45	$100.00					$4,036.56	$131,438.01

1) The Compensation Committee consisting of Graham M. Eubank, Jr., Alan I. Nussbaum, and David R. Schools compare salaries for similar positions at similar sized banks within South Carolina as well as the overall bank and individual performance. Once the salary levels are established by the Compensation Committee, the salaries are recommended to the Board of Directors for approval. The Compensation Committee has recommended a $10,000 increase in the Executive Officers Salaries for the year ending 2012. This increase was approved by the Board of Directors at the December 16, 2011, Board Meeting.

2) The bonus consists of a $100 bonus presented to all employees at Christmas in 2011, 2010, and 2009.

3) The Company did not issue any stock to its Executive Officers during the years ended December 31, 2011, 2010 or 2009.

4) On June 23, 2011, options for 96,000 shares were granted to 22 employees including Sheryl G. Sharry and Fleetwood S. Hassell, both Executive Officers who each received options for 10,000 shares.

5) On November 2, 1989, the Bank adopted an Employee Stock Ownership Plan and Trust Agreement (the "Plan") to provide retirement benefits to eligible employees for long and faithful service. The other compensation represents the amount contributed to the Bank's ESOP. (See table and discussion below for other compensation.)

6) Sheryl G. Sharry was promoted to Executive Vice President on January 21, 2010.

The median salary for all employees other than the Executive Officers is $51,988

All Other Compensation

The Following table sets forth details of "All Other Compensation" as presented above in the Summary Compensation Table.

Name	Employee Stock Ownership Plan	Total
Hugh C. Lane, Jr.	$13,596.13	$13,596.13
Fleetwood S. Hassell	$9,755.44	$9,755.44
Sheryl G. Sharry	$8,703.68	$8,703.68

Any employee of the Bank is eligible to become a participant in the ESOP upon reaching 21 years of age and credited with one year of service (1,000 hours of service). The employee may enter the Plan on the January 1st that occurs nearest the date on which the employee first satisfies the age and service requirements described above. No contributions by employees are permitted. The amount and time of contributions are at the sole discretion of the Board of Directors of the Bank. The contribution for all participants is based solely on each participant's respective regular or base salary and wages paid by the Bank including commissions, bonuses and overtime, if any.

A participant becomes vested in the ESOP based upon the employee's credited years of service. The vesting schedule is as follows;

- 1 Year of Service 0% Vested
- 2 Years of Service 25% Vested
- 3 Years of Service 50% Vested
- 4 Years of Service 75% Vested
- 5 Years of Service 100% Vested

The Plan became effective as of January 1, 1989, was amended effective January 1, 2007, and approved by the Board of Directors on January 18, 2007. This amendment was made to comply with the Pension Protection Act of 2006. Periodically the Internal Revenue Service "IRS" requires a restatement of a qualified retirement plan to ensure that the plan document includes provisions required by legislative and regulatory changes made since the last restatement. There have been no substantive changes to the plan. The Board of Directors approved a restated plan, incorporated in the 2011 10k as Exhibit 10.5, on January 26, 2012. The Plan has been submitted to the IRS for approval.

The Board of Directors of the Bank approved the contribution of $240,000 to the ESOP for the fiscal year ended December 31, 2011. The contribution was made during 2011. David R. Schools, Fleetwood S. Hassell, Sheryl G. Sharry and Hugh C. Lane, Jr., currently serve as Plan Administrators and as Trustees for the Plan. The Plan currently owns 250,614 shares or 5.41% of the Company's Common Stock.

During the fiscal year ended December 31, 2011, the Company had no plans or arrangements pursuant to which any Executive Officer, Director or principal Shareholder received contingent remuneration or personal benefits other than the contingent remuneration and life, disability, dental and health insurance benefits. Life, disability, dental and health insurance benefits are available for all employees of the Bank who work at least 30 hours a week. Benefit programs provided to Executive Officers, Officers and employees are listed in the table below.

Benefit Plan	**Executive Officers**	**Officers**	**Full Time Employees**
Employee Stock Ownership Plan	x	x	x
Medical and Dental Plans	x	x	x
Life and Disability Plans	x	x	x
Stock Option Plans	x	x	x

On March 24, 2011, options for 5,000 shares were granted to 1 employee and on June 23, 2011, options for 96,000 shares were granted to 22 employees including Sheryl G. Sharry and Fleetwood S. Hassell, both Executive Officers who each received options for 10,000 shares. During the year ended December 31, 2011, options for 5,750 shares were forfeited with the resignation of two employees. On September 24, 2010, options for 33,000 shares were granted under the 2010 Omnibus Stock Incentive Plan to twenty-one employees. One of the twenty-one employees resigned during 2010, forfeiting options for 750 shares. No options were granted to any Executive Officers in 2009. The following information with respect to the outstanding equity awards as of December 31, 2011, is presented for the named Executive Officers with additional discussion below.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2011									
OPTION AWARDS						STOCK AWARDS			
Name (a)	**Number of Securities Underlying Unexercised Options (#) Exercisable (b)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (c)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)**	**Option Exercise Price (#) (e)**	**Option Expiration Date (f)**	**Number of Shares of Units of Stock That Have Not Vested (#) (g)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (h)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)**	**Equity Incentive Plan Awards: Market or Payout Value or Unearned Shares, Units or Other Rights That Have Not Vested (#) (j)**
Hugh C. Lane, Jr.	-	-	-	-	-	-	-	-	-
Fleetwood S. Hassell	1,100	4,400	-	$15.11	May 17, 2016	-	-	-	-
	-	10,000	-	$10.42	June 23, 2021	-	-	-	-
Sheryl G. Sharry	-	10,000	-	$10.42	June 23, 2021	-	-	-	-

On April 14, 1998, the Shareholders of the Company approved a Stock Incentive Plan for the benefit of eligible officers and employees of the Bank and reserved a total 180,000 shares. On April 16, 1998, the Bank granted options to purchase Common Stock in the aggregate amount of 146,000 shares to 52 employees of the Bank (including officers, such Directors as were also employees and other employees) pursuant to the 1998 Omnibus Stock Incentive Plan. These grants included those to Hugh C. Lane, Jr., Sheryl G. Sharry and Fleetwood S. Hassell, Executive Officers and Directors.

As of July 10, 2000, all of the option holders, including the above Executive Officers, terminated their existing stock options. There was no obligation on the part of the Company or The Bank of South Carolina to issue additional or replacement options. No options were exercised in 1998, 1999 or 2000. On May 14, 2001, the Bank granted options to purchase Common Stock in the aggregate amount of 152,350 shares to 45 employees of the Bank (including officers, such Directors as are also employees and other employees) pursuant to the 1998 Omnibus Stock Incentive Plan. These grants included those to Hugh C. Lane, Jr., Sheryl G. Sharry and Fleetwood S. Hassell, Executive Officers. Except for those options granted to Hugh C. Lane, Jr. as described below, all of the options were granted at an exercise price of $13.50 per share. No additional options were granted during 2001. Options to purchase 9,500 shares were granted at an exercise price of $14.925 per share to 4 employees of the Bank during 2002. Options to purchase 13,500 shares with an exercise price of $14.20 per share were granted to 13 employees in 2003. Options to purchase 4,000 shares with an exercise price of $14.00 were granted to one employee in 2004. No options were exercised during 2001, 2002, 2003 or 2004. Options to purchase 32,500 shares with an exercise price of $16.62 were granted to twenty-one employees in 2006. Options to purchase 5,000 shares with an exercise price of $15.99 and options to purchase 5,000 shares with an exercise price of 15.51 were granted to two employees in 2007. During 2008, options to purchase 4,500 shares with an exercise price of $14.19 were granted to two employees. There were no options granted during 2009. The 2010 Omnibus Stock Incentive Plan was approved by the Shareholders at the 2010 Annual Meeting with 300,000 shares reserved under this Plan. There were 33,000 options granted under the 2010 Omnibus Stock Incentive Plan to 22 employees on September 14, 2010. Options to purchase 750 shares at an exercise price of $10.77 were forfeited in 2010. On March 24, 2011, options to purchase 5,000 shares were granted to 1 employee and on June 23, 2011, options to purchase 96,000 shares were granted to 22 employees under the 2010 Omnibus Stock Incentive Plan. Options to purchase 5,750 shares at an exercise price of $10.42 were forfeited in 2011.

As adjusted for a 10% stock dividend effective on July 15, 2003, a 10% stock distribution effective April 29, 2005, a 25% stock dividend effective April 28, 2006, and a 10% stock dividend effective September 24, 2010, options to purchase 50,079 shares with an exercise price of $8.11 per share, options to purchase 12,477 shares with an exercise price of $8.97, options to purchase 4,990 shares with an exercise price of $8.54 per share, options to purchase 5,500 shares with an exercise price of $8.42 per share, options to purchase 16,775 shares with an exercise price of $15.11 per share and options to purchase 2,750 shares with an exercise price of $12.90 have expired.

Under the 1998 Omnibus Stock Incentive Plan no options are currently available for grant due to expiration of the Plan. There are currently outstanding (adjusted as described above) options to purchase 8,591 shares at an option price of $8.54 per share, options to purchase 18,975 shares at an option price of $15.11 per share, options to purchase 5,500 shares at an option price of $14.54 per share, options to purchase 5,500 shares at an option price of $14.10 per share, options to purchase 2,200 shares at an option price of $12.90.

Under the 2010 Omnibus Stock Incentive Plan there are currently outstanding options to purchase 26,500 shares at an option price of $10.77, options to purchased 5,000 shares at an option price of $11.67, and options to purchase 96,000 shares at $10.42.

Hugh C. Lane, Jr., President and Chief Executive Officer, was granted the option to purchase 16,500 shares of Common Stock of the Company pursuant to the Stock Incentive Plan at a price of $14.85 per share. The option was exercisable on May 14, 2006 and would have expired if not exercised on that date. On May 14, 2006 in accordance with the Stock Incentive Plan, Hugh C. Lane, Jr. exercised his option to purchase 24,956 shares at $9.82 per share. (Options and price per share were adjusted for a 10% stock dividend effective on July 15, 2003, a 10% stock distribution effective April 29, 2005, and a 25% stock dividend effective April 28, 2006.)

On May 14, 2001 Sheryl G. Sharry Chief Financial Officer, Executive Vice President and Treasurer and Fleetwood S. Hassell were granted options to purchase 8,250 shares at a price of $13.50. These options became exercisable in five 20% increments beginning May 14, 2006, with an additional 20% to be exercisable on and for the year following each successive anniversary. As adjusted for a 10% stock dividend effective on July 15, 2003, a 10% stock distribution effective April 29, 2005, a 25% stock dividend effective April 28, 2006 Sheryl G. Sharry and Fleetwood S. Hassell both exercised all of their options to purchase 12,477 shares at $8.92 per share. Fleetwood S. Hassell was granted options to purchase 5,000 shares at a price of $16.62 per share on May 17, 2006. As adjusted for a 10% stock dividend effective September 10, 2010, Mr. Hassell currently has the option to purchase 5,500 shares at an exercise price of $15.11. In accordance with the plan 20% or options to purchase 1,100 shares became exercisable for Mr. Hassell on May 17, 2011. On June 23, 2011, Fleetwood S. Hassell and Sheryl G. Sharry were each granted options to purchase 10,000 shares at an exercise price of $10.42.

In the event of a prospective reorganization, consolidation or sale of substantially all of the assets or any other form of corporate reorganization in which the Company would not be the surviving entity or in the event of the acquisition, directly or indirectly, of the beneficial ownership of 24% of the Common Stock of the Company or the making, orally or in writing, of a tender offer for, or any request or invitation for tender of, or any advertisement making or inviting tenders of the Company stock by any person, all options in effect at that time would accelerate so that all options would become immediately exercisable and could be exercised within one year immediately following the date of acceleration but not thereafter.

In the case of termination of employment of an option holder other than involuntary termination without just cause, retirement, death or legal disability, the option holder may exercise the option only with respect to those shares of Common Stock as to which he or she has become vested. The option holder may exercise the option with respect to such shares no more than 30 days after the date of termination of employment (but in any event prior to the expiration date).

In the event that the option holder's employment is terminated without just cause, the option shall become fully vested and fully exercisable as of the date of his or her termination without regard to the five year vesting schedule. The option holder may exercise the option following an involuntary termination without just cause until the expiration date of the option.

In the event the option holder remains in the continuous employ of the Company or any subsidiary from the date of the grant until the option holder's retirement, the option shall become fully vested and fully exercisable as of the date of his or her retirement without regard to the five year schedule. The option holder may exercise the option following his or her retirement until the expiration date.

In the event the option holder remains in the continuous employ of the Company or a subsidiary from the date of the grant until his or her death, the option shall become fully vested and fully exercisable as of the date of death without regard to the five year vesting schedule. The person or persons entitled to exercise the option following the option holder's death may exercise the option until the expiration date.

In the event the option holder remains in the continuous employ of the Company or any subsidiary from the date of the grant until the date of his or her legal disability, the option shall become fully vested and fully exercisable as of the date of his or her termination of employment on account of his or her legal disability without regard to the five year vesting schedule. The option holder may exercise the option following such termination of employment until the expiration date.

The 1998 and 2010 Omnibus Stock Incentive Plan provides for adjustment in the number of shares of Common Stock authorized under the Plan or granted to an employee to protect against dilution in the event of changes in the Company's capitalization, including stock splits and dividends.

As shown below there were no options exercised by the any Executive Officers during the year ended December 31, 2011.

2011 OPTION EXERCISES AND STOCK VESTED				
	OPTION AWARDS		STOCK AWARDS	
Name (a)	**Number of Shares Acquired on Exercise (#) (b)**	**Value Realized on Exercise ($) (c)**	**Number of Shares Acquired on Vesting (#) (d)**	**Value Realized on Vesting ($) (e)**
Hugh C. Lane, Jr.	-	-	-	-
Fleetwood S. Hassell	-	-	-	-
Sheryl G. Sharry	-	-	-	-

AUDIT COMMITTEE MATTERS

AUDIT COMMITTEE

The Audit Committee of the Company is composed of six independent Directors and operates under a written Charter attached as Exhibit A to the 2004 Proxy Statement. The Audit Committee is responsible for the appointment, compensation and oversight of our independent registered public accounting firm.

The Board of Directors has determined that Linda J. Bradley McKee, PhD, CPA meets the qualifications of an “audit committee financial expert” in accordance with SEC rules, including meeting the relevant definition of “Independent Director’.

Review of the Company's Audited Financial Statements for the Fiscal Year Ended December 31, 2011

Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and issuing a report theron. The Audit Committee's responsibility is to monitor and oversee the process.

In this context, the Audit Committee has met and held discussions with management and Elliott Davis, LLC, the Company's independent auditors in 2011. In discharging its oversight responsibility as to the audit process, the Audit Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence and has discussed with the independent auditors their independence from the Company and its management. The Audit Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls. The Audit Committee reviewed with the independent auditor their audit plans, audit scope and identification of audit risks.

The Audit Committee reviewed and discussed with the independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit and Finance Committees," and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Audit Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed and discussed the audited consolidated financial statements of Bank of South Carolina Corporation as of and for the year ended December 31, 2011, with management and the independent auditors.

Based on the above-mentioned review and discussion with management and the independent auditors, the Audit Committee recommended to the Board of Directors that Bank of South Carolina Corporation's audited consolidate financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2011, for the filing with the Securities and Exchange Commission. During 2011 the Committee appointed Elliott Davis, LLC as the Company's independent auditors for 2012.

Submitted by:
Malcolm M. Rhodes, MD, Chairman
Graham M. Eubank, Jr.
Glen B. Haynes
Richard W. Hutson, Jr.
Dr. Linda J. Bradley McKee, CPA
David R. Schools

PROPOSAL 2: TO RATIFY THE APPOINTMENT BY THE AUDIT COMMITTEE OF THE COMPANY'S BOARD OF DIRECTORS OF ELLIOTT DAVIS, LLC INDEPENDENT PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDED DECEMBER 31, 2012.

The Audit Committee of the Board has appointed Elliott Davis, LLC as Bank of South Carolina Corporation's independent accounting firm for the year ended December 31, 2012, and that appointment is being submitted to Shareholders for ratification. The appointment of Elliott Davis, LLC as independent public accountants was approved by the Audit Committee of the Board of Directors and ratified by the Shareholders at the 2011 and 2010 Annual Shareholders Meetings. At the 2012 Annual Shareholders' Meeting the following resolution will be subject to ratification by a simple majority vote of shares represented at the meeting:

> RESOLVED, that the selection of Elliott Davis, LLC as the independent certified public accountants of Bank of South Carolina Corporation (the "Company") and its sole subsidiary, The Bank of South Carolina (the "Bank"), for the fiscal year ending December 31, 2012, is hereby ratified.

If ratification is not achieved, the selection of an independent certified public accountant will be reconsidered and made by the Board of Directors. Even if selection is ratified, the Board of Directors reserves the right to, and in its discretion may, direct the appointment of any other independent certified public accounting firm at any time if the Board decides that such a change would be in the best interests of the Company and its Shareholders.

Independent Registered Public Accounting Firm

Auditing and Related Fees

The services provided by Elliott Davis, LLC include the examination and reporting of the financial status of the Company and the Bank. These services have been furnished at customary rates and terms. There are no existing direct or indirect agreements or understandings that fix a limit on current or future fees for these audit services.

Elliott Davis, LLC assisted in the preparation of the Company's and Bank's tax returns for the fiscal year ending December 31, 2011 and 2010. These non-audit services were routine in nature and did not compose more than 25% of the total fees paid to Elliott Davis, LLC in 2011 or 2010.

A representative of Elliott Davis, LLC is expected to attend the Annual Shareholders' Meeting with the opportunity to make a statement, if desired, and is expected to be available to respond to appropriate questions.

Before the independent certified public accountants of the Company and the Bank are engaged to render non-audit services for the Company or the Bank, each engagement is approved by the Audit Committee. All of the audit and tax services provided by Elliott Davis, LLC for the fiscal year ending December 31, 2011and 2010 were preapproved by the Audit Committee.

		2011		**2010**
Audit Fees	$	81,000	$	78,000
Audit related fees		2,250		500
Total audit and related fees		83,250		78,500
Tax Fees		9,275		8,250
Total Fees	$	92,525	$	86,750

The Board of Directors recommends that Shareholder vote **"FOR"** the ratification of the appointment of Elliott Davis, LLC as the Company's independent auditors for the fiscal year ending December 31, 2012.

PROPOSAL 3: TO TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENT OR POSTPONEMENT OF THE MEETING.

Management is not aware of any matters to come before the meeting that will require the vote of Shareholders other than those matters indicated in the Notice of Meeting and this Proxy Statement.

However, if any other matter calling for Shareholder action should properly come before the meeting or any adjournments thereof, those persons named as Proxies in the enclosed Proxy Form will vote thereon according to their best judgment.

PENDING LITIGATION

In November 2011, the Company received a “make whole demand statement” from Bank of America in the amount of $321,136 for a loan that closed in July of 2006. Bank of America stated that the file has been audited by the mortgage insurers (GE) who have rescinded their coverage based on their findings with regard to the appraisal of the collateral. The Company’s legal counsel responded appropriately to the request stating that the Company has no liability in this transaction. There has been no further communication on this matter and the Company considers it closed.

On February 3, 2012 the Company was served with pleadings with respect to a South Carolina State Supreme Case for the “unauthorized practice of the law” arising from the modifications of real estate loans. The Company’s legal counsel is in the process of responding to the suit. At this time it is impossible to predict the outcome/results of a final order.

In the Opinion of Management, there are no other legal proceedings pending other than routine litigation incidental to its business involving amounts which are not material to the financial condition of the Company or the Bank.

ANNUAL REPORT

The Annual Report for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission on Form 10-K, is mailed herewith to all Shareholders.

SHAREHOLDER PROPOSALS FOR THE 2013 ANNUAL SHAREHOLDERS’ MEETING

Shareholder proposals, if any, for inclusion in the Proxy Statement relating to the 2013 Annual Shareholders’ meeting, must be addressed to and received in the office of the President no later than December 2, 2012. To ensure prompt receipt by the Company, the proposal should be sent certified mail, return receipt requested.

By Order of the Board of Directors

Richard W. Hutson, Jr., Secretary

February 23, 2012

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number: 0-27702

BANK OF SOUTH CAROLINA CORPORATION
(Exact name of registrant as specified in its charter)

South Carolina	57-1021355
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
256 Meeting Street, Charleston, SC	29401
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: (843) 724-1500

Securities registered under Section 12(b) of the Exchange Act:
Common Stock
(Title of Class)

Securities registered under Section 12(g) of the Exchange Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
___Yes_X__No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
____ Yes _X_No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes_X__ No ____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes_X__ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10K or any amendment to this Form 10-K. ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ___ Accelerated Filer ___ Non-accelerated filer ___ Smaller reporting Company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _ No X

Aggregate market value of the voting stock held by non-affiliates, computed by reference to the closing price of such stock on June 30, 2011 was: $46,487,117

As of February 24, 2012, the Registrant has out standing 4,444,940 shares of common stock.

BANK OF SOUTH CAROLINA CORPORATION
AND SUBSIDIARY

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PART I

Item 1. Business

General

The Bank of South Carolina (the "Bank") was organized on October 22, 1986 and opened for business as a state-chartered financial institution on February 26, 1987, in Charleston, South Carolina. The Bank was reorganized into a wholly-owned subsidiary of Bank of South Carolina Corporation (the "Company"), effective April 17, 1995. At the time of the reorganization, each outstanding share of the Bank was exchanged for two shares of Bank of South Carolina Corporation Stock. The Company operates as a commercial bank from its four banking house locations. The four banking house locations of the Bank include: 256 Meeting Street, Charleston, SC, 100 North Main Street, Summerville, SC, 1337 Chuck Dawley Boulevard, Mt. Pleasant, SC and 2027 Sam Rittenberg Boulevard, Charleston, SC.

The Company ("BKSC") is publicly traded on the National Association of Securities Dealers Automated Quotations (NASDAQ), and is under the reporting authority of the Securities and Exchange Commission ("SEC"). All of the Company's electronic filings with the SEC, including its Annual Report on Form 10-K, Quarterly Reports on Form 10Q, Current Reports on Form 8-K and other documents filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are accessible at no cost on the Bank's website, www.banksc.com, through the "Investor Relations" link. The Company's filings are also available through the SEC's web site at www.sec.gov or by calling 1-800-SEC-0330.

Location and Service Area

The Bank serves Berkeley, Charleston and Dorchester counties (the "Tri-County Area") as an independent, community oriented commercial bank concentrating on individuals and small and medium-sized businesses desiring a high level of personalized services. The principal components of the economy within the Company's service area are service industries, manufacturing, medical, government and wholesale and retail trade. Like other areas in the United States, the Company's market area has experienced extreme volatility and disruption for more than 3 years. According to the National Bureau of Economic Research, the United States entered an economic recession in December 2007. The operations of the Company have been impacted by prevailing economic conditions, competition and the monetary, fiscal, and regulatory policies of governmental agencies. Nonetheless, the Tri-County Area is expected to rebound and grow significantly in the next few years, as a result of new industry led by Boeing locating a production line of its 787 airplanes and Clemson establishing a Wind Turbine Drivetrain Test Facility in Charleston, SC.

Banking Services

The Bank offers a full range of deposit services that are typically available in most banks and thrift institutions, including checking accounts, NOW Accounts, savings accounts and other time deposits of various types, ranging from daily Money Market Accounts to longer-term Certificates of Deposit. In addition the Bank offers certain retirement account services, such as Individual Retirement Accounts ("IRAs"). All deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the maximum amount allowed by law, $250,000, subject to aggregate rules and limits. In addition all funds in a "noninterest-bearing transaction accounts" and Lawyer Trust Accounts (IOLTAs) are insured in full by the FDIC from December 31, 2010 to December 31, 2012 as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as of July 21, 2011, deposit institutions may now pay interest on business demand accounts.

The Bank also offers a full range of commercial and personal loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements) and purchase of machinery and equipment. The Bank originates, processes and closes mortgage loans and sells (each individually) to investors on a list preapproved by the Board. The Bank's lending activities are subject to a variety of lending limits imposed by Federal law. While differing limits apply in certain circumstances based on the type of loan or the nature of the borrower, the direct, indirect and related credit to a single borrowing entity is limited to 10% of the Bank's unimpaired capital and surplus and up to 15% if approved in advance by the Board of Directors. All loans made to any

Director of the Bank must be approved by the Board of Directors and made on terms not more favorable than would be available to a person not affiliated with the Bank. This also applies to executive officers who may only apply for overdraft protection.

Other services offered by the Bank include internet banking (for individuals and businesses) including online bill pay, and remote deposit capture, allowing businesses to make deposits from its place of business. Credit cards are offered through a correspondent banking service, including MasterCard ™ and Visa ™. The Bank does not have a proprietary automated teller machine but participates in a national ATM network through the Visa Debit Card Program. This service is called "Check Card" by the Bank and also offers purchases by the cardholder where Visa debit cards are accepted worldwide using a direct charge to their checking account. Other services offered, but not limited to, include safe deposit boxes, letters of credit, travelers checks, direct deposit of payroll, social security and dividend payments and automatic payment of insurance premiums and mortgage loans. The Bank offers a courier service and ACH origination service as part of its deposit services for commercial customers. A full portfolio of Wealth Management/Trust, Investment and Retirement services are available to Bank customers through an arrangement with Reliance Trust Company.

Competition

The financial services industry is highly competitive. The Bank faces competition in attracting deposits and originating loans based upon a variety of factors including:

- interest rates offered on deposit accounts
- interest rates charged on loans
- credit and service charges
- the quality of services rendered
- the convenience of banking facilities and other delivery channels and
- in the case of loans, relative lending limits.

Direct competition for deposits and loans principally comes from local and national financial institutions as well as consumer and commercial finance companies, insurance companies, brokerage firms, some of which are not subject to the same degree of regulation and restrictions as the Bank. Many of these competitors have substantially greater resources and lending limits than the Bank has and offer certain services, such as trust and international banking services, which the Bank is not providing. The Bank does, however, provide a means for clearing international checks and drafts through a correspondent bank.

Employees

At December 31, 2011, the Bank employed 77 people, with 3 individuals considered part time employees, none of whom are subject to a collective bargaining agreement. The Bank provides a variety of benefit programs including an Employee Stock Ownership Plan and Trust, health, life, disability and other insurance. Management believes its relationship with its employees is excellent.

SUPERVISION AND REGULATION

Both the Company and the Bank are subject to extensive state and federal banking laws and regulations that impose specific requirements or restrictions on and provide for general regulatory oversight of virtually all aspects of operations. Changes in applicable laws or regulations may have a material effect on the Company’s business.

Dodd-Frank Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law. The Dodd-Frank Act is expected to result in dramatic changes across the financial regulatory system, some of which become effective immediately and others that will not become effective until various future dates. Implementation of the Dodd-Frank Act will require many new rules to be made by various federal regulatory agencies over the next several years. Uncertainty remains until final rulemaking is complete as to the ultimate impact of the Dodd-Frank Act, which could have an adverse impact either on the financial services industry as a whole or on the Company’s business, results of operations, and financial condition.

The following provisions have been implemented since the Dodd-Frank Act was enacted:

- On July 21, 2010 the $250,000 limit for the federal deposit insurance was made permanent and in November 2010 unlimited federal deposit insurance for noninterest bearing demand transaction accounts at all insured depository institutions was extended through December 31, 2012

- In June 2011, Regulation Q was repealed, and beginning July 21, 2011 depository institutions are now permitted to pay interest on business demand deposits.

- Effective with the June 30, 2011 measurement period, the assessment base for federal deposit insurance was changed from the amount of insured deposits to consolidated assets less tangible capital.

The following provisions of the Dodd-Frank Act are still awaiting final implementation:

- Centralize responsibility for consumer financial protection by creating a new agency, the Bureau of Consumer Financial Protection, responsible for implementing, examining, and enforcing compliance with federal consumer financial laws

- Create the Financial Stability Oversight Council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity

- Provide mortgage reform provisions regarding a customer's ability to repay, restricting variable-rate lending by requiring that the ability to repay variable-rate loans be determined by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions

- Implement corporate governance revisions, including executive compensation and proxy access by shareholders, which apply to all public companies, not just financial institutions

Bank Holding Company Act

The Company is a one bank holding company under the federal Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"). As a result, the Company is primarily subject to the supervision, examination and reporting requirements of the Board of Governors of the Federal Reserve (the "Federal Reserve") under the Bank Holding Company Act and its regulations promulgated thereunder. Moreover, as a bank holding company located in South Carolina, the Company is also subject to the regulations of the South Carolina State Board of Financial Institutions.

Capital Requirements

The Federal Reserve Board imposes certain capital requirements on the Bank Holding Company under the Bank Holding Company Act, including a minimum leverage ratio and minimum ratio of "qualifying" capital to risk-weighted assets. These requirements are essentially the same as those that apply to the Bank and are described under "Regulatory Capital Requirements" in the notes to the financial statements. The ability of the Company to pay dividends depends on the Bank's ability to pay dividends to the Company, which is subject to regulatory restrictions as described below in "Dividends".

Standards for Safety and Soundness

The Federal Deposit Insurance Act requires the federal banking regulatory agencies to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to (1) internal controls, information systems and internal audit systems, (2) loan documentation, (3) credit underwriting, (4) interest rate risk exposure, and (5) asset growth. The agencies also must prescribe standards for asset quality, earnings, and stock valuation, as well as standards for compensation, fees, and benefits. The federal banking agencies have adopted regulations and Interagency Guidelines Prescribing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired.

Regulatory Examination

All insured institutions must undergo regular on-site examinations by their appropriate banking agency. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate banking agency against each institution or affiliate as it deems necessary or appropriate. Insured institutions are required to submit annual reports to the FDIC, their federal regulatory agency, and state supervisor when applicable. The federal banking regulatory agencies prescribe, by regulation, standards for all insured depository institutions and depository institution holding companies relating, among other things, to the following:

- Internal controls
- Information systems and audit systems
- Loan documentation
- Credit underwriting
- Interest rate risk exposure
- Asset quality
- Liquidity
- Capital Adequacy
- Bank Secrecy Act
- Sensitivity to Market Risk

Transactions with Affiliates and Insiders

The Company is subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders, and their related interests. Such extensions of credit (1) must be made on substantially the same terms, including interest rates, and collateral, as those prevailing at the time for comparable transactions with third parties and (2) must not involve more than the normal risk of repayment or present other unfavorable features.

Dividends

The Company's principal source of cash flow, including cash flow to pay dividends to its shareholders, is dividends it receives from the Bank. Statutory and regulatory limitations apply to the Bank's payment of dividends to the Company. As a general rule, the amount of a dividend may not exceed, without prior regulatory approval, the sum of net income in the calendar year to date and the retained net earnings of the immediately preceding two calendar years. A depository institution may not pay any dividend if payment would cause the institution to become undercapitalized or if it already is undercapitalized.

Consumer Protection Regulations

Activities of the Bank are subject to a variety of statutes and regulations designed to protect consumers. Interest and other charges collected for the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's loan operations are also subject to federal laws applicable to credit transactions such as:

- The federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers
- The Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves
- The Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit
- The Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies
- The Fair Debt Collection Act, governing the manner in which consumer debt may be collected by collection agencies
- The rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of the Bank also are subject to:

- The Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records
- The Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that Act, which governs automatic deposits to and withdrawals from deposit and customer's rights and liabilities arising from the use of automated teller machines and other electronic banking services
- Regulation DD which implements the Truth in Savings Act to enable consumers to make informed decisions about deposit accounts at depository institutions. Regulation DD requires depository institutions to provide disclosures so that consumers can make meaningful comparisons among depository institutions.

Enforcement Powers

The Company, including its management and employees, are subject to potential civil and criminal penalties for violations of law, regulations or written orders of a government agency. These practices can include the failure of an institution to timely file required reports or the filing of false or misleading information or the submission of inaccurate reports. Civil penalties may be as high as $1,000,000 a day for such violations. Criminal penalties for some financial institution crimes have been increased to twenty years. In addition, regulators are provided with greater flexibility to commence enforcement actions against the Company.

Anti-Money Laundering

The Company must maintain anti-money laundering programs that include (1) established internal policies, procedures, and controls, (2) a designated compliance officer, (3) an ongoing employee training program and, (4) testing of the program by an independent audit function. The Company is prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and "knowing your customer" in dealing with foreign financial institutions and foreign customers. In addition the Company must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions.

USA Patriot Act/Bank Secrecy Act

The Company must maintain a Bank Secrecy Act Program that includes (1) established internal policies, procedures, and controls, (2) a designated compliance officer, (3) an ongoing employee training program and, (4) testing of the program by an independent audit function. The USA Patriot Act amended in part the Bank Secrecy Act and provides for the facilitation of information sharing among governmental entities and the Company for the purpose of combating terrorism and money laundering by enhancing anti-money laundering and financial transparency laws, as well as enhanced information collection tools and enforcement mechanics for the US government. These provisions include (1) requiring standards for verifying customer identification at account opening, (2) rules to promote cooperation among financial institutions, regulators, and law enforcement entities in identifying parties that may be involved in terrorism or money laundering, and 3) filing suspicious activity reports if the Company believes a customer may be violating US laws and regulations.

Privacy and Credit Reporting

The Company is required to disclose its policies for collecting and protecting confidential information. Customers generally may prevent the Company from sharing nonpublic personal information with nonaffiliated third parties except under narrow circumstances, such as the processing of transactions requested by the consumer.

Check 21

The Check Clearing For the 21st Century Act gives "substitute checks," such as a digital image of a check and copies made from that image, the same legal standing as the original paper check. The following are some of the major provisions:

- Allowing check truncation without making it mandatory
- Demanding that every financial institution communicate to account holders in writing a description of its substitute check processing program and their rights under the law
- Legalizing substitutions for and replacement of paper checks without agreement from consumers
- Retaining in place the previously mandated electronic collection and return of checks between financial institutions only when individuals agreements are in place
- Requiring that when account holders request verification, financial institutions produce the original check (or a copy that accurately represents the original) and demonstrate that the account debit was accurate and valid
- Requiring the re-crediting of funds to an individual's account on the next business day after a consumer proves that the financial institution has erred.

Item 1A. <u>Risk Factors</u>

Not applicable

Item 1B. <u>Unresolved Staff Comments</u>

None

Item 2. <u>Properties</u>

The Company's headquarters is located at 256 Meeting Street in downtown Charleston, South Carolina. This site is also the location of the main office of its subsidiary, The Bank of South Carolina. In addition to the Meeting Street location, the Bank operates from three additional locations: 100 North Main Street, Summerville, SC, 1337 Chuck Dawley Boulevard, Mount Pleasant, SC, and 2027 Sam Rittenberg Boulevard, Charleston, SC. The Bank's mortgage department is located at 1071 Morrison Drive, Charleston, SC. The Company owns the 2027 Sam Rittenberg Boulevard location which also houses the Operations Department of the Bank. All other locations are leased. The owned location is not encumbered and all of the leases have renewal options. Each of the banking locations are suitable and adequate for banking operations.

Item 3. <u>Legal Proceedings</u>

In November 2011, the Company received a "make whole demand statement" from Bank of America in the amount of $321,136 for a loan that closed in July of 2006. Bank of America stated that the file has been audited by the mortgage insurers (GE) who have rescinded their coverage based on their findings with regard to the appraisal of the collateral. The Company's legal counsel responded appropriately to the request stating that the Company has no liability in this transaction. There has been no further communication on this matter and the Company considers it closed.

On February 3, 2012 the Company was served with pleadings with respect to a South Carolina State Supreme Case for the "unauthorized practice of the law" arising from the modifications of real estate loans. The Company's legal counsel is in the process of responding to the suit. At this time it is impossible to predict the outcome/results of a final order.

In the Opinion of Management, there are no other legal proceedings pending other than routine litigation incidental to its business involving amounts which are not material to the financial condition of the Company or the Bank.

PART II

Item 5. Market for the Company's Common Equity, Related Stockholder Matters and Issuers Purchases of Equity Securities

There were issued and outstanding 4,444,940 shares of the 12,000,000 authorized shares of common stock of the Company at the close of the Company's fiscal year ended December 31, 2011. The common stock of the Company is traded on The NASDAQ Capital Market under the trading symbol “BKSC”.

The following table sets forth the high and low sales price information as reported by NASDAQ in 2011, 2010 and 2009. All information has been adjusted for a 10% stock dividend declared on August 26, 2010.

		High		Low		Dividends
2011						
Quarter ended March 31, 2011	$	12.50	$	11.19	$	0.10
Quarter ended June 30, 2011	$	11.89	$	9.90	$	0.10
Quarter ended September 30, 2011	$	10.60	$	9.10	$	0.11
Quarter ended December 31, 2011	$	10.29	$	9.66	$	0.11
2010						
Quarter ended March 31, 2010	$	10.35	$	8.64	$	0.10
Quarter ended June 30, 2010	$	10.96	$	8.91	$	0.10
Quarter ended September 30, 2010	$	11.93	$	8.87	$	0.10
Quarter ended December 31, 2010	$	12.44	$	10.18	$	0.10
2009						
Quarter ended March 31, 2009	$	11.71	$	9.09	$	0.16
Quarter ended June 30, 2009	$	12.22	$	9.32	$	0.16
Quarter ended September 30, 2009	$	13.36	$	10.13	$	0.00
Quarter ended December 31, 2009	$	11.68	$	8.64	$	0.00

As of January 1, 2012, there were approximately 1,200 shareholders of record with shares held by individuals and in nominee names, and on February 24, 2012, the market price for the common stock of the Company was $10.90.

The future payment of cash dividends is subject to the discretion of the Board of Directors and depends upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. Cash dividends, when declared, are paid by the Bank to the Company for distribution to shareholders of the Company. Certain regulatory requirements restrict the amount of dividends which the Bank can pay to the Company.

At its December 1995 Board Meeting, the Board of Directors authorized the repurchase of up to 128,108 shares of its common stock on the open market. At its October, 1999 Board meeting, the Board of Directors authorized the repurchase of up to 41,593 shares of its common stock on the open market and again at its September, 2001 Board meeting, the Board of Directors authorized the repurchase of up to 49,912 shares of its common stock on the open market. As of the date of this report, 219,451 shares have been repurchased by the Company with 162 shares remaining that are authorized to be repurchased. At the Annual Meeting April 2007, the shareholders' voted to increase the number of authorized shares from 6,000,000 to 12,000,000. As of February 24, 2012, there were 4,664,391 shares of common stock issued and 4,444,940 shares of common stock outstanding.

THE BANK OF SOUTH CAROLINA EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

During 1989, the Board of Directors of the Bank adopted an Employee Stock Ownership Plan and Trust Agreement to provide retirement benefits to eligible employees of the Bank for long and faithful service. An amendment and restatement was made to the Employee Stock Ownership Plan effective January 1, 2007 and approved by the Board of Directors January 18, 2007. Periodically the Internal Revenue Service "IRS" requires a restatement of a qualified retirement plan to ensure that the plan document includes provisions required by legislative and regulatory changes made since the last restatement. There have been no substantive changes to the plan. The Board of Directors approved the restated plan, incorporated herein as Exhibit 10.5, on January 26, 2012. The Plan has been submitted to the IRS for approval. The Board of Directors of the Bank approved the cash contribution of $240,000 to The Bank of South Carolina Employee Stock Ownership Plan for the fiscal year ended December 31, 2011. The contribution was made during 2011.

An employee of the Bank who is not a member of an ineligible class of employees is eligible to participate in the plan upon reaching 21 years of age and being credited with one year of service (1,000 hours of service). All employees are eligible employees except for the following ineligible classes of employees:

- Employees whose employment is governed by a collective bargaining agreement between employee representatives and the Company in which retirement benefits were the subject of good faith bargaining unless the collective bargaining agreement expressly provides for the inclusion of such employees in the plan

- Employees who are non-resident aliens who do not receive earned income from the Company which constitutes income from sources within the United States

- Any person who becomes an employee as the result of certain asset or stock acquisitions, mergers, or similar transactions (but only during a transitional period)

- Certain leased employees

- Employees who are employed by an affiliated Company that does not adopt the plan

- Any person who is deemed by the Company to be an independent contractor on his or her employment commencement date and on the first day of each subsequent plan year, even if such person is later determined by a court or a governmental agency to be or to have been an employee.

The employee may enter the Plan on the January 1st that occurs nearest the date on which the employee first satisfies the age and service requirements described above. No contributions by employees are permitted. The amount and time of contributions are at the sole discretion of the Board of Directors of the Bank. The contribution for all participants is based solely on each participant's respective regular or base salary and wages paid by the Bank including commissions, bonuses and overtime, if any.

A participant becomes vested in the ESOP based upon the employees credited years of service. The vesting schedule is as follows:

- 1 Year of Service — 0% Vested
- 2 Years of Service — 25% Vested
- 3 Years of Service — 50% Vested
- 4 Years of Service — 75% Vested
- 5 Years of Service — 100% Vested

The Bank is the Plan Administrator. David R. Schools, Fleetwood S. Hassell, Sheryl G. Sharry and Hugh C. Lane, Jr., currently serve as the Plan Administrative Committee and as Trustees for the Plan. The Plan currently owns 250,614 shares of common stock of Bank of South Carolina Corporation.

Item 6. Selected Financial Data

Consolidated Financial Highlights

	2011	2010	2009	2008	2007
For December 31:					
Net Income	$ 3,189,318	$ 3,110,513	$ 1,869,854	$ 2,939,297	$ 3,831,244
Selected Year End Balances:					
Total Assets	334,028,769	280,521,267	265,914,758	243,665,930	225,157,090
Total Loans (1)	221,287,699	213,933,980	217,315,936	183,538,172	158,329,035
Investment Securities Available for Sale	59,552,160	39,379,613	36,862,345	37,896,250	35,840,019
Federal Funds Sold	-	19,018,104	3,779,693	13,352,303	18,357,674
Interest Bearing Deposits in Other Banks	47,504,282	715,231	1,139,875	814,104	782,693
Earning Assets	328,344,141	273,046,928	259,097,849	235,600,829	213,309,421
Deposits	301,127,515	250,436,975	229,837,680	214,786,515	197,346,458
Shareholders' Equity	31,993,869	28,718,882	27,567,197	26,808,064	25,692,570
Weighted Average Shares Outstanding-Diluted	4,439,887	4,416,065	4,394,366	4,375,485	4,368,484
For the Year:					
Selected Average Balances:					
Total Assets	308,509,718	266,061,304	257,195,300	228,987,689	236,019,185
Total Loans (1)	212,960,987	212,960,118	202,885,118	165,905,847	162,006,962
Investment Securities Available for Sale	52,289,136	37,410,074	37,325,137	37,210,126	38,810,306
Federal Funds Sold and Resale Agreements	7,578,169	6,845,910	7,095,852	14,475,859	22,548,768
Interest Bearing Deposits in Other Banks	27,800,598	825,108	791,097	1,315,222	801,227
Earning Assets	300,628,890	258,041,210	248,097,204	218,907,054	224,167,263
Deposits	276,859,602	233,712,645	223,770,359	200,955,703	209,104,665
Shareholders' Equity	30,429,970	28,606,139	27,546,030	26,470,992	24,841,050
Performance Ratios:					
Return on Average Equity	10.48%	10.87%	6.79%	11.10%	15.42%
Return on Average Assets	1.03%	1.27%	.73%	1.28%	1.62%
Average Equity to Average Assets	9.86%	10.75%	10.71%	11.56%	10.53%
Net Interest Margin	3.83%	4.30%	4.17%	4.69%	5.11%
Net (Recoveries) Charge-offs to Average Loans	.13%	.36%	.38%	.06%	(0.01)%
Allowance for Loan Losses as a Percentage of Total Loans (excluding mortgage loans held for sale)	1.45%	1.41%	1.42%	.79%	.85%
Per Share:					
Basic Earnings	$ 0.72	$ 0.70	$ 0.43	$ 0.67	$ 0.88
Diluted Earnings	0.72	0.70	0.43	0.67	0.88
Year End Book Value	7.20	6.48	6.26	6.74	6.50
Cash Dividends Declared	0.42	0.40	0.32	0.64	0.62
Dividend Payout Ratio	58.49%	54.27%	68.28%	86.44%	63.88%
Full Time Employee Equivalents	76	72	72	67	68

(1) Including mortgage loans held for sale

All share and per share data have been restated to reflect a 10% stock dividend declared on August 26, 2010.

The following tables, as well as the previously presented consolidated financial highlights, set forth certain selected financial information concerning the Company and its wholly owned subsidiary. The information was derived from audited consolidated financial statements. The information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, which follows, and the audited consolidated financial statements and notes which are presented elsewhere in this report.

	For Years Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Operating Data:					
Interest and fee income	$ 12,277,604	$ 12,166,183	$ 11,671,949	$ 12,146,820	$ 16,482,178
Interest expense	778,028	1,066,391	1,336,329	1,878,778	5,023,086
Net interest income	11,499,576	11,099,792	10,335,620	10,268,042	11,459,092
Provision for loan losses	480,000	670,000	2,369,000	192,000	40,000
Net interest income after provision for loan losses	11,019,576	10,429,792	7,966,620	10,076,042	11,419,092
Other income	1,777,957	2,063,697	2,264,056	1,472,854	1,543,869
Other expense	8,260,266	7,998,545	7,600,705	7,192,635	7,085,401
Income before income taxes	4,537,267	4,494,944	2,629,971	4,356,261	5,877,560
Income tax expense	1,347,949	1,384,431	760,117	1,416,964	2,046,316
Net income	$ 3,189,318	$ 3,110,513	$ 1,869,854	$ 2,939,297	$ 3,831,244
Basic income per share	$ 0.72	$ 0.70	$ 0.43	$ 0.67	$ 0.88
Diluted income per share	$ 0.72	$ 0.70	$ 0.43	$ 0.67	$ 0.88
Weighted average common shares-basic	4,439,887	4,416,065	4,390,835	4,362,812	4,337,374
Weighted average common shares – diluted	4,439,887	4,416,065	4,394,366	4,375,485	4,368,484
Dividends per common share	$ 0.42	$ 0.40	$ 0.32	$ 0.64	$ 0.62

	As of December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Balance Sheet Data:					
Investment securities available for sale	$ 59,552,160	$ 39,379,613	$ 36,862,345	$ 37,896,250	$ 35,840,019
Total loans (1)	221,287,699	213,933,980	217,315,936	183,538,172	158,329,035
Allowance for loan losses	3,106,884	2,938,588	3,026,997	1,429,835	1,355,099
Total assets	334,028,769	280,521,267	265,914,758	243,665,930	225,170,090
Total deposits	301,127,515	250,436,975	229,837,680	214,786,515	197,346,458
Shareholders' equity	31,993,869	28,718,882	27,567,197	26,808,064	25,692,570

(1) Including Mortgage loans to be sold

All share and per share data have been restated to reflect a 10% stock dividend declared on August 26, 2010.

Item 7. **<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>**

Management's discussion and analysis is included to assist the Shareholder in understanding the Company's financial condition, results of operations, and cash flow. This discussion should be reviewed in conjunction with the audited consolidated financial statements and accompanying notes presented in Item 8 of this report and the supplemental financial data appearing throughout this report. Since the primary asset of the Company is its wholly-owned subsidiary, most of the discussion and analysis relates to the Bank.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report, including information included or incorporated by reference in this document, contains statements which constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1934. Management desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1996 and is including this statement for the express purpose of availing the Company of protections of such safe harbor with respect to all "forward-looking statements" contained in this Form 10-K. Forward looking statements may relate to, among other matters, the financial condition, results of operations, plans, objectives, future performance, and business of the Company. Forward-looking statements are based on many assumptions and estimates and are not guarantees of future performance. Actual results may differ materially from those anticipated in any forward-looking statements. The words "may," "would," "could," "should," "will," "expect," "anticipate," "predict," "project,", "potential," "continue," "assume," "believe," "intend," "plan," "forecast," "goal," and "estimate," as well as similar expressions, are meant to identify such forward-looking statements. Potential risks and uncertainties that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, without limitations, those described under the heading "Risk Factors" in this Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission (the SEC") and the following:

- Risk from changes in economic, monetary policy, and industry conditions
- Changes in interest rates, shape of the yield curve, deposit rates, the net interest margin and funding sources
- Market risk (including net income at risk analysis and economic value of equity risk analysis) and inflation
- Risk inherent in making loans including repayment risks and changes in the value of collateral
- Loan growth, the adequacy of the allowance for loan losses, provisions for loan losses, and the assessment of problem loans
- Level, composition, and re-pricing characteristics of the securities portfolio
- Deposit growth, change in the mix or type of deposit products and services
- Continued availability of Senior Management
- Technological changes
- Ability to control expenses
- Changes in compensation
- Risks associated with income taxes including potential for adverse adjustments
- Changes in accounting policies and practices
- Changes in regulatory actions, including the potential for adverse adjustments
- Recently enacted or proposed legislation
- Current disarray in the financial service industry.

All forward-looking statements in this report are based on information available to the Company as of the date of this report. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, Management cannot guarantee that these expectations will be achieved. The Company will undertake no obligation to update any forward - looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events. In addition, certain statements in future filings by the Company with the SEC, in press releases, and in oral and written statements made by or with the approval of the Company, which are not statements of historical fact, constitute forward looking statements.

OVERVIEW

Bank of South Carolina Corporation (the "Company") is a financial institution holding company headquartered in Charleston, South Carolina, with $334.0 million in assets as of December 31, 2011 and net income of $834,952 and $3,189,318, respectively, for the three and twelve months ended December 31, 2011. The Company offers a broad range of financial services through its wholly-owned subsidiary, The Bank of South Carolina (the "Bank"). The Bank is a state-chartered commercial bank which operates principally in the Charleston, Dorchester, and Berkeley counties of South Carolina. The Bank's original and current business plan is to be a full service financial institution specializing in personal service, responsiveness, attention to detail to foster long standing relationships.

The Company derives most of its income from interest on loans and investments (interest bearing assets). The primary source of funding for making these loans and investments is the Company's interest and non-interest bearing deposits. One of the key measures of the Company's success is the amount of net interest income, or the difference between the income on its interest earning assets, such as loans and investments, and the expense on its interest bearing liabilities such as deposits. Another key measure is the spread between the yield the Company earns on these interest bearing assets and the rate the Company pays on its interest bearing liabilities.

There are risks inherent in all loans; therefore, the Company maintains an Allowance for Loan Losses to absorb estimated losses on existing loans that may become uncollectible. The Company established and maintains this allowance based on a methodology representing the lending environment it operates within. For a detailed discussion on the Allowance for Loan Losses see "Provision for Loan Losses".

In addition to earning interest on loans and investments, the Company also earns income through fees and other expenses it charges to the customer. The following discussion includes various components of this noninterest income as well as our non-interest expenses. The discussion and analysis also identifies significant factors that have affected the Company's financial position and operating results as of December 31, 2011 as compared to December 31, 2010 and December 31, 2010 as compared to December 31, 2009, and should be read in conjunction with the financial statements and the related notes included in this report. In addition, a number of tables have been included to assist in the discussion.

CRITICAL ACCOUNTING POLICIES

The Company has adopted various accounting policies that govern the application principles generally accepted in the United States and with general practices within the banking industry in the preparation of its financial statements. The Company's significant accounting policies are set forth in the notes to the Company's consolidated financial statements in this report.

Certain accounting policies involve significant judgments and assumptions by the Company that have a material impact on the carrying value of certain assets and liabilities. The Company considers these accounting policies to be critical accounting policies. The judgment and assumptions the Company uses are based on historical experience and other factors, which the Company believes to be reasonable under the circumstances. Because of the number of judgments and assumptions the Company makes, actual results could differ from these judgments and estimates that could have a material impact on the carrying values of its assets and liabilities and its results of operations.

The Company considers its policy regarding the Allowance for Loan Losses to be its most subjective accounting policy due to the significant degree of Management judgment. The Company has developed what it believes to be appropriate policies and procedures for assessing the adequacy of the Allowance for Loan Losses, recognizing that this process requires a number of assumptions and estimates with respect to its loan portfolio. The Company's assessments may be impacted in future periods by changes in economic conditions, the impact of regulatory examinations and the discovery of information with respect to borrowers which were not known by Management at the time of the issuance of the consolidated financial statements. For additional discussion concerning the Company's Allowance for Loan Losses and related matters, see "Allowance for Loan Losses".

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2011 TO DECEMBER 31, 2010

Net income increased $78,805 or 2.53% to $3,189,318 for the year ended December 31, 2011 from $3,110,513 for the year ended December 31, 2010. Basic and diluted earnings per share increased from $.70 for the year ended December 31, 2010 to $.71 for the year ended December 31, 2011.

Net interest income is a primary source of revenue. Net interest income is the difference between income earned on assets and interest paid on deposits and borrowings used to support such assets. Net interest income is determined by the rates earned on interest earning assets and the rates paid on interest bearing liabilities, the relative amounts of interest earning assets and interest bearing liabilities, and the degree of mismatch and maturity and repricing characteristics of its interest earning assets and interest bearing liabilities.

Net interest income increased $399,784 or 3.60% to $11,499,576 for the year ended December 31, 2011 from $11,099,792 for the year ended December 31, 2010. Total interest and fee income increased $111,421 or .92% to $12,277,604 for the year ended December 31, 2011 from $12,166,183 for the year ended December 31, 2010. A modest increase in loan demand which coupled with the Company's effort to improve its yield on loans resulted in the increase in interest and fees on loans of $194,208 or 1.82% to $10,887,709 for the year ended December 31, 2011, from $10,693,501 for the year ended December 31, 2010. Average loans increased $869 with the yield improving from 5.02% at December 31, 2010 to 5.11% at December 31, 2011. Other interest income increased $67,201 or 518.89% to $80,152 at December 31, 2011 from $12,951 at December 31, 2010. To improve its yield on daily liquidity, the Company terminated all of its Federal Funds positions, moving this money to deposits with the Federal Reserve as the Company was able to earn .25% (approximately 10 basis points more than the Company was earning on its Federal Funds deposits). Average other interest bearing accounts increased $26,975,490 with a yield of .24%. The yield on average Federal Funds sold decreased from .19% at December 31, 2010 to .17% at December 31, 2011. Although average investment securities increased $14,879,062 or 39.77%, interest and dividends on investments decreased $149,988 or 10.28% to $1,309,743 for the year ended December 31, 2011 from $1,459,731 at December 31, 2010. The Company increased its investment portfolio to enhance income in this low rate environment. The average yield on the Company's investment portfolio decreased from 3.90% at December 31, 2010 to 2.50% at December 31, 2011. The Company had $6 million in Federal Agency Securities and $3 million in US Treasury Notes mature during the year ended December 31, 2011, which were yielding between 4.05% and 5.07%. The Company sold $18 million in US Treasury Notes during the year ended December 31, 2011 for a gain of $124,672. The Company reinvested $17 million in Government Sponsored Securities that were yielding between 1.30% and 1.71% and $1 million in Municipal Securities that were yielding between 2.50% and 3.00% at December 31, 2011. In addition to the above noted investments, the Company also purchased an additional $7.73 million in Municipal Securities which were yielding between .55% and 3.55% at December 31, 2011. Overall, average interest bearing assets increased $42.6 million to $300.6 million for the year ended December 31, 2011 with a yield of 4.08% from $258.0 million at December 31, 2010 with a yield of 4.71%.

Average interest bearing liabilities increased $32.0 million to $216.3 million for the year ended December 31, 2011 with a yield of .36% from $184.3 million with a yield of .58% for the year ended December 31, 2010 a decrease of 22 basis points. Because of the Company's increase in liquidity and the reinvestment of its bond portfolio the Company's net interest margin fell from 4.30% at December 31, 2010 to 3.83% at December 31, 2011.

Interest expense decreased $288,363 or 27.04% to $778,028 for the year ended December 31, 2011, from $1,006,391 for the year ended December 31, 2010. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. One of the provisions under this law is for the Federal Deposit Insurance Corporation (FDIC) to provide unlimited federal deposit insurance for non-interest-bearing demand transaction accounts. The Company's non-interest bearing demand accounts increased $13,333,379 or 23.44%% from $56,884,235 at December 31, 2010 to $70,217,614 at December 31, 2011. In addition interest rates remain at historically low rates resulting in lower rates paid on deposits as well as lower rates paid on short term borrowings.

The provision for loan losses is a charge to earnings in a given period to maintain the Allowance for Loan Losses at an adequate level. Provision for loan losses decreased $190,000 or 28.36% to $480,000 for the year ended December 31, 2011 from $670,000 for the year ended December 31, 2010. The Allowance for Loan Losses represents an amount which management believes will be adequate to absorb probable losses on existing loans that may become uncollectible. Management's judgment as to the adequacy of the Allowance for Loan Losses is based on numerous assumptions about current events, which Management believes to be reasonable, but which may or may not be valid. Management's determination of the allowance of loan losses is based on evaluations of the collectability of loans, including consideration of factors such as the balance of impaired loans, the quality, mix and size of the Company's overall loan portfolio, economic conditions that may affect the borrower's ability to repay, the amount and quality of collateral securing the loans, the Company's historical loan loss experience, and a review of specific problem loans. Recognized losses are charged to the allowance with subsequent recoveries added back.

The allowance consists of an allocated and unallocated allowance. The allocated portion is determined by types and ratings of loans within the portfolio. The unallocated portion of the allowance is established for losses that exist in the remainder of the portfolio and compensates for uncertainty in estimating the loan losses. The Company had $558,267 in unallocated reserves at December 31, 2011 as compared to $1,061,859 at December 31, 2010. Management believes this amount is appropriate and properly supported through the environmental factors of its Allowance for Loan Losses.

There can be no assurance that charge-offs of loans in future periods will not exceed the Allowance for Loan Losses as estimated at any point in time or that provisions for loan losses will not be significant to a particular accounting period. In addition the allowance is subject to examination and testing for adequacy by regulatory agencies. Such regulatory agencies could require Management to adjust the allowance based on information available to them at the time of their examination.

During 2011, the Company recorded net charge-offs of $311,703 as compared to net charge-offs of $758,408 in 2010. Impaired loans at December 31, 2011 totaled $7,417,892 an increase of 108.40% over total impaired loans of $3,559,528 at December 31, 2010. Impaired loans include non accrual loans of $923,671 at December 31, 2011 and $945,328 at December 31, 2010, and two restructured loans totaling $491,153 at December 31, 2011. There was one restructured loan of $153,015 at December 31, 2010. There was one loan at December 31, 2011 over 90 days past due that was still accruing interest and no loans over 90 days past due that were still accruing interest at December 31, 2010.

Non-interest income decreased $285,740 from $2,063,697 for the year ended December 31, 2010 to $1,777,957 for the year ended December 31, 2011. This decrease was primarily due to the decrease in mortgage banking income of $329,619 or 32.82%. Loan origination fees and the service release premiums decreased as the Company originated 61 fewer mortgage loans for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The Company originated 281 mortgage loans in 2011 compared to 342 in 2010. Service charges, fees and commissions decreased $83,700 to $946,518 at December 31, 2011 from $1,030,218 at December 31, 2010. This decrease is primarily due to a decrease in credit card fees. The Company changed to a merchant service provider that pays on a quarterly basis as compared to a monthly basis in 2010. In addition, the Company receives a lower rate from the merchant provider. The merchant service provider assumes all liabilities. Credit card fees decreased $77,127 or 58.47% for the year ended December 31, 2011. The Company realized a gain of $124,672 on the sale of $18,000,000 in US Treasury Notes in 2011.

Non-interest expenses increased $261,721 or 3.27% to $8,260,266 for the year ended December 31, 2011 from $7,998,545 for the year ended December 31, 2010. This increase is primarily due to an increase of $174,677 in salaries and employee benefits. Salaries and wages increased due to the hiring of a new commercial loan officer and annual merit increases. The Company also experienced an increase in other operating expenses with data processing fees increasing $95,524 due to the addition of remote capture and eCorp (online banking for corporations). As additional customers sign up for eCorp and remote deposit capture the Company's data processing fees increase. Fees paid to the FDIC decreased $115,502 from $333,817 for the year ended December 31, 2010 to $218,315 for the year ended December 31, 2011 due to a decrease in the rate used to calculate the assessment. The Company also realized a loss of $63,273 on the sale of Other Real Estate Owned for the year ended December 31, 2011, as compared to a loss of $13,347 for the year ended December 31, 2010.

Income tax expense decreased 2.64% to $1,347,949 at December 31, 2011 from $1,384,431 at December 31, 2010. The Company's effective tax rate was approximately 29.71% for the year ended December 31, 2011 compared to 30.80% for the year ended December 31, 2010.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2010 TO DECEMBER 31, 2009

Net income increased $1,240,659 or 66.35% to $3,110,513 for the year ended December 31, 2010 from $1,869,854 for the year ended December 31, 2009. Basic and diluted earnings per share increased from $.43 for the year ended December 31, 2009 to $.70 for the year ended December 31, 2010. During the year ended December 31, 2009, Management made the decision to strengthen the reserve for loan losses, based on a specific impaired loan and increases in environmental factors, with a provision of more than $2,000,000. The provision for loan losses of $670,000 for the year ended December 31, 2010 was a decrease of $1,699,000 from the year ended December 31, 2009. This change in the provision for loan losses is the primary cause for the increase in net income in 2010.

Net interest income is a primary source of revenue. Net interest income is the difference between income earned on assets and interest paid on deposits and borrowings used to support such assets. Net interest income is determined by the rates earned on interest earning assets and the rates paid on interest bearing liabilities, the relative amounts of interest earning assets and interest bearing liabilities, and the degree of mismatch and maturity and repricing characteristics of its interest earning assets and interest bearing liabilities.

Net interest income increased $764,172 or 7.39% to $11,099,792 for the year ended December 31, 2010 from $10,335,620 for the year ended December 31, 2009. Total interest and fee income increased $494,234 or 4.23% to $12,166,183 for the year ended December 31, 2010 from $11,671,949 for the year ended December 31, 2009. Interest and fees on loans increased $539,037 or 5.31% to $10,693,501 from $10,154,464 for the years ended December 31, 2010 and 2009, respectively. This increase was due to an increase of $10,075,000 in average loans from $202,885,118 for the year ended December 31, 2009 to $212,960,118 for the year ended December 31, 2010. Improved pricing on the Company's loan portfolio also contributed to this increase. Interest and dividends on investment securities decreased $44,176 or 2.94% from $1,503,907 to $1,459,731 for the years ended December 31, 2009 and 2010, respectively. This decrease was primarily due to $6,000,000 in investment securities maturing during 2010 and being re-invested at lower rates. The Company has $9,000,000 in investment securities that will mature at various times in 2011 and with no improvement in interest rates expected in the near future, these investments will be re-invested also at significantly lower rates. Average interest earning assets increased $9,944,006 to $258,041,210 with a yield of 4.71% for the year ended December 31, 2010 from $248,097,204 at the year ended December 31, 2009. In addition to the increase in average loans mentioned above, average investments securities available for sale increased from $37,325,137 with a yield of 4.03% for the year ended December 31, 2009 to $37,410,074 with a yield of 3.90% at December 31, 2010.

Average interest bearing liabilities increased $5,176,898 to $184,291,466 for the year ended December 31, 2010 from $179,114,568 at December 31, 2009. The yield on average interest bearing liabilities decreased 17 basis points from .75% in 2009 to .58% in 2010. The increase in average interest bearing liabilities was less than the increase in average interest bearing assets which resulted in an increase in net average assets thereby contributing to the increase in the net interest margin from 4.17% in 2009 to 4.30% in 2010.

Interest expense decreased $269,938 or 20.20% to $1,066,391 for the year ended December 31, 2010, from $1,336,329 for the year ended December 31, 2009. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. One of the provisions under this law is for the Federal Deposit Insurance Corporation (FDIC) to provide unlimited federal deposit insurance for non-interest-bearing demand transaction accounts. The Company's non-interest bearing demand accounts increased $8,490,186 or 17.54% from $48,394,049 for at December 31, 2009 to $56,884,235 for the year ended December 31, 2010. In addition interest rates remain at historically low rates resulting in lower rates paid on deposits as well as lower rates paid on short term borrowings.

The provision for loan losses is a charge to earnings in a given period to maintain the Allowance for Loan Losses at an adequate level. Provision for loan losses decreased $1,699,000 or 71.72% to $670,000 for the year ended December 31, 2010 from $2,369,000 for the year ended December 31, 2009. Outstanding loans decreased from $217,315,936 at December 31, 2009 to $213,933,980 at December 31, 2010, as a result of very soft loan demand. Accordingly, an evaluation of the adequacy of the Allowance for Loan Losses resulted in a reduction in the provision for loan losses. The Allowance for Loan Losses represents an amount which management believes will be adequate to absorb probable losses on existing loans that may become uncollectible. Management's judgment as to the adequacy of the Allowance for Loan Losses is based on a number of assumptions about future events, which Management believes to be reasonable, but which may or may not prove to be accurate. Management's determination of the allowance of loan losses is based on evaluations of the collectability of loans, including consideration of factors such as the balance of impaired loans, the quality, mix and size of the Company's overall loan portfolio, economic conditions that may affect the borrower's ability to repay, the amount and quality of collateral securing the loans, the Company's historical loan loss experience, and a review of specific problem loans. Recognized losses are charged to the allowance with subsequent recoveries added back.

The allowance consists of an allocated and unallocated allowance. The allocated portion is determined by types and ratings of loans within the portfolio. The unallocated portion of the allowance is established for losses that exist in the remainder of the portfolio and compensates for uncertainty in estimating the loan losses. The Company had $1,061,859 in unallocated reserves at December 31, 2010 as compared to $1,315,138 at December 31, 2009. This decrease is the result of the ongoing economic downturn experienced throughout the market and the nation resulting in a decrease in loan demand and total outstanding loans. Management believes this amount is appropriate and properly supported through the environmental factors of its Allowance for Loan Losses. Although specific percentages have been assigned to these factors, the effects of the duration of a high or low factor are much more difficult to quantify. Accordingly, Management believes that in this credit cycle, it is prudent to keep this level of unallocated reserves and that doing so is both consistent and appropriate for its Allowance for Loan Loss methodology.

There can be no assurance that charge-offs of loans in future periods will not exceed the Allowance for Loan Losses as estimated at any point in time or that provisions for loan losses will not be significant to a particular accounting period. In addition the allowance is subject to examination and testing for adequacy by regulatory agencies. Such regulatory agencies could require Management to adjust the allowance based on information available to them at the time of their examination.

During 2010, the Company recorded net charge-offs of $758,409 as compared to net charge-offs of $771,838 in 2009. Impaired loans at December 31, 2010 totaled $3,559,528 an increase of 42.27% over total impaired loans of $2,502,002 at December 31, 2009. Impaired loans include non accrual loans of $945,328 at December 31, 2010 and $627,373 at December 31, 2009, and one restructured loan of $153,015 at December 31, 2010. There were no restructured loans at December 31, 2009. There were no loans at December 31, 2010 or 2009, over 90 days past due that were still accruing interest.

Non-interest income decreased $200,359 from $2,264,056 for the year ended December 31, 2009 to $2,063,697 for the year ended December 31, 2010. This decrease was primarily due to the decrease in mortgage banking income as well as the difference of recognizing a gain on the sale of securities of $180,071 in 2009 with no gain or loss recognized in 2010. Loan origination fees and the service release premiums decreased as the Company originated 83 fewer mortgage loans for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The Company originated 342 mortgage loans in 2010 compared to 425 in 2009.

Non-interest expenses increased $397,840 or 5.23% to $7,998,545 for the year ended December 31, 2010 from $7,600,705 for the year ended December 31, 2009. This increase is primarily due to an increase in salaries and employee benefits. Salaries and wages increased due to annual merit increases. In addition the Board of Directors increased the monthly contribution to the ESOP from $10,000 in 2009 to $20,000 in 2010. Net occupancy expense also increased $36,242 or 2.83% to $1,316,986 for the year ended December 31, 2010 as compared to $1,280,744 for the year ended December 31, 2009. During 2010 the Company moved its Mortgage Department from its main banking house at 256 Meeting Street to a new office on Morrison Drive in Charleston, SC. This move resulted in an increase in rental expense of $2,000 a month as well as an increase in utilities. The Company also saw an increase in other operating expenses with data processing fees increasing $60,681 due to the addition of remote capture and eCorp (online banking for corporations). Fees paid to the FDIC decreased $113,011 from $446,829 for the year ended December 31, 2009 to $333,817 for the year ended December 31, 2010.

Income tax expense increased 82.13% to $1,384,431 at December 31, 2010 from $760,117 at December 31, 2009, due to an increase in income before taxes, primarily as the result of a decrease of $1,699,000 in the provision for the Allowance for Loan Losses. The Company's effective tax rate was approximately 30.80% for the year ended December 31, 2010 compared to 28.90% for the year ended December 31, 2009.

Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>

ASSET AND LIABILITY MANAGEMENT

The assets and liabilities of the Company are managed to provide a consistent level of liquidity to accommodate normal fluctuations in loans and deposits. At year end 2011, total assets were $334,028,769 an increase of 19.07% from year end 2010, total deposits were $301,127,515, an increase of 20.24% from the end of the previous year, while short-term borrowings, consisting of Demand Notes Issued to U.S. Treasury, decreased $767,497 or 100.00% at December 31, 2011. (See "Short Term Borrowings" for further discussion)

At December 31, 2011, approximately 98.30% of the Company's assets were earning assets composed of U.S. Treasury, Government Sponsored Enterprises and Municipal Securities in the amount of $59,552,160, interest bearing deposits in other banks in the amount of $47,504,282 and total loans including mortgage loans held for sale in the amount of $221,287,699.

The yield on a majority of the Company's earning assets adjusts simultaneously with changes in the general level of interest rates. Some of the Company's liabilities are issued with fixed terms and can be repriced only at maturity. The Bank's net interest margin decreased 11 basis points from 5.24% at December 31, 2006 to 5.13% at December 31, 2007 due to a decrease in interest rates and a decrease in loan growth. During the year ended December 31, 2008 the net interest margin decreased from 5.13% at December 31, 2007 to 4.71%. The net interest margin was 4.17% and 4.30% at December 31, 2009 and 2010, respectively, decreasing to 3.83% at December 31, 2011.

MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. For the Company, this risk is constituted primarily of interest rate risk in its lending and investing activities as they relate to their funding by deposit and borrowing activities.

The Bank's policy is to minimize interest rate risk between interest bearing assets and liabilities at various maturities and to attempt to maintain an asset sensitive position over a 6 month period. By adhering to this policy, Management anticipates that the Bank's net interest margins will not be materially affected unless there is a extraordinary precipitous drop in interest rates. The average net interest rate spread for 2011 decreased to 3.72% from 4.14% for 2010 and the average net interest margin for 2011 decreased to 3.83% from 4.30% for 2010. Management will continue to monitor its asset sensitive position.

Since the rates on most of the Bank's interest bearing liabilities can vary on a daily basis, Management continues to maintain a loan portfolio priced predominately on a variable rate basis; however, in an effort to protect future earnings in a declining rate environment, the Bank offers certain fixed rates, interest rate floors, and terms primarily associated with real estate transactions. The Bank seeks stable, long-term deposit relationships to fund its loan portfolio. The Bank does not have any Brokered Deposits or Internet Deposits.

At December 31, 2011, the average maturity of the investment portfolio was 5 years 5.28 months with an average yield of 2.45% compared to 5 years 6.91 months with an average yield of 3.46% at December 31, 2010. Although there is greater market risk with maturity extension, Management feels that the core deposit base minimizes the need to sell securities, and the maturity extension of the investment portfolio improves the yield on the portfolio.

The Company does not take foreign exchange or commodity risks. In addition the Company does not own mortgage-backed securities, nor does it have any exposure to the sub-prime market or any other distressed debt instruments.

The following table summarizes the Bank's interest sensitivity position as of December 31, 2011:

Earning Assets (in 000's)	**1 Day**	**Less Than 3 Months**	**3 Months to Less Than 6 Months**	**6 Months to Less Than 1 Year**	**1 Year to Less Than 5 Years**	**5 years or More**	**Total**	**Estimated Fair Value**
Loans (1)	$ 151,575	$ 16,141	$ 12,810	$ 13,100	$ 27,559	$ 103	$ 221,288	$ 222,240
Investment securities (2)	-	455	3,135	155	30,306	22,305	56,356	59,552
Short term investments	47,504	-	-	-	-	-	47,504	47,504
Federal funds sold	-	-	-	-	-	-	-	-
Total	$ 199,079	$ 16,596	$ 15,945	$ 13,255	$ 57,865	$ 22,408	$ 325,148	$ 329,296
Interest Bearing Liabilities (in 000's)								
CD's and other time deposits 100,000 and over	$ -	$ 14,371	$ 9,626	$ 14,325	$ 317	$ -	$ 38,639	$ 39,290
CD's and other time deposits under 100,000	-	6,351	5,141	5,256	602	67	17,417	17,469
Money market and interest bearing demand accounts	161,185	-	-	-	-	-	161,185	161,185
Savings	14,211	-	-	-	-	-	14,211	14,211
Short term borrowings	-	-	-	-	-	-	-	-
	$ 175,396	$ 20,722	$ 14,767	$ 19,581	$ 919	$ 67	$ 231,452	$ 232,155
Net	$ 23,683	$ (4,126)	$ 1,178	$ (6,326)	$ 56,946	$ 22,341	$ 93,696	$ 97,141
Cumulative		$ 19,557	$ 20,735	$ 14,409	$ 71,355	$ 93,696		

(1) Including mortgage loans held for sale.
(2) At amortized cost

LIQUIDITY

Historically, the Company has maintained its liquidity at levels believed by Management to be adequate to meet requirements of normal operations, potential deposit outflows and strong loan demand and still allow for optimal investment of funds and return on assets. The following table summarizes future contractual obligations as of December 31, 2011:

	Payment Due by Period			
	Total	**Less than 1 Year**	**1-5 Years**	**After 5 Years**
Contractual Obligations (in 000's)				
Time deposits	$ 56,055	$ 55,069	$ 919	$ 67
Short-term borrowings	-	-	-	-
Operating leases	10,347	548	2,194	7,605
Total contractual cash obligations	$ 66,402	$ 55,617	$ 3,113	$ 7,672

The Bank manages its assets and liabilities to ensure that there is sufficient liquidity to enable Management to fund deposit withdrawals, loan demand, capital expenditures, reserve requirements, operating expenses, dividends and to manage daily operations on an ongoing basis. Funds are primarily provided by the Bank through customer's deposits, principal and interest payments on loans, mortgage loan sales, the sale or maturity of securities, temporary investments and earnings.

Proper liquidity management is crucial to ensure that the Company is able to take advantage of new business opportunities as well as meet the credit needs of its existing customers. Investment securities are an important tool in the Company's liquidity management. Securities classified as available for sale, which are not pledged, may be sold in response to changes in interest rates and liquidity needs. All of the securities presently owned by the Bank are classified as Available for Sale. Net cash provided by operations and deposits from customers have been the primary sources of liquidity for the Company. At December 31, 2011, the Bank had unused short-term lines of credit totaling approximately $21,000,000 (which can be withdrawn at the lender's option). Additional sources of funds available to the Company for additional liquidity needs include borrowing on a short-term basis from the Federal Reserve System, increasing deposits by raising interest rates paid and selling mortgage loans held for sale. In order to establish a secondary source of liquidity, the Company established a Borrower-In-Custody arrangement with the Federal Reserve. This arrangement permits the Company to retain possession of assets pledged as collateral to secure advances from the Federal Reserve Discount Window up to $61,527,194 at December 31, 2011. The Company has also pledged Municipal Securities with a market value of $1,025,042 to the Federal Reserve Discount Window. In addition, in 2009 the Company borrowed $7,500,000 from the Federal Reserve Bank’s Term Auction Facility (TAF) at a rate of .25% for a term of forty-two days. The Board of Governor’s of the Federal Reserve System established this program to allow depository institutions to place a bid for an advance from its local Federal Reserve Bank at a fixed interest rate determined via centralized single-price auction. This loan was paid off by the Company on April 8, 2010.

Composition of Average Assets

	2011	2010	2009	2008	2007
Loans (1)	$ 212,960,987	$ 212,960,118	$ 202,885,118	$ 165,905,847	$ 162,006,962
Investment securities available for sale	52,289,136	37,410,074	37,325,137	37,210,126	38,810,306
Federal funds sold and other investments	35,378,767	7,671,018	7,886,949	15,791,080	23,349,995
Non-earning assets	7,880,828	8,020,094	9,098,096	10,080,636	11,851,922
Total average assets	$ 308,509,718	$ 266,061,304	$ 257,195,300	$ 228,987,689	$ 236,019,185

(1) Including mortgage loans held for sale

Average earning assets increased by $42,448,414 from 2010 to 2011. This increase was primarily due to a $14,879,062 increase in average available for sale securities and a $26,975,490 increase in average other short term investments.

ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table shows changes in interest income and expense based upon changes in volume and changes in rates:

	2011 vs. 2010			2010 vs. 2009			2009 vs. 2008		
	Volume	Rate	Net Dollar Change (1)	Volume	Rate	Net Dollar Change (1)	Volume	Rate	Net Dollar Change (1)
Loans (2)	$ 44	$ 194,164	$ 194,208	$ 505,801	$ 33,236	$ 539,037	$ 2,045,844	$ (2,110,432)	$ (64,588)
Investment securities available for sale	471,180	(621,168)	(149,988)	3,415	(47,591)	(44,176)	4,959	(110,125)	(105,166)
Federal funds sold and and other investments	25,185	42,016	67,201	(471)	(157)	(628)	(108,136)	(196,981	(305,117)
Interest Income	$ 496,409	$ (384,988)	$ 111,421	$ 508,746	$ (14,512)	$ 494,233	$ 1,942,667	$ (2,417,538	$ (474,871)
Interest-bearing transaction accounts	$ 44,166	$ (76,630)	$ (32,464)	$ 9,831	$ (30,786)	$ (20,955)	$ 51,505	$ (387,556)	$ (336,051)
Savings	3,334	(6,984)	(3,650)	4,751	(3,251)	1,500	2,484	(34,835)	(32,351)
Time deposits	64,524	(307,755)	(243,231)	2,486	(247,677)	(245,191)	416,787	(596,021)	(179,234)
Federal funds purchased	(1,298)	(1,298)	(2,596)	116	(1,709)	(1,593)	4,200	(74)	4,126
Demand notes issued to U.S. Treasury	(3,211)	(3,211)	(6,422)	-	-	-	(1,801)	(7,258)	(9,059)
Term auction facility	-	-	-	(6,082)	2,383	(3,699)	10,120	-	10,120
Interest expense	$ 107,515	$ (395,878)	$ (288,363)	$ 11,102	$ (281,040)	$ (269,938)	$ 483,295	$ (1,025,744)	$ (542,449)
Increase (decrease) in net interest income			$ 399,784			$ 764,171			$ 67,578

(1) Volume/Rate changes have been allocated to each category based on the percentage of each to the total change.
(2) Including mortgage loans held for sale

YIELDS ON AVERAGE EARNING ASSETS AND RATES ON AVERAGE INTEREST-BEARING LIABILITIES

	2011			2010			2009		
	Average Balance	Interest Paid/ Earned	Average Yield/ Rate (1)	Average Balance	Interest Paid/ Earned	Average Yield/ Rate (1)	Average Balance	Interest Paid/ Earned	Average Yield/ Rate (1)
Interest-Earning Assets									
Loans (2)	$ 212,960,987	$ 10,887,709	5.11%	$ 212,960,118	$ 10,693,501	5.02%	$ 202,885,118	$ 10,154,464	5.01%
Investment securities available for sale	52,289,136	1,309,743	2.50%	37,410,074	1,459,731	3.90%	37,325,137	1,503,907	4.03%
Federal funds sold	7,578,169	12,562	0.17%	6,845,910	12,918	0.19%	7,095,852	13,520	0.19%
Other Investments	27,800,598	67,590	0.24%	825,108	33	0.00%	791,097	58	.01%
Total earning assets	$300,628,890	$ 12,277,604	4.08%	$ 258,041,210	$ 12,166,183	4.71%	$248,097,204	$ 11,671,949	4.70%
Interest-Bearing Liabilities:									
Interest bearing transaction accounts	$ 141,354,076	$ 175,519	0.12%	$ 113,363,097	$ 207,983	0.18%	$ 108,542,471	$ 228,938	0.21%
Savings	13,436,769	19,199	0.14%	11,557,910	22,849	0.20%	9,289,183	21,350	0.23%
Time deposits	61,064,079	583,310	0.96%	56,346,883	826,541	1.47%	56,216,166	1,071,731	1.91%
Federal funds purchased	-	-	0.00%	592,260	2,596	0.44%	575,890	4,190	0.73%
Demand notes issued to U.S. Treasury	-	-	0.00%	438,165	-	0.00%	442,913	-	0.00%
Term auction facility	480,644	-	0.00%	1,993,151	6,421	0.32%	4,047,945	10,120	0.25%
Total interest bearing liabilities	$ 216,335,568	$ 778,028	0.36%	$ 184,291,466	$ 1,066,390	0.58%	$ 179,114,568	$ 1,336,329	0.75%
Net interest spread			3.72%			4.14%			3.96%
Net interest margin			3.83%			4.30%			4.17%
Net interest income		$ 11,499,576			$11,099,793			$10,335,620	

(1) The effect of forgone interest income as a result of non-accrual loans was not considered in the above analysis.
(2) Average loan balances include non-accrual loans and mortgage loans held for sale.

INVESTMENT PORTFOLIO

The following is a schedule of the Bank's investment portfolio as of December 31, 2011, December 31, 2010, and December 31, 2009:

	DECEMBER 31, 2011			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 6,153,299	$ 157,483	$ -	$ 6,310,782
Government-Sponsored Enterprises	18,100,730	333,387	-	18,434,117
Municipal Securities	32,101,781	2,706,597	1,117	34,807,261
Total	$ 56,355,810	$ 3,197,467	$ 1,117	$ 59,552,160

	DECEMBER 31, 2010			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 9,055,078	$ 8,784	$ 40,425	$ 9,023,437
Government-Sponsored Enterprises	6,013,897	86,648	-	6,100,545
Municipal Securities	23,913,091	577,462	234,922	24,255,631
Total	$ 38,982,066	$ 672,894	$ 275,347	$ 39,379,613

	DECEMBER 31, 2009			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Bills	$ 2,981,338	$ 137,256	$ -	$ 3,118,594
Government-Sponsored Enterprises	12,026,844	514,975	-	12,541,819
Municipal Securities	20,615,647	675,572	89,287	21,201,932
Total	$ 35,623,829	$ 1,327,803	$ 89,287	$ 36,862,345

The Bank's investment portfolio had a weighted average yield of 2.45%, 3.46% and 4.14% for the years ended December 31, 2011, 2010 and 2009, respectively.

At December 31, 2011 there were three Municipal Securities with an unrealized loss of $1,117, as compared to two US Treasury Notes with an unrealized loss of $40,425 and fourteen Municipal Securities with an unrealized loss of $234,922 at December 31, 2010. These investments are not considered other-than-temporarily impaired. The Company has the ability and the intent to hold these investments until a market price recovery or maturity. The unrealized losses on these investments were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment.

LOAN PORTFOLIO COMPOSITION

The Company focuses its lending activities on small and middle market businesses, professionals and individuals in its geographic markets. At December 31, 2011, outstanding loans (plus deferred loan fees of $59,163) totaled $213,709,112, which equaled 70.97% of total deposits and 63.98% of total assets. Substantially all loans were to borrowers located in the Company's market area in the counties of Charleston, Dorchester and Berkeley in South Carolina.

Because lending activities comprise such a significant source of revenue, the Company's main objective is to adhere to sound lending practices. Every credit with over $100,000 in exposure is summarized by the Company's Credit Department and reviewed by the Loan Committee on a monthly basis. The Board of Directors reviews credit over $500,000 monthly with an annual credit analysis conducted on these borrowers upon the receipt of updated financial information. Prior to any extension of credit, every significant commercial loan goes through sound credit underwriting. The Credit Department conducts detailed cash flow analysis on each proposal using the most current financial information.

The following is a schedule of the Bank's loan portfolio, excluding mortgage loans and deferred loan fees, as of December 31, 2011, as compared to December 31, 2010, 2009, 2008 and 2007:

Book Value (in 000's)

Type	2011	2010	2009	2008	2007
Commercial and industrial loans	$ 55,836	$ 52,216	$ 48,719	$ 46,840	$ 51,443
Real estate loans	152,665	149,710	158,961	127,405	98,738
Loans to individuals for household, family and other personal expenditures	4,928	5,868	6,036	5,667	5,507
All other loans (including overdrafts)	221	214	179	226	709
Total Loans (excluding unearned income)	$ 213,650	$ 208,008	$ 213,895	$ 180,138	$ 156,397

The Bank had no foreign loans or loans to fund leveraged buyouts (LBO's) during 2011, 2010, 2009, 2008, or 2007.

The following table presents the contractual terms to maturity for loans outstanding at December 31, 2011. Demand loans, loans having no stated schedule of repayment and no stated maturity, and overdrafts are reported as due in one year or less. The table does not include an estimate of prepayments, which can significantly affect the average life of loans and may cause the Company's actual principal experience to differ from that shown.

SELECTED LOAN MATURITY (IN 000'S)

Type	One year or less	Over one but less than five years	Over five years	Total
Commercial and industrial loans	$ 30,168	$ 22,635	$ 3,033	$ 55,836
Real estate loans	44,568	60,009	48,088	152,665
Loans to individuals for household, family and other personal expenditures	2,311	2,551	66	4,928
All other loans (including overdrafts)	60	61	100	221
Total Loans (excluding unearned income)	$ 77,107	$ 85,256	$ 51,287	$ 213,650

IMPAIRED LOANS

Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with Accounting Standards Codification (ASC) 310-10 “Accounting by Creditors for Impairment of a loan”. All loans placed on non-accrual status are classified as impaired. However, not all impaired loans are on non-accrual status.

The Bank had impaired loans totaling $7,417,892 as of December 31, 2011 compared to $3,559,528, $2,502,202, $1,802,291, and $882,269, as of December 31, 2010, 2009, 2008, and 2007, respectively. The impaired loans include non-accrual loans with balances at December 31, 2011, 2010, 2009, 2008, and 2007 of $923,671, $945,328, $627,373, $75,486, and $761,748, respectively. The Bank had two restructured loans (“TDR”) totaling $491,153 one restructured loan at December 31, 2010 of $153,015, no restructured loans for the years ended December 31, 2009 or 2008, respectively, and one restructured loan at December 31, 2007, in the amount of $10,567. According to Generally Accepted Accounting Principals (GAAP), the Company is required to account for certain loan modifications or restructuring as a troubled debt restructuring (“TDR”). In general, the modification or restructuring of a debt is considered a TDR if the Company, for economic or legal reasons related to a borrower’s financial difficulties, grants a concession to the borrower that the Company would not otherwise consider.

TROUBLED DEBT RESTRUCTURING

According to GAAP, the Company is required to account for certain loan modifications or restructuring as a troubled debt restructuring. In general, the modification or restructuring of a debt is considered a TDR if the Company, for economic or legal reasons related to a borrower’s financial difficulties, grant a concession to the borrower that the Company would not otherwise consider. The Bank had two restructured loans (“TDR”) in the amount of $491,153 at December 31, 2011, one restructured loan at December 31, 2010 of $153,015, no restructured loans for the years ended December 31, 2009 or 2008, respectively, and one restructured loan at December 31, 2007, in the amount of $10,567.

Management does not know of any potential problem loans, which will not meet their contractual obligations that are not otherwise discussed herein.

OTHER REAL ESTATE OWNED

Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as other real estate owned until it is sold. When the property is acquired, it is recorded at the fair value of the property less selling costs. Other real estate owned at December 31, 2010 was $659,492. The Company sold its other real estate owned during the year ended December 31, 2011 for a loss of $63,273. The Company had no other real estate owned at December 31, 2011.

ALLOWANCE FOR LOAN LOSSES

The Allowance for Loan Losses represents Management’s estimate of probable losses inherent in the loan portfolio. The adequacy of the Allowance for Loan Losses (the “Allowance”) is reviewed monthly by the Loan Committee and on a quarterly basis by the Board of Directors. For purposes of this analysis, adequacy is defined as a level sufficient to absorb estimated losses in the loan portfolio as of the balance sheet date presented. The methodology employed for this analysis was modified in 2007, 2008 and 2009 to better reflect the economic environment and regulatory guidance. The revised methodology is based on a Reserve Model that is comprised of the three components listed below.

1) Specific Reserve analysis for impaired loans based on Financial Accounting Standards Board (FASB) ASC 310-10-35.
2) General reserve analysis applying historical loss rates based on FASB ASC 450-20.
3) Qualitative or environmental factors.

Loans are reviewed for impairment which is measured in accordance with FASB ASC 310-10-35. Impaired loans can either be secured or unsecured, yet does not apply to large groups of smaller balance loans that are collectively evaluated. Impairment is measured by the present value of the future cash flow discounted at the loan's effective interest rate, or, alternatively the fair value of the collateral if the loan is collateral dependent. An impaired loan may not represent an expected loss.

A general reserve analysis is performed on all loans, excluding impaired loans, based on FASB ASC 450-20. Historical losses are segregated into risk-similar groups and a loss ratio is determined for each group over a three year period. The three year average loss ratio by type is then used to calculate the estimated loss based on the current balance of each group. The three year historical loss percentage was .311% and .317% at December 31, 2011 and December 31, 2010, respectively.

Qualitative and environmental factors include external risk factors that Management believes are representative of the overall lending environment of the Company. Management believes that the following factors create a more comprehensive system of controls in which the Company can monitor the quality of the loan portfolio.

1) Portfolio risk
    a) Levels and trends in delinquencies and impaired loans
    b) Trends in volume and terms of loans
    c) Over-margined real estate lending risk
2) National and local economic trends and conditions
3) Effects of changes in risk selection and underwriting practices
4) Experience, ability and depth of lending management staff
5) Industry conditions
6) Effects of changes in credit concentrations
    a) Loan concentration
    b) Geographic concentration
    c) Regulatory concentration
7) Loan and credit administration risk
    a) Collateral documentation
    b) Insurance Risk
    c) Maintenance of financial information risk

The sum of each component's analysis results represents the "estimated loss" with in the Company's total portfolio.

Portfolio risk includes the levels and trends in delinquencies, impaired loans and changes in the loan rating matrix, trends in volume and terms of loans and overmargined real estate lending. Management is satisfied with the stability of the past due and non-performing loans and believes there has been no decline in the quality of the loan portfolio due to any trend in delinquent or adversely classified loans. Although the aggregate total of classified loans has increased, management is confident in the adequacy of the sources of repayment and this increase reflects sound credit management. Sizable unsecured principal balances on a non-amortizing basis are monitored. Within the portfolio risk factor the Company elected to increase the risk percentage for "trend in volume and term of loan". In addition the Company elected to increase the risk percentage for "over margined real estate lending risk". Although the vast majority of the Company's real estate loans are underwritten on a cash flow basis, the secondary source of repayment is typically tied to the Company's ability to realize on the collateral. Given the contraction in real estate values, the Company closely monitors its loan to value. The Company amended its Loan Policy to reduce the collateral advance rate from 85% to 80% on all real estate transactions, with the exception of raw land at 65% and land development at 70%.

Occasionally, the Company extends credit beyond its normal collateral advance margins in real estate lending. Although infrequent, the aggregate of these loans represent a notable part of the Company's portfolio. Accordingly these loans are monitored and the balances reported to the Board every quarter. An excessive level of this practice could result in additional examiner scrutiny, competitive disadvantages and potential losses if forced to convert the collateral. The consideration of overmargined real estate loans directly relates to the capacity of the borrower to repay. Management often requests additional collateral to bring the loan to value ratio within the policy guidelines and also requires a strong secondary source of repayment in addition to the primary source of repayment.

Although significantly under the threshold of 100% of capital (currently approximately $32 million), the Company's list and number of over margined real estate loans currently totals approximately $16,723,105 or approximately 7.56% of its loan portfolio. This increase in over margined real estate is largely a result of the significant decrease in real estate values evidenced by new appraisals commissioned by the Company.

Management revised the credit rating matrix in order to rate all extensions of credit providing a more specified picture of the risk each loan poses to the quality of the loan portfolio. There are eight possible ratings used to determine the quality of each loan based on nine different qualifying characteristics: cash flow, collateral quality, guarantor strength, financial condition, management quality, operating performance, the relevancy of the financial statements, historical loan performance, and the borrower's leverage position. The matrix is designed to meet management's standards and expectations of loan quality. In addition to the rating matrix, the Company rates its credit exposure on the basis of each loan instead of the quality of each borrower.

National and local economic trends and conditions are constantly changing and result in both positive and negative impact on borrowers. Most macroeconomic conditions are not controllable by the Company and are incorporated into the qualitative risk factors. Natural and environmental disasters, wars and the recent fallout of the subprime lending market as well as problems in the traditional mortgage market are a few of the trends and conditions that are currently affecting the Company's national and local economy. Changes in the national and local economy have impacted borrowers' ability, in many cases, to repay loans in a timely manner. On occasion a loan's primary source of repayment (i.e., personal income, cash flow, or lease income) may be eroded as a result of unemployment, lack of revenues, or the inability of a tenant to make rent payments.

The quality of the Company's loan portfolio is contingent upon its risk selection and underwriting practices. Every credit with over $100,000 in exposure is summarized by the Bank's Credit Department and reviewed by the Loan Committee on a monthly basis. The Board of Directors reviews credits over $500,000 monthly with an annual credit analysis conducted on these borrower's upon the receipt of updated financial information. Prior to any extension of credit, every significant commercial loan goes through sound credit underwriting. The Credit Department conducts detailed cash flow analysis on each proposal using the most current financial information. Relevant trends and ratios are evaluated.

The Company has over 350 years of lending management experience among twelve members of its lending staff all of whom have been with the Company at least six years. Additionally, the Company has added four lenders in the last two years. Each branch has an Advisory Board comprised of business and community leaders from the specific branch's market area. Management meets with these boards quarterly to discuss the trends and conditions in each respective market. Management is aware of the many challenges currently facing the banking industry. Assessing banks to replenish the insurance fund and its corresponding impact on bank profits, increased regulatory scrutiny on lending practices, and pending changes in deposit and or funding source type and mix, continue to impact the Company's environment. As other banks look to increase earnings in the short term, the Company will continue to emphasize the need to maintain its sound lending practices and core deposit growth.

There has been an influx of new banks over the last several years within the Company's geographic area. This increase has decreased the local industry's overall margins as a result of pricing competition. Management believes that the borrowing base of the Company is well established and therefore unsound price competition is not necessary.

The risk associated with the effects of changes in credit concentration includes loan concentration, geographic concentration and regulatory concentration.

As of December 31, 2011, there were only four Standard Industrial Code groups that comprised more than three percent of the Bank's total outstanding loans. The four groups are activities related to real estate, offices and clinics of doctors, real estate agents and managers, and legal services.

The Company is located along the coast and on an earthquake fault, increasing the chances that a natural disaster may impact the Company and its borrowers. The Company has a Disaster Recovery Plan in place; however, the amount of time it would take for its customers to return to normal operations is unknown.

Loan and credit administration risk includes collateral documentation, insurance risk and maintaining financial information risk.

The majority of the Company's loan portfolio is collateralized with a variety of its borrower's assets. The execution and monitoring of the documentation to properly secure the loan is the responsibility of the Company's lenders and Loan Department. The Company requires insurance coverage naming the Company as the mortgagee or loss payee. Although insurance risk is also considered collateral documentation risk, the actual coverage, amounts of coverage and increased deductibles are important to Management.

Risk includes a function of time during which the borrower's financial condition may change; therefore, keeping financial information up to date is important to the Company. The policy of the Company is that all new loans, regardless of the customer's history with the Company, should have updated financial information. In addition the Company is monitoring appraisals closely as real estate values continue to decline.

Based on the evaluation described above, the Company recorded a provision for loan loss of $480,000 for the year ended December 31, 2011 compared to $670,000 for the year ended December 31, 2010. At December 31, 2011 the three year average loss ratios were: .559% Commercial, .854% Consumer, .493% 1-4 Residential, .000% Real Estate Construction and .106% Real Estate Mortgage. The three year historical loss ratio used at December 31, 2011 was .311% compared to .317% at December 31, 2010.

During the year ended December 31, 2011 charge-offs of $383,714 and recoveries of $72,010 were recorded to the Allowance for Loan Losses, resulting in an Allowance for Loan Losses of $3,106,884 or 1.40% of total loans at December 31, 2011, compared to charge-offs of $778,820 and recoveries of $20,411 resulting in an Allowance for Loan Losses of $2,938,588 or 1.38% of total loans at December 31, 2010.

The Company had impaired loans totaling $7,417,892 as of December 31, 2011 compared to $3,559,528 at December 31, 2010. The impaired loans include non-accrual loans with balances at December 31, 2011, and 2010, of $923,671 and $945,328, respectively. The Bank had two restructured ("TDR") loans at December 31, 2011, and one restructured loans for the year ended December 31, 2010. According to GAAP, the Company is required to account for certain loan modifications or restructuring as a troubled debt restructuring. In general, the modification or restructuring of a debt is considered a TDR if the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. At December 31, 2011 the two restructured loans had an aggregate balance of $491,153. The one restructured loan at December 31, 2010 had an aggregate balance of $153,015. Included in the impaired loans at December 31, 2011, is one credit totaling $2,619,954 which is secured by a first mortgage. Management does not know of any loans which will not meet their contractual obligations that are not otherwise discussed herein.

The accrual of interest is generally discontinued on loans, which become 90 days past due as to principal or interest. The accrual of interest on some loans, however, may continue even though they are 90 days past due if the loans are well secured or in the process of collection and management deems it appropriate. If non-accrual loans decrease their past due status to less than 30 days for a period of 6 months, they are reviewed individually by management to determine if they should be returned to accrual status. There was one loan over 90 days past due still accruing interest as of December 31, 2011 and no loans over 90 days past due still accruing interest as of December 31, 2010.

Net charge-offs for the year ended December 31, 2011, were $311,704 as compared to net charge-offs of $758,409 for the year ended December 31, 2010. Although uncertainty in the economic outlook still exists, management believes loss exposure in the portfolio is identified, reserved against and closely monitored to ensure that changes are promptly addressed in the analysis of reserve adequacy.

The following table represents the net charge-offs by loan type.

Net charge-offs				
		December 31, 2011	$	December 31, 2010
Commercial Loans	$	24,719		(402,651)
Commercial Real Estate		(274,565)		(15,872)
Consumer real estate		(61,858)		(54,757)
Consumer other		-		(285,129)
Total	$	(311,704)	$	(758,409)

The Company had $558,267, in unallocated reserves at December 31, 2011 related to other inherent risk in the portfolio compared to unallocated reserves of $1,061,859 at December 31, 2010. Management believes this amount is appropriate and properly supported through the environmental factors of its Allowance for Loan Losses. Management believes the Allowance for Loan Losses at December 31, 2011, is adequate to cover estimated losses in the loan portfolio; however, assessing the adequacy of the allowance is a process that requires considerable judgment. Management's judgments are based on numerous assumptions about current events which it believes to be reasonable, but which may or may not be valid. Thus there can be no assurance that loan losses in future periods will not exceed the current allowance amount or that future increases in the allowance will not be required. No assurance can be given that management's ongoing evaluation of the loan portfolio in light of changing economic conditions and other relevant circumstances will not require significant future additions to the allowance, thus adversely affecting the operating results of the Company.

The Allowance is also subject to examination testing by regulatory agencies, which may consider such factors as the methodology used to determine adequacy and the size of the Allowance relative to that of peer institutions, and other adequacy tests. In addition, such regulatory agencies could require the Company to adjust its allowance based on information available to them at the time of their examination.

The methodology used to determine the reserve for unfunded lending commitments, which is included in other liabilities, is inherently similar to that used to determine the Allowance for Loan Losses described above adjusted for factors specific to binding commitments, including the probability of funding and historical loss ratio. No provision was recorded during 2011 or 2010 resulting in no change to the balance of $20,825.

DEPOSITS

(in 000's)	1 Day	Less Than 3 Months	3 Months to Less Than 6 Months	6 Months to Less Than 1 Year	1 Year to Less Than 5 Years	5 years or More	Total
CD's and other time deposits 100,000 and over	$ -	$ 14,371	$ 9,626	$ 14,325	$ 317	$ -	$ 38,639
CD's and other time deposits under 100,000	$ -	$ 6,351	$ 5,141	$ 5,256	$ 602	$ 67	$ 17,417

Certificates of Deposit $100,000 and over decreased $6,884,752 or 15.12% for the year ended December 31, 2011, from $45,523,280 at December 31, 2010. This decrease is primarily due to one customer with various Certificates of Deposit totaling $6.1 million redeeming upon maturity. The customer established this relationship with the intent of using the funds on a development project upon maturity.

The Bank funds its growth through core deposits and does not rely on Brokered Deposits or Internet Deposits as a source to do so.

SHORT-TERM BORROWINGS

The Bank has a demand note through the US Treasury, Tax and Loan system with the Federal Reserve Bank of Richmond. The Bank may borrow up to $1,000,000 at December 31, 2011 and 2010 under the arrangement at an interest rate set by the Federal Reserve. The note is secured by Government Sponsored Enterprise Securities with a market value of $1,025,042 at December 31, 2011. There was no outstanding balance under this note at December 31, 2011 and a balance of $767,497 at December 31, 2010. At December 31, 2011, the Company had no outstanding federal funds purchased with the option to borrow $21,000,000 on short term lines of credit. The Company has also established a Borrower-In-Custody arrangement with the Federal Reserve. This arrangement permits the Company to retain possession of assets pledged as collateral to secure advances from the Federal Reserve Discount Window. Under this agreement the Company may borrow up to $61,527,194. The Company established this arrangement as a secondary source of liquidity. In addition, at December 31, 2009 the Company had a loan of $7,500,000 from the Federal Reserve Bank’s Term Auction Facility (TAF) at a rate of .25% for a term of 42 days. This loan was paid off by the Company on April 8, 2010. On December 30, 2011, the Federal Reserve Bank eliminated retained electronic tax deposits. As a result the electronic tax deposits will no longer be deposited into the Company’s TT&L main account balance.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in the financial statements, or are recorded in amounts that differ from the notional amounts. These transactions involve, to varying degrees, elements of credit, interest rate, and liquidity risk. Such transactions are used by the Company for general corporate purposes or for customer needs. Corporate purpose transactions are used to help manage credit, interest rate and liquidity risk or to optimize capital. Customer transactions are used to manage customer’s requests for funding.

The Company’s off-balance sheet arrangements consist principally of commitments to extend credit described below. The Company estimates probable losses related to binding unfunded lending commitments and records a reserve for unfunded lending commitments in other liabilities on the consolidated balance sheet. At December 31, 2011 and 2010 the balance of this reserve was $20,825. At December 31, 2011 and 2010, the Company had no interests in non-consolidated special purpose entities.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, negotiable instruments, inventory, property, plant and equipment, and real estate. Commitments to extend credit, including unused lines of credit, amounted to $47,629,822 and $44,016,496 at December 31, 2011 and 2010 respectively.

Standby letters of credit represent an obligation of the Company to a third party contingent upon the failure of the Company's customer to perform under the terms of an underlying contract with the third party or obligates the Company to guarantee or stand as surety for the benefit of the third party. The underlying contract may entail either financial or nonfinancial obligations and may involve such things as the shipment of goods, performance of a contract, or repayment of an obligation. Under the terms of a standby letter, drafts will generally be drawn only when the underlying event fails to occur as intended. The Company can seek recovery of the amounts paid from the borrower. The majority of these standby letters of credit are unsecured. Commitments under standby letters of credit are usually for one year or less. The maximum potential amount of undiscounted future payments related to standby letters of credit at December 31, 2011 and 2010 was $875,679 and $532,613, respectively.

The Company originates certain fixed rate residential loans and commits these loans for sale. The commitments to originate fixed rate residential loans and the sales commitments are freestanding derivative instruments. The fair value of these commitments was not significant at December 31, 2011 and 2010. The Company had forward sales commitments, totaling $7,578,587 at December 31, 2011, to sell loans held for sale of $7,578,587. At December 31, 2010, the Company had forward sales commitments of $5,908,316. The fair value of these commitments was not significant at December 31, 2011 or 2010. The Company has no embedded derivative instruments requiring separate accounting treatment.

Once the Company sells certain fixed rate residential loans, the loans are no longer reportable on the Company's balance sheet. With most of these sales, the Company has an obligation to repurchase the loan in the event of a default of principal or interest on the loan. This recourse period ranges from three to six months with unlimited recourse as a result of fraud. The unpaid principal balance of loans sold with recourse was $28,596,000 at December 31, 2011 and $17,403,000 at December 31, 2010. For the year ended December 31, 2011 no loans were repurchased with two loans repurchased in 2010.

EFFECT OF INFLATION AND CHANGING PRICES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and results of operations in terms of historical dollars without consideration of changes in the relative purchasing power over time due to inflation.

Unlike most other industries, the assets and liabilities of financial institutions such as the Company are primarily monetary in nature. As a result, interest rates generally have a more significant impact on the Company's performance than do the effects of general levels of inflation and changes in prices. In addition, interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. The Company strives to manage the relationship between interest sensitive assets and liabilities in order to protect against wide interest rate fluctuations, including those resulting from inflation.

CAPITAL RESOURCES

The capital needs of the Company have been met to date through the $10,600,000 in capital raised in the Company's initial offering, the retention of earnings less dividends paid and the exercise of stock options for a total shareholders' equity at December 31, 2011, of $31,993,869. The rate of asset growth since the Bank's inception has not negatively impacted this capital base. The risk based capital guidelines for financial institutions are designed to highlight differences in risk profiles among financial institutions and to account for off balance sheet risk. The guidelines established require a risk based capital ratio of 8% for bank holding companies and banks. The risk based capital ratio at December 31, 2011, for the Bank was 13.41% and 13.20% at December 31, 2010. The Company's management does not know of any trends, events or uncertainties that may result in the Company's capital resources materially increasing or decreasing.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and to average assets. Management believes, as of December 31, 2011, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

At December 31, 2011 and 2010, the Company and the Bank are categorized as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized” the Company and the Bank must maintain minimum total risk based, Tier 1 risk based and Tier 1 leverage ratios of 10%, 6% and 5%, respectively, and to be categorized as “adequately capitalized,” the Company and the Bank must maintain minimum total risk based, Tier 1 risk based and Tier 1 leverage ratios of 8%, 4% and 4%, respectively. There are no current conditions or events that management believes would change the Company’s or the Bank’s category.

Please see “Notes to Consolidated Financial Statements” for the Company’s and the Bank’s various capital ratios at December 31, 2011.

elliott davis

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Bank of South Carolina Corporation and subsidiary
Charleston, South Carolina

We have audited the accompanying consolidated balance sheets of Bank of South Carolina Corporation and subsidiary (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank of South Carolina Corporation and subsidiary at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

Elliott Davis LLC

Charleston, South Carolina
February 23, 2012

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2011	2010
ASSETS		
Cash and due from banks	$ 4,559,194	$ 4,697,450
Interest bearing deposits in other banks	47,504,282	715,231
Federal funds sold	-	19,018,104
Investment securities available for sale (amortized cost of $56,355,810 and $38,982,066 in 2011 and 2010, respectively)	59,552,160	39,379,613
Mortgage loans to be sold	7,578,587	5,908,316
Loans	213,709,112	208,025,664
Less: Allowance for loans losses	(3,106,884)	(2,938,588)
Net loans	210,602,228	205,087,076
Premises, equipment and leasehold improvements, net	2,611,965	2,436,526
Other real estate owned	-	659,492
Accrued interest receivable	1,147,216	1,054,791
Other assets	473,137	1,564,668
Total assets	$ 334,028,769	$ 280,521,267
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Deposits:		
Non-interest bearing demand	$ 70,217,614	$ 56,884,235
Interest bearing demand	64,350,891	50,394,101
Money market accounts	96,292,414	68,007,823
Certificates of deposit $100,000 and over	38,638,528	45,523,280
Other time deposits	17,416,840	17,760,278
Other savings deposits	14,211,228	11,867,258
Total deposits	301,127,515	250,436,975
Short-term borrowings	-	767,497
Accrued interest payable and other liabilities	907,385	597,913
Total liabilities	$ 302,034,900	$ 251,802,385
Shareholders' equity		
Common stock-no par 12,000,000 shares authorized; Issued 4,664,391 shares at December 31, 2011 and 4,649,317 at December 31, 2010; Shares outstanding 4,444,940 at December 31, 2011 and 4,429,866 at December 31, 2010	-	-
Additional paid in capital	$ 28,390,929	$ 28,202,939
Retained earnings	3,491,678	2,167,927
Treasury stock; 219,451 at December 31, 2011 and 2010	(1,902,439)	(1,902,439)
Accumulated other comprehensive income, net of income taxes	2,013,701	250,455
Total shareholder's equity	$ 31,993,869	$ 28,718,882
Total liabilities and shareholders' equity	$ 334,028,769	$ 280,521,267

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31, 2011	2010	2009
Interest and fee income			
Interest and fees on loans	$ 10,887,709	$ 10,693,501	$ 10,154,464
Interest and dividends on investment securities	1,309,743	1,459,731	1,503,907
Other interest income	80,152	12,951	13,578
Total interest and fee income	12,277,604	12,166,183	11,671,949
Interest expense			
Interest on deposits	778,028	1,057,373	1,322,019
Interest on short-term borrowings	-	9,018	14,310
Total interest expense	778,028	1,066,391	1,336,329
Net interest income	11,499,576	11,099,792	10,335,620
Provision for loan losses	480,000	670,000	2,369,000
Net interest income after provision for loan losses	11,019,576	10,429,792	7,966,620
Other income			
Service charges, fees and commissions	946,518	1,030,218	1,037,056
Mortgage banking income	674,705	1,004,324	1,020,373
Other non-interest income	32,062	29,155	26,556
Gain on sale of securities	124,672	-	180,071
Total other income	1,777,957	2,063,697	2,264,056
Other expense			
Salaries and employee benefits	4,742,772	4,568,095	4,242,913
Net occupancy expense	1,340,227	1,316,986	1,280,744
Loss on other real estate owned	63,273	13,347	-
Other operating expenses	2,113,994	2,100,117	2,077,048
Total other expenses	8,260,266	7,998,545	7,600,705
Income before income tax expense	4,537,267	4,494,944	2,629,971
Income tax expense	1,347,949	1,384,431	760,117
Net income	$ 3,189,318	$ 3,110,513	$ 1,869,854
Weighted average shares outstanding			
Basic	4,439,887	4,416,065	4,390,835
Diluted	4,439,887	4,416,065	4,394,366
Basic income per common share	$ 0.72	$ 0.70	$ 0.43
Diluted income per common share	$ 0.72	$ 0.70	$ 0.43

All share and per share data have been restated to reflect a 10% stock dividend declared August 26, 2010.

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009

	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
December 31, 2008	$	$ 23,229,045	$ 4,375,166	$ (1,692,964)	$ 896,817	$ 26,808,064
Comprehensive income:						
Net income	-	-	1,869,854	-	-	1,869,854
Net unrealized losses on securities (net of tax effect of $1,826)	-	-	-	-	(3,105)	(3,105)
Reclassification adjustment for gains included in net income (net of tax effect of $66,624)	-	-	-	-	(113,447)	(113,447)
Total Comprehensive income	-	-	-	-	-	1,753,302
Exercise of Stock Options	-	235,315	-	-	-	235,315
Stock-based compensation expense	-	47,200	-	-	-	47,200
Cash dividends ($0.32 per common share)	-	-	(1,276,684)	-	-	(1,276,684)
December 31, 2009	$ -	$ 23,511,560	$ 4,968,336	$ (1,692,964)	$ 780,265	$ 27,567,197
Comprehensive income:						
Net income	-	-	3,110,513	-	-	3,110,513
Net unrealized losses on securities (net of tax effect of $311,158)	-	-	-	-	(529,810)	(529,810)
Total Comprehensive income	-	-	-	-	-	2,580,703
Exercise of Stock Options	-	210,811	-	-	-	210,811
10% Stock dividend	-	4,429,847	(4,222,838)	(209,475)	-	(2,466)
Stock-based compensation expense	-	50,721	-	-	-	50,721
Cash dividends ($0.40 per common share)	-	-	(1,688,084)	-	-	(1,688,084)
December 31, 2010	$ -	$ 28,202,939	$ 2,167,927	$ (1,902,439)	$ 250,455	$ 28,718,882
Comprehensive income:						
Net income	-	-	3,189,318	-	-	3,189,318
Net unrealized gains on securities (net of tax effect of $1,081,686)	-	-	-	-	1,841,789	1,841,789
Reclassification adjustment for gains included in net income (net of tax effect of $46,129)	-	-	-	-	(78,543)	(78,543)
Total Comprehensive income	-	-	-	-	-	4,952,564
Exercise of Stock Options	-	123,403	-	-	-	123,403
Stock-based compensation expense	-	64,587	-	-	-	64,587
Cash dividends ($0.42 per common share)	-	-	(1,865,567)	-	-	(1,865,567)
December 31, 2011	$ -	$ 28,390,929	$ 3,491,678	$ (1,902,439)	$ 2,013,701	$ 31,993,869

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	2011	2010	2009
Cash flows from operating activities:			
Net income	$ 3,189,318	$ 3,110,513	$ 1,869,854
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	209,316	231,922	217,784
Gain on sale of securities	(124,672)		(180,071)
Loss on sale of other real estate	63,273	13,347	-
Provision for loan losses	480,000	670,000	2,369,000
Stock-based compensation expense	64,587	50,721	47,200
Deferred income taxes	(76,848)	30,388	(483,107)
Net (accretion) and amortization of unearned discounts on investment securities	(243,994)	28,915	45,994
Origination of mortgage loans held for sale	(60,049,882)	(83,127,187)	(101,332,065)
Proceeds from sale of mortgage loans held for sale	58,379,611	80,652,331	101,363,827
Decrease (increase) in accrued interest receivable and other assets	528,446	(1,258,208)	(1,088,897)
(Decrease) increase in accrued interest payable and other liabilities	(179,471)	94,785	68,033
Net cash provided by operating activities	2,239,684	497,527	2,897,552
Cash flows from investing activities:			
Proceeds from calls and maturities of investment securities available for sale	9,605,000	6,420,000	2,603,850
Purchase of investment securities available for sale	(45,238,691)	(9,807,151)	(11,959,800)
Net decrease (increase) in loans	(5,995,152)	5,839,873	(34,581,364)
Purchase of premises, equipment and leasehold improvements, net	(384,755)	(152,259)	(309,497)
Proceeds from sale of other real estate	596,157	169,993	-
Proceeds from sale of available for sale securities	18,140,625	-	10,338,930
Net cash (used) provided by investing activities	(23,276,816)	2,470,456	(33,907,881)
Cash flows from financing activities:			
Net increase in deposit accounts	50,690,540	20,599,295	15,051,165
Net (decrease) increase in short-term borrowings	(767,497)	(7,239,256)	7,006,753
Dividends paid	(1,376,623)	(1,688,084)	(1,912,940)
Cash paid for fractional shares	-	(2,466)	-
Stock options exercised	123,403	210,811	235,315
Net cash provided by financing activities	48,669,823	11,880,300	20,380,293
Net increase (decrease) in cash and cash equivalents	27,632,691	14,848,283	(10,630,036)
Cash and cash equivalents at beginning of year	24,430,785	9,582,502	20,212,538
Cash and cash equivalents at end of year	$ 52,063,476	$ 24,430,785	$ 9,582,502
Supplemental disclosure of cash flow data:			
Cash paid during the year for:			
Interest	$ 899,219	$ 1,126,930	$ 1,331,796
Income taxes	$ 1,510,641	$ 1,238,877	$ 1,174,104
Supplemental disclosure for non-cash investing and financing activity:			
Change in unrealized gain (loss) on securities available for sale, net of income taxes	$ 1,763,246	$ (529,810)	$ (3,105)
Real estate acquired through foreclosure	$ -	$ 741,470	$ -
Change in dividends payable	$ 488,944	$ -	$ (636,256)

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies used in preparation of the accompanying consolidated financial statements. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ significantly from these estimates and assumptions. Material estimates that are particularly susceptible to significant change relate to the determination of the Allowance for Loan Losses, non-accrual loans and income taxes.

The Company is not dependent on any single customer or limited number of customers, the loss of which would have a material adverse effect. No material portion of the Company's business is seasonal.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Bank of South Carolina Corporation (the "Company") and its wholly-owned subsidiary, The Bank of South Carolina (the "Bank"). In consolidation, all significant intercompany balances and transactions have been eliminated. Bank of South Carolina Corporation is a one-bank holding company organized under the laws of the State of South Carolina. The Bank provides a broad range of consumer and commercial banking services, concentrating on individuals and small and medium-sized businesses desiring a high level of personalized service.

The reorganization of the Bank into a one-bank holding company became effective on April 17, 1995. Each issued and outstanding share of the Bank's stock was converted into two shares of the Company's stock at the time of the reorganization.

Accounting Estimates and Assumptions: The preparation of financial statements in conformity with US generally accepted accounting principles ("GAAP") requires Management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates and assumptions. Material estimates that are generally susceptible to significant change relate to the determination of the Allowance for Loan Losses, impaired loans, other real estate owned, asset prepayment rates and other-than-temporary impairment of investment securities.

Investment Securities: The Company classifies investments into three categories as follows: (1) Held to Maturity - debt securities that the Company has the positive intent and ability to hold to maturity, which are reported at amortized cost, adjusted for the amortization of any related premiums or the accretion of any related discounts into interest income using a methodology which approximates a level yield of interest over the estimated remaining period until maturity, (2) Trading - debt and equity securities that are bought and held principally for the purpose of selling them in the near term, which are reported at fair value, with unrealized gains and losses included in earnings, and (3) Available for Sale - debt and equity securities that may be sold under certain conditions, which are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity, net of income taxes. Unrealized losses on securities due to fluctuations in fair value are recognized when it is determined that an other than temporary decline in value has occurred. Realized gains or losses on the sale of investments are recognized on a specific identification, trade date basis. All securities were classified as available for sale for 2011 and 2010. The Company does not have any mortgage-backed securities nor has it ever invested in mortgage-backed securities.

Mortgage Loans to be Sold: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are provided for in a valuation allowance by charges to operations as a component of mortgage banking income. At December 31, 2011 and 2010, the Company had approximately $7.6 million and $5.9 million in mortgage loans held for sale, respectively. Gains or losses on sales of loans are recognized when control over these assets has been surrendered and are included in mortgage banking income in the consolidated statements of operations.

The Company originates fixed rate residential loans on a servicing released basis in the secondary market. Loans closed but not yet settled with other investors, are carried in the Company's loans held for sale portfolio. These loans are fixed rate residential loans that have been originated in the Company's name and have closed. Virtually all of these loans have commitments to be purchased by investors and the majority of these loans were locked in by price with the investors on the same day or shortly thereafter that the loan was locked in with the Company's customers. Therefore, these loans present very little market risk for the Company. The Company usually delivers to, and receives funding from, the investor within 30 days. Commitments to sell these loans to the investor are considered derivative contracts and are sold to investors on a "best efforts" basis. The Company is not obligated to deliver a loan or pay a penalty if a loan is not delivered to the investor. As a result of the short-term nature of these derivative contracts, the fair value of the mortgage loans held for sale in most cases is the same as the value of the loan amount at its origination.

Loans and Allowance for Loan Losses: Loans are carried at principal amounts outstanding. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment to yield. Interest income on all loans is recorded on an accrual basis. The accrual of interest is generally discontinued on loans which become 90 days past due as to principal or interest. The accrual of interest on some loans, however, may continue even though they are 90 days past due if the loans are well secured, in the process of collection, and management deems it appropriate. Non-accrual loans are reviewed individually by management to determine if they should be returned to accrual status. The Company defines past due loans based on contractual payment and maturity dates.

The Company accounts for nonrefundable fees and costs associated with originating or acquiring loans and direct costs of leases by requiring that loan origination fees be recognized over the life on the related loan as an adjustment on the loan's yield. Certain direct loan origination costs shall be recognized over the life of the related loan as a reduction of the loan's yield. This statement changed the practice of recognizing loan origination and commitment fees prior to inception of the loan.

The Company accounts for impaired loans by requiring that all loans for which it is estimated that the Company will be unable to collect all amounts due according to the terms of the loan agreement be recorded at the loan's fair value. Fair value may be determined based upon the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral dependent.

Additional accounting guidance allows a creditor to use existing methods for recognizing interest income on an impaired loan and by requiring additional disclosures about how a Company estimates interest income related to impaired loans.

When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent that any interest has been foregone. Further cash receipts are recorded as recoveries of any amounts previously charged off. When this doubt does not exist, cash receipts are applied under the contractual terms of the loan agreement first to principal and then to interest income.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring. For these accruing impaired loans, cash receipts are typically applied to principal and interest receivable in accordance with the terms of the restructured loan agreement. Interest income is recognized on these loans using the accrual method of accounting, provided they are performing in accordance with their restructured terms.

Management believes that the allowance is adequate to absorb inherent losses in the loan portfolio; however, assessing the adequacy of the allowance is a process that requires considerable judgment. Management's judgments are based on numerous assumptions about current events which management believes to be reasonable, but which may or may not be valid. Thus there can be no assurance that loan losses in future periods will not exceed the current allowance amount or that future increases in the allowance will not be required. No assurance can be given that management's ongoing evaluation of the loan portfolio in light of changing economic conditions and other relevant circumstances will not require significant future additions to the allowance, thus adversely affecting the operating results of the Company.

The allowance is also subject to examination by regulatory agencies, which may consider such factors as the methodology used to determine adequacy and the size of the allowance relative to that of peer institutions, and other adequacy tests. In addition, such regulatory agencies could require the Company to adjust its allowance based on information available to them at the time of their examination.

The methodology used to determine the reserve for unfunded lending commitments, which is included in other liabilities, is inherently similar to that used to determine the Allowance for Loan Losses adjusted for factors specific to binding commitments, including the probability of funding and historical loss ratio.

Concentration of Credit Risk: The Company's primary market consists of the counties of Berkeley, Charleston and Dorchester, South Carolina. At December 31, 2011, the majority of the total loan portfolio, as well as a substantial portion of the commercial and real estate loan portfolios, were to borrowers within this region. No other areas of significant concentration of credit risk have been identified.

Premises, Equipment and Leasehold Improvements and Depreciation: Buildings and equipment are carried at cost less accumulated depreciation, calculated on the straight-line method over the estimated useful life of the related assets - 40 years for buildings and 3 to 15 years for equipment. Amortization of leasehold improvements is recorded using the straight-line method over the lesser of the estimated useful life of the asset or the term of the lease. Maintenance and repairs are charged to operating expenses as incurred.

Other Real Estate Owned: Other real estate owned is recorded at the lower of fair value less estimated selling costs or cost. The balance of other real estate owned at December 31, 2010 was $659,492 with no other real estate owned at December 31, 2011. Gains and losses on the sale of other real estate owned and subsequent write-downs from periodic reevaluation are charged to other operating income. The Company realized a loss of $63,273 in this category for the year ended December 31, 2011 and $13,347 for 2010.

Income Taxes: The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Net deferred tax assets are included in other assets in the consolidated balance sheet.

Accounting standards require the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. These standards also prescribe a recognition threshold and measurement of a tax position taken or expected to be taken in an enterprise's tax return.

Stock-Based Compensation: The Company accounts for stock options under the fair value recognition provisions to account for compensation costs under its Stock Incentive Plans. The Company previously utilized the intrinsic value method. Under the intrinsic value method no compensation costs were recognized for the Company's stock options and the Company only disclosed the pro forma effects on net income and earnings per share as if the fair value recognition provisions had been utilized.

On March 24, 2011, the Executive Committee granted options to purchase 5,000 shares of stock to one employee. Fair value of $4.62 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grant: dividend yield 4.02%, historical volatility 54.43%, risk free interest rate of 3.42%, and an expected life of 10 years. In addition, the Executive Committee granted options to purchase 96,000 shares of stock to twenty-two employees (including 2 Executive Officers) on June 23, 2011. Fair value of $4.03 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grant: dividend yield 4.02%, historical volatility 54.43%, risk free interest rate of 2.93%, and an expected life of 10 years.

On September 24, 2010, options to purchase 33,000 shares of Common Stock were granted to twenty-one employees. The weighted average fair value per share of $6.13 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for the grant: dividend yield of 2.72%, historical volatility of 72.30%, risk-free interest rate of 2.62%, and expected life of 10 years.

Earnings Per Common Share: Basic earnings per share are computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share are computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents. Common stock equivalents consist of stock options and are computed using the treasury stock method.

Comprehensive Income: The Company applies accounting standards which establish guidance for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income consists of net income and net unrealized gains or losses on securities and is presented in the consolidated statements of shareholders' equity and comprehensive income.

Fair Value Measurements: Effective January 1, 2008, the Company adopted accounting standards which provide a framework for measuring and disclosing fair value under generally accepted accounting principles. The guidance requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

The standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as US Treasuries and money market funds.
Level 2	Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.
Level 3	Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following is a description of the valuation methodologies used for assets and liabilities recorded at fair value.

Investment Securities Available for Sale

Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury Securities that are traded by dealers or brokers in active over-the counter markets and money market funds. Level 2 securities include mortgage backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in aggregate. The carrying amount of loans held for sale is a reasonable estimate of fair value. These loans are classified as Level 2.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2011 and December 31, 2010 are as follows:

	Quoted Market Price in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
US Treasury Notes	$ 6,310,782	$ -	$ -	$ 6,310,782
Government Sponsored Enterprises	$ -	$ 18,434,117	$ -	$ 18,434,117
Municipal Securities	$ -	$ 34,807,261	$ -	$ 34,807,261
Mortgage loans held for sale	-	7,578,587	-	$ 7,578,587
Total	$ 6,310,782	$ 60,819,965	$ -	$ 67,130,747

	Quoted Market Price in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2010
US Treasury Notes	$ 9,023,437	$ -	$ -	$ 9,023,437
Government Sponsored Enterprises	$ -	$ 6,100,545	$ -	$ 6,100,545
Municipal Securities	$ -	$ 24,255,631	$ -	$ 24,255,631
Mortgage loans held for sale	$ -	$ 5,908,316	$ -	$ 5,908,316
Total	$ 9,023,437	$ 36,264,492	$ -	$ 45,287,929

Other Real Estate Owned (OREO)

Loans, secured by real estate, are adjusted to fair value upon transfer to other real estate owned (OREO). Subsequently, OREO is carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraisal, the Company records the OREO as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the asset as nonrecurring Level 3.

Impaired Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an Allowance for Loan Losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with Accounting Standards Codification (ASC) 310-10, “Accounting by Creditors for Impairment of a Loan”.

In accordance with this standard, the fair value is estimated using one of the following methods: fair value of the collateral less estimated costs to sell, discounted cash flows, or market value of the loan based on similar debt. The fair value of the collateral less estimated costs to sell is the most frequently used method. Typically, the Company reviews the most recent appraisal and if it is over 12 months old will request a new third party appraisal. Depending on the particular circumstances surrounding the loan, including the location of the collateral, the date of the most recent appraisal and the value of the collateral relative to the recorded investment in the loan, management may order an independent appraisal immediately or, in some instances, may elect to perform an internal analysis. Specifically as an example, in situations where the collateral on a nonperforming commercial real estate loan is out of the Company’s primary market area, management would typically order an independent appraisal immediately, at the earlier of the date the loan becomes nonperforming or immediately following the determination that the loan is impaired. However, as a second example, on a nonperforming commercial real estate loan where management is familiar with the property and surrounding areas and where the original appraisal value far exceeds the recorded investment in the loan, management may perform an internal analysis whereby the previous appraisal value would be reviewed and adjusted for recent conditions including recent sales of similar properties in the area and any other relevant economic trends. These valuations are reviewed at a minimum on a quarterly basis.

Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2011 and December 31, 2010, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an on going basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets and liabilities carried on the balance sheet by caption and by level within the valuation hierarchy (as described above) as of December 31, 2011, and 2010, for which a nonrecurring change in fair value has been recorded during the twelve months ended December 31, 2011, and 2010.

December 31, 2011								
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
Impaired loans	$	-	$	5,553,481	$	-	$	5,553,481
Other real estate owned		-		-		-		-
Total	$	-	$	5,553,481	$	-	$	5,553,481

December 31, 2010								
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
Impaired loans	$	-	$	2,266,281	$	-	$	2,266,281
Other real estate owned	$	-	$	659,492	$	-	$	659,492
Total	$	-	$	2,925,773	$	-	$	2,925,773

The Company has no assets or liabilities whose fair values are measured using level 3 inputs.

Accounting standards require disclosure of fair value information about financial instruments whether or not recognized on the balance sheet, for which it is practicable to estimate fair value. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. When available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, prepayments, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may or may not be realized in an immediate sale of the instrument.

Under the accounting standard, fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of the assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts of existing financing instruments do not represent the underlying value of those instruments on the books of the Company.

The following describes the methods and assumptions used by the Company in estimating the fair values of financial instruments:

a. <u>Cash and due from banks, interest bearing deposits in other banks and federal funds sold</u>
The carrying value approximates fair value. All mature within 90 days and do not present unanticipated credit concerns.

b. <u>Investment securities available for sale</u>
The fair value of investment securities is derived from quoted market prices.

c. <u>Loans</u>
The carrying values of variable rate consumer and commercial loans and consumer and commercial loans with remaining maturities of three months or less, approximate fair value. The fair values of fixed rate consumer and commercial loans with maturities greater than three months are determined using a discounted cash flow analysis and assume the rate being offered on these types of loans by the Company at December 31, 2011 and December 31, 2010, approximate market.

The carrying value of mortgage loans held for sale approximates fair value.

For lines of credit, the carrying value approximates fair value.

d. Deposits

The estimated fair value of deposits with no stated maturity is equal to the carrying amount. The fair value of time deposits is estimated by discounting contractual cash flows, by applying interest rates currently being offered on the deposit products. The fair value estimates for deposits do not include the benefit that results from the low cost funding provided by the deposit liabilities as compared to the cost of alternative forms of funding (deposit base intangibles).

e. Short-term borrowings

The carrying amount approximates fair value due to the short-term nature of these instruments.

Segment Information: The Company reports operating segments in accordance with accounting standards. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. Accounting standards require that a public enterprise report a measure of segment profit or loss, certain specific revenue and expense items, segment assets, information about the way that the operating segments were determined and other items. The Company has one reporting segment, The Bank of South Carolina.

Derivative Instruments: Accounting standards require that all derivative instruments be recorded in the statement of financial position at fair value. The accounting for the gain or loss due to change in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative does not qualify as a hedge, the gains or losses are reported in earnings when they occur. However, if the derivative instrument qualifies as a hedge, the accounting varies based on the type of risk being hedged.

The Company has no embedded derivative instruments requiring separate accounting treatment. The Company has freestanding derivative instruments consisting of fixed rate conforming loan commitments and commitments to sell fixed rate conforming loans. The Company does not currently engage in hedging activities. Based on short term fair value, derivative instruments are immaterial as of December 31, 2011.

Cash Flows: Cash and cash equivalents include working cash funds, due from banks, interest bearing deposits in other banks, items in process of collection and federal funds sold. To comply with Federal Reserve regulations, the Bank is required to maintain certain average cash reserve balances. The daily average reserve requirement was approximately $700,000 for the reserve periods ended December 31, 2011 and 2010, respectively.

Recent Accounting Pronouncements: The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting and/or disclosure of financial information by the Company.

In July 2010, the Receivables topic of the Accounting Standards Codification was amended by Accounting Standards Update (“ASU) 2010-20 to require expanded disclosures related to a company’s allowance for credit losses and the credit quality of its financing receivables. The amendments require the allowance disclosures to be provided on a disaggregated basis. The Company is required to include these disclosures in their interim and annual financial statements. See Note 3.

Disclosures about Troubled Debt Restructurings (“TDRs”) required by ASU 2010-20 were deferred by the Financial Accounting Standards Board (“FASB”) in ASU 2011-01 issued in January 2011. In April 2011 FASB issued ASU 2011-02 to assist creditors with their determination of when a restructuring is a TDR. The determination is based on whether the restructuring constitutes a concession and whether the debtor is experiencing financial difficulties as both events must be present. Disclosures related to TDRs under ASU 2010-20 have been presented in Note 3.

In April 2011, the criteria used to determine effective control of transferred assets in the Transfers and Servicing topic of the ASC was amended by ASU 2011-03. The requirement for the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms and the collateral maintenance implementation guidance related to that criterion were removed from the assessment of effective control. The other criteria to assess effective control were not changed. The amendments are effective for the Company beginning January 1, 2012 but are not expected to have a material effect on the financial statements.

ASU 2011-04 was issued in May 2011 to amend the Fair Value Measurement topic of the ASC by clarifying the application of existing fair value measurement and disclosure requirements and by changing particular principles or requirements for measuring fair value or for disclosing information about fair value measurements. The amendments will be effective for the Company beginning January 1, 2012 but are not expected to have a material effect on the financial statements.

The Comprehensive Income topic of the ASC was amended in June 2011. The amendment eliminates the option to present other comprehensive income as a part of the statement of changes in stockholders' equity and requires consecutive presentation of the statement of net income and other comprehensive income. The amendments will be applicable to the Company on January 1, 2012 and will be applied retrospectively. In December 2011, the topic was further amended to defer the effective date of presenting reclassification adjustments from other comprehensive income to net income on the face of the financial statements. Companies should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to the amendments while FASB redeliberates future requirements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Reclassifications: Certain prior year amounts have been reclassified to conform to the 2011 presentation. Such reclassifications had no impact on net income or retained earnings as previously reported.

2. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and fair value of investment securities available for sale are summarized as follows:

	DECEMBER 31, 2011			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 6,153,299	$ 157,483	$ -	$ 6,310,782
Government-Sponsored Enterprises	18,100,730	333,387	-	18,434,117
Municipal Securities	32,101,781	2,706,597	1,117	34,807,261
Total	$ 56,355,810	$ 3,197,467	$ 1,117	$ 59,552,160

	DECEMBER 31, 2010			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 9,055,078	$ 8,784	$ 40,425	$ 9,023,437
Government-Sponsored Enterprises	6,013,897	86,648	-	6,100,545
Municipal Securities	23,913,091	577,462	234,922	24,255,631
Total	$ 38,982,066	$ 672,894	$ 275,347	$ 39,379,613

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2011, by contractual maturity are as follows:

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 3,745,464	$ 3,752,060
Due in one year to five years	30,306,215	31,159,444
Due in five years to ten years	11,110,227	12,350,591
Due in ten years and over	11,193,904	12,290,065
Total	$ 56,355,810	$ 59,552,160

The Company recognized a gain of $124,672 on the sale of $18,000,000 in US Treasury Notes in 2011. There were no securities sold during the year ended December 31, 2010.

Investment securities with an aggregate amortized cost of $39,660,266 and estimated fair value of $42,245,117 at December 31, 2011, were pledged to secure deposits and other balances, as required or permitted by law.

At December 31, 2011 there were three Municipal Securities with an unrealized loss of $1,117 as compared to two US Treasury Notes with an unrealized loss of $40,425 and fourteen Municipal Securities with an unrealized loss of $234,922 at December 31, 2010. These investments are not considered other-than-temporarily impaired. Gross unrealized losses and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2011 and December 31, 2010 are as follows:

DECMBER 31, 2011									
		Less than 12 months			12 months or longer			Total		
Descriptions of Securities		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses		Fair Value		Unrealized Losses
U.S. Treasury Notes	$	-	-	$	-	-	$	-	$	-
Government-Sponsored Enterprises		-	-		-	-		-		-
Municipal Securities		243,884	1,117		-	-		243,884		1,117
Total	$	243,884	1,117	$	-	-	$	243,884	$	1,117

DECMBER 31, 2010										
		Less than 12 months			12 months or longer			Total		
Descriptions of Securities		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses		Fair Value		Unrealized Losses
U.S. Treasury Notes	$	6,015,469	40,425	$	-	-	$	6,015,469	$	40,425
Government-Sponsored Enterprises		-	-		-	-		-		-
Municipal Securities		8,468,976	234,922		-	-		8,468,976		234,922
Total	$	14,484,445	275,347	$	-	-	$	14,484,445	$	275,347

The unrealized losses on investments were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less the amortized cost of the investment. Because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

3. LOANS

Major classifications of loans are as follows:

	DECEMBER 31, 2011	DECEMBER 31, 2010
Commercial loans	$ 55,565,525	$ 50,618,945
Commercial Real Estate:		
Commercial real estate construction	3,564,327	2,701,550
Commercial real estate other	106,408,621	105,303,361
Consumer:		
Consumer real estate	43,185,861	43,806,004
Consumer other	4,984,778	5,595,804
	213,709,112	208,025,664
Allowance for loan losses	(3,106,884)	(2,938,588)
Loans, net	$ 210,602,228	$ 205,087,076

Changes in the Allowance for Loan Losses are summarized as follows:

	YEARS ENDED DECEMBER 31, 2011	2010	2009
Balance at beginning of year	$ 2,938,588	$ 3,026,997	$ 1,429,835
Provision for loan losses	480,000	670,000	2,369,000
Charge offs	(383,714)	(778,820)	(777,166)
Recoveries	72,010	20,411	5,328
Balance at end of year	$ 3,106,884	$ 2,938,588	$ 3,026,997

The Bank had impaired loans totaling $7,417,892 as of December 31, 2011 compared to $3,559,528, and $2,502,202, as of December 31, 2010, and 2009, respectively. The impaired loans include non-accrual loans with balances at December 31, 2011, 2010, and 2009 of $923,671, $945,328, and $627,373, respectively. The Bank had two restructured ("TDR") loans at December 31, 2011, one restructured loan at December 31, 2010, no restructured loans for the year ended December 31, 2009. According to GAAP, the Company is required to account for certain loan modifications or restructuring as a troubled debt restructuring ("TDR"). In general, the modification or restructuring of a debt is considered a TDR if the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. At December 31, 2001 and 2010 troubled debt restructurings had an aggregate balance of $491,153 and $153,015, respectively.

There was one loan at December 31, 2011, that was over 90 days past due and still accruing interest. There were no loans over 90 days past due and still accruing interest at December 31, 2010.

The accrual of interest is generally discontinued on loans, which become 90 days past due as to principal or interest. The accrual of interest on some loans, however, may continue even though they are 90 days past due if the loans are well secured, in the process of collection, and Management deems it appropriate. Non-accrual loans are reviewed individually by Management to determine if they should be returned to accrual status.

Loans Receivable on Non-Accrual		
December 31, 2011		
Commercial	$	4,018
Commercial Real Estate:		
Commercial Real Estate - Construction		-
Commercial Real Estate - Other		851,672
Consumer:		
Consumer - Real Estate		67,981
Consumer - Other		-
Total	$	923,671

Loans Receivable on Non-Accrual		
December 31, 2010		
Commercial	$	6,702
Commercial Real Estate:		
Commercial Real Estate - Construction		-
Commercial Real Estate - Other		938,626
Consumer:		-
Consumer - Real Estate		-
Consumer - Other		-
Total	$	945,328

The following is a schedule of the Bank's delinquent loans, excluding mortgage loans held for sale and deferred loan fees, as of December 31, 2011 and December 31, 2010.

December 31, 2011							
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial	$ 50,892	-	-	50,892	55,514,633	55,565,525	-
Commercial Real Estate:							
Commercial Real Estate - Construction	-	-	-	-	3,564,327	3,564,327	-
Commercial Real Estate - Other	1,268,321		788,167	2,056,488	104,352,133	106,408,621	282,173
Consumer:							
Consumer Real Estate	-	-	-	-	43,185,861	43,185,861	
Consumer-Other	4,401	30,319	605	35,325	4,949,453	4,984,778	-
Total	$ 1,323,614	30,319	788,772	2,142,705	211,566,407	213,709,112	282,173

December 31, 2010							
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial	$ 7,056	8,038	-	15,094	50,603,851	50,618,945	-
Commercial Real Estate:							
Commercial Real Estate - Construction	-	-	-	-	2,701,550	2,701,550	-
Commercial Real Estate - Other	134,072		589,225	723,297	104,580,064	105,303,361	-
Consumer:							
Consumer Real Estate	-	-	-	-	43,806,004	43,806,004	-
Consumer-Other	309,684	5,864		315,548	5,280,256	5,595,804	-
Total	$ 450,812	13,902	589,225	1,053,939	206,971,725	208,025,664	-

The Company grants short to intermediate term commercial and consumer loans to customers throughout its primary market area of Charleston, Berkeley and Dorchester counties, South Carolina. The Company's primary market area is heavily dependent on tourism and medical services. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the stability of the economic environment in their primary market including the government, tourism and medical industries. The majority of the loan portfolio is located in the Bank's immediate market area with a concentration in Real Estate Related (37.70%), Offices and Clinics of Medical Doctors (7.15%), Real Estate Agents and Managers (3.29%), and Legal services (2.92%). Management is satisfied with these levels of concentrations.

As of December 31, 2011 and 2010, loans individually evaluated and considered impaired are presented in the following table:

Impaired and Restructured Loans
For the Year Ended December 31, 2011

With no related allowance recorded:		Unpaid Principal Balance		Recorded Investment		Related Allowance		Average Recorded Investment		Interest Income Recognized
Commercial	$	83,350	$	4,018	$	-	$	8,625	$	315
Commercial Real Estate		4,289,820		4,321,755		-		4,299,045		99,046
Consumer Real Estate Construction		319,536		315,926		-		317,776		12,596
Consumer Other		-		-		-		-		-
Total	$	4,692,706	$	4,641,699	$	-	$	4,625,446	$	111,957
With an allowance recorded:										
Commercial	$	1,360,535	$	1,281,462	$	1,281,462	$	1,298,891	$	57,458
Commercial Real Estate		668,950		625,648		187,713		634,511		9,957
Consumer Real Estate		822,750		819,341		345,494		819,423		34,636
Consumer Other		50,000		49,742		49,742		49,742		0
Total	$	2,902,235	$	2,776,193	$	1,864,411	$	2,802,567	$	102,051

Impaired and Restructured Loans For the Year Ended December 31, 2010										
With no related allowance recorded:		Unpaid Principal Balance		Recorded Investment		Related Allowance		Average Recorded Investment		Interest Income Recognized
Commercial	$	83,350	$	6,702	$	-	$	12,230	$	439
Commercial Real Estate		2,317,543		2,020,682		-		833,939		66,537
Consumer Real Estate Construction		230,250		230,022		-		836,169		9,499
Consumer-Other		-		-		-		-		-
Total	$	2,631,143	$	2,257,406	$	-	$	1,682,338	$	76,475
With an allowance recorded:										
Commercial	$	1,211,163	$	1,207,163	$	1,207,163	$	807,846	$	37,036
Commercial Real Estate Construction		126,000		94,959		86,084		87,431		5,277
Consumer Real Estate		-		-		-		-		-
Consumer Other		-		-		-		-		-
Total	$	1,337,163	$	1,302,122	$	1,293,247	$	895,277	$	42,313

The following table illustrates credit risks by category and internally assigned grades.

December 31, 2011										
		Commercial		Commercial Real Estate Construction		Commercial Real Estate Other		Consumer-Real Estate		Consumer - Other
Pass	$	48,160,256	$	3,088,190	$	93,889,871	$	38,551,256	$	4,390,391
Watch		4,000,123		476,137		4,581,885		3,312,679		214,617
OAEM		2,071,137		-		1,905,745		212,545		311,905
Sub-Standard		1,334,009		-		6,031,120		1,109,381		67,865
Doubtful		-		-		-		-		-
Loss		-		-		-		-		-
Total	$	55,565,525	$	3,564,327	$	106,408,621	$	43,185,861	$	4,984,778

December 31, 2010										
		Commercial		Commercial Real Estate Construction		Commercial Real Estate Other		Consumer - Real Estate		Consumer - Other
Pass	$	44,264,102	$	2,226,324	$	97,949,596	$	42,017,198	$	4,915,583
Watch		3,070,186		475,225		3,516,001		338,614		363,798
OAEM		1,934,919		-		116,277		379,092		234,007
Sub-Standard		1,349,738		-		3,721,487		1,071,100		79,985
Doubtful		-		-		-		-		2,432
Loss		-		-		-		-		-
Total	$	50,618,945	$	2,701,549	$	105,303,361	$	43,806,004	$	5,595,805

The following table sets forth the changes in the allowance and an allocation of the allowance by loan category. The allocation of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in Management's judgment, should be charged-off. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-impaired loans and is based on historical loss experience adjusted for current economic factors described above.

DECEMBER 31, 2011												
		Commercial		Commercial Real Estate		Consumer Real Estate		Consumer-Other		Unallocated		Total
Allowance for Loan Losses												
Beginning Balance	$	1,502,298	$	128,334	$	27,200	$	218,897	$	1,061,859	$	2,938,588
Charge-offs		(17,943)		(303,403)		(62,368)		-		-		(383,714)
Recoveries		42,662		28,838		510		-		-		72,010
Provisions		59,493		566,598		126,060		231,441		(503,592)		480,000
Ending Balance		1,586,510		420,367		91,402		450,338		558,267		3,106,884
Ending Balances:												
Individually evaluated for impairment		1,285,480		4,947,403		49,742		1,135,267		-		7,417,892
Collectively evaluated for impairment	$	54,280,045	$	105,025,545	$	4,935,036	$	42,050,594	$	-	$	206,291,220

DECEMBER 31, 2010												
		Commercial		Commercial Real Estate		Consumer Real Estate		Consumer Other		Unallocated		Total
Allowance for Loan Losses												
Beginning Balance	$	1,456,332	$	42,448	$	15,651	$	197,428	$	1,315,138	$	3,026,997
Charge-offs		(417,078)		(21,356)		(55,257)		(285,129)		-		(778,820)
Recoveries		14,427		5,484		500		-		-		20,411
Provisions		448,617		101,758		66,306		306,598		(253,279)		670,000
Ending Balance		1,502,298		128,334		27,200		218,897		1,061,859		2,938,588
Ending Balances:												
Individually evaluated for impairment		1,213,865		2,115,641		-		230,022		-		3,559,528
Collectively evaluated for impairment	$	49,405,080	$	105,889,269	$	5,595,805	$	43,575,982	$	-	$	204,466,136

Restructured loans (loans, still accruing interest, which have been renegotiated at below-market interest rates or for which other concessions have been granted) were $491,153 and $153,015 at December 31, 2011 and December 31, 2010, respectively, and are illustrated in the following table. At December 31, 2011 and December 31, 2010 all restructured loans were performing as agreed. However, the restructured loan of $153,015 at December 31, 2010 failed to continue to perform as agreed and, as a result, the loan was charged off in March 2011.

Modification						
As of December 31, 2011						
		Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings						
Commercial						
Commercial Real Estate		1	$	375,323	$	375,323
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		1	$	115,830	$	115,830
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-
Troubled Debt Restructurings That Subsequently Defaulted		-				
Commercial		-	$	-	$	-
Commercial Real Estate		1	$	153,015	$	153,015
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-

Modification						
As of December 31, 2010						
		Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings						
Commercial		-		-		-
Commercial Real Estate		1	$	153,015	$	153,015
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-
Troubled Debt Restructurings That Subsequently Defaulted						
Commercial		-	$	-	$	-
Commercial Real Estate		-	$	-	$	-
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-

4. PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements are summarized as follows:

	2011	2010
Bank buildings	$ 1,813,277	$ 1,813,277
Land	838,075	838,075
Leasehold purchase	30,000	30,000
Lease improvements	662,054	424,760
Equipment	3,096,152	2,948,691
	6,439,558	6,054,803
Accumulated depreciation	(3,827,593)	(3,618,277)
Total	$ 2,611,965	$ 2,436,526

Depreciation and amortization of bank premises and equipment charged to operating expense totaled $209,316 in 2011 and $231,922 in 2010.

5. DEPOSITS

At December 31, 2011, 2010, and 2009 certificates of deposit of $100,000 or more totaled approximately $38,638,528, $45,523,280, and $41,929,687 respectively. Interest expense on these deposits was $377,839 in 2011,$540,048 in 2010, and $712,898 in 2009.

At December 31, 2011, the schedule maturities of certificates of deposit are as follows:

2012	$	55,069,291
2013		680,229
2014		134,447
2015		104,358
2016 and thereafter		67,043
	$	56,055,368

At December 31, 2011, deposits with a deficit balance of $55,374 were re-classified as other loans, compared to $51,949 at December 31, 2010.

6. SHORT-TERM BORROWINGS

The Bank has a demand note through the US Treasury, Tax and Loan system with the Federal Reserve Bank of Richmond. The Bank may borrow up to $1,000,000 at December 31, 2011 and 2010 under the arrangement at an interest rate set by the Federal Reserve. The note is secured by Government Sponsored Enterprise Securities with a market value of $1,025,042 at December 31, 2011. The amount outstanding under the note totaled $0.00 and $767,497 at December 31, 2011 and 2010, respectively. At December 31, 2011, the Company had no outstanding federal funds purchased with the option to borrow $21,000,000 on short term lines of credit. The Company has also established a Borrower-In-Custody arrangement with the Federal Reserve. This arrangement permits the Company to retain possession of assets pledged as collateral to secure advances from the Federal Reserve Discount Window. Under this agreement the Company may borrow up to $61,527,194. The Company established this arrangement as a secondary source of liquidity. In addition, at December 31, 2009 the Company had a loan of $7,500,000 from the Federal Reserve Bank's Term Auction Facility (TAF) at a rate of .25% for a term of 42 days. This loan was paid off by the Company on April 8, 2010. On December 30, 2011, the Federal Reserve Bank eliminated retained electronic tax deposits. As a result the electronic tax deposits will no longer be deposited into the Company's TT&L main account balance.

At December 31, 2011 and 2010, the Bank had unused short-term lines of credit totaling approximately $21,000,000 and $23,000,000, respectively (which are withdrawable at the lender's option).

7. INCOME TAXES

Total income taxes for the years ended December 31, 2011, 2010 and 2009 are as follows

	YEARS ENDED DECEMBER 31,		
	2011	**2010**	**2009**
Income tax expense	$ 1,347,949	$ 1,384,431	$ 760,117
Shareholders' equity, for unrealized gains (losses) on securities available for sale	1,035,557	(311,158)	(68,450)
Total	$ 2,383,506	$ 1,073,273	$ 691,667

Income tax expense attributable to income before income tax expense consists of:

YEAR ENDED DECEMBER 31, 2011	Current	Deferred	Total
U.S. Federal	$ 1,292,984	$ (85,291)	$ 1,207,693
State and local	140,256	-	140,256
	$ 1,433,240	$ (85,291)	$ 1,347,949

YEAR ENDED DECEMBER 31, 2010	Current	Deferred	Total
U.S. Federal	$ 1,233,179	$ 12,409	$ 1,245,588
State and local	138,843	-	138,843
	$ 1,372,022	$ 12,409	$ 1,384,431

YEAR ENDED DECEMBER 31, 2009			
U.S. Federal	$ 1,158,831	$ (483,397)	$ 675,434
State and local	84,683	-	84,683
	$ 1,243,514	$ (483,397)	$ 760,117

Income tax expense attributable to income before income tax expense was $1,347,949, $1,384,431, and $760,117 for the years ended December 31, 2011, 2010 and 2009 respectively, and differed from amounts computed by applying the U.S. federal income tax rate of 34% to pretax income from continuing operations as a result of the following:

		YEARS ENDED DECEMBER 31,	
	2011	2010	2009
Computed “expected” tax expense	$ 1,542,671	$ 1,532,200	$ 898,013
Increase (reduction) in income taxes Resulting from:			
Tax exempt interest income	(317,802)	(270,759)	(212,594)
State income tax, net of federal benefit	92,569	91,637	55,891
Other, net	30,511	31,353	18,807
	$ 1,347,949	$ 1,384,431	$ 760,117

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2011 and 2010 are presented below:

	DECEMBER 31, 2011	DECEMBER 31, 2010
Deferred tax assets:		
State Net Operating Loss Carryforward	$ 26,101	$ 22,400
Allowance for loan losses	987,589	930,369
Other	38,550	23,637
Total gross deferred tax assets	1,052,240	976,406
Less valuation allowance	(26,101)	(22,400)
Net deferred tax assets	1,026,139	954,006
Deferred tax liabilities:		
Prepaid expenses	(25,071)	(23,067)
Unrealized gain on securities available for sale	(1,182,650)	(147,093)
Deferred loan fees	(20,115)	(5,884)
Fixed assets, principally due to differences in depreciation	(65,137)	(59,692)
Other-Bond Accretion	(27,750)	(62,589)
Total gross deferred tax liabilities	(1,320,723)	(298,325)
Net deferred tax (liability) asset	$ (294,584)	$ 655,681

The Company analyzed the tax positions taken in its tax returns and concluded it has no liability related to uncertain tax positions.

There was a $26,101 valuation allowance for deferred tax assets at December 31, 2011 and $22,400 at December 31, 2010 associated with the Holding Company's state net operating loss. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and prior to their expiration governed by the income tax code. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred income tax assets are expected to be deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at December 31, 2011. The amount of the deferred income tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Tax returns for 2008 and subsequent years are subject to examination by taxing authorities.

8. COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements to lease equipment and its office facilities under non-cancellable operating lease agreements expiring on various dates through 2012. The Company may, at its option, extend the lease of its office facility at 256 Meeting Street in Charleston, South Carolina, for two additional ten year periods, extend the lease of its Summerville office at 100 North Main Street for two additional ten year periods, and extend the land lease where the Mt. Pleasant office is located for six additional five year periods. In addition on May 27, 2010 the Company entered into a lease agreement for office space located at 1071 Morrison Drive, Charleston, SC. Management intends to exercise its option on the Meeting Street lease. Lease payments below include the lease renewal. Minimum rental commitments for these leases as of December 31, 2011 are as follows:

2012	$	547,915
2013		563,133
2014		543,610
2015		541,214
2016		545,486
2017 and thereafter		7,605,206
Total	$	10,346,564

Total rental expense was $526,128, $498,832 and $487,055 in 2011, 2010 and 2009, respectively.

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit, interest rate, and liquidity risk. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, negotiable instruments, inventory, property, plant and equipment, and real estate. Commitments to extend credit, including unused lines of credit, amounted to $47,629,822 and $44,016,496 at December 31, 2011 and 2010, respectively.

Standby letters of credit represent an obligation of the Company to a third party contingent upon the failure of the Company’s customer to perform under the terms of an underlying contract with the third party or obligates the Company to guarantee or stand as surety for the benefit of the third party. The underlying contract may entail either financial or nonfinancial obligations and may involve such things as the shipment of goods, performance of a contract, or repayment of an obligation. Under the terms of a standby letter, drafts will generally be drawn only when the underlying event fails to occur as intended. The Company can seek recovery of the amounts paid from the borrower. The majority of these standby letters of credit are unsecured. Commitments under standby letters of credit are usually for one year or less. At December 31, 2011 and 2010, the Company has recorded no liability for the current carrying amount of the obligation to perform as a guarantor; as such amounts are not considered material. The maximum potential amount of undiscounted future payments related to standby letters of credit at December 31, 2011 and 2010 was $875,679 and $532,613, respectively.

The Company originates certain fixed rate residential loans and commits these loans for sale. The commitments to originate fixed rate residential loans and the sales commitments are freestanding derivative instruments. The fair value of these commitments was not significant at December 31, 2011 and 2010. The Company has forward sales commitments, totaling $7,578,587 at December 31, 2011 to sell loans held for sale of $7,578,587. Such forward sales commitments are to sell loans at par value and are generally funded within 60 days. The fair value of these commitments was not significant at December 31, 2011. The Company has no embedded derivative instruments requiring separate accounting treatment.

9. RELATED PARTY TRANSACTIONS

In the opinion of management, loans to officers and directors of the Company are made on substantially the same terms including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and do not involve more than the normal risk of collectability. There were no outstanding loans to executive officers of the Company as of December 31, 2011, 2010 and 2009. Related party loans are summarized as follows:

	DECEMBER 31,			
		2011		2010
Balance at beginning of year	$	7,618,873	$	8,329,008
New loans or advances		5,364,207		3,658,787
Repayments		(3,218,317)		(4,368,922)
Balance at end of year	$	9,764,763	$	7,618,873

At December 31, 2011 and 2010 total deposits held by related parties were $6,611,683 and $1,814,006, respectively.

10. OTHER EXPENSE

A summary of the components of other operating expense is as follows:

	YEARS ENDED DECEMBER 31,		
	2011	2010	2009
Advertising and business	$ 17,633	$ 10,658	$ 14,259
Supplies	96,654	111,428	108,027
Telephone and postage	169,560	166,376	169,785
Insurance	44,207	43,594	48,710
Professional fees	465,533	431,990	410,659
Data processing services	446,625	351,101	290,420
State and FDIC insurance and fees	249,605	363,339	472,028
Courier service	189,247	179,407	178,105
Other	434,930	442,224	385,055
	$ 2,113,994	$ 2,100,117	$ 2,077,048

11. STOCK INCENTIVE PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

The Company has a Stock Incentive Plan which was approved in 1998 with 180,000 (299,475 adjusted for two 10% stock dividends, a 10% stock distribution, and a 25% stock dividend) shares reserved and a Stock Incentive Plan which was approved in 2010 with 300,000 shares reserved. Under both Plans, options are periodically granted to employees at a price not less than the fair market value of the shares at the date of grant. Employees become 20% vested after five years and then vest 20% each year until fully vested. The right to exercise each such 20% of the options is cumulative and will not expire until the tenth anniversary of the date of the grant.

On March 24, 2011, the Executive Committee granted options to purchase 5,000 shares of stock to one employee. Fair value was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grant: dividend yield 4.02%, historical volatility 54.43%, risk free interest rate of 3.42%, and an expected life of 10 years. In addition, the Executive Committee granted options to purchase 96,000 shares of stock to twenty-two employees (including 2 Executive Officers) on June 23, 2011. Fair value was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grant: dividend yield 4.02%, historical volatility 54.43%, risk free interest rate of 2.93%, and an expected life of 10 years.

On September 24, 2010 options to purchase 33,000 shares were granted to twenty-one employees with an exercise price of $10.77.

All outstanding options under the 1998 Omnibus Stock Incentive Plan have been retroactively restated to reflect the effects of a 10% stock dividend declared on August 26, 2010.

A summary of the activity under the 1998 and 2010 Omnibus Stock Incentive Plans for the years ended December 31, 2011, 2010, and 2009 follows:

	2011			2010			2009		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding, January 1	88,831	$	11.51	86,995	$	10.61	115,937	$	9.99
Granted	101,000		10.48	33,000		10.77	-		-
Expired	(6,491)		10.47	(1,581)		9.60	-		-
Exercised	(15,074)		8.19	(29,583)		8.13	(28,942)		8.13
Outstanding, December 31	168,266	$	11.23	88,831	$	11.51	86,995	$	10.61

Exercise Price:	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value of Outstanding Options	Number of Options Exercisable	Weighted Average Exercise Price	Intrinsic Value of Exercisable Options
$ 8.54	8,591	1.4	$ 8.54	$ 15,034	5,260	$ 8.54	$ 9,205
$ 15.11	18,975	4.4	$ 15.11	$ -	-	$ -	$ -
$ 14.54	5,500	5.0	$ 14.54	$ -	-	$ -	$ -
$ 14.10	5,500	5.5	$ 14.10	$ -	-	$ -	$ -
$ 12.90	2,200	6.2	$ 12.90	$ -	-	$	$ -
$ 10.77	26,500	8.7	$ 10.77	$ -	-	$	$ -
$ 11.67	5,000	9.2	$ 11.67	$ -	-	$	$ -
$ 10.42	96,000	9.5	$ 10.42	$ -	-	$ -	$ -
	168,266	8.06	$ 11.23	$ 15,034	5,260	$ 8.54	$ 9,205

The weighted average grant-date fair value of options granted in March and June of 2011 were $4.62 and $4.03, respectively. The options granted in September 2010, had a weighted average grant date fair value of $6.13. There were no options granted in 2009. The total intrinsic value of options exercised during the years ended December 31, 2011, and 2010, and 2009, were $40,773, $43,082 and $51,892, respectively.

A summary of the status of the Company's nonvested shares as of December 31, 2011 is presented below:

Nonvested Shares:	Shares		Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	71,087	$	3.46
Granted	101,000		4.06
Vested	(3,331)		2.85
Forfeited	(5,750)		6.13
Nonvested at end of year	163,006	$	4.50

The Company Recognized compensation cost for the years ended December 31, 2011, 2010 and 2009 in the amount of $64,587, $50,721, and $47,200, respectively.

As of December 31, 2011 there was $573,824 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. The cost is expected to be recognized over a weighted average period of 8.06 years.

The Company established an Employee Stock Ownership Plan (ESOP) effective January 1, 1989. Each employee who has attained age twenty-one and has completed at least 1,000 hours of service in a Plan year is eligible to participate in the ESOP. Contributions are determined annually by the Board of Directors and amounts allocable to individual participants may be limited pursuant to the provisions of Internal Revenue Code Section 415. The Company recognizes expense when the contribution is approved by the Board of Directors. The total expenses amounted to $240,000, $240,000, and $120,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

12. DIVIDENDS

The Bank's ability to pay dividends to the Company is restricted by the laws and regulations of the State of South Carolina. Generally, these restrictions allow the Bank to pay dividends from current earnings without the prior written consent of the South Carolina Commissioner of Banking, if it received a satisfactory rating at its most recent examination. The Bank paid dividends of $1,790,000 and $1,685,000 to the Company during the years ended December 31, 2011 and 2010, respectively.

13. INCOME PER COMMON SHARE

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by the weighted-average number of common shares and potential common shares outstanding. Potential common shares consist of dilutive stock options determined using the treasury stock method and the average market price of common stock. All share and per share data have been retroactively restated for all common stock dividends and distributions including the 10% stock dividend declared on August 26, 2010.

Options to purchase 159,675 shares of common stock and options to purchase 65,175 shares of common stock with prices ranging from $10.42 to $15.11 per share were not included in the computation of diluted earnings per share for 2011 or 2010, respectively, because the options' exercise price was greater than the average market price of common shares.

The following is a summary of the reconciliation of average shares outstanding for the years ended December 31:

	2011		2010		2009	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Weighted average shares outstanding	4,439,887	4,439,887	4,416,065	4,416,065	4,390,835	4,390,835
Effect of dilutive securities:						
Stock options	-	-	-	-	-	3,531
Average shares outstanding	4,439,887	4,439,887	4,416,065	4,416,065	4,390,835	4,394,366

14. REGULATORY CAPITAL REQUIREMENTS

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulation) to risk-weighted assets (as defined) and to average assets. Management believes, as of December 31, 2011, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

At December 31, 2011 and 2010, the Company and the Bank are categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Company and the Bank must maintain minimum total risk based, Tier 1 risk based and Tier 1 leverage ratios of 10%, 6% and 5%, respectively, and to be categorized as "adequately capitalized," the Company and the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no current conditions or events that management believes would change the Company's or the Bank's category.

December 31, 2011

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets:						
Company	$ 33,045	13.48%	$ 19,606	8.00%	$ N/A	N/A
Bank	$ 32,848	13.41%	$ 19,602	8.00%	$ 24,503	10.00%
Tier 1 capital to risk-weighted assets:						
Company	$ 29,981	12.23%	$ 9,803	4.00%	$ N/A	N/A
Bank	$ 29,784	12.16%	$ 9,801	4.00%	$ 14,702	6.00%
Tier 1 capital to average assets:						
Company	$ 29,981	8.96%	$ 13,386	4.00%	$ N/A	N/A
Bank	$29,784	8.90%	$ 13,380	4.00%	$ 16,725	5.00%

December 31, 2010

(Dollars in Thousands)	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
Total capital to risk-weighted assets:						
Company	$ 31,423	13.30%	$ 18,908	8.00%	$ N/A	N/A
Bank	$ 31,200	13.20%	$ 18,903	8.00%	$ 23,628	10.00%
Tier 1 capital to risk-weighted assets:						
Company	$ 28,469	12.05%	$ 9,454	4.00%	$ N/A	N/A
Bank	$ 28,246	11.95%	$ 9,451	4.00%	$ 14,177	6.00%
Tier 1 capital to average assets:						
Company	$ 28,469	10.40%	$ 10,949	4.00%	$ N/A	N/A
Bank	$28,246	10.32%	$ 10,947	4.00%	$ 13,684	5.00%

15. DISCLOSURES REGARDING FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table is a summary of the carrying value and estimated fair value of the Company's financial instruments as of December 31, 2011 and 2010:

	2011 Carrying Amount	2011 Estimated Fair Value
Financial Assets:		
Cash and due from banks	$ 4,559,194	$ 4,559,194
Interest bearing deposits in other banks	47,504,282	47,504,282
Federal funds sold	-	-
Investments available for sale	59,552,160	59,552,160
Mortgage loans to be sold	7,578,587	7,578,587
Loans	213,709,112	214,294,224
Financial Liabilities:		
Deposits	301,127,515	301,830,957
Short-term borrowings	-	-
	Notional Amount	**Fair Value**
Off Balance Sheet Financial Instruments:		
Commitments to extend credit	$ 47,629,822	$ -
Standby letters of credit	875,679	-

	2010	
	Carrying Amount	**Estimated Fair Value**
Financial Assets:		
Cash and due from banks	$ 4,697,450	$ 4,697,450
Interest bearing deposits in other banks	715,231	715,231
Federal funds sold	19,018,104	19,018,104
Investment securities available for sale	39,379,613	39,379,613
Mortgage loans to be sold	5,908,316	5,908,316
Loans	208,025,664	215,700,695
Financial Liabilities		
Deposits	250,436,975	250,750,331
Short-term borrowings	767,497	767,497
	Notional Amount	**Fair Value**
Off Balance Sheet Financial Instruments:		
Commitments to extend credit	$ 44,016,496	$ -
Standby letters of credit	532,613	-

16. BANK OF SOUTH CAROLINA CORPORATION - PARENT COMPANY

The Company's principal source of income is dividends from the Bank. Certain regulatory requirements restrict the amount of dividends which the Bank can pay to the Company. The Company's principal asset is its investment in its Bank subsidiary. The Company's condensed statements of financial condition as of December 31, 2011 and 2010, and the related condensed statements of operations and cash flows for the years ended December 31, 2011, 2010 and 2009, are as follows:

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	2011	2010
Assets		
Cash	$ 541,500	$ 160,497
Investment in wholly-owned bank subsidiary	31,309,093	28,496,885
Other assets	143,276	61,500
Total assets	$ 31,993,869	$ 28,718,882
Liabilities and shareholders' equity		
Shareholders' equity	31,993,869	28,718,882
Total liabilities and shareholders' equity	$ 31,993,869	$ 28,718,882

CONDENSED STATEMENTS OF OPERATIONS

	2011	2010	2009
Interest income	$ 289	$ 374	$ 540
Net operating expenses	(138,877)	(136,384)	(123,639)
Dividends received from bank	1,790,000	1,715,000	905,000
Equity in undistributed earnings of subsidiary	1,537,906	1,531,523	1,087,953
Net income	$ 3,189,318	$ 3,110,513	$ 1,869,854

CONDENSED STATEMENTS OF CASH FLOWS

	2011	2010	2009
Cash flows from operating activities:			
Net income	$ 3,189,318	$ 3,110,513	$ 1,869,854
Stock-based compensation expense	64,587	50,721	47,200
Equity in undistributed earnings of subsidiary	(1,537,906)	(1,531,522)	(1,087,953)
Increase in other assets	(81,776)	(29,102)	(25,521)
Net cash provided by operating activities	1,634,223	1,600,610	803,580
Cash flows from financing activities:			
Dividends paid	(1,376,623)	(1,688,084)	(1,912,940)
Fractional shares paid	-	(2,466)	
Stock options exercised	123,403	210,811	235,315
Net cash used by financing activities	(1,253,220)	(1,479,739)	(1,677,625)
Net (decrease) increase in cash	381,003	120,871	(874,045)
Cash at beginning of year	160,497	39,626	913,671
Cash at end of year	$ 541,500	$ 160,497	$ 39,626
Change in dividend payable	$ 488,944	$ -	$ (636,256)

17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The tables below represent the quarterly results of operations for the years ended December 31, 2011 and 2010, respectively:

	2011			
	FOURTH	THIRD	SECOND	FIRST
Total interest and fee income	$ 3,158,632	$ 3,127,754	3,042,514	$ 2,948,704
Total interest expense	150,919	177,288	213,883	235,938
Net interest income	3,007,713	2,950,466	2,828,631	2,712,766
Provision for loan losses	120,000	120,000	120,000	120,000
Net interest income after provisions for loan losses	2,887,713	2,830,466	2,708,631	2,592,766
Other income	412,645	496,905	439,080	429,327
Other expense	2,118,365	1,983,371	2,045,876	2,112,654
Income before income tax expense	1,181,993	1,344,000	1,101,835	909,439
Income tax expense	347,041	407,027	333,810	260,071
Net income	$ 834,952	$ 936,973	$ 768,025	$ 649,368
Basic income per common share	$ .20	$ .21	$ .17	$ .14
Diluted income per common share	$ .20	$ .21	$ .17	$ .14

	2010			
	FOURTH	THIRD	SECOND	FIRST
Total interest and fee income	$ 3,112,476	$ 3,059,416	$ 2,954,837	$ 3,039,454
Total interest expense	246,524	254,217	272,846	292,804
Net interest income	2,865,952	2,805,199	2,681,991	2,746,650
Provision for loan losses	250,000	190,000	110,000	120,000
Net interest income after provisions for loan losses	2,615,952	2,615,199	2,571,991	2,626,650
Other income	595,021	560,989	473,587	420,753
Other expense	1,998,711	1,998,737	1,990,557	1,997,193
Income before income tax expense	1,212,262	1,177,451	1,055,021	1,050,210
Income tax (benefit) expense	379,059	355,850	326,179	323,343
Net income	$ 833,203	$ 821,601	$ 728,842	$ 726,867
Basic income per common share	$ .19	$ .19	$ .16	$ .16
Diluted income per common share	$ .19	$ .19	$ .16	$ .16

18. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.

On February 7, 2012, the Company was informed by a large depositor, that its funds would be withdrawn by the end of the month. This company was started in Charleston, SC and was purchased by an out-of-state company in 2007. The deposits remained with the Bank of South Carolina with the understanding these deposits would eventually be moved. The average available balance in these accounts for the year ending December 31, 2011 was $19,482,004.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934 (the "Act") was carried out as of December 31, 2011 under the supervision and with the participation of the Company's President and Chief Executive Officer and Executive Vice President, Chief Financial Officer and several other members of the Company's senior Management. Based upon that evaluation the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer concluded that as of December 31, 2011, the Company's disclosure controls and procedures were effective in ensuring that the information the Company is required to disclose in the reports filed or submitted under the act has been (i) accumulated and communicated to Management (including the President and Chief Executive Officer and Executive Vice President and Treasurer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

The Company's Management is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

Under the supervision and with the participation of Management, including the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer, the Company's Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2011, based on the framework established in a report entitled "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and the interpretive guidance issued by the Securities and Exchange Commission in Release No. 34-55929.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. Based on this assessment Management believes that as of December 31, 2011, the Company's internal control over financial reporting was effective. There were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's registered public accounting firm pursuant to the final ruling by the Securities and Exchange Commission that permit the Company to provide only Management's report in its annual report.

The Audit Committee, composed entirely of independent directors, meets periodically with Management, the Company's internal auditor and Elliott Davis, LLC (separately and jointly) to discuss audit, financial and related matters. Elliott Davis, LLC and the internal auditor have direct access to the Audit Committee.

Item 9B. Other Information

There is no information required to be disclosed in a report on Form 8-K during the fourth quarter of 2011 that was not reported.

PART III

Item 10. Directors, Executive Officers, Promoters and Corporate Governance of the Registrant

The information required by this item contained under the sections captioned "Proposal 1-To Elect Seventeen Directors of Bank of South Carolina Corporation to Serve Until the Company's 2013 Annual Meeting of Shareholders" and "Meetings and Committees of the Board of Directors and Corporate Governance Matters" included on pages 8-20 in the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on April 10, 2012, a copy of which has been filed with the SEC, the "Proxy Statement", is incorporated in this document by reference.

Executive Officers The information concerning the Company's executive officers is contained under the section captioned -"Proposal 1-To Elect Seventeen Directors of Bank of South Carolina Corporation to Serve until the Company's 2013 Annual Meeting of Shareholders" included on pages 8-16 of the Company's Proxy Statement and is incorporated in this document by reference.

Audit and Committee Financial Expert The Audit Committee of the Company is composed of Directors Malcolm M. Rhodes, MD (Chairman), Graham M. Eubank, Jr., Glen B. Haynes, DVM., Richard W. Hutson, Jr., Linda J. Bradley McKee, PhD., CPA., and David R. Schools. The Board has selected the Audit Committee members based on its determination that they are qualified to oversee the accounting and financial reporting processes of the Company and audits of the Company's financial statements. Each member of the Audit Committee is "independent" as defined in the NASDAQ Stock Market listing standards for audit committee members

The Board of Directors has determined that Linda J. Bradley McKee, PhD., CPA, qualifies as a financial expert within the meaning of SEC rules and regulations and has designated Dr. Bradley McKee as the Audit Committee financial expert. Director McKee is independent as that term is used in Schedule 14A promulgated under the Exchange Act.

Code of Ethics The Company has adopted a "Code of Ethics", applicable to the President, the Chief Financial Officer, Executive Vice-President and Treasurer and the Executive Vice-President and "Code of Conduct" for Directors, officers and employees. A copy of these policies may be obtained at the Company's internet website: www.banksc.com.

Compliance with Insider Reporting The information contained under the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" is included on page 21 of the Company's Proxy Statement and is incorporated in this document by reference.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Section captioned "Directors Compensation" and "Executive Compensation-Compensation Discussion and Analysis" included on pages 20-27 of the Proxy Statement.

Equity Compensation Plan Information

The following table summarizes share and exercise price of information about the Stock Incentive Plan of the Company as of December 31, 2011:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [1]
1998 Omnibus Stock Incentive Plan approved by Shareholders [2]	40,766	$13.39	-
2010 Omnibus Stock Incentive Plan approved by Shareholders[3]	127,500	10.54	172,500
Total	168,266	$11.23	172,500

1 In accordance with the 1998 Omnibus Stock Incentive Plan, no options may be granted under this Plan after April 14, 2008, due to its expiration. Options granted before this date shall remain valid in accordance with their terms.

2 The number of securities to be issued upon exercise of the outstanding options represents the total outstanding options under the 1998 Omnibus Stock Incentive Plan. As per the agreement, the referenced options shall remain valid in accordance with their terms.

3 The 2010 Omnibus Stock Incentive Plan was approved by the Shareholders at the 2010 Annual Meeting. There were 300,000 shares reserved under this Plan. On September 24, 2010, options for 33,000 shares were granted to 21 employees (other than Executive Officers) with options for 750 shares forfeited with the resignation of one employee in 2010. On March 24, 2011, options for 5,000 shares were granted to 1 employee and on June 23, 2011, options for 96,000 shares were granted to 22 employees including Sheryl G. Sharry and Fleetwood S. Hassell, both Executive Officers who each received options for 10,000 shares. During the year ended December 31, 2011, options for 5,750 shares were forfeited with the resignation of two employees.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership and Certain Beneficial Owners

Information required by this item in incorporated in this document by reference to the Section captioned "Security Ownership of Certain Beneficial Owners and Management", included on page 4 of the Proxy Statement.

Security ownership of Management

Information required by this item is incorporated in this document by reference to the Sections captioned "Security Ownership of Certain Beneficial Owners and Management", included on page 4 of the Proxy Statement.

Changes in Control

Management is not aware of any arrangements, including any pledge by any shareholder of the Company, the operation of which may at a subsequent date result in a change of control of the Company.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated in this document by reference to the Sections captioned "Proposal 1-To Elect Seventeen Directors of Bank of South Carolina Corporation to Serve Until the Company's 2013 Annual Meeting of Shareholders" and "Meetings and Committees of the Board of Directors and Corporate Governance Matters", included on pages 8-20 of the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated in this document by reference to "Proposal 2 " to ratify the appointment of Elliott Davis, LLC as independent public accountant for the year ending December 31, 2012 and "Auditing and Related Fees", included on page 29 of the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. The Consolidated Financial Statements and Report of Independent Auditors are included in this Form 10-K and listed on pages as indicated.

2. Exhibits

2.0	Plan of Reorganization (Filed with 1995 10-KSB)
3.0	Articles of Incorporation of the Registrant (Filed with 1995 10-KSB)
3.1	By-laws of the Registrant (Filed with 1995 10-KSB)
3.2	Amendments to the Articles of Incorporation of the Registrant (Filed with Form S on June 23, 2011)
4.0	2011 Proxy Statement (Incorporated herein)
10.0	Lease Agreement for 256 Meeting Street (Filed with 1995 10-KSB)
10.1	Sublease Agreement for Parking Facilities at 256 Meeting Street (Filed with 1995 10-KSB)
10.2	Lease Agreement for 100 N. Main Street, Summerville, SC (Filed with 1995 10-KSB)
10.3	Lease Agreement for 1337 Chuck Dawley Blvd., Mt. Pleasant, SC (Filed with 1995 10-KSB)
10.4	Lease Agreement for 1071 Morrison Drive, Charleston, SC (Filed With 2010 10-K)
10.5	1998 Omnibus Stock Incentive Plan (Filed with 2008 10-K/A)
	2010 Omnibus Stock Incentive Plan (Filed with 2010 Proxy Statement)
10.6	Employee Stock Ownership Plan (Filed with 2008 10-K/A)
	Employee Stock Ownership Plan, Restated (Incorporated herein)
10.7	2010 Omnibus Incentive Stock Option Plan (Filed with 2010 Proxy Statement)
13.0	2011 10-K (Incorporated herein)
14.0	Code of Ethics (Filed with 2004 10-KSB)
21.0	List of Subsidiaries of the Registrant (Filed with 1995 10-KSB)
	The Registrant's only subsidiary is The Bank of South Carolina (Filed with 1995 10-KSB)
23.1	Consent of Independent Registered Public Accounting Firm (Incorporated herein)
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) by Chief Executive Officer
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer

32.1 Certification pursuant to Section 1350
32.2 Certification pursuant to Section 1350

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 23, 2012	BANK OF SOUTH CAROLINA CORPORATION
	By: /s/Sheryl G. Sharry Sheryl G. Sharry Chief Financial Officer Executive Vice President and Treasurer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

February 23, 2012	/s/David W. Bunch David W. Bunch, Director
February 23, 2012	/s/Graham M. Eubank, Jr. Graham M. Eubank, Jr., Director
February 23, 2012	/s/Fleetwood S. Hassell Fleetwood S. Hassell, Executive Vice President & Director
February 23, 2012	/s/Glen B. Haynes Glen B. Haynes, DVM, Director
February 23, 2012	____________________________ William L. Hiott, Jr., Director
February 23, 2012	/s/Katherine M. Huger Katherine M. Huger, Director
February 23, 2012	/s/Richard W. Hutson, Jr. Richard W. Hutson, Jr., Director
February 23, 2012	/s/Charles G. Lane Charles G. Lane, Director

February 23, 2012	/s/Hugh C. Lane, Jr. Hugh C. Lane, Jr., President, Chief Executive Officer & Director
February 23, 2012	/s/Louise J. Maybank Louise J. Maybank, Director
February 23, 2012	/s/Linda J. Bradley McKee Linda J. Bradley McKee, PHD,CPA, Director
February 23, 2012	/s/Alan I. Nussbaum Alan I. Nussbaum, MD, Director
February 23, 2012	/s/Edmund Rhett, Jr. Edmund Rhett, Jr., MD, Director
February 23, 2012	/s/Malcolm M. Rhodes Malcolm M. Rhodes, MD, Director
February 23, 2012	/s/David R. Schools David R. Schools, Director
February 23, 2012	/s/Sheryl G. Sharry Sheryl G. Sharry Chief Financial Officer, Executive Vice President & Treasurer, Director
February 23, 2012	/s/Steve D. Swanson Steve D. Swanson, Director

EXHIBIT 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 15 U.S.C. 78m(a) or 78o(d) (SECTION 302 OF THE SARBANES-OXLEY ACT)

CERTIFICATION

I, Hugh C. Lane, Jr. certify that:

1. I have reviewed this Annual Report on Form 10-K of the Bank of South Carolina Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report.

4. The registrant’s other certifying officer (s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within the entity, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of registrant’s disclosure controls and procedures within 90 days prior to the filing date of the report and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any changes in registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting: and

5. The registrant’s other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant’s internal control over financial reporting.

February 23, 2012

/s/Hugh C. Lane, Jr.
Hugh C. Lane, Jr.
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 15 U.S.C. 78m(a) or 78o(d) (SECTION 302 OF THE SARBANES-OXLEY ACT)

CERTIFICATION

Certification of Principal Financial Officer

I, Sheryl G. Sharry certify that:

1. I have reviewed this Annual Report on Form 10-K of the Bank of South Carolina Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within the entity, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures within 90 days prior to the filing date of the report and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, registrant's internal control over financial reporting: and

5. The registrant's other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in registrant's internal control over financial reporting.

February 23, 2012

/s/Sheryl G. Sharry
Sheryl G. Sharry
Chief Financial Officer
Executive Vice President and Treasurer

Exhibit 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 USC 1350 (Section 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Hugh C. Lane, Jr., President of Bank of South Carolina Corporation (the "Company"), certify, that to the best of my knowledge, based upon a review of the annual report on Form 10K for the period ended December 31, 2011 of the Company (the "Report"):

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (U.S.C. 78m or 78o(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2012

BY: /s/Hugh C. Lane, Jr.
Hugh C. Lane, Jr.
President

Exhibit 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 USC 1350 (Section 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Sheryl G. Sharry Chief Financial Officer, Executive Vice President and Treasurer of Bank of South Carolina Corporation (the "Company"), certify that to the best of my knowledge, based upon a review of the annual report on Form 10K for the period ended December 31, 2011 of the Company (the "report):

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2012

BY: /s/Sheryl G. Sharry
Sheryl G. Sharry
Chief Financial Officer
Executive Vice President & Treasurer

SUMMARY PLAN DESCRIPTION

THE BANK OF SOUTH CAROLINA

EMPLOYEE STOCK OWNERSHIP PLAN

PREPARED JANUARY 2012

TABLE OF CONTENTS

INTRODUCTION

TYPE OF PLAN

Effective January 1, 2012, The Bank of South Carolina amended its employee stock ownership plan. The plan is named the The Bank of South Carolina Employee Stock Ownership Plan, but it will be referred to in this summary as the "Plan."

PLAN SPONSOR

The Bank of South Carolina is the sponsor of the Plan, and will sometimes be referred to in this summary as the *Sponsoring Employer*, the *Employer*, *we*, *us* or *our*. Our address is 256 Meeting Street, Charleston, SC 29401; our telephone number is (843) 724-1500; and our employer identification number is 57-0825951.

PURPOSE OF THIS SUMMARY

This booklet is called a Summary Plan Description (the *SPD*) and it is meant to describe highlights of the Plan in understandable language. It is not, however, meant to be a complete description of the Plan, nor is it meant to interpret, extend or change the provisions of the Plan in any way. If there is a conflict between this SPD and the Plan, the provisions of the Plan control your right to benefits. A copy of the Plan and related documents are on file with the Administrator and you can read them at any reasonable time. Also, no provision of the Plan or this SPD is intended to give you the right to continued employment or to prohibit changes in the terms or conditions of your employment. If you have any questions that are not addressed in this summary, you can contact the Administrator (who is described in the next section) during normal business hours.

PLAN ADMINISTRATION

PLAN TRUSTEE

The Plan is administered under a written plan and trust agreement. The trustees are responsible for trusteeing the Plan's assets. The trustees are Hugh C. Lane, Jr., Fleetwood S. Hassell, David R. Schools and Sheryl G. Sharry. The trustees can be contacted at 256 Meeting Street, Charleston, SC 29401.

PLAN ADMINISTRATOR

All matters other than investments that concern the operation of the Plan are the responsibility of the Administrator. The Administrator is The Bank of South Carolina, whose address is 256 Meeting Street, Charleston, SC 29401, and whose telephone number is (843) 724-1500. The Administrator has the power and authority to interpret the terms of the Plan based on the Plan document and existing laws and regulations, as well as the power to determine all questions that arise under the Plan. Such power and authority include, for example, the administrative discretion necessary to resolve issues with respect to an employee's eligibility for benefits, credited service, Disability, and retirement, or to interpret any other term contained in the Plan and related documents. The Plan Administrator's interpretations and determinations are binding on all Participants, employees, former employees, and their beneficiaries.

PLAN NUMBER

For identification purposes, we have assigned number 001 to the Plan.

SERVICE OF LEGAL PROCESS

If you have to bring legal action against the Plan for any reason, legal process can be served on the President of the sponsoring employer at 256 Meeting Street, Charleston, SC 29401. Legal process can also be served on the trustees or on the Administrator.

General Plan Definitions

Many definitions are used in this summary and most are defined in the section where they appear, but the following terms have broader application and are used throughout this summary:

Account

Your Account represents the value of our contributions made to the Plan on your behalf, as well as the net earnings on those contributions. Your Account is divided into several sub-accounts for accounting purposes, including your Company Stock Account, which represents just the Company Stock (and the earnings thereon) allocated to your Account.

Allocation Period

The Allocation Period is the period of time for which a contribution to the Plan is allocated. The Allocation Period is generally the Plan Year, but to the extent contributions are made more frequently than annually, they will be allocated based on the Compensation earned during the Allocation Period. Except as otherwise noted, a contribution for an Allocation Period of less than 12 months will not be adjusted at the end of the Plan Year to reflect annual Compensation.

Break in Service

You will incur a Break in Service if you fail to perform, in any 12-month computation period, more than 500 Hours of Service for eligibility purposes and more than 500 Hours of Service for Vesting purposes. A Break in Service may affect your eligibility to receive an allocation of contributions and the number of your Years of Service which are counted in determining your Vested Interest in your Account.

Company Stock

Company Stock means common stock we issue which is either voting common stock or preferred stock convertible into voting common stock.

Disability

Disability is a physical or mental condition you suffer while you are a Participant that, in the opinion of a doctor approved by the Administrator, totally and permanently prevents you from performing your specified duties.

Early Retirement Age

Early Retirement Age is any Anniversary Date coinciding with or following the date you reach age 55 and complete at least 5 Years of Service.

Exempt Loan

An Exempt Loan is a loan made to the Plan, generally by a bank, the proceeds of which are used to buy Company Stock on behalf of the Plan.

Hour of Service

An Hour of Service is any hour for which you have a right to be paid by us, including hours you are paid for vacation, holidays, illness, back pay and maternity leave.

Normal Retirement Age

Normal Retirement Age is the date you reach Age 65.

Plan Year

The Plan Year is the 12-month accounting year of the Plan, and it begins each January 1st and ends the following December 31st.

Vested Interest

Your Vested Interest is the percentage of your Account to which you are entitled at any point in time. However, notwithstanding any other vesting schedule set forth in this summary, as a Participant in the Plan, you will have a 100% Vested Interest in your Account upon reaching Normal (or Early) Retirement Age prior to termination of employment, upon your death prior to termination of employment, or upon suffering a Disability prior to termination of employment.

YEAR OF SERVICE

A Year of Service is a period of time used to determine your eligibility to participate in the Plan and to determine your Vested Interest. A Year of Service for eligibility purposes is a 12-month computation period in which you are credited with at least 1,000 Hours of Service. Your initial eligibility computation period begins on your date of hire. Your second eligibility computation period overlaps your first eligibility computation period and begins on the first day of the Plan Year which begins prior to the first anniversary of your date of hire. For example, if your date of hire is March 1st, your first eligibility computation period will end on the last day of the following February, but your second eligibility computation period will have already begun on the immediately preceding January 1st and will end the following December 31st. Each succeeding eligibility computation period (if required) will begin January 1st and end December 31st. A Year of Service for vesting purposes is a 12-month computation period in which you are credited with at least 1,000 Hours of Service. The vesting computation period in this Plan is the Plan Year.

EMPLOYER CONTRIBUTIONS

HOW THE CONTRIBUTION IS DETERMINED

Making contributions to the Plan for any Plan Year is entirely discretionary on our part, as is the amount of any such contribution we may decide to make.

HOW YOU BECOME A PARTICIPANT

To become a Participant in the Plan, you must satisfy the following criteria (described in more detail below): (a) you must be an Eligible Employee; (b) you must satisfy the age requirement and the service requirement; and (c) you must be employed by us on the applicable entry date.

- **ELIGIBLE EMPLOYEES.** All employees are considered to be Eligible Employees except for the following ineligible classes of Employees: (a) employees whose employment is governed by a collective bargaining agreement in which retirement benefits were the subject of good faith bargaining; (b) employees who are non-resident aliens who do not receive earned income from us which constitutes income from sources within the United States; (c) anyone who becomes an employee as the result of a merger or other acquisition; (d) anyone who is a leased employee; (e) employees who are employed by an affiliated employer which does not adopt this Plan; and (f) any person who is deemed by the Employer to be an independent contractor on his or her employment commencement date and on the first day of each subsequent Plan Year, even if such person is later determined by a court or a governmental agency to be or to have been an Employee.

- **AGE REQUIREMENT.** You must be at least 21 years of age.

- **SERVICE REQUIREMENT.** You must be credited with at least 1 Year of Service.

- **ENTRY DATE.** You will enter the Plan as a Participant on the January 1st which occurs nearest to the date that you first satisfy both the age and the service requirements described above.

HOW YOU QUALIFY FOR A CONTRIBUTION ALLOCATION

For any Allocation Period in which we make a contribution, a portion of that contribution will be allocated to your Account if (1) you are a Participant in the Plan as described above; and (2) you satisfy the conditions described below for the Allocation Period.

- **ACTIVE PARTICIPANTS.** If you are still employed by us on the last day of an Allocation Period, you will be eligible to receive an allocation if you are credited with at least 1,000 Hours of Service during the Allocation Period.

- **TERMINATED PARTICIPANTS.** If you terminate employment with us before the last day of an Allocation Period because of your retirement on or after Normal or Early Retirement Age, or because of your death or Disability, you will be eligible to receive an allocation regardless of your service during the Allocation Period. If you terminate employment with us before the last day of an Allocation Period for any other reason, you will not be eligible to receive an allocation for that Allocation Period.

HOW THE CONTRIBUTION IS ALLOCATED

Contributions are allocated in the ratio that your Compensation for the Plan Year bears to the total Compensation of all Participants eligible for an allocation for the Plan Year. This means that the amount allocated to each eligible Participant's Account will, as a percentage of Compensation, be the same. For example, if the contribution is equal to 5% of all eligible Participant's Compensation, that's the amount that will actually be allocated each eligible Participant's Account.

HOW YOUR COMPENSATION IS DETERMINED

The amount of your Compensation used in determining the amount of contribution allocated to your Account is the amount you receive from us during the Plan Year as reported on your Form W-2, excluding any amount in excess of the annual dollar limitation on compensation imposed by law, which is $250,000 for the Plan Year beginning in 2012, and which will thereafter be the amount set annually by law.

HOW YOUR VESTED INTEREST IS DETERMINED

Your Vested Interest in your Account, including any earnings allocated to this account from time to time, is determined by the vesting schedule following this paragraph, based on your credited Years of Service at the time the determination is made. In determining your Vested Interest, all of your Years of Service will be counted except those that were credited prior to the date you reached age 18. Any part of your Account which is not vested will be forfeited when you receive a distribution of your Vested Interest (or after you incur 5 consecutive Breaks in Service, if earlier) and will be allocated to the other Participants.

1 Year of Service...............0% Vested
2 Years of Service ....25% Vested
3 Years of Service ....50% Vested
4 Years of Service ....75% Vested
5 Years of Service ....100% Vested

Notwithstanding the Vesting schedule set forth above, your Vested Interest in your Account will be increased to 100% when you reach your Normal Retirement Age, provided you haven't terminated employment with the Company. Your Vested Interest will also be increased to 100% if you die or suffer a Disability before you terminate employment with the Company.

TOP HEAVY REQUIREMENTS

Under certain circumstances, you may be entitled to a minimum allocation for any Plan Year in which the Plan is considered "top heavy." The Plan is considered top heavy for any Plan Year in which more than 60% of Plan assets are allocated to the Accounts of Participants who are "key" employees (that is, employees who satisfy certain ownership requirements and employees who are officers and whose Compensation for the Plan Year exceeds certain IRS limits). The Plan automatically satisfies this requirement in any Plan Year in which we contribute on your behalf to another plan (if any) that we sponsor. However, if the Plan is not exempt, then for each Plan Year in which the Plan is considered top heavy and in which you are a "non-key" employee who is employed by us on the last day of the Plan Year, you will receive a minimum allocation equal to the lesser of 3% of your Compensation or the highest percentage of Compensation allocated for that Plan Year to the Accounts of Participants who are key employees.

Maximum Allocation Limitations

The amount that can be allocated to your Account for any Plan Year is limited by law, but the limit only applies to the sum of our contributions and any forfeitures allocated to your Account. The annual limit is the lesser of 100% of your Compensation or the annual dollar limitation on allocations imposed by law, which is $50,000 for the Plan Year beginning in 2012, and which will thereafter be the amount set annually by law. This limitation does not apply to the amount of earnings that can be allocated to your Account or to any other funds transferred to this Plan on your behalf from another retirement plan.

Distribution Of Benefits

Distributions for Reasons Other Than Death

Your Vested Interest will be distributed within an administratively reasonable time after you terminate employment because of retirement on or after your Normal Retirement Age. If you terminate employment for any other reason (other than death), your Vested Interest will be distributed within an administratively reasonable time after the last day of the Plan Year in which you terminate employment. Your Vested Interest will be distributed in a lump sum. You can elect to have this amount paid directly to you or rolled over to another qualified plan or individual retirement account.

Lump Sum Cash-Outs

If your Vested Interest $1,000 or less (including your Rollover Account), it will be distributed in a lump sum as soon as administratively reasonable after you terminate employment, even if the time you would normally be entitled to a distribution as described in the preceding paragraph has not yet occurred. In such event, you can elect to have your Vested Interest paid to you or rolled over to another qualified plan or individual retirement account.

Distributions Upon Death

Your Vested Interest will be distributed to your beneficiary as soon as administratively practicable after your death. If you are not married, you can name anyone to be your beneficiary. If you are married, your spouse by law is your beneficiary unless he or she waives the death benefit in writing. Your Vested Interest will be distributed to your beneficiary in a lump sum.

If your death occurs *before* the date that minimum distributions must begin (as described in the preceding section), the distribution of your Vested Interest to your beneficiary must be made within certain legal timeframes which are dependent upon several factors, including (1) whether you have a designated beneficiary, (2) your relationship to the beneficiary (spousal or non-spousal beneficiary) and (3) certain elections that your beneficiary may make after your death. Please contact the Administrator for more information regarding payments to beneficiaries. However, if your death occurs *after* the date that minimum distributions must begin, the minimum death benefit that must be paid to your beneficiary each year after your death is based on the longer of your remaining life expectancy (had you survived) or the remaining life expectancy of your beneficiary. Your beneficiary may also choose to accelerate the payment rate.

Any death benefit received by your spouse can be rolled over to an IRA. A non-spouse beneficiary may establish a special IRA (an "Inherited IRA") that can receive a direct rollover of all (except for any required minimum distributions) or a portion of a death benefit that would be distributed from the Plan to that non-spouse beneficiary.

Certain portions of a death benefit may not be eligible to be rolled over into an Inherited IRA. If you (a deceased Participant) needed to take a required minimum distribution in the year of your death (but you have not yet taken that required minimum distribution), then that required minimum distribution cannot be rolled over from the Plan into an Inherited IRA. Similarly, if the non-spouse beneficiary needs to take any required minimum distribution from the Plan for the year in which the direct rollover occurs (or any prior year), then the non-spouse beneficiary cannot roll over that required minimum distribution into an Inherited IRA.

If a non-spouse beneficiary elects to roll over the death benefit to an Inherited IRA, then the inherited IRA will be subject to complicated required minimum distribution rules. You should inform your non-spouse beneficiary that (a) he or she is designated to receive your death benefit, and (b) your death benefit can be rolled over to an Inherited IRA. The non-spouse beneficiary should discuss any planning issues and tax consequences with their professional tax advisor with respect to a direct rollover of your death benefit into an Inherited IRA.

FORM OF DISTRIBUTION

Your Vested Interest will generally be distributed in the form of Company Stock. However, if the stock is not readily tradable, you can sell it back to us at its current fair market value during the 60-day period immediately following the distribution (or during an additional 60-day period in the year following the distribution). Moreover, if we are an S Corporation or our charter or by-laws restrict the ownership of Company Stock to employees or to the Plan, we can require you to sell the stock back to us (or we can elect to distribute your entire Vested Interest in cash rather than Company Stock).

RIGHT OF FIRST REFUSAL

Any Company Stock distributed to you that is not readily tradable is subject to a right of first refusal. This means that we have the right to match any offer you receive from a third party for the stock.

INVESTMENT OF ACCOUNTS

Your Account will be placed in the fund maintained by us, which will be invested primarily in Company Stock. Any part of your Account which is not invested in Company Stock will be invested in a diversified portfolio which may include savings and/or money market accounts, stocks, bonds, mutual funds, and insurance company funds.

Once you reach age 55 and you have been a Participant in the Plan for at least 10 years, you have the right during the following five years to diversify up to a total of 25% of the Company Stock in your Account that was acquired after December 31, 1986. During the sixth year, you can diversify up to a total of 50% of the Company Stock in your account that was acquired after December 31, 1986, minus any previously diversified shares. To satisfy this requirement, the Plan will allow you to take diversification withdrawals in Company Stock. However, this right only applies if your Company Stock Account exceeds $500.

TAX WITHHOLDING ON DISTRIBUTIONS

Due to the complexity and frequency of changes in the federal laws that govern benefit distributions, penalties and taxes, the following is only a brief explanation of the law and IRS rules and regulations as of the date this summary is issued. You will receive additional information from the Administrator at the time of any benefit distribution, and you should consult your tax advisor to determine your personal tax situation before taking the distribution.

DIRECT ROLLOVERS NOT SUBJECT TO TAX

Any eligible distribution that is directly rolled over to another eligible retirement account (either another qualified retirement plan or an individual retirement account) is not subject to income tax withholding. Generally, any part of a distribution from this Plan can be directly rolled over to another eligible retirement account unless the distribution (1) is part of a series of equal periodic payments made over your lifetime, or over the lifetime of you and your beneficiary, or over a period of 10 years or more; or (2) is a minimum benefit payment which must be paid to you by law. There are other distributions that are not eligible for direct rollover treatment, and you should contact the Administrator if you have questions about a particular distribution.

20% WITHHOLDING ON TAXABLE DISTRIBUTIONS

If you have your benefit paid to you and it's eligible to be rolled over, you only receive 80% of the benefit payment. The Administrator is required to withhold 20% of the benefit payment and remit it to the Internal Revenue Service as income tax withholding to be credited against your taxes. If you receive the distribution before you reach age 59½, you may also have to pay an additional 10% tax. You can still rollover all or a part of the 80% distribution that is paid to you by putting it into an IRA or into another qualified retirement plan within 60 days of receiving it. If you want to rollover 100% of the eligible distribution to an IRA or to another qualified retirement plan, you must find other money to replace the 20% that was withheld. You cannot elect out of the 20% withholding (1) unless you are permitted (and elect) to leave your benefit in this Plan, or (2) unless you have 100% of an eligible distribution transferred directly to an IRA or to another qualified retirement plan that accepts rollover contributions.

CLAIMS PROCEDURE

If you feel that you are entitled to a benefit that you are not receiving from the Plan, you can make a written request to the Plan Administrator (or its delegate) for that benefit. Benefits fall into two categories – Disability related benefits and non-Disability related benefits. The claims procedure for each benefit is similar, but there are differences. The claims procedure and appeals process for each type of benefit is explained in more detail below.

CLAIMS FOR NON-DISABILITY BENEFITS

If you feel that you are entitled to a non-Disability related benefit that you are not receiving, you can make a written request to the Administrator (or its delegate) for the benefit. If your request is denied, you will be informed by written or electronic notice within 90 days after the Administrator receives your request. This notice will contain the following information: (a) the specific reason or reasons for denial; (b) specific reference to the Plan provisions on which the denial is based; (c) a description of any additional material or information necessary in order to present a thorough appeal and an explanation of why such material or information is needed; and (d) an explanation of the claim appeal procedure and time limits applicable to the procedure, including a statement of your right to bring a civil action under ERISA Section 502 after a denial on appeal.

Note: If the Administrator needs more than 90 days to review your claim for benefits, you will be advised by written or electronic notice within 90 days after the Administrator receives your claim. The notice will tell you why the Administrator needs more time (which cannot exceed an additional 90 days), and the date by which you can expect a decision.

If you disagree with the Administrator's decision to deny your claim, you can appeal the denial to the Administrator. You must submit this appeal to the Administrator within 60 days after the date that you receive the notice of denial of your initial claim. For purposes of the review, you have the right to (a) submit written comments, documents, records and other information relating to the claim for benefits; (b) request, free of charge, reasonable access to, and copies of all documents, records and other information relevant to your claim for benefits; and (c) a review that takes into account all comments, documents, records, and other information you submitted relating to the claim, regardless of whether the information was submitted or considered in the initial decision.

Your denied claim will be reviewed by the Administrator and within 60 days after receipt of the request for review you will receive a written or electronic notice of the Administrator's decision. The notice will (a) provide the specific reason or reasons for denial; (b) refer to the provisions of the Plan on which the denial is based; (d) contain a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and (d) describe any voluntary appeal procedures offered by the Plan and your right to obtain information about the procedures, and a statement of your right to bring a civil action if you disagree with the Plan Administrator's decision on appeal.

Note: If the Administrator needs more than 60 days to review your denied claim, you will be advised in writing (or electronically) within 60 days after the Administrator receives the request for review. The notice will tell you why the Administrator needs more time (up to an additional 60 days), and the date by which you can expect a decision.

Claims for Disability Benefits

If you feel that you are entitled to a Disability-related benefit that you are not receiving, you can make a written request to the Plan Administrator (or its delegate) for the benefit. If your request is denied, you will be informed by written or electronic notice within 45 days after the Administrator receives your request. This notice will contain the following information: (a) the specific reason or reasons for denial; (b) specific reference to the Plan provisions on which the denial is based; (c) a description of any additional material or information necessary in order to present a thorough appeal and an explanation of why such material or information is needed; and (d) an explanation of the claim appeal procedure and time limits applicable to the procedure, including a statement of your right to bring a civil action under ERISA Section 502 after a denial on appeal. In addition, if an internal rule, guideline, protocol, or other similar criterion was used in making the adverse determination, the notice must provide either the specific rule, guideline, protocol, or other similar criterion, or a statement that the rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination and that a copy of the rule, guideline, protocol, or other criterion will be provided to you free of charge upon request; and if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, the notice must provide either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that the explanation will be provided to you free of charge upon request.

Note: If the Administrator needs more than 45 days to review your claim for benefits because of matters beyond the Administrator's control, you will be advised by written or electronic notice within 45 days after the Administrator receives your claim. The notice will tell you why the Administrator needs more time (which cannot exceed an additional 30 days) and the date by which you can expect a decision. If, prior to the end of the first 30-day extension period, the Administrator determines that more time is needed to review your claim, then the period for making the determination can be extended for up to an additional 30 days if you are notified prior to the expiration of the first 30-day extension period why an extension is needed and the date by which the Administrator expects to render a decision. Any notice of extension will specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and your will be afforded at least 45 days within which to provide the specified information.

If you disagree with the Administrator's decision to deny your claim, you can appeal the denial to the Administrator, who will then appoint an independent party to review your appeal. You must submit this appeal to the Administrator within 180 days after the date that you receive the notice of denial of your initial claim. If your appeal is based in whole or in part based on a medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, then the party reviewing your appeal will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. You will also be given the name of any medical or vocational expert whose advice was obtained by the Administrator in connection with the initial denial, even if the advice was not relied upon in denying your claim.

Your denied claim will be reviewed by the Plan Administrator and within 45 days after receipt of the request for review you will receive a written notice of the Plan Administrator's decision. The notice will (a) provide the specific reason(s) for the denial; (b) refer to the provisions of the Plan on which the denial is based; (d) contain a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and (d) describe any voluntary appeal procedures offered by the Plan and your right to obtain information about the procedures, and a statement of your right to bring a civil action if you disagree with the Plan Administrator's decision on appeal.

Note: If the Plan Administrator needs more than 45 days to review your denied claim, you will be advised in writing within 45 days after the Administrator receives the request for review. The notice will tell you why the Plan Administrator needs more time (which cannot exceed an additional 45 days), and the date by which you can expect a decision.

OTHER INFORMATION

ATTACHMENT OF YOUR ACCOUNT

Your creditors cannot garnish or levy upon your Account except in the case of a proper Internal Revenue Service tax levy, and you cannot assign or pledge your Account except as directed through a Qualified Domestic Relations Order as part of a divorce, child support or similar proceeding in which a court orders that all or part of your Account be transferred to another person (such as your ex-spouse or your children). The Plan has a procedure for processing QDROs, which you can obtain free of charge from the Administrator.

AMENDMENT OR TERMINATION OF THE PLAN

Although we intend for the Plan to be permanent, we can amend or terminate it at any time. Upon termination, all Participants will have a 100% Vested Interest in their Accounts as of the date of termination, and all Accounts will be available for distribution at such time and in such manner as would have been permissible had the Plan not been terminated.

ACCOUNTS ARE NOT INSURED

Your Account is not insured by the Pension Benefit Guaranty Corporation (PBGC) because the insurance provisions of the ERISA do not apply to employee stock ownership plans. For more information on PBGC coverage, ask the Administrator or contact the PBGC. Written inquiries to the PBGC should be addressed to: Technical Assistance Division, PBGC, 1200 K Street NW, Suite 930, Washington, D.C. 20005-4026. You can also call with any questions at (202) 326-4000.

PAYMENT OF PLAN EXPENSES

The Plan routinely incurs expenses for the services of lawyers, actuaries, accountants, third party administrators, and other advisors. Some of these expenses may be paid by us directly while others may be paid from Plan assets. The expenses that are paid from Plan assets will be shared by all Participants either on a pro-rata basis or an equal dollar basis. If the expense is paid on a pro-rata basis, an amount will be deducted from your Account based on its value as compared to the total value of all Participants' Accounts. For example, if the Plan pays $1,000 of expenses and your Account constitutes 5% of the total value of all Accounts, $50 would be deducted from your Account ($1,000 x 5%) for its share of the expense. On the other hand, if the expense is paid on an equal dollar basis, the expense is divided by the number of Participants and then the same dollar amount is deducted from each Participant's Account.

VOTING OF COMPANY STOCK

If the Company Stock in your Account is publicly traded, you can direct how it will be voted on any matter put before the shareholders of the Company. If the Company Stock in your Account is not publicly traded, you only have the right to vote if the matter put before the shareholders involves the approval or disapproval of a merger, consolidation, recapitalization, reclassification, liquidation, dissolution, or a sale of substantially all corporate assets.

PARTICIPANTS RETURNING FROM ACTIVE MILITARY DUTY

If you leave to go on active military duty and you satisfy all of the requirements under the Uniformed Services Employment and Reemployment Rights Act (USERRA) to be reemployed by us upon completion of that service, then upon your reemployment we will make contributions to the Plan equal to the amount that would otherwise have been made for you but for the fact that you left for military duty. These contributions will be based upon the amount of Compensation that you would have otherwise received from us during your period of military service.

If you have USERRA reemployment rights and you die on or after January 1, 2007 while you are performing your military service, you will be entitled to the same Vesting rights as if you had actually been reemployed by us immediately prior to the date of your death (that is, your Account will be considered 100% Vested).

Statement of ERISA Rights

Basic Rights

As a Participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan Participants are entitled to (1) examine, without charge, at the Plan Administrator's office and at other specified locations, such as work-sites and union halls, all Plan documents, including insurance contracts, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions (2) obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies; (3) receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report; and (4) obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age (as defined elsewhere in this summary) and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.

Duties of Plan Fiduciaries

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for operating the Plan. The people who operate your Plan, who are called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforcement of Rights

If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce these rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits that is denied, in whole or in part, you have the right to use the Plan's claim procedures to request review of the claim and to request arbitration if your claim continues to be denied (in whole or in part) on review. If your claim for benefits is ignored, you may file suit in a state or Federal court. If you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Contact Information

If you have any questions about your Plan, you should contact the Administrator. If you have any questions about this statement or your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration (formerly known as the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You can also go the Department of Labor's website at http://www.dol.gov/ebsa/publications/wyskapr.html where you can review a publication called "*What You Should Know About Your Retirement Plan*."

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Bank of South Carolina Corporation

We consent to the incorporation by reference in Registration Statement on Form S-3 of our report dated February 23, 2012, relating to the consolidated balance sheet of Bank of South Carolina Corporation and Subsidiary as of December 31, 2011 and related consolidated statements of operations, shareholders' equity and comprehensive income and cash flows for the year then ended, which report appears in the December 31, 2011 Annual Report on Form 10K and to the reference to our Firm under the heading "Experts" in the Registration Statement.

/s/ Elliott Davis, LLC

Charleston, South Carolina
February 23, 2012

Corporate Information

FRONT ROW FROM LEFT TO RIGHT:
William L. Hiott, Jr.
Charles G. Lane
Louise J. Maybank
Linda J. Bradley McKee, PhD, CPA
Katherine M. Huger
Glen B. Haynes, DVM
Graham M. Eubank, Jr.
Fleetwood S. Hassell

BACK ROW FROM LEFT TO RIGHT:
David R. Schools
David W. Bunch
Sheryl G. Sharry
Hugh C. Lane, Jr.
Richard W. Hutson, Jr.
Edmund Rhett, Jr., MD
Malcolm M. Rhodes, MD
Alan I. Nussbaum, MD

OFFICERS

*Hugh C. Lane, Jr.
President &
Chief Executive Officer

*Sheryl G. Sharry
Executive Vice President &
Chief Financial Officer

*Fleetwood S. Hassell
Executive Vice President

*Richard W. Hutson, Jr.
Secretary

*Janice B. Stanley
Assistant Secretary

Sally I. Altman
Senior Vice President

Rovina Andrade
Branch Manager

Stacy Arnett
Commercial Services Officer

Lucy E. Ashley
Vice President

Nancy Batchelder
Vice President

Rhett D. Bearden
Vice President

Susanne K. Boyd
Vice President

Mignonne H. Buhrmaster
Vice President

Jean Bullock
Vice President

C. Lynn Christian
Senior Vice President

Ellen J. Cox
Assistant Vice President

Jennifer A. Crabb
Assistant Vice President

Leon B. de Brux
Senior Vice President

Andrew W. Geer
Assistant Vice President

Ryan Gesser
Vice President

Ann S. Gregorie
Vice President

Della M. Kirsch
Assistant Vice President

Ford Menefee
Vice President

Helene H. Mixon
Senior Vice President

Candice L. Nicodin
Senior Vice President

Willette M. Parker
Vice President

Timeela Rivers
Assistant Operations Officer

Bret Roesner
Assistant Vice President

Douglas H. Sass
Senior Vice President

Tracy Searson
Assistant Vice President

Gregory R. Shuler
Senior Vice President

Valerie C. Stone
Vice President

Ronald L. Strawn
Senior Vice President

Terry S. Strawn
Senior Vice President

Chase Talbert
Loan Officer

Costa Thomas
Operations Officer

Tammy Tucker
Assistant Vice President

Laura Wells
Branch Manager

Carson Williams
Vice President

EMPLOYEES

Greg Aumiller
Emily Bailey
Linda Batdorff
Patti Black
Linda Bryant
Martha Cole
Jessica Cottingham
Rebecca Crane
Michelle Crisp
Melonye Evans
Casey Figueroa
Heather Flynn
Susan Getz
Ruth Green
Eric Haskins
Constance Hilliard
Robert Hollings
Eugenia Hollington
Ellen James
Gail Johanson
Thomas Johnson
Jo-Chi Mao
Stephen Mappus
Linda Menor
Kyle Osborne
Lisa Pearl
Sarah Pearson
Rebecca Pollack
Elizabeth Ryan
Zachary Shaw
Andy Slanker
Eleanor Tucker
Tammy Tucker
Brian Turner
Jimmy Waring
Susan West
Gantt Williams

Bank of South Carolina Corporation's common stock trades on the NASDAQ Stock Market under the symbol "BKSC"

Visit www.banksc.com

Officers of the Corporation and of the Bank. Other Officers are Officers of the Bank only.

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The Bank of South Carolina

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